

O A O TATNEFT
Form 6-K
June 27, 2006

FORM 6-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
June 27, 2006

Pursuant to Rule 13a-16 or 15d-16 of
The Securities and Exchange Act of 1934

OA O TATNEFT
(also known as TATNEFT)

(name of Registrant)

75 Lenin Street
Almetyevsk, Tatarstan 423450
Russian Federation

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40F.

Form 20-F...X.... Form 40-F.....

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes..... No... X....

June 27, 2006

Edgar Filing: O A O TATNEFT - Form 6-K

On June 27, 2006 OAO Tatneft published on its web site at www.tatneft.ru the evaluation of its reserves (with and without attachments) prepared by Miller and Lents, Ltd., independent international oil and gas consultant and Lents Report without attachments is attached hereto.

[Miller & Lents, Ltd. Letterhead]

June 27, 2006

Mr. Shafagat F. Takhautdinov
 General Director
 Tatneft Joint Stock Company
 75 Lenin Str.
 Almet'yevsk 423400
 Republic of Tatarstan, Russia

Re: Evaluation of Reserves
 For Tatneft JSC
 Reserves and Future Net Revenues
 As of January 1, 2006
 Constant Price Case

Dear Mr. Takhautdinov:

At your request, we estimated the net oil and gas reserves and future net revenues as of January 1, 2006 owned by Tatneft JSC (Tatneft). The properties evaluated are located in the Volga-Ural Oil and Gas Basin, developed and producing oil fields containing approximately 28,200 active completions and 6 undeveloped fields. A location map of the Republic of Tatarstan that shows the producing areas.

We performed our evaluations, which are designated as the Constant Price Case, using the Constant Price Case for Tatneft. The Constant Price Case assumes no future escalations of oil or gas prices, operating costs, and taxes, and uses respective January 1, 2006 values. The aggregate results of our evaluations for Tatneft are as follows:

Reserve Category	Net Reserves		Future Net Revenues	
	Crude and Condensate, MMBbls.	Gas, Bcf	Undiscounted, MM\$	Discounted, 10%
Proved Developed Producing	3,589.6	883.1	38,121.6	
Proved Developed Nonproducing	2,000.8	492.2	19,280.8	
Proved Undeveloped	260.7	64.1	2,139.1	
Additional Capital and Property Taxes	0.0	0.0	-3,817.8	
Total Proved	5,851.1	1,439.4	55,723.8	
Probable	2,230.0	548.6	39,012.8	
Possible	394.7	97.1	2,307.3	

Proved, probable, and possible reserves were estimated in accordance with standards of the American Petroleum Institute and World Petroleum Congresses as defined on Attachment 2. The unified tax (previously replacement tax, and crude oil excise tax) was deducted from gross revenues in determining net revenues.

Edgar Filing: O A O TATNEFT - Form 6-K

gross reserves in determining net reserves. Reserves were projected for the economic life of production or exploration license terms.

Tatneft also provided us with license term dates. These dates for each field are shown for proved reserves and future net revenues as of January 1, 2006 for the time period until the license term date.

For the Time Period Until the License Term Date

Reserve Category	Net Reserves		Future Net Revenues	
	Crude and Condensate, MMBbls.	Gas, Bcf	Undiscounted, MM\$	Discounted, 10%
Proved Developed Producing	1,168.8	287.5	13,825.6	
Proved Developed Nonproducing	116.6	28.7	1,485.5	
Proved Undeveloped	56.1	13.8	500.2	
Additional Capital and Property Taxes	0.0	0.0	-1,108.5	
Total Proved	1,341.5	330.0	14,702.8	

The estimated proved reserves and future net revenues forecast for the time period following the license term dates are as follows:

For the Time Period After the License Term Date

Reserve Category	Net Reserves		Future Net Revenues	
	Crude and Condensate, MMBbls.	Gas, Bcf	Undiscounted, MM\$	Discounted, 10%
Proved Developed Producing	2,420.8	595.5	24,296.0	
Proved Developed Nonproducing	1,884.2	463.5	17,795.3	
Proved Undeveloped	204.6	50.3	1,638.9	
Additional Capital and Property Taxes	0.0	0.0	-2,709.3	
Total Proved	4,509.6	1,109.3	41,021.0	

Future net revenues as used herein are defined as the total gross revenues less unified state and local expenditures. The total gross revenues are the total revenues received by Tatneft after deducting transportation and customs duties, port expenses, excise tax, value added tax, and special taxes. The computations of gross revenues were provided by Tatneft and are shown on Attachment 3. Future net revenues are shown for either federal or local taxes on net profit.

The operating expenses employed in estimating future net revenues are the average operating expenses provided by Tatneft. We removed from the operating expenses the depreciation, well restoration costs, and Restoration costs were included as capital for the portion of the proved nonproducing reserve attributable to shut-in wells. The operating expenses for Tatneft are shown on Attachment 4.

We allocated a portion of the operating expenses to the number of active wells on a per-barrel basis, employing the allocations provided to us by Tatneft.

Edgar Filing: O A O TATNEFT - Form 6-K

active wells for the large waterfloods would decline to approximately one-half the fully developed level in production and approached their economic limit.

Future capital costs for drilling and workover operations are based on 2005 costs shown in Attachment 5. The forecasts for capital expenditures, other than drilling and completions, through the year 2022 and are shown on Attachment 6.

The proved developed producing reserves and production forecasts were estimated by production history analysis in a few cases, by volumetric calculations. For some reservoirs with insufficient performance history, future production was estimated by analogy with other reservoirs having similar characteristics. Production limits were based on operating cost and oil price data. The past performance trends of many reservoirs were curtailed by curtailments, workovers, waterfloods, and/or infill drilling; extrapolations of future performance were based on the average performance trend of active wells during periods of stable field activity.

The estimated proved developed nonproducing reserves can be produced from existing wells or by workovers, recompletions, or restoration of shut-in wells. For wells shut in awaiting mechanical completion, wells producing at rates greater than the economic limit at the time of shut in will be returned to production levels and will decline in production at the average reservoir decline rate. For wells requiring workovers, reserves and producing rates are based on volumetric calculations and analogies with other wells in the same formation in the same field.

The estimated proved undeveloped reserves require significant capital expenditures, such as (1) infill wells and (2) surface facilities. The proved undeveloped reserves are expected to be produced from known reservoirs that have been adequately defined by wells. Reserve estimates are based upon volumetric calculations and recovery factors based on the performance of analogous reservoirs. Producing rates are based upon production history analysis.

The estimated probable and possible reserves are mainly undeveloped and require significant capital expenditures. If wells are drilled, portions of these probable and possible reserve quantities will be either upgraded or dropped entirely. The estimated probable reserves are expected to be produced from undeveloped reservoirs that have been adequately defined to be classified as proved. Another component of probable reserves was included in the reserves based on ratio trends that indicated higher reserves than calculated from linear production decline curves. Future production was assumed to decline at rates less than used for proved reserves, and the incremental reserves were classified as probable. The estimated possible reserves are expected to be produced from known reservoirs (1) where the reservoir is thin and uncertain to be developed or (2) where subsurface geology is uncertain. Reserves for undeveloped portions of known reservoirs were estimated by volumetric methods. Bitumen reserves that Tatneft is now developing. These reserves may be upgraded to probable reserves if the uncertainty regarding economics is reduced.

Reserve estimates from volumetric calculations and from analogies are often less certain than estimates based on well performance obtained over a period during which a substantial portion of the reserves was produced.

The probable and possible reserve volumes and the estimated future net revenues are subject to significant uncertainty. None of the proved, probable, or possible reserve volumes, nor the revenues produced therefrom, are based on either of the other without adjustment for uncertainty. Estimates of future net revenues are not intended and should not be interpreted to represent fair market values for the estimated reserves, surface facilities and wells and any future costs of restoration of producing properties to satisfy environmental requirements from total revenues as such estimates are beyond the scope of this assignment.

Estimated net gas reserves are based upon the past ratio of sales gas to produced oil and gas. Net gas reserves are the total volumes of gas expected to be produced with the net oil reserves.

Structural maps, isopach maps of net oil sand, well status maps, seismic data, cross-sections, production data, well logs and core information on key wells, and the Tatneft interpretation of key reservoirs were reviewed and were generally found to be acceptable interpretations. In some cases, original maps were prepared. The reservoir maps were employed to estimate original oil in place in productive areas as either proved developed producing, proved developed nonproducing, proved undeveloped or possible. Volumetric methods were employed to estimate the original oil in place for each classified area.

Attachments 7a and 7b show a composite production forecast for Tatneft in barrels and tonnes and show the contribution of production from each proved reserve category. Following the attachments are charts in barrels and tonnes that show reserves and cumulative future net revenues for each evaluated reservoir group and specific groups, which are also identified in the one-line summaries.

