

# **Russian Gas and the Role of Independents**

- Mark Gyetvay, Chief Financial Officer and Member of the Board
- IP Week's "Russia and CIS" Conference
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# **Keys to Our Success**



#### Factors Distinguishing Our Growth Business Model

- Maximum operating flexibility to adjust to changing business and economic cycles
  - Operational flexibility at both the production and processing levels allows us to adapt to changing market conditions
- Capital discipline and efficiencies underpin our investment decisions
  - Strong balance sheet no liquidity issues
  - Infrastructure investments to reduce operating costs
- High quality asset base scalable to changing demand scenarios
  - Large, long-lived reserve/resource base over 90% natural gas and 29 years R/P ratio (P1) and 45 years R/P ratio (P2)
  - Close proximity to natural gas pipeline infrastructure
- Lowest cost producer in global oil and gas industry (based on scale)
- Low downside risk to natural gas price dynamics
  - domestic price liberalization plan still ongoing



# **Operational Profile**

### **NOVATEK Fields and License Areas**



Yamal-Nenets Autonomous Region (YNAO) – the world's largest natural gas producing region

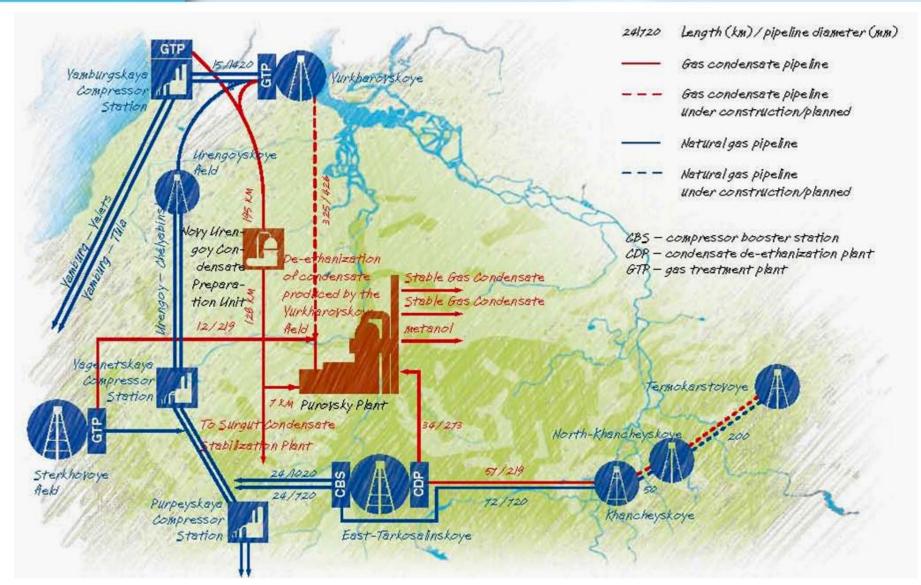
#### Main fields and license areas

- 1. Yurkharovskoye
- 2. East-Tarkosalinskoye
- 3. Khancheyskoye
- 4. New Yurkharovskoye
- 5. North-Yubileyniy
- 6. West-Urengoiskiy
- 7. South-Tambeyskoye field
- 8. Olimpiyskiy
- 9. Termokarstovoye
- 10. Raduzhnoye
- 11. Yumantilskiy
- 12. North-Khancheyskiy
- 13. Yarudeyskoye

- NOVATEK's core fields
- **NOVATEK's other fields**
- NOVATEK's license areas
- Field's acquired in 2009
- Natural gas pipeline Gas condensate pipeline

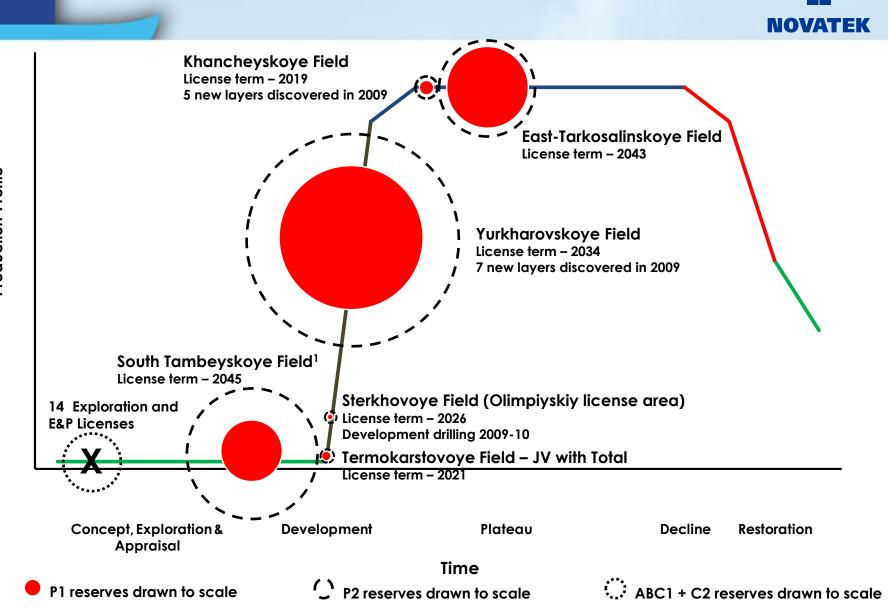
### **NOVATEK Transportation & Processing**





#### Yurkharovskoye Field – Transportation Scheme NOVATEK **Gas pipelines** Gas condensate pipelines Field development stages: Gazprom Gazprom Phase 1 – up to 9 bcm/yr • NOVATEK (existing) NOVATEK (existing) Phase 2/stage 1 – up to 7 bcm/yr • Phase 2/stage 2 – up to 7 bcm/yr NOVATEK (new) NOVATEK (under construction - 2010) ۲ Phase 1 launch January 2003 Yamburgskoye Yurkharovskoye Phase 2/stage 1 launch field September 2008 field Phase 2/stage 2 launch Launched October 2009 Ø 800 September 2008 L 52 km Ø 1420 L 52 km Ø 350 Loopina Ø L 52 km Ø 1420, L 35 km 1220, L 16 km Ø 250 L 52 km Natural gas pipe - 1420, L 64 km Urengoyskoye Gas main Yamburg-Eletz Gas main Yamburg-Tula field Condensate main "Yamburg-Urengoy" Ø 400 L 326 km Looping Launched **Purovsky Plant** November 2008 **Surgutsky Plant**

### **NOVATEK Development Profile**



Note:

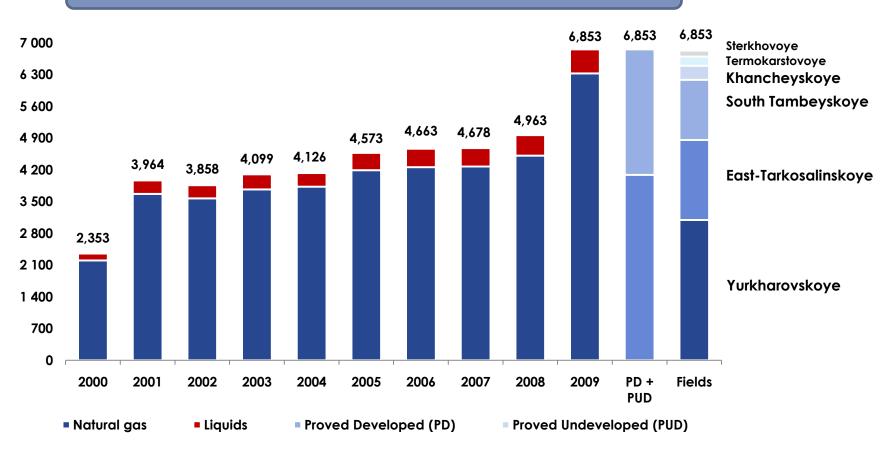
1. 51% of South Tambeyskoye's reserves as of 31 December 2009

## A Proven Strategy to Build Reserves



#### Proved Reserves (SEC), mmboe\*

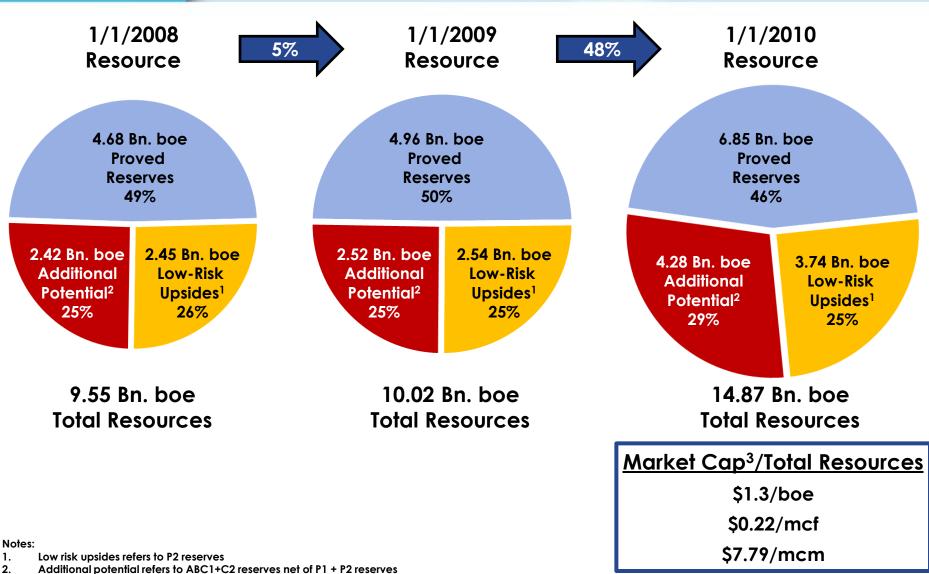
#### Compound Annual Growth Rate: 13%



\* Proved reserves for each year-end are 100% appraised by DeGolyer & MacNaughton

### **Resources Support Future Value**

NOVATEK

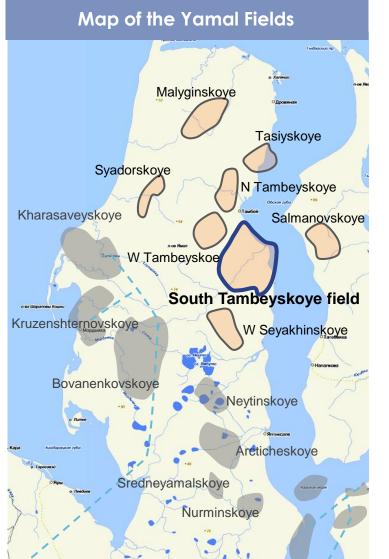


3. Market Capitalization as of 09.02.2010

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# OAO Yamal LNG – South Tambeyskoye Field





#### OAO Yamal LNG holds the license for exploration and development of the South-Tambeyskoye field

- Discovered in 1974, the field is located on the Northeastern side of the Yamal-Peninsula
- Initial license issued 13 July 2005 and valid until 2020.
- License extended to 2045 as of 21 December 2009
- To date:
  - 1,160 km<sup>2</sup> of 3D seismic data
  - 55 exploration wells drilled

#### Russian Reserve Classification 1 January 2010 (100%)

Category	Natural Gas, bcm	Gas Condensate, mmt	Total mm boe
C1	1,004	38	6,890
C2	252	14	1,768
C1+C2	1,256	52	8,658

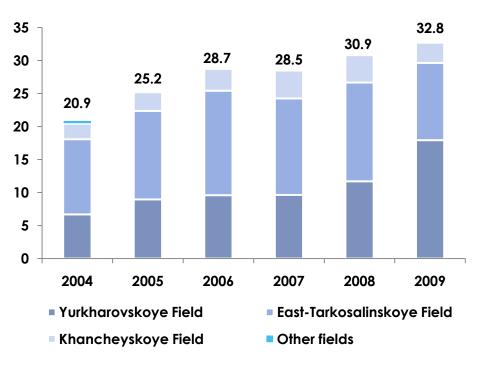
#### Independent Reserve Audit<sup>1</sup>, 1 January 2010 (100%)

Category	Natural Gas bcm	Gas Condensate, mmt	Total mm boe
SEC P1	380	14	2,603
PRMS P1+P2	802	31	5,515
PRMS P1+P2+P3	927	37	6,383

#### 1. DeGolyer and MacNaughton

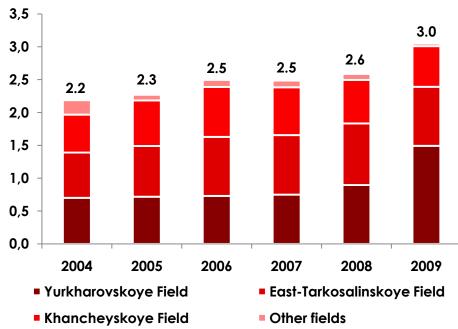
## **Historical Production Results**





#### Natural gas production, bcm

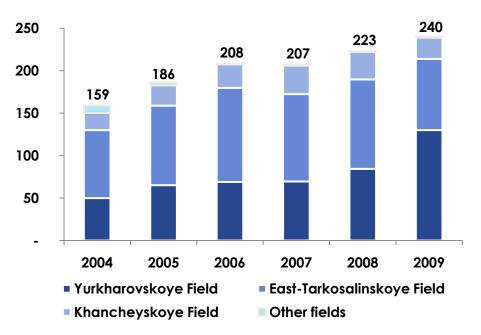
Liquids production mmt



In 2009, the Yurkharovskoye field became the largest of NOVATEK's core fields in terms of production of both natural gas and liquid hydrocarbons

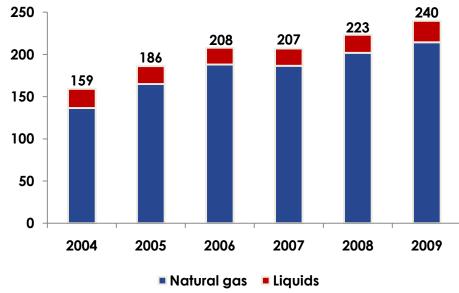
## **Historical Production Results**





#### Total production by field, mmboe

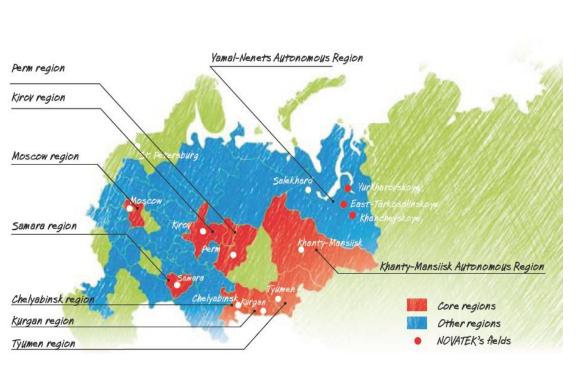
#### Total production gas & liquids, mmboe



NOVATEK's three core fields have historically produced over 99% of the Company's total production volumes, while natural gas has consistently accounted for over 90% of total volumes produced.

## **Domestic Natural Gas Sales and Production**





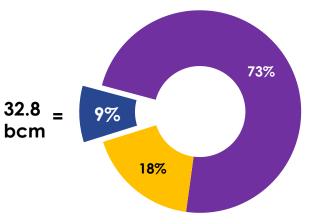
#### NOVATEK's natural gas sales to Russian regions

#### NOVATEK today is...

- 1% of world gas production
- ~ 5% of Russian gas production
- ~ 9% of Russian gas consumption
- ~ 10% of Russian LPG production
- ~ 20% of Russian condensate production

# 2009 Russian natural gas supplies to domestic market

Gazprom Independents NOVATEK



In 2009, we supplied natural gas to ~ 35 Russian regions and have the potential to supply ~15% of Russian domestic natural gas demand by 2020

## **Expanding Our Commercial Reach**



#### Geographic distribution of stable gas condensate

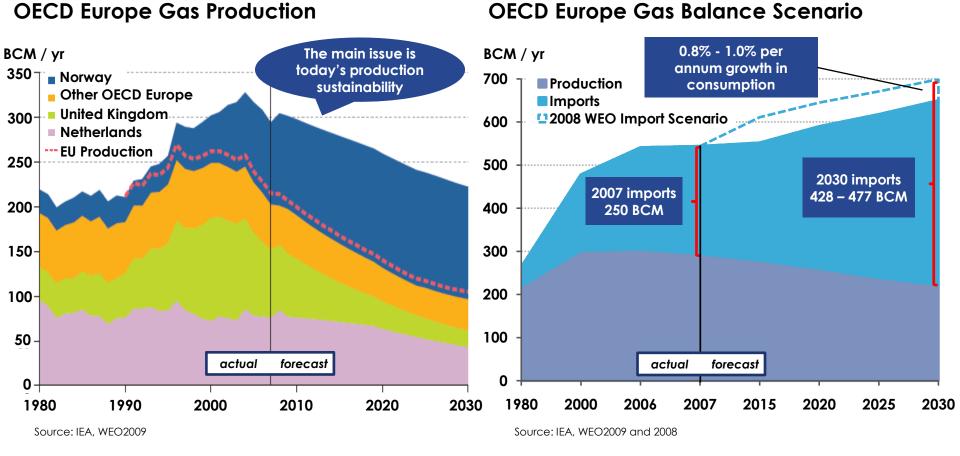




# Supply/Demand Environment – Europe & Russia

### **OECD Europe Gas Scenarios – Base Case**

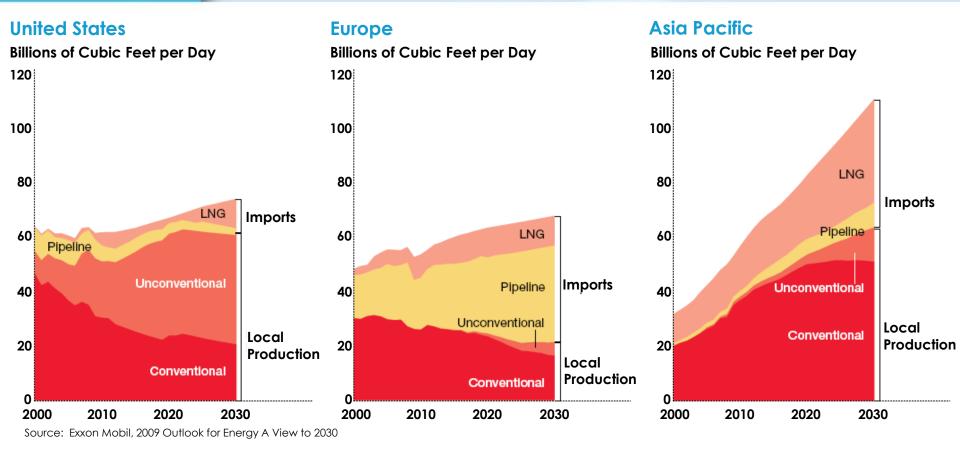




Significant decline forecasted from major OECD Europe indigenous gas production will result in an increase in imports over the long-term. Forecasts show that between 2007 and 2030 imports will likely increase by 178 to 227 BCM per annum

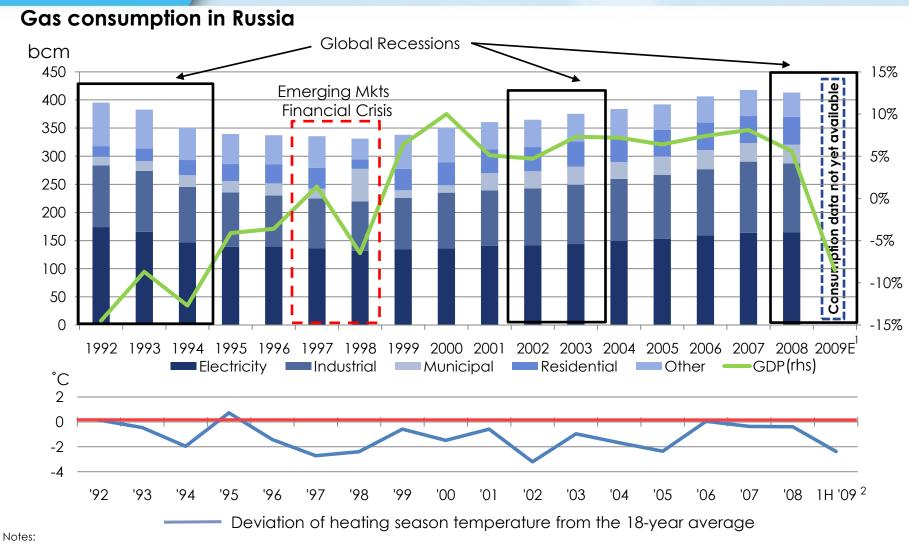
## Natural Gas Supply and Demand Balance





Natural gas is expected to grow across all three major consuming regions, with the sources varying depending on geographical areas

### **Relative Growth Despite Recessions**



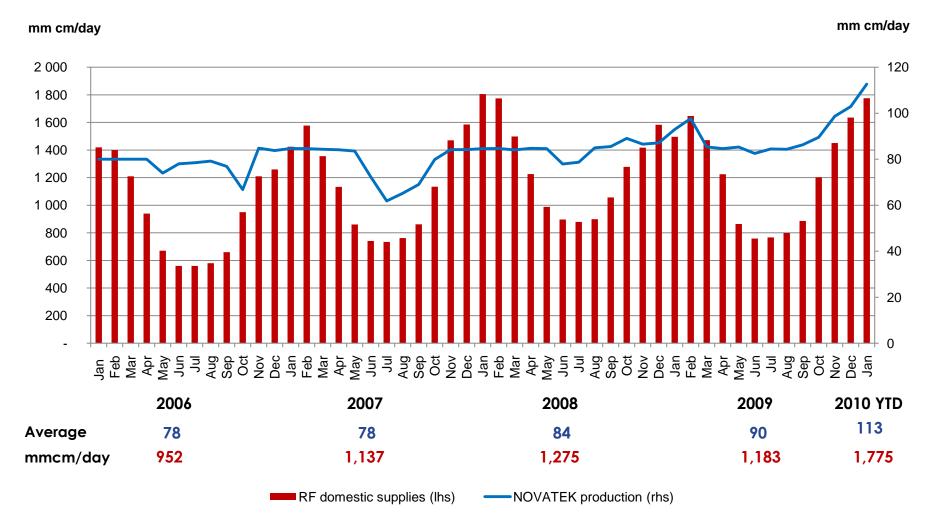
1. 2009 GDP is an estimate from the Ministry of Economic Development of Russia as of 30 December 2009;

2. Weather data covers first half of 2009-2010 heating season: 1 October - 31 December 2009.

Source: Bloomberg, Troika Dialog Research, Ministry of Economic Development of Russia

NOVATEK





Source: Troika Dialog Research Data (2006 RF domestic supplies), CDU TEK (2007 – 2009 RF Domestic supplies), Company Data



## **Questions and Answers Session**

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