



OPPORTUNITIES IN THE UPSTREAM SECTOR OF MONTENEGRO

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Discussion Topics

- Business Environment
- Legal and fiscal regime
 - Petroleum policy and resource management
 - Fiscal system
- Geological promise
 - Geological evaluation, risk and uncertainty
- Infrastructure – operating environment
 - Data management



Business Environment

- Surface: 13,812 km²
 - Location: On the Adriatic Coast, in South East Europe
 - Population: 620,145 (2003 Census)
Capital: Podgorica (approx. 170,000 inhabitants)
 - Historical Royal Capital: Cetinje
 - Length of borders: 614 km, Coastline - 294 km, Beaches - 73 km
 - Highest mountain peak: 2,522 m (Durmitor, Bobotov kuk)
 - Largest lake: Skadar Lake - 391 km²
 - Climate: Mediterranean climate, hot dry summers and autumns and relatively cold winters with heavy snowfalls inland
 - **Currency: Euro**
- Time zone: CET - Central European Time (GMT+1)
- International telephone code: + 382
 - Internet country code: .ME



Business Environment - continued

Political

- Clear commitment towards EU integration
- Equal treatment of foreigners and nationals

Economic

- Euro as national currency
- Leading country in Europe in FDIs per capita
- Stable macroeconomic policies
- Free flow of goods and capital allowing overseas investors to remit profits, dividends and interest freely
- Open market economy

Fiscal

- Flat tax rate system and low tax rates: corporate profit tax and personal income tax 9%
- VAT at 17%



Legal Regime

- Law on Exploration and Production of Hydrocarbons - adopted in 2010 – upstream resource management legislation
- Concession Contract is a model used for award of exploration and production rights: Exploration Concession Contract and Production Concession Contract
- Exploration Concession Contract can be awarded to one or more bidders for up 2 years
- Production Concession Contract awards exclusive rights for up to 30 years: Exploration phase 6 years on-shore and 7 years off-shore (with possible extension of up to 2 years), Production phase 20 years (with possible extension of up to 10 years)



Legal Regime - continued

- Set of enabling legislation is being prepared to complement the Law
- Model Concession Contracts are being prepared to make part of the Bid Documents



Fiscal System - continued

- Fiscal system consists of:
 - acreage fee
 - royalty fee (fee for produced oil and/or gas)
 - CPT +super tax
- Fee for produced oil and/or gas will be volume based

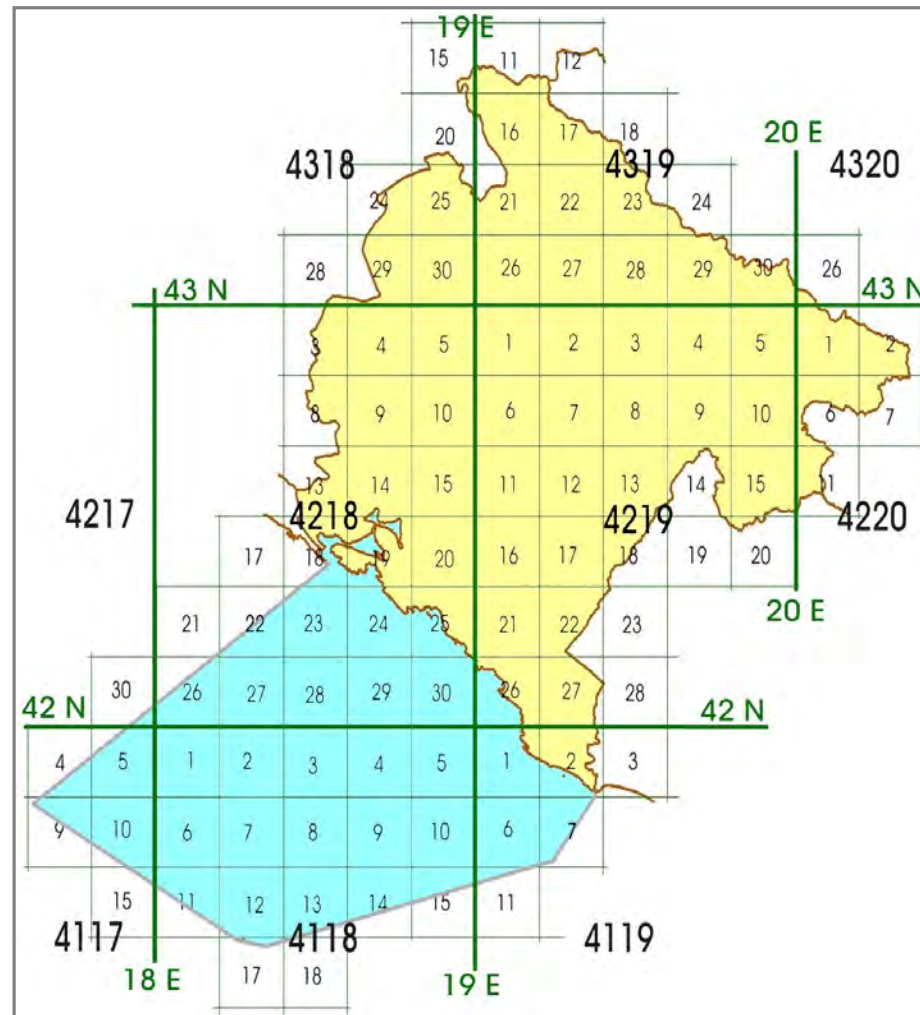


Geological Promise



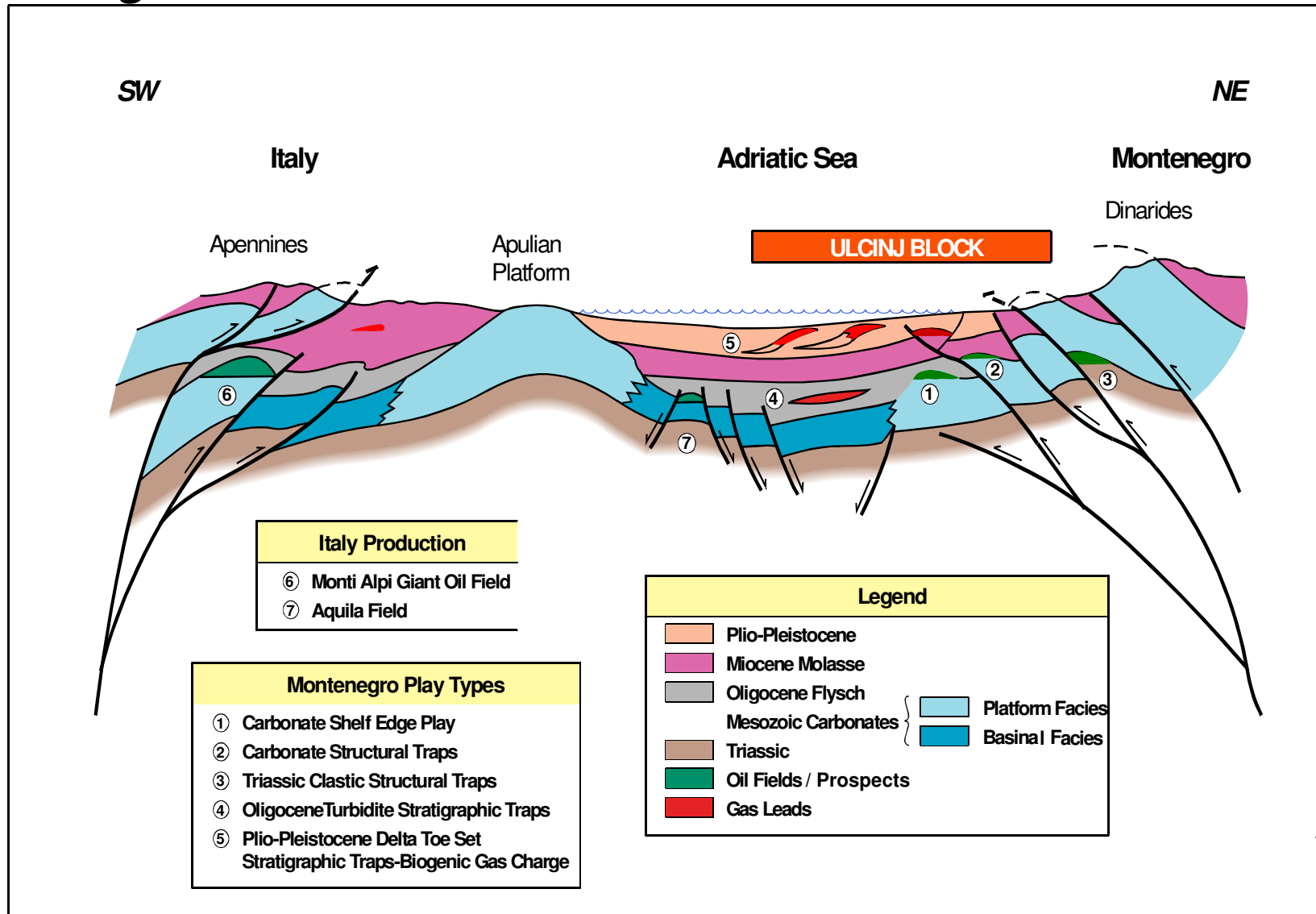


Geological Promise

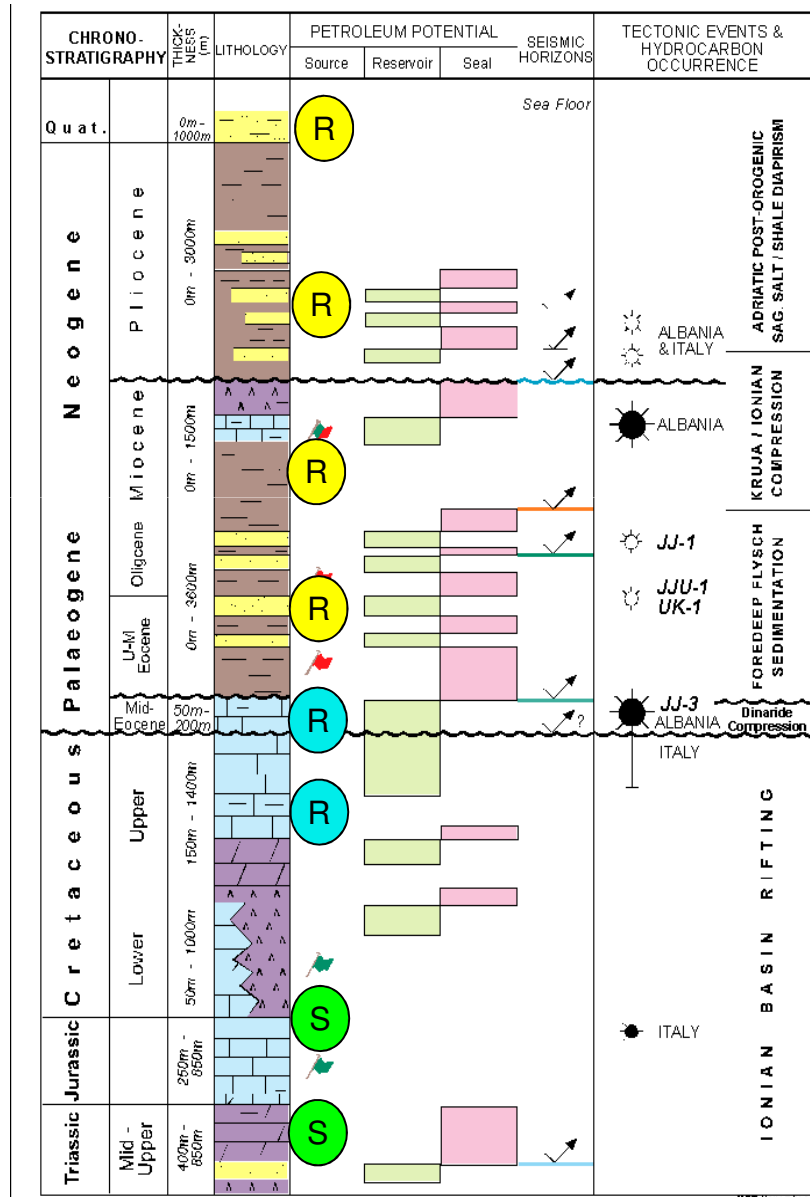




Geological Promise – continued



Petroleum Systems



Reservoir

Cretaceous - Mid Eocene shelf edge & platform carbonates
Oligocene, Lower Pliocene turbidites, Miocene Sands
Pleistocene shallow marine sands
Middle Triassic sandstones

Source

Triassic shales primary oil source

oil mature at around 5000m depth in Adriatic & Albania
Mid Eocene - Upper Cretaceous shales & marls - oil & gas prone
Upper Eocene - Miocene shales - mainly gas prone
Lower Pliocene shales - biogenic gas source

Traps

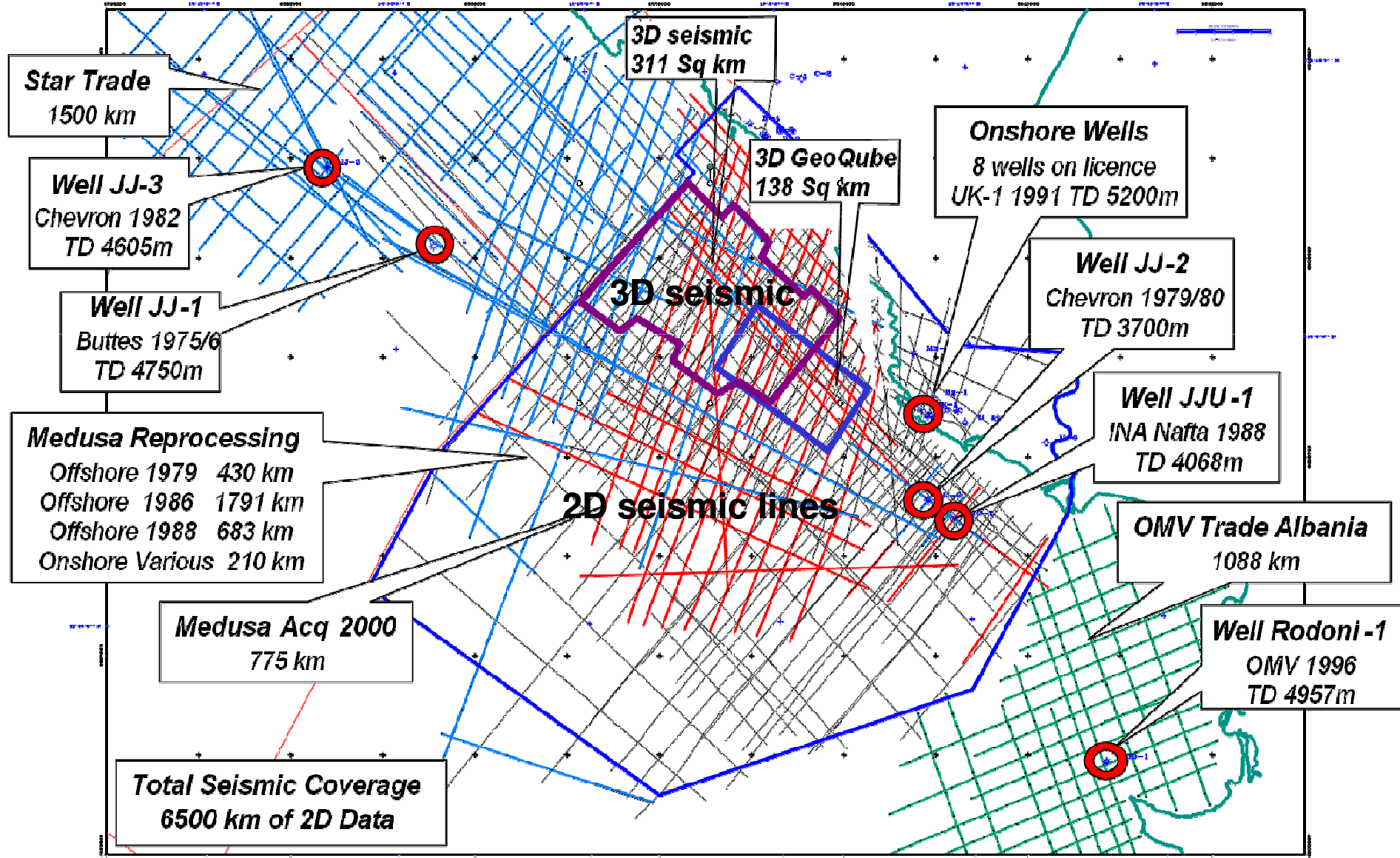
hangingwall thrust ramp anticlines (Mesozoic reservoirs)
footwall anticline & fault cutoff traps
structural/stratigraphic pinchout traps (Tertiary turbidites)
Carbonate shelf margin reefal/topographic buildups

Plays

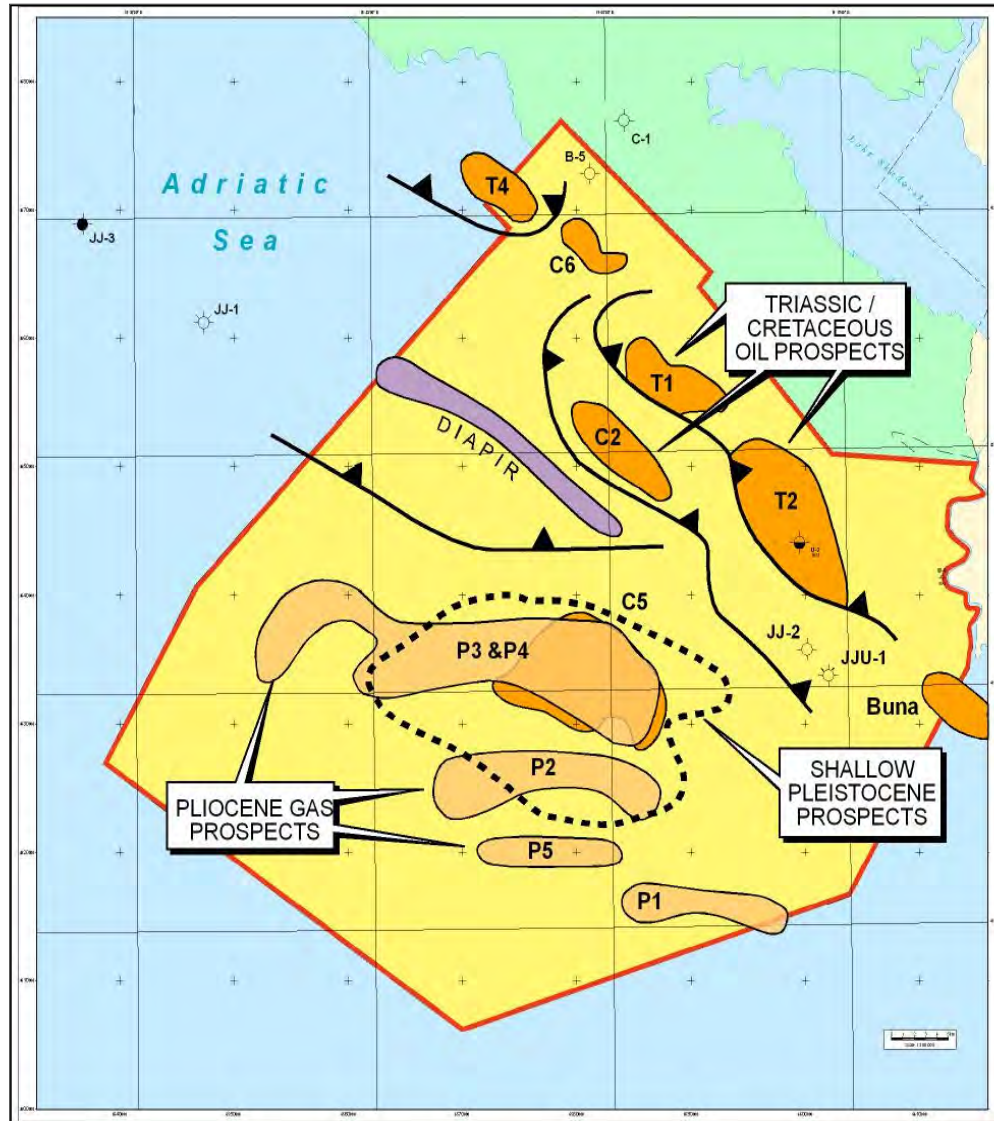
Pleistocene & Pliocene sands charged with biogenic gas
Oligocene turbidites charged with thermogenic gas
Platform & shelf margin carbonates charged with Triassic oil
Triassic sandstones charged with Triassic oil

Data Room covers large amount of exploration data:

- 2D seismic exploration lines with total length of **6.500 km**
- 3D seismic data at the surface of **311 km²**
- 3D **GeoQube** data on the surface of **138 km²**
- 4 deep drilling off-shore holes and **10** on land (up to 5.300 m depth)



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Current Activities – Next Steps

Current Activities

- Initial invitation for expression of interest launched and 18 companies expressed interest
- Opened Data Room;
- Drafting of enabling legislation is progressing, as well as Model Concession Contracts
- First bid round expected in 2012

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Companies

NOVATEK	Russian Federation
NIS- GAZPROM NEFT	Serbia
HESS CORPORATION	USA
TRAJAN OIL&GAS – ENERGEAN OIL&GAS	United Kingdom – Greece
EDISON SpA	Italy
GEOPARTNERS LIMITED	United Kingdom
TDE SERVICES	Hungary
HELLENIC PETROLEUM	Greece
STERLIN ENERGY PLC	United Kingdom
ENI	Italy
NORTHERN PETROLEUM PLC	United Kingdom
TOTAL	France
INA	Croatia
STATOIL ASA	Norway
PREMIEROIL	United Kingdom
SEAENERGY PLC	United Kingdom
EXXONMOBIL INTERNATIONAL LIMITED	USA
WHITE FALCON	Switzerland

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