

JUNE 2008

**M&A NEWS****Wanderport Corporation to acquire major oil property in Russia**

Wanderport Corporation announced its objective to obtain a major oil development field situated in the Komi Republic of Russia. This is the first major oil and gas property obtained by the Wanderport Corporation. Furthermore, the Company possesses the necessary financing for the procurement, exploration and development of additional locations to be determined at a subsequent time.

The Wanderport Corporation, formerly Temtex Industries, Inc., established in 1969 in the USA, is a major producer of metal fireplace products. The Company manufactures wood-burning metal fireplaces as well as those utilizing natural gas and liquefied petroleum fuels.

Now it is determined to invest heavily in the oil and gas markets in order to expand and become an influential player in the industry.

*18 June 2008*

**Crown Oil and Gas Inc. to acquire oil and gas assets in Russia**

Crown Oil and Gas Inc. ("Crown") has signed a letter of intent with Langford Worldwide Corp. to purchase all of the issued and outstanding shares of Covenlina Holdings Ltd. ("Covenlina") and Bandberg Holdings Ltd. ("Bandberg") for a purchase price of US\$ 11,900,000. Part of the purchase price (US\$ 6,900,000) is payable in cash and the remainder by the issuance of common shares of Crown at a deemed price of US\$ 1.00 per share. The transaction is expected to

**Pipelines of Eastern Siberia: from local supplies to large-scale exports**

The following material is based on the study **Oil and gas of Eastern Siberia and Russian Far East** by RPI released in May 2007. The study dwells on the regions' current and future projects in the exploration, production, transportation and infrastructure sectors; portrays current activities and interests of the regions' key players: Gazprom, Gazprom Neft, Rosneft, TNK-BP, Surgutneftegas, international companies and also focuses on future auctions and licensing issues.

**Reserves**

Eastern Siberia is a promising oil and gas province; indeed, its hydrocarbon reserves in the future may make it one of the main production centers of Russia. Eastern Siberia and the Far East account for about 13.5% of Russia's oil and 19% gas reserves. The Siberia Department of the Russian Academy of Sciences has estimated Eastern Siberia's recoverable oil reserves at about 8 billion tons, condensate reserves at about 1.5 billion tons and gas reserves at about 24 trillion cubic meters. According to experts, oil and gas production will peak at 16 million to 49 million tons per year and 73 billion to 82 billion cubic meters per year, respectively.

In Eastern Siberia, oil- and gas-producing centers are based in Irkutsk and Krasnoyarsk. This area is the domain of regional companies but Russian oil and gas majors like Rosneft, Gazprom, Surgutneftegaz, TNK-BP and Slavneft operate the key projects in Eastern Siberia (see Table 1 below).

For instance, Rosneft has called Eastern Siberia and Far East its zone of strategic interests. In addition to the Vankorskoye field, in 2005 this company acquired a 25.9% interest in Verkhnechonskneftegaz (Verkhnechonskoye field) and continues its acquisition campaign. In 2005-2006, Rosneft acquired six new licenses, thus establishing an extensive basis for operations in the region.

Until recently, Gazprom's presence has not been significant during the first half of this decade, yet this situation is changing. Gazprom subsidiary Krasnoyarskgazprom currently holds three licenses in the Krasnoyarsk region and two licenses in the Irkutsk region. In summer 2006, the company acquired the Tetersky block in Evenkia. In 2007, the company planned to finalize the deal to take control over the large Kovyktinskoye field with 1.2 tcm of proven reserves from TNK-BP. As part of its plan to increase the

close before 30th June 2008. Covenlina and Bandberg hold, through their subsidiaries, 25-year exploration and production licenses for the Tereshkinsky, Kikinsko-Gusikhinsky and Krasnoarmeisky-2 properties (with the total area of ca. 2,000 sq kilometers) located in the Saratov region of Russia, one of the major oil and gas regions in the country with advanced infrastructure and more than 60 years history of production. Extensive seismic work and analysis are scheduled for 2008 to be followed by exploration drilling in 2009.

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#### **Arawak Energy completes the acquisition of 40% stake in Saigak field in Kazakhstan**

Arawak Energy Limited ("Arawak") has completed the acquisition of Saigak Investments BV, the owner of 40% interest in the Saigak field in Western Kazakhstan, from Vitol BV. This transaction was originally announced in June 2007 but the process of obtaining the required consents was finally completed at the end of May 2008. In consideration for the transaction, Arawak issued 8,352,587 common shares to Vitol BV.

The Vitol Group of companies ("Vitol"), a leading independent oil trading and marketing group, is Arawak's largest shareholder and as a result of this transaction has increased its stake to 41.52%.

The Saigak field is located approximately 120 km from the Company's existing Akzhar field in the Aktubynsk region of Western Kazakhstan and is operated by Maersk Oil Kazakhstan GmbH

Alexei Miller and Presidential Representative in Far East Federal District Konstantin Pulikovskiy signed a memorandum on development of gas resources in Eastern Siberia and the Far East and creation of export channels to Asian markets in 2002.

Surgutneftegaz is a newcomer to Eastern Siberia. For a long time, it has been producing oil in the Khanty-Mansiysk Autonomous District. In 2003, Surgutneftegaz acquired a license for the Talakanskoye field and in summer 2006 won auctions for two other blocks.

TNK-BP traditionally is seeking an active role in Eastern Siberia. Until recently, the company was involved in two major projects, Kovyktinskoye and Verkhnechonskoye fields. The company also operates at the Suzunskoye and Tagulskoye fields in the Krasnoyarsk region and acquired licenses for three other blocks in 2005-2006.

Slavneft operates at the Kuyumbinskoye field and Tersko-Kamovskiy block (jointly with Eastern Oil Company). The company's recent acquisitions are Kordinskoye, Baikitskoye and four other fields.

**Table 1. Eastern Siberia key oil and gas fields**

Field	Year of discovery	Company	Reserves C1+C2		
			Oil mln tons	Condensate, mln tons	Gas, bln cu m
Kovyktinskoye gas-condensate field	1987	TNK-BP (with sale to Gazprom in 2007)			2,130.0
Vankorskoye	1988	Rosneft	226.9		89.8
Verkhnechonskoye	1978	TNK-BP	201.6	3.4	95.5
Yurubcheno-Tokhomskoye	1980	Rosneft	65.1	10.4	65.1
Kuyumbinskoye	1980	Slavneft	210.0		174.0
Talakanskoye	1987	Surgutneftegaz	124.0		47.0

Source: RPI

The availability of both domestic and export markets provides incentives for developing Eastern Siberia resources. The Chinese market has been growing the fastest and, over the past 10 years, consumption of crude oil and oil products has doubled there. Over the next several decades, China will remain the global center of oil and oil products consumption as well as of imports growth. Gas demand in China is growing and the country may require additional supplies, which include opportunities to import gas from Russia. Having no large reserves of their own, South Korea and

("Maersk"), which owns the remaining 60% interest. The Saigak field is currently producing around 2,000 barrels of oil per day gross from four wells. All crude is currently exported. According to a report prepared by the Company's independent reserve auditor, McDaniel & Associates Consultants Ltd., remaining proved plus probable reserves attributable to Arawak's 40% interest as of 31 December 2007 are estimated at 2.2 million barrels.

Alastair McBain, President & Chief Executive Officer of Arawak commented: "Today's completion of the Saigak acquisition increases our productive capacity in Kazakhstan alone to over 10,000 barrels of oil per day, with current actual production of around 8,500 barrels of oil per day. We are now keen to focus on working with Maersk to look for operational synergies with our existing assets in Kazakhstan and to seek opportunities to reverse the decline of this relatively mature but highly cash-generative asset."

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Japan are looking into opportunities to increase oil deliveries from Eastern Siberia too.

**Modern pipelines**

The trunk oil and gas transportation infrastructure is under-developed in the East of Russia and is represented by two trunk oil pipelines from West Siberia to Irkutsk. As a result, railroads are widely used to transport crude oil and petroleum products. The development of oil and gas transportation systems is a vital factor for increasing oil and gas production in Eastern Siberia.

**Map 1. East Siberian branch of Omsk-Irkutsk pipeline system**



Source: Petroleum Economist World Energy Atlas 2007

The Omsk-Anzhero-Sudzhensk – Angarsk/Irkutsk oil pipeline was commissioned in 1964; its length is 2,334 km, pipe diameter is 720 mm, design throughput capacity is 12 mt/year.

The Anzhero-Sudzhensk – Krasnoyarsk – Angarsk/Irkutsk oil pipeline was commissioned in 1975; its length is 1,441 km, pipe diameter is 1,020 mm, design throughput capacity is 32 mt/year.

Thus, the total design capacity of both pipelines of the Anzhero-Sudzhensk-Angarsk/Irkutsk route is approximately 44 mt/year.

Crude oil from the Tyumen region and northern Tomsk region to Anzhero-Sudzhensk (and further to points east) is delivered via the Strezhevoi-Anzhero-Sudzhensk oil pipeline (commissioned in 1972, length - 937 km, pipeline diameter – 1,220 mm, design capacity – 46 mt/year).

**FINANCIAL ADVISORY NEWS****Vega Resources to raise capital for its Russian licenses**

The Norwegian oil company Vega Resources is seeking to raise a total of US\$ 30-50 million to fund exploration and operations at three licenses in the Rostov region of Russia. Third party assessments conducted by PGS Russia & CIS / PGS Reservoir UK indicate potential resources of up to 9 billion barrels of oil equivalents (unrisked).

The licenses are located on the area that is surrounded by oil producing fields, but has not previously been drilled in. Two of the licenses border on the river Don and the area has a very well developed network of oil and gas pipelines. The total acreage of the licenses awarded in January 2006 is 4,000 sq kilometers. The nearest fields in production are located only 30 km from the Vega Resources blocks.

The company is in the process of raising US\$ 10 million at highly favorable terms, and will, later this summer, undertake a private placement directed at Norwegian and International investors to raise additional US\$ 20-40 million.

"We have an ambitious program -- to drill our first well towards the end of 2008, and aim to become the leading Nordic E&P company focused on Russia" said Bjorn Ursin-Holm, CEO of Vega Resources AS.

3 June 2008

In Anzhero-Sudzhensk, arriving oil is split into two flows: westbound towards Omsk and eastbound along the Krasnoyarsk-Angarsk/Irkutsk route. That is, the Omsk-Anzhero-Sudzhensk section operates in a reverse-flow mode.

Both of these trunk pipelines from West Siberia are owned and operated by Transneft.

To transport oil produced at the Talakanskoye field, a temporary 109-km Talakanskoye field-Vitim oil pipeline and oil-storage facility with mooring in Vitim settlement were commissioned in 1996. The initial design capacity of the pipeline was 180,000 tons of oil during navigation season (May to October). At present, pressure in the operating oil pipeline is designed to pump 240,000 to 250,000 tons per year during the navigation season.

The Dulisminsk field-Ust-Kut feeder pipeline has throughput capacity of 450,000 tons of oil per year. This pipeline is owned by Urals Energy, the current operator of the Dulisminsk field, and will deliver oil from the field to Transneft's trunk pipeline system.

In the next issue more on:

- Yakutsk gas pipeline system
- Messoyakha - Norilsk gas pipeline
- Komsomolsk - Khabarovsk and Khabarovsk - Vladivostok gas pipelines

*RPI is a research and advisory firm on the energy industry of Russia, CIS, the Caspian region and Central/Eastern Europe. To obtain additional information on the study "Russian Gas on Global Markets: Potential, Strategies and Outlook" please follow the link:*

*<http://www.eng.rpi-inc.ru/publications/items/?p=36&fra=amc>*

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### Most recent conferences where ACP was invited as a speaker

- Second Banking Forum CIS Countries & Eastern Europe**  
 Congress Management Network  
 Vienna, 24-27 April 2008  
 Vladimir Matias: Global credit crunch: myth or reality? Influence on the Russian banking system and economy  
<http://bankingforumvienna.com/>
- Roundtable on improving the legislative framework for secured credits and financial market development organised by the Bank Committee of the Russian State Duma within a joint project of KfW, the Ministry of Finance and the State Duma on the legislation reform**  
 Russian State Duma  
 Moscow, 23-24 April 2008  
 Jan-Hendrik Roever: The reform of Russian security rights in movable assets

### Recent publications by Asset Capital Partners



**Ulf Siebel, Jan-Hendrik Röver and Christian Knütel (eds.), Handbook Project Financing and Public Private Partnerships (Cologne, Munich 2008), 1146 pages**

This book is the standard textbook on developing and financing projects in German language and has now been published in a second, fully reworked and extended edition. 34 leading practitioners and academics have contributed to the book. Jan-Hendrik Röver wrote the chapters on mining, oil and gas, introduction to project finance, project finance loans and security for project financing. A whole part of the book is devoted to public private partnerships. Readers of this book should be practitioners, academics and students.

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