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Petroleum Service Group

Tuesday 22 September 2009

The Deloitte Academy, London

Doing Business in the Black Sea

Upstream Industry Challenges in the Region

Valentin Kunev

Balkan and Black Sea Petroleum Association (BBSPA)

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B&BS - area of oil and gas production and transit

Eastern supplies from Russia, Caspian and Middle East to Europe and world markets

Pipeline	Status
CPC oil pipeline	completed, expansion to be scheduled
Baku-Ceyhan oil pipeline	completed, expansion optional
Burgas-Alexandrupolis oil pipeline	project
Samsun-Ceyhan oil pipeline	project
AMBO oil pipeline	project
Constantsa-Triest oil pipeline	project
SCP gas pipeline	completed
GTI gas pipeline	completed
Blue Stream gas pipeline	completed, expansion optional
Nabucco gas pipeline	project
South Stream gas pipeline	project
White Stream gas pipeline	project
TAP gas pipeline	project
Poseidon gas pipeline	project
Cross-border gas interconnections in the Balkans	One in construction; others are projects

Pipelines will Diversify Routes or Sources of Supply

Routes diversification will bring:

- More security of supply, but less stable security of supply
- Fostering monopolistic position of incumbent suppliers against competition

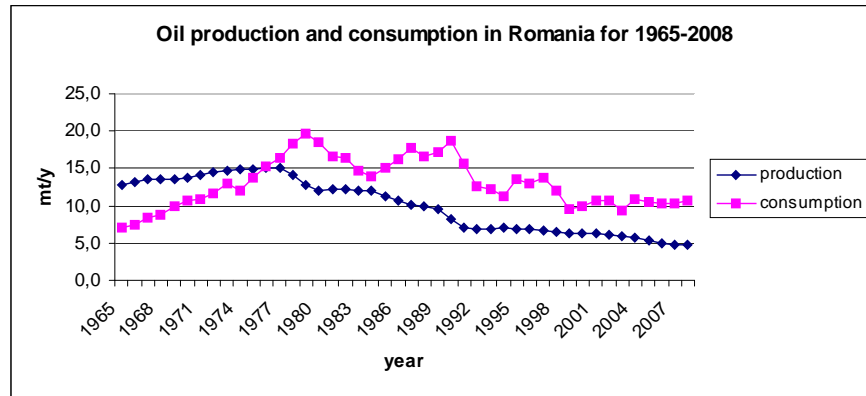
Diversification of sources of supplies will bring:

- More security of supply and more stable security of supply
- More diversity, competition and better quality
- More market and self-regulation

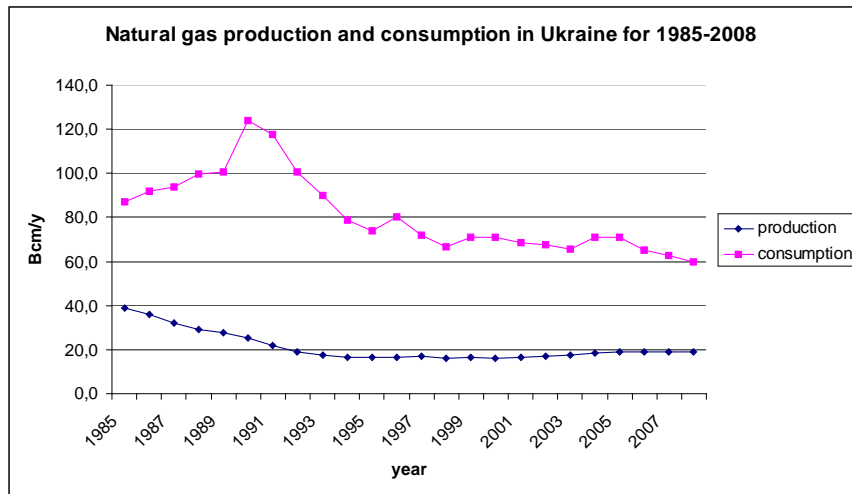
B&BS Indigenous oil and gas production

Oil and gas production in the Black Sea will diversify sources of supply, decrease import dependency

Production activities



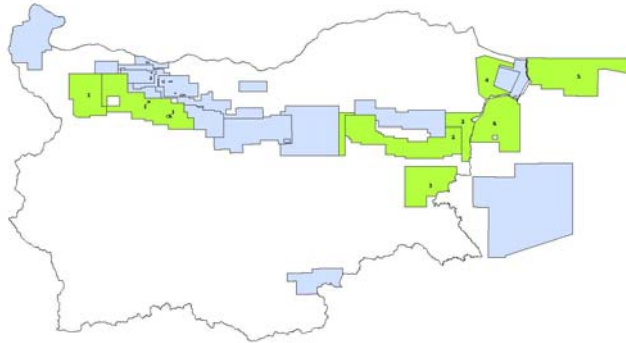
- Peak production has passed
- There is a widening gap between demand and production which is covered by import
- Oil production is sustained or declining
- Gas production is slightly increasing due to offshore new discoveries



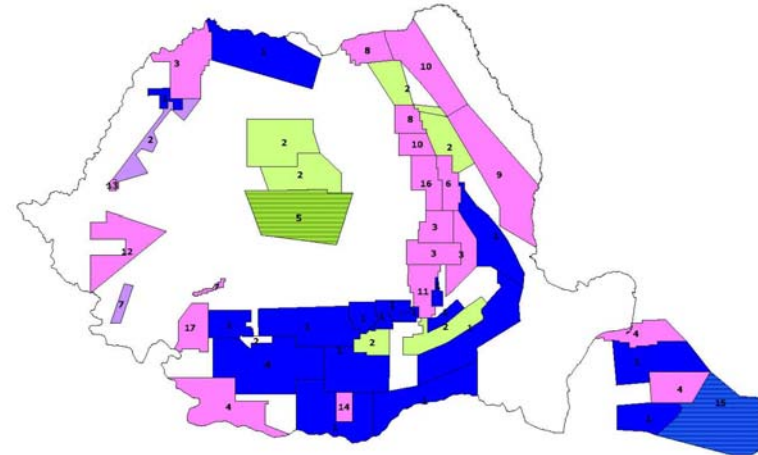
Romania: Petrom, Romgaz, Sterling
Ukraine: Naftogaz, JKX
Bulgaria: Melrose Resources
Turkey: TPAO, Toreador, OMV

Exploration Activities

Bulgaria



Romania



Bulgaria

Direct Petroleum

Balkan Explorers Bulgaria+JKX Bulgaria

Oil&Gas Exploration and Production

Melrose

Romania

Petrom

Romgaz

Rompetrol

Sterling

GTI OIL

Toreador Resources + Lotus Petrol

Rompetrol + Zeta Petroleum

Carpathian Energy

Petrom + ExxonMobil

Falcon Oil&Gas

Romgaz+Wintershall

Amro Gold Oil

Europa Oil&Gas + MND

Regal Petroleum

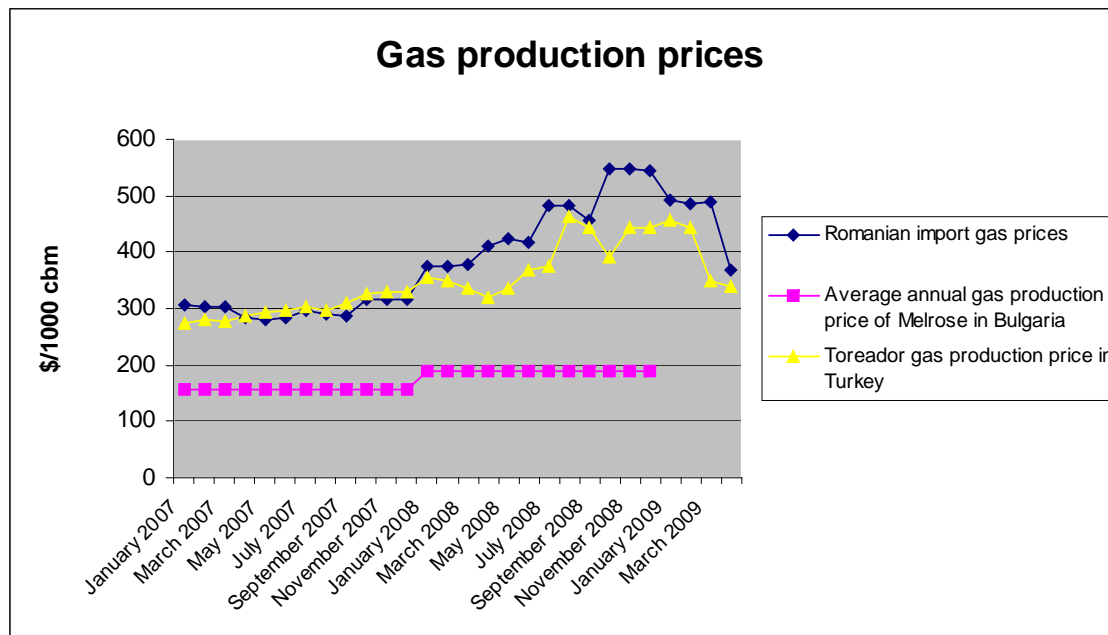
Regal Petroleum + Aurelian Oil&Gas

Toreador Resources

Aurelian+Europa Oil&Gas+Romgaz

Production (Wellhead) Prices

- how they are formed in the country
- are they high enough
- what is the level of goverernmental interference
- is export to outside markets possible

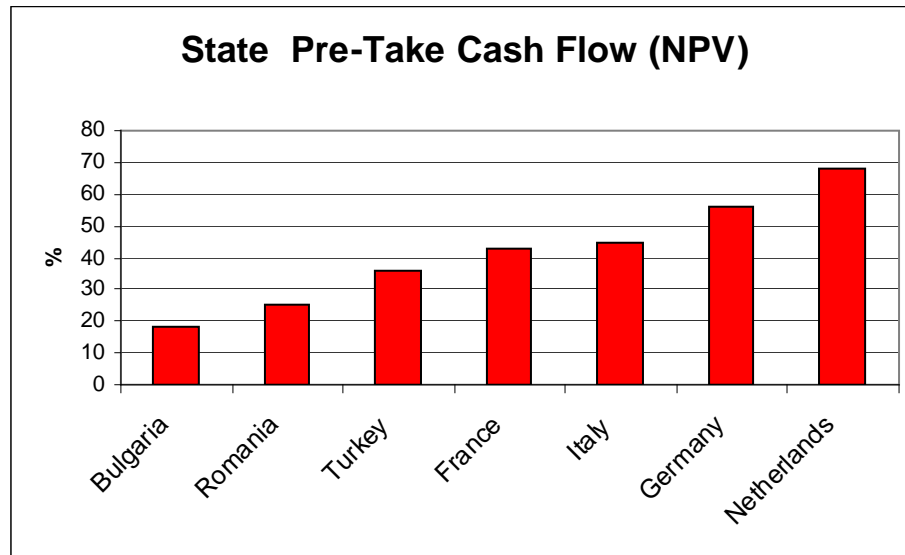


Legal Regime

- is it easy to get a license/concession
- farm-in and farm-out
- concession rights and PSA
- tender procedures

Taxes and Royalties

- Are they too big to discourage investors



B&BS countries are more attractive for doing business than W. Europe as far as taxes are concerned

Source: Wood Mackenzie

Political stabilities and risks

- What is the impact of political instability and changes on business

Oil protectionism

Incumbents, competition and partnership

- how equally are companies treated

Subsurface perspective

- Onshore: unconventional plays - tight gas, small fields
- Offshore: big prospects, big risks and big rewards

Balkan & Black Sea Petroleum Association (BBSPA)

www.bbspetroleum.com

BBSPA forthcoming events:

- Oil and Gas Upstream Seminar, Kiev, Hotel Hayatt, 5 November 2009
- Gas Storage Seminar, Sibiu, Romania, Hotel Hilton, 17 December 2009
- BBPA Annual Conference, Vienna, Hotel Marriott, 14-15 April 2010

Thank you for the attention