

Oil & gas 2011 production preview: historical records both in oil and gas production expected



Russian crude oil output in 2011, mln tonnes

	2011	2010	YoY
Total Russia	511.0	504.6	1.3%
Rosneft	114.5	113.3	1.1%
Lukoil	85.3	90.1	-5.3%
TNK-BP	72.6	71.9	1.0%
Surgutneftegaz	60.8	59.5	2.1%
Gazprom Neft	30.1	29.9	0.8%
Tatneft	26.2	26.1	0.4%
Slavneft	18.1	18.4	-1.7%
Bashneft	15.1	14.2	6.5%
Gazprom	14.8	13.6	9.0%
Rusneft	13.7	12.9	5.8%
NOVATEK	4.1	3.6	13.4%

Source: Ministry of Energy, Gazprombank estimates

Russian gas output in 2011, Bcm

	2011	2010	YoY
Total Russia	667.9	650.3	2.7%
Gazprom	507.0	508.5	-0.3%
NOVATEK	52.6	37.7	39.7%
Lukoil	15.9	15.4	3.5%
Surgutneftegaz	12.9	13.4	-3.5%
Rosneft	11.7	11.5	1.9%
TNK-BP	12.2	11.6	5.6%

Source: Ministry of Energy, Gazprombank estimates

Russian December daily oil output, '000 bpd

	Dec 11	Nov 11	Dec 10	MoM	YoY
Rosneft	2,308	2,310	2,261	-0.1%	2.1%
Lukoil	1,687	1,688	1,760	-0.1%	-4.1%
TNK-BP	1,462	1,476	1,439	-1.0%	1.6%
Surgutneftegaz	1,222	1,222	1,212	0.0%	0.8%
Gazprom neft	615	611	593	0.7%	3.8%
Tatneft	526	527	519	-0.1%	1.4%
Slavneft	363	364	367	-0.2%	-1.0%
Bashneft	306	306	291	-0.2%	5.1%
Gazprom	307	307	282	0.2%	8.9%
Rusneft	279	281	266	-0.6%	4.9%
Total Russia	10,297	10,334	10,195	-0.4%	1.0%
Refining	4,974	5,065	4,944	-1.8%	0.6%

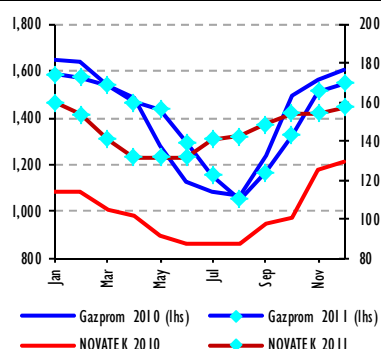
Source: Ministry of Energy, Gazprombank estimates

Russian December daily gas output, mmmcpd

	Dec 11	Nov 11	Dec 10	MoM	YoY
Gazprom	1,545	1,515	1,596	2.2%	-3.0%
Novatek	157	155	126	1.7%	24.4%
Other oil co.	189	186	175	1.3%	7.9%
Other gas co.	134	127	135	5.3%	-0.7%
Total Russia	2,024	1,983	2,032	2.1%	-0.4%

Source: Ministry of Energy, Gazprombank estimates

Gazprom, Novatek daily gas output, 2010-2011, mmmcpd



Source: Ministry of Energy, Gazprombank estimates

After the New Year holidays, we expect the Russian Ministry of Energy to report the preliminary data on Russian oil and gas production for December and full year 2011. Based on the ministry's preliminary daily data, we expect 2011 Russian crude oil output to set a new historical record of 511 mln tonnes, up 1.3% YoY. Gas production in 2011 is expected to increase by 2.7% YoY to 668 bcm.

Oil output to rise by 1.3% to a new historical record in 2011. Gazprom, Bashneft, and Rusneft likely the leaders. Lukoil may drop by 5.3%

We expect Russian crude oil production to increase by 1.3% YoY to 511 mln tonnes in 2011 and to set a new historical record of Russian annual oil production in the post-Soviet era. Almost all Russian oil companies should increase production with the exception of Lukoil, whose output is expected to have declined by 5.3% YoY, and Slavneft with a 1.7% YoY drop. Gazprom would be the leader of liquids production growth with excellent 9.0% YoY increase. Bashneft and Rusneft would also show impressive production growth with respective increments of 6.5% YoY and 5.8% YoY, Surgutneftegaz production is expected to grow 2.1%, fuelled by Talakan and other East Siberian fields.

Rosneft and TNK-BP are expected to rise production by about 1% YoY each. Tatneft, as usual, should be more stable with just a 0.4% YoY increase in production.

Gas output: strong 4Q will likely help show a decent 2.7% YoY increase

After the drop in summer, when Russian gas production was down 2-5% YoY, gas output in 4Q11 likely rebounded, with excellent production in November and December. We expect the total Russian gas production to increase by 2.7% YoY to 668 bcm, which is a historical high, 3 bcm more than in 2008.

Although the ministry's data shows a slight YTD decrease of Gazprom's annual gas production, by 0.3% YoY to 507 bcm, we expect that on a consolidated basis, Gazprom's production would grow by some 0.9%. It is an excellent result, as in the autumn the monthly YoY drop almost reached 10%. Counting with equity affiliates, Gazprom's production would be in the red zone as after the reclassification of NOVATEK's shares to long-term financial assets, Gazprom no longer reports its share in the company's output.

Production of NOVATEK will likely rise by 40% YoY climbing to a new high of 52.6 bcm, driven by continued organic growth and M&A. In 2012, the company's production growth is likely to stay within a single-digit figure.

Among other gas producers, TNK-BP may show the most impressive gas production growth, with a 5.6% YoY increase to 12.2 bcm, mainly on output increase at Rospan.

December 2011: TNK-BP may decrease its oil production by 1% MoM, gas production will likely reach the seasonal peak

We expect December to be a pretty stable month for oil production, with almost no unusual fluctuations and new trends. We would like to highlight the expected average daily production drop of TNK-BP (1% MoM to 1.46 mbpd). Gazprom neft may show very good dynamics of 0.7% MoM. Year-on-year growth rate would be close to 4%. Lukoil YoY decrease rate is expected to slow down to 4%, but its output is still going down MoM.

Gas production in December will likely reach the seasonal peak of more than 2 bcm per day. Gazprom has likely shown decent results with 2% MoM growth, but still 3% below the 2010 figures. NOVATEK's production, in our estimates, was up 1.7% MoM and 24.4% YoY.

The outlook for 2012: still an 1-1.5% growth in crude, 3-4% in gas

Overall, we do not expect a significant increase of Russian oil production in 2012, the output will probably decrease by 1-1.5% YoY, led by production growth at Vankor and other key East Siberian fields and better brownfield output dynamics following implementation of 60-66 scheme. On a company-specific basis, we expect positive growth rates of Rosneft, TNK-BP, Gazprom neft, and Surgutneftegas, 0.2-0.4% growth for Tatneft, continued growth of liquids production by Gazprom, and stabilization of Bashneft production. Lukoil and Slavneft oil output is likely to remain in red zone.

Gas production in 2012 to a significant extent would depend on the rates of demand recovery for Russian gas in the EU, as well as on weather conditions in winter. Based on our GDP growth forecast of 3.5% we can expect a 3-4% YoY increase in Russia's gas output.

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