



# Regulatory Challenges in Upstream Oil & Gas Projects in Bulgaria

Exploration, Commerciality, Production and Storage Phases

Kostadin Sirleshtov, CMS Sofia

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# Update on upstream projects – offshore and onshore Bulgaria

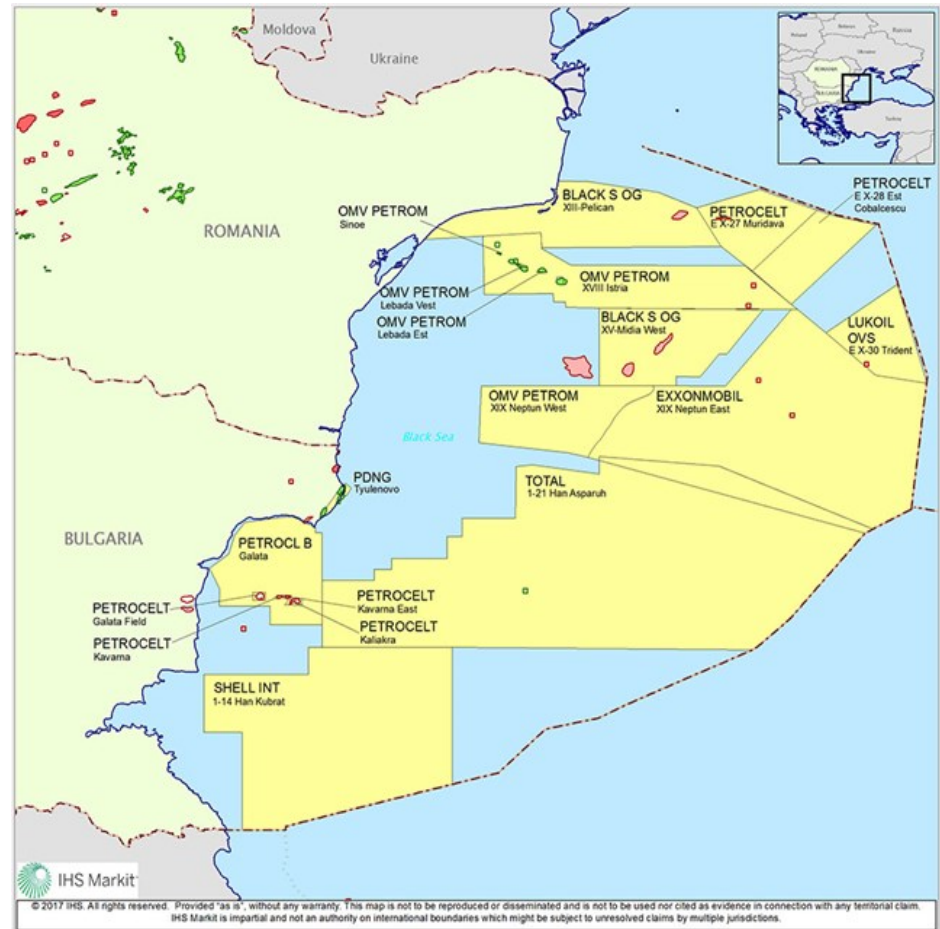
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- **Han Asparuh block** – extended term and new well;
- **Han Kubrat block** – first well completed; new shareholders;
- **Galata Block developments:**
  - The production from Galata and Kavarna concessions is continuing;
  - The extension of the term of Kaliakra concession is progressing;
  - Galata gas storage license in process;
  - Production from Kavarna East in 2020
- **New offshore tender in 2020**
- **SPM Block Vratsa West 1-25**
  - Signed in 2019 – the largest onshore block in Europe
  - Undergoing approval of OWP/AWP for the project;
  - Ongoing implementation of the Corporate Social Program under the agreement;
  - Preparatory steps for the commencement of the work program;
  - Funding of the project;



# Han Asparuh block

- **Partners:** Total (40%); OMV (30%) and Repsol (30%);
- **Record signing bonus** – 40 million EUR;
- **First exploration period 2012-2018** – full 2D/3D seismic and two deep-water wells;
- **Second exploration period 2018-2020** – third deep-water well and analysis
- **Third exploration period** and potential drilling



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# Block Han Kubrat

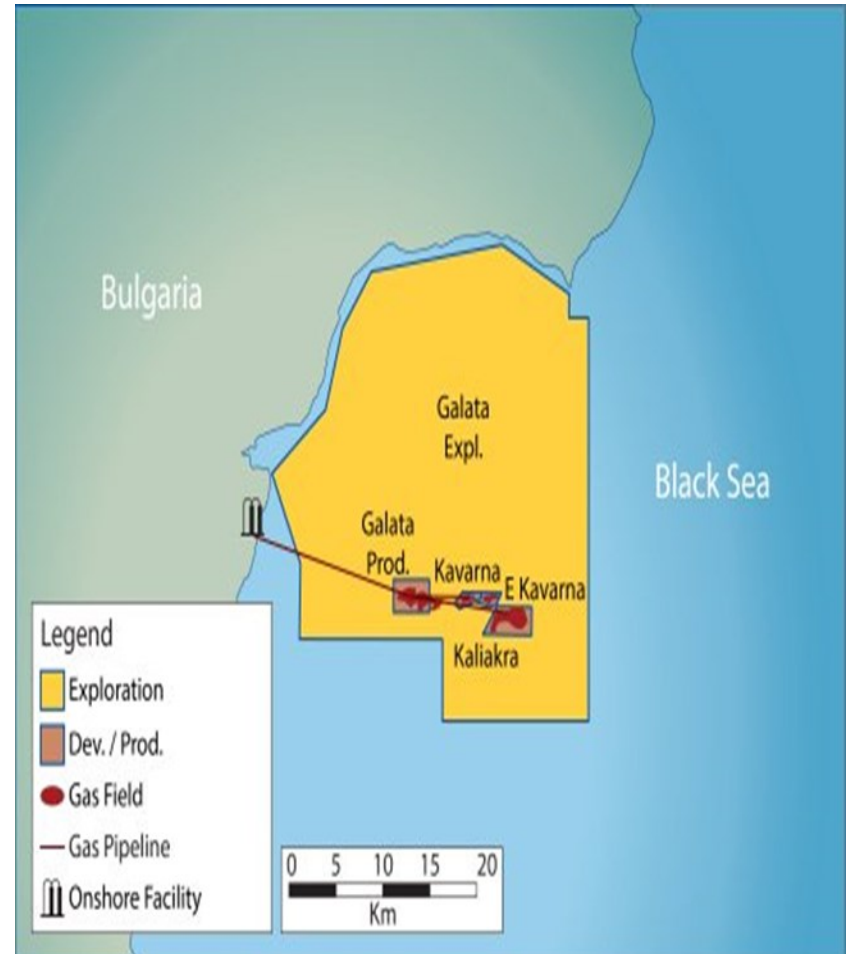
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- **Partners:** Shell (50%); Woodside (30%) and Repsol (20%);
- **First exploration period 2016-2021;**
- Full **2D/3D** seismic acquired;
- **First deep-water well** drilled in 2019;
- Expected **next wells**
- **CSR** program to be completed



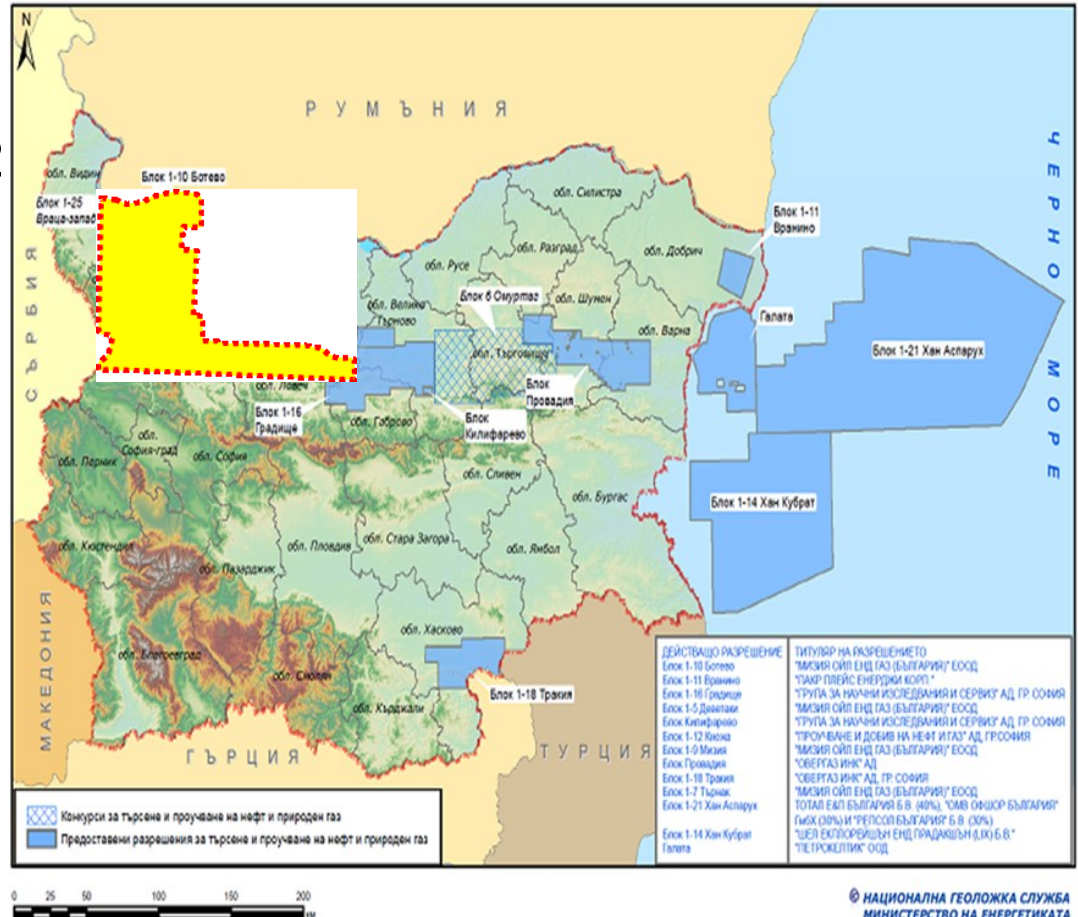
# Galata Block – Petroceltic Operations

- 2019 saw **Petroceltic's Bulgaria Operations** sold to an undisclosed buyer
- The **production continues** - decrease of the volumes;
- Pending **extension of Kaliakra** concession agreement;
- On going licensing procedure for the **transformation of Galata field into gas storage**;
- **Production from Kavarna East** deposit to be commenced
- Part of the **Balkan Gas Hub** project



# Vratsa West 1-25 Block, onshore Bulgaria

- Owned by **SPM USA**
- **Largest onshore block in Europe - 4887km<sup>2</sup>**
- Signed on **29 May 2019**
- Experienced team
- Major gas potential to be explored
- Existing discoveries and significant gas field (Chiren Field)
- Infrastructure in place
- Ongoing coordination/ OWP/AWP



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# Expected developments of the projects

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- Possible shifts in the permit holders due to:
  - Long lifespan of projects;
  - Burdensome work program;
  - Extensive financing;
- Upcoming drilling of wells:
  - Vast area of the tendered blocks;
  - Underexamined and underexplored areas;
- Foreign investment interests due to the presence of big players on the market





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# Investment opportunities

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- Pending publication of the announcement for **Tervel block tender in EU** official journal
- **Main parameters of the tender:**
  - Area: 4,032 km<sup>2</sup> and water column depth of between 1,500 to 2,000m
  - Term for filing of tender bids: up to the 140<sup>th</sup> day following the publication of the tender decision in the Official Journal of the European Union
  - Term for filing of proposals in performance of the tender requirements: up to the 155<sup>th</sup> day of the publication of the tender decision in the Official Journal of the European Union
  - Deposit fee for participation in the tender: BGN 15,000
  - The annual area fee will be BGN 161,280
  - No obligatory well

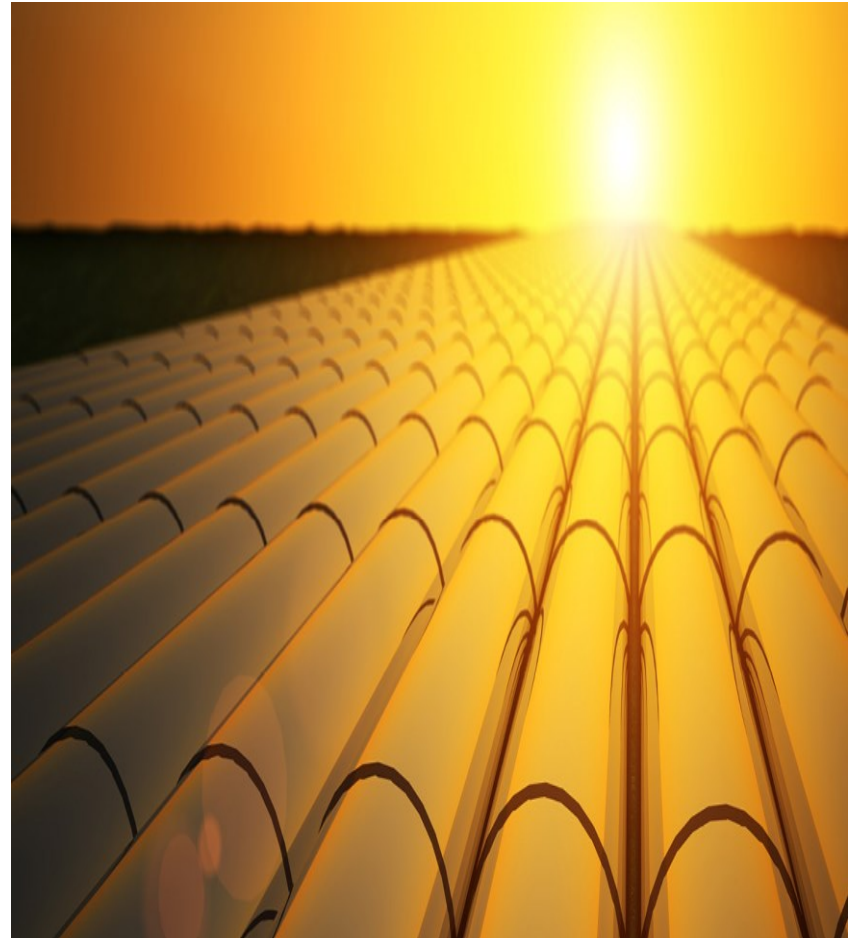


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# The Bulgarian section of Balkan Stream pipeline

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- **EPC contract** for the Bulgarian section of Balkan stream signed on **18 Sept 2019**;
- Commencement of the project announced;
- Completed the first 11 km. of the pipeline by 21 Oct 2019;
- Expected completion of the first stage of the project by the first quarter of 2020;



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## IGB Interconnector (Greece – Bulgaria)

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- **PCI** project for the EU;
- Total length of the pipeline of 182 km.; out of which 150 km in Bulgaria;
- Technical capacity between 3 to 5 billion cubic meters annually and extension possibility of up to 10 billion cubic meters;
- Start of operation, second half of 2020;
- Possibility for the connection to the Alexandroupoulos LNG terminal;
- Special tax treatment of the pipeline;
- Financing extended from the European Investment Bank of Eur 109,000,000;
- Pipeline suppliers: Corinth Pipework Industries S.A. and AVAX S.A.;
- Gas supply agreements signed with: Bulgargas, DEPA S.A. and Edison.

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# Upcoming legislative changes / National Policy

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- The amendments in the **Underground Resources Act** are still expected to be adopted:
  - Draft of the amendments and supplements were subject to public consultations;
  - Based on the public consultations some of the text were modified;
- No news on the **upcoming Sustainable Energy Strategy** of the country which the Minister of Energy should have proposed to the Council of Ministers by the end of October 2019;
- Bulgarian government in urge to ensure **gas supply to the country after 2020** due to the termination of the supply through Ukraine;
- The publication of the **Tervel Block tender** announcement with the EU Journal pending;

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**Languages**  
Bulgarian, English, Russian



Kostadin Sirleshtov is a partner at CMS Sofia and a Coordinator of the Energy, Projects and Construction Practice for CEE.

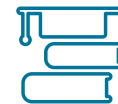
His particular area of expertise is oil and gas, conventional power, underground resources, nuclear, electricity, renewables, infrastructure, projects, PPP, public procurement. He has advised on all offshore oil & gas production concessions in Bulgaria and was involved in all recent tenders in the sector. He has advised a multitude of energy clients on their oil & gas exploration and production activities in Bulgaria.

Kostadin has worked as the Chief of the Minister's cabinet for the Ministry of Energy and Energy Resources 2002-2004 and Chief of Minister's cabinet in the Ministry of Defense 2005-2007. As part of the team at the Ministry of Energy and Energy Resources Kostadin was a member of the working group, which prepared the current energy legislation of Bulgaria, including the Energy Act 2003 and the Energy Efficiency Act 2004.



## Relevant experience

- License tender procedures
- Negotiations with the governmental authorities
- Legal support during prospecting and exploration works/concessions
- License transfers
- Concessions extensions
- Disputes related to concession matters
- Farm in and farm out procedures
- Regulatory and commercial matters related to concessions



## Education

LLM (Hons) Law Faculty Sofia University  
EU & UK law diploma, Cambridge University



## Memberships

Bulgarian Bar Association,  
International Bar Association



## Lectures List

Available upon request





48 new partners in 2017, taking the total to over 1,000



**Top rankings in 2017**  
M&A League Tables (by deal count)

**#1 Germany, CEE, Poland, DACH region**  
(Mergermarket)

**#1 Europe, Germany, Switzerland**  
(Thomson Reuters)

**Top 20 Acritas**  
Global Elite Brand Index

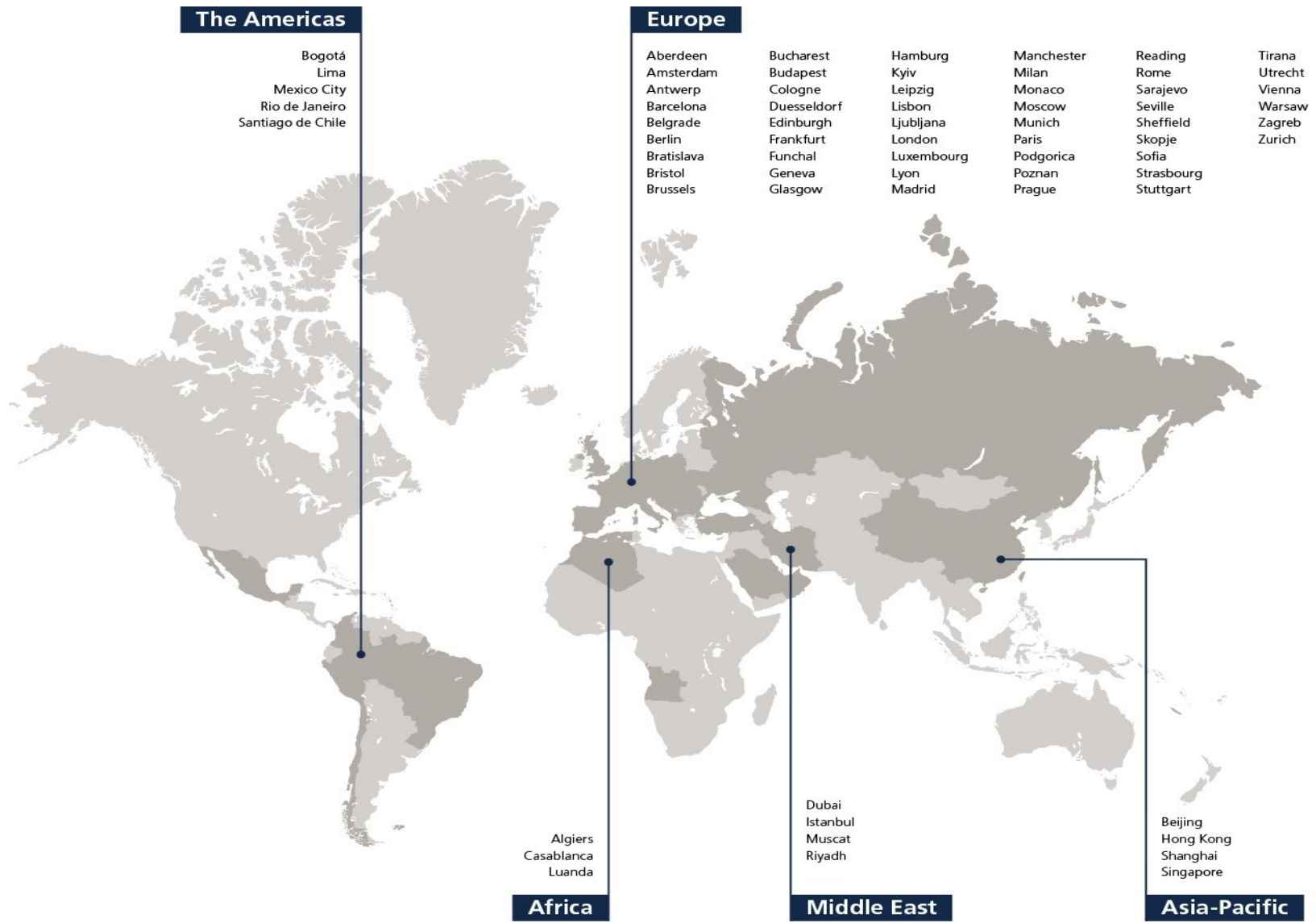
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turnover for 2017

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in the Am Law 2017  
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