

As the European energy landscape is undergoing unprecedented transformation, new strategy document takes an in-depth look at Poland's upstream environment and assesses the current state of local shale gas development.

- **Global demand for natural gas set to increase by 55% between 2005 and 2030**
- **Poland's technically recoverable shale gas reserves estimated at 5.3 trillion cubic metres**
- **Nearly 90 exploration concessions issued to date**
- **Polish government determined to see shale gas development in Poland become reality**

WARSAW, 27 June 2011 – In a fresh look at the nascent Polish shale industry, experts from Exen, SSW and Warsaw Consultants examine the regulatory landscape, operational challenges and the potential for community engagement to improve efficiency, win support from local stakeholders and drive the value of global shale gas players.

Current state of play

The story of Poland's shale is beginning to unfold. Multiple exploration drilling programmes are underway. BNK Petroleum Inc. has recently announced that the Lebork S-1 well has logged thick shales. Well completion and first fracture stimulations are expected to take place in the third quarter of 2011. And adding to the already impressive roster of major gas operators present in Poland, Nexen Inc. has just agreed to acquire a 40% working interest in 10 of Marathon Oil Corporation's 11 concessions.

Regulatory landscape

Operating in an unfamiliar environment poses a myriad of challenges for IOCs, the most significant being legal and regulatory considerations. The recent influx of gas-hungry global operators has exposed Poland's legislative deficiency in areas such as ownership of oil and gas rights, exploration and production licencing, production sharing, land leases, joint operating agreements, asset sales and acquisitions to name a few. – *What we have been strongly focusing on at the moment is 2012 and beyond, which I believe is crucial apart from the regulatory framework that an oil & gas major must take into consideration when entering the Polish market* – states Piotr Spaczyński, partner at the law firm SSW. – *A proactive approach is necessary to not only stay ahead, but to prepare for any curveballs that this completely new and unfamiliar environment might throw* – he adds.

From a local perspective

Very few issues in recent years have spurred such a heated public debate in Poland as the shale gas revolution. The controversy surrounding shale gas exploration invariably relates to its potential impact on individuals and the environment. The issue is not that of having to discuss the major concerns related to shale projects with local communities, but of making sure that a clear and informative dedication to mitigate risks is properly communicated. – *This playbook does not aim to make a case for or against shale gas exploration in Poland. Instead, it outlines how local Polish communities can help shape decision making around shale projects as well as the issues surrounding hydraulic fracturing, and in doing so build wider public support for this emergent source of energy* – underlines Richard Piotrowski, director at Warsaw Consultants.

Developing a truly local operation

A key challenge faced by energy majors entering CEE markets is Europe's E&P technology lag. According to data from Baker Hughes Rotary Rig Counts, Europe currently has some 110 drilling rigs in operation, compared with around 1 850 rigs in the US alone. In addition, regulatory, political, cultural and linguistic differences exist which can create significant, costly challenges for new entrants. – *Having a thorough understanding of the local regulatory framework is paramount. Navigating the Polish upstream environment requires that IOCs develop a structured approach to managing mission-critical documentation which is in line with government expectations in terms of quality, relevance of content and the language used* – explains Sean Gibson, director of operations at Exen.

The complimentary report can be downloaded from:
www.exen.com or www.konsultanci.info

About Exen

Exen is the premier CEE document management consultancy. We work closely with our clients to develop customised solutions for their cross-border communications challenges. With a novel approach to facilitating new market entry and transnational deal-making, Exen provides a range of industry-specific solutions to create and sustain value over the lifetime of energy projects. Exen is involved in more European shale gas plays than any other documentation solutions provider.

About SSW

SSW's Energy & Natural Resources experts provide value-added advice on a wide range of legal issues relating to energy, geology and natural resource extraction. SSW's ENR practice covers both traditional and renewable energy sources. Legal advisory in geology and mining law focuses on proceedings concerning every major aspect of exploration and production throughout the life of energy projects. In 2011 Piotr Spaczynski was the only lawyer in Poland recommended by Global Law Experts as a specialist in the field of energy law.

About Warsaw Consultants

Warsaw Consultants is Poland's first consultancy with a strategic focus on public affairs and stakeholder engagement initiatives for multinational companies. We specialise in reputation management and crisis mitigation within the energy, financial services and infrastructure industries. We design and implement information campaigns relating to litigation PR, M&A transactions as well as IPOs. Since 2004, we have developed the most experienced advisory practice dedicated to professional services.

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