



# Saskatchewan Means Business

## A S.T.E.P. in Time

A Saskatchewan Trade and Export Partnership (S.T.E.P.) trade mission to Ukraine is proof positive that this province is very serious about supporting its companies' trade efforts with Ukraine. Between Oct. 5-20, 1996, a business delegation, headed by Sask. Deputy Premier and Minister for Economic Development Dwain Lingenfelter, identified several priority areas for cooperation with Ivano-Frankivsk and Kharkiv oblasts.

The Kharkiv leg of the visit was a follow-up to the previous visit of the Kharkiv "Grant Bank" delegation to Canada in September, said the Director of the Energy Development Branch for Saskatchewan Energy and Mines Malcolm Wilson (see story p.11). He noted that Regina-based Nautilus Exploration signed a letter of understanding with NadvirnaNaftoGas, a subsidiary of UkrNafta, while Henneberg & Associates of Estevan will return to discuss possible ventures with its potential partners.

In Ivano-Frankivsk oblast these priorities of cooperation include oil extraction and agriculture. For Kharkiv oblast, avenues of cooperation encompass oil extraction, agriculture, electric power engineering, grain storage, building materials, finances and banking. Aside from establishing trade ties, the Gov. of Sask. plans to assist Ukraine in developing a fiscal and regulatory structure for its oil and gas industry.

At a ceremony at the Canadian Embassy in Kyiv, Lingenfelter signed agreements with Ukrainian representatives on strengthening economic links.

"The agreements reached today build on a Memorandum of Understanding on energy sector cooperation signed by Saskatchewan Premier Roy Romanow during his visit to Ukraine in fall 1995," said Lingenfelter. "They're intended to solidify long-term relationships between ourselves and Ukraine, which will increase economic prosperity for both of us."

## The Players

On the Canadian side was a group of three Canadian oil and gas companies. "First, we're expecting to sign a license agreement with *UkrNafta* for oil and gas drilling in Kharkiv oblast, and after that we'll create a JV," said Rocky Rombs, representative for Lateral Vector Resources in Ukraine. "We don't really know how much we'll invest until we start working the field. But it's a very good prospect, the field has heavy oil, but there's no doubt we've got the technology to extract it." LVR was part of

Premier Romanow's delegation last year.

LVR is also interested in the region's gas field. The company is working jointly with Ontario's Northland Power on a gas-fired power station project at the field. The field is rather weak, making it more profitable to use the gas for energy production. Under the agreements, two other Saskatchewan oil and gas companies, Nautilus & Associates and Henneberg & Associates, will begin analyzing prospects for developing oil and gas reserves in Ivano-Frankivsk oblast.

"If we decide to work here we'll bring US\$3-5 million in the first year, and then, depending on how it goes, we'll invest another US\$20 million over the next two years," said N&A President Michael Monea.

"Initially, we'll invest US\$5 million, and if things go successfully we'll put in another US\$10 million," adds H&A President Carl Henneberg.

## Agriculture Agreement

Lingenfelter's economic cooperation agreements came a day after he signed a Saskatchewan government agreement with the Main Selection Centre cooperative farm south of Kyiv. Under this agreement, Saskatchewan farming technology will be adapted to Ukrainian agriculture.

The cooperative farm raises dairy and beef herds. In 1995, Saskatchewan agricultural experts initiated a project which demonstrated farm equipment, agricultural technology and farm management techniques. The new project will build on a six-year-old JV between the Centre and Semex Canada, a Canadian agricultural company, which focuses on developing the farm's dairy herd. Other companies involved include Brandt Industries and Flexi-Coil, which have supplied seeding and spraying equipment, and Newfield Seeds will provide forage seed.

Saskatchewan government agricultural experts are providing training in forage and grazing management, forage seed production, reducing tillage, and commercial beef herd management. They are also demonstrating reduced tillage systems, grazing systems, and alfalfa seed production using Saskatchewan leaf-cutting bees provided to the project by Wolf-Eggerman Enterprises.

"This project is important to the people of Saskatchewan, 12% of whom are of Ukrainian background. It will bring our agriculture industries closer together and create future business opportunities for both Saskatchewan and Ukraine," said Lingenfelter.

Boris Khakhan.

The Kadima group came to Ukraine only 3 years ago, although its Moscow representative office opened 7 years ago. The company holds a full complement of licences for construction, restoration, and architectural work. It already has a number of successful projects under its belt, including reconstructing Inko Bank's Kyiv and Kremenchuk offices. Kadima now has a US\$2 mln. contract to construct a 16-storey hotel and office complex, and is negotiating a new contract with Ukraine for interior renovation.

## Epic Energy starts aggressive drilling program: May increase Ukraine's oil production by 15%

*Ukrainian News, Special to the Monitor*

Oct. 1996... Calgary-based Epic Energy announced an aggressive drilling program that, when completed, could increase Ukraine's current oil production by 15%. "We could become one of the most significant producers of oil and gas in Ukraine very quickly," stated Epic President and CEO Ron Cormick. Cormick said Epic will have four rigs drilling more than 100 shallow production wells in Crimea's Kerch Peninsula, expanding the existing transportation and storage facilities, and drilling several exploratory wells designed to add more shallow oil reserves to the company's ledger.

The four test wells that Epic has already drilled in the Aktash field (located on the Crimean Plains) are producing 1,000 barrels per day (bpd). Cormick said the 100 new wells will be drilled closer together and produce half the payload. Even so, this would amount to an average of 125 bpd per well, or 12,500 bpd from the whole project. Projected over a year and translated into metric measurement, this would amount to 635,000 tons per year.

Epic is currently selling its 60% share of the production to a refinery in Lviv for world market prices. Once that refinery's capacity is reached Epic will sell it to other Ukrainian refineries who are willing to pay the world price, or export it, Cormick said. Ukraine's projected 1996 oil production was only 4.165 million tons. Ukraine produces only 10 percent of its domestic oil consumption. For the rest, it is largely dependent upon Russia.

But Cormick warned that this program may still fall through if a document confirming Epic's tax exempt status is not ready in time. He said Epic has been promised such an exemption as one of the first Western