Offshore Cyprus
A New Frontier & Emerging Hydrocarbon Region for Offshore Development & Investments
2nd Licensing Round

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"Achieving your Full Potential in Cyprus. Attractiveness beyond taxation"
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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

Regional Hydrocarbon System: Potential
Undiscovered Oil & Gas Resources in the Eastern Mediterranean Assessment by USGS

Levantine Basin
Oil: 1.68 bbl
Gas: 122 tcf

Nile Delta Basin
Oil: 1.76 bbl
Gas: 223 tcf

East Med Hydrocarbon System: Israel

Leviathan
Natural Gas: 20 tcf
Oil: ?

Tamar
Natural Gas: 9 tcf

Dalit
Natural Gas: 0.5 tcf
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

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
Geophysical Data

**Multiclient Seismic Surveys**

- MC2D-CYP2006: 6,770 line km 2D
- MC2D-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

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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
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

Exploration Licence - Block 12
- Feb.-Aug. 2007: 1st Licensing Round
- 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

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

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)
- Lebanon
  - Delimitation of the EEZ (2007)
- Israel
  - Delimitation of the EEZ (2010)

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**Hydrocarbon System – East Med**

- **APHHRODITE**
- **LEVIATHAN**
- **TAMAR**
- **DALIT**

**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

- **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)

**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

- **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
**Gas Market Outlet: LNG (Subject to Political Decisions)**

- 3 x 5 MMt/y LNG trains + Black Products + White Products

**Natural Gas Projects (Subject to Political Decisions)**
- Natural Gas Transport to Onshore Cyprus
- Methanol Plant
- Power Generation Station

**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*