



**SIBNEFT**

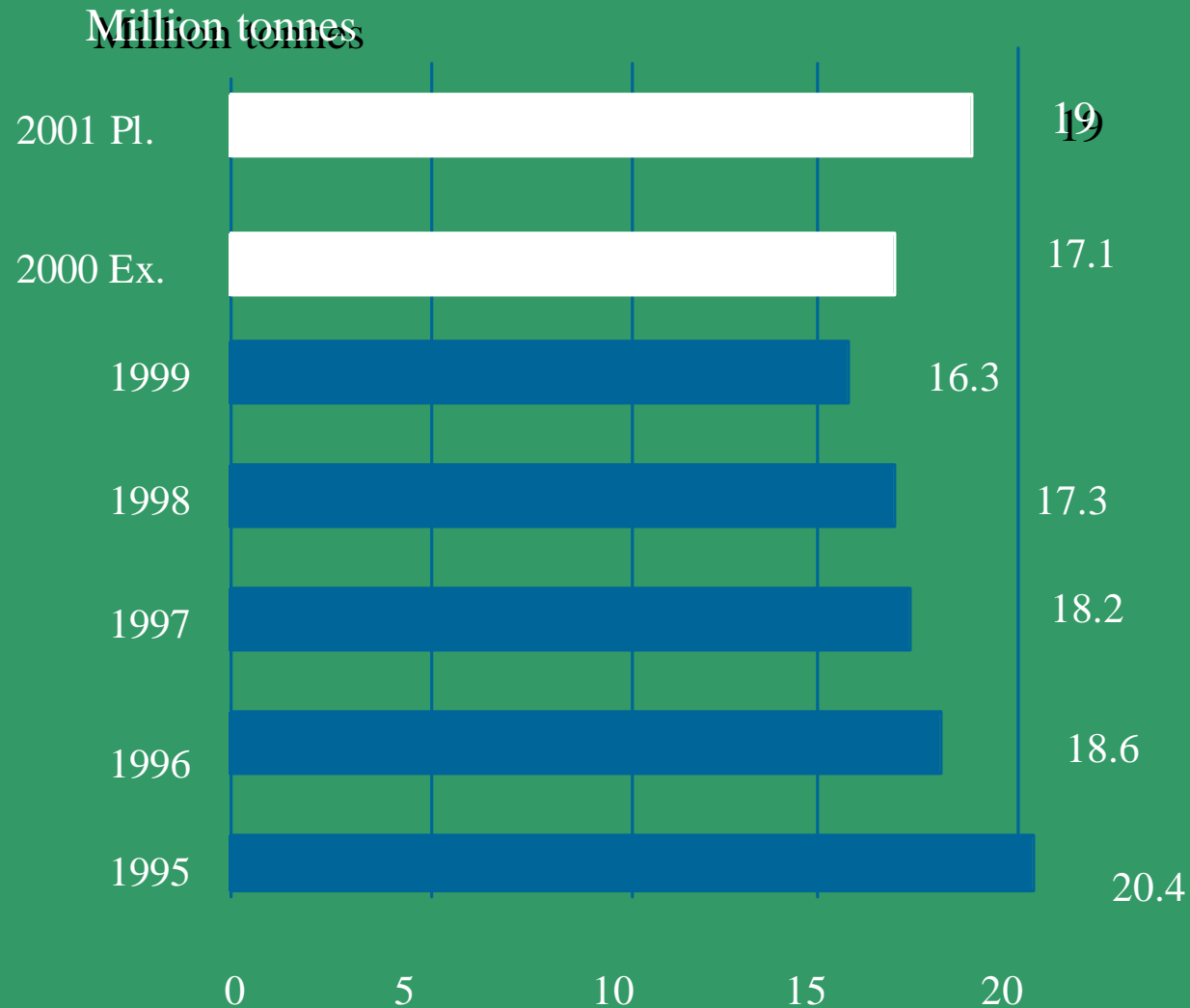




## *UPSTREAM BUSINESS PLAN*

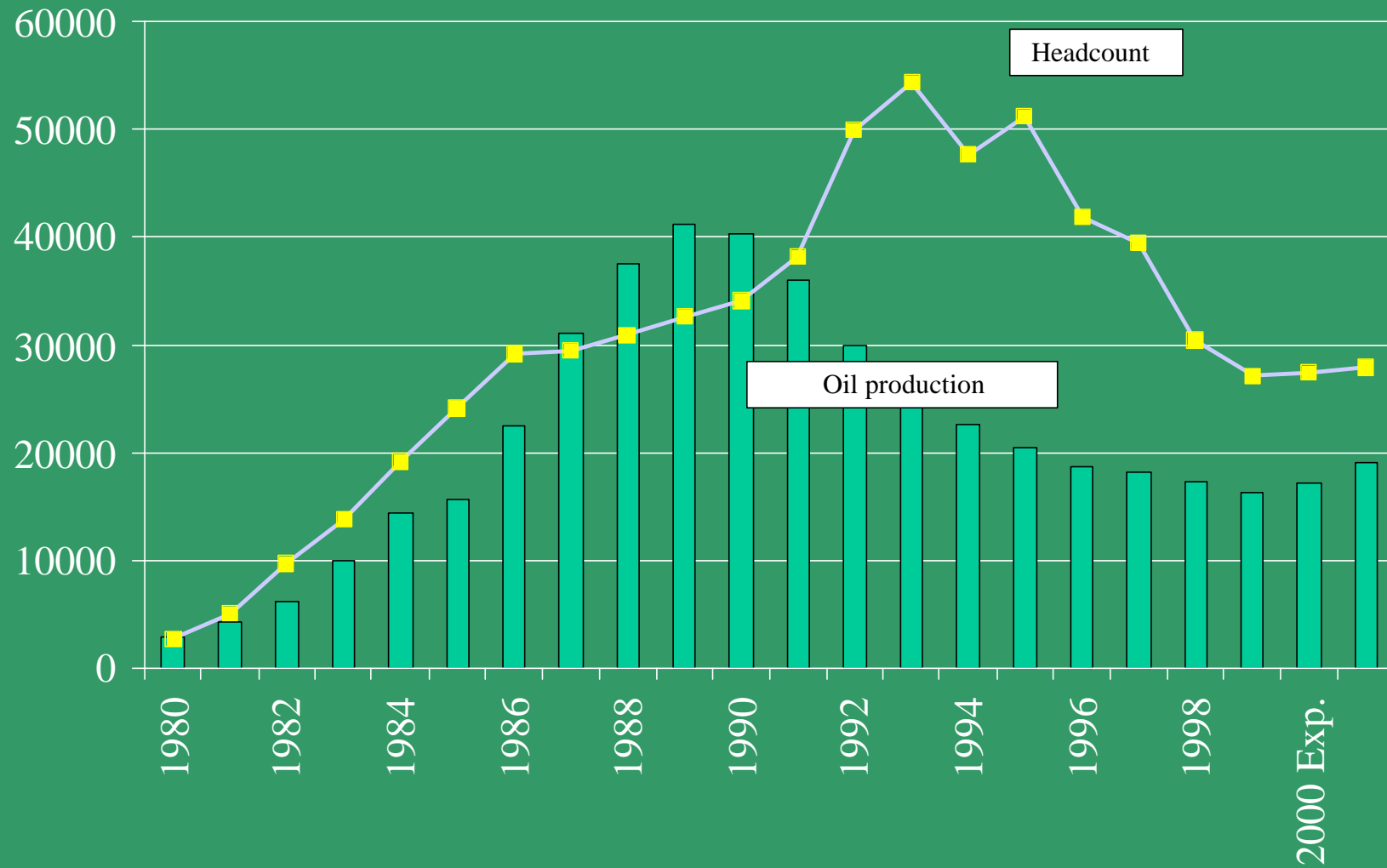


# Production Growth

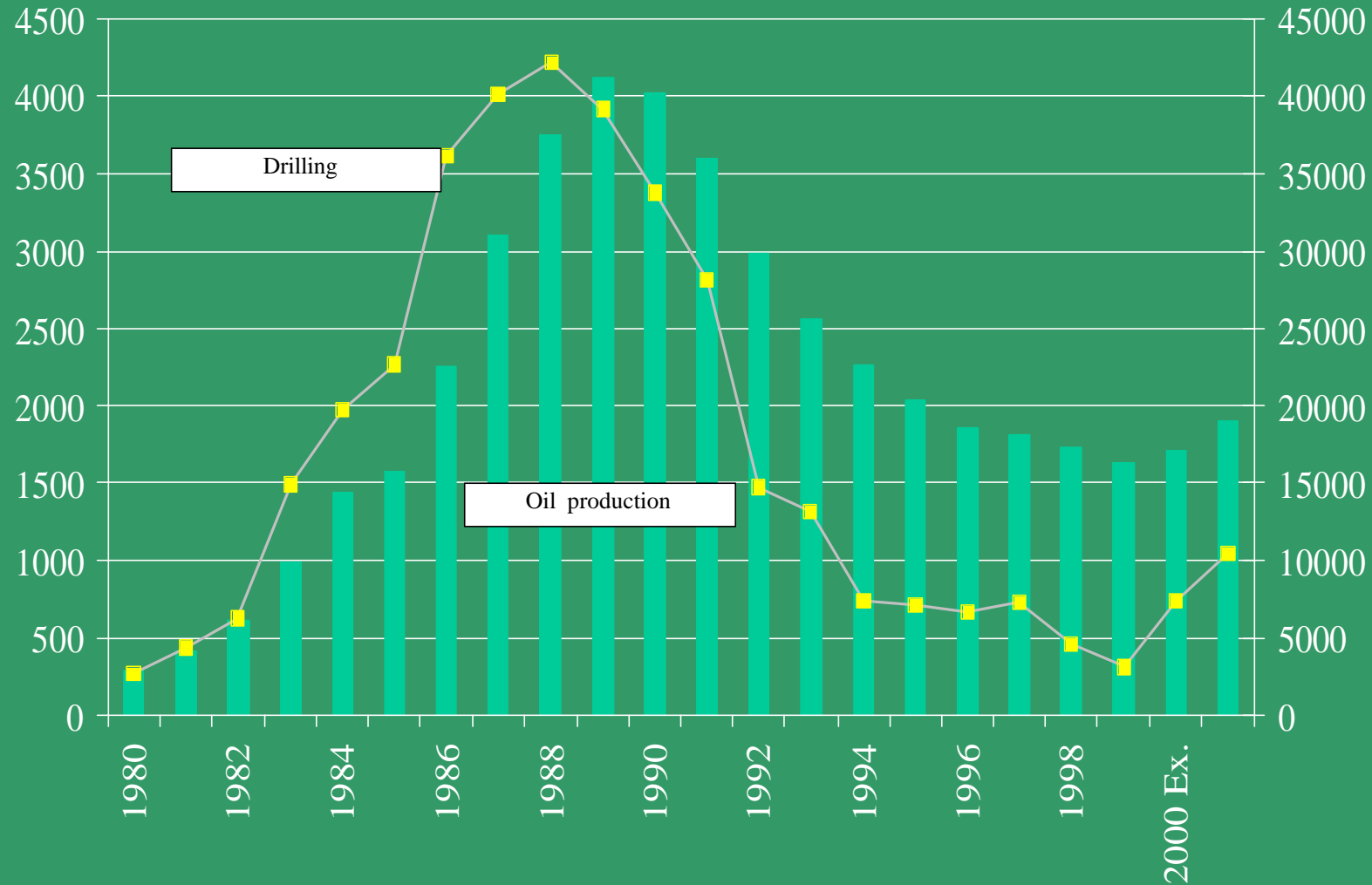


Sibneft builds on growth in output of 5% achieved in 2000 with accelerated growth of 11% in 2001

# Production Growth and Upstream Headcount



# Production Growth and Drilling



# Highlights of 2001 Business Plan

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- ✍ New system for calculating base production taking into account seasonal fluctuations in well stock
- ✍ Wider range of enhanced recovery methods applied (remedial well treatment, side trackings)
- ✍ Planning model refined based on information for three quarters of 2000
- ✍ Maintenance and increase in return from investments
- ✍ Improve existing plans and create new plans for development of Novogodnoye, Yarainerskoye and Romanovskoye fields
- ✍ Study results of pilot project at Sugmut field and development of plan for full field development

# Evaluation and Selection of Projects

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- ✍ Calculation of base production - production prior to application of enhanced recovery methods and new drilling
- ✍ Calculation of cash flows over five year period from base production and application of enhanced recovery methods at individual fields
- ✍ Total of 145 investment projects for increasing production underwent evaluation
- ✍ Evaluation and ranking of projects according to internal rate of return, net present value, pay back period and profitability index
- ✍ Focus on profitable projects

# Assumptions Used In Business Plan

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## ✍ Oil Price

- Export market \$16.50 per barrel (Brent) for five years
- Base export duty - 6 euros per tonne

## ✍ Calculation of cost effectiveness in US dollars for purposes of comparison

## ✍ Expenses calculated without amortization based on expenses for the first half of 2000

## ✍ Calculation of expenses on a field-by-field basis for individual investments



# Targets in 2001 Business Plan

<b>Indicator</b>	<b>Units</b>	<b>Target</b>
<b>Production</b>	<b>thousand tonnes</b>	<b>19,022</b>
Base production	('000 tonnes)	15,477
Production from new wells	('000 tonnes)	2,313
Production from enhanced recovery methods	('000 tonnes)	1,233
<b>Total expenditure</b>	<b>('000 USD)</b>	<b>959,855</b>
Expenditure on base production	('000 USD)	<b>555,503</b>
Expenditure on drilling	('000 USD)	357,051
Expenditure on enhanced recovery methods	('000 USD)	47,301

# Improving Efficiency of Projects

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- ✍ Search for improvements to enhanced recovery methods
  - boost productivity
  - reduce costs
- ✍ Reduce expenditure on base production (in particular Sutorminskoye, Kraineye, Vyingayakhinskoye and Pogranichnoye fields)
  - optimisation of development schemes
  - other cost-cutting opportunities

# New Technology and New Reserves

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- ✍ New field development projects
  - Krapivinskoye
- ✍ Extensive exploration programme in new regions
  - Omsk region (West Krapivinskoye field)
  - Blocks acquired in Yamal-Nenets region in 2000
- ✍ Continuation of horizontal drilling programme
- ✍ Modernisation of drilling equipment
- ✍ Rehabilitation of of old wells using new technology
  - Side trackings
  - Remedial well treatment
  - New types of enhanced recovery methods
  - Coil tubing
  - Use of new equipment with a higher degree of reliability

# Restructuring in 2001

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Reduction in headcount of Noyabrskneftegas by 10,000

- ✍ Spinning off drilling and well workover units into separate businesses and creation of an effective management system for new businesses (5,320+2,467=7,787 employees)
- ✍ Spinning off road repair unit (770 employees)
- ✍ Spinning off communications division into separate business (200 employees)
- ✍ Transfer to local authorities of residence halls and supporting services (around 1,000 employees)