OJSC «SEVERNEFTEGAZPROM»
DEAR COLLEAGUES,

June 15 2011 is the anniversary of OJSC «Severneftegazprom», marking 10 years since the formation of the Company.

10 years is a traditional milestone at which to evaluate progress, prospects and challenges for further development. The past years were the era of formation and growth of the Company. Thanks to the professionalism and skill of the team some very impressive results have been achieved:

• one of the most modern production facilities in the industry was promptly built,
• commercial production of hydrocarbons was started,
• a stable financial position was achieved.

OJSC «Severneftegazprom» rightfully took its place among the leading gas producing companies of Gazprom Group.

Today we begin the next phase of its development – the pilot development of the difficult Turonian deposits with reserves estimated at over 300 billion cubic meters of gas.

OJSC «Severneftegazprom» is not only an important component of the national energy system of Russia. Our Company is a unique example of successful cooperation between Russia and Germany in the sphere of gas production, as well as part of the resource base for supplies of natural gas through the Nord Stream project, which aims to ensure Europe’s energy security.

I express my great gratitude for the professionalism and dedication of all workers and long-service employees of OJSC «Severneftegazprom», who know the real cost of producing gas!

Happy anniversary celebration, Severneftegazprom!

Stanislav Tsygankov
General Director
OJSC «Severneftegazprom»
Yuzhno-Russkoye oil and gas field, situated in the territory of Krasnoselkup Area, Yamalo-Nenets Autonomous District, is unique in its geology and structure. The field is 83 km long and 16 km wide. All sorts of hydrocarbons - gas, condensate and oil - are present at depths of 760 – 3300 metres. Most reserves are concentrated in Cenomanian and in the lesser Turonian deposits – the closest geological horizons to the ground surface.

The relatively shallow occurrence of hydrocarbons, large reserves volume and proximity to infrastructure facilities contributed to the attraction of the territory in terms of development.

**Total recoverable reserves of the Yuzhno-Russkoye oil and gas field comprise more than 1 trillion cubic m of gas.**
FROM FIRST WELL TO FULL PRODUCTION

In 1969 exploration well № 6 obtained gas production inflow from the Cenomanian reservoir. This well became the pioneer of the Yuzhno-Russkoye field.

In the 80-s Yuzhno-Russkoye was the subject of detailed seismic investigation.

In the 90-s exploration and appraisal drilling began. Later the development feasibility was proved and gas and oil reserves were evaluated.

Due to the well-coordinated work and the high proficiency of OJSC «Severneftegazprom» staff under the direction of the General Director Eduard Yuryevich Khudainatov a contemporary production complex was built in record-breaking time and put into commercial production in October 2007.

On 25 October 2007 the Cenomanian reservoir of the Yuzhno-Russkoye field was put into production by starting up the gas processing facility.
On December 18, 2007, Dmitry A. Medvedev, First Vice Premier of the Russian Federation and Chairman of OAO Gazprom’s Board of Directors and Dr. Frank-Walter Steinmeier, Foreign Minister of Germany started the joint Russian-German project by pressing the symbolic start-up button of the Yuzhno-Russkoye field which was set up in the OAO Gazprom’s Central Office.

«First of all, I want to thank all those who contributed to the commissioning of the Yuzhno-Russkoye field, while fostering the development of Russia’s North. The Yuzhno-Russkoye field is an example of efficient Russian-German cooperation. It fulfils the general contribution of both parties to provide stable energy security in Europe and prosperity for the whole continent», said Dmitry Medvedev in the presence of the management of OAO Gazprom and BASF.

«Russia is open for serious business projects, bold initiatives and mutually beneficial cooperation». 

START-UP CEREMONY
Commissioning of the Yuzhno-Russkoye field is the most momentous event of 2007 for Gazprom. It is a bright example of the Company's consistent execution of its policy to increase production capacity and to establish a strong foundation for stable and secure gas supplies to the internal and external markets», – underlined Alexey Miller, Chairman of the Gazprom Management Committee.

OAO Gazprom is one of the world's largest energy companies. Its major business areas are geological exploration, production, transportation, storage, processing and marketing of hydrocarbons as well as generation and marketing of heat and electric power.

«The Yuzhno-Russkoye field start up is an example of successful implementation of the new cooperation principles between Gazprom and leading world energy giants». 
COOPERATION WITH FOREIGN PARTNERS

In 2007 Chairman of the Gazprom Management Committee Alexey Miller and Chairman of the Board of Executive Directors of BASF SE Dr. Jurgen Hambrecht signed a Share Swap Agreement. According to the Agreement, Wintershall, a fully-owned subsidiary of BASF concern, became a shareholder of OJSC «Severneftegazprom» and the first foreign participant of the Yuzhno-Russkoye field development project. Wintershall has a 35% share in the commercial success of the project.

Following an asset swap, OAO Gazprom increased its stake in the authorized capital of the natural gas trading joint venture WINGAS from 35% to 50% minus one share, and received a 49% share in a Wintershall subsidiary that produces oil in two onshore concession areas in Libya.

Wintershall is a wholly-owned subsidiary of BASF. The Company is a leading oil and gas producer in Germany. Its major business areas are oil and gas production in various regions of the world, natural gas marketing and distribution. Wintershall makes a significant contribution to Europe’s supply security.
In June 2009 Chairman of the Gazprom Management Committee Alexey Miller and Chief Executive Officer of E.ON Ruhrgas AG Dr. Bernhard Reutersberg signed an Asset Swap Agreement as part of the Yuzhno-Russkoye oil and gas field development project. As a result of the deal E.ON Ruhrgas AG joined the shareholders of OJSC «Severneftegazprom». The commercial share of E.ON Ruhrgas AG amounts to 25%.

Pursuant to the Swap Agreement OAO Gazprom received 2.93% of the ordinary shares of OAO Gazprom which were previously in the possession of E.ON Ruhrgas.

E.ON AG is one of the world’s largest private electric power and gas concerns. E.ON Ruhrgas AG is the subsidiary of E.ON AG responsible for the group’s gas business, including natural gas production, distribution, transmission and storage. Over a number of years the Company has been a successful partner of OAO Gazprom. E.ON AG cooperates with OAO Gazprom on a range of joint projects, the Nord Stream gas pipeline construction project being one of them.
The gas processing facility of OJSC «Sever­neftegazprom» is highly automated, one of the most progressive in Russia. It is equipped with the latest foreign and Russian equipment, combining modern technology, automation and engineering solutions.

Automated control systems with advanced sensors, telemetry, and the latest Siemens software allow monitoring of the production process from a single control panel. This maintains optimum operational parameters, immediately flags any deviations and prevents process upsets.

Gas wells and gas gathering headers are monitored and controlled using software and hardware developed by the Russian research and production company Vympel, using the latest computer technologies and sensors.

The eight gas dehydration columns with upgraded internals were designed by VNIIGAZ Ltd (Russia) and Sulzer Chemtech (Germany). The special internals reduce the carryover of triethylene glycol and increase the unit capacity and quality of gas dehydration.
At the booster compressor station there are four gas compressor units by Ural (Russia) equipped with electric starters by JSC Research and Development company Iskra (Russia); a magnetic suspension system by the French company S2M, and dry gas seals by John Crane (the Netherlands). OJSC «Severneftegazprom» was the first of the Gazprom Group to apply this combination of equipment. The chosen concepts improve the operational reliability of the booster compressor station, cut lubricant costs and reduce the negative impact on the environment.

Fiscal metering of the sales gas is carried out by means of high-precision ultrasonic flow meters type MPU 1200 by FMC (Norway), which ensure a very accurate gas volume measurement and have proved themselves to be impeccable in operation.

The captive power plant is equipped with seven self-contained gas turbines by OPRA (the Netherlands) which provide high operational reliability. Their high thermodynamic efficiency minimizes fuel usage and impact on the environment.

**All stages of operation employ the latest hardware and software for process management.**
ENVIRONMENTAL RESPONSIBILITY

In implementing its ambitious and promising projects and in daily operations OJSC «Severneftegazprom» pays attention not only to production but also to environmental aspects. Respect for the environment, conservation and sustainable use of natural resources are some of the most important principles of the Company.

The modern technologies used in gas production and preparation meet the requirements of industrial and environmental safety. The Company has established an environmental monitoring program to monitor effects and develop environmental protection measures. They cover all the production processes, guiding day to day operations and preventing environmental incidents.

In April 2009 OJSC «Severneftegazprom» adopted a policy for quality, environmental protection, personnel protection and industrial safety in order to maintain the balance between economic objectives and environmental responsibility, improving field operations reliability and safety.

In February 2010 following the results of the work the Company’s quality management system was certified for compliance with international standards ISO 14001:2004, ISO 9001:2008, OHSAS 18001:2007.
INDUSTRIAL AND PERSONNEL SAFETY

The business efficiency of OJSC «Severneftegazprom» depends on the reliable accident-free operation of equipment and professionalism of its staff. Hazardous production facilities are operated in accordance with the requirements of rules and guidelines in the field of industrial safety.

The Company is certified for compliance with an integrated quality management system in professional health and safety under the requirements of the international standard – OHSAS 18001:2007 «Occupational Health and Safety Management System».

Under these requirements, all workers are equipped with personal protective equipment certified by Gazobezopasnost Ltd. People who require medical examination due to work in hazardous conditions are thoroughly examined on a regular basis. First aid facilities are provided at the Yuzhno-Russkoye field. The Company provides its employees with comfortable clothing, shoes and other modern, high-quality certified means of protection. A Commission regularly verifies employees’ knowledge of labor protection; staff training is carried out including training in safe working at hazardous production facilities.

In the sphere of industrial health and safety the Company makes employees’ health and safety a priority and provides a sustainable mechanism to ensure safe behavior on site.
SOCIAL RESPONSIBILITY

Caring for people is an important goal for OJSC «Severneftegazprom».

The Company has an effective system of guarantees, benefits and compensations: recreation and treatment, financial aid, a supplementary non-state pension fund, professional development and care facilities for the younger generation.

The Company organizes cultural events and holds parties for employees and their children. Much attention is paid to the organization of sports events in order to promote a healthy lifestyle and involve the employees in physical training and sport. Sporting events and competitions are held among the employees.

The sports team of OJSC «Severneftegazprom» has more than once taken prizes in regional competitions of the Krasnoselkup and Pur areas.

The construction of a modern recreational complex within the territory of YUROGF began in 2011. It will contain a swimming pool, gym, sauna, massage room and recreation room. This will help employees to stay healthy in the harsh Northern conditions.

Through an integrated approach to the organization of work and leisure and maintenance of health and staff efficiency, the Company successfully reaches its production objectives.
CHARITY

OJSC «Severneftegazprom» takes an active part in the life and development of the Krasnoselkup and Pur areas.

The Company promotes the development of children’s sports. The Company concluded a sponsorship agreement with the «Geologist» junior hockey school in Urengoy settlement. The school hockey teams are 15-time champions of Yamalo-Nenets Autonomous District; 3-time winners and 4-time winners of silver and bronze medals respectively of All-Russian tournaments, and champions of the international tournament in Oswego (USA). 32 pupils have been invited to the Olympic reserve school of the Russian Federation.

The Company makes a considerable contribution to the education and upbringing of the younger generation of native northerners. The Company provides grants to teachers and students of educational institutions, pays for education of students in universities, acquires equipment and musical instruments for the centre of leisure and folk arts in the village of Krasnoselkup and finances construction of an outpatient clinic in the village of Samburg.

Every year OJSC «Severneftegazprom» sponsors the national holidays of the North – Reindeer Day and Fisherman’s Day. The natural wisdom of indigenous people enables them to understand and accept the requests of the modern age, and employees of the Company answer them with respect, contributing to the preservation of the unique culture of the North.

The Company is successfully carrying out charitable projects supporting sports and creative groups, social institutions, and preserving the indigenous culture of Yamal.
YAMAL IS OUR COMMON HOME

Caring for native people living on the territory of Krasnoselkup and Pur areas is a constant component of the industrial and economic activities of OJSC «Severneftegazprom». The Company uses advanced technologies to develop and operate the Yuzhno-Russkoye field which minimize the environmental risks and damage to the economic activity of the nomadic tundra population.

General cooperation agreements which stipulate specific areas of assistance are concluded between the district administrations and the Company. Under the agreements the Company allocates funds for the development of national settlements: medical equipment is being purchased, housing for public sector employees is under construction and repair, financial assistance is being provided to agricultural enterprises of the district (agroindustrial firms Pripolyarnaya, Tolkinskaya), and to the district office of the Association Yamal Potomkam.

Respect for the traditional lifestyles of indigenous peoples is an integral part of the social policy of the Company.
PROSPECTS AND DEVELOPMENT

Today OJSC «Severneftegazprom» is a modern, high-tech, dynamically developing enterprise. The 75-billionth cubic meter of gas from the beginning of the field development was produced in May 2011. Production was raised to the design level of 25 billion cubic meters per annum in 2009. It is planned that the Company will retain this level of production unchanged for next 13 years.

Having successfully developed the Cenomanian deposits, the Company embarked on a project of experimental development of the Turonian deposits where reserves are estimated at over 300 billion cubic meters of gas in the license area of the Company. In 2010 the first multilateral well with a branched well bore architecture was drilled as part of this project; in May of 2011 the first gas from the well was received. The Company also aims to produce hydrocarbons from underlying horizons.

In 2010 the first phase of booster compression was commissioned with a capacity of 64 MW; the commissioning of the second phase is planned.

Processing the gas meet transportation conditions whilst reservoir conditions change during the field’s life creates continuous challenges for the specialists of the Company. The Company will continue to improve the existing technologies and introduce new ones. We are sure that the Company will meet these challenges and become a reliable guarantor and a part of the resource base for natural gas supplies to the Nord Stream pipeline, which will run under the Baltic Sea and become an important factor in ensuring the energy security of Europe.

May the 10th anniversary celebrated by the Company be the starting point of new achievements and new victories!
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