17.07.2008 – 12:46 Uhr

euro adhoc: OMV Aktiengesellschaft / other / OMV signs agreement with Libyan NOC to renew contracts for major oil fields

Contracts/OMV/Oil/Gas/Energy

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- Contracts for OMV´s blocks in Libya´s Murzuq basin extended to 2032
- Existing Exploration and Production Sharing Agreements (EPSAs) transformed to standard EPSA IV contractual frame-work - New exploration campaign planned in NC115 and NC186 - Increase in oil production levels resulting from ongoing field development in NC115 and NC186

OMV, Central Europe's leading oil and gas group, signed agreements with Libya's National Oil Corporation (NOC) for blocks NC115 and NC186 in the Murzuq basin, onshore Libya, some 700 km south of Tripoli. Partners in NC115 are Repsol (40%) and Total (30%). In Block NC186 Repsol holds 32%, OMV and Total 24% each and StatoilHydro 20%.

The original EPSA contracts signed in 1994 and 1997 have been converted to the EPSA IV contractual frame-work, which is now a standard in Libya, reflecting the changes in the oil industry environment. As part of the review process the agreements have been extended for block NC115 by 15 years from 2017 and for NC186 by 10 years from 2023 until 2032, effective from January 2008. The international consortia will receive a primary split of 13% of gross field production in NC115 and 12% in NC186, both on an after tax basis. Furthermore an extensive exploration campaign has been agreed in NC115 and in NC186.

The new contracts also provide for a signature bonus of a total of USD 1 bn for NC115 and NC186, of which OMV´s share in total will be USD 249 mn, payable over three years reflecting the long-term participation in these two blocks and the access to high-quality oil reserves.

Helmut Langanger, OMV Executive Board member responsible for Exploration and Production, said: "OMV has been active in Libya since 1975, with production since 1985. The extension of the Murzuq contracts until 2032 reflects our strong relationship with Libya and is an important step in securing our position in Libya in the future. As a result of the ongoing development of the discoveries made in both blocks, the total production from these two blocks will increase from today´s 300,000 bbl/d to approximately 380,000 bbl/d in 2012. The extended access to those world class fields and in-depth knowledge of their future potential reassure us that these assets in Libya will remain an essential and profitable part of our portfolio."

Following the signature of the EPSAs OMV will adapt its production reporting on NC115. In order to make it comparable to general reporting methods in the oil industry the production will be reported on a pre-tax basis. The change to pre-tax reporting and the extension of the contract period will lead to higher reserves for NC115, increased production levels and a higher EBIT contribution. Reporting for NC186 has already been adapted in Q4/06.

As a result of the new contractual framework, net income will be affected in the first phase and it will lead to a higher corporate tax rate. However, the outcome of the re-negotiations should be considered in the context of OMV managing to extend oil production from the world class El Shararah field in NC115 by 15 years, receiving the award of exploration rights in the prolific NC115 and NC186 as well as gaining further business opportunities in Libya.

Strong Libyan E&P portfolio OMV has been present in Libya since 1975 and made a major expansion in 1985 when it acquired 25% of Occidental Petroleum´s producing assets in Libya. Since then OMV has expanded its E&P operations significantly further by entering into an agreement in 1994 with NOC, Repsol and Total for the development and production of the giant El Sharara field (Block NC115), which produces in excess of 200,000 bbl/d. In 1997, NC 186 was acquired. So far, there have been eight discoveries in NC 186, five of which are currently in production. In 2003, OMV and Repsol were awarded Exploration Package 1 encompassing six blocks with a total size of approximately 70,000 km². Three discoveries have been made to date. Effective December 1, 2007 OMV together with Occidental signed agreements for the re-development of the giant Nafoora Augila field and other oilfields in the very prolific Sirte basin. The contracts are valid for a 30 year period. Production from these fields is expected to increase from today´s 100,000 bbl/d to 300,000 bbl/d. OMV´s current production in Libya amounts to approximately 33,000 bbl/d.

end of announcement   euro adhoc

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