

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 at NGM (SHEL B)

Management & board ownership 20%

- 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 significant resource potential in Ukraine
- Significant management ownership with vast sector experience

Why invest in Shelton Petroleum?

- Attractive risk-reward
- Proven oil fields, profitable oil production and large resource potential
- Significant improvement in tax regimes
- Positive trend in production
 - Rustamovskoye - from exploration to production
 - Lelyaki – a classic redevelopment case
- Large unexploited Black/Azov Sea potential
- Exposure to Ukraine's reborn oil and gas market
- Cash position 30 June 2012 - SEK 49 million



Shelton Petroleum asset overview



Financial highlights

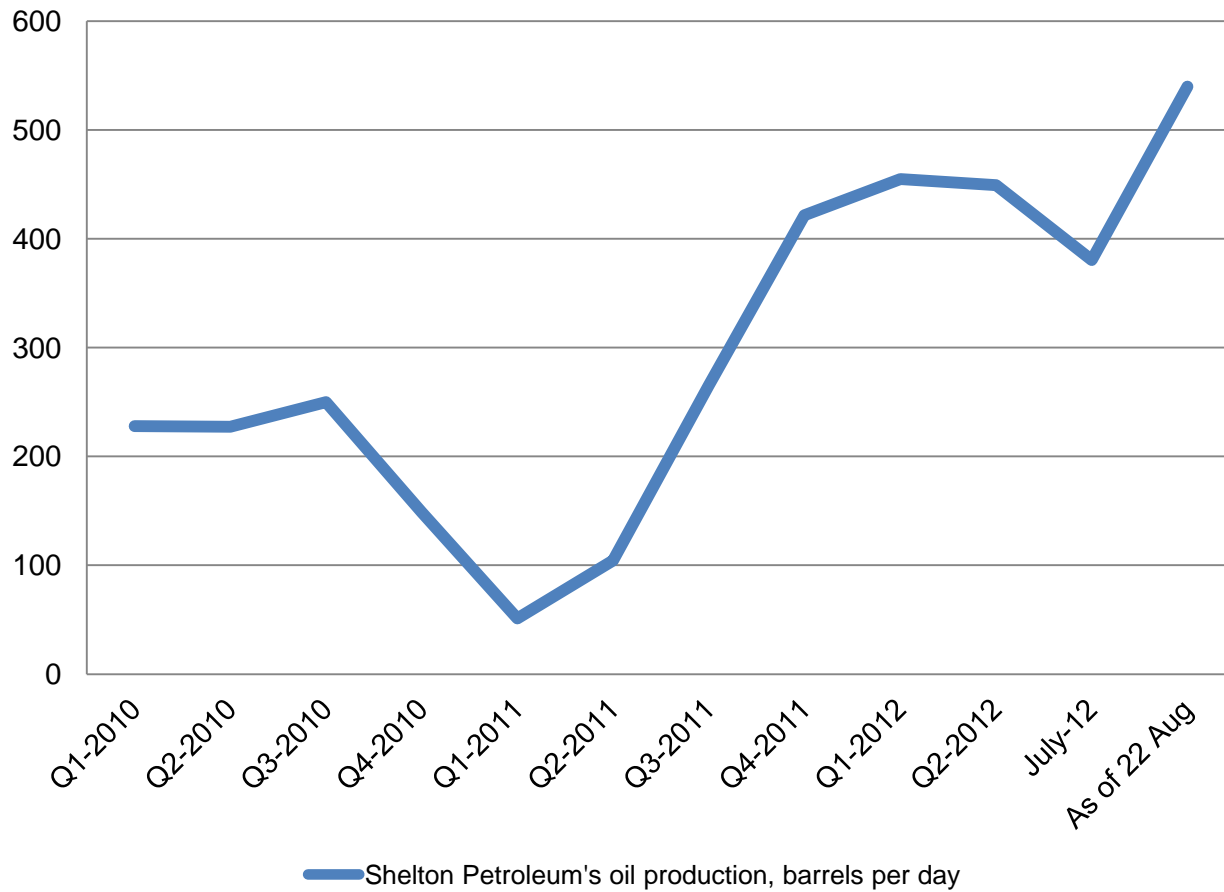
Another solid quarter

Daily production of 450 barrels

Cash position of SEK 49 million

	Q2-2012	Q1-2012	2011	Q4-2011	Q3-2011	Q2-2011	Q1-2011	2010	2009	2008	2007
Production, barrels	40 900	41 400	77 300	38 800	24 400	9 500	4 600	77 900	0	0	0
Revenue, SEK th	22 380	29 796	47 183	21 988	20 573	4 588	34	29 291	0	9	0
Operating profit, SEK th	5 763	11 882	2 392	3 621	9 964	-5 947	-5 246	-11 440	-16 664	-8 791	-2 871

Positive trend in barrels per day



Exploration and production licenses

License	Geography	Primary product	Reserves			Resource potential	Working interest	Partner
			1P	2P	3P			

Production onshore

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 %	

Exploration offshore

Arkhangelskoye	Ukraine Black Sea	Gas and NGL	–	–	–	130	50 %	CNG
Biryucha	Ukraine Sea of Azov	Gas	–	–	–	166	50 %	CNG
North Kerchenskoye	Ukraine Sea of Azov	Gas	–	–	–	4	50 %	CNG

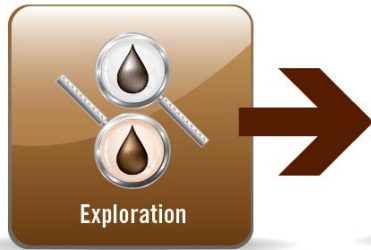
Total **3** **9** **14** **342**

The columns may not add up due to rounding

Aysky and Suyanovskoye have not been subject to a western audit. The independent seismic service company Udmurtgeofizika has estimated that Russian C1-C3 reserves and resources may amount to over 20 million barrels

All amounts are in million barrels of oil equivalent net to Shelton Petroleum

A year full of activities



- 65 km of seismic data identifies three geological structures on Aysky
- Helium study of 120 sq km indicates presence of hydrocarbons on Aysky and Suyanovskoye
- Vertical seismic profile on Rustamovskoye



- Comprehensive project design for the development of Rustamovskoye (infrastructure for treatment, storage and transportation of oil and drilling new production wells)
- Close dialogue with authorities to obtain necessary permits
- Procurement of subcontractors for the manufacturing and installation of infrastructure and for drilling of production wells
- Construction of the drill pad has been completed.
- Securing supply of water and electricity
- Production from the second Russian well commenced



- Fracking raised Rustamovskoye production to >200 bopd
- Work program raised Lelyaki production by 50 % since September 2011
- Further workovers and preparations for new well and sidetracks

Tax reductions significantly raise profitability



USD/bbl	Russia	Ukraine
Sales price	46	117
VAT	-7	-19
<u>Production tax</u>	<u>-22</u>	<u>-57</u>
Net price	17	41
Tax amendment	+10	+15
New net price	27	56

Tax amendment effect as at 1 January 2012.

Based on domestic sales in Russia. Oil can be sold at world market price on export but is then subject to export tax

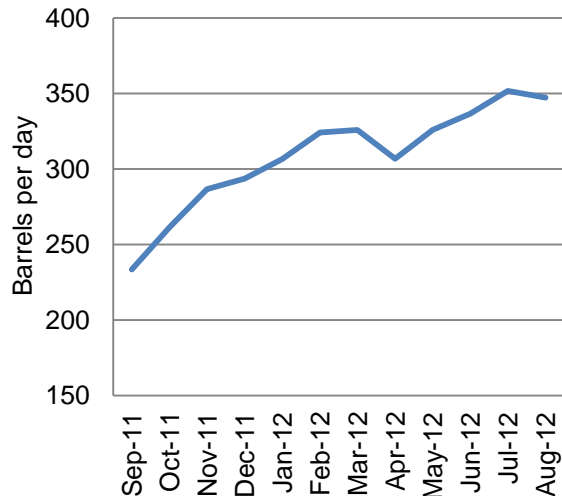
Prioritized objective to increase production



- Ukraine
Work program on Lelyaki
- Russia
Development of Rustamovskoye

Lelyaki - “A classic redevelopment case”

- Located in Poltava, Ukraine
- Low cost and low geological risk
- 385 mmbbl lifted, over 1 billion bbl original oil in place
- Planned work program 2012
 - Two new wells into production 309 and 310
 - Two sidetracks of suspended wells
 - Fifteen workovers



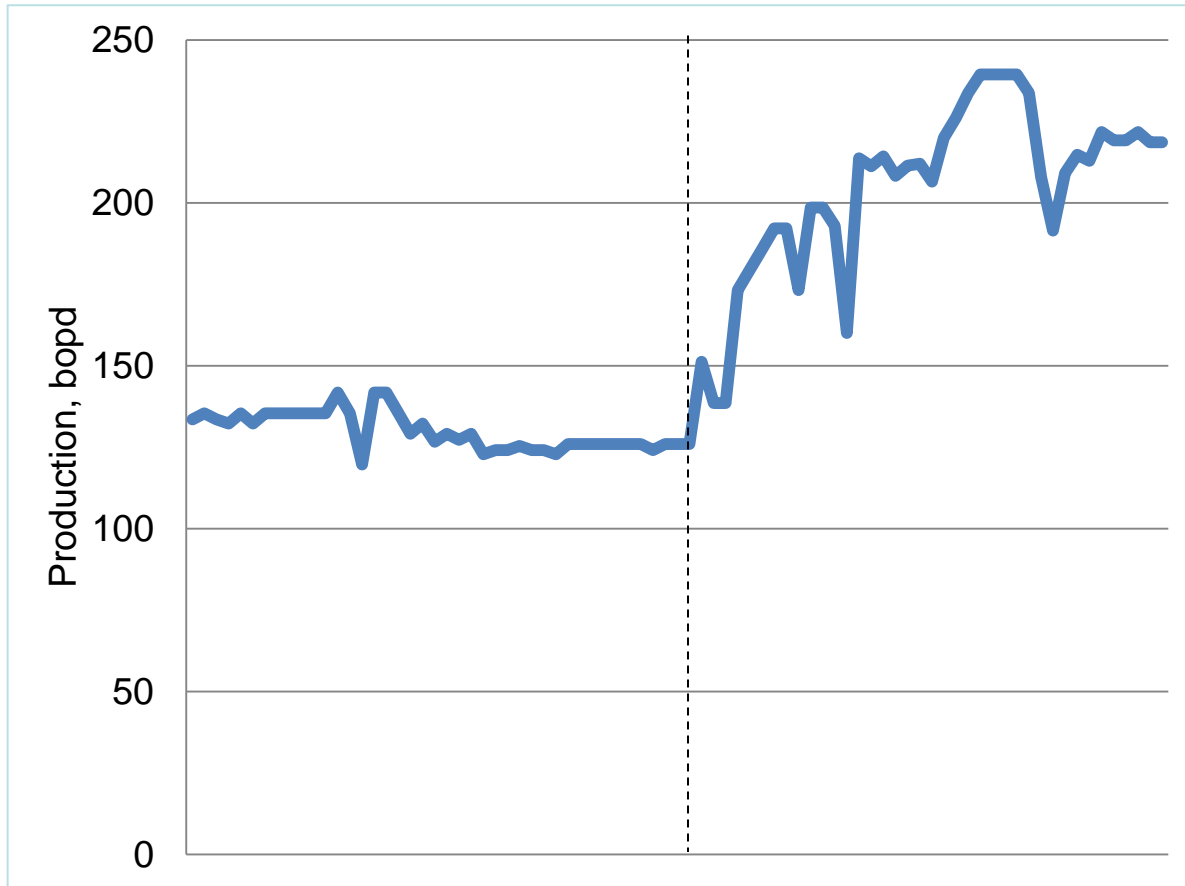
Russian licence blocks in Bashkiria



- 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

Fracking the Rustamovskoye wells

- Production one month before and after fracking



Rustamovskoye development program

- Comprehensive project design and drilling preparations completed
- New pumping design, fracking and VSP to maximize information on reservoir characteristics
- Step by step production drilling to be commenced
- Current transportation by truck but spare capacity in pipeline running through the block
- Reduced production tax significantly increases cash flow potential



Expansion in Ukraine

- Political pressure to increase petroleum production
 - Production sharing agreement legislation passed
 - “Triple Black Sea gas production in two years”, Energy Minister in May 2012
 - Exxon/OMV make “find of a lifetime” in Black Sea in Feb 2012
 - Auction and tender process with Shell, Chevron and Exxon taking on new licenses in 2012
 - Shelton Petroleum’s presence and network open up opportunities
- MoU signed with Nadra of Ukraine in March 2012
 - Strengthens market position and gives access to over 100 oil and gas projects and licenses
 - Review of projects commenced at Nadra’s offices in Lviv and Poltava
 - Objective: to identify attractive licenses, transfer them to a new entity and start exploitation
 - State Service of Geology and Mineral Resources, responsible for all licensing activity, is also part of the agreement



Keys to value creation

- **Rustamovskoye**
 - Presence of oil proved by existing wells (~200 bopd)
 - Develop field by step by step infill drilling of production wells
- **Lelyaki**
 - Current production ~350 bopd (net to Shelton Petroleum)
 - Increase production by workovers, drilling new wells and by sidetracking suspended wells
 - Significant potential in applying western 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
- **Development will be implemented while balancing investments against finances**

