

Natural Resources Briefing

March 2012



Greek Petroleum Exploration Concessions

The Greek government has recently announced its intention to launch an international call for proposals for exploration and drilling concessions, two offshore and one onshore, in Western Greece.

The following three exploration sites have been put forward for “open door” expressions of interest:

1. **Patras Gulf:**

Recent seismic testing has shown suitable geological structures and the estimated reserves are 200MMbbls. Triton obtained the rights to this area in the first round of concessions in 1996, but in 2001 it abandoned the most promising structure in the area “for internal business reasons”, according to the Ministry. The area is considered difficult on the basis that similar geological targets have not been drilled until now.

2. **Northern Ipirus – Ioannina:**

Listed as “an interesting area with deep targets and mountainous terrain”. The cost of seismic and drilling surveys is expected to be high due to the depth of the expected reserves (over 4,000m). Drilling was started at an area with highly-probable petrol-bearing geological structure, but was not completed for technical reasons (high pressures) and the concession was abandoned and returned to the State in 2002. Primary estimations are around 50-80 MMbbls. This area is close to Albania, which also has similar oil exploration systems.

3. **West Katakolo, Peloponnese:**

Oil was discovered here in 1982 and estimates are of 3 MMbbls at a depth of 2,400 – 2,600m in the sea about 3.5km from Katakolo (*a small port in the Western Peloponnese*). At the time the reserve was discovered it was considered economically unviable due to the water depth of 250m and the low cost of petroleum at the time. The cost of petroleum and the drilling technology, which would allow for drilling to take place from a land-based facility by way of directional slant drilling

without affecting tourism and the port of Katakolo, mean that exploitation is now feasible.

The Open Invitation for Expression of Interest was sent to the Official Journal of the European Union for publication on 5 January 2012 and once the RFP is published (expected to occur later this month), the data room will be opened, including all previous seismic measurements. The criteria for assessing offers include financial capacity, technical experience in surveying and exploration, business case, geological knowledge, experience of dealing with environmentally-sensitive regions and the applicant's previous drilling history (including any incidents of negligence).

A lease agreement will be concluded between the Ministry and the concessionaire, which will provide for royalties to the State on a staged Gross Revenue/Cost basis of between 2% and 20% of the amount of carbons extracted, to be provided in cash or in kind. The royalty will be tax-deductible, and the concessionaire will have a special corporate income tax rate of 20% and local tax of 5%, without any other tax burden.

Further information concerning the details of the tender will be published in due course on the Ministry's website, <http://www.ypeka.gr>. The final date for submission of offers is 2 July 2012.

Other Sites

The Under Minister also announced on 23 February that a further 15 onshore sites would also be tendered within the next six months.

Seismic Surveys

A tender for non-exclusive seismic surveying of the coast of Western and Southern Greece for use in the promotion of new concessions was published in the Official Journal of the European Union in December 2011; bids must be submitted by 2 March 2012. See:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:353:0010:0014:EN:PDF>

Watson, Farley & Williams

Watson, Farley & Williams is one of only two international law firms which has substantial Greek-law experience.

We are an industry-focussed firm and one of the sectors in which we specialise is natural resources. We are highly ranked in this sector (such as rated top in Morningstar's ratings of advisers to AIM Oil & Gas companies) and recommended by independent directories (such as Chambers, who note that *"There is no questioning the international reach of this firm. An expert in energy and natural resources, it has a wide network of offices and a sizeable corporate team capable of handling multitudinous transactions"*).

In Greece, our competitive advantage is that our Greek-law team in Athens have up to 15 years' experience in a wide range of regulated industries, including energy and natural resources (licensing, M&A and project finance for developers, but also acting for project finance banks), as a result of which we have considerable knowledge of the permitting and environmental legislation directly relevant to the oil and gas industry. Our lawyers in Greece also have full access to the considerable experience of the oil & gas and natural resources teams in our other offices.

In oil & gas, we have worked on the only active oil-producing project in Greece (the Energean SA offshore project near Kavala) where we acted for Standard Chartered Bank on the granting of a reserve-based lending facility; which included due diligence on environmental licences and the consequences of the oil exploration concession legislation.

Contacts

If you have any comments or queries on this subject, please get in touch with one of the contacts listed below:



Jan Mellmann
Partner
Head of Natural Resources
London
jmellmann@wfw.com
+44 20 7814 8060



Virginia Murray
Partner
Athens
vmurray@wfw.com
+30 210 455 7303



Chris Kilburn
Partner
London
ckilburn@wfw.com
+44 20 7814 8193



Heike Trischmann
Senior Associate
London
htrischmann@wfw.com
+44 20 7863 8973

UK
15 Appold Street
London EC2A 2HB

Tel: +44 20 7814 8000
Fax: +44 20 7814 8141/8142

Greece
4 Vasilissis Sofias Avenue
106 74 Athens

Tel: +30 21 0455 7300
Fax: +30 210 7212 490

All references to 'Watson, Farley & Williams' and 'the firm' in this brochure mean Watson, Farley & Williams LLP and/or its affiliated undertakings. Any reference to a 'partner' means a member of Watson, Farley & Williams LLP, or a member or partner in an affiliated undertaking, or an employee or consultant with equivalent standing and qualification. The transactions and matters referred to in this publication represent the experience of our lawyers.

This publication is produced by Watson, Farley & Williams. It provides a summary of the legal issues, but is not intended to give specific legal advice. The situations described may not apply to your circumstances. If you require advice or have questions or comments on its subject, please speak to your usual contact at Watson, Farley & Williams.

This publication constitutes attorney advertising.

© Watson, Farley & Williams 2012

100-000-1124 PIR KW KW 07/03/2012