



In Tech, East + West = the Best

C5's 4th Int'l Conference: OFS in Russia & the CIS
Moscow Russia, 29-30 March 2006

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Today's Message

1. Build on the Messages of Yesterday & Today
 - Not Discuss Details of One Technology vs. Another
 - Discuss Strategy, More Business to Make More \$\$
 - Deepen Your Presence & Build New Relationships
2. How Venture Capital Can Work w/You in Expansion - Russia, CIS & to Int'l Markets

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Today, Where's the Customer Pain (Need)?

1. More Perf./Quality, Reduce Cost, Better Execution, More/New Solutions for CIS E&P
2. Do More to Localize Product Content
 - Not Just Cost Reduction: More value-added tech vs. brick & mortar (steel/cement) & cheap labor
 - Tech Sold to Multiple Customers
 - Generate Supplier Sustainability thru Multiple Locations (beyond one field)

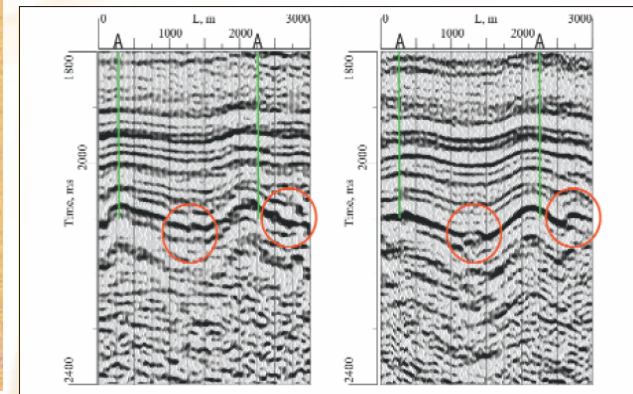
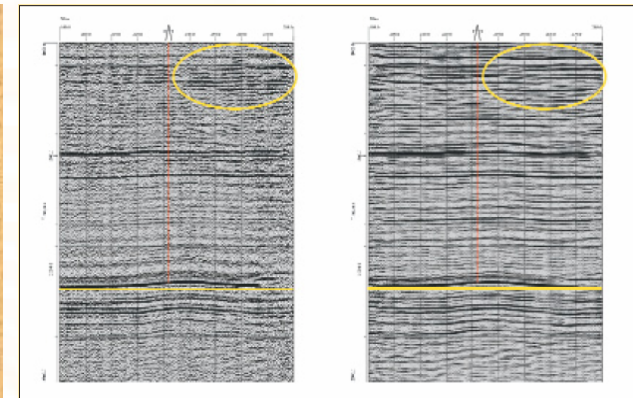
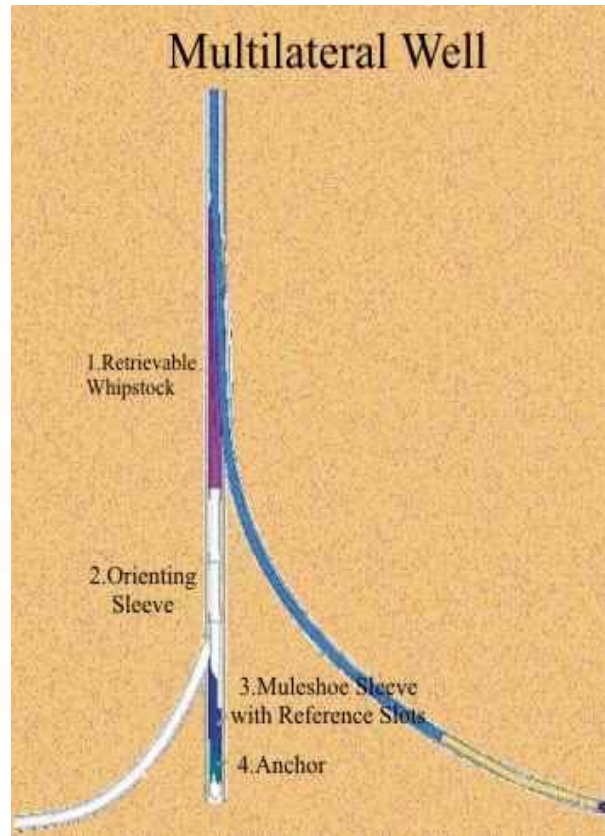
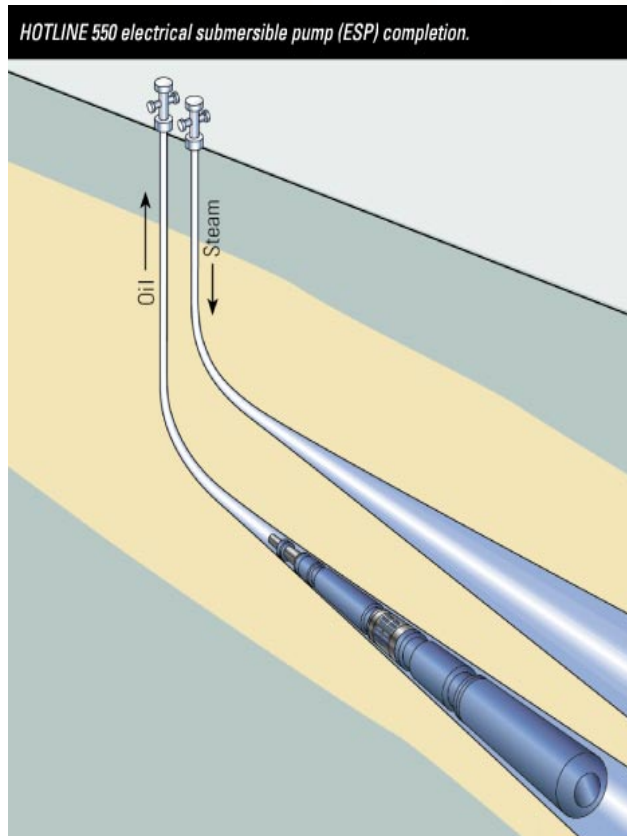
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About IVI

- 20 years in VC, 10 in CIS (Kazakhstan & Russia)
- US\$280 Million Raised/Advised for N. America, Europe, Africa & CIS. Top quartile in ROI
- 1986: 1st US Tech Fund, then International
- 1997: Transact Russian VC Deals-Infrastructure
- 2001: Russian Tech for IT Industry
- 2002: Russian Tech for Oil/Gas (OFS, ex., SLB)
- 2004: Partnership with STV - Disruptive Tech

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What's Common to these Technologies?



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Search for GameChangers: 120 Tech

Artificial Lift & Advanced Drilling	Enhanced Oil Recovery	Non-Seismic Exploration
Novel Well Construction	Hydrocarbon Processing	Earth Modeling
Russian Specific E&P, e.g., cold	Downhole Measurement	Off-Shore

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Conclusions

1. Few GameChangers for Global Markets: **BUT**
2. Local Tech++²/old West tech for Russia/CIS as it Modernizes E&P to = USA, Middle East, SE Asia
 - Almost World Class Russian tech @ much lower cost/price vs. Western analogues, 3D+VSP, RFTs, etc
3. Mix & Match Western/Russian Tech: improve \$/value combination & localize int'l content

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

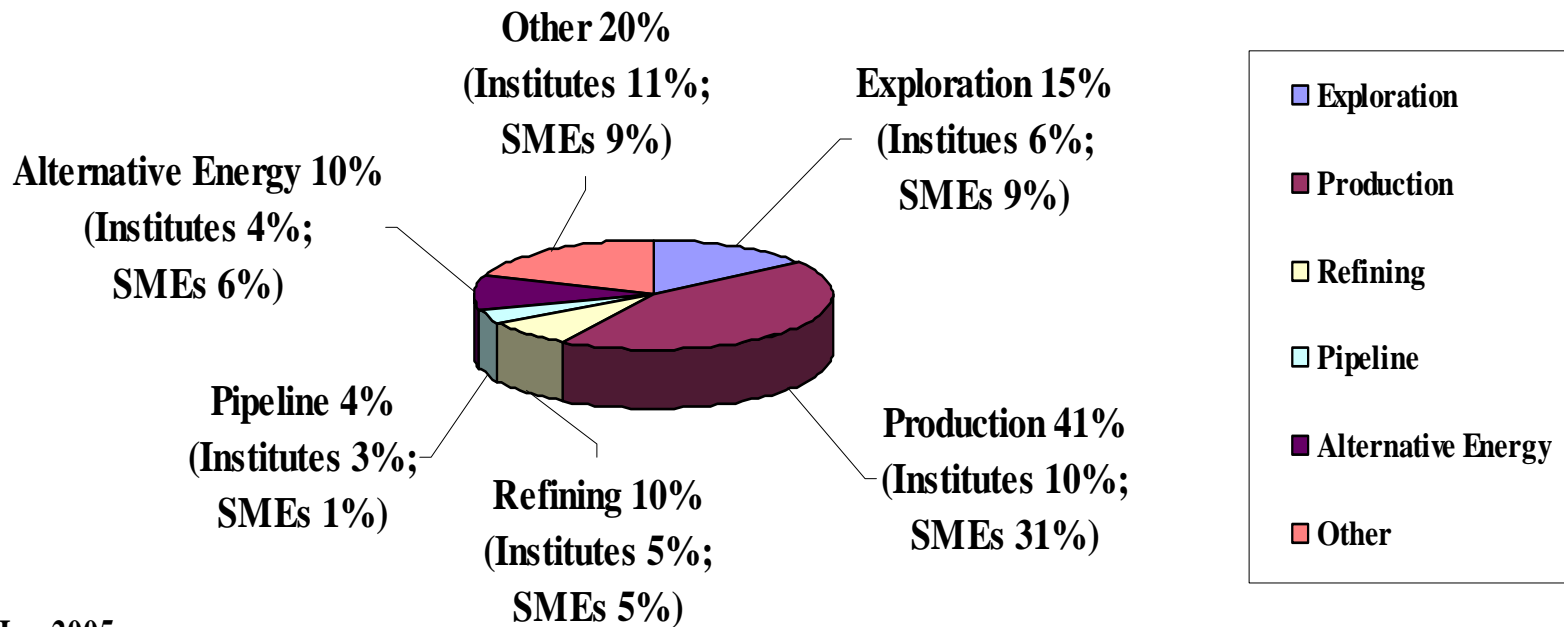
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Examples: Russian Tech Solutions

- Distributed Temperature/Pressure System (Remote Monitoring & 24/7) – *SME*
- Condensate Separation – *SME*
- 3D+VSP – *SME*
- Hemispherical Resonator Gyroscope – *SME*
- EOR 2 Stage Combustion Technology – *Institute*
- Novel Well Testing (Software) – *Institute*

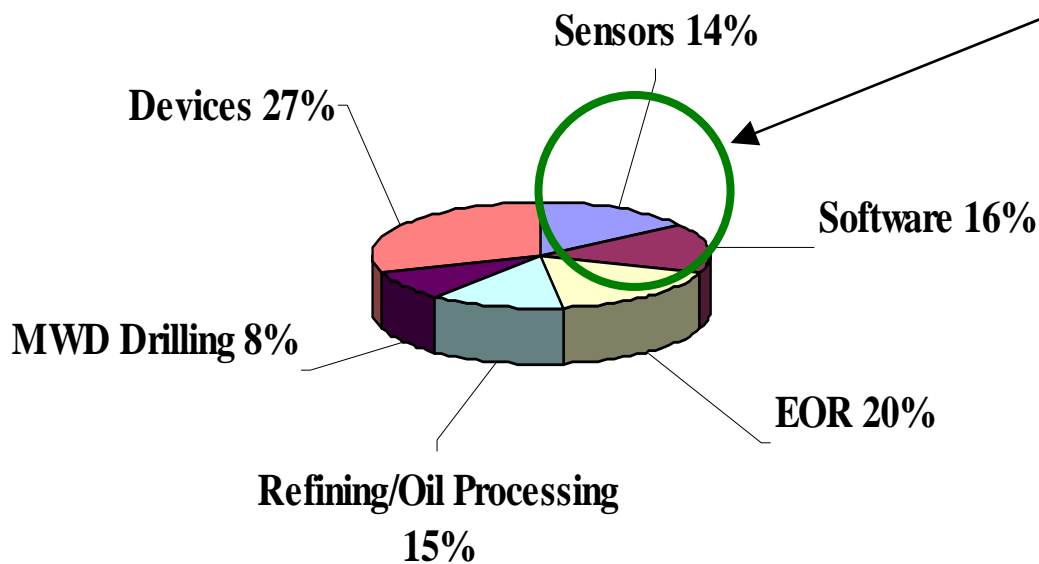
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Technology Creation by Activity/Profit Ctr.



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Value Clusters Match Strategic Priorities of International Customers/Investors



Analytics & Computation (Signal Processing)

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

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The GoForward Plan in Tech

1. Expand Sales of Russian Specific Solutions. Upgrade for Int'l Sales thru Distribution Partnerships
2. Co-Dev & Integrate Russian Supplier Tech
3. Out-License: Export Core Tech to CIS; Mix & Match with Russian Tech to Localize Content

Reqt's for Success? Western Tech & Know-How (BD, Mkting, Sales)+\$, €, £ = The Total Solution

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The Oil Business is a Technology Business

Tools to Achieve Tech Objectives

- Corporate R&D budget + Institutes & National Labs
- Purchasing/Supply Chain-Stimulate Supplier Innovation

Other Tools Available for Leverage

- Venture Capital (VC) for more innovation & make contribution outside R&D, Purchasing & Supply Chain
- VC is Common Practice: Shell, Chevron, Norsk, SLB, Intel, Microsoft, TI, Boeing, Ford Motor, 3M, DuPont

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What Does VC Contribute Besides \$\$?

1. Create the Opportunity: Technology \neq A Deal
 - Suppliers Need Capital. Invest \$\$ & Raise Co-Investment-Share Costs/Risks
 - Build SME; mgt team, strategy, BOD, approve budget
2. Drive the SME (Investment) to Success
 - Keep Interests Aligned: Corporate Governance
3. Build Supplier Synergies in the Supply Chain
4. Keep Focus to Goal: Liquidity & Exit Strategy

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The Value of VC to Corporations

1. VC a Means to the End. Tech for:
 - More Performance
 - Less Cost
 - Better Service/Execution &
 - the Russian Supply Chain to Deliver

2. Build Relationships



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