



РосБизнесКонсалтинг

D E P A R T M E N T O F C O N S U L T I N G

RUSSIAN MARKET OF OILFIELD SERVICES

Analytical review



To buy the full review, please, contact us below:

Phone: +49 (0) 521 - 384 34 73

E-mail: info@ems-keytomarket.com

<http://ems-keytomarket.de>



European Market Solutions



This report was prepared by RosBusinessConsulting for information purposes solely. The information contained in this report was obtained from the sources, which RosBusinessConsulting deems reliable, however RosBusinessConsulting does not guarantee this information accuracy and completeness for any purposes. The information given in this report should not be interpreted either directly or indirectly as information containing investment recommendations. All opinions and estimations contained herein reflect the authors' opinion as of the publication date and are subject to changes without further notice. RosBusinessConsulting is not liable for any loss or damage resulting from the use of information contained herein, including published opinions or conclusions, by any third party, as well as for consequences caused by incompleteness of given information. The information given in this report was obtained from open sources or given by the companies referred to in this report. Additional information is given upon request. This document of any part thereof cannot be distributed without written permission of RosBusinessConsulting or replicated in any manner. Copyright © RosBusinessConsulting.

Moscow, 2010

ANNOTATION

This review is a full-scale study of the Russian market of oilfield services. The second edition of the **“Russian Market of Oilfield Services”** has been arranged in four independent sections: “Oil Production in Russia”, “Market of Oilfield Services”, “Market of Oilfield Service Equipment”, “Profiles of Market Participants”.

The study analyses the state of the art and development trends of the entire oilfield service market and its individual segments, such as geologic exploration, drilling, geophysical activities, well repair, technological solutions, oilfield equipment production. The review includes estimation of volume and analysis of factors affecting the development of oilfield services in Russia, the study analyses the experience of the major market participants and highlights upcoming trends of activities of oilfield service companies under crisis conditions.

“Oil Production in Russia” gives data on oil production volume and dynamics based on the results of 2009 and January-May 2010. Besides, this section informs on oil production breakdown by regions and oil production companies. Oil export data are also given.

“Market of Oilfield Services” deals with aftereffects of crisis impact on the market of oilfield services, in particular, indicates its further development trends. Major market participants are presented, their characteristics are given, including turnover of the companies, volumes of provided services, participation shares, geographic reach, plans for the future, etc.

This section further studies the activities of foreign players at the Russian market, in particular, their general characteristics, market role, occupied share, directions of provided services, geographic reach, etc.

Besides, info on key performance indicators, such as work-to-date (meterage drilled, operations), numbers of wells drilled and placed on production, including breakdown by operating procedures, dynamics of oil wells fund, etc. is given. The study is based on industry data for 2009-2010. Market development forecast up to 2014 is given also.

“Market of Oilfield Service Equipment” analyses the markets of drilling rigs and drill bits.

The last section **“Profiles of Market Participants”** contains characteristics of major market participants. The profiles of market participants include a short description of the company, core operations, regions of activity, types of provided services, financial indicators, info on founders and subsidiaries, names of head officers and contact info.

The research was made in June-August 2010.

The report is on 58 pages.

The report contains 14 tables and 19 graphs and diagrams.

The report is written in English.

THE COMPLETE CONTENTS LIST

ANNOTATION.....	2
THE COMPLETE CONTENTS LIST.....	3
THE LIST OF DIAGRAMS.....	5
THE LIST OF TABLES.....	6
OIL PRODUCTION IN RUSSIA.....	7
Oil production volume and dynamics, 2009 outcome.....	8
Oil production broken down by companies.....	8
Projects.....	9
Oil production by regions of Russia.....	10
Western Siberia.....	10
European part.....	12
Eastern Siberia.....	12
Far East.....	13
Oil export.....	13
Oil production in January-May 2010.....	13
Oil production breakdown by companies.....	14
New fields of YNAD and KMAD.....	14
Oil export.....	14
Oil production and export forecast for 2010-2013.....	14
MARKET of OILFIELD SERVICES.....	16
State-of-the-art and development trends of the market of oilfield services, impact of the crisis.....	16
Oilfield service market volume.....	17
General forecast of oilfield services market volume till 2014:.....	18
Market structure.....	18
Major players.....	18
VIOCs.....	19
Independent Russian service companies.....	21
Global leaders at the Russian oilfield service market.....	23
Schlumberger.....	23
Halliburton.....	25
Baker Hughes.....	26
Weatherford.....	26
Geologic exploration.....	27
Market of drilling services.....	30
Dynamics and volume of the drilling services market in natural terms.....	30
Production drilling in 2009.....	34
Production drilling in Q1 2010.....	35
Exploration drilling in 2009.....	36
Exploration drilling in Q1 2010.....	36
Drilling service market volume in monetary terms.....	37
Drilling market participants.....	37
OJSC Surgutneftegas.....	37
Eurasia Drilling Company.....	37
Service Drilling Company LLC.....	38
LUKOIL Uzbekistan Operating Company LLC.....	38
Regional structure of drilling services market.....	38
Market development forecast till 2014.....	38

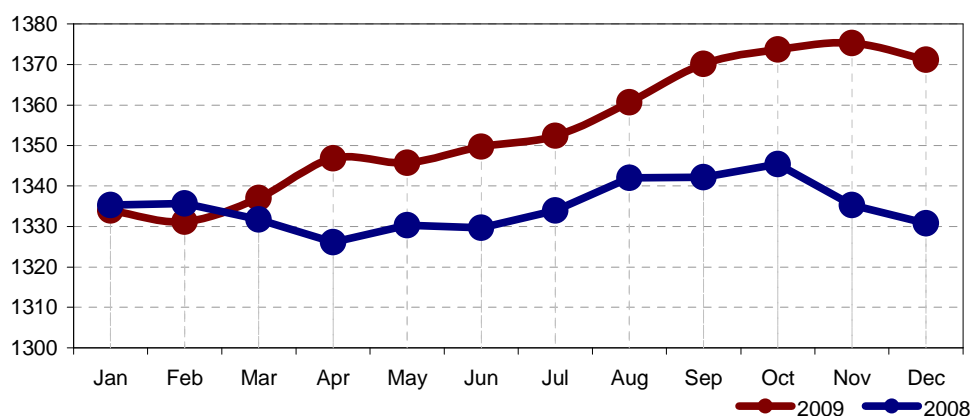
Construction of new wells	39
Dynamics of oil well stock.....	41
Production figures of new oilfields	43
Market of geophysical services	44
Seismic surveys volumes	44
Major market players	45
Integra Group	45
TNG-Group LLC	46
Novik LLC	46
CJSC Geotech Holding	46
Independent geophysical companies	48
Technological solutions.....	49
Sidetracking	49
Market of drilling fluid services.....	50
Well repair	52
Market structure	52
Forecast of well repair market growth.....	52
Price situation in the industry	52
MARKET OF OILFIELD EQUIPMENT	53
Market of drilling rigs	53
Key producers of drilling rigs	53
Integra Group - CJSC Uralmash – Drilling Equipment.....	53
Volgograd Drilling Equipment Plant (VDEP) LLC.....	54
Kungur Group	54
New market players	55
OJSC Uralmashzavod.....	55
OJSC Scientific and Production Corporation Uralvagonzavod (UVZ)	55
Foreign companies at the Russian market.....	56
Bentec	56
Chinese manufacturers	56
LeTourneau Technologies.....	56
Top Drive Systems (TDS).....	56
Domestic TDSs.....	56
Market of drill bits	58
World market.....	58
Foreign players at the Russian market.....	58
Domestic manufacturers	58
VBM-Group.....	59
Research and Production Enterprise (NPP) Burintech	59

THE LIST OF DIAGRAMS

Fig. 1. Dynamics of average daily production of oil in Russia in 2008-2009, ktons	8
Fig. 2. Rating of oil producing enterprises of Russia by production of oil with gas condensate in December 2009, %.....	9
Fig. 3. Oilfield service market structure broken down by contractors, %	19
Fig. 4. Public financing of geological explorations for raw hydrocarbons, 2004-2010, bln RUB.....	28
Fig. 5. Breakdown of subsoil users' expenses on geological explorations for oil and gas	29
Fig. 6. Meterage drilled in the oil industry of Russia in 2005-2009, thsd.m	30
Fig. 7. Dynamics of production drilling meterage in Russia in 2008-2009, thsd. m	30
Fig. 8. Dynamics of exploration drilling meterage in Russia in 2008-2009, thsd. m	31
Fig. 9. Drilling meterage rating of oil-producing enterprises of Russia in December 2009, %.....	34
Fig. 10. Share of participation of oil companies in production drilling in Russia in 2009	35
Fig. 11. Share of participation of oil companies in exploration drilling in Russia in 2009	36
Fig. 12. Placement of new wells on production in Russia during 2006-2009.....	39
Fig. 13. Rating of oil producing enterprises by placement of new wells on production in January-December 2009, %.....	40
Fig. 14. Dynamics of VIOC's operating oil well stock (as of the 1st of the month), wells	41
Fig. 15. Dynamics of VIOC's inactive oil well stock (as of the 1st of the month), wells	42
Fig. 16. Oil producing well stock rating in December 2009, %.....	42
Fig. 17. Rating of oil-producing companies by operations at new fields, with in-service date no more than 5 years, in December 2009, %.....	43
Fig. 18. Volume of 2D seismic surveys financed from federal budget resources, thsd. running km	45
Fig. 19. Shares of major players of the Russian market of seismic operations	45

THE LIST OF TABLES

Table1. Production of oil with condensate in Russia and worldwide in 1970-2009.	7
Table 2. Average daily production of oil with gas condensate in December 2009, ktons.....	8
Table3. Regional oil and condensate production in Russia in 2008-2009, mln tons	10
Table4. Oil production in Western Siberia in 1970-2009 in certain RF subjects*	11
Table5. Production and replacement of hydrocarbon resource base in Russia in 2005-2009	27
Table6. Financing of geological explorations for hydrocarbons in the RF in 2001-2009, bln RUR	28
Table7. Priority areas of geological explorations for oil and gas in 2009 and forecast for 2010 from federal budget resources, mln RUB	29
Table8. Well drilling in the oil industry, thsd. m, 2009	31
Table9. Well drilling in the oil industry in Q1 2009 and 2010, thsd.m	32
Table10. Placement of new wells on production in 2009, wells	40
Table11. Use of oil well stock in December 2009, wells	42
Table12. Key production figures at new fields, with in-service dates no more than 5 years in 2009	44
Table13. RF technological services market forecast, 2007-2014:	49
Table14. Forecast of well repair market growth, 2007-2014.....	52

Fig. 1. Dynamics of average daily production of oil in Russia in 2008-2009, ktons

Source: CDD FEC

Compared to December 2008, in December 2009 the average daily oil production in Russia increased by ...% (+ ... ktons) and made up ... ktons, and compared to November 2009 declined by ...% (+... ktons).

After oil production decline for more than a year the positive trend was restored and since March 2009 monthly oil production growth compared to the corresponding period a year earlier has been observed.

Fields of Ural and Volga federal districts, in 2009 accounting for ...% и ...% of cumulated production countrywide, make the largest contribution into oil production.

...

Oil production broken down by companies

9 vertically-integrated oil companies account for the bulk of oil production.

Table 2. Average daily production of oil with gas condensate in December 2009, ktons

Company	December 2009	% change compared to	
		December 2008	November 2009
LUKOIL			
Rosneft			
Surgutneftegas			
TNK-BP Holding			
Tatneft			
Gazprom Neft			
Bashneft			
Slavneft			
RussNeft			
Total (oil companies)			
Gazprom			
NOVATEK			
Other producers			
PSA operators			
Total for Russia			

Source: CDD FEC

According to 2009 results, the production grew in the following vertically-integrated oil companies: OJSC Joint-Stock Oil Company Bashneft (...% compared to 2008)...

Fig. 2. Rating of oil producing enterprises of Russia by production of oil with gas condensate in December 2009, %

...

Source: CDD FEC

Projects

In 2009 oil production grew owing to commissioning of ...

Oil production by regions of Russia

Western Siberia

Western Siberia is the main center of the oil industry. In 2009 oil production here made up ... mln tons what is ...% lower than a year earlier.

Table3. Regional oil and condensate production in Russia in 2008-2009, mln tons

Region	2008		2009		2009/2008, %
	mln tons	%	mln tons	%	
European part					
Urals					
Volga River Basin					
North Caucasus					
Timan-Pechora					
Western Siberia					
KMAD					
YNAD					
Tomsk region					
Novosibirsk region					
Omsk region					
South of Tyumen region					
Eastern Siberia					
Krasnoyarsk Territory					
Irkutsk region					
Republic of Sakha (Yakutia)					
Far East					
Sakhalin region					
Russia, total					

Source: Info-FEC, Ministry of Natural Resources and Ecology of the RF

...

Table4. Oil production in Western Siberia in 1970-2009 in certain RF subjects*

Year	Total, mln tons	YNAD		KMAD		Tomsk region	
		mln tons	share in the region, %	mln tons	share in the re- gion, %	mln tons	share in the region, %
1970							
2009							

* Over recent years active commercial oil production is carried out in the South of the Tyumen region, in Novosibirsk and Omsk regions, total production volume in these regions in 2009 made up about 6,5 mln tons.

Khanty-Mansiisk Autonomous District (KMAD)

Khanty-Mansiisk Autonomous District (KMAD) is the principal oil producing region of Western Siberia, over ...% of the oil of macroregion are produced here. In 2009 this figure amounted to ... mln tons. ...

...

... is a relatively new project in KMAD. In 2009 oil production made up about ... mln tons, what exceeds its overall production in 2008 (over ... mln tons) by ...%. Oil production at the fields ...

...

Yamal-Nenets Autonomous District (YNAD)

...

Oil export

According to updated information of Minenergo of Russia, total oil export in 2009 is estimated at ... mln tons, ...% compared to 2008 (in particular, ... mln tons in December (...% compared to December 2008)). The export to non-CIS countries is estimated at ... mln tons (...% compared to 2008 level), in particular, ... mln tons (...%) through OJSC JSC Transneft system; to CIS countries - ... mln tons (...%) owing to reduction of supplies to the Kazakhstan Republic.

In 2009 the increase of oil supplies bypassing OJSC JSC Transneft transport system by ... % is noted ...

...

Oil production in January-May 2010

...

Oil production and export forecast for 2010-2013

...

MARKET OF OILFIELD SERVICES

...

Oilfield service market volume

...

... in 2009 the volume of oilfield service market (including machinery manufacturing segment) declined by ...%, in nominal terms – down to \$... bln. ...

...

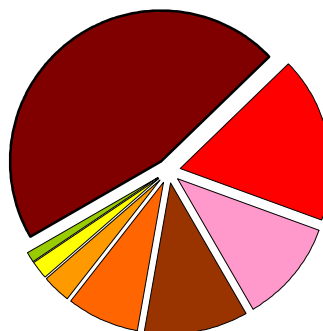
Market structure

Major players

In 2009 about ... service companies operated in Russia. The structure of major players, acting at the oilfield services market looks as follows...

...

Fig. 3. Oilfield service market structure broken down by contractors, %



Source: RosBusinessConsulting

...

Geologic exploration

...

Table5. Production and replacement of hydrocarbon resource base in Russia in 2005-2009

Characteristic	2005	2006	2007	2008	2009	1994-2009
Oil production, mln tons						
Additions to oil reserves, mln tons						
Oil reserve replacement ratio						
«Decumulation» / extension of oil reserves (addition minus extraction), mln tons						

Characteristic	2005	2006	2007	2008	2009	1994-2009
Gas production, bln m3						
Additions to gas reserves, bln m3						
Gas reserve replacement ratio						
«Decumulation» / extension of gas reserves (addition minus extraction), bln m3						
Deep prospecting-exploration drilling for oil and gas, thsd. m						
Deep drilling efficiency, tons of hydro-carbon equivalent / m						

...

Fig. 4. Public financing of geological explorations for raw hydrocarbons, 2004-2010, bln RUB



Source: Federal Agency on Subsoil Usage

In 2009 the amounts of financing of geological explorations for raw hydrocarbons from federal budget resources decreased by ...% in absolute terms (down to ... bln RUB) and by ...% in 2008 prices. Moreover, in 2010 further reduction of public expenditures thereon is planned, in which case they will not exceed ... bln RUB.

Table6. Financing of geological explorations for hydrocarbons in the RF in 2001-2009, bln RUR

Year	Federal budget and budgets of RF subjects		Subsoil users		Total	
	at current prices	at 2009 prices	at current prices	at 2009 prices	at current prices	at 2009 prices
2008						
2009						

Most exploration works were concentrated in the...

...

Table 7. Priority areas of geological explorations for oil and gas in 2009 and forecast for 2010 from federal budget resources, mln RUB

Federal District	2009 (actual)		2010 (forecast)	
	Mln RUB	%	Mln RUB	%
Ural				
Siberian				
Southern				
Volga				
Far Eastern				
Northwestern				
Continental shelf				
All-Russia expenses				
Total				

Source: Federal Agency on Subsoil Usage

In 2009 subsoil users' expenses on geological exploration on the average decreased by ...%, from ... bln RUB down to ... bln RUB.

...

Comparison of geography of expenses, related to raw material base recovery, of the state and of the subsoil users shows that the priorities are different. Business prefers the...

...

Fig. 5. Breakdown of subsoil users' expenses on geological explorations for oil and gas

...

Source: Ministry of Natural Resources of Russia

...

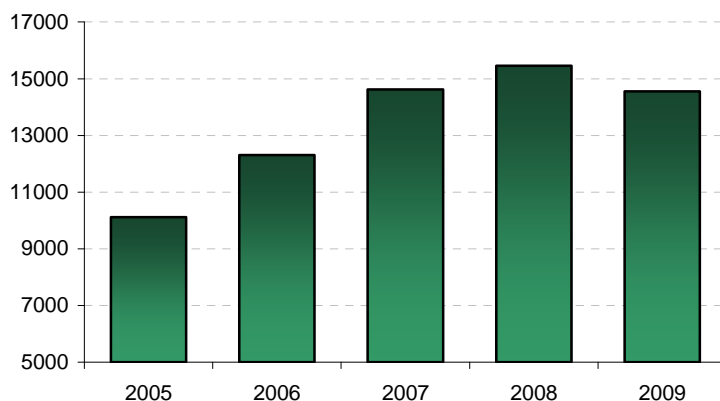
Market of drilling services

Dynamics and volume of the drilling services market in natural terms

In the pre-crisis period meterage drilled grew yearly and in 2008 achieved record results of ... thsd. m. ...

...The crisis made its corrections to the market dynamics, that according to 2009 results demonstrated negative growth (for the first time in recent years)...

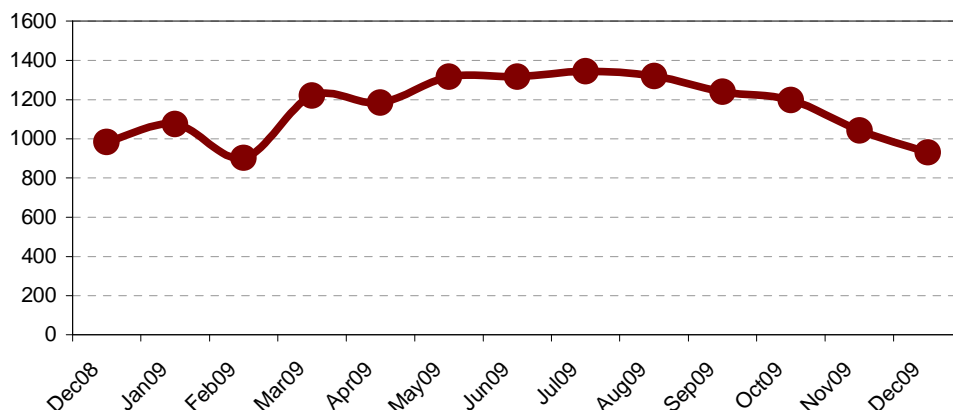
Fig. 6. Meterage drilled in the oil industry of Russia in 2005-2009, thsd.m



Source: CDD FEC

Meterage drilled in the oil industry of Russia in January-December 2009 made up ... thsd. m. Compared to the same period of 2008 it decreased by ...% (-... thsd. m), in particular:
 - production drilling meterage decreased by ...% (-... thsd. m);

Fig. 7. Dynamics of production drilling meterage in Russia in 2008-2009, thsd. m



Source: CDD FEC

- exploration drilling meterage decreased by ...% (-... thsd. m).

Fig. 8. Dynamics of exploration drilling meterage in Russia in 2008-2009, thsd. m

Source: CDD FEC

Table8. Well drilling in the oil industry, thsd. m, 2009

Table9. Well drilling in the oil industry in Q1 2009 and 2010, thsd.m

Company	Q1 2010	Q1 2009	Change, %
LUKOIL			

Company	Q1 2010	Q1 2009	Change, %
production drilling			
exploration drilling			
Rosneft			
production drilling			
exploration drilling			
Surgutneftegas			
production drilling			
exploration drilling			
TNK-BP Holding			
production drilling			
exploration drilling			
Tatneft			
production drilling			
exploration drilling			
Gazprom Neft			
production drilling			
exploration drilling			
Bashneft			
production drilling			
exploration drilling			
Slavneft			
production drilling			
exploration drilling			
RussNeft			
production drilling			
exploration drilling			
Oil companies, total meterage drilled			
production drilling			
exploration drilling			
Gazprom			
production drilling			
NOVATEK			
production drilling			
exploration drilling			
Other producers			
Production drilling			
Exploration drilling			
PSA operators			
Production drilling			

Company	Q1 2010	Q1 2009	Change, %
Total meterage drilled in Russia			
production drilling			
exploration drilling			

Source: CDD FEC

... in January-April 2010 total meterage drilled increased by ...% compared to the level of 2009, in particular production drilling meterage increased by ...% and exploration drilling meterage - by ...%.

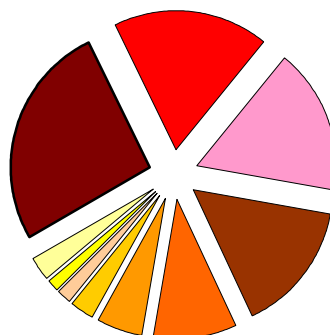
Fig. 9. Drilling meterage rating of oil-producing enterprises of Russia in December 2009, %

Source: CDD FEC

Production drilling in 2009

Surgutneftegas (over ... mln m) remains the unconditional drilling leader... According to 2009 results, another three of the “Big Five” companies increased their drilling meterage — from Gazprom Neft (...%) to TNK-BP (...%). State-owned Rosneft increased production drilling by ...%. It’s worth to note that in the first six months of 2009 these companies had more active drilling meterage growth dynamics than that at the year’s end. Thus, in January-June Rosneft showed an ...

Fig. 10. Share of participation of oil companies in production drilling in Russia in 2009



Source: RosBusinessConsulting

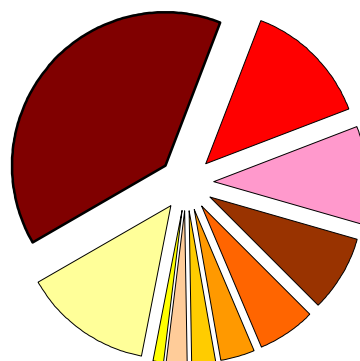
Production drilling in Q1 2010

...

Exploration drilling in 2009

...

Fig. 11. Share of participation of oil companies in exploration drilling in Russia in 2009



Source: RosBusinessConsulting

Exploration drilling in Q1 2010

...

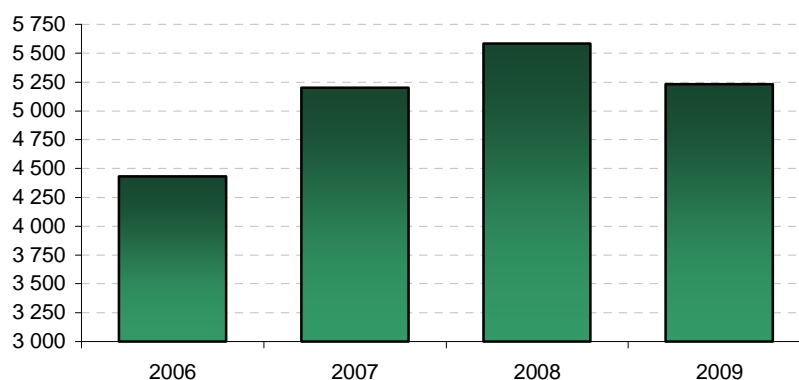
Drilling service market volume in monetary terms

...

Construction of new wells

In January-December 2009 Russian enterprises placed ... new oil wells on production, what is ... wells less than in January-December 2008 (-...%).

Fig. 12. Placement of new wells on production in Russia during 2006-2009



Source: RosBusinessConsulting

...

Table 10. Placement of new wells on production in 2009, wells

Company	January - December 2009	+/- to January - December 2008	By production methods				
			flowing	ESP	sucker-rod pump	gas lift	other
LUKOIL							
Rosneft							
Gazprom Neft							
Surgutneftegas							
TNK-BP Holding							
Tatneft							
Bashneft							
Slavneft							
RussNeft							
Oil companies							
Gazprom							
NOVATEK							
Other producers							
PSA operators							
Total for Russia							

Source: CDD FEC

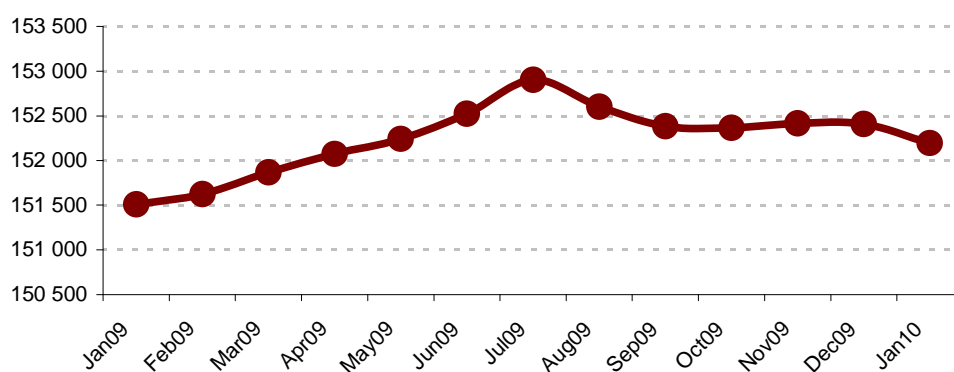
...

Dynamics of oil well stock

As of January 1, 2010, the operating oil producing well stock in the Russian oil industry increased by ... wells (+...) compared to January 1, 2009, and made up ... wells.

...

Fig. 13. Dynamics of VIOC's operating oil well stock (as of the 1st of the month), wells



Source: CDD FEC

Fig. 14. Dynamics of VIOC's inactive oil well stock (as of the 1st of the month), wells

...

Source: CDD FEC

...

Production figures of new oilfields**Fig. 15. Rating of oil-producing companies by operations at new fields, with in-service date no more than 5 years, in December 2009, %**

...

Source: CDD FEC

...

Table 11. Key production figures at new fields, with in-service dates no more than 5 years in 2009

Company	Placement of producing wells on production, wells	Production meterage drilled, thsd. m	Produced oil, ktons
LUKOIL			
Rosneft			
Gazprom Neft			
Surgutneftegas			
TNK – BP Holding			
Tatneft			
Slavneft			
RussNeft			
Oil companies			
32,8 NOVATEK			
Other producers			
Total for Russia			

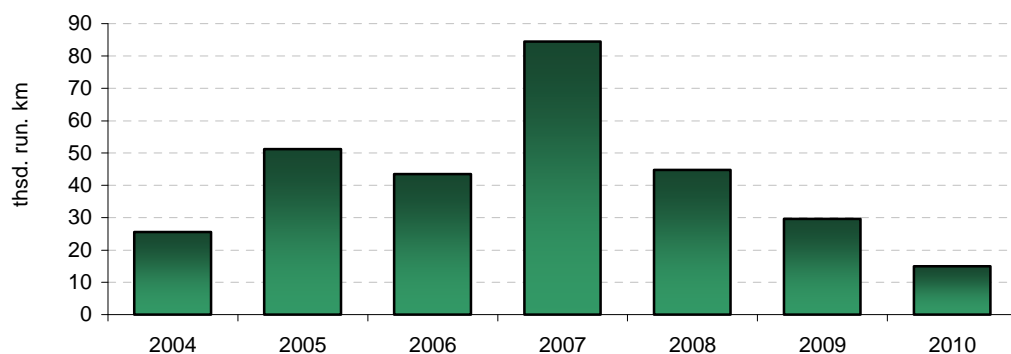
*Source: CDD FEC***Market of geophysical services**

...

Seismic surveys volumes

...

Fig. 16. Volume of 2D seismic surveys financed from federal budget resources, thsd. running km



Source: Federal Agency on Subsoil Usage

...

Major market players

...

Technological solutions

...

Well repair

Market structure

...

Forecast of well repair market growth

...

Table12. Forecast of well repair market growth, 2007-2014

	2007	2008	2009	2010	2011	2012	2012	2014
Number of workover operations, thsd.								
Workover cost, \$ thsd.								
Number of production maintenance operations, thsd.								
Production maintenance cost, \$ thsd.								
RF wellwork market volume, \$ mln								
change, %								

Sources: CCAFEC, Rosstat, estimations of the Analytical Department of the Bank of Moscow

Price situation in the industry

...