METHODOLOGY AND SPECIFICATIONS GUIDE

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ARGUS RUSSIAN DOMESTIC CRUDE MARKET

Contents:

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The most up-to-date Argus Russian Domestic Crude Market methodology is available on www.argusmedia.com

Market overview

Russia consumes a half of its crude production domestically. Most of this crude moves within vertically integrated oil companies at internal transfer prices. The rest is sold through arms length deals between producers with excess volumes and refiners or independent traders.

The key fundamental factors of the Russian market are the supply/demand balance for next month and Urals crude export netbacks calculated to West Siberia. Spot domestic crude available for arms length sales is sold at the fixed prices during the 2-5 day trading period in the second half of each month preceding the month of supply. Outside of this period the spot market is quiet.

Term crude at the domestic market is sold through pricing formulas, tied to the international crude price.

Argus domestic price assessments

Argus publishes prices for crude in west Siberia on a daily basis excluding Saturdays, Sundays and public holidays (the spot price and the formula price) and prices in Timan-Pechora and the Urals-Volga region on a monthly basis. All domestic price assessments are published in the Russian-language daily Argus Russian Domestic Crude Market (Argus Рынок нефти России) and are available online at www.argusmedia.com.

Argus publishes prices that report and reflect prevailing levels for open-market arms length transactions (please see the Argus Global Compliance Policy for a detailed definition of arms length).

The information used to form an assessment could include deals done, bids, offers, tenders, spread trades, exchange trades, fundamental supply and demand information and other inputs.

The market information, data on deals done, bid and offer levels, is collected daily by contact using the telephone, electronic mail and instant messengers. Argus will contact and accept market data from all credible market sources including front and back office of market participants and brokers. A cross-section of buyers and sellers are consulted and the market information cross-referenced with active market participants. A consensus value regarding the crude grade differential is then determined and used to generate the price of the crude. The quality of Russian domestic and export crude is outlined in the Argus Russian Crude Export methodology.

Argus Urals West Siberia spot assessment

Argus publishes a spot assessment for next month's Urals crude in West Siberia during the period of trading activity from the 16th to the end of every month. For the period of low trading activity, from the 1st to 15th of a month, Argus publishes prices for crude to be delivered in the current month. The price is formed based on information on deals obtained during the last trading session. This assessment is highlighted in red italic typeface.

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The prices are assessed for Russian export blend (Urals) free-in-pipeline (fip) at Transneft crude transfer facility in Nizhnevartovsk. The prices are for tranches of no less than 5,000 tonnes and for balance of the next month. The market survey is conducted among Russian producers, traders and end-user refineries. The prices for a day are set at 17.30 hrs Moscow time (13.30 or 14.30 London time).

Monthly indicative prices

Argus publishes monthly indicative prices for Urals crude in Timan-Pechora (fip Usa) and Volga-Urals region (fip Samara/Almetyevsk).

In addition to the spot quotations, Argus publishes daily formula prices and the netback index, as well as daily and monthly price spreads.

Argus Urals West Siberia formula assessment

Argus publishes price assessments for crude sold under term contracts at pricing formulas, tied to the international crude prices. Argus formula assessments is calculated from an average of two Urals assessments basis fob Novorossiysk (80,000t) and fob Primorsk less loading/transportation costs to Nizhnevartovsk and current export duty plus Russian VAT rate (18pc). Detailed formula price calculations are published every month in the first issue of Argus Russian Domestic Crude Market report.

Argus Urals Netback index

Argus calculates Netback index from an average of two Urals assessments basis fob Novorossiysk (80,000t) and fob Primorsk less loading and transportation costs to Nizhnevartovsk, current export duty (from 1st to 15th of every month) or next month's export duty (from 16 to the end of a month) plus Russian VAT rate (18pc).

The methodology for Urals fob Novorossiysk (80,000t) and fob Primorsk assessments is available online at www.argusmedia.com.

Export alternative index is calculated using following values:

- Urals fob Primorsk (Argus)
- Urals fob Novorossiysk (80,000t) (Argus)
- Conversion factor t/bl (Argus)
- Rouble to USD exchange rate (Central Bank of Russia)
- Russian export duty (Ministry of Finance of Russia)
- Russian VAT rate (18pc)
- Pipeline tariff Nizhnevartovsk – Primorsk (Transneft)
- Pipeline tariff Nizhnevartovsk – Novorossiysk (Transneft)
- Loading in Primorsk (Argus)
- Loading in Novorossiysk (Argus)

Changes in assessments
Argus retains the right to change its price quotations retrospectively if any sudden changes are made to export duty, tax, transportation tariff or other rates.

Argus domestic price spreads

Differentials to domestic crude assessments reflect different approaches to crude trading formed among Russian producers. Argus publishes the following differentials on a daily basis:

Argus current spread
The Argus current spread shows the difference between the Argus spot domestic crude assessment and the Argus Urals netback index.

Argus fixed spread
At the end of each month Argus determines the period of trading activity when companies were trading large volumes for next month's delivery. The average differential between the spot and netback prices is then calculated for that period.

Argus forward spread
From July 2008 Argus has published a monthly forward spread for Russian domestic crude, which captures the market structure of North Sea Dated for risk management purposes. To determine the value of the forward spread Argus uses the market structure of North Sea Dated to generate an average anticipated North Sea Dated price for month ahead. The market anticipates the value of Dated by trading contracts for difference (CFDs) between the forward price and the anticipated value of Dated. Argus can construct the market's perceived value of Dated several weeks forward from these CFD prices.

Index publication on non-working days

Argus does not publish domestic spot prices for crude on non-working days in Russia. Values of indexes that use international market quotes for Russian non-working days are calculated and published retrospectively. International market assessments and indexes that depend on them (Argus Urals Netback, Argus Urals West Siberia formula) are not published for UK non-working days. When calculating differentials, the latest available international market assessments are used.