

# **“PETROLEUM EXPLORATION AND PRODUCTION IN ALBANIA”**

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# 1. INTRODUCTION

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- ✘ Albania is located on the eastern side of the Adriatic Sea in Southeast Europe and has significant natural resources that include oil and gas.
- ✘ The Albanian Government for the petroleum sector, after 1990, has constantly aimed at achieving the following objectives:
- ✘ Encouraging foreign investments in the petroleum industry by means of reviewing legislation and creating proper flexibility.
- ✘ Encouraging foreign investments through the compilation of an attractive legislation in relation to the fiscal regime and taxes.
- ✘ Associating the legal framework with the creation of specialized competent institutions.
- ✘ Opening of the oil and gas industry to free competition and liberalization of the petroleum market.

## 2. GEOLOGICAL SETTING

- The geological position of Albania that occurs in an area of interest for oil and gas exploration and discovery and the concrete results in the oil and gas production in the years 1930-2014 greatly increased the interest of foreign companies to invest in the petroleum exploration and production sector in Albania.
- The geological structure constituting Albania is called the Albanides, a term widely used at home and abroad.

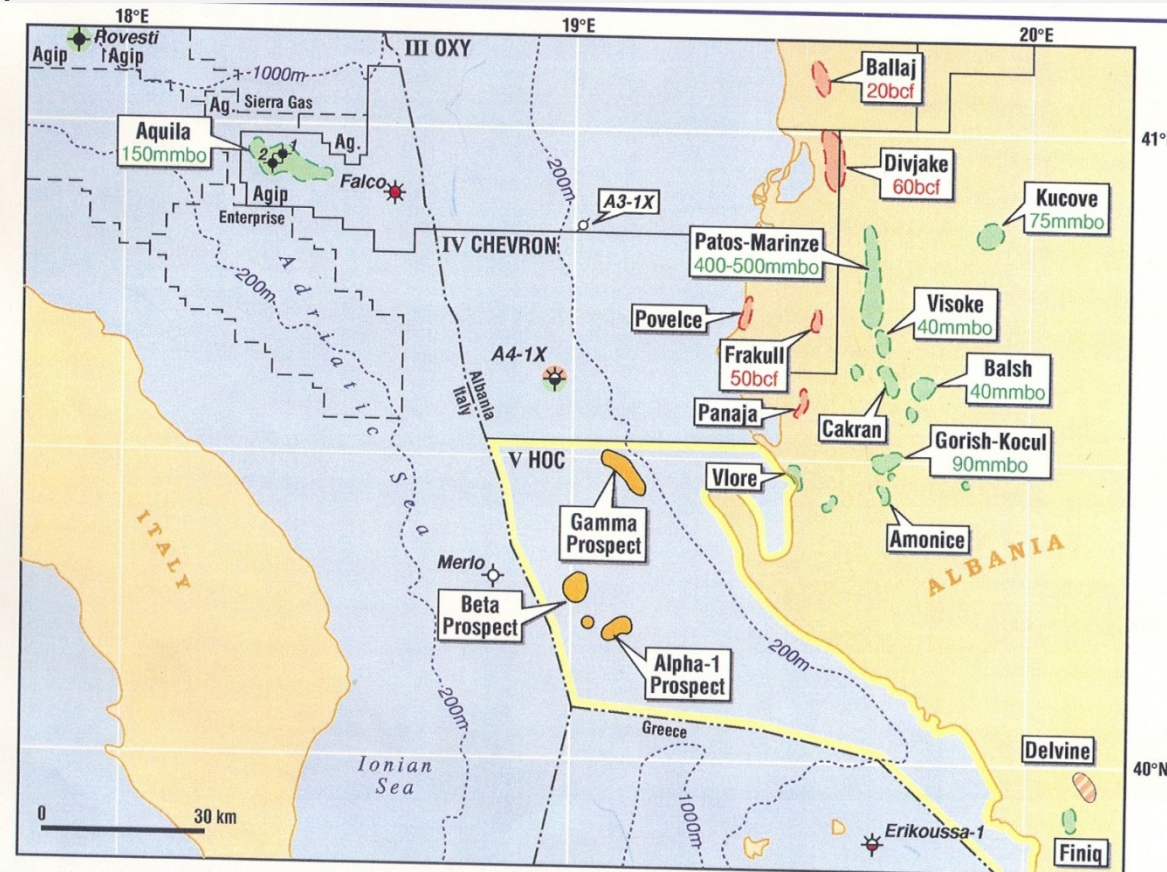


MAP OF ALBANIA

### 3. OIL AND GAS FIELDS

Abundance of the oil shows outcropped (Selenica tar sands, in Kasnica, Visoka, Kucova) led to some oil discoveries in Alban

- Drashovica (1918)
- Patosi (1927),
- Kucova (1928)
- Marinza(1957)
- Visoka(1963),
- Gorisht(1966)
- Ballshi (1967)
- Cakran (1977),
- Amonica (1980),
- Delvina (1987)



Oil and Gas fields in Albania and in the region

- Gas exploration was concentrated in western part of the country. First discovery was recorded with Divjaka (1963) followed by

Frakulla (1966);

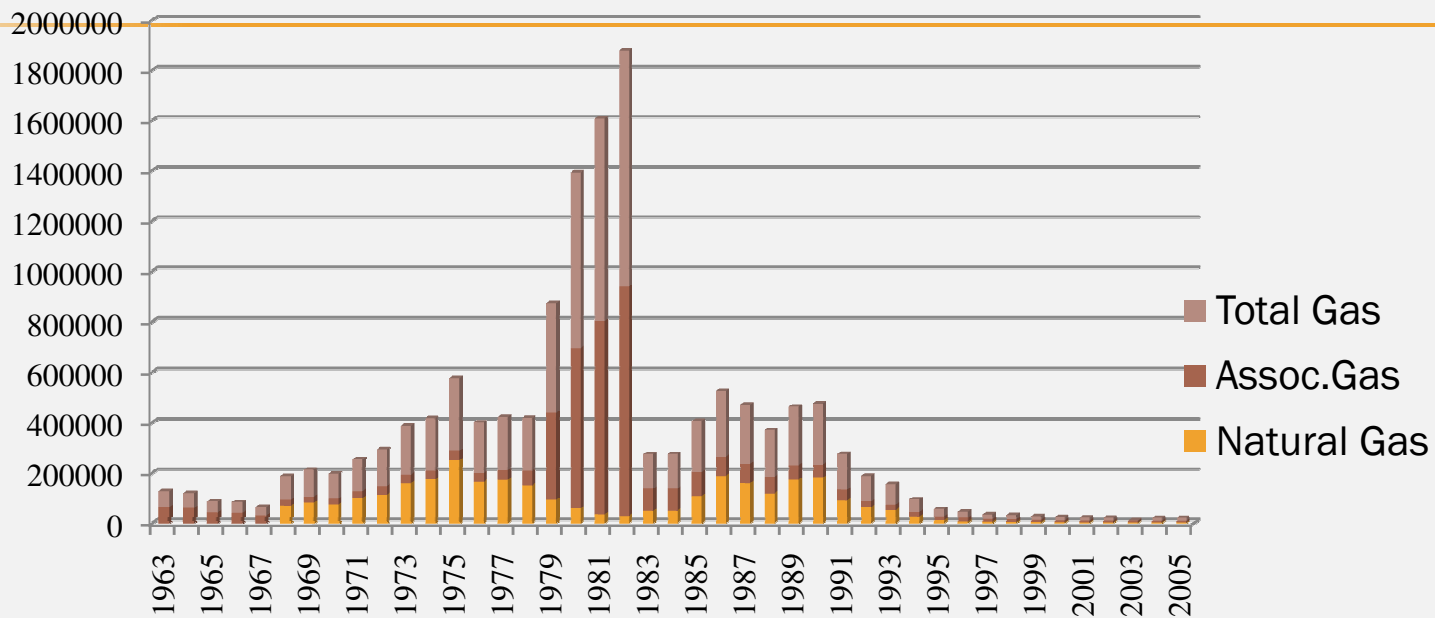
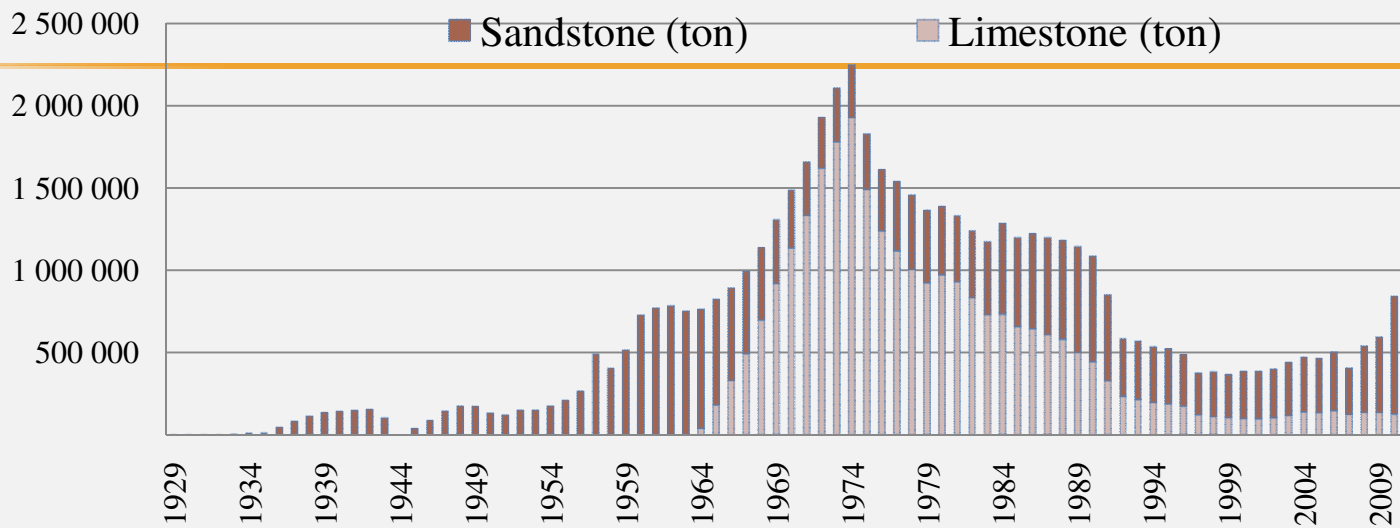
Panaja(1987);

Povelce;

Durres(1988).

- First offshore discovery by foreign companies was made by Agip (1994) in block Adriatiku-4
- In 2001 OXY and in 2014 Shell and Petromanas declared Shpiragu discovery when tested and proved light oil bearing in onshore Albania (block 2)

## OIL AND GAS PRODUCTION



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- In the first half of the 90-ies, production had a drastic decrease reaching the minimum in 2000 with 0.315 million tons, while after this year, a gradual increase has been sustained reaching over 1 million tons in 2013.

The main parameters to have determined the apparent increase of crude oil production are:

- Apparent Increase of crude oil recovery from secondary methods;
- Increase of the number of producing wells;
- Increase of the number of new horizontal production wells.

## 4. LICENSE HISTORY

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- The concession in Albania in the exploration and production has been granted since the beginning of last century.

- During 1925 the Albanian government granted petroleum exploration to some foreign companies as :

APOC (Anglo-Persian Oil Company)

FSI (Ferrovie dello Stato Italiano)

FSA (Syndicate Franco-Albanie)

SIMSA (Soc.Ital.Min.di Selenizza)

S.O. (Standart Oil Co.)



FSI

(Ferro vie dello Stato Italiana)

APOC

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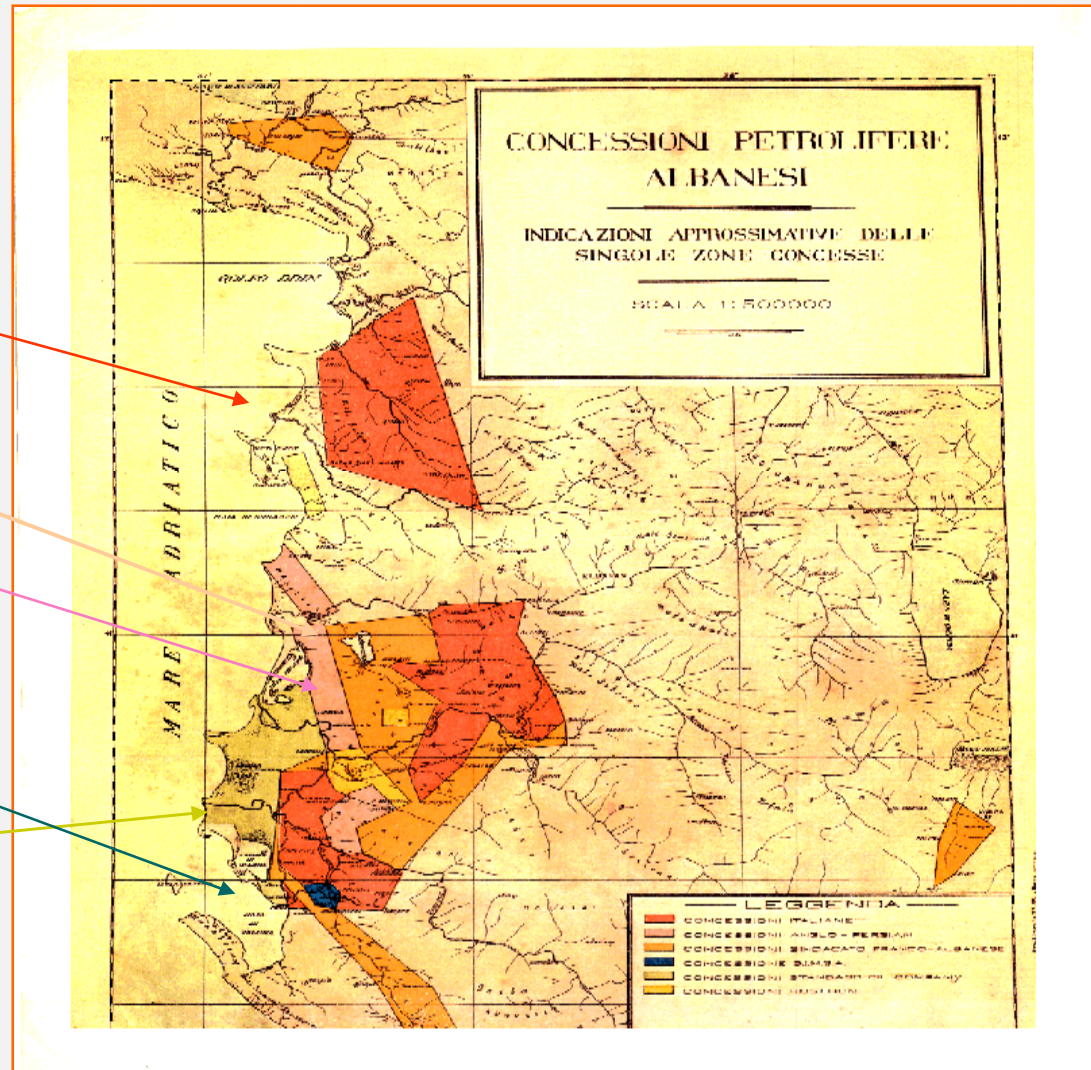


Fig. 5

At 1990 the Albanian government declared the opening of the licensing round for the offshore areas

5 petroleum agreements were signed:

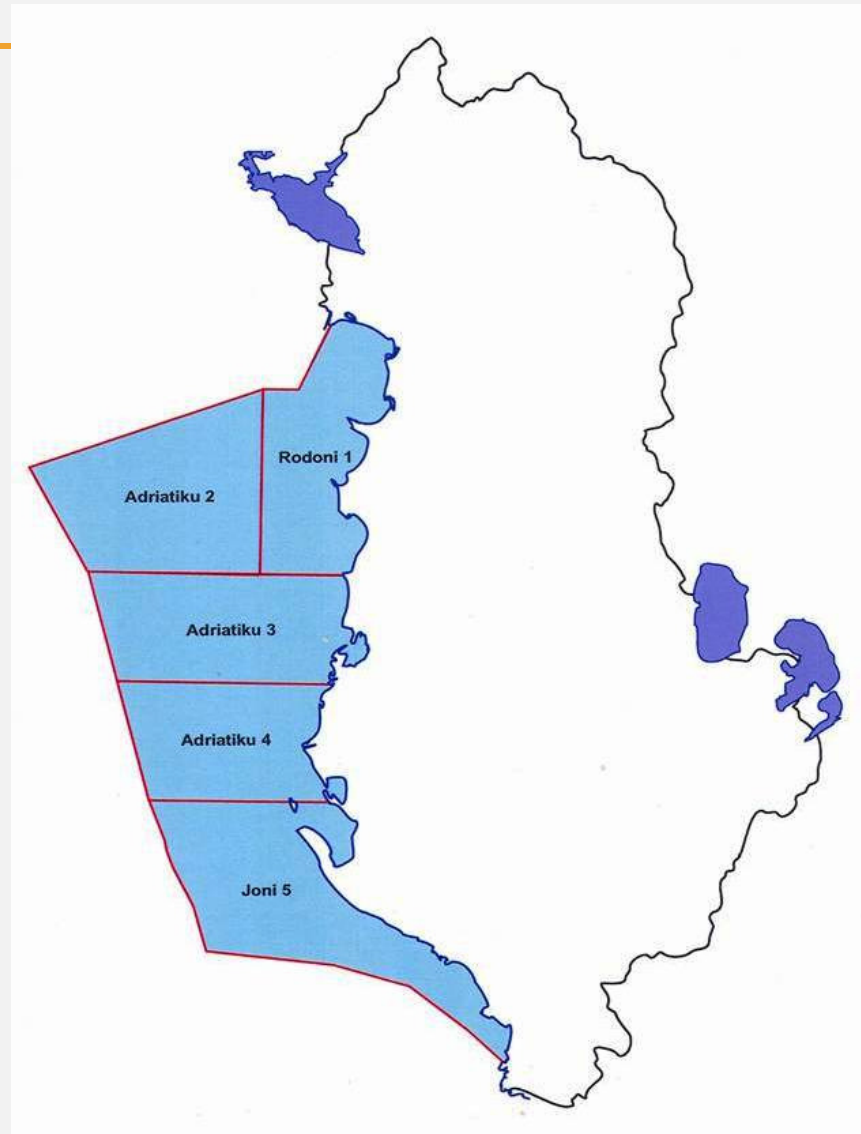
**Rodoni** Deminex & Omv

**Adriatiku-2** Agip

**Adriatiku-3** OXY

**Adriatiku-4** Chevron

**Joni-5** Hamilton

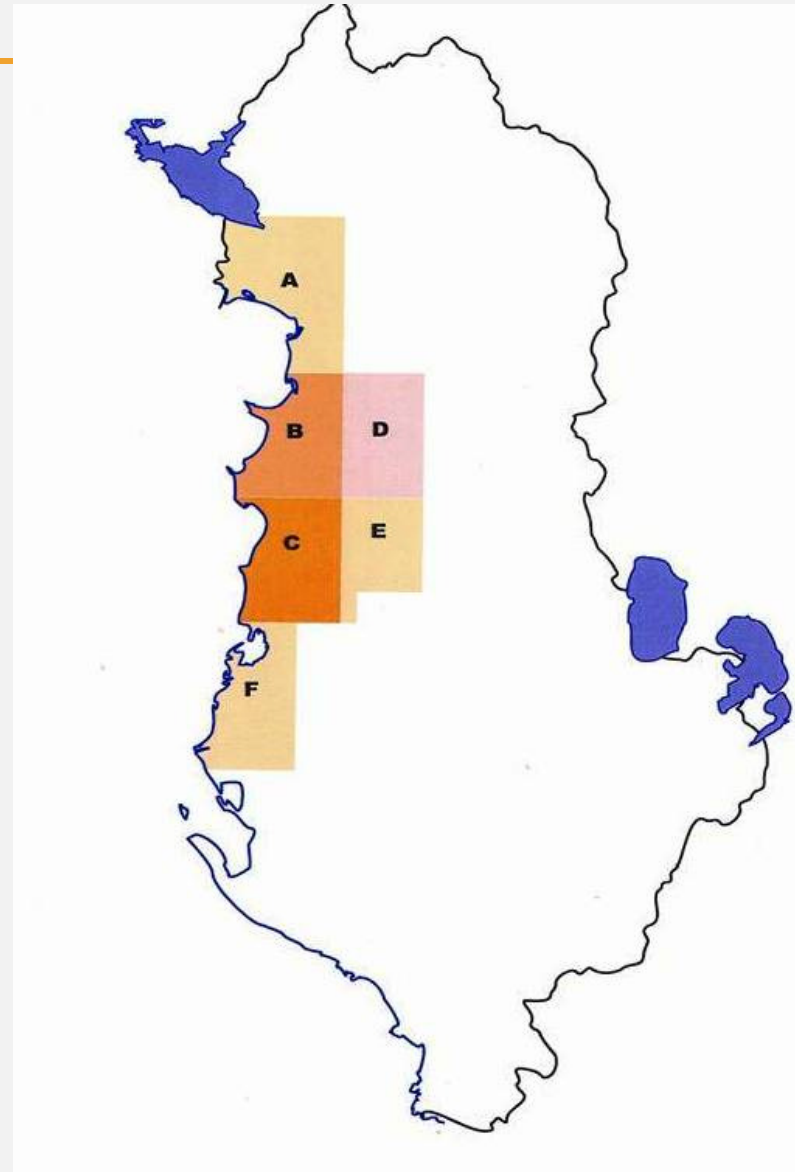


In 1992 the first onshore licensing round was opened over an area of 4200km<sup>2</sup>, as divided in six blocks :

A, B, C, D, E ,F

3 PSA were signed during the period of time 93 – 94:

1. BLOCK "B & F" SHELL
2. BLOCK "C" INA NAFTAPLIN
3. BLOCK "E" COPAREX

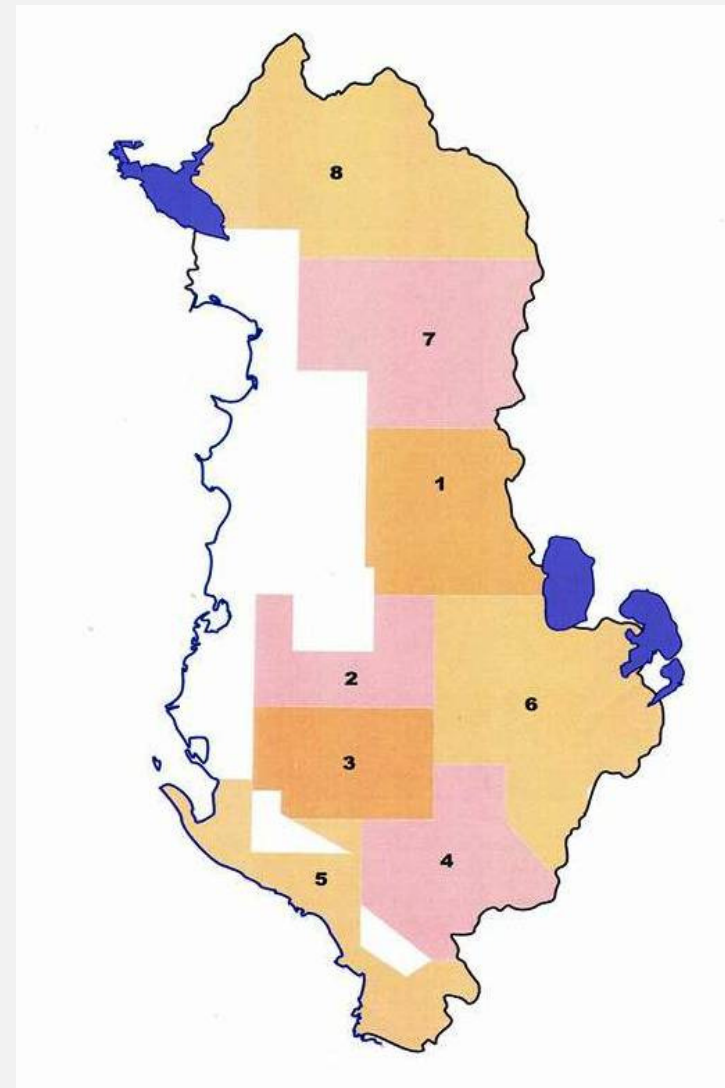


In 1995 Albania offered to the International Companies a total Area of 22400 km<sup>2</sup> divided in 8 new BLOCKS plus 2 BLOCKS as remained free from the First Onshore Licensing Round. Six new PSA were signed during 1998:

Blocks "2", "3" & "A"  
OCCIDENTAL, ANSHUTZ, IPC

Blocks "1", "4" & "5"  
OMV, Enterprise, Clyde, MOL

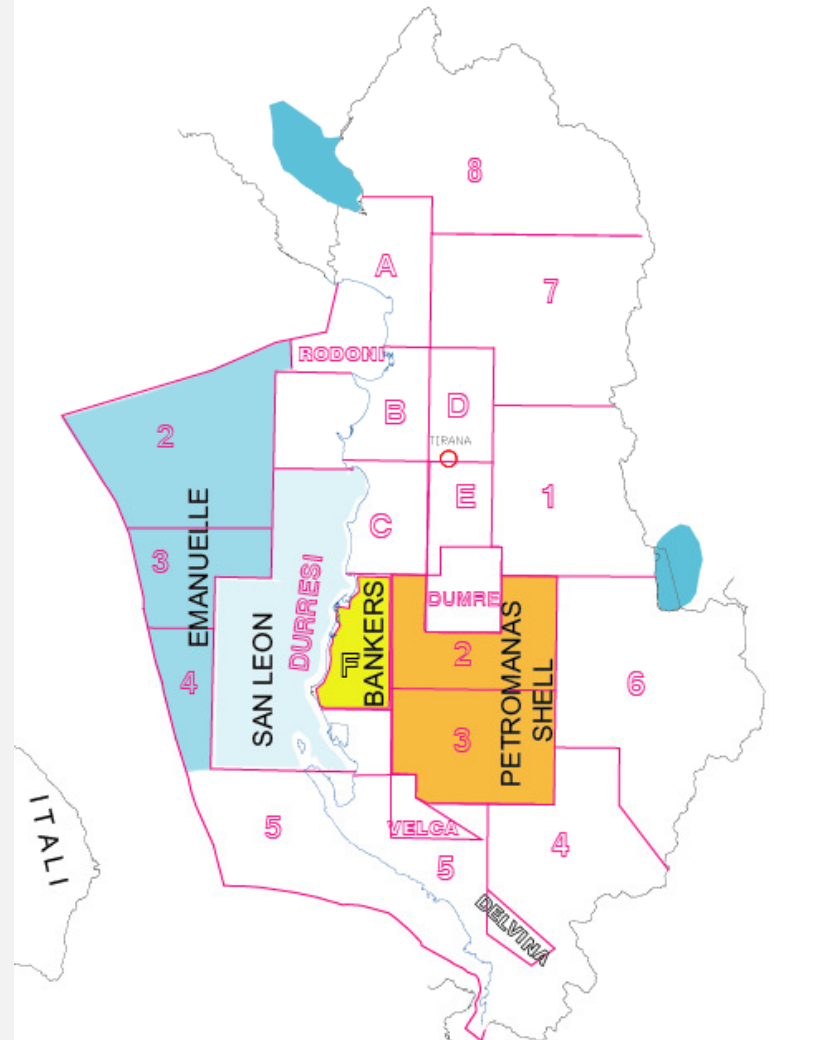
Block "D" with COPAREX



# CURRENT LICENSING SITUATIONS

## Licensed Areas

- ✘ Durrresi block offshore (San Leon)
- ✘ Blocks “2&3” P.S.A has been signed with (Petromanas Shell).
- ✘ Block “F” (Bankers Petroleum)
- ✘ Blocks 2,3,4 offshore (Emanuelle Adriatic)
- ✘ Other blocks (offshore and onshore) Albpetrol (National Oil Company)



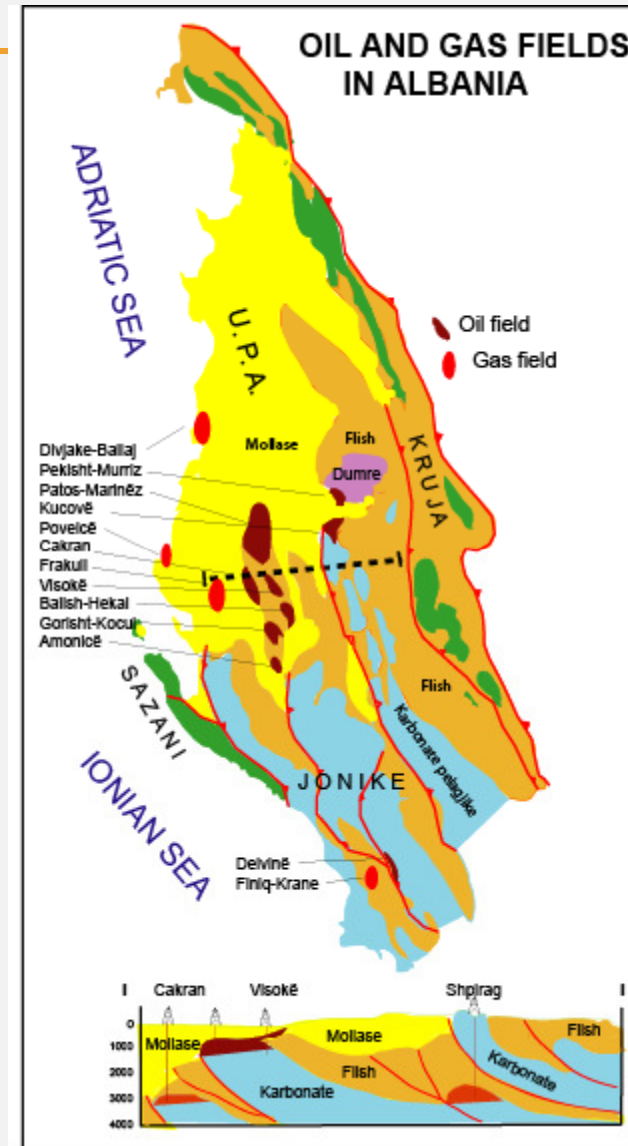
## In the existing oil fields:

Patos-Marinza oil field  
(Bankers Petroleum) &  
Sherwood.)

Visoka oil field  
(Transoilgroup).

Cakrani, Ballshi, Gorisht-  
Koculi, Delvina oil fields  
(Stream Oil and Gas)

Amonica oil field (Phoenix)



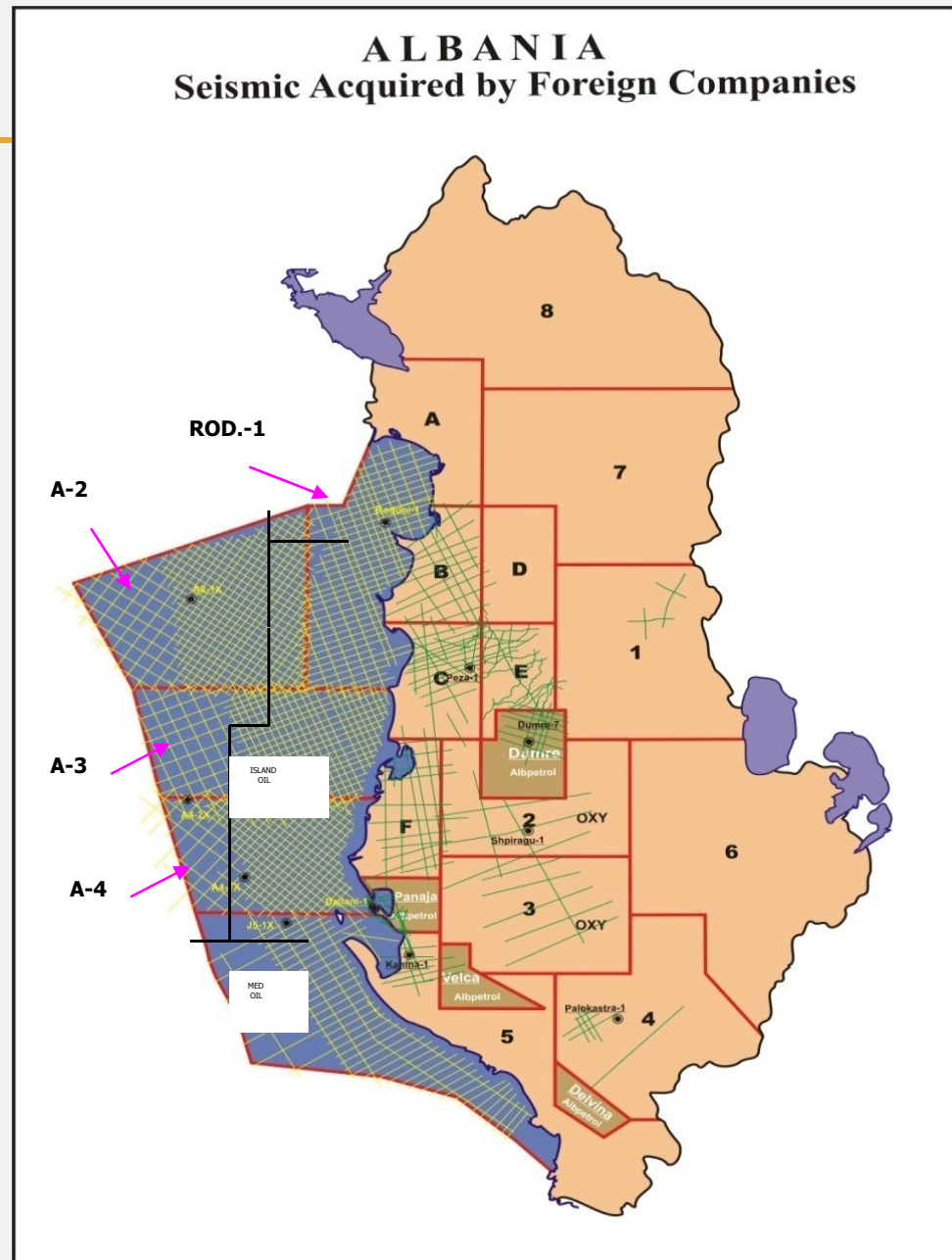
## Oil and Gas exploration results

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- In the offshore and onshore bidding rounds, Albania was divided in blocks which were offered to the international oil companies. At the end of the rounds, several Petroleum Sharing Agreements were signed.
- The Albanian offshore was completely unexplored with a total absence of data. No information was available except certain data acquired from the state oil company in a limited area of the offshore open to exploration. Moreover, the offshore attracted the interest because important discoveries were made onshore, the Peri Adriatic Depression near the shoreline with a number of gas and oil fields under production. More important, certain gas and oil fields were discovered in the Italian offshore

- In the offshore blocks 11124 km of 2D seismic profiles & 1400 3D square km were acquired and 6 exploration wells were drilled with an overall footage of 21629m. In the onshore 1800 km seismic 2D and 6 exploration wells.

- As a result of these investments certain prospective formations have been prognosed for gas and oil exploration.





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- From the entirety of the operations run offshore, there could be concluded that possible gas and oil reserves in the above mentioned prospects are expected to be about  $100 \times 10^9 \text{ Nm}^3$  of gas and about  $160 \times 10^6$  tons of oil.
  - In conclusion, in onshore blocks being licensed from AKBN, probable recoverable reserves of some hundreds million  $\text{m}^3$  of oil are expected to be discovered.
  - Independent of the results mentioned above, the Albanian Government is engaged to a maximum in the compilation of encouraging policies to attract foreign investments in the petroleum sector.
  - In this direction, work is being done to create conditions for the accomplishment of investments from existing contracts and the making of new contracts in order to satisfy the petroleum demand through domestic production and diversify energy sources in Albania, as well.



## National Agency of Natural Resources

AKBN (National Agency of Natural Resources) oversees all the activities of all the companies licensed to engage in exploration and production petroleum activity in the country to ensure compliance with the terms and regulations relating to the conditions of the license.

Furthermore, it monitors the industry's operations to make sure that the national goals and aspirations are met, and ensure that oil companies carry out their operations according to industry's standard and practices. It keeps records and other data of the petroleum industry's operations and informs Government about all the activities and occurrences in the petroleum industry.

AKBN over the years has helped in creating conducive business environment for investors in this sector.

## 5. ALBANIAN LEGAL FRAMEWORK FOR PETROLEUM EXPLORATION AND PRODUCTION

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- Petroleum Exploration, Development and Production in Albania is governed by the “Petroleum Law (Exploration and Production)”,
- The legislative framework offers considerable flexibility to the Government in negotiating acceptable terms with oil companies.
- At the same time these laws give incentives and enough flexibility to attract international oil companies and thus stimulate oil exploration in the country.
- "The Petroleum Law (Exploration and Production)" expressly permits the Ministry of Energy and Industry to enter into a Petroleum Agreement under which an oil company may be granted exclusive rights to explore for and produce petroleum.

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- The National Agency of Natural Resources is authorized to make available to interested oil companies the existing geological and geophysical data on the free areas in order to give oil companies the opportunity to evaluate the data before submitting.
  - The contract type is the **Production Sharing Agreement** between the National Agency of Natural Resources or Albpetrol (National Oil Company), acting on behalf of the Albanian Government, and the Contractor.
  - According to the "Petroleum Law", "Production Sharing Agreement" means a Petroleum Agreement which provides for the recovery of Contract Costs from Petroleum produced in the Contract Area or from a proportionate part thereof, and for the division between the State and the Contractor of the balance of petroleum remaining after the recovery of Contract Costs in accordance with a scale or formula specified in the Petroleum Agreement

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- The Contractor shall conduct Petroleum operations in a safe and proper manner in accordance with generally accepted international petroleum industry practice and shall cause as less damage as is reasonably practicable to the general environment including

- the surface air
- Seas
- Lakes
- Rivers
- Marine and animal life
- Plant life
- Crops
- Other natural resources and property, and shall forthwith repair any damage caused to the extent reparable, and shall pay reasonable compensation for all damage which is beyond repair.

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The Contractor is subject to tax on profit. According to the Law No.7811, date 12.04.1994, "On approval of Decree No.782, date 22.2.1994 "On the fiscal system in the hydrocarbons sector (Exploration-Production)", the **Contractor is obligated to pay each fiscal year the royalty tax at the rate of 10% as well as the tax of 50% on profit realized during that fiscal year.**

The Contractor shall have the right to receive and retain abroad the proceeds from its export sales to the extent not required to meet on a current basis its local currency costs in Albania. The Contractor shall have the right to convert foreign currency into local currency at the generally applicable rate of exchange for commercial transactions.

All international oil industry investments are fully protected (as are all foreign investors) pursuant to Law No.7764 of 22.11.1993 "On Foreign Investments"

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Thank you !