



# What Venture Capital Can Do for the Petroleum Industry

3<sup>rd</sup> Russian Petroleum & Gas Congress: 14<sup>th</sup> Edition of MIOGE  
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# What Venture Capital Can Do for the Petroleum Industry

## Today's Message:

A Much Bigger Bus. Dev. Picture to Generate \$\$

### 1. Mix & Match Russian & Foreign Technology

- Create Solutions that Do Not Now Exist
- Create Solutions to Fill Gaps in the Market
- More Quickly Localize Product Content

### 2. How Venture Capital Can Work w/You in Expanding Your Business in Russia, CIS & in Int'l Markets

# What Venture Capital Can Do for the Petroleum Industry

## So What? Where's Value in Russian Tech?

1. Reduce Cost, Create New Models, New \$\$
  - GameChanging R&D with Global Application
  - Almost World Class Tech @ Super Price/Value Combinations—Fills Economic Vacuums & Mkt Gaps

# What Venture Capital Can Do for the Petroleum Industry

## So What? Where's Value in Russian Tech?

### 2. Localize Product Content Faster & Cheaper

- Evolving Environment: Success of 1<sup>st</sup> Tier Suppliers/Intro of 1<sup>st</sup> Wave of Technology
- Considerable \$ to Replace (Old) Tech Assets
- Add Value in Multiple Segments for Tech.
- Build Assets in 2<sup>nd</sup>/3<sup>rd</sup> Tier Supplier Segment & Lower Tech Cost as %/Solution (e.g., Well Cost)

# What Venture Capital Can Do for the Petroleum Industry

## Background on IVI

### US VC Funds (1986)

- The Michigan Product Development Fund(\$5MM-Gov/Private)

### International VC & PE Funds (1992)

- Canada (\$100MM-Bus. Dev. Bank)
- Europe (\$10MM-EU, \$-Financière Saint Dominique, Paris)
- Africa (\$-IFC, \$-World Bank)
- E. Africa (\$5MM), Sub-Saharan (\$200MM), South Africa (\$30MM)
- Kazakhstan (\$-USAID, \$30MM EBRD)
- Russia (\$30MM-EBRD & USAID)

# What Venture Capital Can Do for the Petroleum Industry

## Mkt. Dev: IVI, Tech VC & Russian Tech

1997: Transact Russian VC Deals-General Economy

2000: Investigate IT Deals/Sector

2002: Evaluate (Russian) E&P & Component Tech

- For Service Suppliers (Halliburton, Schlumberger, etc.)

2004: Seek VC Investments with Corporate VCs

- Objective: Id & finance Russian technology
  - ✓ Transfer of IP (License/Sale)
  - ✓ VC Investment in Existing Company or Create New Company to execute technology into market

# What Venture Capital Can Do for the Petroleum Industry

## 120+ Technologies

Artificial Lift & Advanced Drilling	Enhanced Oil Recovery	Non-Seismic Exploration
Novel Well Construction, Smart Fields & Wells	Hydrocarbon Processing	Earth Modeling
Russian Specific Conditions	Renewables	Off-Shore

# What Venture Capital Can Do for the Petroleum Industry

## GameChanging Solutions w/Global Value

Distributed Temperature/Pressure System of the Wellbore (Remote Monitoring & 24/7) – *SME*

Disc Crystallizer (Refining) – *SME*

3D+VSP – *SME*

Hemispherical Resonator Gyroscope – *SME*

EOR 2 Stage Combustion Technology – *Institute*

Novel Well Testing (Software) & Ceramic

Vitrification of the Borehole – *Oil/Gas Inst. & SME*

# What Venture Capital Can Do for the Petroleum Industry

## Solutions that Fill Market Gaps

{Technology Developed in Closed Mkt, Different  
(Russian) E&P Policy vs. Int'l & Cheap Oil}

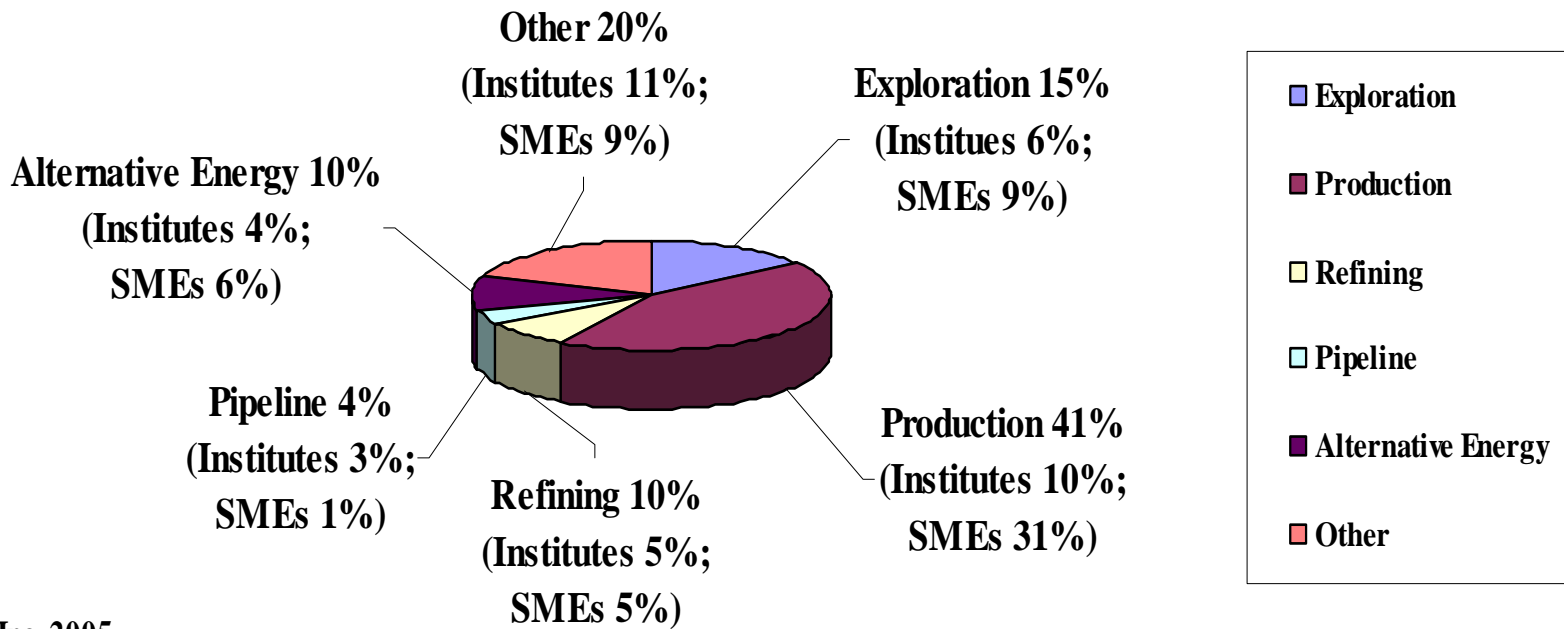
Almost world class, but significantly lower cost  
for price sensitive segments/applications

- Gas Separation – *SME*
- Sphere Plastics – *SME*

Near Term Sales: Expand Commercialization &  
(Later) Upgrade to Global Standards/Friendly

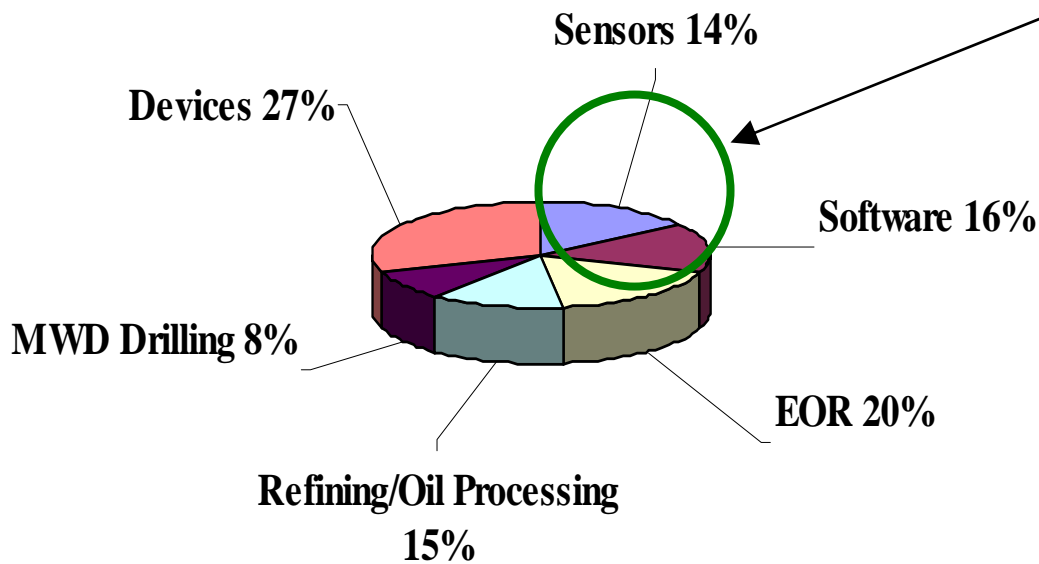
# What Venture Capital Can Do for the Petroleum Industry

## Technology Creation by Activity/Profit Ctr.



# What Venture Capital Can Do for the Petroleum Industry

## Value Clusters Match Strategic Priorities of International Customers/Investors



### Analytics & Computation (Signal Processing)

- Sensing
- Measuring
- Recording
- Collecting
- Analyzing
- Reporting

# What Venture Capital Can Do for the Petroleum Industry

## The GoForward Plan

Target: More \$, €, £, ¥, ¢ & Product Additions,

- Out-Licensing: Export Core Tech to CIS; Mix & Match with Russian Tech to Localize Content
- Co-Dev & Integrate Russian Supplier Tech w/Western Tech for New, Global Applications
- Expand Sales, Russian Specific Solutions, Upgrade
- What's Needed for Success? Western Tech + Skills in Bus Dev., Mkting & Sales for the Total Solution

# What Venture Capital Can Do for the Petroleum Industry

## What VC (IVI) Can Do (Besides \$)

### Local Knowledge/Experience to:

1. Create the Opportunity: Technology  $\neq$  A Deal
2. Drive the Investment to Success
3. Build Supplier Synergies in the Supply Chain
4. Maintain Vision: Liquidity & Exit Strategy

# What Venture Capital Can Do for the Petroleum Industry

## The IVI GoForward Plan

### CIS High Technology Oil & Gas Consortium

- Oil Multinationals & Service Suppliers

### Objective: Finance Russian Tech (IP, R&D & VC)

- Create More/Invest in Better Russians Suppliers
- Western Ptrs Co-Dev, Buy, Integrate w/West Tech
- For CIS (localize product content) & Export Markets
- Upstream, Downstream & Renewables
- Enabling Technologies: IT, Sensors, Software, etc.



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