

# Q4 Charge Puts LUKoil Down 39%

By [The Moscow Times](#)

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LUKoil, the country's second-largest oil producer, said fourth-quarter profit fell 39 percent after recording a charge related to lower-than-expected reserves.

Net income of \$1.35 billion compared with profit of \$2.19 billion for the same period a year earlier, the Moscow-based company said in a filing Thursday. That missed the average estimate of \$2.69 billion in a Bloomberg survey of 15 analysts.

LUKoil recorded an impairment charge of \$955 million in the fourth quarter at its Narianmarneftegaz venture with ConocoPhillips. Lower production at the northern Yuzhnoye Khylychuyu deposit due to "unanticipated geological reasons" resulted in estimated field reserves falling to 142 million barrels at the end of 2011 from 505 million barrels in 2008.

"It's a paper loss reflecting the problems with the assets that were already in the market," Artyom Konchin, an oil and gas analyst at UniCredit, said by phone from Moscow.

Full-year net income at LUKoil reached a record \$10.4 billion. Russian oil producers have

posted record earnings for 2011 after unrest in the Middle East pushed average prices for the country's Urals export blend to more than \$100 a barrel. TNK-BP, Russia's third-largest crude producer, announced record profits Wednesday.

Revenue rose to \$133.7 billion in 2011 from \$105 billion in 2010, LUKoil said.

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