

Russian Federation

JC RUSVIETPETRO

JC RUSVIETPETRO is Zarubezhneft's primary Russian production asset.

JC RUSVIETPETRO has been conducting hydrocarbon production operations at sites of the Central Khoreyver Uplift in the Nenets Autonomous Area since September 2010.

Production performance

In 2020, hydrocarbon production by JC RUSVIETPETRO amounted to 2,911,000 TOE, which is 11.9% lower than the previous year and 10% below the target level. The failure to meet the target is due to the asset's participation in the OPEC+ deal as part of the oil production quota allocation. Production takes place at the following fields of the Central Khoreyver Uplift: Severo-Khosedayuskoye, Visovoye, Verkhnekolvinskoye, Zapadno-Khosedayuskoye, Sikhoreyskoye, Vostochno-Sikhoreyskoye, Severo-Sikhoreyskoye, Severo-Oshkotynskoye, Syurkharatinskoye, Yuzhno-Syurkharatinskoye, Pyuseyskoye, Urernyrdskoye, and Vostochno-Yanemdeyskoye. The operating well stock includes 304 wells.

In order to fulfill the production plan over the course of the reporting period, 15 new wells with a total starting production rate of 1,185.9 tons per day were commissioned, and 35 other production stimulation measures with a total starting production rate of 1,443.5 tons per day were taken.

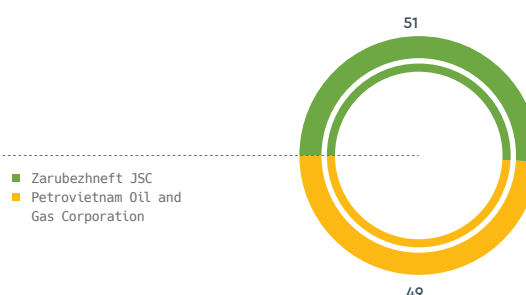
In 2020, 50 interventions were conducted on the producing well stock. Additional oil production from activities amounted to 297,114,000 tons. Construction was completed on 12 production and exploration wells.

Apart from well interventions, enhanced oil recovery methods were evaluated for performance: thermal gas treatment, surfactant polymer treatment, use of smart water, and the selective isolation of bottom waters. The field test stage was completed for a number of operations and an optimal development option was selected to increase the displacement efficiency and the cost of chemicals in order to ensure favorable project economics.

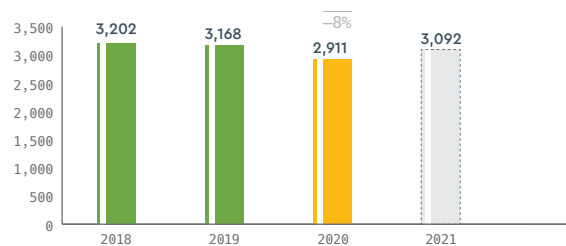
JC RUSVIETPETRO's production program is traditionally implemented in close cooperation with the companies of the Service and Other Assets segment: RMNTK Nefteotdacha JSC supports demand for integrated services when drilling wells and performing workovers at the Central Khoreyver Uplift fields; Zarubezhneftstroyontazh LLC performs construction and installation activities for the infrastructure development of the oil fields; VNIlneft and Giprovostokneft perform R&D work to search for new technologies and reagents in order to improve performance and enhance oil recovery at formations in the Central Khoreyver Uplift conditions.



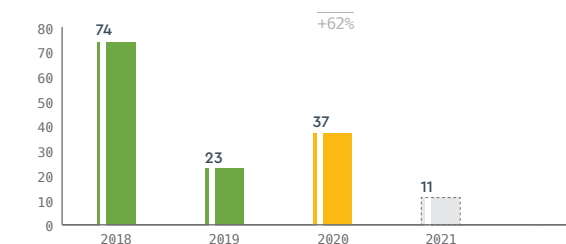
OWNERSHIP STRUCTURE, %



HYDROCARBON PRODUCTION, thousand toe



PRODUCTION DRILLING, thousand m



Economic performance

JC RUSVIETPETRO sells the oil it produces on internal and external markets under commission agreements and also delivers it for the technological needs of fields via direct contracts.

Along with the Company, the commission agent continuously monitors the situation on international and internal oil markets in order to flexibly respond to changes in demand and thus increase the profitability of JC RUSVIETPETRO.

Revenue from sales, including other sales, decreased by 41% in 2020 compared with 2019 to RUB 47.263 billion due to a drop in oil prices (–39%) and a decrease in sales volumes in physical terms (–10%). Plus, in 2019, there was an export tax benefit of RUB 2.194 billion.

Capital expenses in the reporting year were 25% lower than in the previous period due to the Company's implementation of a set of stabilizing measures in the first quarter of 2020.

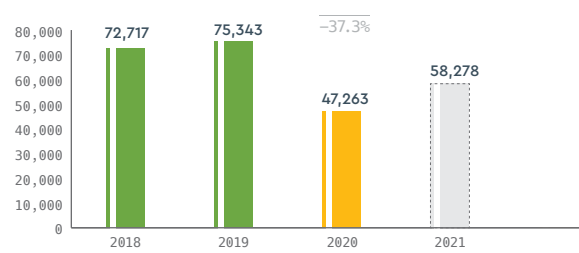
Development prospects

As part of measures to improve the efficient use of associated gas, the Company plans to carry out pilot commercial development work (PCDW) in 2021 as part of a pilot unit for of the catalytic purification of APG from hydrogen sulfide. Based on the positive effect from the PCDW, a decision will be made to build an industrial APG catalytic treatment plant, which will reduce the hydrogen sulfide content in fuel gas for gas pumping units to 20 mg/m³.

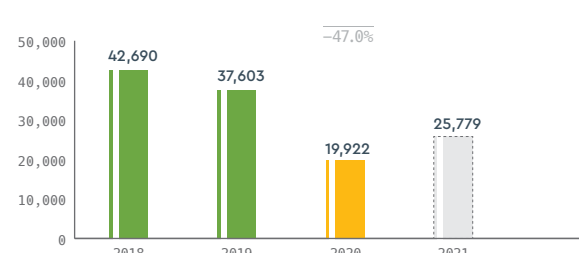
As part of an ongoing program to conserve energy and improve energy efficiency, the Company plans to introduce a second modernized power plant that runs on crude oil in order to reduce diesel fuel consumption.

In 2021, in order to confirm the production potential of the Zapadno-Yareyaginskoye field, Zarubezhneft plans to de-mothball well 1 along with hydraulic fracturing and development work.

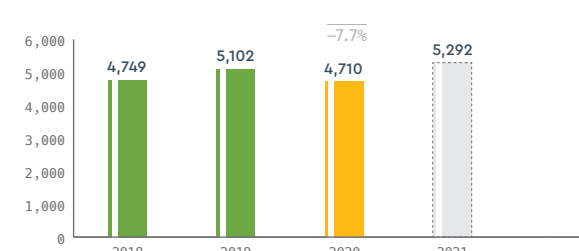
REVENUE, RUB mln



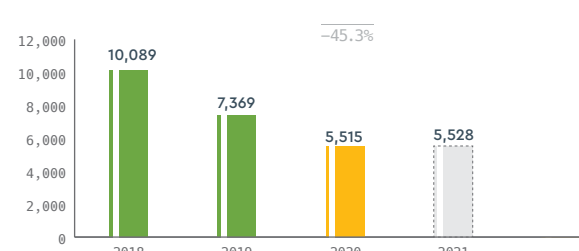
EBITDA, RUB mln



OPERATING EXPENSES, RUB mln



CAPITAL EXPENSES, RUB mln



Kharyaga PSA

Zarubezhneft joined the Kharyaga PSA project on January 1, 2010 with a participating interest of 20%.

In accordance with Appendix 3 to the Product Sharing Agreement on the Development and Production of Oil at the Kharyaga Oil Field dated August 1, 2016, the company Total Exploration and Development Russia transferred 20% of its participating interest and the project operator functions to the Zarubezhneft subsidiary — ZARUBEZHNEFT-Dobycha Kharyaga. As the result, the parties to the Kharyaga PSA are Statoil Kharyaga AS (30%), Zarubezhneft (20%), ZARUBEZHNEFT-Dobycha Kharyaga (20%), Total Exploration and Development Russia (20%), and Nenets Oil Company (10%).



Operational results
for the reporting period

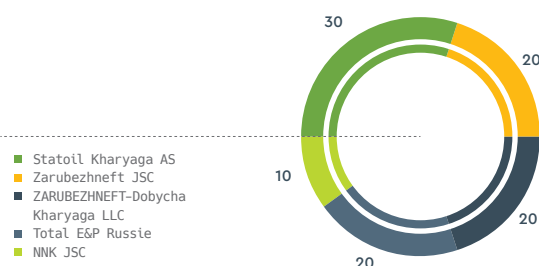
Production performance

In 2020, ZARUBEZHNEFT-Dobycha Kharyaga reached its highest production level over the last six years at 1,607,000 TOE. The result exceeded the 2019 level by 0.5% and the target level by 1.4%. The above-target results are due to the permanent optimization and integrated control of the FPM system, which made it possible to reduce the water breakthrough rate for wells, and the implementation of a program for further drilling at the field.

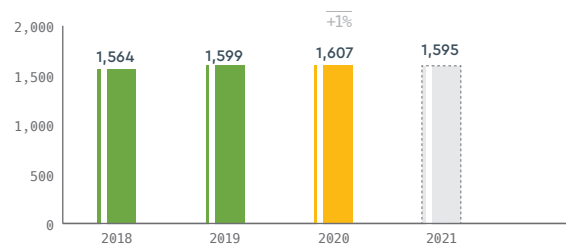
In the reporting year, ten new wells were commissioned with an actual increase of 832 tons per day. The operating well stock includes 61 wells.

In 2020, the Company introduced new technologies, including drilling a multi-hole well and multi-stage acid-proppant hydraulic fracturing. Apart from well interventions, enhanced oil recovery methods are evaluated for performance: injection of water diverting agents, polymer compound surfactants, and low-mineralized water.

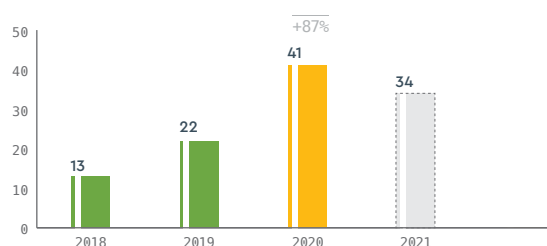
OWNERSHIP STRUCTURE, %



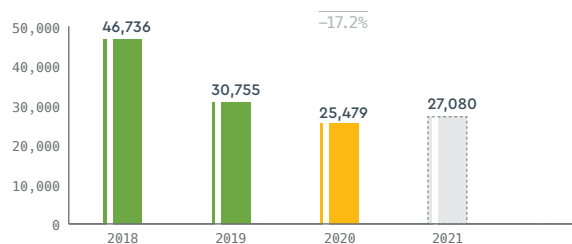
HYDROCARBON PRODUCTION, thousand toe



PRODUCTION DRILLING, thousand m



REVENUE, RUB mln (excluding the government's profit oil)

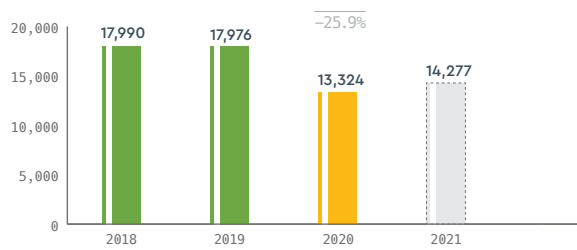


Economic performance

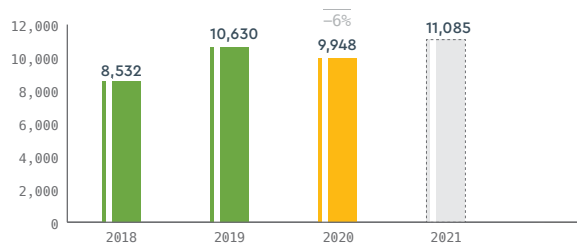
Revenue declined due to the change in ruble-denominated oil prices as well as the redistribution of oil sales throughout the year due to production constraints. COVID-19 response expenses also affected EBITDA.

Capital expenses decreased due to changes in the construction and operational drilling dates as a result of optimization measures that were taken to reduce capital expenses for facilities that do not affect oil production as well as changing macro parameters and measures to prevent the spread of COVID-19 in 2020.

EBITDA, RUB mln (excluding the government's profit oil)



CAPITAL EXPENSES, RUB mln



Development prospects

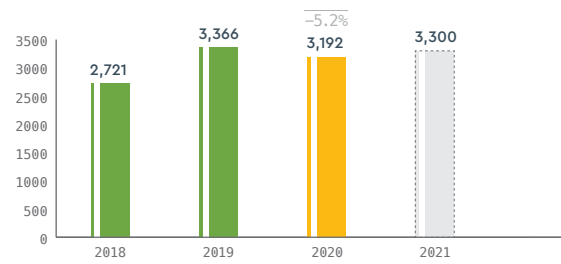
In the medium term, the Company will primarily focus on maintaining production levels at 1.5 million tons. A program has been drafted for this purpose, and the Company plans to continue the optimization of the water flooding system and the use of EOR methods.

As part of the implementation of the Energy Efficiency Program in 2021, the Company plans to switch a shift rotation housing complex from running on a gas turbine power plant to commercial energy, which will reduce the purchase cost of diesel fuel and electricity.

As part of a program to improve mechanized extraction, Zarubezhneft plans to commercially use a bottomhole formation zone reboiler on a pilot basis, which will avoid the downtime of wells due to the influence of high-resistant emulsion and reduce intra-shift oil losses.

In 2021, as part of ongoing measures to improve the efficient use of associated petroleum gas, the Group plans to complete construction as well as install and commission an amine treatment plant, which will significantly increase the current APG utilization rate from 62% to 74%.

OPERATING EXPENSES, RUB mln

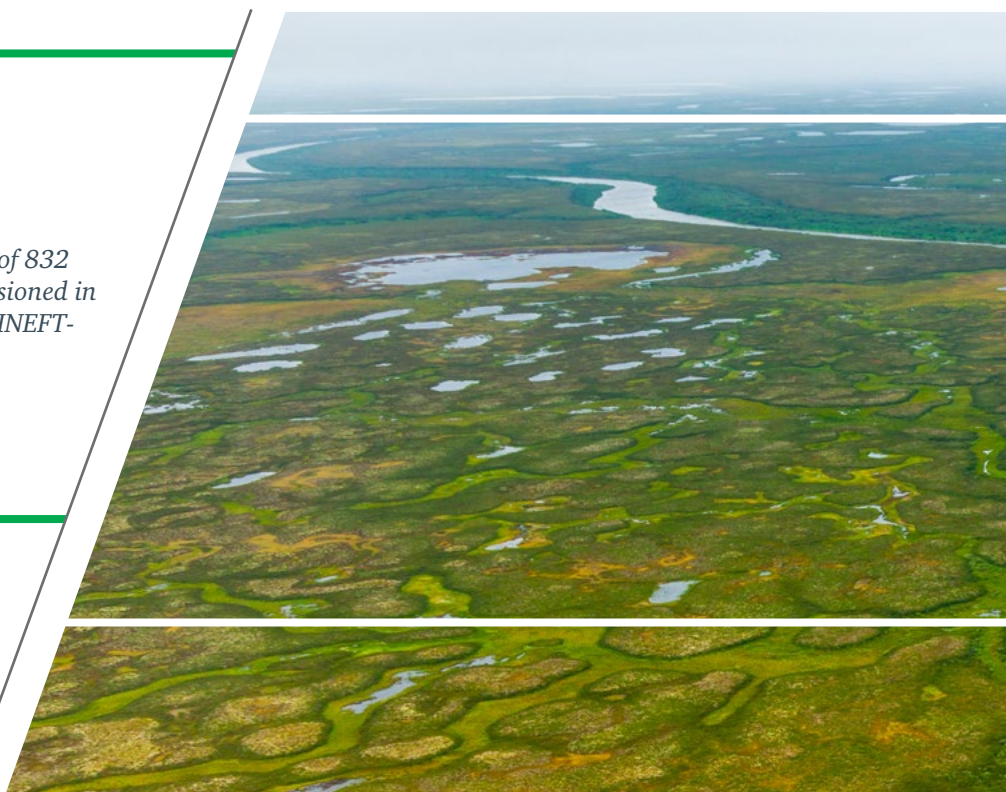


The level of specific operating expenses in 2020 is attributable to the Company's cost optimization program.

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New wells

with actual growth of 832 tonnes/day commissioned in 2020 by ZARUBEZHNEFT-Dobycha Kharyaga



ZARUBEZHNEFT-Dobycha Samara

ZARUBEZHNEFT-Dobycha Samara was established to improve the production and economic performance of companies within the Samara group. The company was registered on July 2, 2015 and entrusted with the functions of the management company. The oil and gas production assets of Ulyanovskneftegaz, Orenburgnefteotdacha, and Severo-Karasevskoye Petroleum Enterprise have been transferred under its control. In May 2017, a license was granted to use the subsoil of the South-Pcheliny license site under development. Zarubezhneft-Dobycha is the sole participant in the Company.

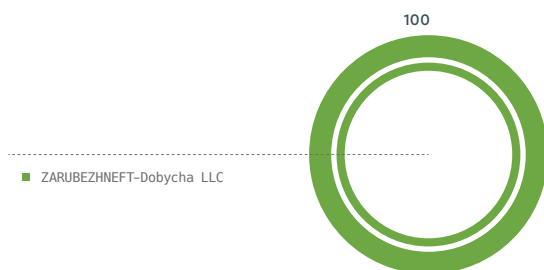
The operating activities of ZARUBEZHNEFT-Dobycha Samara made it possible to ensure stable growth in production for the Samara group's assets (+16% in 2020 compared with 2016).

Operating expenses were fully covered by the Company's revenue.

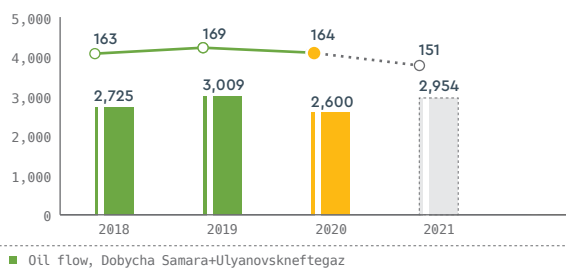


Operational results
for the reporting period

OWNERSHIP STRUCTURE, %



OPERATING EXPENSES FOR THE SAMARA GROUP, RUB mln



Ulyanovskneftegaz

Ulyanovskneftegaz is an oil producing asset that performs prospecting, exploration, and production at five license sites in the Ulyanovsk Region. Oil and gas are produced from sediments of the Lower and Middle Carboniferous period that predominantly consist of terrigenous reservoirs.

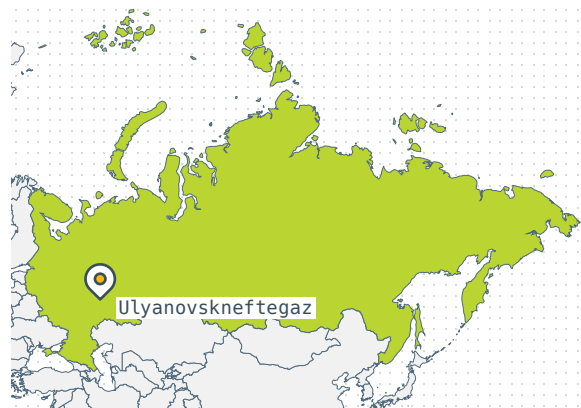
Production performance

For cost optimization purposes, no well interventions ensuring incremental oil production were carried out in 2020. Despite this, the production targets were exceeded due to a decrease in the rate of decline in the base stock of wells relative to the target values (the rate of decline was 6% vs. the target of 19%).

Economic performance

Despite the difficult economic conditions in 2020, by implementing a set of stabilizing measures, the Company managed not only to maintain, but also to reduce its specific operating expenses.

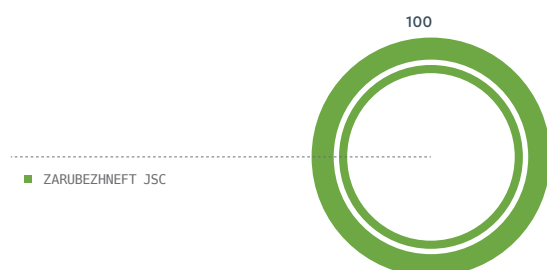
The decrease in capital expenses in 2020 compared with the previous period is due to a decline in production drilling volumes.



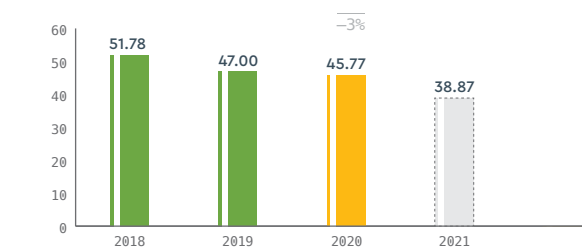
Development prospects

The Company's primary goal is to continue work to implement the production system, search for and approve a project to alter the logistics for the delivery of petroleum-containing fluid at alternative oil inlet stations, develop and implement an Efficiency Improvement Program, and introduce remote control at on-site facilities for the automatic calculation of oil-containing liquid production.

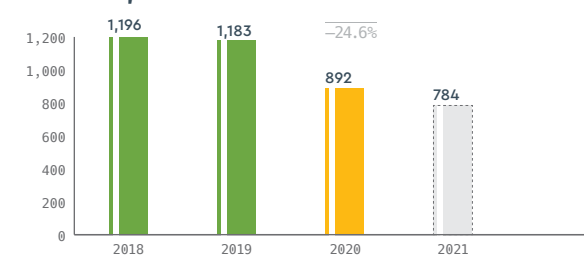
OWNERSHIP STRUCTURE, %



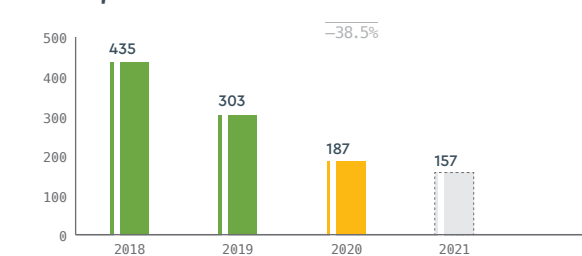
HYDROCARBON PRODUCTION, thousand toe



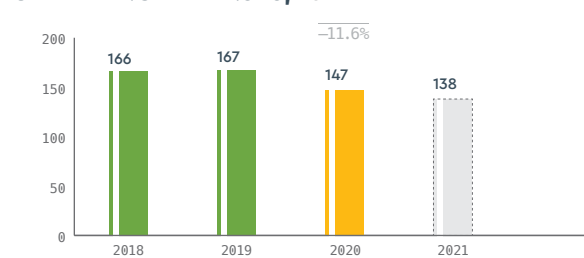
REVENUE, RUB mln



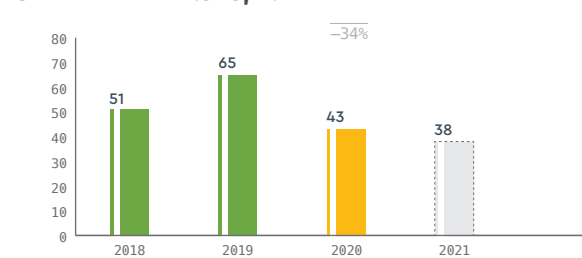
EBITDA, RUB mln



OPERATING EXPENSES, RUB mln



CAPITAL EXPENSES, RUB mln



Orenburgnefteotdacha

Orenburgnefteotdacha is an oil producing asset that performs prospecting, exploration, and production at three license sites in the Orenburg Region. Oil is produced from sediments of the Lower Carboniferous and Upper Devonian periods that predominantly consist of carbonate reservoirs.

Production performance

The primary factors that helped maintain production rates in the reporting year were the commissioning of three new wells at the Pashkinskoye and Kirsanovskoye fields as well as the completion of a hydraulic fracturing intervention at the 5P well of the Kirsanovskoye field. The operating well stock includes 34 wells.

Hydrocarbon production decreased due to the curtailing of work in progress in 2020 as part of the optimization of the production program (six measures were completed instead of 11). Despite this, the actual oil production levels exceeded the targets due to a decrease in the rate of decline in the base wells (the rate of decline was 8.4% vs. the target of 21%).

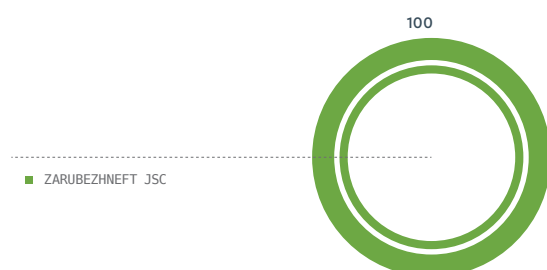
Economic performance

Capital expenses increased in 2020 compared with the previous period due to higher production drilling volumes.

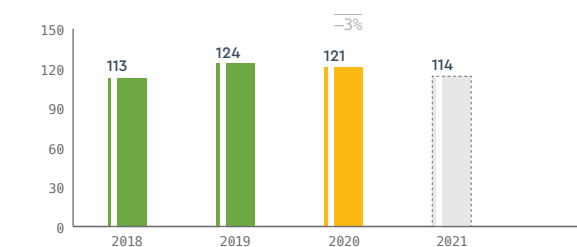


Operational results
for the reporting period

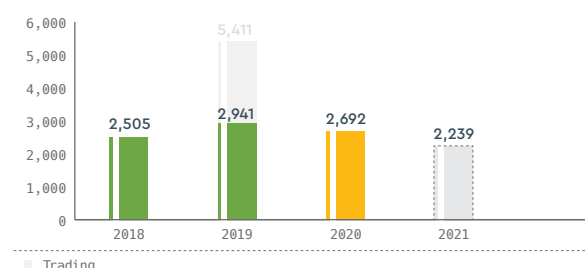
OWNERSHIP STRUCTURE, %



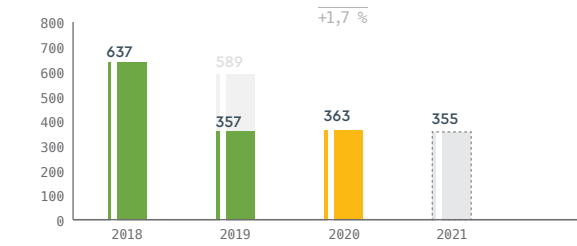
HYDROCARBON PRODUCTION, thousand toe



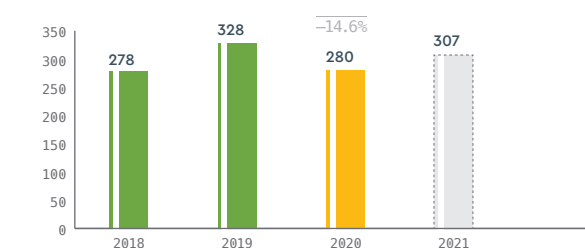
REVENUE, RUB mln



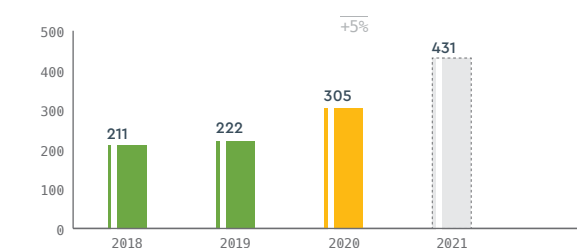
EBITDA, RUB mln



OPERATING EXPENSES, RUB mln



CAPITAL EXPENSES, RUB mln

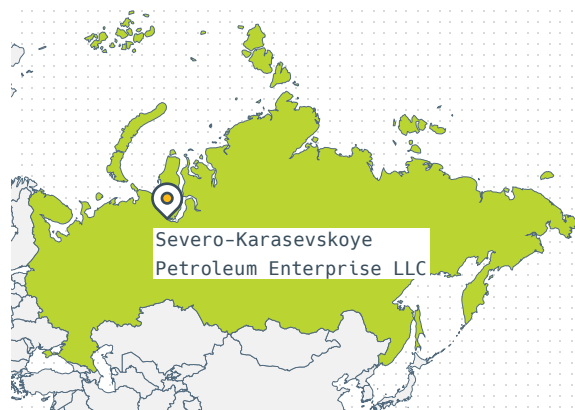


Severo-Karasevskoye Petroleum Enterprise LLC

The Lutseyakhskoye oil field with the area of 360.8 km² is located in the Nadymsky District of the Yamalo-Nenets Autonomous Area in the Tyumen Region, 45 km northwest of the district center of Nadym.

The Lutseyakhskoye field was discovered in 2011 after the drilling of prospecting and appraisal well No. 70-Lutseyakhskaya. The subsoil use license dated March 1, 2013 for the field is owned by Severo-Karasevskoye Petroleum Enterprise. In June 2016, Dedaci Enterprises Limited and Zarubezhneft (ZARUBEZHNEFT-Dobycha Samara) signed a contract to acquire a 100% participating interest in Severo-Karasevskoye Petroleum Enterprise. Based on the results of 3D seismic surveys over an area of 270 km² in June 2019, the operational recalculation of the Lutseyakhskoye field's C1 and C2 hydrocarbon reserves was approved (Minutes No. 03-18/201-pr of the Federal Agency for Mineral Resources dated June 4, 2019). The field has geological reserves of 42.88 million tons and recoverable reserves of 11.063 million tons.

In 2019, a draft document was approved regulating pilot production at the Lutseyakhskoye field; the decision was contained in the minutes of a Central Oil and Gas Commission meeting dated July 15, 2019 (Central Commission for HC Reserves)



2020 results

In 2020, the Company obtained the results of processing and interpretation of 3D seismic surveys, based on which the locations of exploration wells 71R and 72R were identified. Work was carried out to prepare for drilling, and in June, production well drilling began as part of the Pilot Commercial Development Work Phase at the license area of the Lutseyakhskoye field.

- Special well 5 of the VP was drilled and tested; directional well 1 NNS was drilled; and the drilling of well 2-G started in October



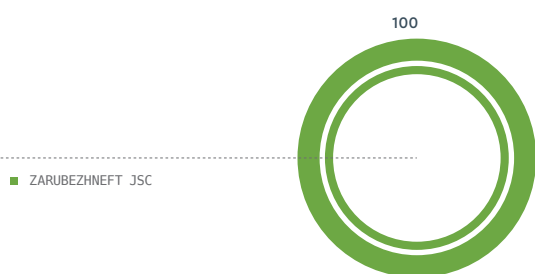
- ▶ Preparations continued for pilot commercial development work at the field
- ▶ In order to distribute the area of responsibility of the parties involved in the implementation of the project 'Development of the Lutseyakhskoye field within the pilot production project', ZARUBEZHNEFT-Dobycha Samara signed contracts with Giprovostokneft for surveying support, field development audit, and engineering, with Zarubezhneftstroyontazh for seismic microzoning, pre-commissioning, and engineering, and with Zarnestservice for the supply of equipment. The integrated service of RMNTK Nefteotdacha is involved in organizing well drilling operations.

Development prospects

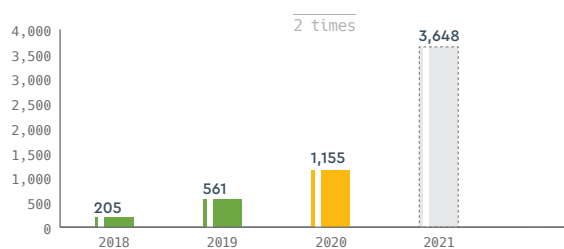
The 2021 work program envisages the continued drilling of production wells for pilot production at the Lutseyakhskoye field along with the development of horizontal wells and testing of directional well as well as the start of drilling on exploration well 71R.

In the medium term, the Company expects to implement the exploration work program on a phased basis, establish a PCDW site, perform a range of preparatory work for production drilling, drill production, injection, and exploration wells, and develop the field with oil production starting in 2023.

OWNERSHIP STRUCTURE, %



CAPITAL EXPENSES, RUB mln



Capital expenses have increased sharply since 2020 due to preparations for drilling; in June, drilling started on a production well as part of the Pilot Commercial Development Work Phase.



11,063,000

t
recoverable reserves
at the Lutseyakhskoye field