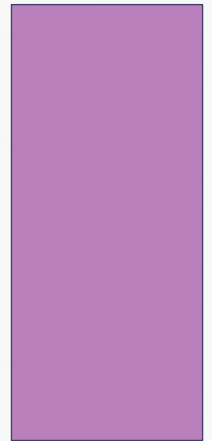


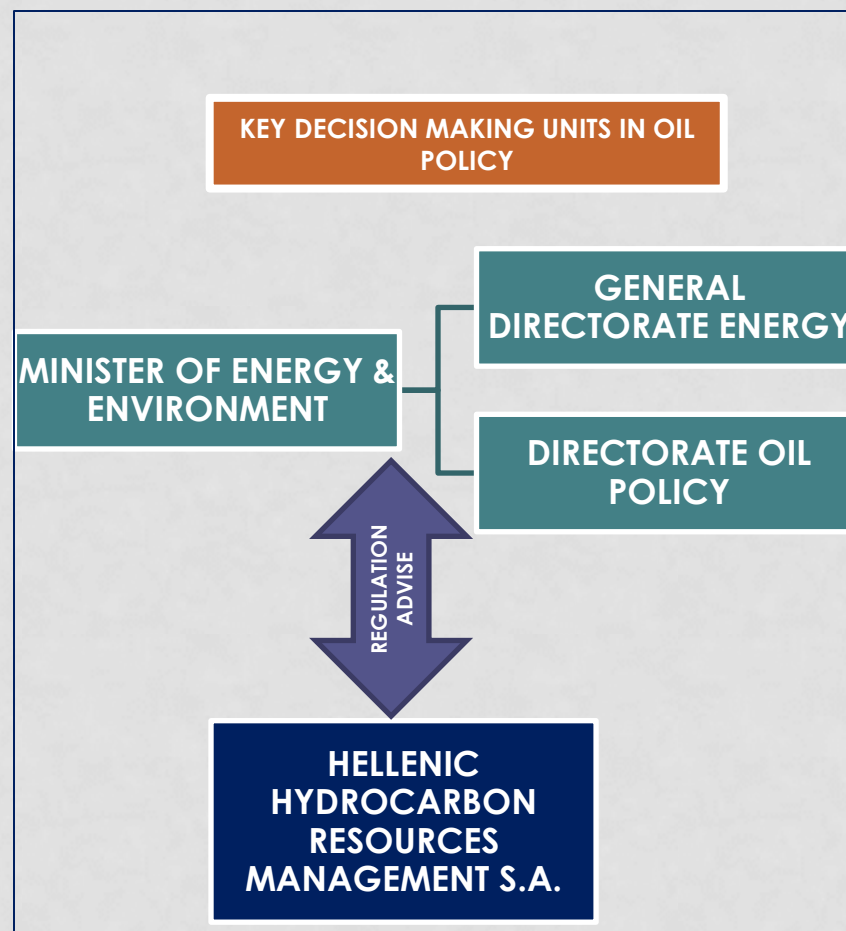
OIL EXPLORATION IN GREECE: THE FIRST STEPS

S. TRAVLOS - NOVEMBER 2013



LEGAL FRAMEWORK FOR EXPLORATION

- Two main laws underpin the institutional setting for exploration and tendering: Law 2289/1995 and law 4001/2011.
- The right for search, research and exploitation of hydrocarbons existing in land, below lakes and underwater on which the Hellenic Republic correspondingly exercises its dominance or dominant rights according to the provisions of the United Nations Convention on Law of the Seas, as such was ratified by virtue of Law 2321/1995 exclusively belongs to the State and its exercise always services the public interest. The management of the said rights on behalf of the State is exercised through the Hellenic Hydrocarbon Resources Management (HHRM) established by virtue of new Law 4001/2011.



RESEARCH AND EXPLORATION PROCEDURE

- The research and exploration rights are granted under the following procedures:
- Following a declaration, for areas below lakes and underwater, approved by the Minister for the Environment, Energy and Climate Change, published in the Government Gazette and also sent for publication to the Official European Union Journal. The deadline for the submission of offers is determined in the declaration and cannot be shorter than ninety (90) days from the last publication.
- Following the application by an interested party for an area not included in the previous declaration. HHRM, provided the application is accepted, issues a declaration approved by the Minister for the Environment, Energy and Climate Change, published in the Government Gazette and also sent for publication to the Official European Union Journal. The deadline for the submission of offers by any other interested parties is at least ninety (90) days from the last publication
- Through an open invitation (open door) for the submission of interest in case that the area under discussion is available on a permanent basis or has been the object of a previous procedure which did not conclude with the execution of a lease or production distribution agreement or has been abandoned by the contractor, in case the latter has withdrawn from or terminated the agreement. The minister for the Environment, energy and Climate Change by virtue of an announcement published in the Government Gazette and sent for publication to the Official European Union Journal, communicates the said areas along with the minimum basic conditions of the concession, as well as any specific information related thereto. The interested parties may submit an offer for concession for more than one area. The offers are submitted until the last workday of the first and second semester of each calendar year.

PROVISIONS OF THE LEGAL FRAMEWORK

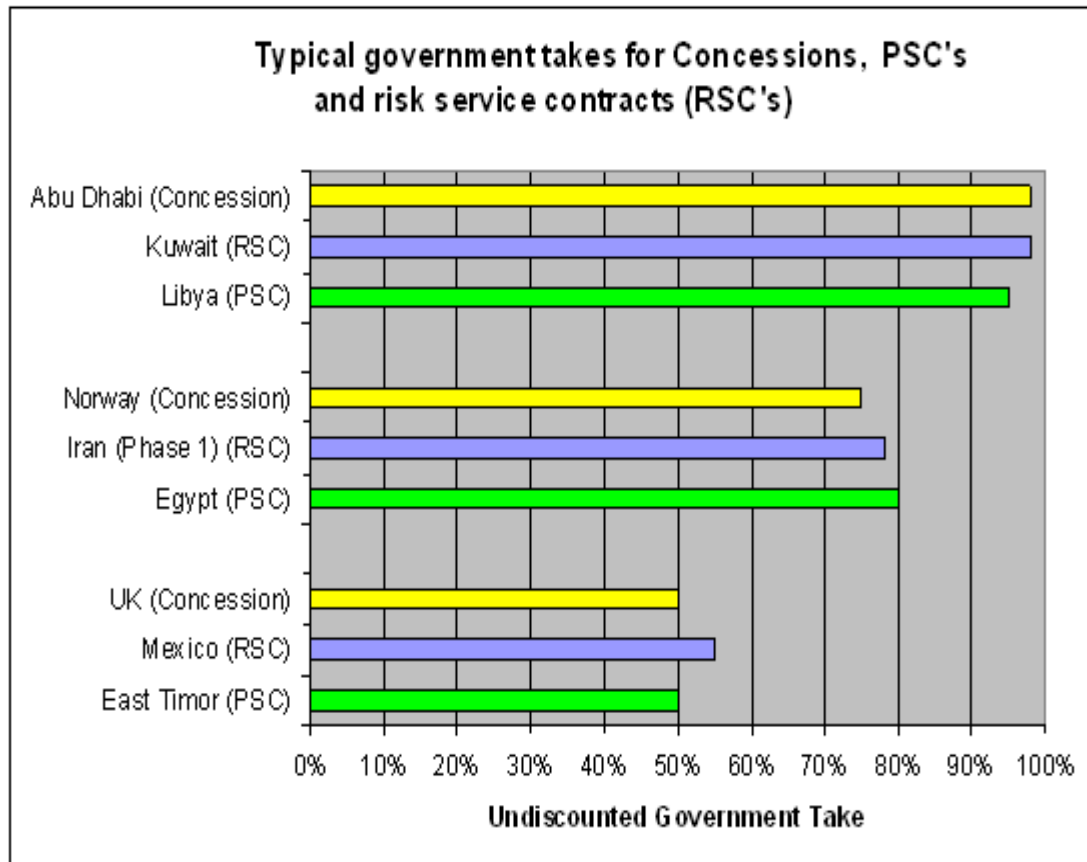
The duration of the exploration stage is determined by the agreement, cannot exceed seven (7) years for onshore areas and eight (8) years for offshore areas and starts with the entry into force of the agreement. The exploration stage is divided into phases specified in the agreement.

The duration of the exploitation phase is initially 25 years and can be extended up to two five years periods, following a proposal of H.H.R.M. S.A, when it is justified that the anticipated duration is insufficient for the completion of these activities, subject to renegotiation of the terms of the agreement.

The Contractor shall be subject to a special income tax, at a rate of twenty percent (20%) and to a regional tax, at a rate of five percent (5%), without any additional ordinary or extraordinary contribution, duty or other encumbrance of any kind, in favor of the State or any other third party.

All disputes among the Parties arising by the present Law, related to the performance of the terms of the agreement or tort or delict, shall be settled through arbitration, according to Law 2735/1999 for international commercial arbitration or any other internationally recognized arbitration system.

GOVERNMENT TAKE FOR CONCESSIONS



The government take for individual petroleum projects **varies between 25% and 98%** around the world depending on the circumstances.

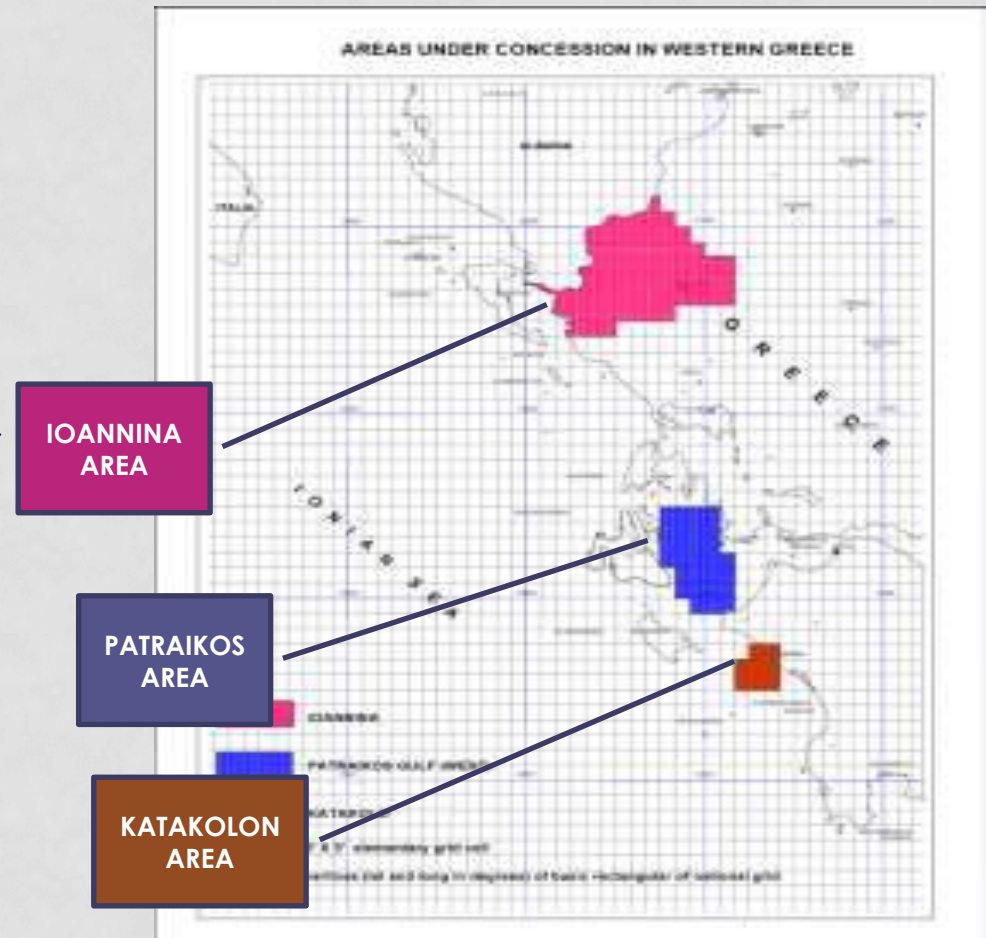
HELLENIC HYDROCARBON RESOURCES MANAGEMENT SA

A new Agency has been established to take over the management of the exploration process with the following competencies:

- Collection, storage, processing, evaluating and managing research data.
- Create a national database.
- Presentation to Ministry of Environment and Energy (MEE) to concession proposed areas.
- Preparation and conduct of competitions and their visibility in the international market.
- Evaluation of applications for participation in tenders.
- Negotiation of contract terms , signature and submission for approval to the MEE.
- Contribution to MEE for granting licenses.
- Monitoring and proper execution of contract terms.
- Preparation of Regulations on Safety, Health & Environment.
- Monitoring and analysis of the international energy market.
- Continuous cooperation with educational and research institutions.

FIRST OPEN DOOR TENDERS

- The first three concessions are located in Western Greece.
- The OPEN DOOR process is tested for the first time.
- Satisfactory participation of investors has been recorded.



PARTICIPATION IN THE CONCESSIONS

- For the Ioannina area of NW Greece (50-80 mil barrels) the following companies expressed an interest:
 1. Hellenic Petroleum S.A., Edison International SPA, Melrose Resources Plc.
 2. Energean Oil and Gas, Petra Petroleum, Schlumberger (strategic technical partner)
 3. Arctic Hunter Energy Inc., K.O. Enterprises Inc.
 4. Chariot Oil and Gas Limited
- For the Patraikos Gulf area (200 mil barrels of stock) the following companies expressed an interest:
 1. Energean Oil and Gas, Trajan Oil and Gas Limited, Schlumberger (strategic technical partner)
 2. Hellenic Petroleum SA., Edison International SPA, Melrose Resources Plc.
- For the Katakolon area the following companies expressed an interest:
 1. Energean Oil and Gas, Trajan Oil and Gas Limited, Schlumberger (strategic technical partner)
 2. Grekoil Energy Ventures LTD

In total 10 companies expressed an interest.

THE FIRST GROUP OF TENDERS IS MOVING IN A SLOW PACE

- The first tender was announced in **January 2011** and its outcome is considered particularly important for subsequent developments.
- On 1st of **July 2012** the participating companies in the tender have submitted their bids and it took 12 long months to make the evaluation and selection of contractors groups.
- In early **July 2013** the selection decision was announced and the consortium consisting of Energean Oil - Petra Petroleum and Schlumberger have been pre-selected for the Ioannina region, the consortium EL.PE. - Edison (Italy) - Petroceltic for the Patras Gulf while Katakolon through the process of compulsory marriage has been jointly assigned to the consortium Energean Oil - Trajan Oil and Grekoil. An outside legal expert was hired in late **September 2013** in order to support the Ministry in preparing documentation and drafting of contracts.
- Four months later the contracts have not been signed. Furthermore, several more months will be needed for the draft contracts to be ratified by Parliament so that the transaction is legally secured.
- In total from start to finish the time required will be at least 24 months for closure to occur.

THE NEXT GROUP OF TENDERS EXPECTED TO START IN 2014

- The government is optimistic:
 - In addition to the three above mentioned areas, Greece engaged in an extended multi-client seismic survey programme of 12.500 km of seismic lines covering an area of 220.000 km² (square km) in offshore western Greece and south of Crete, which performed by the Norwegian PGS. Data acquisition completed in February 2013, data processing is ongoing at Houston expected to be completed by January 2014.
 - “The preliminary analysis of acquired data indicates the existence of promising target areas in the Ionian Sea and the Sea to the South of Crete. The interest already being expressed by oil companies for acquiring the data indicates that the upcoming official licensing round will be a milestone to the opening of the upstream market in Greece” quoted from a speech delivered by Minister J. Maniatis on the 1st of November in Athens.

THERE ARE RESERVATIONS ABOUT THE PROSPECTS

- But market sources are more cautious:
 - Meanwhile the first results from the seismic surveys by Norwegian company Petroleum Geo-Services (PGS) in the Ionian Sea and south of Crete have created some reserved optimism for the location of hydrocarbon reserves. Experts say it is too early to reach any safe conclusions over whether there are any reserves worth extracting and that in any case drilling cannot be expected to start before 2016, with utilization not seen before 2020.
 - PGS has said that: “until recently the region did not garner much attention, but given the enthusiasm and the expectations of other fields in the Mediterranean, this region that constitutes the object of the next round of concessions is showing great potential.”
 - PGS will have completed the processing of the data collected by the end of the year, so that in early 2014, Athens will be able to divide the region into blocks and announce the tenders.

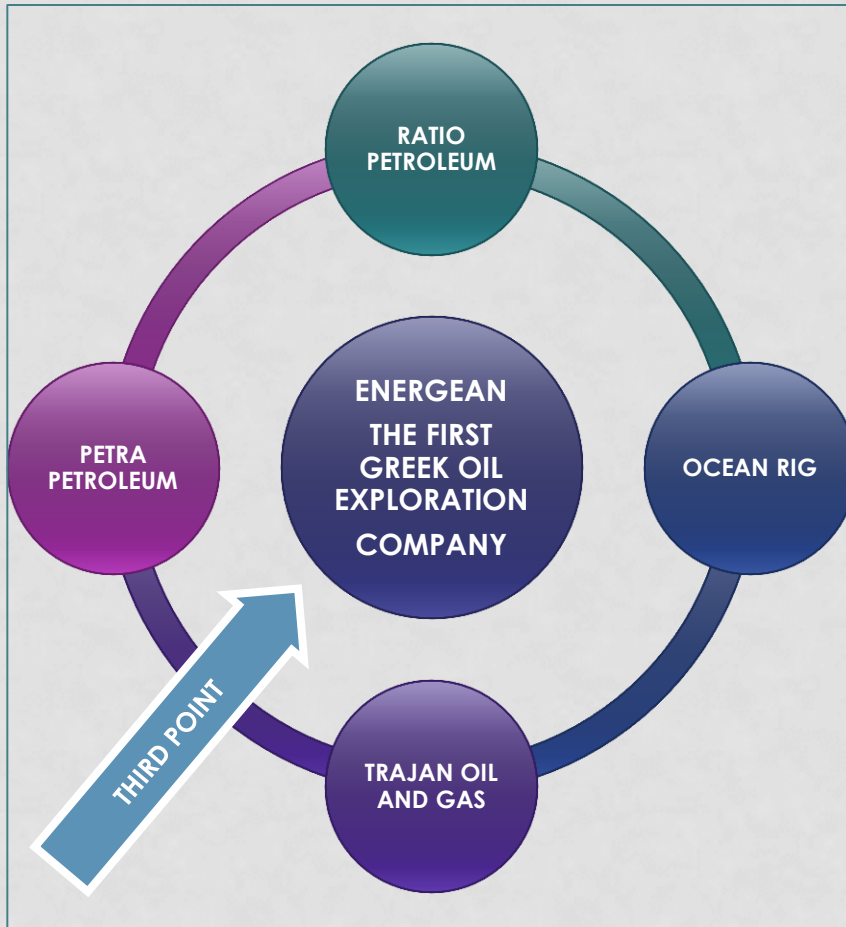
THE ROLE OF ENERGEAN OIL

- Energean has gradually built a very strong presence in Greece and it is well placed to take advantage of the knowledge of the Greek business environment the ability to navigate through the complications of domestic politics and the obstacles of the bureaucracy.
- Energean has been strengthened by the participation of Third Point Hellenic recover Fund with a 60 mil. commitment.
- They have already built a strong presence in the on-going open tenders in Western Greece and recently they have managed to initiate the procedure for Northern Greece (Thermaikos). The expression of interest was jointly made by Energean Oil & Gas S.A. and Ratio Oil Exploration LTD.
- They are planning to expand in the broader Med region, looking into opportunities in Lebanon and Egypt initially and later in Romania and Israel.

THIRD POINT PARTICIPATION IN ENERGEAN

- Energean Oil & Gas says that the newly-created Third Point Hellenic Recovery Fund has entered into the share capital of the Greek based Oil & Gas producer and explorer through an equity capital injection of \$60 million.
- The equity capital will be used to fund a four well program in 2013 with a goal to double production to 4000 bbls/day by year end and also the start of the Epsilon development plan, a 32 mm bbls satellite field to the main Prinos field that will be developed in 2014 through an unmanned platform tied back to the main production facilities of the company.
- Energean is also planning a new exploration program in Greece and the participation of the Company in the open door tender process in three areas in Western Greece.

ENERGEAN PARTNERSHIP STRATEGY



- **Ocean Rig** is an international offshore drilling contractor providing oilfield services for offshore oil and gas exploration, development and production drilling, and specializing in the ultra-deep water and harsh environment segment of the offshore drilling industry. The company owns and operates 10 offshore ultra-deep water drilling units, comprising of 2 ultra-deep water semi-submersible drilling rigs and 8 ultra-deep water drill ships, 3 of which remain to be delivered to the company during 2013 and one in 2015.
- **Ratio Oil Exploration 1992 LP** is an Israel-based company. The Company holds two plots in which it is actively exploring for gas and petroleum. In addition, the Company has a partnership in a few exploration fields: Mad Yavne (12.3%), Sarit (25%), Rachel (15%), Amit (15%), Hanna (15%), David (15%), Eran (15%) and Gal (90%).
- **Petra Petroleum Inc.** is a Canadian-based oil and gas exploration and development company, listed on the Toronto Venture Exchange under the ticker symbol "PTL." Petra is focusing on both emerging high impact exploration areas and under-explored proven basins of the Europe, Africa and the Middle East region (EAME), where commercially attractive exploration opportunities can still be found at modest entry cost.
- **Trajan Oil & Gas** was formed in 2010 to explore for oil and gas in Central Europe and the Central/Eastern Mediterranean.