

## Hydrocarbon production

The company consolidated its market leadership as one of Russia's top-three hydrocarbon producers in 2019, having increased total production (including shares in joint ventures) by 3.5% to 96.1 mtoe. Growth in production was driven primarily by the company's projects in the Orenburg Region and in the Arctic (including the Novoportovskoye and Vostochno-Messoyakhskoye fields), as well as oil-rim development projects.

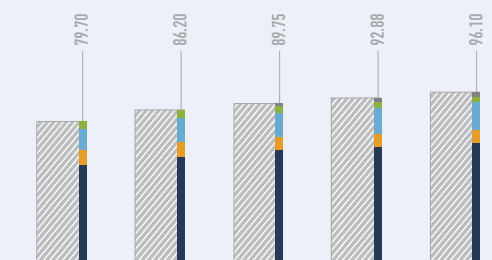
The current project portfolio enables strong year-on-year growth of liquid hydrocarbon production and ensures a reserves-to-production ratio (RPR) of 17 years. Growth in production up to 2030 is expected to come mainly from existing and soon-to-be-commissioned assets in the Khanty-Mansi Autonomous Okrug, the Yamalo-Nenets Autonomous Okrug, the Tomsk Oblast, the Orenburg Oblast, as well as from major Arctic projects.

Some production will come from a new resource base with diverse geographical, geological and technological characteristics. It includes new prospecting areas, new

reserve classes (including the Bazhenov Formation, the Domanic strata and Palaeozoic oil deposits), liquid hydrocarbons at Gazprom Group fields, offshore projects on Sakhalin, etc.

### Hydrocarbon production, mtoe<sup>1</sup>

Source: company data



- /1/ Including shares in subsidiaries and joint ventures.
- /2/ Consolidated companies.
- /3/ Share in production.

Enterprise	2015	2016	2017	2018	2019
● Gazprom Neft <sup>2</sup>	55.36	59.89	63.28	65.36	67.58
● Slavneft <sup>3</sup>	8.11	7.88	7.52	7.28	7.37
● Arcticgas <sup>3</sup>	12.13	13.47	13.50	14.57	15.22
● Northgas <sup>3</sup>	4.10	4.59	3.83	3.36	3.12
● Messoyakhaneftgaz <sup>3</sup>	0.00	0.36	1.62	2.30	2.81
<b>TOTAL, INCLUDING SHARES IN SUBSIDIARIES</b>	<b>79.70</b>	<b>86.20</b>	<b>89.75</b>	<b>92.88</b>	<b>96.10</b>
Average daily hydrocarbon production by the Gazprom Neft Group, thousand tonnes of oil equivalent	218.35	235.52	245.89	254.45	263.31



Prirazlomnoye project

### High-technology production management at Gazprom Neft

Gazprom Neft opened its Integrated Field Development Centre (IFDC) in Tyumen in 2019. The centre's activities focus on using digital tools for working with large databases, integrated modelling and integrated information analytics. A business model for managing production projects that is new to the industry has been implemented at the centre, and cross-functional expert teams are being formed.

This single integrated organisational and digital space will enable the company to halve the lead time for the commissioning of major upstream projects and the time to "first oil". The Integrated Field Development Centre will also deliver significant reductions in infrastructure development costs at new assets, while improving planning

accuracy, and enabling faster and better investment decision-making.

The IFDC objectives are as follows:

- To ensure effective field development and operation at all stages, from preparing for the production of "first oil" to decommissioning the asset;
- To provide integrated and comprehensive oversight of all major projects being implemented in Gazprom Neft's main production hubs;
- To provide round-the-clock geological and engineering support for advanced well drilling.

#### IFDC subdivisions

The Project Management Centre (PMO, St Petersburg) supports projects from the beginning of the 'Selection' stage

following basic exploration to the completion of the 'Implementation' stage and the launch of a field.

The Drilling Control Centre (DCC, St Petersburg) works to maximise drilling efficiency at every development well by proactively managing geological and engineering operations at drilling sites remotely around the clock.

The Upstream Control Centre (UCC, Khanty-Mansiysk) manages upstream projects centrally. It is tasked with unlocking the full potential of the company assets by using digital tools (integrated modelling, integrated planning, and capacity management).

### Oil production

Oil and condensate production across the group increased by 0.5% year on year to 63.30 mt. At year-end 2019, the company was the third-largest oil producer in Russia after Rosneft and LUKOIL.

Gazprom Neft is one of the first Russian oil companies to implement major Arctic projects, both onshore and offshore. In the future, new assets beyond the Arctic Circle are expected to occupy an increasingly important place in the company's project portfolio, as traditional reserves are being depleted and technologies are being developed for oil production in the Arctic.

The Yamalo-Nenets Autonomous Okrug (YaNAO) is a key production region for Gazprom Neft. The company has extensive experience in successfully developing the unique fields of the Yamalo-Nenets Autonomous Okrug – the Novoportovskoye and Vostochno-Messoyakhskoye fields – which

are extremely challenging in many ways, from geology to climate. Development of logistics strategy to ensure the year-round dispatch and transportation of Arctic oil was completed in 2019 at the Novoportovskoye oilfield. At the final stage of the four-year project, the company's second icebreaker, the Andrey Vilkitsky, was deployed in the waters of the Gulf of Ob, and the world's first-ever digital logistics-management system designed for use in the Arctic was launched. The core objective of the new system is to manage logistics in the Arctic safely, and to ensure that all oil produced is dispatched at the lowest possible cost.

# 63.3<sup>mt</sup>

of oil and condensate were produced in 2019



## Oil production<sup>1</sup>, mt

Source: company data

Enterprise	2015	2016	2017	2018	2019
Gazprom Neft <sup>2</sup>	44.00	47.71	49.65	49.65	49.18
Slavneft <sup>3</sup>	7.74	7.50	7.15	6.91	6.98
Arcticgas <sup>3</sup>	3.42	3.77	3.67	3.89	4.13
Northgas <sup>3</sup>	0.51	0.52	0.38	0.31	0.28
Messoyakhaneftegaz <sup>3</sup>	0.00	0.35	1.58	2.23	2.73
<b>TOTAL, INCLUDING SHARES IN SUBSIDIARIES</b>	<b>55.67</b>	<b>59.85</b>	<b>62.43</b>	<b>62.99</b>	<b>63.30<sup>4</sup></b>
Average daily oil production by the Gazprom Neft Group (thousand tonnes)	152.52	163.52	171.05	172.58	173.43

## Top-producing oilfields in 2019

Field	2019 production, mt	Change on 2018, %
Priobskoye	10.48	(8.1)
Novoportovskoye	7.73	+8.0
Prirazlomnoye	3.14	(1.6)
Messoyakhaneftegaz assets <sup>3</sup>	2.73	+22.4

/ 1 / Including gas condensate.

/ 2 / Consolidated companies.

/ 3 / The company's share of production.

/ 4 / Including condensate and natural gas liquids (NGL) production.

### ***Novy Port: the best project in the industry***

One of the company's projects in the Arctic—development of the Novoportovskoye field—has won the Excellence in Project Integration Award, which is made every year at the International Petroleum Technology Conference (IPTC) held by the American Association of Petroleum Geologists (AAPG), the European Association of Geoscientists and Engineers (EAGE), the Society of Exploration Geophysicists (SEG) and the Society of Petroleum Engineers (SPE). Gazprom Neft is the first Russian company to receive this prestigious industry award.

The award is given for a project involving investment exceeding \$500 million that adds value to the industry and exemplifies excellence throughout the value chain: in project management, geological exploration, drilling, engineering, construction, HSE and regional development. International experts assessed a total of 17 projects from nine countries worldwide. Gazprom Neft's Arctic asset received the highest possible score from the professional community for the company's unique achievements in managing and overseeing an integrated oil and gas project.

The Novoportovskoye field is one of the largest oil- and gas-condensate fields currently under development on the Yamal Peninsula in the Arctic Circle. Recoverable B1 and B2 reserves stand at more than 250 million tonnes of oil and condensate, and more than 320 billion cubic metres of gas. Novy Port-blend crude is classified as light, with low sulphur content (about 0.1%). The development of the Novoportovskoye field is a unique project that has enabled the first-ever year-round deliveries of Yamal oil to European customers via the Northern Sea Route.

## Gas production

Gazprom Neft is actively developing its gas business, with a special focus on commercialising associated and natural gas reserves produced at oilfields, and increasing their value. In 2019, gas production across the group increased by 9.8% to 40.85 bcm. This was achieved primarily as a result of commissioning the second stage of integrated gas treatment units at the Novoportovskoye field, commissioning a gas-compressor station in the Orenburg Oblast, and increasing natural gas production at Arcticgas fields.

The company is currently developing its capacity to increase gas utilisation at the Novoportovskoye field and develop the resource base from

neighbouring licence blocks. In the future, the company will build a gas pipeline that will run from the Yamal Peninsula to the Gydan Peninsula and on to the Yamburgskoye field, where it will be connected to the integrated gas supply system. The pipeline is scheduled to be commissioned

in 2022. Given the substantial gas resources of the Yamal Peninsula, the new pipeline will be an important component of the company's strategic infrastructure in this region.

## Gas production (utilisation)<sup>1</sup>, bcm

Source: company data

Enterprise	2015	2016	2017	2018	2019
Gazprom Neft <sup>2</sup>	14.15	15.18	16.98	19.56	22.92
Slavneft <sup>3</sup>	0.46	0.47	0.45	0.47	0.48
Arcticgas <sup>3</sup>	10.85	12.09	12.25	13.31	13.81
Northgas <sup>3</sup>	4.47	5.07	4.29	3.79	3.53
Messoyakhaneftegaz <sup>3</sup>	0.00	0.01	0.05	0.09	0.11
<b>TOTAL, INCLUDING SHARES IN SUBSIDIARIES</b>	<b>29.92</b>	<b>32.82</b>	<b>34.02</b>	<b>37.22</b>	<b>40.85</b>

## Associated petroleum gas utilisation

### 2019 results

Gazprom Neft is actively developing its gas business through the commercialisation of associated and natural gas reserves produced at oilfields, and increasing their value. In 2019, gas production across the group increased by 9.8% to 40.85 bcm. This growth was driven primarily by good

utilisation of gas equipment and a high APG utilisation rate (up to 97–99%) at assets with well-developed gas infrastructure.

In order to sell gas, Gazpromneft-Vostok has commissioned several gas infrastructure facilities: a booster compressor station at the Urmanskoye field, a 97-kilometre high-pressure gas

pipeline connecting the Urmanskoye and Shinginskoye fields, an 18-kilometre gas pipeline connecting the Archinskoye and Urmanskoye fields, and a gas metering and pressure-reduction unit at the Shinginskoye field. The target annual throughput capacity is 400 million cubic metres. Commissioning gas infrastructure has made it possible to achieve APG utilisation of 95%.

### Plans for 2020

As the company develops its oil and gas production in new areas of the Yamalo-Nenets Autonomous Okrug, it continues to increase the APG utilisation rate. The active stages of construction of infrastructure facilities and a gas pipeline are both underway at the

Vostochno-Messoyakhskoye field as part of a comprehensive approach to APG utilisation. This project will enable Messoyakhaneftegaz to prepare and transport up to 1.5 bcm of APG per year and pump it into an underground storage facility at the Zapadno-Messoyakhsky licence block.

Once gas infrastructure facilities are commissioned at the Vostochno-Messoyakhskoye field, the company will be able to reach its target APG utilisation rate, conserve valuable energy resources, and reduce its environmental footprint in the Arctic.

/ 1/ Gas production includes marketable gas and gas for the company's own consumption, including gas reinjection to maintain formation pressure. Gas production excludes gas used in the manufacture of gas-processing products.

/ 2/ Consolidated companies.

/ 3/ Share in production.

