

Press Conference

Mineral and Raw Material Base Development. Gas Production. Gas Transmission System Development

June 9, 2010

Moderator: Good afternoon. Today's subject is gas production.

Participating in the Press Conference are:

- **Vsevolod Cherepanov**, Member of the Management Committee, Head of the Gas, Gas Condensate and Oil Production Department;
- **Sergey Alimov**, First Deputy Head of the Gas Transportation, Underground Storage and Utilization Department;
- **Sergey Pankratov**, Deputy Head of the Strategic Development Department – Head of the Prospective Development Directorate.

Two brief presentations will open the Press Conference, the first one will be devoted to the mineral and raw material base development, the second – to the gas transmission system. After that you may ask your questions.

Vsevolod Cherepanov: Good afternoon, esteemed ladies and gentlemen. I will take you into the details of today's Press Conference most of which are available to you in the handout materials.

Gazprom has the world's richest natural gas reserves. The Company's share in the world's discovered reserves is 18 per cent with 70 per cent in Russia. As of January 1, 2010 discovered gas reserves of Gazprom Group are estimated at 33.6 trillion cubic meters; liquid hydrocarbon reserves amount to 31 billion tons including 1.8 billion tons of oil. As of January 1, 2010 Gazprom Group's companies had the right to use 415 licensed areas in the Russian Federation and abroad, as well as to carry out geological prospecting, exploration and production of hydrocarbon feedstock.

Gazprom annually carries out independent evaluation of reserves in accordance with the international standards adjusting the volumes and the estimated value of the previously audited field reserves. Consideration is given at the same time to cumulative production, reserves dynamics and growth, as well as to changes in production costs, taxes and gas prices. As of December 31, 2009 the audit of Gazprom Group's reserves (including Gazprom neft) covered 89 per cent of gas reserves and 84 per cent of liquid hydrocarbon reserves. Proven and probable reserves are estimated at 21.9 trillion cubic meters and 1.9 billion tons of liquid hydrocarbons. The current value of reserves is USD 241.4 billion.

As of January 1, 2010 Gazprom Group's A+B+C1 reserves were equal to 33.6 trillion cubic meters. Regardless of a significant total amount of the feedstock base, its reserves are far not uniform varying in depth, remoteness from the regions with advanced infrastructure, development complexity and environmental restrictions:

- 7.7 trillion cubic meters ensure steady production within the unified gas gathering system operation area. These are mainly the Cenomanian deposits of the Nadym-Pur-Taz region;
- 5.4 trillion cubic meters are accumulated in declining fields, specifically: European Russia, the Cenomanian deposits of Urengoyskoye and Medvezhye, the central part of the Yamburgskoye field;
- 4.3 trillion cubic meters of reserves are in deep, geologically complex deposits: the Achimov deposits of the Urengoyskoye field, the Neokomian deposits of the Zapolyarnoye and Pestsovoye fields, as well as Eastern Siberia;
- 13.7 trillion cubic meters of reserves are accumulated in offshore fields and the fields located far from the regions with advanced infrastructure: the Yamal, Shtokmanovskoye, Severo-Kamennomysskoye and Kamennomysskoye-Sea fields;
- 2.5 trillion cubic meters are concentrated in the Astrakhan field with the environmental restrictions imposed on the production level.

Speaking of Gazprom's mineral and raw material base it is necessary to mention a high degree of hydrocarbons geographic and stratigraphic concentration. More than 72 per cent of reserves are concentrated in Western Siberia, 14 per cent are offshore the Northern seas, some 40 per cent are qualified as Cenomanian deposits specific with relatively shallow occurrence depths, high flow rates and dry gas.

The resource base has been changing in the recent years with an increasing portion of reserves accumulated in deep deposits, remote regions, offshore areas, which require additional financial investments and technical efforts for development. The Gas Industry's Mineral and Raw Material Base Development Program until 2030 was worked out in 2002 and has been implemented for 9 years as part of Gazprom's permanent efforts to develop its resource base. The following tasks are to be completed under this Program:

- providing the Company with the explored gas reserves that guarantee the production level maintenance within the Unified Gas Supply System operation areas through to 2030 and lay the groundwork for further gas production beyond 2030;
- gas reserves preparation in Eastern Russia for gas supply to Eastern Siberia and the Far East, as well as for the "east stream" preparation for gas export to Asia-Pacific countries;
- preparation of liquid hydrocarbon reserves (Nadym-Pur-Taz region, Yamal, Caspian Sea region, Northwestern region).

In 2002–2030 the Program envisages the following parameters of exploration work in Russia: expenditures for exploration work – some RUB 1.8 trillion, scope of drilling – more than 7 million meters, growth of C1 category reserves – 21.8 billion tons of fuel equivalent.

Due to Stage 1 implementation within the Program Gazprom's reserves replenishment level has been higher than the annual production level since 2005. Since 2006 the Company has been implementing Stage 2 of the Program – creation of the basis for expanded replenishment of the mineral and raw material base.

In accordance with the Program the exploration work is carried out in:

- regions with advanced infrastructure to maintain extraction levels in the existing gas production regions: the northern part of the Taz Peninsula with the Ob and Taz Bays, the Nadym-Pur-Taz region, the Northern Caucasus, the Astrakhan dome and the Caspian trench boundaries, the Pechora-Kozhvin'sky mega-swell and the Kosyu-Rogovskaya trench in the Komi Republic;
- new regions with the aim to create new gas production centers: the Yamal Peninsula with the adjacent offshore areas, the Kara, Pechora, Barents Seas and the Sea of Okhotsk shelf, the Krasnoyarsk Krai (including the Evenki Autonomous Okrug) and the Irkutsk Oblast.

Great attention is paid to the activity on Russia's continental shelf. The reserves growth in the offshore fields reached 2.7 billion tons of fuel equivalent in 2002–2009. In order to maintain the planned growth of offshore reserves, it is necessary to drill another 46.5 thousand meters in 2010–2012, which requires additional drilling rigs and supply vessels. Scenario calculations for the discovered oil and gas fields development options indicate that the top priority directions for the offshore activities are: the Barents Sea – the Shtokmanovskoye field, the Pechora Sea – the Prirazlomnoye and Dolginskoye fields, the Kara Sea, the Yamal shelf, the offshore areas of the Ob and Taz Bays, Northern and Central Caspian Sea and the Sea of Okhotsk.

Gazprom is implementing geological exploration projects abroad: in Uzbekistan, Kyrgyzia, Tajikistan, offshore Vietnam, India, Venezuela, Latin America and in Algeria. The Company also carries out geological and economic evaluation of the promising areas in Turkmenia, Malaysia, Egypt, Bolivia, Angola, Argentina, Iran, Nigeria, Brazil and some other countries.

Implementation of the Gas Industry's Mineral and Raw Material Base Development Program until 2030 was carried out within the investment programs and plans for socioeconomic development of Gazprom and its subsidiaries.

In 2009 geological exploration work [excluding Gazprom neft] allowed to discover 6 new fields in the Yamal-Nenets Autonomous Okrug and the Republic of Komi, 11 new deposits in the fields being developed with the C1 reserves growth

reaching 544.7 million tons of fuel equivalent including 468.4 billion cubic meters of gas. The growth of Gazprom Group's reserves [including Gazprom neft] amounted to 564.9 million tons of fuel equivalent with 468.8 billion cubic meters of gas.

Total expenditures for the geological exploration work performed in 2002–2009 as part of the Program reached RUB 172.9 billion in Russia and RUB 42 billion abroad. 1,128 thousand linear meters of rock were drilled, 2D seismic survey of 93 thousand linear kilometers and 3D seismic survey of 46.7 square kilometers were carried out within the geological exploration activities. The reserves replenishment ratio has been higher than 100 per cent since 2005 due to the executed geological exploration work.

From 2002 to 2009 [excluding Gazprom neft] 28 new fields and 51 new oil and gas deposits were discovered including the unique Kamennomyskoye-Sea field containing 534.7 billion cubic meters of gas reserves and the large Severo-Kamennomyskoye field – 404.9 billion cubic meters. The reserves totally grew by 4.4 billion tons of fuel equivalent. The efficiency of geological exploration activities equaled 3.7 thousand tons of fuel equivalent per meter. Geological exploration carried out during this period ensured a gas reserves increment featured by the following major projects: the Cenomanian deposits of the Medvezhye, Tazovskoye, Yuzhno-Russkoye, Zapolyarnoye fields; the Kharvutinskaya area of the Yamburgskoye field; the Turonian deposits of the Zapolyarnoye and Yuzhno-Russkoye fields; the Lower Cretaceous and Jurassic sediments of the Urengoyevskoye, Yamburgskoye, Medvezhye, Yuzhno-Russkoye and other fields.

A significant reserves increment was reached in the offshore areas including 1.2 trillion cubic meters within the Ob and Taz Bays (mainly in the Kamennomyskoye and Semakovskoye fields), 1.4 cubic meters in the Shtokmanovskoye field.

The Beryambinskoye, Kamovskoye, Kazanskoye, Chikanskoye and Taldinskoye fields were discovered in Siberia with the total reserves of 22.6 billion cubic meters. The results of the geological exploration carried out from 2002 to 2009 confirmed the promising outlook for the key directions of hydrocarbons exploration and prospecting, as well as for the Company's mineral and raw material base development. Stage 1 of the Program for enhancing the reserves replenishment – the Company reached parity between the hydrocarbons extraction volume and their replenishment. Meanwhile, Stage 2 of the Program is currently being implemented to intensify geological exploration – stabilize replenishment.

267 wells were constructed in Russia in 2009 including 64 prospecting and 203 production wells with 1 prospecting and 12 production wells at UGS facilities. A total of 627.8 thousand meters were drilled including 148.5 thousand meters – prospecting drilling and 479.3 – production drilling. As for the foreign projects:

10 prospecting wells were constructed with 30.7 thousand meters drilled. 7 and 3 wells were constructed in Uzbekistan and Vietnam with 23.8 and 5.2 thousand meters of rocks drilled, respectively. 1.7 thousand linear meters were drilled in Venezuela.

In 2009 Gazprom's gas production amounted to 461.5 billion cubic meters, which is 16 per cent less than in 2008. The production decrease was provoked by a demand drop in foreign and domestic markets in the global crisis environment. Due to a drop in gas offtake the planned volumes were adjusted on a monthly basis. As a result, the initial gas production target – 560.8 billion cubic meters was adjusted to 101.4 billion cubic meters throughout the year. In the meantime, gas producers ensured reliable and continuous gas delivery to consumers and supplied the required gas volumes abroad.

Starting from November the daily average gas production exceeded the level of the previous year. During the December cold snap both in Russia and Europe gas was produced from the fields at accelerated rates with the maximum technologically possible output – 1,670 million cubic meters per day.

Over 2009 Gazprom was working out managerial decisions on optimizing the decreasing production level and on ensuring gas production during the winter peak load period. In 2009 the subsidiaries' share in the total gas production amount was as follows: Gazprom dobycha Yamburg – 38.5 per cent; Gazprom dobycha Urengoy – 23.3 per cent; Gazprom dobycha Noyabrsk – 11.7 per cent; Gazprom dobycha Nadym – 11.2 per cent, other companies – 15.3 per cent.

In 2009 gas condensate and oil production amounted to 10.1 million tons and 31.6 million tons respectively. It is necessary to note that Gazprom commissions new facilities every year. Among the fields and areas commissioned from 2001 to 2009 are: the Zapolyarnoye, Pestsovoye, Yety-Purovskoye, Vyngayakhinskoye, Yen-Yakhinskoye fields, the Tab-Yakhinskaya area of the Urengoyskoye field, the Aneryakhinskaya and Kharvutinskaya areas of the Yamburgskoye field and block 2 of the Achimov deposits – the Urengoyskoye field. Gazprom constructed and commissioned 18 booster compressor stations with the total installed capacity of 1,520 MW; the Company also drilled and put onstream more than 1,500 production wells. CGTU-22, two 48 MW compressor stations for associated petroleum gas utilization and 64 production wells were put onstream in the Urengoyskoye field in 2009.

In 2010 it is planned to produce 519.3 billion cubic meters. During the first four months the plan was surpassed by 4.6 billion cubic meters. At the same time, starting from mid-May the situation reminds of the previous year: a sharp drop in gas consumption and subsequently the production level. Gazprom is planning to increase the production levels during the 2011–2013 triennial period: 528.6 billion

cubic meters in 2011, 542.4 billion cubic meters in 2012 and 565.5 billion cubic meters in 2013 to reach the pre-crisis production level.

In order to reach the planned levels it is necessary to bring the Kharvutinskaya area in the Yamburgskoye field's and the Cenomanian deposits in the Zapolyarnoye field to the projected production capacity; commission the Valanginian deposits in the Zapolyarnoye field in 2010, the Zapadno-Pestsovaya area in the Urengoyevskoye field (in 2010), the Yareyskaya area in the Yamsoveyskoye field (in 2010), the Nydinskaya area in the Medvezhye field (in 2011) and the Bovanenkovskoye field in 2012. Thank you for your attention.

Moderator: I give the floor to Sergey Alimov to speak about the gas transmission system development.

Sergey Alimov: Good afternoon, esteemed ladies and gentlemen. I will briefly inform you about the current state of the gas transmission system and the prospects for its development.

However, I suppose that one can describe the current state very briefly as you may all see that the system is highly reliable since we face no problems with gas delivery to consumers in the desired amount. This is of course secured with not just mere formal actions but by all the Gazprom's employees in their effort to upgrade and overhaul the gas transmission system, as well as to reconstruct certain facilities, where necessary – I will tell you about them later.

As of today, concerning the promising directions of the gas transmission system development I may say that they are linked both to new gas production areas and regions of increased gas consumption in Russia and abroad. Let's assume that our new fields in Kamchatka and Sakhalin certainly involve creation of the local gas transmission systems and such projects are being implemented, including Eastern Siberia. Some projects share a common hydraulic operating mode with the existing gas transmission system such as: gas supply from the Bovanenkovskoye field, the Gryazovets – Vyborg, Nord Stream, Dzhubga – Lazarevskoye – Sochi gas pipelines and South Stream in the long run.

One of the large-scale projects currently being implemented is creation of the Bovanenkovo – Ukhta – Torzhok gas transmission system with the total length of 2,400 kilometers. The system may be deemed to consist of two sections: Bovanenkovo – Ukhta (1,100 kilometers long) and Ukhta – Torzhok (1,300 kilometers long). The throughput capacity of the first section is 140 billion cubic meters of gas per year and the second section – 81.5 billion cubic meters per year. High-strength 1,420-millimeter flow coated pipes withstand higher operating pressures (some 120 atmospheres), thus the project is being implemented with the most effective operating parameters. The expected commissioning deadline is the third quarter of 2011. The project is progressing on schedule.

The next project I would like to dwell on is Nord Stream. This is a well-known project as we speak about its status from time to time during our Press Conferences; however, if we were involved in active preparation in previous years, today we are in an active project implementation phase. It is clear that this project is to be fed with gas from the onshore fields – these are the stand-alone projects, I will say a few words about them later on. Now about the offshore section – the gas pipeline route running from the Russian coast near Vyborg to Germany near Greifswald is 1,200 kilometers long with the total throughput capacity of two strings amounting to 55 billion cubic meters. The unique feature of this project is its sectioned pipe conveying gas 1,200 kilometers with no compressor stations, which is quite a challenging but still an executable task. This engineering solution allowed optimizing the gas pipeline construction costs – hence, we have a “telescope”, in other words there are three pipe sections with different wall thicknesses minimizing initial investment.

The next project is the Gryazovets – Vyborg gas pipeline. This is an onshore pipeline project delivering gas to Nord Stream. Its throughput capacity is 55 billion cubic meters of gas, length – 917 kilometers, the common diameter for our gas transmission system (main trunklines) – 1,400 millimeters, operating pressure – 100 atmospheres. The work is carried out in line with the schedule. Our system must be ready for gas supply in required volumes by the moment of Nord Stream commissioning in the third quarter of 2011. The next project is the Dzhubga – Lazarevskoye – Sochi gas pipeline. From one side, the scale of this project can be defined as local since its diameter is 530 millimeters and the length is 177 kilometers with 159 kilometers running offshore, but the importance of this project is obvious – gas supply to the Sochi Olympic facilities, the whole region and so on. We basically associate the development of the entire region with this pipeline construction. As of today, the work is being carried out in line with the schedule. It will be generally accomplished in the second quarter of 2010, i.e. by the end of June. In fact, the major part of the submerged pipeline is laid down at the moment, two vessels are operating, technologies are certified and personnel is qualified; thus, the project is progressing in line with our vision and under the supervision of Gazprom’s subsidiary companies. The pipeline throughput capacity is 3.8 billion cubic meters per year. The project is being implemented and will soon be commissioned.

The South Stream project. There is not much to say as it is our prospect for the future. Not all engineering solutions have been approved yet; therefore, we have only general parameters of the project by now – its length, depth and throughput capacity of 63 billion cubic meters. The rest will be worked out during the detailed project development with all the shareholders financing this project.

The next project is Altai. This project is designed for supplying Russian gas to China. The feature of this project is that a significant part of its route coincides with the one of the existing gas transmission system (these are our subsidiaries

Gazprom transgaz Surgut and Gazprom transgaz Tomsk) and becomes a separate gas pipeline further on from Novosibirsk to China. Diameter – 1,400 millimeters, pressure – 100 atmospheres. As part of the project we are to construct 10 compressor stations with the capacity of 898 MW. The pipeline's projected throughput capacity is 30 billion cubic meters of gas. I will repeat again that in other words the feature of the project is that it requires both construction of new facilities and reconstruction of the system engaged in gas transmission from the Nadym-Pur-Taz region, the Zapolyarnoye field and independent producers, as well as overhaul of the existing system.

Eastern Siberia and the Far East resources development. Since this region is not covered with a gas transmission network unlike Central Russia and Western Siberia, it requires a really complex task to be solved: creation of gas production centers, a gas transmission system, gas processing and gas chemical complexes, which in itself raises this task to the governmental level and requires that all the parties engaged in this region development unite their efforts. Increasing capacities of Eastern Siberia will boost the development of this region, which includes human resources involvement, new cultural centers creation, etc.

Gas delivery to Kamchatka. This is also a local but important project – performance of Gazprom's guaranteed commitments to, let's say, finish off the construction work. Commissioning is roughly scheduled for September. The gas pipeline parameters are not outstanding but they offer an opportunity to use the regional resources for gas supply to the population and industrial consumers.

The next project is the Sakhalin – Khabarovsk – Vladivostok gas pipeline. Commissioning is scheduled for the end of 2011. Construction of 14 compressor station is stipulated. The gas pipeline with the length of 1,800 kilometers and the diameter of 1,200 millimeters is of strategic importance: its construction will allow to meet the existing demand and develop the consumer network in the Far East.

As for new projects: just a few words about the current state of our system. I briefly addressed the issues of our gas transmission system overhaul and upgrade but the underground gas storage facilities have a significant impact on gas delivery to consumers, as well. One may suppose that the previous year's crisis could suspend the implementation of the appropriate task but it is not true. We witness the increasing gas demand. Therefore, the task we have been facing is the increase of a maximum daily gas send-out capacity of UGS facilities to 1 billion cubic meters. We are planning to reach this level in 2020. I must say this is our sheet anchor indeed as only using the UGS facilities we can cover misalignment of the operational and scheduled demand planned for certain periods (week, month, quarter and so on). It allows balancing our gas transmission system, maintaining its optimal operating mode and enhancing guaranteed operational efficiency of gas supply to consumers, at the same time. These challenges are faced in Russia and

abroad – in Latvia, Germany, Austria, UK where the UGS facilities exist and perform their function. Thank you.

Question: Svetlana Savateyeva, Interfax agency. Did Gazprom and Russian Railroads come to an agreement on selling the Obskaya – Bovanenkovo railroad and does your Company consider a possibility to put off the commissioning of the Bovanenkovskoye field again?

Vsevolod Cherepanov: First, concerning the question, which is closer to us. The scheduled period for the Bovanenkovskoye field commissioning remains the same – the third quarter of 2012. Regarding the railroad – this is a property relations issue of Gazprom and Russian Railroads, which is not a subject of today’s Press Conference. But this railroad is being used, the offloading terminal – KP531 – is under operation and cargoes are delivered.

Question: Anastasia Goreva, Petroleum Argus agency. Mr. Cherepanov, you have mentioned a new production forecast of Gazprom, could you tell us a few words about the fields planned for commissioning and their appropriate years. As far as I understand, the Valanginian deposits of the Zapolyarnoye field and of the Zapadno-Pestsovaya area in the Urengoyevskoye field are to be commissioned this year. Could you give some information about 2011, 2012 and 2013, if possible? A question to Mr. Pankratov: could you specify the amount of investment in the Bovanenkovskoye field both in the field itself and in the pipeline construction, as well as of the investment in the fields of the Nadym-Pur-Taz region. A question to Mr. Alimov: you said about the Altai project. As far as I understand, the pipeline is to be laid from Urengoy to Samotlor, further to Kemerovo and then as a separate pipe. Could you name the sections of the pipe where the work has been finished, what sections could provide additional 30 billion cubic meters?

Vsevolod Cherepanov: As for development of new fields, in my address I have already mentioned these fields: first of all these are the largest Bovanenkovskoye field, then the Nydinskaya area of the Medvezhye field and the southern edge of the Yamsoveyskoye field. The program is scheduled for a long period of time: the Zapadno-Pestsovaya area of the Urengoyevskoye field (2 billion cubic meters per year) in 2010; the Kharvutinskaya area of the Yamburgskoye field (30 billion cubic meters per year), the Nydinskaya area of the Medvezhye field (2.7 billion cubic meters per year) in 2011; the Yamal, Bovanenkovskoye field (115 billion cubic meters per year) in 2012.

Sergey Pankratov: Good afternoon, esteemed ladies and gentlemen. Since I represent the Strategic Development Department, I would like to tell you about future investments, not about the current ones. For your information, we are planning to invest from RUB 670 to 780 billion annually. Some RUB 60 million will be invested in the resource base replenishment every year to ensure a steady production increase over the long term. Gas production will require the total of up

to a quarter of our annual capital investment – some RUB 160–190 billion. Approximately a half of the investment program will be allocated for gas transportation with some RUB 110 billion required for implementation of the reconstruction and technical reequipment program and RUB 240 billion required to expand the existing capacities and construct new gas transmission systems. Gas processing and gas chemistry will require another RUB 1 trillion until 2020. The total of RUB 14 trillion will have to be invested in our production program from 2010 to 2030 with the Yamal and Shtokman strategic projects investment making 40 per cent of this amount. New projects will receive some 65 per cent of the investment planned until 2030.

Sergey Alimov: A few words about Altai. I intentionally said that its implementation is associated with a number of concerns: these are upgrade, overhaul and new facilities construction. The existing system basically allows supplying minimal gas volumes to consumers even today, but it is yet necessary to reach the consumers. And this part requires construction of a gas pipeline from Novosibirsk to the Chinese border advancing the project beyond 2015. However, considering the capacities of our gas transmission system we expect to minimize the initial capital investment and use it for delivery of the first 5 billion cubic meters to China. Along with the gas consumption growth, we will finish construction of the Altai project gas pipeline reaching its full capacity.

Question: Vladimir Soldatkin, Reuters agency. Mr. Cherepanov, you said that there has been a decline in gas demand since mid-May. Will you tell us the reason for it?

Vsevolod Cherepanov: The decreased demand is the result of a consumption drop.

Question: Vladimir Soldatkin, Reuters agency. Concerning South Stream: how acute is this issue at the moment and when may it be implemented?

Sergey Alimov: This question is being worked out and its implementation is quite real. As for today, we have the gas transmission system that allows solving the problem of gas delivery to consumers. We are also working at the alternative ways to meet the increased gas demand in Europe.

Question: Elena Podmareva, Gazprom Urengoy TV channel. Regarding the prospects. I wonder, how profitable is the development of deep horizons – the Achimov deposits – since the Cenomanian and Valanginian gas is depleted. Will the Achimov deposit gas production projects remain just an experiment? How profitable is it today with the existing infrastructure and gas producing system?

Vsevolod Cherepanov: First of all you know that the Achimov deposits are currently being developed in the Urengoy'skoye field, and in the Zapolyarnoye field this project is being implemented so far. Regarding the Zapolyarnoye field –

the volume of plateau gas production from these deposits is estimated at some 14 million cubic meters, i.e. it will be a significant contribution to the gas balance. Concerning their considerable depth and the requirement for more comprehensive and hard work – you are absolutely right. But the break-even level is within the limits of all the projects developed by Gazprom, in other words they are quite profitable.

Question: Elena Podmareva, Gazprom Urengoy TV channel. Will the Achimov deposits be developed in future as well?

Vsevolod Cherepanov: Certainly. These new assets are promising.

Question: Maria Tatevosova, Prime-TASS agency. I would like to have a question clarified: you said that Gazprom would produce 519.3 billion cubic meters this year. Does it mean that after the first quarter and the decrease in demand Gazprom rolled back to the previous plan, as it was stated earlier that the production plans would be increased?

Vsevolod Cherepanov: I said that because of the drop in demand Gazprom was decreasing targets but we are currently moving ahead of the targets with a gap of some 2 billion cubic meters of gas. Thus, we are going to reach the targets. The demand for gas, as you know, is uneven – in summer it naturally deteriorates while in cold spells it grows. Therefore, the target remains the same – 519.3 billion cubic meters.

Question: Alexey Grivach, Vremya Novostey newspaper. You haven't mentioned the Murmansk – Volkhov gas pipeline among top priority and promising gas transmission projects. Does the bare fact that Gryazovets – Vyborg now provides 55 billion cubic meters mean that you are not counting on Shtokman's gas to fill Nord Stream? How will the gas from the Murmansk – Volkhov pipeline be used in this case?

Sergey Alimov: This project is definitely worth being implemented and we are working out the appropriate questions. The technical aspects related to the Shtokmanovskoye field pre-development, transportation scheme and others are being actively discussed. I haven't mentioned this project as in some way it is a distant prospect beyond 2015, for this reason we will dwell on it during our following Press Conferences. With regard to gas filling – certainly, the facilities commissioning process and consumption will be fully synchronized. Currently, the existing load of our system plus the facilities of the Bovanenkovo – Ukhta – Torzhok gas transmission system being commissioned will allow filling Gryazovets – Vyborg and Nord Stream with the required amount of gas.

Question: Alexey Grivach, Vremya Novostey newspaper. Where will the gas from Shtokmanovskoye be delivered?

Sergey Alimov: Into the system. It will be delivered into the system with further redistribution in accordance with the consumption pattern. We are not constructing a separate pipe to Nord Stream.

Sergey Pankratov: I will add a few more words, if you please. We have forgotten to mention such an important project as Pochinki – Gryazovets. It is being constructed exactly to balance gas supplies in Northwestern Russia. Until the Murmansk – Volkhov gas pipeline is commissioned, gas will be delivered to the Northwestern Russia via the Pochinki – Gryazovets gas pipeline and when gas from the Shtokmanovskoye field becomes available, the pipeline can operate in a reverse mode. Therefore, as Mr. Alimov has already said, the demand in this region is fully synchronized with the transmission capacities and resources while liquefied petroleum gas from the Shtokmanovskoye field is to be used in this balance as you all understand. All these aspects have been worked out quite efficiently ensuring the required flexibility of the Unified Gas Supply System operation with respect to the trends in demand that will go on developing and can hardly be forecast at the moment.

Question: Alexey Grivach, Vremya Novostey. Did the Company carry out any tests of the branch pipeline crossing the Baidarata Bay, how has it been performing since installation, were there any technical, natural or climatic risks?

Sergey Alimov: Concerning the Baidarata Bay crossing, this was our first experience in installing a submerged gas trunkline section. I must note that we have gained significant experience by now. This was not a simple procedure, of course, but the pipe position was permanently monitored during installation. The features of this project are shallow depths and a strong impact of external factors: icebergs (so-called “stamukhi”), storms, underlying soil composition where the pipeline is installed and so on. We faced some challenges but technical support provided by our regulatory authorities and Gazprom VNIIGAZ allowed to swiftly analyze the problems we had come across and offer technical solutions ensuring reliable and steady operation. There are no unsolved installation concerns left so far nor there are any doubts about the quality of the work to be performed.

Question: Yulia Nazarova, RBC Daily newspaper. I would like to have my question clarified again regarding South Stream, Nord Stream and the Shtokmanovskoye field since Gazprom was repeatedly saying that the growth of demand in Europe will allow filling both South Stream, Nord Stream and the Ukrainian gas transmission system. Meanwhile, Ukraine apprehends that Gazprom’s production volumes may simply be insufficient to fill all the three pipes due to the Shtokmanovskoye field development extension. Will there be enough gas and what fields will be used for that? And one more question – is Gazprom planning to apply for some new state-owned fields on a sole source basis this or next year?

Sergey Alimov: Regarding the question about Nord Stream, South Stream and the Ukrainian gas transmission system, of course, we don't have enough gas to fill the system. The task is to provide gas delivery to the one who needs it. That is why gas pipelines construction, filling them with gas and its supply will be synchronized with the demand. Today we have guaranteed implementation of these projects and the assured opportunity to provide uninterrupted gas supply to consumers. This is our main task regarding the implementation of these projects, plus extra consumption will be covered by new projects' capacities.

Vsevolod Cherepanov: As to Gazprom's participation in acquisition of the right to use subsurface resources out of the undistributed stock – Gazprom is planning to do that. In particular, with a view to the Eastern Gas Program implementation and creation of the Yakutia gas production center Gazprom has applied for four fields: Tas-Yuryakhskoye, Verkhnevilyuchanskoye, Sobolokh-Nedzhelinskoye and Srednetyungskoye.

Question: Viktor Mishnyakov, Uralsib bank. Mr. Cherepanov, speaking about the Kharvutinskaya area you mentioned 30 billion cubic meters – till what year? Are these the Cenomanian deposits?

Vsevolod Cherepanov: The full capacity of the Kharvutinskaya area will be reached in 2012, these are the Cenomanian deposits.

Question: Viktor Mishnyakov, Uralsib bank. What about the Zapolyarnoye field?

Vsevolod Cherepanov: The Valanginian deposits in the Zapolyarnoye field.

Question: Viktor Mishnyakov, Uralsib bank. What level can be reached with the Valanginian deposits?

Vsevolod Cherepanov: I have already said – 14 billion cubic meters.

Question: Viktor Mishnyakov, Uralsib bank. Concerning the Yareyskaya area of the Yamsoveyskoye field.

Vsevolod Cherepanov: The Yareyskaya area – six wells and about 2 billion cubic meters of extra gas produced.

Question: Viktor Mishnyakov, Uralsib bank. Is it in addition to the current volume?

Vsevolod Cherepanov: Yes.

Question: Viktor Mishnyakov, Uralsib bank. What level can be reached?

Vsevolod Cherepanov: 23.5 billion cubic meters.

Question: Viktor Mishnyakov, Uralsib bank. And what about the Bovanenkovskoye field: how many drilling rigs are there now, how many wells are to be drilled in 2010 and what will be their total number?

Vsevolod Cherepanov: 9 drilling rigs, 47 wells have been drilled and 62 are scheduled for this year.

Question: Viktor Mishnyakov, Uralsib bank. I would like to know where the 2D and 3D seismic survey is carried out by Gazprom, not by Gazprom Neft?

Vsevolod Cherepanov: We carry out mainly 3D seismic survey in Yamal, particularly in the Malyginskoye field and in the Nadym-Pur-Taz region. I don't think there is any sense giving specific areas. The seismic survey is carried out offshore the Sea of Okhotsk, in the Irkutsk Oblast and in the Krasnoyarsk Krai.

Question: Natalia Grib, Kommersant newspaper. Representatives of the Russian Government were saying that we would never give up South Stream due to new relations with Ukraine but the pipeline capacity may be lowered. Tell us, please, how can the South Stream capacity be altered and when are you planning to calculate its costs or maybe you can specify them today? The second question – two LNG projects are currently being discussed, in particular NOVATEK's Yamal LNG, and the moderate-size Pechora LNG. How does Gazprom strategically see the control over these projects, their LNG trading, what is Gazprom's logic of participation in domestic LNG projects where the Company has no share?

Sergey Pankratov: As to South Stream, in respect of technological parameters and costs of the project, as you were said, the project envisages the capacity of up to 63 billion cubic meters of gas per year. Front end engineering design is currently being developed at full speed, particularly in foreign countries to be crossed by the pipeline but I think that more detailed information may be obtained at the Press Conference devoted to the Company's activity on foreign markets. The project is being implemented as scheduled and no delay is observed so far.

May the capacity be lowered? According to its strategy, Gazprom always sticks to adaptive and staged principles in its gas transmission capacities development, in the long run everything will be determined by demand and agreements. Any project envisages stages in capacity development. For instance, we planned two strings for the Yamal – Europe project and, eventually, constructed only one – it was mainly determined by the market. What conditions will be shaped during the South Stream implementation? Answering the previous question I have already mentioned that it is very difficult to forecast the demand which, as you understand, will certainly be determined by the global economic environment. That is why I will underline it again – the flexibility featured by our projects allows satisfying any of our customers' wishes, any demand. We have enough resources and we will meet any challenge in the most proper way at the optimal cost.

As for liquefied natural gas, Gazprom's strategic plans envisage organization, production and distribution of liquefied natural gas on the basis of the Shtokmanovskoye field in addition to the fields of Eastern Siberia and the Far East. I think the answer is full.

Question: Svetlana Savateyeva, Interfax agency. Slide 5 [of the presentation devoted to gas transportation] says that South Stream's throughput capacity will amount to 31 billion cubic meters – do you mean in 2015? How many strings are to be constructed? Is it planned to distribute this capacity among several strings?

Sergey Alimov: The first stage capacity is the capacity of one of the two strings, in fact. But the issue is being considered, everything will depend on the balance of demand, supply, cost and so on. Today we consider this capacity promising, but more specific parameters will be formed in compliance with the agreements to be reached.

Moderator: Thank you! The Press Conference is over.