



LUKOIL Uzbekistan Operating Company

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Kandym



PSA with respect to Kandym - Khauzak-Shady - Kungrad project was signed in June 2004. The Operator, LUKOIL Uzbekistan Operating Company LLC (affiliate of LUKOIL Overseas), was established in July 2004. At present it employs about 1500 workers, 85% of them are citizens of Uzbekistan. The PSA, valid for 35 years (up to 2039), came into effect in November 2004, field works commenced at the same time.

Drilling at the first start-up block of the project - Khauzak-Shady gas field in Bukhara region - started in summer 2006, the field was put into operation in November 2007. Planned rate of production was reached there in a year. Gas production at West Shady block started at the end of 2011. In 2013 volume of production reached 3.74 billion cubic meters of gas (LUKOIL's share is 3.18 billion cubic meters) and 13,200 tons of gas condensate (LUKOIL's share is 11,200 tons).

Supplementary exploration at the contract area confirmed considerable potential for growth of recoverable reserves and gas production rate, as well as improvement of technical-and-economic efficiency of the project. In 2009 hydrocarbon reserves of the block were recalculated. As a result reserves at the block, for the first time, were moved up into B category.

Besides, based on the results of supplementary exploration and recalculation, C2 reserves were moved up to C1 category, in this connection 26 billion cubic meters growth of reserves was obtained and refined 3D digital geological model of Khauzak-Shady block was developed. Supplementary exploration at the field is continued, in particular, in the northern part of Shady block, which is scheduled to be put into operation with considerable production growth in 2015.

The next vital stage of project implementation is development of Kandym group, consisting of 6 gas

condensate fields. Feasibility Study and detailed design of Kandym gas processing complex are developed by Hyundai Engineering (the Republic of Korea). Tender for procurement of equipment, construction of gas processing plant and Kandym group of fields development has been completed. Approval of the results of the tender in governmental authorities of the Republic of Uzbekistan is under way. Rated capacity of the unique gas processing plant is 8.1 billion cubic meters of gas per annum. More than 3 billion US dollars will be invested into Kandym.

The first stage of the project is designed for production and treatment of 2.1 billion cubic meters of gas from Kuvachi - Alat field and North Shady block of Khauzak - Shady field annually and transportation of the gas to Mubarek gas processing plant. At this stage it is planned to construct 21 production wells, 2 gas primary treatment facilities, power substation, 180 km of field gas pipelines, 150 km of power lines, 194 km of roads, 13 bridge crossings. The second stage, commencement of which is scheduled for the first half of 2015, includes construction of booster compressor stations at Kuvachi-Alat and North Shady blocks, as well as drilling and completion of 13 new production wells.

Then there will be constructed even larger production complex, including: 8 multiple well platforms, 98 producing wells, gas gathering and gas compressor stations, condensate and sulfur prill loading terminals, 3 process lines of Kandym gas processing facility, gathering pipelines and export gas pipelines, transport infrastructure, water and power supply facilities. In future, to maintain levels of production, output of Akkum, Parsankul, Khoji and West Khoji satellite fields will be transported to Kandym complex. Implementation of the mega project will help to generate about 3 thousand new working places.

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