

**TENDER DOCUMENTS**  
**for a tender for the award of a production sharing agreement with respect to**  
**hydrocarbons to be produced within \_\_\_\_\_ area in accordance with**  
**Resolution issued by the Cabinet of Ministers of Ukraine, dated 18.12.2018 No. \_\_\_\_**

Ukraine, Kyiv, 2019

## TABLE OF CONTENTS

1.	Subject-Matter and Purpose of the Tender	3
2.	Terms of the Tender	3
3.	Bidders	5
4.	Tender Bid, the Content and Requirements to the Bid	5
5.	Procedures for Bid Submission and Review	7

## **1. Subject-Matter and Purpose of the Tender**

1.1. In accordance with article 7 of the Law of Ukraine On Production Sharing Agreements and Resolution issued by the Cabinet of Ministers of Ukraine dated 18 December 2018, No. \_\_\_\_\_, a tender is hereby announced for the award of a production sharing agreement with respect to hydrocarbons to be produced within \_\_\_\_\_ area located on the territory of \_\_\_\_\_ and \_\_\_\_\_ regions, with the total area of \_\_\_\_\_ square kilometers.

1.2. The tender is to be held for the purpose of determining the winning bidder, i.e., a potential investor to implement at his own expense a hydrocarbons prospecting and production project within \_\_\_\_\_ area under the terms and conditions of a production sharing agreement to be entered into between the winning bidder and Ukraine as represented by the Cabinet of Ministers of Ukraine, under the procedures, within the period and in accordance with requirements set forth in articles 7 – 15 of the Law of Ukraine On Production Sharing Agreements.

## **2. Terms of the Tender**

2.1. The winning bidder is granted the right to enter into a production sharing agreement with respect to \_\_\_\_\_ area (also referred to as the “area”) for the purpose of carrying out a geological study, including pilot commercial development, with further production of fossil fuels (natural gas, shale gas, basin-centered gas, coalbed gas (methane), oil, condensate) (collectively, the “hydrocarbons”), and work provided for in the production sharing agreement, for a term of 50 years with a possibility of extension under the procedures set forth in the Law of Ukraine On Production Sharing Agreements.

2.2. In view of the Government’s strategy aimed at the achievement by Ukraine of energy independence, the terms of the tender include the following requirements, in particular, the winning bidder must ensure that the following works are carried out:

2.2.1. a geological study of subsoil in the area, including drilling of not less than \_\_\_\_\_ exploration wells and carrying out a 3-D seismic study of not less than \_\_\_\_\_ square kilometers during the first phase of exploration work (five years);

2.2.2. preparation of a report based on the findings of the geological study in the area and submission of the same, under the procedures set forth in Ukrainian law, to the State Information Geological Fund;

2.2.3. in the event that a discovery of a hydrocarbon deposit is made, submission, under the procedures set forth in Ukrainian law, to the State Commission on Mineral Reserves of materials for evaluation of hydrocarbon reserves and approval of such reserves;

2.2.4. in the event that the investor decides to proceed to the commercial development phase, arrangement of the field (fields), drilling producing wells and commercial development of hydrocarbon deposits;

2.2.5. assessment of the environmental impact of the draft production sharing agreement in accordance with requirements set forth in article 11 of the Law of Ukraine On Production Sharing Agreements.

2.3. Upon execution of a production sharing agreement, the investor shall assume the following obligations:

2.3.1. to carry out prospecting, appraisal and production of hydrocarbons, and to carry out any other works provided for in the agreement, in accordance with programs of works in the subsoil area, plans and budgets to be developed and approved under the procedures set forth in the agreement, which are agreed upon by the parties;

2.3.2. to make investments in amounts that are not less than those determined based on the results of the tender and in accordance with the agreement;

2.3.3. to return, upon completion of separate phases of the works, portions of the area if, based on the results of completed works, the investor determines that they do not justify further exploration (in particular, pilot commercial development) and/or commercial development work;

2.3.4. to submit to the State Information Geological Fund any geological, geophysical, technical, economic and other requested information and any rock samples obtained during the relevant work;

2.3.5. to comply with requirements of Ukrainian law, in particular, labor, subsoil and environmental law; to comply with obligations assumed under the agreement;

2.3.6. to give preference to goods, work and services of Ukrainian origin, provided the price, delivery time, quality and conformity to international standards being equal;

2.3.7. to hire employees for the needs specified in the agreement predominantly from among Ukrainian nationals;

2.3.8. to register its permanent establishment on the territory of Ukraine, where he is an investor under a bilateral treaty or an investor-operator under a multilateral treaty and a non-resident of Ukraine, within three months of the date of agreement execution.

2.4. The minimum amount of investment that must be made during the first phase of exploration work is determined based on the results of the tender and must be not less than UAH \_\_\_\_\_ (\_\_\_\_\_ hryvnias).

2.5. The total amount of investment, including that required to provide for commercial development, is determined based on the results of the tender.

2.6. Before being shared between the state and the investor, all produced hydrocarbons are owned by the state. The maximum share of cost hydrocarbons out of which the investor will recover its costs is 70 per cent of the total volume of produced hydrocarbons until the investor's costs are recovered in full.

2.7. The state's share in the disposable hydrocarbons must not be less than 11 per cent of the total volume of such hydrocarbons.

2.8. The production sharing agreement must meet the requirements of Ukrainian law and contain a list of the investor's activity types and a program of mandatory work specifying the delivery times, scopes and financing types, processing equipment and other metrics that must not be lower than those proposed by the investor in the application for participation in the tender.

### **3. Bidders**

3.1. The tender for the award of the agreement 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).

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

### **4. Tender Bid, the Content and Requirements to the Bid**

4.1. To participate in the tender, a bidder(s) shall submit a relevant bid in no particular form containing:

4.1.1. details of the bidder to be evidenced with a document (full name, nationality, 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 constitutional documents, and the size of its authorized capital);

4.1.2. short information to be evidenced with a document 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;

4.1.3. a work program for the subsoil area, in particular, as regards compliance with the main terms of the tender, specifying the subsoil and environment protection measures, and the time of commencement and completion of the works listed in clause 2.2 of these tender documents;

4.1.4. amounts and types of investments;

4.1.5. proposals as regards production sharing;

4.1.6. a commitment to train personnel and use goods, work and services of Ukrainian origin, provided the price, delivery time, quality and conformity to international standards being equal;

4.1.7. a social development program;

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

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

4.2.1. in case of an individual: duly certified copies of the passport, a document that evidences registration in the State Registry of Individual Taxpayers (except for persons who, due to religious beliefs, refuse to accept a registration number of a taxpayer record and have notified the relevant controlling authority in this regard as well as have a relevant mark made in their passport), a document evidencing the state registration, in case of an individual entrepreneur;

4.2.2. 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 authorized capital;

information related to:

- the list of members (in the event of joint-stock companies, major shareholders) and their shares in the authorized 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 production of fossil fuels (natural gas, oil, condensate) with indication of subsoil area names, types and results of the works, technologies employed and production capacities;

findings of the latest audit;

a copy of the balance sheet for the previous year (if any) certified by a duly authorized person.

4.2.3. If the tender bidder is a legal entity specially established for participation in the tender, the bid and annexes thereto must contain information and details of prior experience, technical, financial and other characteristics of the legal entity that is the bidder's founder (guarantor), and the bid must be supplemented with a guarantee issued by such legal entity securing fulfilment of financial, technical, environmental and other obligations under the production sharing agreement subject to the submitted bid.

4.2.4. The bid must be appended with information of optimum economic, technological, environmental and other measures as regards rational use of subsoil, in particular:

- measures aimed at the soonest possible commencement of commercial production of hydrocarbons and achievement of maximum volumes of produced hydrocarbons;
- use of modern, environmentally safe technologies, equipment, state-of-the-art technical developments to ensure efficient prospecting and production of hydrocarbons;
- technological solutions and measures planned to be taken to protect the atmospheric air and prevent greenhouse gas emissions.

4.2.5. The bidder may submit additional documents and materials that disclose its tender bid in more details.

4.2.6. The bid and annexes thereto shall be drawn up in the Ukrainian language and signed by a duly authorized officer(s).

4.2.7. Where the bidder is non-resident of Ukraine, documents submitted in a foreign language must be accompanied with Ukrainian translations. In the event of discrepancies between the documents and information in a foreign language and those in Ukrainian, the documents and information in Ukrainian shall prevail.

4.2.8. The bid and annexes thereto shall be made on printed and electronic media in one copy. The bid and annexes in printed form must be numbered. If the bid and annexes comprise several books (volumes) then the numbering of each following book (volume) must continue from the previous book (volume). The electronic form comprises a scanned copy of the bid in printed form with annexes in PDF format.

4.2.9. The bid and annexes in printed form and electronic form are put inside a sealed envelope (box) with a mark saying "Bid for the award of a production sharing agreement with regard to hydrocarbons to be produced within \_\_\_\_\_ area". Underneath, there must be the bidder's full name, or the name of the legal entity or an association of legal entities that is the bidder. The envelope (box) must be marked with "Confidential" in the upper right-hand corner.

## **5. Procedures for Bid Submission and Review**

5.1. To participate in the tender a bidder must submit the relevant bid that meets the prescribed requirements and pay UAH 300,000 (three hundred thousand hryvnias) or an equivalent of such amount in a foreign currency at the exchange rate of the National Bank of Ukraine on the day of payment. The fee shall be paid to the registration account of the Ministry of Energy and Coal Industry of Ukraine:

beneficiary: Ministry of Energy and Coal Industry of Ukraine

beneficiary's USREOU: 37471933

beneficiary's bank: State Treasury Service of Ukraine, the city of Kyiv

bank code: 820172

account: 37119010004110

being: Fee for participation in the tender in accordance with Resolution issued by Cabinet of Ministers of Ukraine, dated 18.12.2018, No. 1179

5.2. The bid in a sealed envelope (box) prepared in accordance with the above requirements must be sent by post (registered letter with a description of content, valuable shipment/parcel) or submitted directly by the investor / his representative under a power of attorney together with a cover letter from the bidder to the Interagency Commission on the Arrangement of the Execution and Performance of Production Sharing Agreements to be accompanied with a document evidencing the payment of the bidding fee.

- 5.3. The deadline for submission of the bids is 28 of May 2019.
- 5.4. The bids must be sent /delivered to the working body of the Interagency Commission on the Arrangement of the Execution and Performance of Production Sharing Agreements, i.e., the Ministry of Energy and Coal Industry of Ukraine, at 4 B. Khmelnytskoho St., 01601 Kyiv. Contact phone: +38 (044) 594-5909 (Mr. Yurii Vialyk)
- 5.5. Submitted bids are registered by the Ministry of Energy and Coal Industry of Ukraine on the day of their arrival. A mark evidencing registration of the bid is put on the cover letter, which, together with the bid in a sealed envelope/box must be stored in a safe until all bids are opened by the Interagency Commission upon the bid submission deadline.
- 5.6. Bids sent/submitted after 5.30 pm on May, 28 2019 will be returned to the bidders in unopened envelopes without registration. The bidding fee (if any) in such event will be subject to repayment.
- 5.7. In the event that no document evidencing the payment of the bidding fee is appended to the cover letter the bid will be returned in an unopened envelope without registration.
- 5.8. Registered bids and materials appended thereto shall be reviewed by the Interagency Commission within one month of the bid submission deadline.
- 5.9. Incomplete submissions will not be reviewed.
- 5.10. At 5.30 pm on May, 28 2019, the working group formed by the Interagency Commission announces, in the presence of bidders' representatives, the list of the bidders in accordance with the submitted and registered bids and opens the envelopes. The Interagency Commission records in the minutes of an Interagency Commission meeting the details of the submitted bids (with indication of the bidder's name, the content of the opened envelope and quantitative characteristics of the submitted bid). If, after this time, the working body of the Interagency Commission receives bids sent by post before 5.30 pm on May, 28 2019, which is evidenced with a relevant post-office stamp, such bids will be opened during the next meeting of the Interagency Commission working group, and the details of such bids will also be recorded in the minutes of the Interagency Commission working group meeting.
- 5.11. The Interagency Commission conducts a check of the submitted bids to establish whether each of them contains the documents and information that are required to be submitted in accordance with the tender terms, and makes a decision as regards acceptance or rejection of each bid. Where the decision is made to reject a bid, the Interagency Commission will send a notice to the relevant bidder of the decision made specifying the reasons for the rejection within 5 business days of the date of such decision.
- 5.12. The tender shall be deemed to have not been held if none of the bids meets the terms of the tender. In this event, upon request from the Interagency Commission, the Cabinet of Ministers of Ukraine adopts a resolution that the tender shall be deemed to have not been held.

5.13. The bidding fee with respect to a tender that has been held will not be repaid to the bidders. In the event that a tender is deemed to have not been held the bidding fee will be repaid to the bidders in full.

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

5.15. No modifications will be allowed to the bids after the envelopes have been opened.

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

5.16.1. focus of the subsoil area work program on the comprehensive development of the area and ensuring of early production;

5.16.2. efficient utilization of natural resources according to the subsoil area work program;

5.16.3. appealing proposals as regards production sharing in favor of the state;

5.16.4. the largest volume of investments;

5.16.5. efficient environmental protection measures;

5.16.6. level of financial security of the proposed subsoil area work program;

5.16.7. previous experience in prospecting and production of hydrocarbons, in particular from unconventional sources.

5.16.8. use of goods, work and services of Ukrainian origin.

5.17. Each of the Interagency Commission members evaluates the submitted bids independently. Each of the commission members may engage not more than two industry experts, who are not related to any of the bidders under the current tender, to evaluate the submitted bids. The list of such experts must be approved by the Interagency Commission.

5.18. In evaluating the bids, each Interagency Commission member acts at his own discretion based on his own experience, understanding and will. Members of the Interagency Commission shall follow the requirements of Ukrainian law, including the anticorruption legislation.

5.19. Each commission member and each of the experts engaged in the review of the bids, as approved by the Interagency Commission, must maintain strict confidentiality in respect of the bids and their content and, before starting the evaluation work, enter into a relevant non-disclosure agreement with the working body of the Interagency Commission, i.e., the Ministry of Energy and Coal of Ukraine.

5.20. In reviewing the bids, the Interagency Commission members and engaged experts use copies of the bids printed by the working body of the Interagency Commission from the electronic media, while the original bids in printed form are stored in a safe. The examination and discussion of the bids must be held on the premises of the Ministry of Energy and Coal of Ukraine.

5.21. Based on the results of the review, the bids are evaluated under each of the criteria using the following scores:

	<b>Criterion</b>	<b>Maximum score</b>
1	the best work program, primarily, the focus of the subsoil area work program on the comprehensive development of the area and ensuring of early production	80
2	efficient utilization of natural resources according to the subsoil area work program	15
3	appealing proposals as regards production sharing in favor of the state	30
4	the largest volume of investments	35
5	efficient environmental protection measures	15
6	level of financial security of the proposed subsoil area work program	30
7	previous experience in prospecting and production of hydrocarbons, in particular from unconventional sources	45
8	use of goods, work and services of Ukrainian origin	20
	<b>Total:</b>	<b>270</b>

5.22. The aggregate score obtained under all eight criteria will produce the final evaluation score of the bid and will be the grounds for determining the winning bidder.

5.23. Until the end of the tender and the announcement of its results, meetings of the Interagency Commission, meetings of working groups formed by the Interagency Commission, meetings of the commission members and/or their authorized representatives are private. No member of the Interagency Commission or engaged expert may meet, negotiate or correspond with the bidders or their representatives, in particular, receive explanations as regards the submitted bids. A bidder may review the minutes of Interagency Commission meetings only after the results thereof have been announced.

5.24. Once the submissions have been reviewed and evaluated, the Interagency Commission shall, within one month of the bid submission deadline, draw up proposals on the selection of the winning bidder(s) and present them to the Cabinet of Ministers of Ukraine along with the relevant minutes of the Interagency Commission meeting.

5.25. The decision to select the winning bidder for the award of the production sharing agreement with respect to the hydrocarbons to be produced within \_\_\_\_\_ area shall be made by the Cabinet of Ministers of Ukraine, taking into account the proposals made by the Interagency Commission, and shall be final.

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

5.27. Disputes that may arise in connection with the tender shall be resolved in accordance with applicable Ukrainian law.

## **6. General characteristics of the area, geographic coordinates**

...

## **7. Maps**

...

## **8. Overview of geological data**

...

## **9. The copy of the official tender announcement in the governmental paper**