



Russia, 630007 Novosibirsk, Oktyabrskaya Str. 42,
off. 300/3

Phone: +7 (383) 202-07-24

Fax: +7 (383) 202-07-24

E-mail: mail@ote-online.com

www.ote-online.com

Volume of investments required – \$ 3 million

Summary

1. **Production** – unique patented technology of residual oil extraction from exhausted deposits.
2. **Trade marks** – «OTE Технология» (“OTE Technology”).
3. **Sales 2007** – none.

Company profile

Date of establishment – January 2008. Non-effectiveness of oil extraction in the world (more than 50% of oil still remains unrecovered) became the reason for development of method to increase oil recovery from oil deposits. After development of this technology and its patenting (Russian Federation Patent for Invention No 2305178 of 27.08.2007) OTE Technology Company was established with the purpose of implementing OTE technology into oil extraction industry.

Description and value of capital assets – cost of the patent – \$ 3 mln.

Previous rounds of investments – none.

Signs of public recognition – none.

Number of employees – 3 persons.

Structure of ownership

Natural persons (3):	100%
Efim Meyerovich Zingel	33.3%
Stanislav Efimovich Zingel	33.3%
Konstantin Vladimirovich Koshman	33.3%
Aggregate share of government property	0%

Team

Zingel Efim Meyerovich – Director, 58 y.o. Doctor of Chemistry, Senior Lecturer of the Chair of General Physics, Novosibirsk State University, the author of more than 80 scientific publications in chemical Physics, inventor and patent holder.

Zingel Stanislav Efimovich – Executive Director, 31 y.o. Director on marketing in major federal construction company. Work experience as Strategic Director in major international consulting Agency, and Director on Marketing of leading Russian Airlines. Education: FIT University, New York.

Koshman Konstantin Vladimirovich – Financial Director, 39 y.o. Vice-President of one of the biggest developer's corporations in Russia, including work experience as a Financial Director of leading Russian Airlines. Education: MBA, Cranfield, Great Britain; Novosibirsk State University, Faculty of Physics.

Production

There has been created the technology of oil extraction from exhausted oil deposits which will enable to renew oil extraction on commercial base. Current technologies of oil extraction leave more than a half of oil in the deposit. Our method is secured by a patent registered in the Russian Federation (“The Method of Oil Extraction from Exhausted Oil Deposits”, Russian Federation Patent for Invention No 2305178 of 27.08.2007). The basis of this technology – explosions in the oil bearing layer carried out in accordance with a certain scheme.

OTE technology refers to tertiary methods of increase in oil recovery. Existing methods of oil recovery increase (physicochemical, gas, thermal and microbiological) ensure increase in the well debit by 5% to 15% at a considerable cost. OTE technology with its high effectiveness (low cost, utilisation of the earlier created infra-structure of the oil field and its simplicity) enables to increase the oil recovery by 40–60%, extracting up to 90% of oil contained in the deposit, which has a unique advantage over existing methods.

Current State

The main principles of OTE technology, which is not surpassed by any other method in the world, have been developed, and are protected by a Russian Federation patent. Computer modelling is under way at the moment to figure out optimal parameters for effective commercial use of OTE technology. Invention priority has been acquired and patenting of OTE technology in 25 leading oil producing countries in the world is being arranged.

Development Strategy

Use of funds:

1. R & D	90%
2. Marketing	5%
3. Acquisition of current assets	5%

Three Stages of the Project Development:

1. Search for an exhausted oil deposit and conducting experiment there. This stage includes re-activation of 8 wells for explosion, which will blast the traps retaining oil, and one well needed for pumping freed oil. The time for well re-activation, blasting and starting of oil extraction is evaluated as 5 months. **Overall expenses at this stage will be \$ 3.1 mln, cashback – 3 years, NPV – more than \$ 12.7 mln, IRR – 28%.**

The purpose of this stage is to demonstrate the efficiency of the technology, to gain experience at a smaller scale and to confirm the parameters of charge placement. As soon as the first oil is extracted and the debit of the wells is monitored for half a year, it is possible to move on to the second stage.

2. Arranging commercial oil extraction from exhausted deposit comprising approx. 100 wells. The time needed – around one year since the implementation of the first stage. This stage includes re-activation of 60 wells for blasting to destroy oil retaining traps and of 40 wells for pumping freed oil out. The time for well re-activation, blasting and start of oil extraction is up to 12 months. **Overall expenses at this stage will amount up to \$ 40.4 mln, cashback – 2 years, NPV – more than \$ 383 mln, IRR – 181%, expected term of oil extraction from the deposit – 16 years.**

3. Set-up of international global service company to introduce OTE technology in all oil producing countries around the world. Start of the third stage – 3 years from the start of the first stage.

Prospective outcome of investment

Set-up of an international special purpose company to provide services in re-activating oil recovery at commercial base in order to extract up to 90% of oil with projected turnover of hundreds of millions of US dollars.

Marketing & Markets

The market for this technology is all oil producing countries in the world. The use of OTE technology will enable to increase by 40–60% the oil extraction from existing oil deposits, to shorten time needed to extract all available oil from deposits at minimum investments employed. There are practically no competitors at the market because there is no other more effective tertiary method of extracting remaining oil.

The overwhelming majority of the world oil companies use tertiary methods of oil extraction and OTE technology belongs to the class of the tertiary methods. The share of existing tertiary methods of oil extraction equals more than 200 mln tonnes a year out of 3 bln tonnes of world annual oil extraction. With OTE technology the share of tertiary methods may increase up to 800 mln tonnes a year within 5–10 years; the share of OTE technology itself in this market sector may amount to 50–75%.

As a matter of fact, OTE technology enables to reopen majority of existing exhausted oil deposits and makes available up to 100–150 bln tonnes of oil available, which is now unavailable, worth \$13–20 trillion.

Prospective clients:

- Service companies in oil industry;
- Prominent Russian and international oil producers (for own use);
- Global financial or industry investor (to carry out further scientific experiments, to patent technology elements, to implement OTE technology and for this purpose to create a global servicing company).

Interaction with investor

Suggested share of an investor – from 30%. The investor could leave the project:

After the first stage – 2 years after the start of implementation. Required investment – \$ 3 mln, **capitalisation of the Project at this stage – from \$ 15 mln.**

After the second stage – 4 years from the start of the first stage. Required investment – around \$ 30 mln, **capitalisation of the Project at this stage – from \$ 500 mln.**

Financial characteristics, \$ thousand

Data	Facts			Forecast	Forecast with the investment required			
	2005	2006	2007	2008	2009	2010	2011	2012
Sales	-	-	-	-	6 800	14 000	360 000	520 000
Operating income	-	-	-	-	1 800	3 400	98 000	177 000