7TH SOUTH EAST EUROPE ENERGY DIALOGUE

THESSALONIKI, JUNE 19TH & 20TH, 2013

THE UPSTREAM OIL MARKET IN SOUTH EAST EUROPE

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ΙΝΣΤΙΤΟΥΤΟ ΕΝΕΡΓΕΙΑΣ
ΝΟΤΙΟΑΝΑΤΟΛΙΚΗΣ ΕΥΡΩΠΗΣ

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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), Sqepiri, 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; apprx. 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, Energean Oil and Gas
New Research/ Exploration/ Production Areas	Ioannina (onshore), Katakolo and Patras Golf (offshore), south of Crete
Prospective Major Players	Edison International, Chariot Oil & Gas, Melrose Resources, Petra Petroleum, Arctic Hunter Energy, Trajan Oil & Gas, Grekoil Energy Ventures
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 is expected soon (Ulcinj, Budva, Kotor Bay, Prevlaka)
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 Gazpron 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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Turkey

State Authority	General Directorate of Petroleum Affairs
Existing Oil Fields	Activity focuses in the Northwest and Southeast regions, and the Black Sea
Current Major Players	68 companies were active in since 2002; Turkish Petroleum Corporation (TPAO) is the most dominant (over 80% of all surveys, 59% of drilled wells, 71% of oil and 56% of natural gas production)
New Research/ Exploration/ Production Areas	No plans for new research or exploration activities
Prospective Major Players	Companies with already active exploration licenses, led by TPAO
Method for the concession of rights	Direct assignment for research permits; either direct assignment or auctions for explorations licenses
Type of concession agreement used	Lease agreement for public land, easement/utilization for private land, with a fee of 1/8 of the oil produced

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Turkey

TOTAL NUMBERS AND METERS OF WELLS DRILLED ACCORDING TO THEIR TYPES BY THE END OF DECEMBER 2012

COMPANIES	WELL TYPES										TOTAL	
	EXPLORATION		EXTENSION		PRODUCTION		INJECTION		GEO. INVESTIG.			
	NO.	METERS	NO.	METERS	NO.	METERS	NO.	METERS	NO.	METERS	NO.	METERS
Türkiye Petrolleri A.O.	886	2.136.066,23	435	901.537,15	1 215	2.066.745,03	26	37.340,00	41	83.788,50	2.603	5.225.476,91
Mineral Research & Exploration General Directorate	61	92.599,00	8	11.763,00	15	22.081,00			20	6.943,00	104	133.386,00
Other domestic co.s	88	99.316,66	4	3.967,00	17	18.192,10			21	11.210,00	130	132.685,76
Foreign co.s	481	841.442,61	265	374.153,68	385	635.102,95		1.364,15	5	4.034,58	1 136	1.856.097,97
Domestic & Foreign co.s joint ventures	167	358.826,67	77	143.540,38	37	81.441,99	7	11.956,00	1	1.656,00	289	597.421,04
Total	**1.683**	**3.528.251,17**	**789**	**1.434.961,21**	**1.669**	**2.823.563,07**	**33**	**50.660,15**	**88**	**107.632,08**	**4.262**	**7.945.067,68**

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YEARS	WELLS DRILLED ACCORDING TO THEIR TYPES OVER THE LAST 10 YEARS										TOTAL	
	EXPLORATION		EXTENSION		PRODUCTION		INJECTION		GEOLOGICAL INVESTIGATION			
	NO.	METRES	NO.	METRES	NO.	METRES	NO.	METRES	NO.	METRES	NO.	METRES
2003	23	36.867,0	14	21.150,0	23	22.665,9					**60**	**80.682,9**
2004	28	41.023,0	14	22.884,0	23	31.536,0		523,2			**65**	**95.966,2**
2005	49	62.502,0	14	12.804,0	26	37.812,0					**89**	**113.118,0**
2006	45	66.503,0	30	33.016,0	22	34.422,0					**97**	**133.941,0**
2007	43	81.362,0	55	67.646,0	32	48.562,0			2	879,0	**132**	**198.449,0**
2008	50	94.843,5	41	53.405,0	29	39.354,0	1	1.526,0	5	8.707,0	**126**	**197.835,5**
2009	51	88.907,2	50	80.607,0	42	72.843,0					**143**	**242.357,2**
2010	93	150.981,6	51	78.258,0	62	93.815,4					**206**	**323.055,0**
2011	81	143.675,0	27	41.176,5	61	110.306,0	2	2.792,0			**171**	**297.949,5**
2012	82	157.879,0	24	43.908,0	51	93.715,0			1	2.940,0	**158**	**298.442,0**
Total	**545**	**924.543**	**320**	**454.855**	**371**	**585.031**	**3**	**4.841**	**8**	**12.526**	**1.247**	**1.981.796,3**

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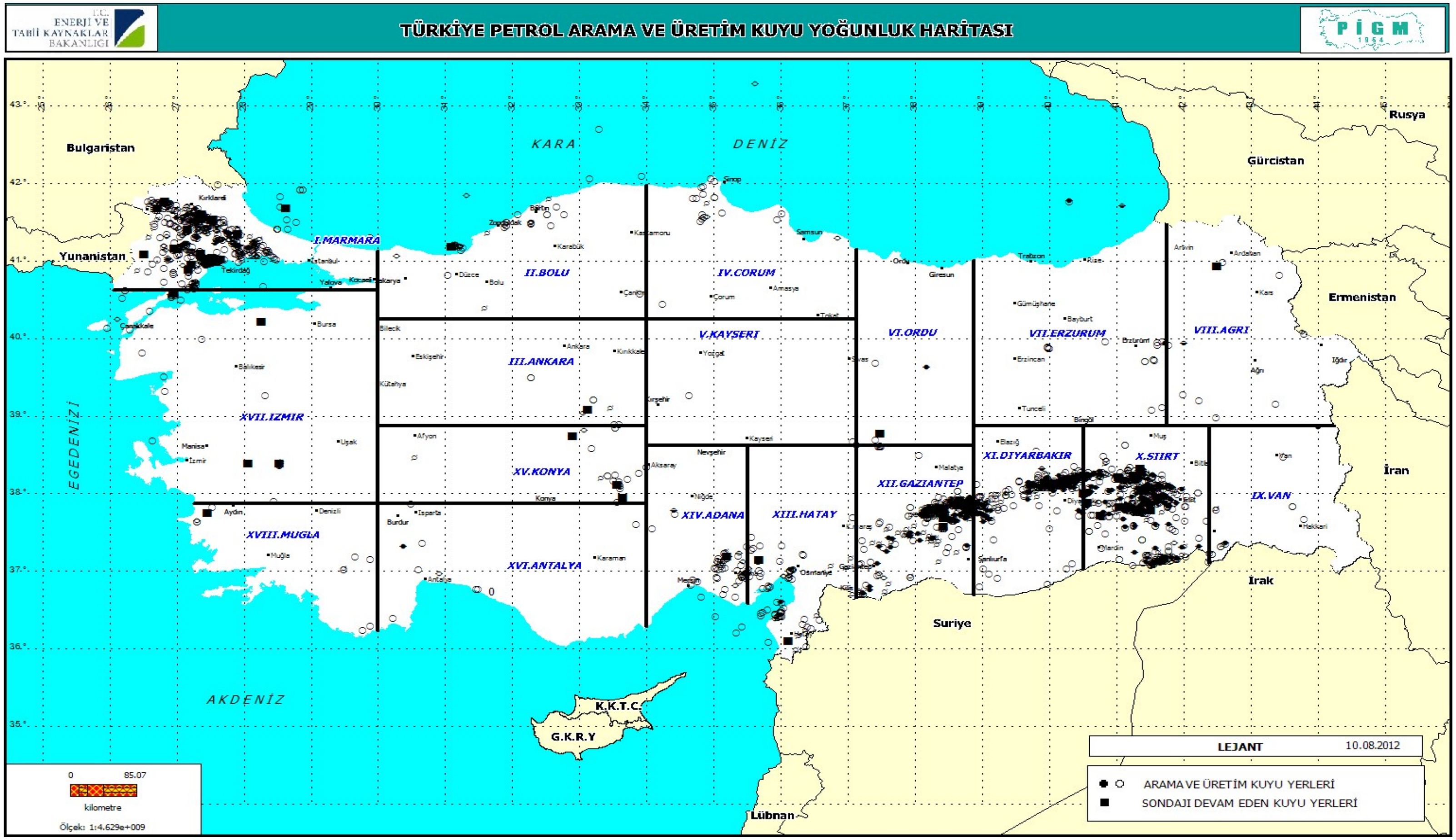

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Conclusion

- 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, Turkey).
- 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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