

## Shell Aims to Grow in Ukraine, Starts Drilling in 2009

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Royal Dutch Shell PLC's subsidiary Shell Ukraine E&P is planning to drill its first well in the country in 2009, and is looking for further opportunities in the country, the company's general manager, Patrick Van Daele, told Dow Jones Newswires Wednesday.

Speaking at the Ukrainian Energy Forum, Van Daele said the company had just started seismic activity at Shebelinka gas field in eastern Ukraine, which will be followed by the 3D survey. The survey will take about a year and will cover Shebelinka and West Shebelinka fields, he said.

Exploration and development of the field will be carried out jointly with Ukrgasproduction, a subsidiary of national oil and gas company Naftogaz Ukrainy.

Shebelinka, the largest gas field in Ukraine and the second largest in Europe, was discovered in the 1950s and is still producing. Shell is targeting resources about 3 kilometers below the current production horizon.

The work will provide accurate data on hydrocarbon reserves in the Dnepr-Donetsk basin, which is estimated by the U.S. Geological Survey Bulletin to have 11.5 billion barrels of oil equivalent. But before Ukraine can expect to attract foreign investors to the project, it must amend legislation to provide a transparent, level playing field, Van Daele said.

Shell doesn't disclose its estimation of reserves at any of the eight licenses in Ukraine, which it develops with Ukraine's state-owned partners. However, Van Daele said, "We are committed to Ukraine, we are happy with the licenses, but we also have an ambition to grow, we are looking at other opportunities onshore and offshore." He declined to provide further details.

Van Daele declined to comment on recent media reports that Shell has proposed a \$1.2 billion takeover of London-listed Regal Petroleum. Regal has denied reports, but said it is in talks with potential strategic partners to develop its gas reserves in Ukraine.

Van Daele is confident of Ukraine's gas potential. "By combining investment promotion and hard work on efficiency, Ukraine can go a long way toward becoming gas self-reliant," he said, adding that the largely unexplored Black Sea still remains "a big unknown" when it comes to reserves. "The Black Sea is an area of promise, but it's an unproved promise," he said.

Shell unsuccessfully made a bid for the Prikerchenskaya field in the Black Sea in 2006.

Shell isn't planning to enter Ukraine's refining business, he also said.

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