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## **BP Forms Partnership to Explore in Russia**

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The British [oil](#) giant [BP](#) agreed on Friday to a partnership with [Rosneft](#), a Russian company, forming an alliance to explore the Russian Arctic.

In a share swap under the partnership agreement, the state-owned Rosneft would hold a 5 percent stake in BP while BP would hold 9.5 percent of Rosneft. The deal is worth about \$7.8 billion.

The two companies would explore three license blocks on the Russian Arctic continental shelf that were awarded to Rosneft last year and span about 50,000 square miles.

The deal is a coup for [Robert Dudley](#), an American who became chief of BP in September and had pledged to rebuild the company's reputation after the oil spill in the Gulf of Mexico.

To help cover the estimated \$40 billion in damage claims resulting from the spill, BP has moved to sell about \$30 billion in assets, including Pan American, an oil producer in Argentina, to the Bidas Corporation for \$7.1 billion.

That deal, announced in November, put BP's total asset sales at about \$21 billion. BP has also sold assets in Pakistan, Venezuela, Vietnam and the United States.

The agreement allows BP to expand its operation in Russia at a time when the demand for energy is rising and competition to explore new fields is heating up.

"We are very pleased to be joining Russia's leading oil company to jointly explore some of the most promising parts of the Russian Arctic, one of the world's last remaining unexplored basins," Mr. Dudley [said in a statement](#).

"This unique agreement underlines our long-term, strategic and deepening links with the world's largest hydrocarbon-producing nation," he added.

The deal drew immediate [calls for a review](#) by a lawmaker in Washington, who noted that BP was the top petroleum supplier to the United States military in 2009.

The lawmaker, Representative Edward Markey of Massachusetts, who is the top Democrat on the House Natural Resources Committee, called for a thorough analysis of the deal.

“If this agreement affects the national and economic security of the United States, then it should be immediately reviewed by the Committee on Foreign Investment in the United States,” Mr. Markey said in a statement. “Additionally, the [U.S. State Department](#) should closely monitor this transaction.”

The foreign investment committee is coordinated by the Treasury and has the authority to examine foreign purchases of stakes in American companies and to block deals that threaten national security.

“This acquisition will almost certainly complicate the politics of levying and collecting damages from BP following their Gulf of Mexico oil spill,” Mr. Markey said.

As part of the agreement, Rosneft and BP will set up an Arctic technology center in Russia “to develop technologies and engineering practices for the safe extraction of hydrocarbon resources from the Arctic shelf,” the companies said in a joint statement.

Russia's prime minister, [Vladimir V. Putin](#), said that he supported the partnership and that his government could back the drilling project in the Arctic Ocean with tax breaks, Bloomberg News reported.

The agreement was negotiated by Mr. Dudley and Igor Sechin, Russia's deputy prime minister and Rosneft's chairman. BP's chairman, [Carl-Henric Svanberg](#), said BP's board “believes that the combination of assets and skills will unlock significant value and thus the issue of shares to Rosneft is in the interests of all shareholders.” BP and Rosneft said they viewed their stakes in each other as “long term and strategic.”

BP and Rosneft have cooperated on projects in the past. They explored deposits off Sakhalin Island in Russia and became partners at the German Ruhr Oel refiner after Rosneft bought the stake BP did not own.

The new partnership showed that Mr. Dudley was able to keep his strong ties in Russia even after he was removed as head of BP's Russian joint

venture, [TNK-BP](#), three years ago after BP fell out with its Russian billionaire partners.

Mr. Dudley was named chief executive of BP after his predecessor, [Tony Hayward](#), stepped down after the explosion in the Gulf of Mexico that killed 11 workers and caused tens of billions of dollars in damage. In his first step as chief executive, he [reorganized the company's critical exploration and production business](#), removing the unit's head, and set out to establish a global safety division.

BP had a net profit of \$1.79 billion in the third quarter of last year, down from \$5.34 billion a year earlier, after it set aside additional money to cover the costs of the oil spill.

Rosneft produces some 2.4 million barrels of oil equivalent, making it the country's top producer, and has annual pretax profit of about \$8.5 billion.