

Schlumberger to Buy \$1.7 Billion Stake in Russian Oil Services Firm

By [The Moscow Times](#)

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Oil services giant Schlumberger plans to buy a 45.65 percent stake in Eurasia Drilling for about \$1.7 billion, potentially paving the way for it to become the sole owner of Russia's most active oilfield services company.

The deal offers the prospect of financial support for a Russian oil sector feeling the effects of Western sanctions over the situation in Ukraine, including a ban on global oil groups helping targeted companies to explore for Arctic, deep water or shale oil.

Neither Eurasia nor its biggest shareholders Alexander Djaparidze, also the firm's CEO, and Alexander Putilov are under sanctions.

The multi-stage deal announced by the companies on Tuesday will see U.S. group

Schlumberger, which has been in a strategic alliance with Eurasia since 2011, offer \$22 a share for the near-46 percent stake.

Shares in Eurasia, formed about 10 years ago mostly from the drilling assets of Russia's second-largest oil producer LUKoil, jumped 68 percent to \$20.45 per global depository receipt after Tuesday's announcement.

The company, shares of which lost about 60 percent of their value last year in the face of the weakening Russian economy and increased competition from the likes of state oil producer Rosneft, intends to go private by delisting from the London stock market before the deal is completed.

The Schlumberger transaction and delisting are both expected to be completed in the first quarter, Eurasia said.

In a separate statement, Schlumberger said it has an option to buy the remaining shares in Eurasia during a two-year period commencing three years from the closing of the initial transaction.

Key Revenue Source

A source close to the deal said that the transaction will not result in any violation of the sanctions imposed against Russia.

Russia is the world's leading oil producer, with output hitting a post-Soviet high at an average of 10.58 million barrels per day last year, but the Western sanctions pose an increasing threat to this key source of the country's revenue.

The oil services sector is ripe for consolidation as it grapples with reduced exploration investment in response to the painful 57 percent slump in global oil prices to around \$49 since June and Schlumberger's move would leave it well placed for any upturn in Russia.

Along with Halliburton, Schlumberger is one of the largest foreign oilfield services companies operating in Russia.

"Eurasia ... joining with Schlumberger ... establishes an exceptionally strong platform for delivering drilling services to Russia's oil and gas industry as future market conditions stabilize," said Roderick Peacock, chairman of Xenon Capital Partners, adviser to Eurasia Drilling's core shareholders.

European Union foreign ministers said on Monday that there were no grounds to lift economic sanctions against Russia as violence intensified in Ukraine.

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