

# Russian Federation

## Oil field “West Medvezhye”

**Hereby we inform you about the opportunity to acquire a 100 % share in the oil field “West Medvezhye”.**

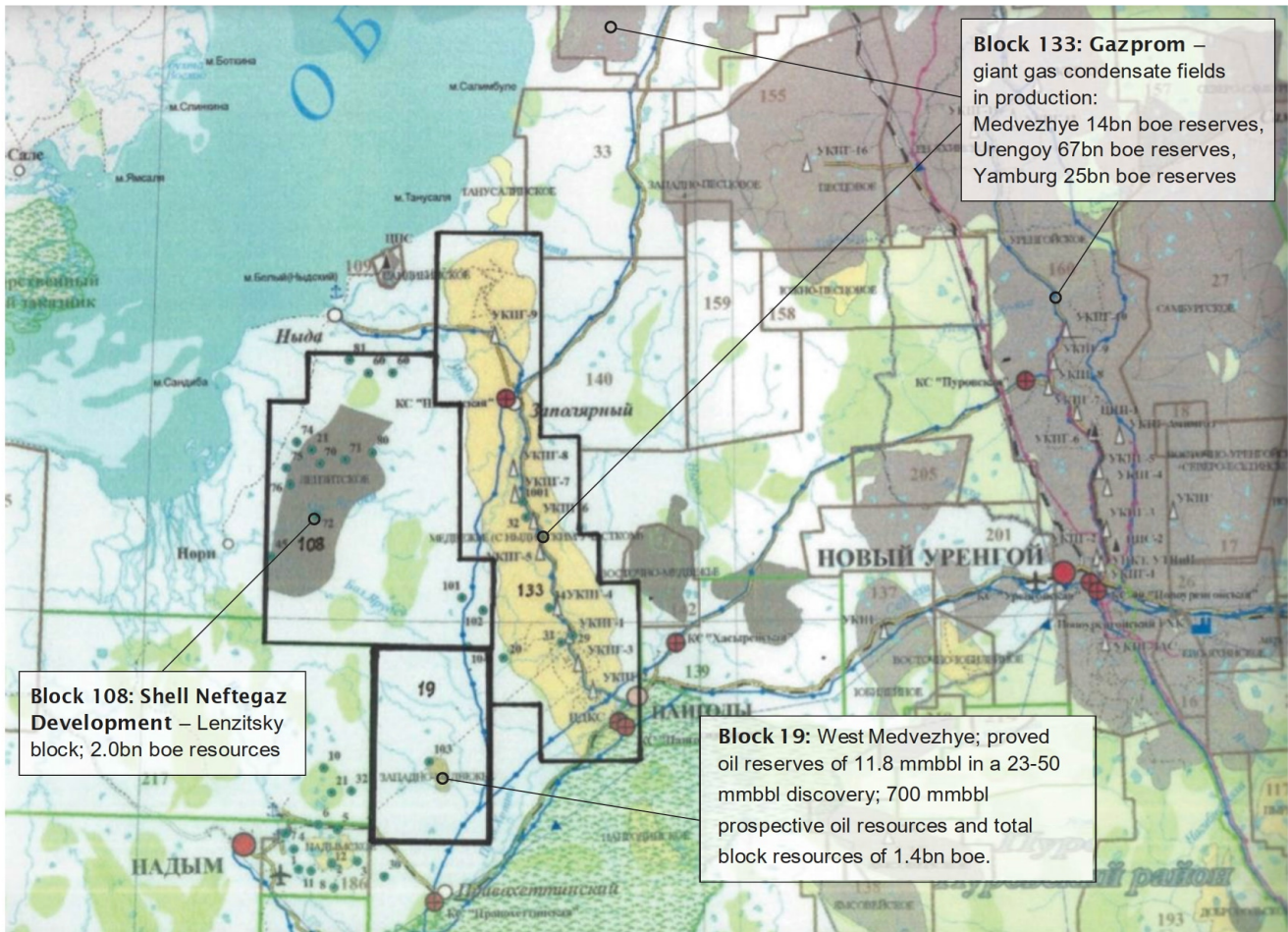
The licensed field “West Medvezhye” upon preliminary research contains 25-50 mmbbl. of oil and also has the governmental approval for its further development.

The prospective resources with a low risk extraction are more than 700 mmbbl. of oil and 4 tcf. of gas.

Adjacent to the giant gas condensate fields of "Gazprom", this represents an attractive investment opportunity with long life potential in one of the largest oil and gas producing regions in the world.



# 1. Asset Location



## Block 19

- Owner of West Medvezhye licence (1,227km<sup>2</sup>)
- Commercial oil discovery Well 103 drilled in 2006
- Field oil resources estimated at 25mmbbl (Pmean) with booked reserves of 11.8mmbbl in Russian State balance and upside range of 53mmbbl
- Large resource upside on the block: 722mmbbl of low risk oil potential and 4tcf of gas
- Favourable tax regime operating with the YaNAO area
- Seeking a partner/co-investor to progress exploitation of the asset

## Shell Neftegaz Development Block 108

- Owns Lenzitsky block (3,297km<sup>2</sup>) adjacent to the West Medvezhye licence
- Large field discovered in 1984, acquired by Shell in late 2012
- Resources: 1.7bnbbl of oil and condensate and 264mmbboe of gas
- Environmental impact study submitted in late 2013
- Acquired 1,100km 2D seismic in early 2014
- Processing seismic ahead of a drilling campaign

## Gazprom Block 133

- Owns many giant gas, gas condensate and oil fields in the vicinity, including:
- Medvezhye (14bnboe of reserves) adjacent to the West Medvezhye field, and
- Urengoy (67bnboe of reserves) and Yamburg (25bnboe) located further east and north from West Medvezhye

## 2. Introduction

**Company** owns a 100% stake in the West Medvezhye block (the “Block”) under the license. The license is held through its subsidiary, a Russian legal entity. The Block location is in the Yamal-Nenets Autonomous Region of Russia covering an area of 1,227km<sup>2</sup>. Following exploration success and evaluation of the discovered resources, the Company is now seeking a partner to take part in development of the field and future exploration in the block (the Transaction).

### Investment Highlights

#### Proven Hydrocarbon Province

- Located in a world class hydrocarbon basin with more than 50 years of production history.
- Discovered resource base in target plays proven across the basin.
- Block licensed until 2026 with extension if production ongoing at the expiry.

#### Near Term Production & Development Potential

- 4 Wells drilled in the block demonstrating the presence of hydrocarbons in Cretaceous and Jurassic plays.
- Discovered resources from Well-103 in the Jurassic structure containing a Pmean oil resource of 25mmbbl with an upside of 50mmbbl (11.8mmbbl of booked C1+C2 reserves under Russian classification).
- Near-term production potential of up to 7,500bbls/day, with follow on phases up to 20,000bbls/day in order to spread capex exposure and establish near-term cashflow.
- An early production scheme has been approved by the Russian authorities allowing the block to move into a production phase.

#### Exploration & Appraisal Upside

- Substantial seismic database demonstrating significant follow-on potential in the Jurassic play throughout the block in multiple identified low risk prospects.
- Prospective oil resources of 722mmbbl from multiple geologic plays.
- Total prospective resources in the block identified, and independently verified, amount to approximately 1.4 billion boe in multiple geological plays.
- Prospective gas resources of 3.9tcf, (0.7bnboe of gas), which can be monetised in the mid to long-term through existing export infrastructure.

#### Infrastructure & Export

- The Block is located 44km east of the town of Nadym and 200km west of Novy-Urengoy (both with year-round road access) where there exist local domestic markets for oil and condensate.
- An oil export line passes through Nadym and can be accessed to ship oil to regional and international markets.
- The river port and loading terminal of Old Nadym are located 22km away from the Block, which could allow oil export through the Obskaya Bay to Rotterdam during summer season.

#### Incentivised Fiscal Regime

- The Yamal-Nenets Autonomous Okrug (YaNAO) region of Russia has previously largely been a target for gas investment but is now seeing increasing interest from investors for its oil potential.
- Fiscal incentives in place from the Russian Government to stimulate investment in remote areas of Siberia.

## 3. Block Overview

### Licence

A 25 year licence was granted in 2001 with exploitation (commercial) status awarded in 2007 after discovering oil in Well-103. The licence can be extended beyond 2026 if commercial production of hydrocarbons remains viable at the time. To date, SGI is in compliance with its licence commitments.

### Location

The West Medvezhye block is located in the Nady-Pur-Taz area near the Yamal Peninsula in the Yamal-Nenets region of North-Western Siberia, one of the most prolific hydrocarbon producing areas in the world. In terms of government administration, the block is located in the Nadym District of the Yamal-Nenets Autonomous District of Tyumen Region.

The licence lies adjacent to Gazprom's giant Medvezhye and Urengoy gas and condensate fields. The administrative centre, the town of Nadym, is 44km away from the block with access by all-weather road. Novy-Urengoy is located 200km to the East also accessible by all-weather road.

### Infrastructure

The region is served with well-developed and mature gas export infrastructure which passes through the block. In the north-east, there are Yamburg-Tula-II, Yamburg-Yelets-I and Yamburg-Yelets-II gas trunk pipelines. In the south-east of the Block, there are the Progress (Yamburg-Western Border) and Urengoy-Centre-I gas pipelines. The nearest central gas processing unit is located 18.5km from the Block.

Until recently, oil export options have been limited. Several routes have been contemplated for export:

- By road to the local market in Nadym
- By road or rail to Novy-Urengoy for sale to the condensate refinery or further to the larger Surgut refinery. (The Chircha railroad station is located on the South West boundary of the Block.)
- Barging by river and sea in the summer season to the Obskaya Bay terminal and shipping by tanker to Rotterdam (the port and loading terminal of Old Nadym are located 22km away from the Block).

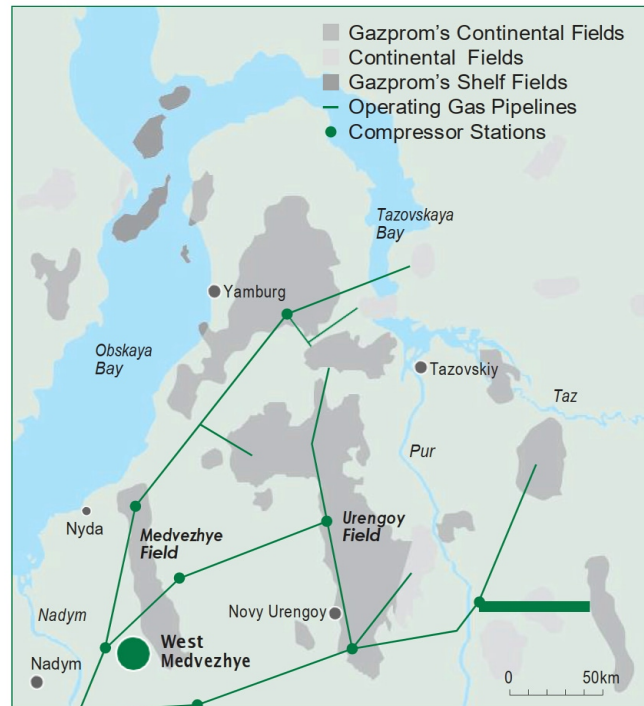
However, this changed in early 2016 when a new oil export pipeline became operational from the YarGeo Project, North-West of Nadym, to Gubkinskiy. This line passes close to Nadym providing the opportunity for pipeline oil export from West Medvezhye to access regional and international markets.

### Commercialisation

Although originally licensed with gas exploration in mind, the development of the oil pipeline infrastructure significantly increases the ability to monetise oil from the Block to high value markets. This enhances the value potential of the licence and allows an oil-focused exploitation plan to be pursued.

The oil potential of the Block is thus now seen as the primary economic driver for commercialisation with the Well-103 discovery providing the anchor to development and the means to generate early cashflow. This will then lead to follow-on oil exploration and development.

Significant gas potential is also present in the Block which will be a later focus when oil exploitation is established. Initially, gas will be used for fuel and to serve local markets as required.



## 4. Reserves & Resources

The Block contains the Well-103 oil discovery with both booked reserves (under Russian classification) and significant contingent resources. The mapped extent of the Jurassic horizons around Well-103 indicate a Pmean resource for the field of 25mmbbl with a P10 upside of 53mmbbl. In 2007-2008, the Company successfully applied for exploitation status of the licence. At this time the Russian authorities approved a reserves booking (C1+C2) of 14.4mmboe (11.8mmbbl oil) for the Jurassic reservoir.

The prospective resources in the block were characterised in 2006 by a DeGolyer & MacNaughton (D&M) study prior to the drilling of Well 103. Following the oil discovery in the 103 well, Mineral LLC in Tyumen were engaged to complete further detailed technical studies, integrating well data and reprocessed seismic, which concluded in 2011. Based on the independent D&M study and the studies carried out by Mineral LLC, the total prospective recoverable resources from the Block are now estimated to be 1.4 bnboe. The summary of current resource assessment is shown in the table below.

<b>Large undeveloped resource base</b>		
<b>Category*</b>	<b>Oil (mmbbls)</b>	<b>Gas (bcf)</b>
Well-103 (C1+C2) Reserves*	11.8	15.6
Field Contingent Resources (103 discovery)*	25	24
Prospective Resources*	722.0	3,902

\* Entered in State Balance Under Russian Natural Resource Classification



## 5. Development History

### Gas exploration wells

In 2005-2006 the Company drilled three exploration wells targeting the shallow gas horizons on the North East flank of the Block, where large discoveries had been proved in the neighbouring Medvezhye licence area. All three wells penetrated good quality reservoir but tested at non-commercial rates.

### Well-103 – a commercial oil discovery

At the end of 2006 the Company drilled Well 103 in a central location in the Block to a total depth of around 3,900m targeting deeper oil prospectivity. This well penetrated two hydrocarbon-bearing intervals in the Bazhenov and Jurassic (J2) at depths of between 3,718m and 3,818m. The well tested at rates ranging from 10m<sup>3</sup>/day (80bbls/day) to 60m<sup>3</sup>/day (380bbls/day) from 2 zones in the Jurassic J2 level from 3,794-3,818m.

### Development plan approval

In August 2012, the Company received an approval from the Russian Ministry of Natural Resources for a development plan based on an Early Production Scheme (EPS) for the area surrounding Well-103.

## 6. Development Plans for the Block

It is planned to commence the development by re-entering Well-103 to complete it for production. The well will be put on extended production test, leading to long-term production, to confirm deliverability and to gather further data for design of the production facilities. An offset well to 103 will then be drilled to confirm the seismic mapping of the full reservoir extent. This well will be tied in and also put on production.

With approval of the production scheme in place with the Russian authorities, this initial production will be sold commercially to the local market.

The EPS will use modular facilities which can be delivered quickly and can be scaled up as necessary in line with the production deliverability from the development drilling programme. Development drilling will commence to ensure sufficient stock of wells is available for efficient rates to be achieved from the start of production following installation and commissioning of the facility. A production plateau of 6,000–10,000bbl/day is expected from the EPS.