



TERMS OF THE TENDER
for the award of a production sharing agreement for hydrocarbons
to be produced within the _____ Area

Tender Procedure

1. Tender for the award of a production sharing agreement for hydrocarbons to be produced within the _____ Area (the “Agreement”) shall be conducted in the manner prescribed by Article 7 of the Law of Ukraine *On Production Sharing Agreements*.

2. The tender for the award of the agreement (the “Tender”) is open to Ukrainian citizens, foreign nationals, stateless persons, Ukrainian or foreign legal entities, associations of legal entities formed in Ukraine or abroad, persons acting individually or jointly, that have the adequate financial and economic, and technical resources and appropriate mining expertise. The tender is open to joint participation by two or more legal entities (associations of legal persons).

With a view to promoting fair competition, no person failing to properly comply with the subsoil user’s obligations, including work programmes and other obligations under the special permits for subsoil use (if any) issued to them, shall be allowed participation in the tender.

3. To participate in the tender, a bidder(s) (the “bidder”) shall submit a relevant bid in free form containing:

documented details of the bidder (full name, citizenship, residential address, occupation – for individuals; name of legal entity or association of legal entities, place of business, country under the laws of which such legal entity or association of legal entities is registered, principal business activity as stated in the articles/charter, and the size of its authorised capital);

documented short information on previous experience in subsoil use, information on technical and financial resources available for the operations and on technologies to be employed in using subsoil;

a work programme for the subsoil area, including the period of time during which a bidder intends to complete the geologic survey (including pilot production) of the subsoil area and proceed to commercial development, indicating the subsoil and environment protection measures, and also indicating the time of commencement and completion of the works;

amounts and types of investments;

proposals as regards production sharing;

a commitment to train personnel and use goods, works and services of Ukrainian origin;

a social development programme;

additional proposals as regards compliance with the terms of the tender.

4. The following documents shall be appended to the bid:

1) in case of an individual:

duly certified copies of the passport, a document that evidences registration in the State Registry of Individual Taxpayers (if any), a document evidencing the state registration in the event of an individual entrepreneur;

originals of payment advice evidencing payment of the tender participation fee;

2) in case of a legal entity:

duly certified copies of documents evidencing the state registration and constitutional documents, such as foundation agreement, charter (articles of association), etc.;

duly certified document evidencing paid-up contributions to the authorised capital;

information related to:

the list of members (in the event of joint stock companies, major shareholders) and their shares in the authorised capital;

the list of ultimate beneficial owners (controlling persons) of the legal entity;

principal activities, number of employees, previous experience of subsoil use, including experience in exploration and/or extraction of fossil fuels (natural gas, oil, condensate) with description of subsoil areas, types and results of works, technologies employed, and production capacities;

findings of the latest audit;

copy of the balance sheet for the previous year (if any) certified by the legal entity's director;

originals of payment advice evidencing payment of the tender participation fee.

If the tender bidder is a legal entity specially established for participation in the tender, the bid and annexes thereto may contain information on the prior experience, technical, financial and other characteristics of the bidder's founding legal entity, and the bid must be supplemented with the guarantee from such legal entity securing fulfilment of financial, technical, environmental and other obligations under the production sharing agreement subject to the submitted bid.

The bidder may submit additional documents and materials giving a wider view of its tender bid.

The bid and annexes thereto shall be drawn up in the Ukrainian language and signed by an officer(s). Where the bidder is not a Ukrainian resident, documents in a foreign language must be accompanied with Ukrainian translations. The bid and annexes thereto shall be submitted in print and electronic form in a single copy. Documents shall be sent by post or delivered directly by the investor or its representative.

5. Submitted bids shall be registered by the working body of the Interagency

Commission on the Arrangement of the Conclusion and Performance of Production Sharing Agreements (the “Interagency Commission”) on the day of their arrival.

Incomplete submissions shall not be considered.

6. Registered bids and documents appended thereto shall be considered by the Interagency Commission within one month of the bid submission deadline.

7. Equal conditions for all bidders and confidentiality shall be ensured during the tender.

8. Registered tender bids and appended documents submitted by bidders shall be evaluated against the following criteria:

- 1) focus of the area work programme on the comprehensive development of the area and ensuring of early production;
- 2) efficient utilization of natural resources according to the work programme;
- 3) appealing proposals as regards production sharing in favour of the host government;
- 4) the largest volume of investments;
- 5) efficient environmental protection measures;
- 6) level of financial security of the proposed work programme;
- 7) previous experience in exploration and extraction of hydrocarbons, in particular from unconventional sources;
- 8) utilization of goods, work, and services of domestic origin.

9. After reviewing and evaluating the submissions, the Interagency Commission shall draw up proposals on the selection of the winning bidder(s) (the “winning bidder”) and present them to the Cabinet of Ministers of Ukraine.

Tender results shall be published in the official print publications and brought to the attention of each bidder.

10. The tender shall be deemed to have not been held if none of the bids meets the terms of the tender.

Description of the Asset up for Bidding

11. _____ Area that is up for bidding (the “subsoil area”) is located within _____ Region(s) and defined by the following coordinates:

Corner Point Number	Coordinate System USK-2000		Coordinate System SK-42	
	Northern Latitude	Eastern Longitude	Northern Latitude	Eastern Longitude
_____ Area				
1				

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The total size of subsoil area is _____ square kilometres.

The subsoil area includes all sedimentary deposits that occur within its perimeter and are limited to a mining depth of 10,000 metres below the surface or limited by the geological basement (whichever is reached first).

Name of minerals: fossil fuels (natural gas, shale gas, central-basin (tight) gas, coal bed methane, oil, and condensate) (hereinafter referred to as "hydrocarbons").

Once the PSA has been signed and officially registered, the investor shall be issued a special permit for subsoil use for the purposes of geological exploration, including pilot production, with subsequent production of hydrocarbons and works provided for in the production sharing agreement within the subsoil area for a period of 50 years. The term of the special permit for subsoil use may be extended under the procedure provided for in the law.

List and duration of works to be performed within the subsoil area

12. The winning bidder shall ensure that the following works are performed:

1) geological exploration of the subsoil area, including the drilling of at least _____ appraisal wells and seismic survey (2D / 3D) of the subsoil area, during the first stage of geological exploration (5 years);

2) preparation of a subsoil area geological survey report and submission thereof to the State Geological Information Fund under the prescribed procedure;

3) upon discovery of a hydrocarbon field, submission of materials on the estimation of hydrocarbon reserves to the State Commission on Mineral Reserves for their approval under the prescribed procedure.

4) should the investor decide to proceed with commercial production, construction of production infrastructure at the field (fields), drilling production wells and commercial production of hydrocarbons.

Minimum investments

13. Minimum investments the investor shall make during the first stage of geological exploration shall be determined based on the tender results and shall be at least UAH _____.

14. Total investments, including those required for the commercial production, shall be determined based on the tender results.

Key production sharing criteria

15. All production before sharing between the state and investor shall belong to the state. The maximum share of cost production, out of which the investor's

costs and expenses shall be compensated, can be 70 percent of the total production until investor's costs and expenses are compensated in full.

The state's share in the profit production shall be at least 11 percent of total production of such kind.

Special PSA conditions in favour of the State

16. The winning bidder and the state as represented by the Government of Ukraine shall enter into the PSA for a period of 50 years, unless is otherwise agreed by the parties.

The PSA shall include the following principal terms and conditions:

annual reporting of production parameters;

compliance with the procedure for using geological, geophysical, and other information;

procedure for attributing costs on industrial and process needs and the particulars of such cost attribution;

stipulation of the procedure and timeline for assessing the level of environmental pollution in the area at the time when the PSA is concluded;

stipulation of the scope and timeline of measures aimed at protecting subsoil resources and the environment, and the funding for such measures;

stipulation of the procedure for clearing and approving work programs;

ensuring safe storage of State's share in extracted hydrocarbons until they are delivered to the state;

insurance against property risks, including loss of produced hydrocarbons due to a natural disaster;

terms and conditions for bearing exclusive risk at the time of developing the fields

17. Disputes between the parties to the PSA regarding the performance, termination, and invalidity of the PSA shall be referred to an international commercial arbitration court.

Effective economic, technological, environmental and other measures for efficient use of subsoil

18. The Investor shall attach to its tender application information related to effective economic, technological, environmental and other actions related to the efficient subsoil use, including, inter alia:

(1) Measures aimed at commencing commercial production of hydrocarbons as soon as possible and achieving maximum hydrocarbons production volumes;

(2) The employment of state-of-the-art, environmentally friendly technologies, equipment, and advanced engineering solutions toward efficient prospecting and production of hydrocarbons;

(3) Process solutions and measures to be implemented to protect the atmosphere and prevent greenhouse gas emissions.

Material requirements of the State relating to the conditions and performance of operations under the PSA

19. The investor shall:

(1) Perform exploration, assessment, and production of hydrocarbons and carry out any other operations set forth in the PSA in accordance with the work programs, plans, and budgets agreed between the parties and drawn up and approved under the procedure set forth in the PSA;

(2) Make investments of at least the amount determined on the basis of the tender results and set forth in the PSA;

(3) Surrender portions of the area that—after completion of individual stages of operations—have been found by the investor to hold no promise for subsequent geological exploration (including pilot production) and/or commercial production;

(4) Submit geological, geophysical, technical, economic, and other information as well as core samples obtained in the course of the relevant operations to the State Geology Information Fund;

(5) Comply with legal requirements, in particular the labour, subsoil, and environmental protection laws, and honour obligations assumed under the PSA;

(6) Give preference to goods, work and services of domestic origin, where they have the same price, completion timeline, and quality, and conform to international standards;

(7) Employ predominantly Ukrainian nationals for the purposes of the PSA;

(8) Register a permanent representative office in Ukraine within three months of the PSA signing date if the investor is the only investor under a bilateral PSA or an operator under a multilateral PSA and is non-resident in Ukraine.

Tender bid submission deadline

20. Bids shall be submitted within three months of the tender notice publication date. Bids submitted after 5.30 pm on the last day of submission shall be returned to bidders in unopened envelopes.

No changes to the bids shall be allowed upon opening of the envelopes.

Tender documentation list, procedure for providing the documentation to the bidders and tender participation fee

21. The tender documentation developed by the Interagency Commission shall, in particular, contain:

- terms and conditions of the tender;
- general characteristics and geological description of the subsoil area;
- cartographic documents related to the subsoil area;
- geological information; and

list of available geological information to the extent of Buzivska area that may be purchased in accordance with applicable Ukrainian law.

In order to participate in the tender a bidder must obtain the tender documentation, which is provided for a fee. The price for the tender documentation is determined based on the price of the geological information contained in the tender documentation to be calculated in accordance with requirements of the law. The fee shall be paid into the registration account of the Ministry of Energy and Coal Industry of Ukraine.

22. To purchase the tender documentation a bidder must provide a document evidencing the fee payment for the tender documentation and a confidentiality agreement signed by a duly authorised person on behalf of the bidder in two original counterparts.

23. The fee for participation in the tender is UAH 300,000.00 (three hundred thousand hryvnias) or the equivalent of such amount at the exchange rate of the National Bank of Ukraine on the date of payment in a foreign currency. The fee shall be paid into the registration account of the State Service of Geology and Subsoil.

24. The fee for participation in a tender that has been held shall not be repaid to the bidders. If a tender is deemed to have not been held the fee shall be repaid to the bidders in full.