

# Shelton Petroleum

Exploration and Production in Russia and Ukraine



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# Shelton Petroleum overview

Market capitalization: SEK 150 million

Shares outstanding:

Basic	10.64 million
Fully diluted	11.88 million

Trading NGM (SHEL B),  
Average daily turnover SEK 500 th

Management & board ownership 11%

- Oil and gas exploration and production company founded in 2007
- Operations in Russia and Ukraine
- Producing oil in Russia following a successful exploration program
- Combination of production and huge resource potential in Ukraine
- Significant management ownership with solid sector track record

# Recent events

- Multi-well infill development program on Rustamovskoye announced
- SEK 51 million received from Tomsk Refining
- Seismic program on Aysky identifies three structures
- Helium study indicates active oil and gas presence on Aysky
- Reinstatement of production at Lelyaki



# Shelton Petroleum asset overview



# Exploration and production portfolio

Production onshore	Geography	Primary product	Reserves			Resource potential	Working interest	Partner
			1P	2P	3P			
Rustamovskoye	Russia	Oil	1	1	6	43	100%	
Lelyaki	Ukraine	Oil	3	8	8	-	45%	Ukrnafta

Exploration onshore								
Aysky*	Russia	Oil	-	-	-	-	100%	
Suyanovskoye	Russia	Oil	-	-	-	-	100%	

\* Aysky and Suyanovskoye were added to the portfolio in autumn 2009 and have not yet been subject to an independent audit. The independent seismic service company Udmurtgeofizika estimates Russian C1+C2 reserves and C3 resources to amount to 12 and 10 million recoverable barrels of oil respectively, based on Shelton Petroleum's seismic program and wells drilled during the Soviet era.

Exploration offshore								
Arkhangelskoye	Ukraine Black Sea	Gas & NGL	-	-	-	130	50%	CNG
Biryucha	Ukraine Azov Sea	Gas	-	-	-	166	50%	CNG
North Kerchenskoye	Ukraine Azov Sea	Gas	-	-	-	4	50%	CNG

All reserves and resources in the tables are in million barrels of oil equivalent net to Shelton Petroleum. Reserves are based upon assessment carried out in year 2009 by Trimble Engineering Associates and AGR TRACS International Consultancy Ltd.

# Russian licence blocks in Bashkiria



- Mature oil region with developed infrastructure
- Russia's largest refining capacity
- Located west of the Ural mountains
- Favorable climate conditions make year-round operations possible
- One of the top nine regions for investment climate in Russia according to Deutsche Bank
  
- Shelton Petroleum methodology
  - Exploratory drilling during the Soviet era confirms oil presence
  - Surrounding producing fields and availability of pipelines
  - Modern cost-effective helium studies
  - Step by step seismic coverage
  - Improve on Soviet drilling practice from the 1960's
  - Infill development drilling

# Rustamovskoye oil field

- Successful exploration program completed and first oil produced and sold
- Both exploration wells on production with initial flows of 70-160 bopd per well
- Infill development drilling program to be launched in autumn 2011 targeting up to 6 new wells
- 3P reserves of 6 mmbbl  
Contingent resource potential of 43 mmbbl
- Recent pilot helium survey provides supporting evidence that the structure on Rustamovskoye extends into the neighboring Aysky block





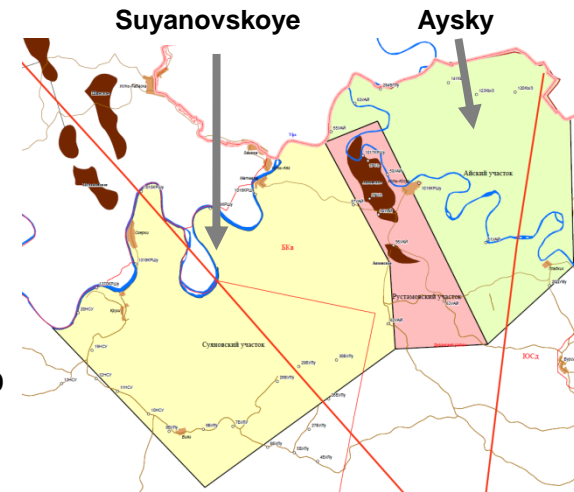
# Rustamovskoye development program

- Drill up to six new infill wells from one pad with spudding of first well autumn 2011
- New wells to come on stream H1 2012
- Low cost development program
  - Well capex USD 11 million
  - Facilities USD 6 million
- Field potential of up to 40 producing wells in a high scenario
- Multiple layer potential from Carboniferous and Devonian periods
- Spare capacity in Bashneft pipeline running through the block
- Incremental production will make company cash-flow positive



# Aysky and Suyanovskoye

- Aysky
  - A seismic program of 65 km identified three structures
  - Russian C1+C2 reserves and C3 resources estimated to amount to 12 and 10 mmbbl respectively
  - Recent pilot helium survey confirms active oil and gas presence on Aysky and...
  - ...provide supporting evidence that the structure extends into the company's neighboring Rustamovskoye block
- Suyanovskoye
  - Helium studies and seismic program under development



# Oil and gas in Ukraine



- One of the largest energy consumers in Europe
- Significant net importer of oil and gas despite large domestic reserves
- Ukrainian offshore as "the last frontier", less than 5% of resources are exploited and the majors are moving in
- Shelton Petroleum methodology
  - Mature onshore field with low cost and low geological risk
  - Highly perspective shallow offshore fields
  - Partnerships with Ukraine's leading oil and gas companies

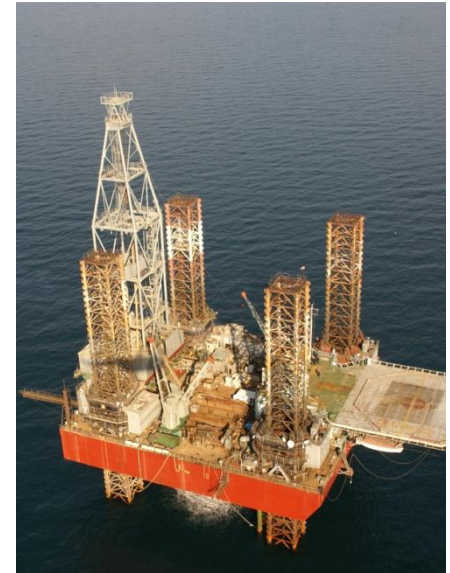
# Lelyaki oil field in Poltava

- In partnership with Ukrnafta, Ukraine's largest oil and gas company, 45% ownership
- Reinstatement of production in Q3
- 385 mmbbl lifted, over 1 billion bbl original oil in place
- Low cost and low geological risk, modern reservoir engineering to increase production levels
- 2P reserves of 8 mmboe
- Average production 200-250 bopd during 2010 - field potential of over 1,000 bopd
- Cash generative with further upside through self-financed investments



# Offshore Black/Azov Sea potential

- 50% JIA with state-owned Chornomornaftogaz CNG
  - CNG produces 20,000 boepd
  - CNG owns a number of offshore rigs and operates 1,200 km pipeline of which 280 km is in the sea
- Gas encountered in wells drilled during the Soviet era on shallow waters
- Resource potential of up to 300 mmbœ of gas net to Shelton Petroleum
  - Arkhangelskoye (Black Sea)
  - Biryucha (Azov Sea)
  - North Kerchenskoye (Azov Sea)
- Arkhangelskoye pool analogue produces 6,000 boepd with pipeline with spare capacity



# Keys to value creation

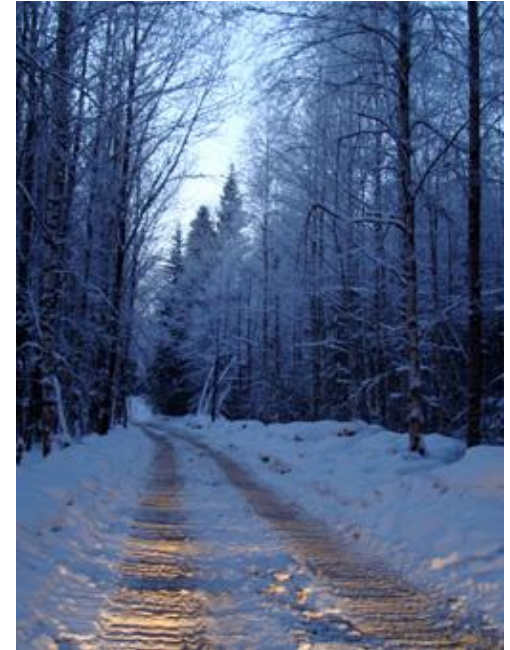
- **Rustamovskoye**
  - Develop field with up to 6 additional wells targeting production of 3.2 mmbbl, which will turn the field cash flow positive
  - Successful development may, if resources are converted to reserves, result in up to 40 producing wells
- **Lelyaki**
  - Restart production to previous 200-250 bopd (net to Shelton Petroleum)
  - Increase production by drilling new wells and by re-entering and sidetracking suspended wells
  - Significant potential in applying modern reservoir engineering
- **Aysky and Suyanovskoye**
  - Prove reserves through collection of seismic data and drilling
- **Offshore Black/Azov Sea**
  - Analyze historical exploratory data, collect new seismic data to prepare for carefully addressed drilling

# Downstream investments

- **Tomsk Refining AB (TRAB)**
  - Refining operations in Western Siberia
  - 15% stake acquired in autumn 2010, book value of SEK 49 million
  - TRAB resolved to liquidate the company as a way of distributing the cash generated through the sale of the refinery
  - A first payment has been made, providing Shelton Petroleum with SEK 51 million (USD 8 million)
  - In addition, Shelton may receive further payments of up to SEK 25 million (USD 4 million)
- **Baltic Oil Terminals PLC**
  - Terminals business in the Russian ports of Baltiysk and Kaliningrad
  - Acquired in November 2010
  - Listed on AIM, London - trading suspended
  - 14% equity stake, book value of SEK 32 million in Shelton Petroleum's balance sheet

# Why invest in Shelton Petroleum?

- Shelton Petroleum provides:
  - Proven and producing assets in Volga-Urals and Ukraine
  - Imminent development program on Rustamovskoye and exploration of adjacent Aysky and Suyanovskoye fields
  - Huge unexploited Black/Azov Sea potential
  - Exposure to a large resource base and growth from existing properties
  - Expansion opportunities at attractive valuations
  - Equity stake in Baltic Oil Terminals





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