Northern Sudan is not ready to absorb the shock of losing oil revenue, which is likely to be a major destabilizing factor ahead of the independence of the oil-producing Southern Sudan, a United Nations envoy told Dow Jones Newswires late Saturday.

Whereas major oil infrastructure projects, including refineries, pipelines and export ports are located in the north, the south accounts for at least 70%-80% of Sudan's oil production, said David Gressly, the U.N. envoy for Southern Sudan.

"We are talking of around $2-$3 billion oil revenue losses every year. This is a financial shock the north is not ready to absorb" he said in the Ugandan capital Kampala.

Last month, Sudanese President President Omar al-Bashi warned that the north would block south from using its infrastructure if no deal on oil revenue sharing is reached ahead of southern independence.

Intensive talks between the two sides are continuing, but a deal is unlikely before July 9, when the oil-rich Sudan, Africa's largest nation, will be split into. Following a referendum in January, the south voted to secede from Sudan.

Sudan is Sub-Sahara Africa's third largest oil producer, behind Angola and Nigeria pumping out some 470,000 barrels of oil a day.

According to Gressly, the second major point of concern is the failed integration of militias in the South. Out of the seven militia groups which existed in 2005, only one has been successfully integrated. Most of the other groups continue to pose a destabilizing effect, with some defecting multiple times, between the North and the South.

The border demarcation is also not yet settled, and there remains a number of disputed territories the northern and Southern border.

In the oil-rich flashpoint state of Southern Kordofan, Southern allied militias continue to battle northern Sudan government troops despite a declaration earlier this week that the two sides had reached a ceasefire agreement.

The U.N. estimates that some 73,000 people have fled Southern Kordofan since the fighting broke out.

While the U.N. has at least 5000 troops in the South, a larger mission for peace consolidation is being planned after the split, according to Gressly.

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