

## Rosneft Pays \$2.9B To Round Out Itera Stake

By **Karlee Weinmann**

*Law360, New York (July 02, 2013, 1:31 PM ET)* -- Russian energy giant Rosneft OAO spent \$2.9 billion to round out its stake in gas producer Itera Oil and Gas Co. LLC, it said Monday, marking its latest move to bolster its business and knock down the export monopoly held by rival Gazprom OAO.

The deal gives Rosneft complete ownership of Itera, one of Russia's biggest gas producers, lifting the 49 percent stake it did not already hold from Itera founder Igor Makarov. Rosneft's move comes after reports swirled in late May that it was closing in on the acquisition, its largest since a blockbuster \$55 billion takeover of TNK-BP Ltd. that closed earlier this year.

With Itera fully under its umbrella, Rosneft will have a broader and more streamlined business with fresh opportunities for expansion, it said. The company pinpointed Itera as a key piece of its long-range goal to ramp up its gas production to 100 billion cubic meters per year by 2020, up from its 2012 output of just 13 billion cubic meters.

By dramatically increasing its gas output Rosneft aims to rocket itself past Russian competitors, toward top gas producer Gazprom, a company whose stranglehold on the domestic market in Russia has largely stymied its rivals. But an aggressive acquisition strategy, including the Itera pickup, and lofty production goals have Rosneft confident it can snag a bigger slice of the market.

"Gas business is one of the top priorities for the company," Rosneft President Igor Sechin said in a statement. "Consolidation of Itera Oil and Gas Co. LLC will have a significant multiplier effect on our future growth and generate additional synergies, which will ultimately increase the total capitalization of the company and bring additional value to shareholders."

The broadened resources and personnel that come with the Itera buy will help Rosneft push ahead with its development plans for the Kynsko-Chaselsk group of fields, where the companies had previously agreed to work as partners. The blocks hold six cash-cow deposits, believed to hold 44.3 million tons of oil and 284.2 billion cubic meters of gas, according to company figures.

While Makarov's larger Itera Holdings Ltd. fully ceded control of its gas-development venture to Rosneft in the latest deal, he said in a statement that he expects to maintain a tight relationship with the company to advance other joint initiatives, helping both companies boost their market share and eat into competitors' business.

"We will continue our cooperation with Rosneft," he said. "There is a number of international and other projects with a potential of further development."

Makarov shares Rosneft's confidence that a series of acquisitions doubling down on Russia's yet-untapped oil and gas stores will keep business booming. Other recent deals have homed in on crude oil, including the landmark TNK-BP buy.

That deal put Rosneft on equal footing with global energy giant Exxon Mobil Corp., with the capacity to pump roughly 4.3 million barrels per day, according to company data. Building on that, the company agreed last month to double its supplies to energy-hungry China, inking a 25-year deal valued at \$270 million to virtually double its exports to the country to 600,000 barrels per day after 2015.

Itera is represented in the latest deal by Morgan Lewis & Bockius LLP.

Other counsel information for the parties was not immediately available.

--Additional reporting by Jake Simpson. Editing by Katherine Rautenberg.

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