

Eurasia Drilling Net Up 35% to \$382M

By [The Moscow Times](#)

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Top oil field services company Eurasia Drilling said Tuesday that its 2012 net income had jumped 35 percent year on year to \$382 million as oil firms fought output declines at depleted fields.

The company also said it had signed a new agreement with the country's second-largest oil producer, LUKoil, for onshore drilling and completion operations, running through to the end of 2015.

Last year, LUKoil accounted for 57 percent of the total meters drilled by Eurasia Drilling, or EDC, with state oil major Rosneft as its second-largest customer with 24 percent.

"For the next three-year period, we've committed to drill 7.5 million meters. That's a minimum," chief financial officer Richard Anderson told a conference call about the LUKoil deal. That is just down from 8 million meters drilled for LUKoil over the last three years.

The group's revenues increased 17 percent to \$3.2 billion last year, while earnings before

interest, taxation, depreciation and amortization rose 31 percent to \$790 million, slightly above prior guidance.

"Outstanding performance in all our business segments enabled us to achieve another year of record financial and operational results in 2012," Alexander Djaparidze, EDC's chief executive officer, said in a statement.

As Russia's biggest driller, EDC reflects trends throughout the oil industry, which is struggling with declines in western Siberia and the cost and risk of developing new reserves in remote eastern Siberia and the Arctic.

The potential for the company, which acquired Schlumberger's Russian drilling assets in April 2011, is seen in "tight" oil production, which may add about 2 million barrels per day to total Russian oil production, the world's largest at 10.46 million barrels per day, analysts estimate.

New tax incentives for hard-to-recover oil are due to be implemented next year.

Last year, the company was slow with horizontal drilling, which is technically more challenging and more expensive than conventional vertical drilling but taps hydrocarbon reservoirs more effectively and yields better flows.

Companies mostly use the method to increase productivity at mature fields, which account for more than 80 percent of Russia's total oil resource base.

EDC said horizontal meters drilled in 2012 were down by about 2 percent to 862,000 meters.

"It was just that the company got more orders for vertical drilling," Gazprombank analyst Alexander Nazarov said.

The company's Russian market share rose to about 29 percent last year from 25 percent in 2011.

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