



UKRAINE ANNOUNCES MASSIVE LICENSING ROUNDS IN 2019

Ukraine has outlined terms for a series of oil and gas licensing rounds with acreage of nearly 25,000 sq km. At this moment, 35 onshore and 1 offshore blocks have been officially opened for transparent competitive bidding.

Concession areas to be sold through online auctions cover more than 4,000 sq km, and production sharing agreement (**PSA**) blocks up for tenders cover 11,600 sq km onshore and 9,500 sq km offshore.

All onshore blocks are located in proven petroleum provinces with well-developed midstream infrastructure and widely covered by geophysical surveys. Predominantly, all blocks have undiscovered hydrocarbons resources estimated as inferred (yet-to-find).

First, Second, and Third licensing rounds, taken place on March, May, and June have resulted in the awarding of concession licenses for E&P during 20-year period for 16 blocks from 26 proposed. The total paid amount was more than \$812 million. Four Ukraine's gas producers received new acreages: Burisma Group, DTEK Oil & Gas, state-owned UGV and Yedyna Oil & Gas Company.

In addition, the Ukrainian government has opened a public tender for nine onshore and one offshore PSA blocks with duration of 50 years. Interested parties have to submit applications by May 28 and June 12, respectively. The highest bids will be selected in one month later. The final PSAs deals will have to be concluded during one year with the option to extend the negotiation by six months more.

Terms of the concession auctions

Auctions call for participants to be Ukrainian legal entities although they can be controlled by a nonresident company. The bidder is mandated to pay the refundable guarantee fee at 20% of the initial price of the bid.

During the four-year exploration period, a minimum work program must be completed which is to include seismic acquisition on 1/4 of the acreage and no less than one commercial well drilling.

The participant with the highest cash bid wins the auction.

Terms of the PSA tenders

Ukrainian and nonresident legal entities are allowed to participate in the tenders. A non-refundable bid submission fee accounts for USD 10,830.

A minimum financial commitment in the five-year exploration period have been stipulated dependent on each block in the range USD 16 million to USD 56 million. During the exploration period, a minimum work program must be completed which is to include seismic acquisition and no less than two exploration wells. Offshore block Dolphin minimum work program requirements include five exploration wells drilling, but do not stipulate seismic acquisition.

The submitted bids will be assessed according to the following criteria: the best work program - 80 points; efficient use of natural resources - 15 points; attractiveness of bids as regards production sharing in favor of the state - 30 points; the largest volume of investments - 35 points; efficient environmental protection measures - 15 points; level of financial security of the proposed work program - 30 points; previous experience in E&P, in particular from unconventional formations - 45 points; and utilization of goods, works, and services of Ukrainian origin - 20 points.

Full details at www.GOUkraineNOW.com, released by the Association of Gas Producers of Ukraine.

CONCESSION LICENSING ROUNDS

Name of the block	Region	Acreage, sq km	Type of license	Duration, years	Initial price, UAH (UAH/USD ~ 27)	Bid, UAH	Winner
First Round (March 6)							
Vatazhkivska	Poltava	181,8	E&P	20	18 100 000	No bid	No bid
Dubrivsko-Radchenkivska	Poltava	65,35	E&P	20	17 500 000	25 100 000	Burisma Group
Svitankovo-Lohivska	Kharkiv	197,49	E&P	20	17 730 000	85 000 010	DTEK O&G
Pechenizko-Kochetkivska	Kharkiv	262,73	E&P	20	11 700 000	No bid	No bid
Saltivska	Kharkiv	26,12	E&P	20	18 310 000	No bid	No bid
Kniazhynska	Kharkiv	75,32	E&P	20	498 420 000	No bid	No bid
Pivdenno-Kobzivska	Kharkiv	368,08	E&P	20	9 620 000	30 949 060	UGV
Dykhtynetska	Chernivtsi/ Ivano-Frankivsk	74,06	E&P	20	10 090 000	No bid	No bid
Zakhidnotokarsko-Krasnianska	Luhansk	91,06	E&P	20	4 590 000	No bid	No bid
Suvorivska	Odesa	462,95	E&P	20	9 210 000	No bid	No bid
Second Round (May 2)							
North-Efremivska	Kharkiv	99,50	E&P	20	11 656 000	50 000 000	UGV
Dobrenska	Kharkiv	122,23	E&P	20	6 300 100	6 350 101	UGV
Opolonivska-1	Chernihiv	247,87	E&P	20	6 406 600	6 456 601	UGV
Opolonivska-2	Chernihiv	230,51	E&P	20	231 800	No bid	No bid
Kaliuzhna-1	Sumy	162,36	E&P	20	7 654 700	7 704 701	UGV
Drohobyska	Lviv	140,90	E&P	20	15 528 650	15 730 000	Yedyna O&G Company
Kadobnianska	Ivano-Frankivsk	21,17	E&P	20	1 542 050	6 051 001	UGV
Third Round (June 18)							
Kokhivska	Dnipropetrovsk/ Kharkiv	346,17	E&P	20	2 660 000	2 700 000	UGV
Rozdolivsko-Uspenivska 1	Dnipropetrovsk/ Kharkiv	271,14	E&P	20	6 810 000	6 910 000	UGV
Rozdolivsko-Uspenivska 2	Dnipropetrovsk/ Kharkiv	296,40	E&P	20	3 100 000	3 160 000	UGV
Orilsko-Brusivska	Dnipropetrovsk/ Kharkiv	234,60	E&P	20	23 110 000	23 510 000	UGV
Hoshivska	Ivano-Frankivsk	49	E&P	20	19 250 000	28 875 000	UGV
Yasenska	Ivano-Frankivsk	35,35	E&P	20	18 830 000	19 030 000	UGV
Bolekhivsko-Smolianska	Ivano-Frankivsk	10,39	E&P	20	2 450 000	5 000 000	UGV
South Slyvkynska	Ivano-Frankivsk	11,69	E&P	20	8 790 000	No bid	No bid
East Kosmatska	Ivano-Frankivsk	6,91	E&P	20	8 980 000	No bid	No bid

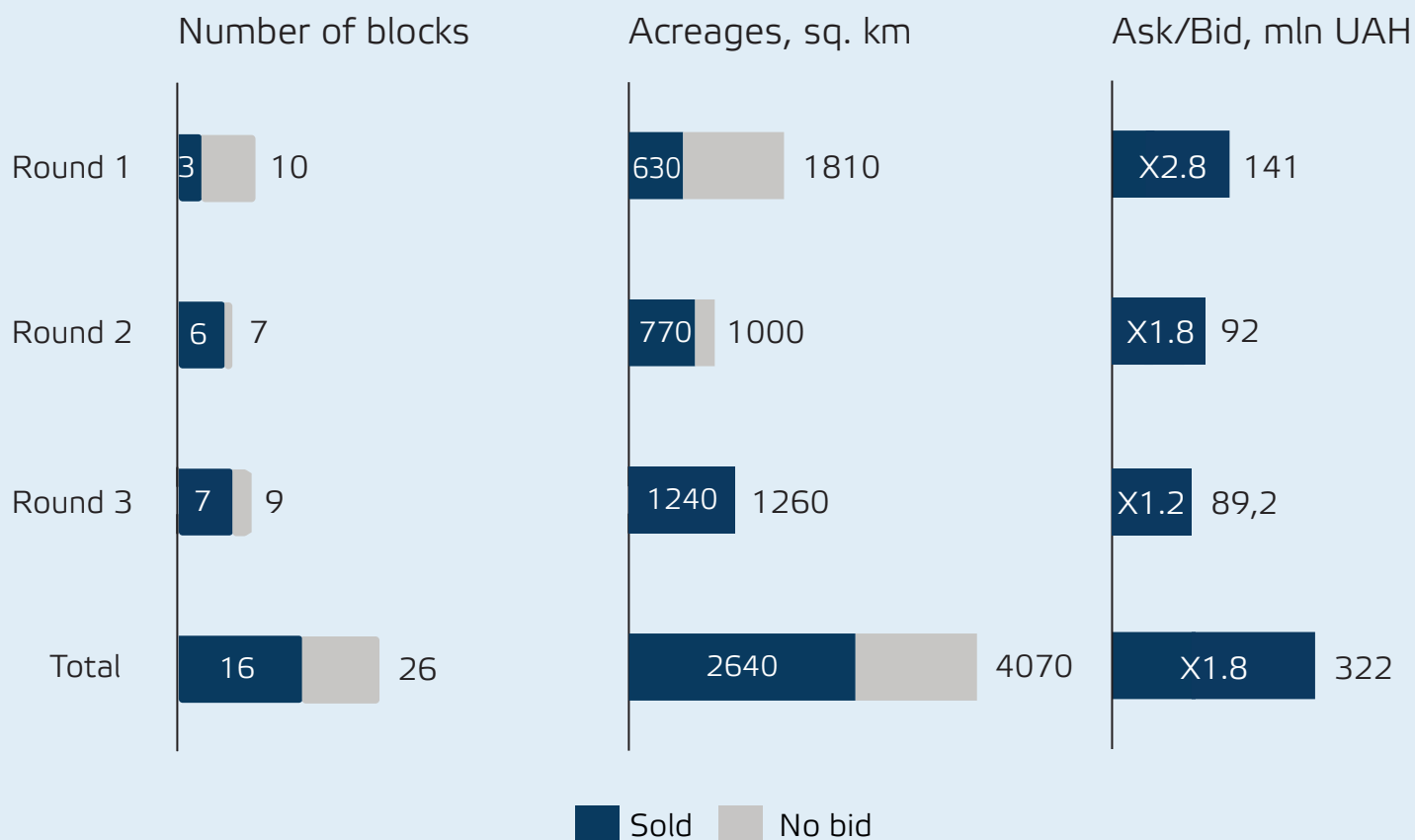
*In addition, the winner is obliged to purchase the respective geological data and pay for auction documents.

PSA TENDERS

Name of the block	Region	Acreage, sq km	Type of license	Duration, years	Minimum investment*	Work program minimum requirement
Onshore Round (May 28)						
Varvinska	Poltava/Chernihiv	3 471,26	E&P	50	UAH 1 000 000 000 (~USD 35 690 000)	drilling of no less than three exploration wells, performance of 3D seismic survey works no less than 500 sq. km
Rusanivska	Sumy/Poltava	766,56	E&P	50	UAH 800 000 000 (~USD 28 550 000)	drilling of no less than two exploration wells, performance of 3D seismic survey works
Buzivska	Kharkiv/Dnipro	669,65	E&P	50	UAH 600 000 000 (~USD 21 412 000)	drilling of no less than two exploration wells, performance of 3D seismic survey works
Zinkivska	Sumy/Poltava	571,4	E&P	50	UAH 500 000 000 (~USD 17 845 000)	drilling of no less than two exploration wells, performance of 3D seismic survey works
Ivanivska	Kharkiv	841,61	E&P	50	UAH 800 000 000 (~USD 28 550 000)	drilling of no less than two exploration wells, performance of 3D seismic survey works
Balaklijska	Kharkiv	1 119,25	E&P	50	UAH 800 000 000 (~USD 28 550 000)	drilling of no less than two exploration wells, performance of 3D seismic survey works
Sofiyivska	Chernihiv/Sumy/Poltava	2 715,95	E&P	50	UAH 1 000 000 000 (~USD 35 690 000)	drilling of no less than three exploration wells, performance of 3D seismic survey works no less than 500 sq. km
Berestyanska	Lviv/Kharkiv	286,38	E&P	50	UAH 450 000 000 (~USD 16 060 000)	drilling of no less than two exploration wells, performance of 3D seismic survey works
Ugnivska	Lviv/Ivano-Frankivsk	967,44	E&P	50	UAH 600 000 000 (~USD 21 412 000)	drilling of no less than three exploration wells, performance of 3D seismic survey works
Offshore Round (June 12)						
Dolphin	Northwestern part of continental shelf of the Black Sea	9,496	E&P	50	UAH 1500 000 000 (~USD 55 550 000)	drilling of no less than five exploration wells

*In addition, the winner is obliged to purchase the respective geological data and and pay for license.

RESULTS OF CONCESSION AUCTIONS



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