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Venezuela buys 2 Russian crude cargoes for Curacao refinery -sources

By Marianna Parraga

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Oct 17 (Reuters) - Venezuela's PDVSA bought two cargoes of Russian Urals light crude from a unit of Petrochina to be delivered starting in November at the Isla refinery in Curacao operated by the state-run oil company, traders told Reuters on Friday.

These cargoes will be the second crude import made by the OPEC member since signing a supply contract with Algeria's state-run Sonatrach to buy Saharan blend light crude that will start this month to be used as a diluent for Venezuela's extra heavy crude production.

"The Russian crude will be refined at Isla, mainly to produce lubricants, but there is not a signed supply contract, so PDVSA could buy other grades in the future," one of the sources said.

Amidst declining oil production and exports, PDVSA is running out of light crudes to use as diluents for its extra heavy output from the vast Orinoco belt, its main producing region.

Urals is a light crude of 31 API degrees of density and up to 1.35 percent sulfur, used as a reference grade for pricing Russian exports.

With the world's largest crude reserves, Venezuelan's imports of oil are highly controversial. PDVSA is trying to cut costs by replacing naphtha purchases made on the open market with light crudes, while formulating better quality blends that could be sold at higher prices.

MORE IMPORTED OIL

The 335,000 barrel per day (bpd) Isla refinery in the Caribbean island of Curacao is a facility rented and operated by PDVSA that has been working well below its capacity in recent years because of a lack of power and other services. Those problems are being addressed this year.

The Isla refinery has been processing in recent years a significant volume of Venezuelan Mesa 30 light crude that is now urgently needed to be used as diluent, so the Russian crude will replace that feeding, the sources said.

"PDVSA's long-term strategy is to replace all the Mesa 30 crude it is injecting to its refineries with foreign light crudes. That would allow the company to formulate better blends to be exported," the source added.

PDVSA in August put on hold its exports of diluted crude oil (DCO) made of heavy crude and naphtha to review its cost structure and avoid losses amidst an oil market worried because of falling crude prices.

PDVSA's refining unit in the United States, Citgo Petroleum, in September only received four 500,000-600,000 barrel cargoes of DCO versus seven cargoes the previous month, according to Reuters Trade Flows data.

Venezuela's first ever import of crude is scheduled to arrive Oct. 26 to the Jose terminal, coming from the Algerian port of Bejaia.

The crude will be mixed with extra heavy oil in Venezuela, but a PDVSA source told Reuters that is possible that the company will later decide to start producing blends in the Caribbean, mainly in the Saint Eustatius terminal that was leased earlier this year by the company. (Reporting by Marianna Parraga; Editing by Terry Wade and Marguerita Choy)