

# Platt's Oilgram News

An International Daily Oil/Gas Report  
Published by McGraw-Hill Inc.  
Fast, Accurate, Authoritative  
Established in 1934

Volume 70, Number 162  
Thursday, August 20, 1992  
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## Wavetech Adds Tomsk

Denver—The February 1993 oil/gas exploration bidding round in the Tomsk Oblast in western Siberia will be the first since Russia codified its competitive bidding process, and for the Russians, it's a "very important precedent," according to Wavetech Geophysical Inc. president Edward Gendelman.

"We had the bidding round in Komi, which was very similar, but it was before the law was actually finalized," said Gendelman, who hosted a Russian and Tomsk Oblast delegation that met here with about 20 U.S., European and Japanese companies (ON 8/5). Wavetech also has done work with Russia's Komi region.

Tomsk is part of a well-known western Siberian basin, and is just south of the

Tyumen region. There are about 20 discovered fields within the area open for bidding, 8 to 10 of which are considered economic, Gendelman said in an interview with OILGRAM NEWS.

"There is some production in the area, but the fields which are included in the bidding are not producing yet. They are under-explored," he said.

Gendelman likens the new Russian bidding process to the "same as if it were taking place here in the Gulf of Mexico." It's a bidding round for the rights to explore and develop and produce oil and gas. "The highest bidder gets the rights to that block, and the model contract is known to everybody in advance," he explained.

The deadline for bids is Feb. 8; they'll be opened and the winners announced Feb. 10. Foreign companies have "from now until the bidding round" to suggest changes in the language of the model contract, which if accepted by the Russian side will become part of the contract with the winner, Gendelman said. "Of course, the economics of the contract is not up for negotiations," he added. "So, everybody's bidding on the same basis, and it's a known basis."

### Lesson from Sakhalin

The new Russian law will help avoid fiascos like the January 1992 award to the MMM consortium for the right to do a feasibility study of Sakhalin. That process was an "undefined tender," says Gendelman. "There were no rules of the game." The Russian government "learned quite a bit" from the Sakhalin process, and "they themselves admit they would not call that a bidding round or a tender," he commented. The new law and model contract reflect "pretty much the picture of how things will go" in the future, Gendelman added.

Wavetech assisted the Russian central government and the province with the "whole process," said Gendelman, who was born in Ukraine and speaks Russian fluently. He cautioned western companies that "no oil or gas deal can be made without both of those levels giving approval—and that's 100% certain." He believes a lot of companies "still fail to recognize" that both the central and provincial governments' approvals are needed.

Wavetech starts with technical evaluations—including geology, geophysics and engineering—of the properties that are going to be offered for bid. It puts together reports, overviews, data packages, and technical information related to the area. Wavetech helps draft a model contract and also with establishment of the legal framework. It assists the Russians with understanding the economics "of this kind of

undertaking," Gendelman said.

"When we do the model contract, it's usually done with a number of organizations, so there are no surprises in the future," he said. "When it's offered to the companies, it's approved by all agencies involved in this—both provincial and central." Wavetech also works with the foreign companies "on a daily basis, trying to get them familiar with the technical potential of the area, with the legal framework, with all the organizational aspects," he said.

The model contract that Wavetech helped develop, and which Gendelman's brother Igor translated, has been used in bidding rounds in Turkmenistan and Komi, according to Gendelman. Companies could conceivably start field operations a month after the bidding round in Tomsk because all the ministries are familiar with the contract, he said.

Wavetech, which is also trying to gain a foothold in west Africa by doing geophysical contract work for the state oil companies, is privately held and was established in 1986. West Africa is a "nice market" because the countries have World Bank and other institutional funding which give them annual budgets to spend on exploration. "So, it's a little bit more stable than here (in the U.S.) as far as budgets are concerned," he said.

Gendelman advises companies interested in the former republics of the Soviet Union to jump in quickly. "No matter how difficult some companies may think it is right now, when it comes to oil and gas, the companies which have enough foresight and enough nerve to get involved in there now will be the ones successful 10 to 15 years from now, because there's no place in the world which has potential that the CIS is offering right now," said Gendelman, who believes the total reserves are "greatly under-estimated."

He sees the "window of opportunity" in the Commonwealth of Independent States as the next two years. "Those companies which get established in the next two years and grab nice chunks of acreage and nice reserves will be the ones who will survive in 10 to 15 years," he predicts.

Russia has a "tremendously developed oil industry," so that educated, skilled workers are available, Gendelman pointed out. "It's not like you go some place in Africa and find they don't have any oil people there." In the next year or two, as Russians "learn a little bit" about western ways, "there will be very few people outside the country working for foreign companies," Gendelman believes. "In a lot of cases, they just need better management, better organization and some capital," he adds.—Nancy Moore