

Total to Book 25% of Reserves at New Gazprom Field

By Lucian Kim

July 13 (Bloomberg) -- Total SA, Europe's third-largest oil company, said it will be able to book 25 percent of reserves at an Arctic natural-gas field it plans to develop with Russian gas company OAO Gazprom.

Total Chief Executive Officer Christophe de Margerie and acting Gazprom CEO Alexander Ananenko signed an agreement today in Moscow giving the French company a 25 percent stake in the operating company of the Shtokman field, which may contain three times as much gas as Europe consumed last year.

"We can book reserves as far as we're taking risks," de Margerie told reporters after the signing ceremony. Since Total has a 25 percent stake in the operating company, it should be able to book the same proportion of reserves, he said. The reserves will qualify under U.S. Securities and Exchange Commission rules, Total spokeswoman Patricia Marie later said by phone from Paris.

State-run Gazprom, which already supplies a quarter of Europe's gas, expects Shtokman to revive stagnating output. Gazprom initially plans to tap Shtokman to fill a planned pipeline to Germany under the Baltic Sea and later use it to become a major supplier of LNG, or liquefied natural gas, to overseas markets like the U.S.

The first phase of the project will cost "more than \$15 billion," de Margerie said today. AFP later cited de Margerie as saying Total's share of investment will amount to "\$4 to \$5 billion." Marie couldn't immediately confirm that number.

'Bottom Line'

"Gazprom is in charge of marketing the gas through pipes or LNG," de Margerie said. "We'll be in charge, in this company which will be created, for developing, producing and financing the field."

The two companies issued no new details about their cooperation at Shtokman, which was announced by Gazprom yesterday.

"The biggest question is: how will Total be paid? That's the bottom line, and we don't have any information about this," Antoine Laurent, a Paris-based analyst at KBC Securities, said by telephone.

Gazprom originally planned to pick one or more partners to share ownership of the Shtokman license from a shortlist including Total, Statoil ASA, Norsk Hydro ASA, Chevron Corp. and ConocoPhillips. Last year Gazprom scrapped that plan and said it would accept international partners only as operators of the field.

'Trump Cards'

"The owner of the license is Gazprom," de Margerie said. "We can live with that."

The agreement signed today allows for additional partners to take up to 24 percent in the operating company, with Gazprom retaining at least 51 percent.

Gazprom's announcement yesterday followed a phone conversation between French President Nicolas Sarkozy and his Russian counterpart Vladimir Putin the day before. The two men discussed energy cooperation and other issues, the Kremlin said on its Web site.

"I think Sarkozy used some political trump cards," said Vladimir Matias, managing partner of Asset Capital Partners in Moscow. "Now watch the news to see the position of France in disagreements between the U.S. and Russia."

U.S. plans for a missile shield in eastern Europe have pushed relations with Russia to their lowest point since the Cold War.

To contact the reporter on this story: Lucian Kim in Moscow at lkim3@bloomberg.net

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