

Cooperation in Oil and Gas

from the pages of Ukrainian News and Eastern Economist

Although it is a well-known fact that Ukraine currently provides only 10% of its oil and 20% of its gas requirements, it must be underlined that the situation has arisen not because of the lack of reserves, but rather the lack of money for geological surveys, equipment and modern technology. In fact, Ukraine is one of the oldest oil and gas-producing nations in the world. Currently, Ukraine's developed reserves are located in some 300 deposits and include 236 mln tons of oil and gas concentrate and 1,183 bln m³ of gas. However, only 41% of Ukraine's deposits have been developed, and undeveloped known reserves total 5,010 tons with another 274,000 km² of potentially oil and gas-bearing land.

These reserves are scattered throughout Ukraine, and can be classified into three distinct fields: the Dnipro-Donetsk (Eastern) Field, the Carpathian (Western) Region, and the Black Sea - Crimea (Southern) Region. Of these, the Eastern region is the largest and most active, encompassing 5 oblasts: Luhansk, Kharkiv, Poltava, Donetsk, and Chernihiv.

UKRAINIAN OIL AND GAS DELEGATION IN CANADA

Just over a year after an influential group of oil and gas industry executives from Alberta ventured to Ukraine, a Ukrainian delegation reciprocated with a 10-day visit to Alberta and Saskatchewan in June. Many of the players from both sides knew each other not only from the previous mission, but from actual business relationships which have developed since then.

The Canadian delegation had gone to Ukraine to see for themselves the state of Soviet type oilfields, and to explore the possibilities for business opportunities for Canadian expertise, technology and equipment. The Ukrainian group was here to see this technology first-hand and to consider its possible use in Ukraine, as well as to find potential Canadian partners for their companies and enterprises.

Ukraine is heavily dependent upon Russia for its current oil and gas needs, but has the potential to greatly diminish that dependence by developing its own resources with Canadian technology and cooperation.

The Ukrainian delegation's visit coincided with the National Petroleum Show in Calgary, the world's largest such exhibition, attended by over 40,000 delegates. Ed Southern, President of Uk-Ran Oil and Canadian partner of the

joint-venture Kashtan Petroleum, made a presentation on doing business in Ukraine at the Petroleum Show. He explained that the Ukrainian government has agreed to review its excessive current royalty structure to make the country more attractive to foreign investors.

Dmytro Yeger, Deputy Chairman of the State Committee on Oil and Gas, later stated, "Having attended the exhibition in Calgary and having visited businesses in Edmonton and Regina, we have once again become convinced that Canada, today, leads in such technology, in equipment and in solving the whole series of problems related to the...extraction of oil and gas in Ukraine." His sentiments were echoed by Leonid Kushch, Deputy Chairman for Foreign Affairs of the joint stock company UkrNafta, who went on to say that what he saw of Canadian technology and equipment "exceeded his expectations".

A number of agreements were signed during the visit including among them:

- An agreement to promote educational and academic exchanges between the Ivano-Frankivsk State Technical University of Oil and Gas and the University of Regina. Under this agreement, both institutions will partake in joint educational and research activities and exchange: academic materials and publications; faculty members for research, lectures and discussions; and graduate and undergraduate students for study and

research and for broader educational and research activities.

- The preparation of an agreement-in-principle between UkrNafta and Calgary-based Momentum Enterprises Inc. to test Canadian oilfield equipment and technology in the Boryslav oil-producing region of Lviv Oblast. The Boryslav region is the oldest oil-producing region in Europe, with development first beginning there in 1846. Just prior to the visit of the Ukrainian oil and gas delegation to Canada, Momentum's President Ostap Haliw had also signed an agreement with Agronaftogastehservice State Enterprise, and Vnipitransgas, Ukraine's largest pipeline and gas storage design and engineering joint stock company, to register the joint venture Kolomyia Oil and Gas Company "Delta". The main objectives of this joint venture is oil and gas exploration, development, and processing in Ivano-Frankivsk Oblast, as well as other regions of Ukraine. The joint venture has applied for licenses for several fields in the region.
- A protocol between UkrNafta and Trident Exploration Ltd. of Calgary to do a feasibility study for the creation of a joint venture to develop the Dolyna field in Ivano-Frankivsk Oblast. Nelson Meyers, President of Trident, indicated he anticipated the registration of a joint venture by September. Meyers estimates there are about 50 million barrels (almost 7 million metric tons) of recoverable oil in the Dolyna field.

Other members of the delegation included George Grushchenko, Senior Commercial Officer of the Canadian Embassy in Kyiv, Josef Kostur from DolynaNaftoHaz, Ihor Kopach, General Director of BoryslavNaftoHaz, Leonid Kalyna, Head of the Militarized Emergency (Fire



UKRAINIAN NEWS

Members of the delegation examine some of the oilfield equipment available at the Vector Oil Tool Ltd. plant in Edmonton. One of Vector's partners, Dean Foote explains the workings of his equipment to (left to right in the foreground) Yevtakhiy Kryzhanivsky, Rector of the Ivano-Frankivsk State Technical University of Oil and Gas, Ihor Kopach, General Director of BoryslavNaftoHaz, Yuriy Hrushchenko, Senior Commercial Officer at the Canadian Embassy in Ukraine and Josef Kostur of DolynaNaftoHaz.