

# Oilgram News

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## US-Russian rig venture targets Piceance Basin sales

**New York**—Plans are afoot by upstart US-Russian upstream operator Amerossi Energy to begin marketing new-built drilling rigs in Colorado's Piceance Basin and elsewhere from privatized Moscow equipment maker Uralmash.

The 12,000 to 14,000-foot conventional rigs could be offered at a sizable dayrate discount and delivery-time advantage to comparable US and even Chinese hardware, says John Works, a Denver-based director of Amerossi and former CEO of Romania's Rompetrol Group.

Amerossi is predominantly owned and headed as chairman by former Tajikistan prime minister, industrialist and ambassador to Russia Abdumalik Abdullajanov. Based in Los Angeles, Amerossi went public this year through a listed Canadian shell. The stock trades thinly over-the-counter in the "pink sheet" market. So far it has made no filings with the Securities and Exchange Commission.

It has no production or revenues, but Amerossi claims rights to some 200-mil bbl of proved undeveloped reserves in Russia's North Sorokinskiy License Area. Amerossi also claims to have rights from Russian regional governments to re-enter and produce abandoned wells and is "developing web based technology" to catalog Russia's more than 100,000 idle bore holes.

Amerossi's discounted reserve value is just a few million dollars, according to Works, but Abdullajanov has a wealth of connections in the Former Soviet Union.

Uralmash has been Russia's biggest rig-maker, turning out several hundred units a year from plants at Ekaterinburg, Perm, Kotovo, Pavlovsk, and Moscow. In September its Uralmash-Drilling Equipment and VNIIBT-Drilling Tools units were taken over by US-Russian investment group Integra in a \$130-mil buyout from Russian offshore construction major MNP Group, boosting Integra 2005 revenues to \$200-mil from \$120-mil.

Integra was formed by private investment firm Brookline Partners in late 2004 to consolidate Russian oilfield service companies. CEO is Felix Lyubashevskiy, former oilfield

services head for TNK-BP. Chairman is John Fitzgibbons, president of New York-based Brookline and CEO of Khanty Mansiysk Oil Corp before its sale to Marathon Oil in 2003. Directors include former Vetco International chairman John Kennedy and ex-Shell group treasurer Neil Gaskell.

MNP CEO Mikhail Kosolapov said in October Integra's planned "injection of capital, introduction of advanced oilfield technologies and extensive marketing, will help these assets realize their full market potential."

In September Integra sold \$90-mil of senior notes in a private placement through JP Morgan and in October sold \$40-mil of preferred stock.

Apart from marketing one or two new-build Uralmash rigs a month in the US, Amerossi CEO Greg Rubin says Amerossi also has a joint-venture with Russian oil major Tatneft to offer existing Tatneft-crewed Russian rigs in the US and claims 15 contracts already lined up with work to start next spring. "If the Chinese can operate rigs in the US, why not the Russians?" argues Rubin, an ambitious deal-maker.

This year the first of what could be a flood of newly built Chinese drilling rigs moved into Colorado's Piceance Basin to meet the acute shortage of equipment there, drilling for private Houston independent Presco. The US-crewed HongHua rig, operated by newly formed GTS of Houston, operated well and could return to work for Presco after winter work restrictions, said Presco exploration vice-president Kim Bennetts.

Unfortunately, one source says the rig's mast collapsed due to hydraulic failure while being demobilized and may be for sale. GTS did not return a call for comment.

Another Chinese rig has arrived at an undisclosed US drilling site and a third is due for Colorado early next year, according to Denver-based China rig broker Western Energy Advisors. Western has seven more slated to arrive for various customers over the next year, said managing director Bill Croyle.

Meanwhile, leading US land driller Nabors Industries disclosed Dec 14 it has ordered 51 Chinese rigs with options for 22 more, to be delivered over about 15 months, with US customers already committed to use 37. Other big US rig contractors have also been shopping for hardware in China, but no other deals have been announced.

Dayrates on the China rigs are close to the prevailing market, and slowed delivery times are now roughly comparable to US new-builds, sources say, but capital costs for drilling contractors are substantially less.

Amerossi thinks it can deliver Russian rigs to the US quicker and cheaper than the Chinese equipment. Marketing will initially be aimed at smaller contractors and E&P independents until it can establish a track record, Rubin says. Terms will be "flexible," he said, including possible farm-in deals.

Works aims to offer the new-build Russian rigs at about \$12,000/d and hopes to sign his first contract by year-end with delivery within six months. His target market is the Piceance Basin, where operators are scrambling for rigs. About 85 rigs now work in that region, but the industry needs 200 more.

Customers will be able to order US engines, mud-pumps and other equipment and the rigs will be API certified. Works sees no import restrictions.

Plans are to hire most of the 10-man crew shifts in the US, but two or three Russian technicians per rig could oversee operations. Amerossi may look to provide lease financing, said Works, who since 2002 has also run his own Emerging Markets Finance International in Denver.

The Russian hardware is simple but muscular, says Works: "Its like driving an old Chevy."—James Norman