

# Shelton Petroleum

Exploration and Production in Russia and Ukraine



# Disclaimer

Statements and assumptions made in this Presentation with respect to Shelton Petroleum AB's ("Shelton") current plans, estimates, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of Shelton. Forward-looking statements include, but are not limited to, those using words such as "may", "might", "seeks", "expects", "anticipates", "estimates", "believes", "projects", "plans", "strategy", "forecast" and similar expressions. These statements reflect Shelton's management's expectations and assumptions in light of currently available information. However, forward-looking information is always subject to uncertainty.

In the light of the many risks and uncertainties surrounding any oil and/or gas production and exploration company at an early stage of its development, the actual results of Shelton could differ materially from those presented and forecasted in this Presentation. In furnishing the Presentation, Shelton do not assume any unconditional obligation to update any such statements and/or forecasts or to correct any inaccuracies therein or to provide the recipient with access to any additional information.

This Presentation is addressed to the shareholders of Shelton and potential shareholders of Shelton to whom it is supplied directly on behalf of Shelton, for their own use and benefit, and may not be relied upon by any other person or entity or for any other purposes than in connection with an investment in Shelton and planned capital market activities. Shelton does not assume any responsibility to any other third party to whom this Presentation is shown or in the hands of which it may come. Furthermore, Shelton's opinions are strictly limited to the matters specifically stated herein and are not to be read or construed as extended by implication to any other matters in connection with capital market activities. This Presentation may not be read or construed as constituting an offer under any applicable law, statute or regulation. The Presentation is not a prospectus under any law or regulation and has not been and will not be approved by or registered with any authority. Distribution of the Presentation in certain jurisdictions may be restricted by law. Accordingly, persons obtaining the Presentation are required to inform themselves about and to observe any such restrictions. This Presentation may particularly not be relied upon by prospective investors situated in Canada, Japan, Switzerland, United States of America or any other country where further acts of registration are required under the applicable law, statute or regulation in order to distribute this Presentation.

The Presentation is governed by and construed in accordance with Swedish law and any dispute arising out of or in connection with the Presentation shall be settled exclusively in accordance with Swedish laws and exclusively by competent Swedish courts.

# Listing at NASDAQ OMX Stockholm Main Market

- Shelton Petroleum is one of four oil and gas companies on the main market
- From exploration to profitable production
- Increase liquidity and strengthen position on the financial markets
- Platform for future growth, investments and partnerships
- First day of trading 19 November



# Shelton Petroleum overview

Market capitalization: SEK 150 million

Shares outstanding:

Basic	10.64 million
Fully diluted	11.88 million

Trading at NASDAQ OMX Stockholm

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
- Healthy profit at current production level
- Positive trend in production
  - Rustamovskoye – from exploration to production
  - Lelyaki – a classic redevelopment case
- Significant improvement in tax regimes
- Large unexploited Black/Azov Sea potential and exposure to Ukraine's reborn oil and gas market
- Cash position 30 September 2012 - SEK 50 million
- NASDAQ OMX Stockholm Main Market listing



# Shelton Petroleum highlights

Daily production of over 500 barrels

Operating margin 23%

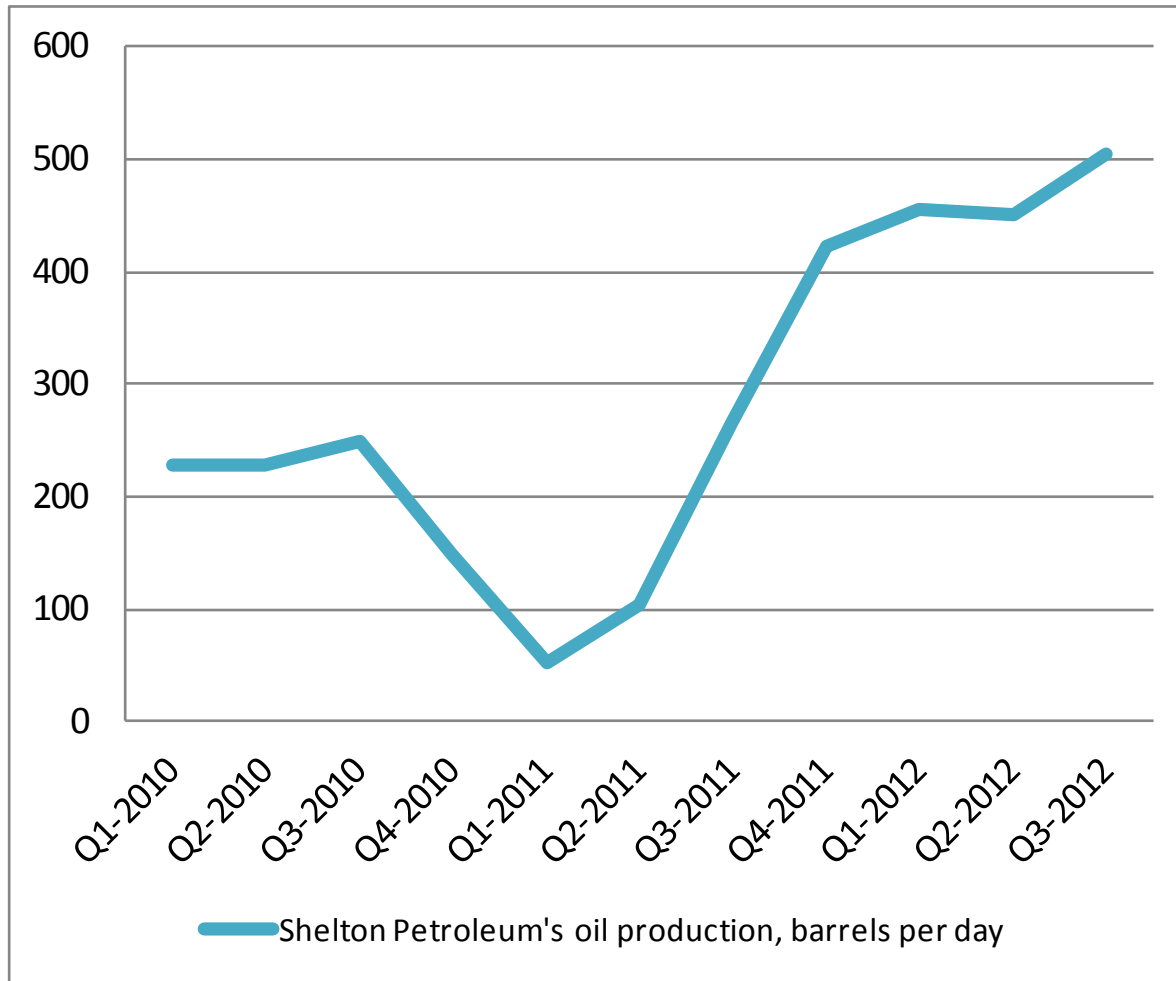
Cash position of SEK 50 million

Drilling program launched in Russia

	Q3-2012	Q2-2012	Q1-2012	2011	Q4-2011	Q3-2011	Q2-2011	Q1-2011	2010	2009	2008	2007
Production, barrels	46 400	40 900	41 400	77 300	38 800	24 400	9 500	4 600	77 900	0	0	0
Revenue, SEK th	23 890	22 380	29 796	47 183	21 988	20 573	4 588	34	29 291	0	9	0
Operating profit, SEK th	5 272	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



# Shelton Petroleum asset overview





# Exploration and production licenses

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

## Production onshore

<b>Rustamovskoye</b>	Russia	Oil	1	1	6	43	100 %	
<b>Lelyaki</b>	Ukraine	Oil	3	8	8	–	45 %	Ukrnafta

## Exploration onshore

<b>Aysky</b>	Russia	Oil	–	–	–	–	100 %	
<b>Suyanovskoye</b>	Russia	Oil	–	–	–	–	100 %	

## Exploration offshore

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

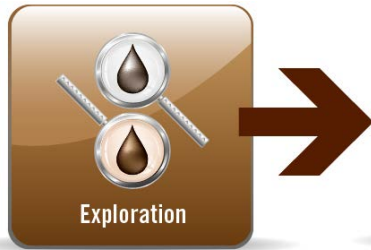
**Total** **3** **9** **14** **342**

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



- Production from the second Russian well commenced
- Comprehensive project design for the development of Rustamovskoye
- Close dialogue with authorities to obtain necessary permits
- Construction of the drill pad
- Securing supply of water and electricity
- Drilling program launched and mobilization of rig commenced
- New project design to assess horizontal wells with superior well economics



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

# Prioritized objective to increase production



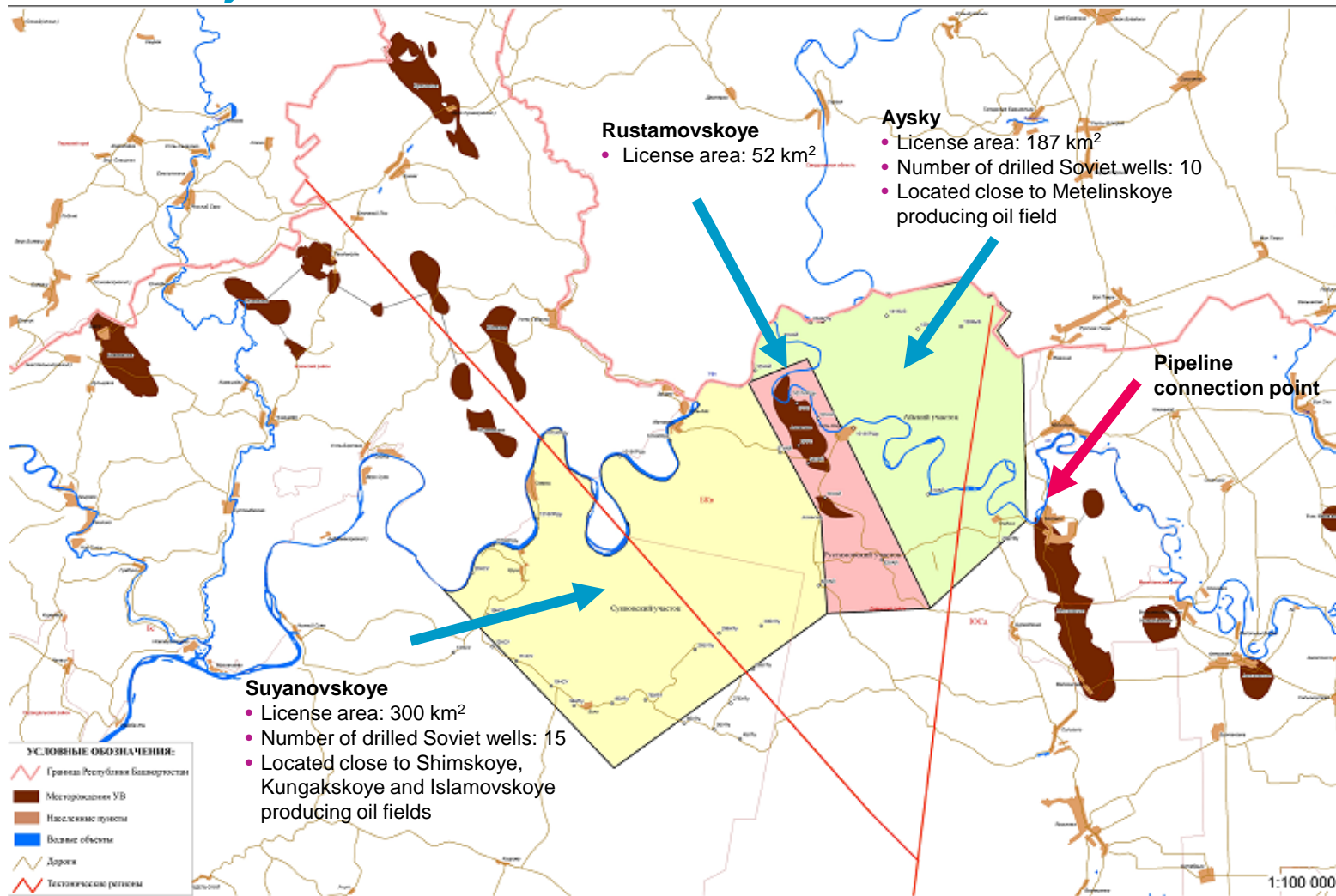
- Russia  
Development of Rustamovskoye
- Ukraine  
Work program on Lelyaki

# 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

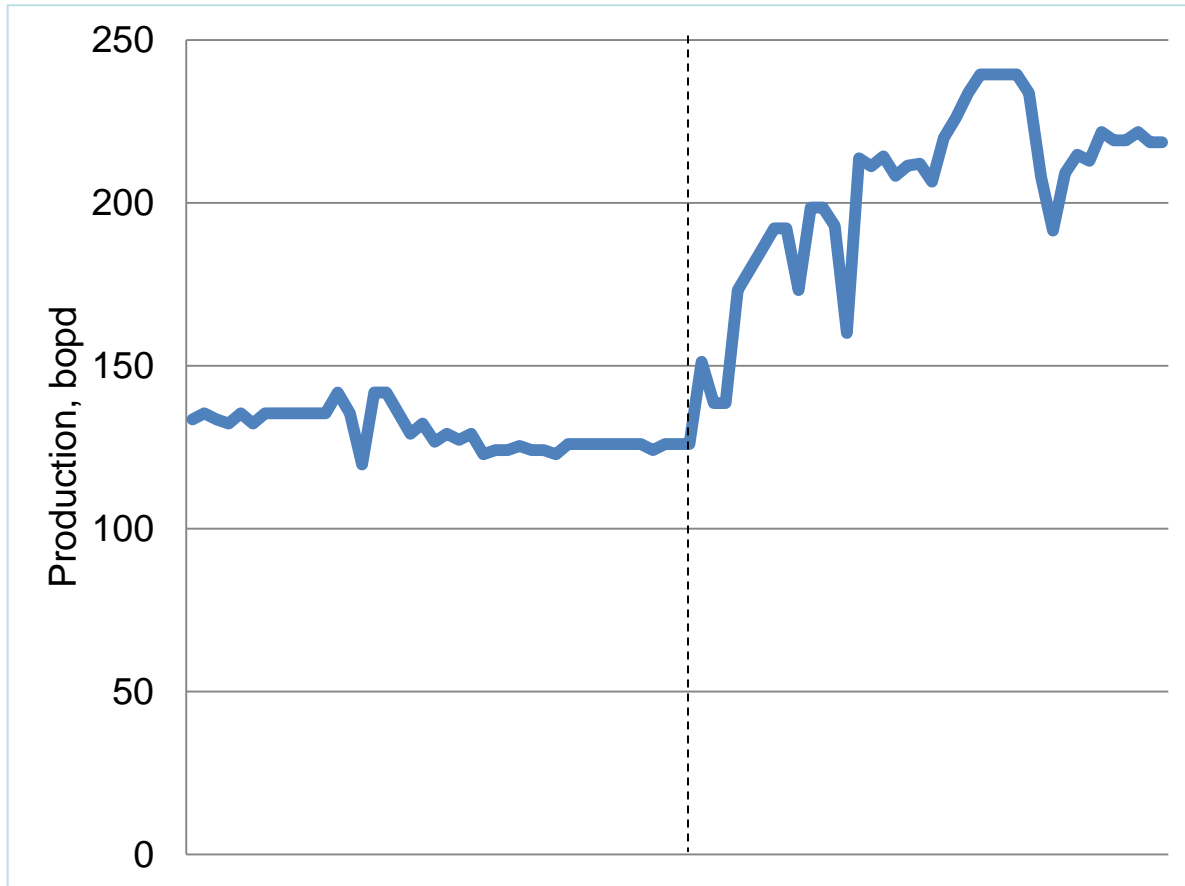
# Three adjacent licenses





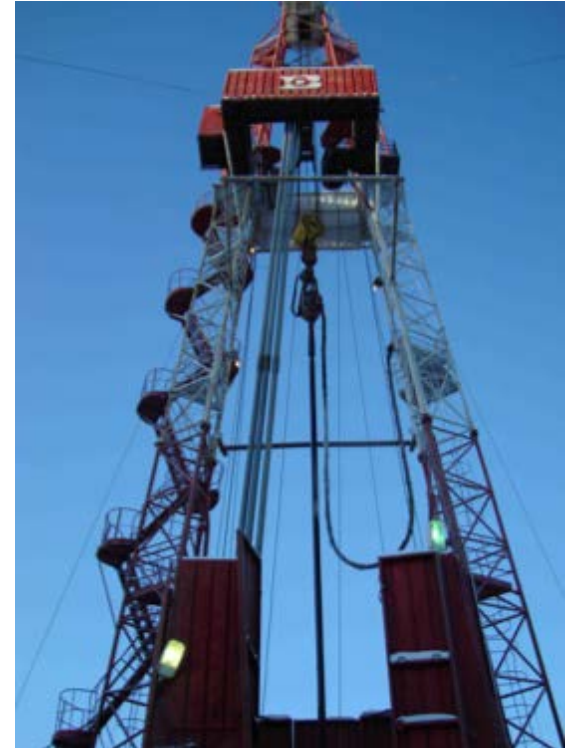
# Preparing for the development program

- Production one month before and after fracking



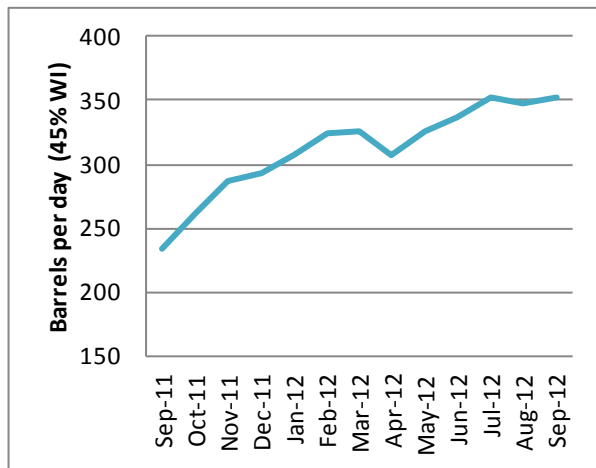
# Rustamovskoye development program

- Drilling contract signed and mobilization of rig commenced
- First phase: 1 well + option for 1 more
- Step by step drilling to manage geological risks and balance investments against financial resources
- Spudding of first well early 2013, targeting Devonian sandstone at 2,300 meters
- Multi-layer potential including Carboniferous
- Convert resources into reserves
- Current transportation by truck but spare capacity in pipeline running through the block
- New project design to assess horizontal wells with superior well economics



# Lelyaki - “A classic redevelopment case”

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



# 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**

