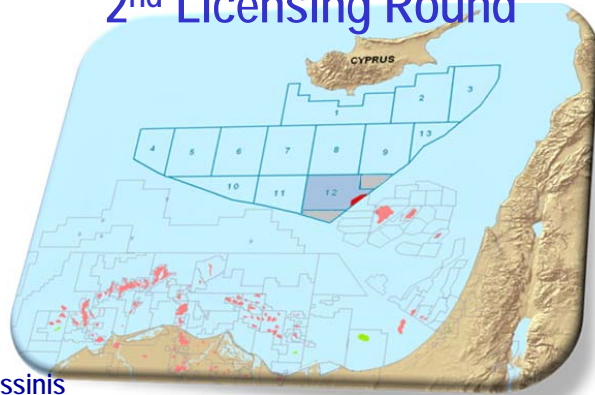


Offshore Cyprus

A New Frontier & Emerging Hydrocarbon Region for Offshore Development & Investments

2nd Licensing Round



Solon Kassinis
Director - Energy Service

Ministry of Commerce, Industry & Tourism
Republic of Cyprus



"Achieving your Full Potential in Cyprus. Attractiveness beyond taxation"
Moscow, 04 April 2012

Cyprus: Geostrategic Facts

- ▶ Third largest island in the Mediterranean Sea
- ▶ Located at the crossroads of big international energy routes
- ▶ Full member state of the European Union
- ▶ Open services-oriented market economy
- ▶ Well-established international financial center
- ▶ A strategic hub for business activities in the region
- ▶ Greater Mediterranean region is a market with large potential for oil and gas trading

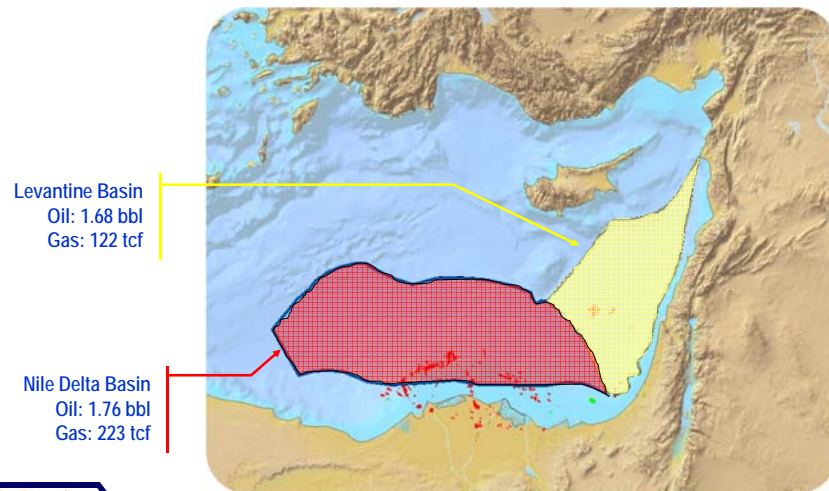


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Regional Hydrocarbon System: Potential

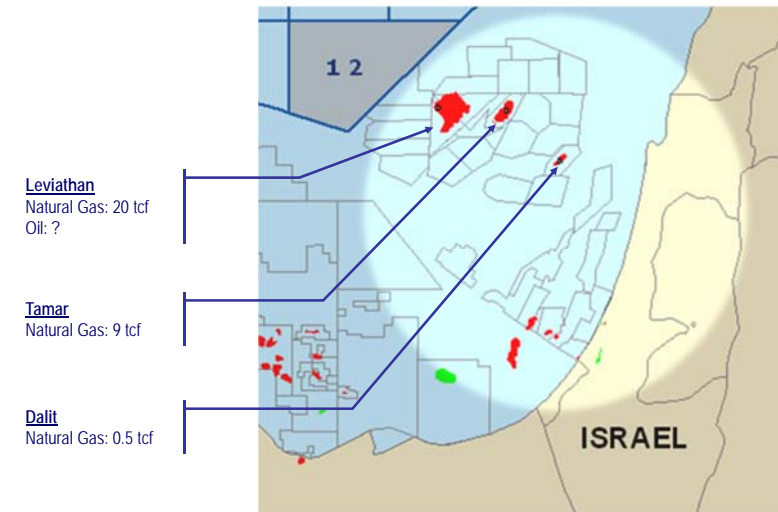
Undiscovered Oil & Gas Resources in the Eastern Mediterranean Assessment by USGS



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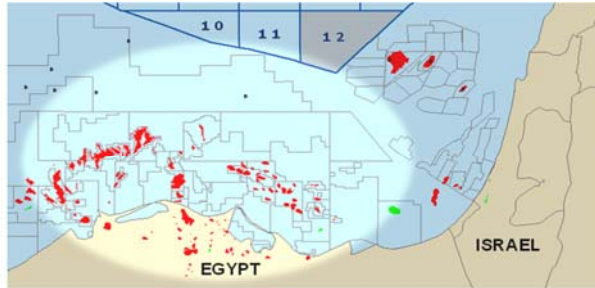
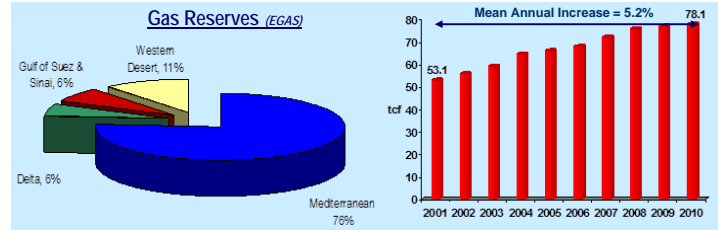
East Med Hydrocarbon System: Israel



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East Med Hydrocarbon System: Egypt

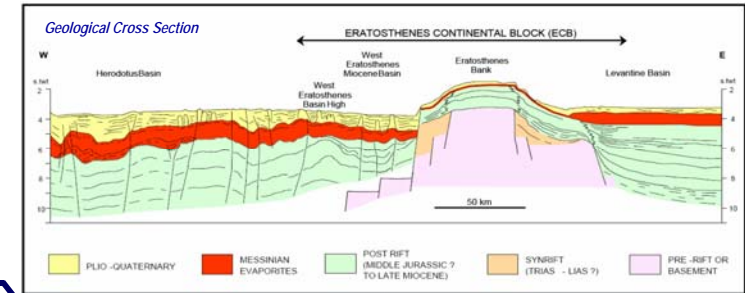


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Offshore Cyprus: An Emerging Area

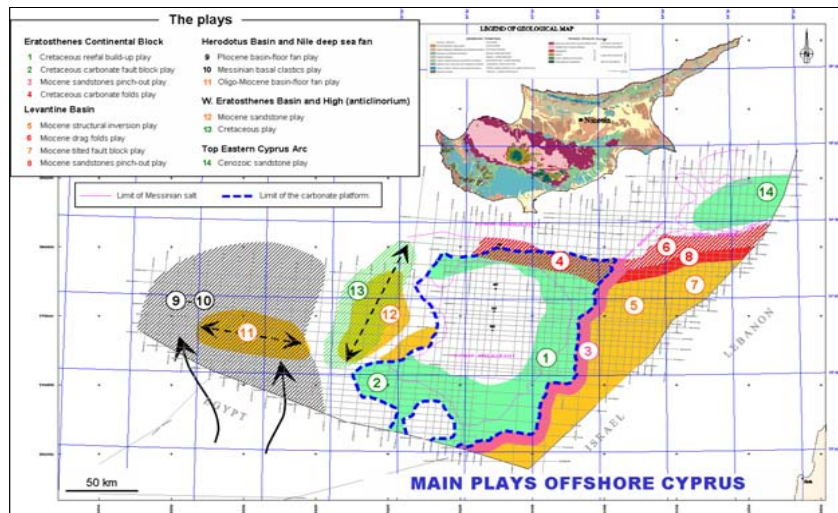
- ▶ A promising regional geological background
- ▶ A great number and variety of “play concepts” for Exploration associated to the different tectonic and stratigraphic domains
- ▶ Many attractive major “plays” have been identified
- ▶ An efficient regional seal: the Messinian evaporites
- ▶ Very thick sedimentary basins (12-15 km)
- ▶ Multiple possible clastics and carbonate reservoirs
- ▶ 14 plays and many leads of considerable size
- ▶ Big hydrocarbon discoveries in the region



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Offshore Cyprus: 14 Recognized Plays

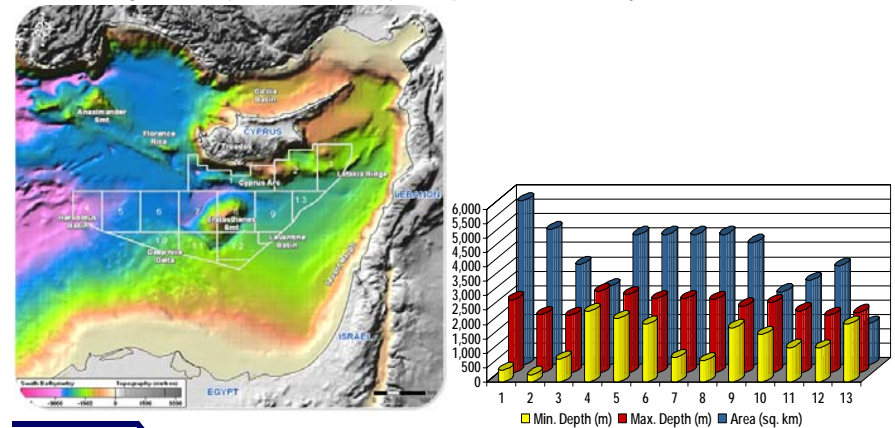


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Offshore Cyprus: A Frontier Exploration Area

- ▶ Deep-water frontier exploration area of about 51,000 km² (part of Exclusive Economic Zone)
- ▶ Located south of the island of Cyprus
- ▶ 13 Exploration Blocks
- ▶ Promising frontier exploration area with proven potential in the vicinity



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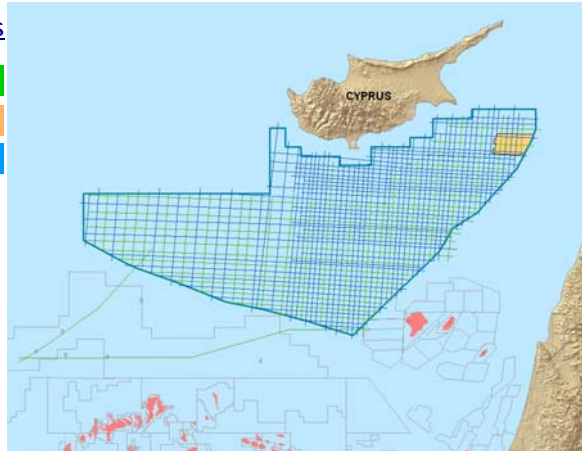
Geophysical Data

Multiclient Seismic Surveys

MC2D-CYP2006: 6,770 line km 2D

MC3D-CYP2007: 659 sq. km 3D

MC2D-CYP2008: 12,200 line km 2D



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Seismic Interpretation Reports

▶ “New Exploration Opportunities Offshore Cyprus: Exploration Plays and Leads (PGS, MC2D-CYP2006 and MC2D-CYP2008)”

- ◊ New Integrated 2D Seismic Interpretation Report
- ◊ 4 volumes, 181 Figures, 19 Maps
- ◊ Hydrocarbon prospectivity reassessed
- ◊ Identification of 14 different plays for exploration
- ◊ Regional geology, interpreted seismic sections, time and depth structure maps of key horizons, thickness maps of key intervals, plays and leads



▶ “New Exploration Opportunities Offshore Cyprus: 3D Seismic Interpretation Report in Block 3 (PGS, MC2D-CYP2007)”

- ◊ 3 volumes, 151 figures, 19 Maps
- ◊ TWT structural maps of 5 horizons, depth structural and interval maps, definition of reservoirs, seals and traps
- ◊ Inventory and volumetrics of leads



BeicipFranlab



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Legal & Regulatory Framework

- ▶ The Hydrocarbons (Prospection, Exploration and Exploitation) Law L.4(I) of 2007
- ▶ The Hydrocarbons (Prospection, Exploration and Exploitation) Regulations of 2007 and 2009

Hydrocarbon Exploration License

- ▶ Granted initially for up to 3 years; ability for two renewals of 2 years each
- ▶ Includes gravity and magnetic surveys, 2D/3D seismic surveys, as well as exploration drilling
- ▶ On each renewal, a certain percentage of the initial area is relinquished
- ▶ In case of a discovery, the licensee has the right to be granted an exploitation license



Hydrocarbon Exploitation License

- ▶ Granted for an initial period of up to 25 years; ability for one renewal of up to 10 years



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Legal & Regulatory Framework

Model Production Sharing Contract

- ▶ Model PSC to be used in the licensing procedure and concluded between the licensee and the Republic of Cyprus
- ▶ Main terms include:
 - ◊ **Fundamental Obligations**
 - Minimum Exploration Work Obligations
 - Work Programs & Budgets
 - Appraisal & Development Plans
 - ◊ **Fiscal Regime**
 - Cost Hydrocarbon recovery (up to a max. %)
 - Profit Hydrocarbon sharing % (based on “R” factor)
 - Signature and Production Bonus
 - Annual Surface Fees
 - ◊ **Training Obligations**
 - ◊ **Guarantees**
 - ◊ **Accounting Procedure**
- ▶ Zero taxation



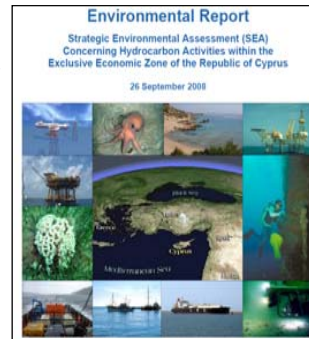
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Legal & Regulatory Framework

Environment – Health & Safety

- ▶ Republic of Cyprus has carried out a Strategic Environmental Assessment (SEA) to identify, describe and evaluate the likely significant effects on the environmental effects of implementing hydrocarbon exploration and exploitation activities
- ▶ Applicants are bound to follow and comply with the results and recommendations of the SEA
- ▶ Every licensee shall carry out hydrocarbons operations in a proper, safe and workmanlike manner and in accordance with good hydrocarbon field practices and the relevant national legislation
- ▶ Every licensee shall ensure that hydrocarbon operations are conducted in an environmentally acceptable and safe manner, consistent with the environmental legislation and the good international industry practice



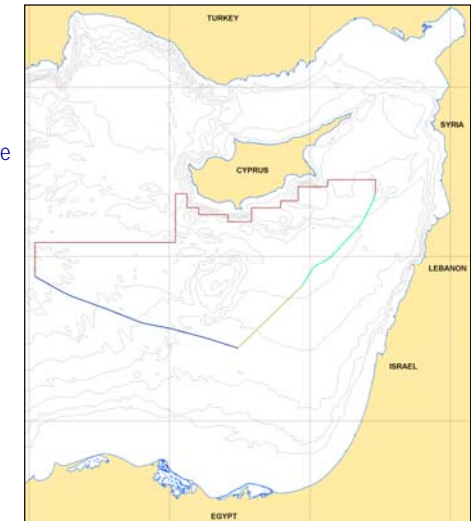
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Maritime Boundaries

International Bilateral Agreements

- ▶ Arab Republic of Egypt
 - ◊ Delimitation of the EEZ (2003)
 - ◊ Framework Agreement concerning the development of cross-median line hydrocarbon resources (2006)
 - ◊ Confidentiality Agreement (2006)
- ▶ Lebanon
 - ◊ Delimitation of the EEZ (2007)
- ▶ Israel
 - ◊ Delimitation of the EEZ (2010)



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Exploration Licence - Block 12

- ▶ Feb.-Aug. 2007: 1st Licensing Round
- ▶ Oct. 2008: Exploration Licence and PSC with Noble Energy International Ltd
- ▶ Sept. 2009: 469 sq km 3D seismic survey (Prospect: **Aphrodite**)
- ▶ Jun. 2011: 4,000 km 2D seismic survey + Grav & Mag Surveys
- ▶ Sept. 2011: First Exploratory Well
- ▶ Oct. 2011: First Renewal of the Exploration Licence – 25% Relinquishment



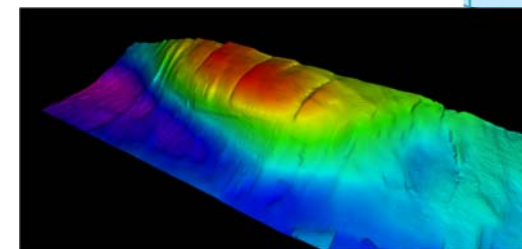
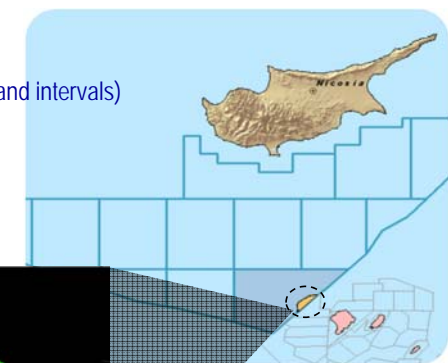
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Exploratory Well in Block 12

Natural Gas Discovery 28 Dec. 2011

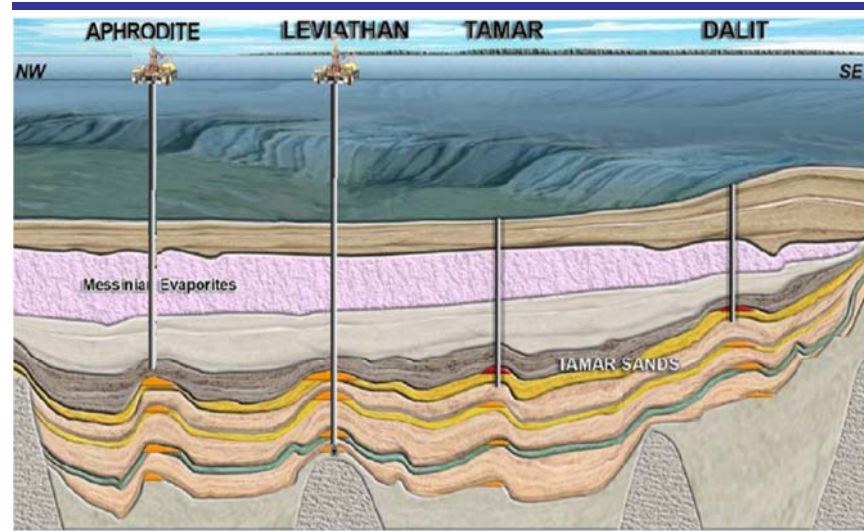
- ▶ 7tcf gross mean estimated resources
- ▶ 310 feet net natural gas pay (Miocene sand intervals)
- ▶ 40 sq. miles are covered by the field
- ▶ 5,860m total depth
- ▶ 1,688m water depth



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Hydrocarbon System – East Med



Modified from Noble's Energy Inc. presentation

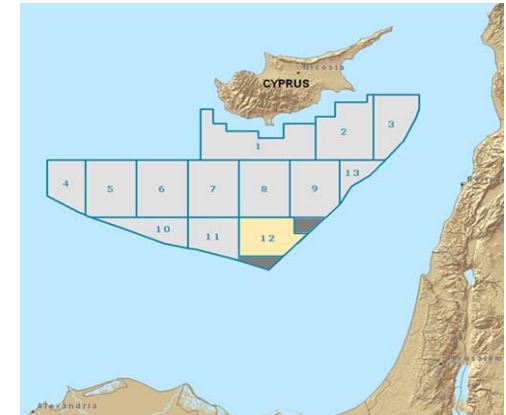


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2nd Licensing Round

- ▶ Exploration Blocks 1-11 and 13
- ▶ Available data:
 - ◊ MC2D-CYP2006 survey data comprising 6,770 line-km
 - ◊ MC3D-CYP2007 survey data in Block 3 covering 659 km²
 - ◊ 3D Interpretation Report on Block 3
 - ◊ New MC2D-CYP2008 survey data comprising further 12,200 line-km
 - ◊ New integrated 2D Interpretation Report (MC2D-CYP2006 & MC2D-CYP2008)
- ▶ Requirements for Participation:
 - ◊ The minimum amount of seismic data that has to be purchased from PGS is 2,000 line-km
 - ◊ Prospective license applicants shall have to purchase the 2D Interpretation Report (2009)
 - ◊ Prospective license applicants for Block 3 shall also have to purchase the MC3D-CYP2007 seismic survey and the 3D Interpretation Report (2008)



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Submission of Applications

- ▶ General Procedure & Guidelines
 - ◊ Invitation for submission of applications was published in the Official Journal of the European Union on the 11th of February 2012
 - ◊ Applications are submitted to the Minister of Commerce, Industry and Tourism not later than the 11th of May 2012
 - ◊ Evaluation of the applications is carried out by a Committee
 - ◊ The terms and conditions of the Contract shall be negotiated with the selected applicant
 - ◊ The competent authority for the granting of licences is the Council of Ministers
 - ◊ One application per Block
 - ◊ Content of Applications:
 - Technical, Financial and Legal Capacity documentation
 - Technical and Financial Proposal for the Block
 - ◊ Description of the exploration programme
 - ◊ Minimum exploration work (at least one exploration well) for each exploration sub-period
 - ◊ Economic terms with respect to the maximum cost hydrocarbon recovery and to the profit hydrocarbon sharing
 - ◊ Minimum annual training budget during exploration and exploitation
 - ◊ Signature & Production bonuses
 - ◊ Short notice relating to the possible impact on and protection of the environment



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Submission of Applications

- ▶ Criteria for Evaluation
 - ▶ The Technical and Financial ability of the applicant
 - ▶ The ways in which the applicant intends to carry out the activities that are specified in the licence
 - ▶ The financial consideration that the applicant is offering in order to obtain the licence
 - ▶ Any lack of efficiency and responsibility that the applicant has shown under any previous licence or authorisation of any form in any country of the world
 - ▶ National security and public interest will also be taken into consideration



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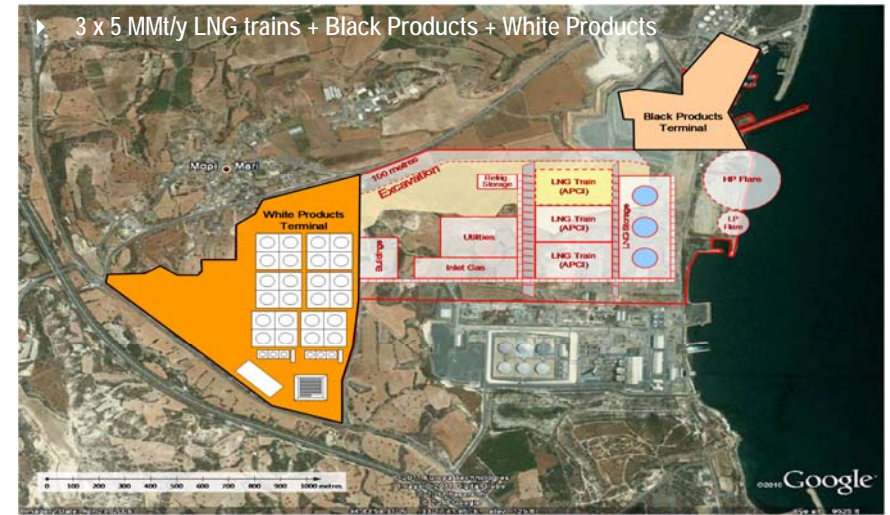
Gas Market Outlet: LNG (Subject to Political Decisions)



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Gas Market Outlet: LNG (Subject to Political Decisions)

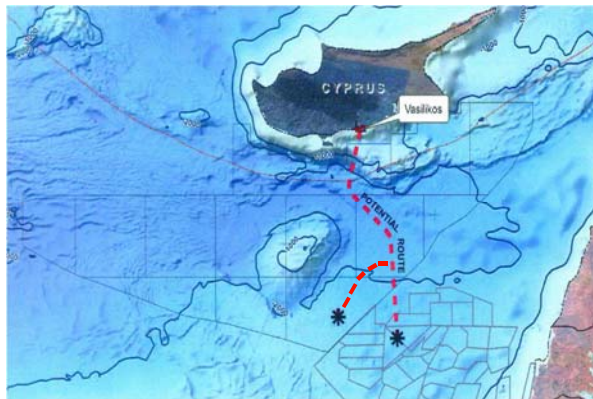


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Natural Gas Projects (Subject to Political Decisions)

- ▶ Natural Gas Transport to Onshore Cyprus
- ▶ Methanol Plant
- ▶ Power Generation Station



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Oil & Gas Potential Offshore Cyprus

- ▶ Known hydrocarbon system in the vicinity
- ▶ Big hydrocarbon discoveries in the region
- ▶ Several structures identified offshore Cyprus with Direct Hydrocarbon Indicators
- ▶ Cyprus offers a stable business environment within the EU
- ▶ Access to the EU market and the Greater Mediterranean Region market
- ▶ Attractive terms offered (zero taxation on revenues from offshore hydrocarbon exploitation)



Offshore Cyprus: A promising new frontier with opportunities for high-potential hydrocarbon exploration activities



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