



BUSINESS

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Deputy Prime Minister Trinh Dinh Dung visits Zarubezhneft

In the morning of 19th September 2016 (Moscow time), Deputy Prime Minister Trinh Dinh Dung and the governmental working group visited and worked at Zarubezhneft – one of Russia's leading overseas oil and gas groups and also a long term strategic partner of Vietnam Oil and Gas Group (PVN). On this occasion, the Deputy Prime Minister and the working group also attended the launch ceremony of the inner – field pipeline in Nhenhexky autonomous region and commissioning of a new field.

The Deputy Prime Minister was accompanied by Petrovietnam Chairman of Board of Directors Nguyen Quoc Khanh, Vietsovpetro General Director Tu Thanh Nghia together with leaders of some affiliates and professional divisions.

At present, the main cooperation between Vietnam Oil and Gas Group (Petrovietnam) and Zarubezhneft has been shown in the two key projects, i.e. the oil exploitation project by Vietsovpetro Joint Venture in Vietnam and the oil exploitation project in 13 oil fields in Nhenhexky autonomous region, Russian Federation within the framework of Rusvietpetro Joint Venture.

Zarubezhneft's General Director was presenting the Company's production and business activities to Deputy Prime Minister Trinh Dinh Dung

Vietsovpetro (PVN 51% và Zarubezhneft 49%) has been exploiting oil in block 09-1 according to the Agreement between the two Governments. In 2015, Vietsovpetro exploited over 5.2 million tons of crude oil and delivered 0.48 billion cubic meters of gas to the shore. According to the 2016 plan, there will be 5 million tons to be exploited.

For the block 04-3 petroleum contract, Zarubezhneft holds 49% operated interests. With discovery of gas in Thien Ung field, the contractors are now actively conducting the field development and it is expected to welcome the first gas flow in September 2016.

For the block 12/11 petroleum production sharing contract, with its holding rate of 100% operated interests, Zarubezhneft is implementing the work items defined in the contract: the 2nd and 3rd exploration wells are being prepared for official operation in August 2016. Zarubezhneft has reached an agreement to transfer 45% operated interests under the contract to SOVICO-ADVANCE after PetroVietnam has informed not to exercise its preemptive right. At present, the relevant parties are completing the legal documents to be submitted to the competent authorities for approval.

In Russian Federation, Rusvietpetro whose stakeholders are Zarubezneft (51%) and PVN (49%) are carrying out ongoing exploration, development and exploitation activities in 13 oil fields of 04 blocks in Nhenhexky autonomous region. In the years 2010 - 2012, Rusvietpetro commissioned 03 fields with the largest reserves, i.e. Northern Khosedaiu, Visovoi and Western Khosedaiu, out of the total 13 fields. The necessary work is now being conducted to put the other fields into operation. The exploitation output of Rusvietpetro in 2015 was 3.24 million tons of oil. The total accumulated exploitation output of the overall project as at 30/6/2016 was 14.68 million tons of oil. The accumulated turnover and the accumulated profit after tax were estimated to be 5,502.10 million USD and 1,191.97 million USD respectively, in which Petrovietnam contributed 584.06 million USD.

Deputy Prime Minister Trinh Dinh Dung was writing down in the visitors' book

To ensure the economic efficiency of the project development in Nhenhexky and the mutual interests of the stakeholders, the Ministries/ Departments of the two countries have actively negotiated in the recent time. As the results, an intergovernmental agreement on granting mining tax incentives for "Rusvietpetro" joint venture and a protocol amending the intergovernmental agreement dated 27th December 2010 on increasing the merchant oil retained for operation of "Vietsovpetro" joint venture were signed on 20th April 2016 in Vietnam. The two Agreements were approved by President of Russian Federation on 03rd July 2016 and will officially become effective since 01st January 2016. At present, the Ministries/ Departments are waiting for the final official dispatch from the Ministry of Foreign Affairs for execution.

Implementing the Memorandum of Understanding signed on 10th May 2015 in the visit of the Former President Truong Tan to Russia regarding the cooperation on exploration and development of new petroleum projects in the territory of Russian Federation, in recent years, PetroVietnam and Zarubezhneft have jointly studied 5 – 6 investment opportunities. However, as evaluated by the parties, no cooperation project can be reached because of low potentials. Moreover, despite of advocacy from the two Governments, expansion of Rusvietpetro's operation on the basis of its ability to enter newly licensed blocks and ongoing fields in Russia has not yet been fulfilled.

From Nhenhetxki field, Rusvietpetro First Deputy General Director Nguyen Phan Phuc reported operational status of the field to Deputy Prime Minister Trinh Dinh Dung and the working group. He also applied for the commands to launch the 41 km long inner – field pipeline and to put a new field into operation.

On behalf of Vietnamese Government, Deputy Prime Minister Trinh Dinh Dung warmly praised the great efforts of PetroVietnam and Zarubezhneft. He supposed it to be an ideal cooperation not only bringing about high economic efficiency but also acting as a bridge for friendship between the two countries. The Deputy Prime Minister also affirmed that Vietnamese Government would create the best and most favorable conditions for the joint ventures of the two sides to achieve high economic efficiency, contributing to the development of each country.

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