

Booming Siberian oilfields snapping up Western technology

GRANT ROBERTSON
CALGARY HERALD

With the Russian economy slumping and the beleaguered ruble losing ground, the country's oilpatch is headed in the opposite direction as producers clamour to import Western technology.

A red-hot global energy sector has led to increased expansion in the Siberian oilfields.

And as Calgary-based oilfield services firm FSI International has learned, companies such as Yukos Oil — Russia's second-largest producer — aren't holding back.

FSI, a builder of brine plants used in well maintenance, saw a 700 per cent increase in sales in the first quarter of this year — a result of skyrocketing demand for Western equipment in Russia.

"We're seeing (Russian companies) go into brand new oil fields and they want everything to be done by Western standards," said Richard Ball, chief executive of FSI.

"With oil prices up, they're asking for help to build and they've got the money to do it."

Since 1993, when FSI began selling its technology to Siberian producers, the company has sent about a dozen brine plants to Russia, Ball said.

As FSI commissioned its latest Siberian-bound plant in Calgary this week, it has already received orders for as many as 14 more.

Part of the appeal of the Canadian-built brine plants is their technology, which makes them easier and more efficient to operate than Russian-built operations.

But industry observers say the brisk pace of business at FSI and other oilfield services companies is part of a larger trend.

Since the Russian oilpatch opened up in the early 1990s, foreign producers have had a rough ride trying to extract oil and profits from the area.

But the oilfield services sector has flourished as Russian companies seek Western expertise to expand their operations.

"The Canadian service sector has been one of the shining lights over there," said Ian Doig, publisher of the industry newsletter Doig's Digest.

"You are seeing a lot of companies taking their technology and Canadian passport over there and capitalizing on a good reputation."

But the boost in business comes against an ongoing backdrop of uncertainty that hangs over Canadian companies operating in the region.

The armed takeover of a Calgary-owned oil company — Yugraneft — in Siberia last week has cast a shadow over foreign investment.

However, Ball said the situation is not an accurate depiction of most foreign operations in Russia. FSI is planning more work in Siberia including the sale of filtration equipment and building structures to Yukos and other firms.

Russia's oil companies have so far been buffered from the country's faltering economy which pushed the ruble to a record low 29.21 against the U.S. dollar Friday.

QUOTABLE

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FSI INTERNATIONAL