

Workshop

2ND REGIONAL OIL & GAS EXPLORATION AND PRODUCTION

THE UPSTREAM OIL MARKET IN SOUTH EAST EUROPE

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KYRIAKIDES GEORGOPOULOS
Law Firm



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THE UPSTREAM OIL MARKET IN SOUTH EAST EUROPE

Introduction



- The field of upstream oil in South East Europe provides for an interesting comparative case study.
- There is a vast difference between the countries in their reserves, the length of exploitation of such reserves as well as in the way this exploitation has taken form.
- A high-level review of today's upstream oil field in SEE (framework, players, object) helps understand the market and the geopolitical concerns surrounding petroleum in SEE.



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ALBANIA



State Authority

National Agency for Natural Resources

Existing Oil Fields

Patos Marinza (largest onshore oil field in Europe), Sqipiri, Panaja, Delvina, Frakulla and more

Current Major Players

Offshore: Capricorn Albania, Emanuelle Adriatic Energy and San Leon Energy
Onshore: Bankers Petroleum, Petromanas, Stream Oil, Sky Petroleum

New Research/ Exploration/ Production Areas

Durres Block, Block Joni 5, Blocks A, B, D and E

Prospective Major Players

Island International Exploration, Cairn Energy, DWM Petroleum

Method for the concession of rights

Application submission & agreement negotiation - no provisions exist in case of competing applications for same area

Type of concession agreement used

Production sharing agreements





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BULGARIA



State Authority	Council of Ministers
Existing Oil Fields	North Bulgaria, Black Sea shelf; appr. 2b m3 of gas and 139k tons of oil
Current Major Players	Oil & Gas Exploration and Production, Melrose Resources, Direct Petroleum
New Research/Exploration/Production Areas	A loosely-worded moratorium by the Parliament on fracking has affected the activities of already existing licenses, and not just shale gas
Prospective Major Players	Moesia Oil & Gas, Rusgeocom, Oil & Gas Exploration and Production, Direct Petroleum, Total E&P Bulgaria, OMV Offshore, Overgaz, and more
Method for the concession of rights	Tender for exploration licenses, direct concession to companies which make commercial discoveries for extraction licenses; otherwise through a tender
Type of concession agreement used	Concession fees paid based on the extracted quantities (with a minimum amount)





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CROATIA



State Authority

Ministry of Economy (Agency for Hydrocarbons to be established)

Existing Oil Fields

60 exploitation fields (57 onshore, 3 offshore)

Current Major Players

INA

New Research/Exploration/Production Areas

Tenders to be announced in early 2014 (14 onshore fields, 9-12 offshore fields)

Prospective Major Players

INA, Zarubežnjeft, Vis-Viridis, CEOC, ExxonMobil

Method for the concession of rights

The *draft* Hydrocarbons Law provides for public tender for exploration rights and, if results are commercially viable, automatic grant of exploitation rights

Type of concession agreement used

The *draft* Hydrocarbons Law provides for either a production sharing agreement or an agreement where the concessionaire pays a fee and taxes





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GREECE



State Authority	Hellenic Hydrocarbon Resources Management
Existing Oil Fields	Prinos, Kavala
Current Major Players	Hellenic Petroleum, Edison International, Petroceltic, Energean Oil and Gas and Petra Petroleum
New Research/ Exploration/ Production Areas	Ioannina (onshore), Katakolo and Patras Golf (offshore), south of Crete, Ionian sea
Prospective Major Players	Total, Statoil, Exxonmobil and Delek
Method for the concession of rights	Tenders are used for all licenses
Type of concession agreement used	Lease agreements with an annual payment have been used, production sharing agreements are provided for





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MONTENEGRO



State Authority

Ministry of Economy (a regulatory body is to be incorporated)

Existing Oil Fields

None - no activities have taken place in 20 years; prior activities yielded no results

Current Major Players

Nafta Crne Gore and Jugopetrol Kotor (both in the 1970s)

New Research/ Exploration/ Production Areas

A tender for the exploration and exploitation of oil and gas reserves near the coast in the Adriatic sea (Ulcinj, Budva, Kotor Bay, Prevlaka) was announced in August 2013

Prospective Major Players

20 oil and gas companies have expressed interest

Method for the concession of rights

Through tenders, under a process set out in the Law on Hydrocarbons

Type of concession agreement used

Both product sharing and lease agreements are possible, though no concessions exist to serve as precedent





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ROMANIA



State Authority

National Agency for Mineral Resources

Existing Oil Fields

No consolidated list of oil fields, but oil reserves of 52m tons are estimated to exist

Current Major Players

Petrom, Romgaz, ExxonMobil, Zeta Petroleum, Rompetrol, Melrose Resources, Regal Petroleum, Amromco

New Research/Exploration/Production Areas

Gas in the Black Sea, oil and gas field in the west, shale gas reserves

Prospective Major Players

Concessions appear to be in force in favor of about 30 companies (listed on the NAMR website)

Method for the concession of rights

Tenders for concessions of 30 years, direct assignment of prospecting permits for 3 years

Type of concession agreement used

The concessionaire pays a petroleum royalty determined by the type of activity undertaken





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SERBIA



State Authority	Energy Agency
Existing Oil Fields	59 oil fields with 815 wells in two oil sectors (central Serbia and Vojvodina)
Current Major Players	NIS (for over 60 years - majority currently owned by Gazprom Neft)
New Research/ Exploration/ Production Areas	Drilling in Srbobran and Banat, activities Majdan and Jelica mountain, geological surveys in Backa, Srem and central Serbia
Prospective Major Players	NIS has the exclusive rights until the end of 2019
Method for the concession of rights	NIS' exclusive rights were acquired before the opening of the Serbian market, outside of tender procedures
Type of concession agreement used	The concessionaire pays an annual exploitation fee (a percentage of its annual revenues)



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Conclusion

- Some countries have negligible production capacity (ex. Bosnia, FYROM, Slovenia), other countries are beginning to explore their potential (ex. Bulgaria, Montenegro), and others have been active for many years (ex. Albania, Greece).
- The increased international interest in the research, exploration and exploitation of the upstream oil market in SEE highlights the developmental opportunities which exist, and allow for the expansion of the state income and energy independence.





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