

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, July 12th 2019

Current Report No. 35/2019

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PGNiG Upstream Norway AS signs agreement to purchase interest in production licences from Wellesley Petroleum AS

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The Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG", "Company") announces that on July 12th 2019 the Management Board of PGNiG Upstream Norway AS ("PUN"), a subsidiary of the Company, signed an agreement to purchase an interest in production licences on the Norwegian Continental Shelf from Wellesley Petroleum AS ("Agreement").

The Agreement provides for purchase of a 20% interest in the PL636 and PL636B licences, comprising the Duva field, from Wellesley Petroleum AS. The field operator is Neptune Energy Norge, which holds a 30% interest. The other partners are Idemitsu Petroleum Norge (30%) and Pandion Energy (20%). The parties have agreed not to disclose the transaction value.

Duva is a gas and oil field located in the North Sea, 6 km from the Gjøa field, operated by Neptune Energy Norge. The field is located within the PL636 licence area and its reserves were documented based on the results of an exploration well in 2016. Since then, intensive work has been carried out to prepare a development concept for the field. According to data provided by the Norwegian Petroleum Directorate, the recoverable reserves of the Duva field are approximately 8.4 bcm of gas, 3.7 mcm of crude oil and 1m tonnes of NGL.

Currently, the Duva field is in the development phase. The Plan for Development and Operation of the field was approved by the Norwegian Ministry of Petroleum and Energy in June 2019. It assumes the drilling of at least three production wells and their connection to the Gjøa platform. This tie-in to existing production facilities will significantly reduce costs and shorten the development schedule. This work is ongoing and will be continued in 2019–2020. The launch of production is expected towards the end of 2020. According to the latest data from the field operator, maximum production is expected to reach 30 thousand barrels of oil and gas equivalent. Gas production attributable to PUN is expected to be 0.13 bcm per annum.

The licences were purchased under the PGNiG Group Strategy for 2017–2022 (with an outlook until 2026), as announced in Current Report No. 19/2017 of March 13th 2017.

The agreement provides for conditions precedent, including obtaining the required corporate approvals and administrative approvals in Norway.

