

Ukraine announces PSA tenders for 12 oil and gas fields

On 5 January 2019 entered into force Resolutions passed by the Cabinet of Ministers of Ukraine on 18 December 2018 (the '**Resolutions**') approving tenders for execution of production sharing agreements (the '**PSAs**') with the State of Ukraine for 12 oil and gas blocks.

Since this is the first time since 2012 that new oil and gas blocks are being offered to investors under PSAs, these resolutions represent a significant development for the Ukrainian oil and gas sector.

Below we capture the main features of the PSA tenders envisaged by the Resolutions.

Conditions of the PSA tenders

The main conditions of the PSA tenders for the 12 oil and gas blocks are as follows:

- **Eligible bidders:** Ukrainian and foreign legal entities, individuals or consortiums.
- **Mineral resources that can be explored and extracted:** Natural gas, shale gas, tight gas, coal-bed gas (methane), gas condensate and oil within 10,000 meters below the surface.
- **Participation fee:** UAH 300,000 (approximately USD 10,700) for each of the PSA tenders. The participation fee will be returned only if the PSA tender has been cancelled (for the reason of not even a single bidder applying for the tender or having the bidder apply, but not meeting the tender requirements).
- **Criteria for choosing the winner:** The Resolutions establish the following criteria for choosing the winner of the PSA tender:
 - focus of the work program towards complex usage of the oil and gas block and early production;
 - rational usage of natural resources under the work program;
 - level (percentage) of the state share at profit-production stage;
 - amount of investment;
 - effectiveness of the environment protection measures;
 - level of financial support for the work program;
 - experience in oil and gas exploration and production (in particular, from unconventional sources); and
 - level of local content (use of goods and services of Ukrainian origin).

— **Oil and gas blocks:** The blocks nominated for separate PSA tenders include:

No.	Oil and gas block	Region	Area	Minimum investment requirements established by the Resolutions
1	Varvinska	Poltava/Chernihiv	3,471.26	UAH 1,000,000,000 (approximately USD 35,690,000)
2	Rusanivska	Sumy/Poltava	766.56	UAH 800,000,000 (approximately USD 28,550,000)
3	Grunivska	Sumy/Poltava	1108.36	UAH 850,000,000 (approximately USD 30,335,000)
4	Ohtirska	Sumy/Poltava/Kharkiv	717.25	UAH 600,000,000 (approximately USD 21,412,000)
5	Buzivska	Kharkiv/Dnipro	669.65	UAH 600,000,000 (approximately USD 21,412,000)
6	Zinkivska	Sumy/Polava	571.4	UAH 500,000,000 (approximately USD 17,845,000)
7	Ivanivska	Kharkiv	841.61	UAH 800,000,000 (approximately USD 28,550,000)
8	Ichnyanska	Chernihiv	2,477.65	UAH 1,000,000,000 (approximately USD 35,690,000)
9	Balaklijska	Kharkiv	1119.25	UAH 800,000,000 (approximately USD 28,550,000)
10	Sofiyivska	Chernihiv/Sumy/Poltava	2,715.95	UAH 1,000,000,000 (approximately USD 35,690,000)
11	Berestyanska	Lviv/Kharkiv	286.38	UAH 450,000,000 (approximately USD 16,060,000)
12	Ugnivska	Lviv/Ivano-Frankivsk	967.44	UAH 600,000,000 (approximately USD 21,412,000)

— **Production sharing principles:** The investor's share cannot exceed 70% at the cost-recovery stage. At the profit-production stage, the state's share cannot be lower than 11%.

— **Requirements for the work program:** The following is required from the investor's work program:

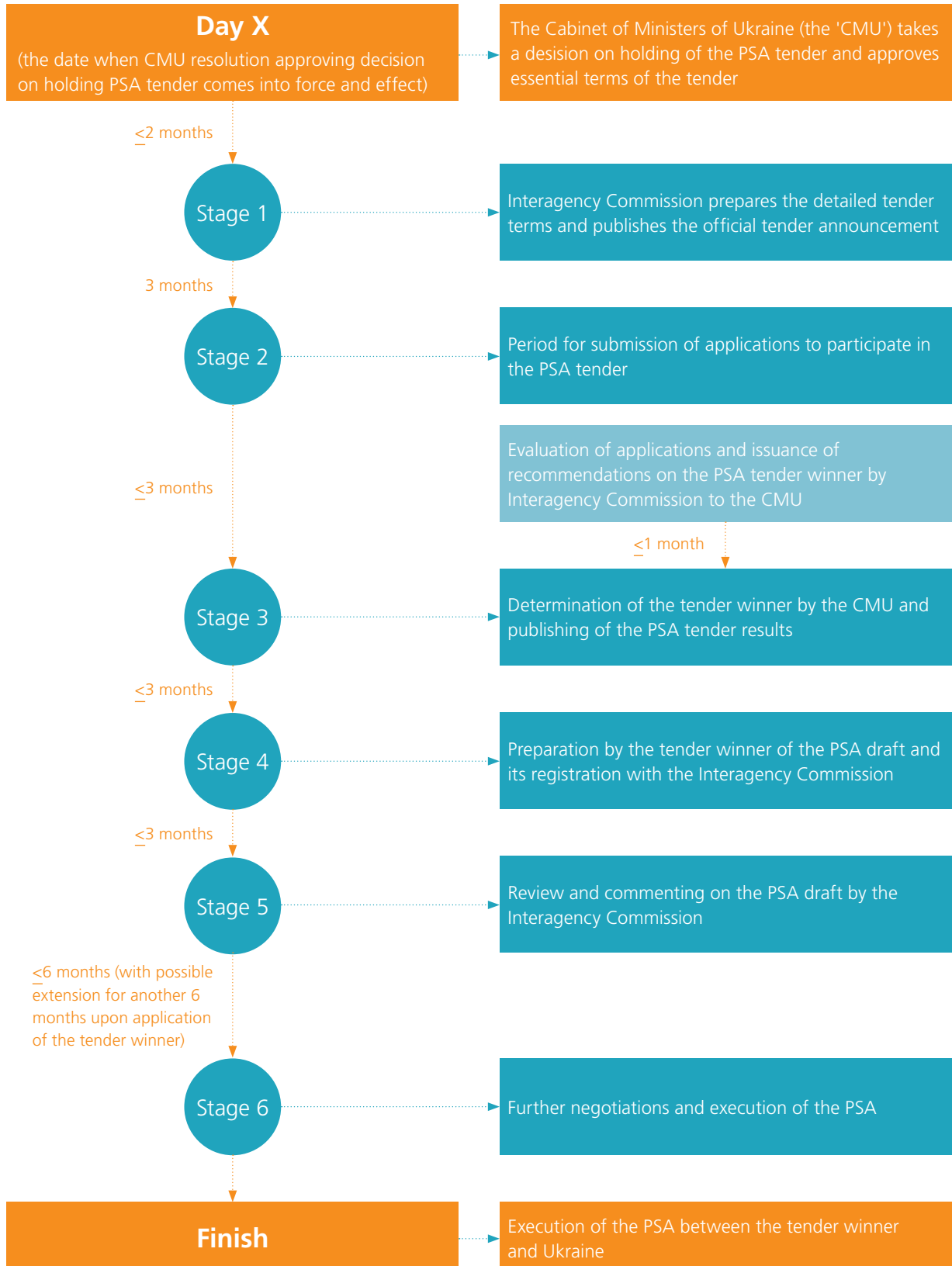
- preparation of the environmental impact assessment;
- performance of the following works within the geological exploration stage (the first five years): (a) geological exploration; (b) drilling of no less than two exploration wells (three wells in the case of the Varvinska, Ichnyanska, Sofiyivska and Ugnivska oil and gas blocks); and (c) performance of 3D seismic survey works on all of the blocks (but for no less than 500 square kilometres in the case of Varvinska, Ichnyanska and Sofiyivska blocks);
- preparation of the report on the geological survey of the oil and gas block and submitting it to the State Informational Geological Fund;
- submission of documents regarding discovered oil and gas deposits to the State Commission on Deposits of Mineral Resources and their approval;
- preparation of the deposits, drilling of the production wells and the commercial production of the deposits in the event that decision is made to pursue commercial production of oil and gas.

— **PSA duration:** 50 years, unless otherwise agreed by the parties.

PSA tenders timeline

PSA tenders are expected to be announced in February or beginning of March, at which time bidders will have three months to submit their applications.

The PSA tenders will be performed under the following procedure in accordance with the *Resolutions and the Law of Ukraine No. 1039-XIV On PSAs* dated 14 September 1999:



Contact us

For more information on these PSA tenders and other opportunities in the Ukrainian oil and gas sector, feel free to contact:



Vitaliy Radchenko

Partner

T +380 44 391 7702

E vitaliy.radchenko@cms-cmno.com

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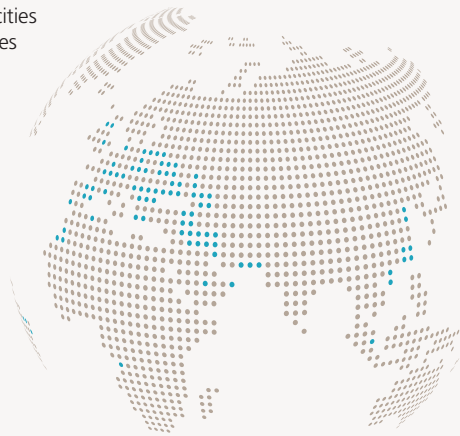
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