



The Russian and CIS Oil and Gas Investment Forum:
The Reality of Operating in the Sector – Russian Oil

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November 2005

History of Russian Oil Business (1991-2005)



URALS ENERGY

| | "The West" | "Russian Reality" |
|------------|-------------------------------------|---|
| 1991-93 | Gold Rush. | Jockeying for Position. |
| 1993-96 | Disappointment and End of the JV's. | Privatization. |
| 1997-2000 | Collapse and Death of the PSA Law. | Consolidation. Public Company Ownership. |
| 2001-2005 | Re-Entry. | Maximize Value and Harvest. |
| The Future | Keep Trying. | Further Consolidation AND Rationalization |

STRONG PLATFORM OF RESERVES AND PRODUCTION

- P2 reserves of 111 million barrels ⁽¹⁾
- Daily production of 8,700 bopd ⁽²⁾
- The only independent producer with exposure to Sakhalin

FOCUS ON GROWTH

- Base production projected to increase to c.10,500 bopd by end of 2007 ⁽¹⁾⁽³⁾
- Exploration potential of 850 million barrels offshore Sakhalin
- Pipeline of potential acquisitions based on disciplined investment criteria

VALUE CREATION

- Access to export markets for c. 80% of current production
- 70% of crude produced is of high quality and trades above Brent / Oman benchmarks
- 100% refining cover on Sakhalin Island (4,100 bopd) and 90% on Kolguev Island (1,200 bopd)
- Potential for efficiency improvements in newly acquired companies

COMBINATION OF WESTERN AND RUSSIAN MANAGEMENT

- Extensive relationships and experience in Russia and upstream sector
- Track record of value creation as a team; substantial management cash investment
- Western standards of operating efficiency and financial discipline

Notes

- (1) SPE Reserves including most recent acquisition in Komi Republic
- (2) Includes most recent acquisition at 2,900BOPD
- (3) Production from proved + probable reserves (unrisked) from existing development assets; excludes exploration potential

ACQUIRE

- Russian oil assets remain fundamentally cheap (\$2-3/Bbl).
- Consolidation and rationalization of the industry continues.
- Geography, establishing “core areas” and control are important.

DEVELOP/ EXPLORE

- Application of capital and technology creates significant value.
- Vertical integration of services is important.
- Urals Energy one of the few independents exploring today (offshore Sakhalin Island).

PRODUCE & EARN

- Minimum production base of 5,000 BOPD necessary to maintain key staff functions.
- Tax policy pendulum beginning to swing towards the independent.
- Add-on acquisitions in core areas are very accretive.

EXIT

- Goal is \$1 billion market cap by end of 2007.
- In the future, Large Russian or Western company can achieve big savings by acquiring a ready-made production base with significant exploration potential.

REMAIN INDEPENDENT

- Establish a non-aligned identity.

ACCESS TO CAPITAL

- Extension ability and access to debt and equity capital is essential.

FOCUS ON PROFITABILITY

- Value-driven, bottom-line focused decision making must drive the business.

RUSSIAN MANAGEMENT TEAM

- Smaller companies must be managed by Russian professionals.

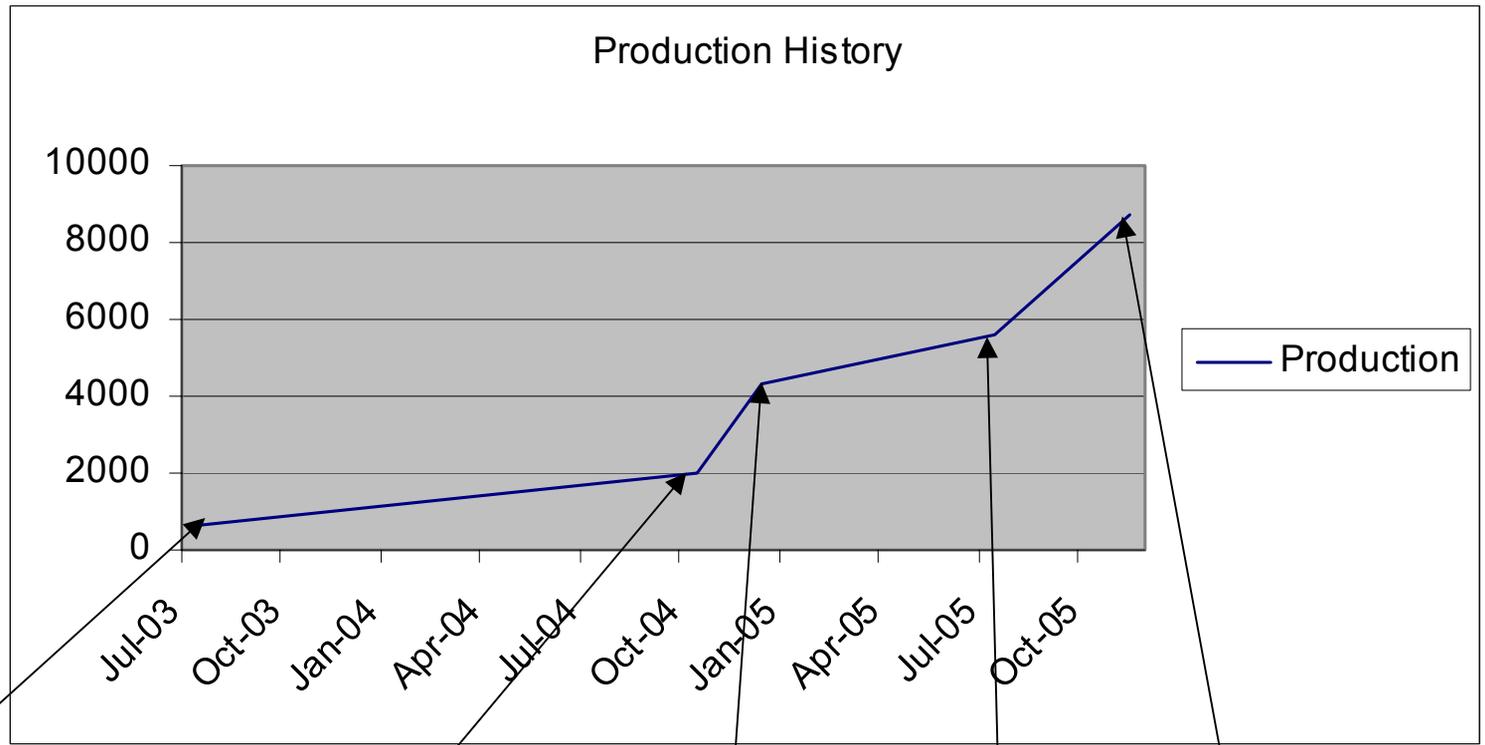
BALANCED APPROACH

- Maintain Russian identity yet achieve international standards.

EXPERIENCE COUNTS

- Fast-paced decision making requires confidence and experience.

Urals Energy – Increasing production



July 03 – 650 BOPD – Chepestokoye Acquisition

October 04 – 2,000 BOPD – Increase at Chepestokoye and CNPSEI Acquisition

December 04 – 4,300 BOPD – Acquisition of Petrosakh

July 05 – 5,600 BOPD – Acquisition of Arcticneft

November 2005 – 8,700 BOPD – Acquisition in Komi Region

Overview of Assets and Activities



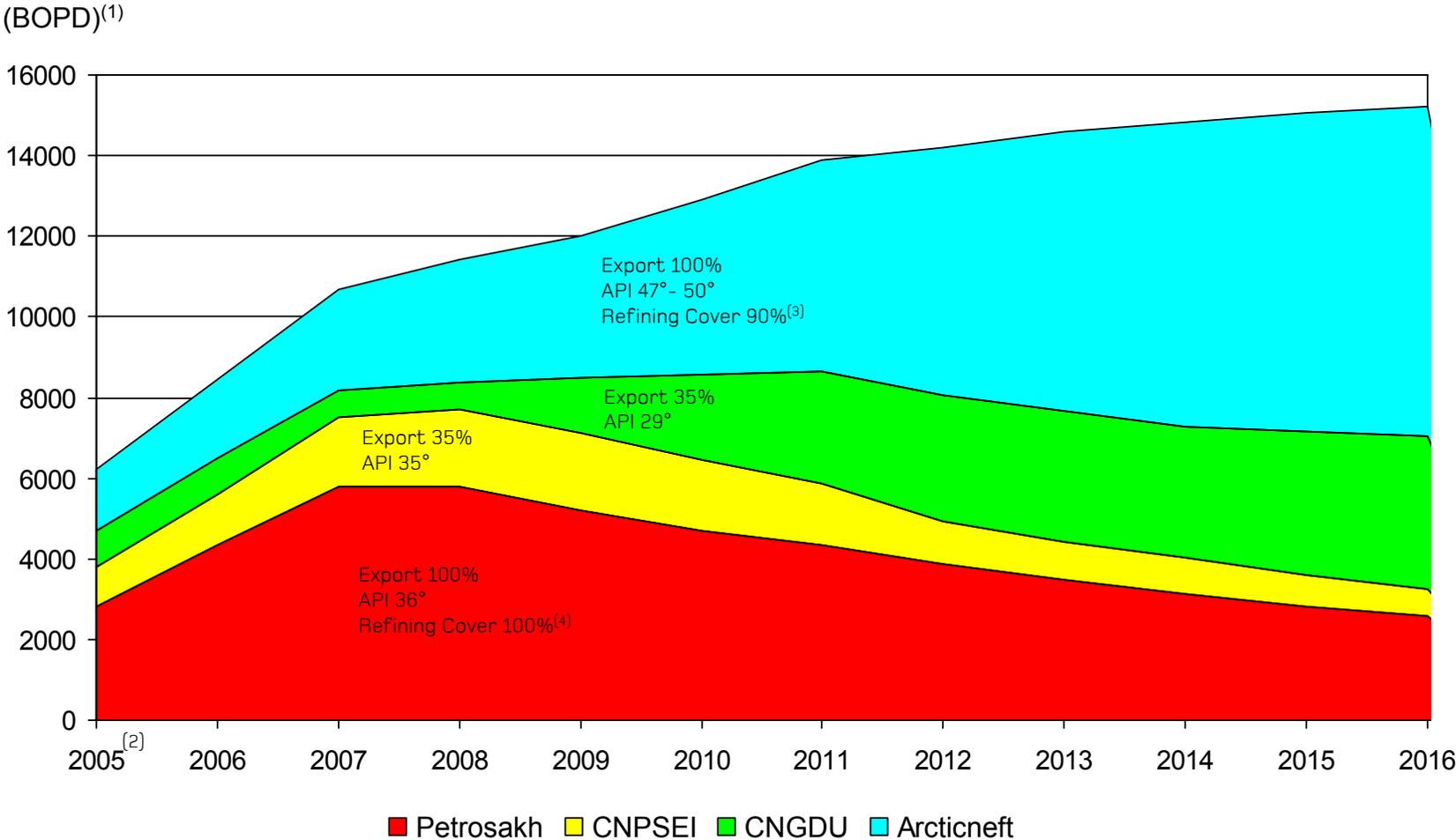
URALS ENERGY



General Location Map
Russia
November 2005

Notes
1. Reserve and resource estimates by DeGolyer and MacNaughton

D&M Projected Daily Average Oil Production (Existing 2P Reserves)



Source: DeGolyer and MacNaughton

Notes

1. Production from Proved + Probable unrisked reserves as estimated by D&M
2. Average production for 2005 is calculated based on production estimates for April 1, 2005 – December 31, 2005 for Petrosakh, CNPSEI and CNGDU and for July 16, 2005 – December 31, 2005 for Arcticneft as presented by D&M
3. Current refining capacity of Arcticneft is 1,200 bopd
4. Current refining capacity of Petrosakh is 4,100 bopd, upgradeable to 8,200 bopd at limited cost

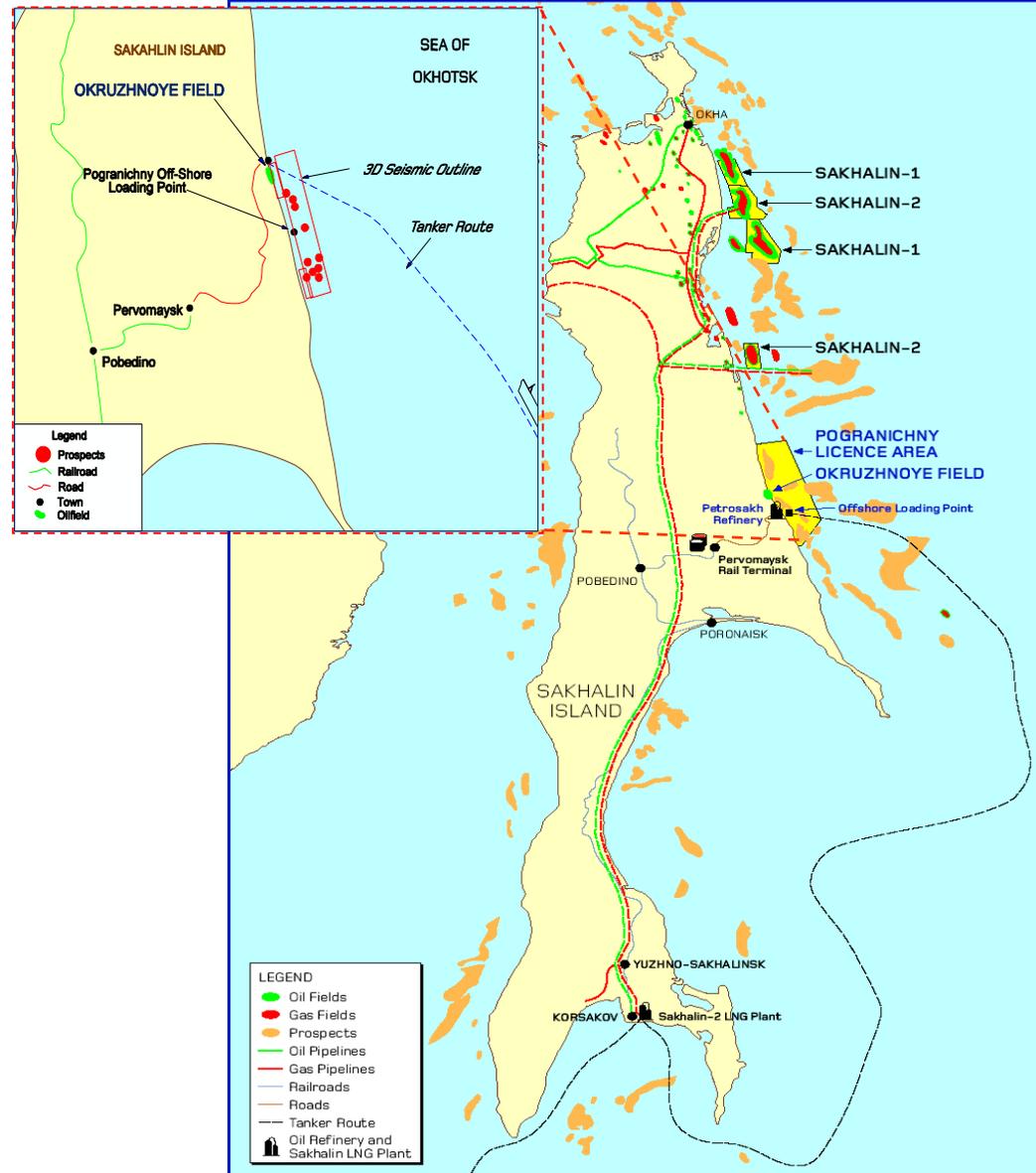
Sakhalin Island



URALS ENERGY

PETROSAKH:

- Acquired from Alfa-Eco in December '04
- P2 Reserves of 23 MMBbls
- Onshore Development Drilling
 - Well # 44: 660 BOPD
 - Well # 43: 360 BOPD
- Onshore 3D Seismic Program underway
- Offshore Exploration Drilling
 - East Okruzhnoye #1 Spudding Shortly
- Only Refinery on Sakhalin Island
 - High Net Backs
 - Marketing flexibility: Export or Refine

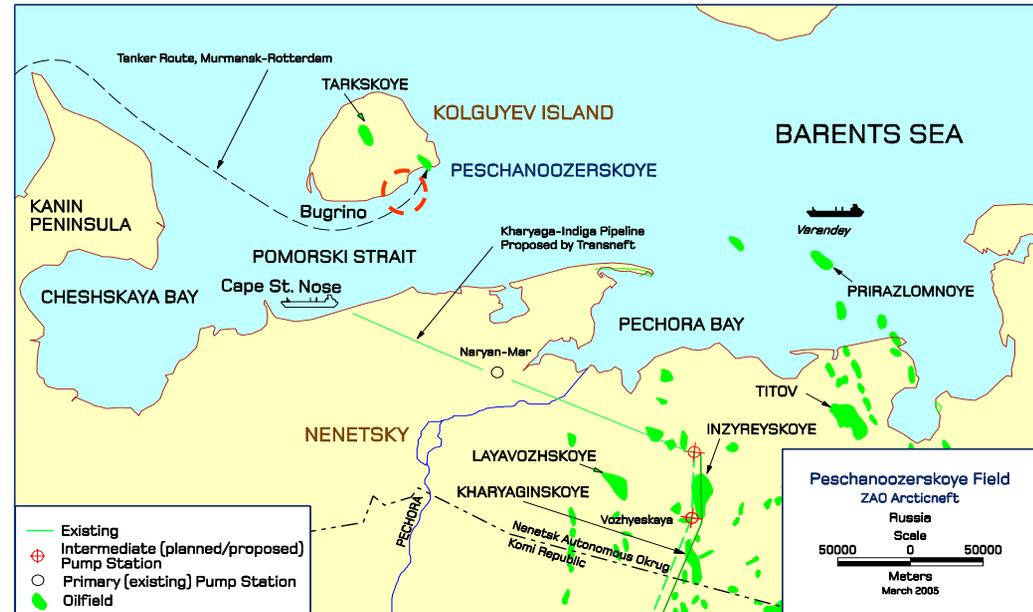


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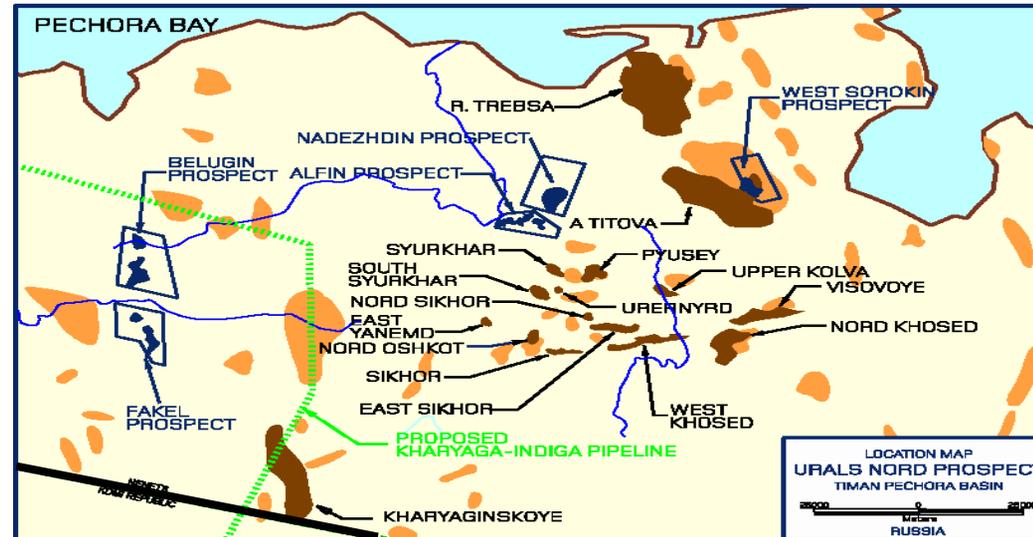
ARCTICNEFT:

- Acquired from Lukoil in July '05.
- P2 Reserves of 36 MMBbls
- Development drilling program scheduled for Summer '06
- High quality crude (API°50)
- 100% Export



URALS NORD:

- 5 Exploration Licenses
- Prospective resources of 94 MMBbls
- Seismic evaluation underway



Notes

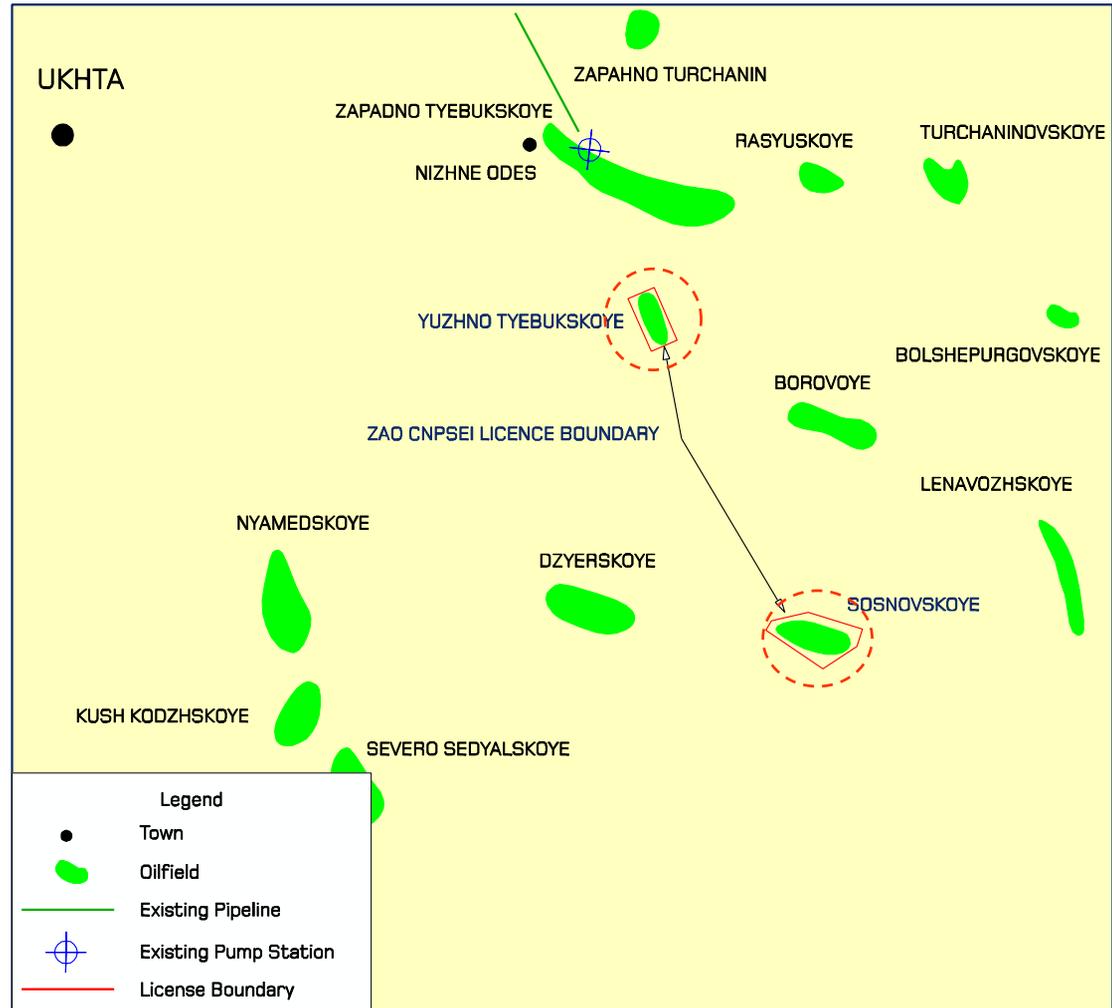
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NEWCO:

- \$70mm acquisition value
- At least 22 MMBbls P2 reserves
- 2,900 BOBD current production
- Creates new core area

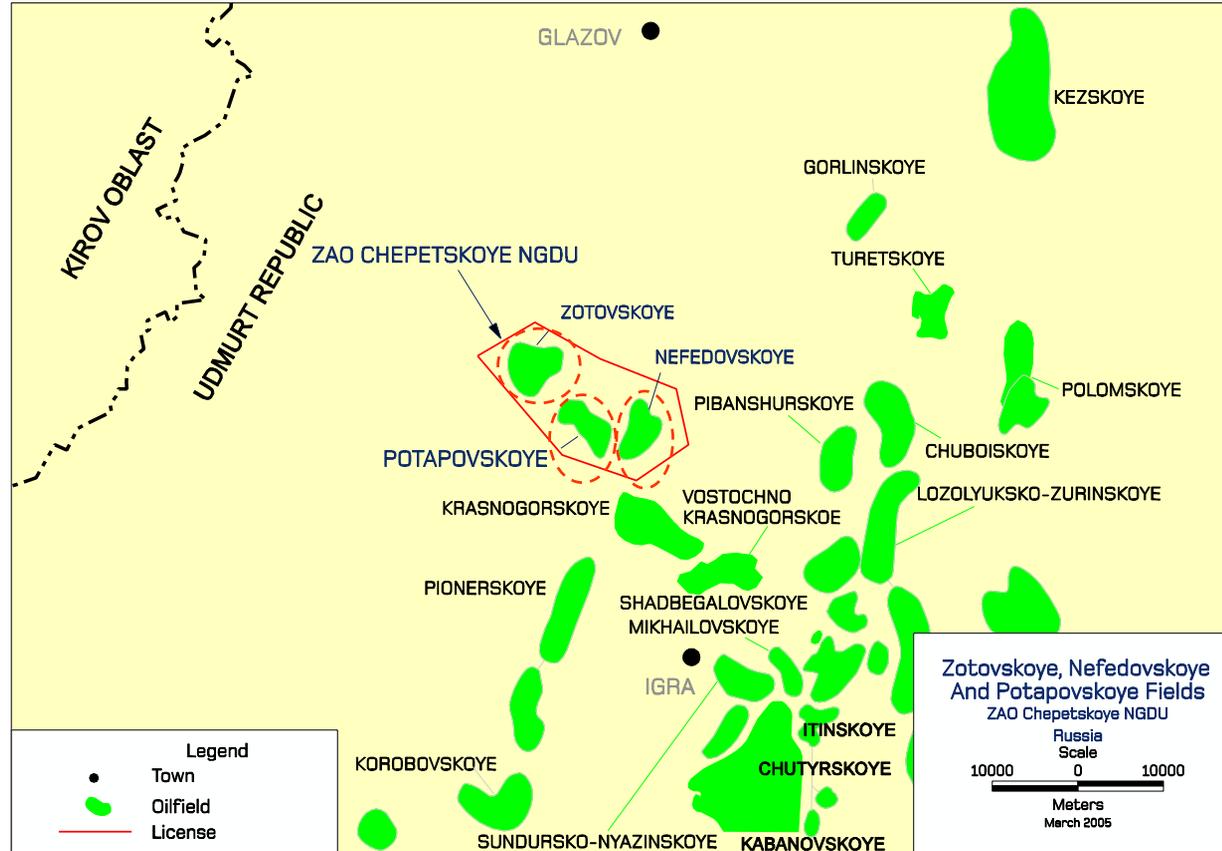
CNPSEI:

- Acquired October '04
- Good fit with Newco
- 7 MMBbls P2 reserves



CHEPETSKOYE NGDU:

- Acquired in June 2003
- 23 MMBbls P2 Reserves
- Substantial development potential in Potapovskoye field
 - 3D Seismic program underway
 - Extensive drilling planned for 2006/07



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