

Budapest, Hungary-based oil and gas exploration and production company seeking investor in Central and Eastern Europe

April 2024

This document contains preliminary information only that it is subject to change based on the agreement of the parties and the business environment

Summary

US oil industry professionals are looking for a financial investor partner(s) for their independent oil & gas exploration and production company in Hungary as follows:

- The group acquired several oil and gas exploration areas in Hungary. The assets include proven gas reserves that can be produced with a smaller investment
- The new company will first focus on the Hungarian prospects, but will also review opportunities in other Central and Eastern European (CEE) countries, such as Germany and Poland in the next phase
- The Hungarian projects require a total investment of EUR/USD 20 million, to be paid in several installments. The initial investment requirement in 2024 is EUR 3-5 million, partially in the form of bank guarantees. Drillings requiring more capital will follow in 2025.
- The company would also consider geothermal energy generation opportunities as these are heavily supported by the Hungarian and other governments. Another clean energy option could be hydrogen generation from natural gas, to support the EU-s hydrogen initiative
- The management group has a proven track record as they built and operated one of the most successful oil & gas exploration and production companies in Hungary: their company became the second largest natural gas producer after the national oil company MOL (1.5 million m³ / day) in the late 2000's
- The management offers 80% of the shares in the company to the investor(s), with the management getting 20%. Any profits generated will first go to the investor, and the management will only get a share from the profits after the invested amount is returned. Until then the management would receive payment (salary) from the regular operating costs
- Oil and gas exploration projects are vital to Hungary, as the country's dependence on Russian oil and gas must be reduced in the near future
- Time is of the essence here: the Hungarian government plans to have a bid round for oil and gas concessions this year where the new company should participate. Unconventional sources are a priority for the Hungarian government, and they may also offer tax incentives

- The Hungarian Mining Act is one of the best in the CEE region, clearly supporting the oil and gas exploration industry. Permitting is also very quick and reasonable, and environmental groups do not hinder the activities.

Frequently Asked Questions

Current status of the project

- The management signed the purchase contract for three oil and gas exploration and production areas in Hungary as follows:
 - o One of the areas has a natural gas well that can start production after a small technical improvement
 - o On the second area there is a well with a proven gas reserve, but it requires further testing
 - o The 3rd area is a large exploration concession that has a drilling obligation for three wells as per the concession agreement with the government

When will new concession areas be available in Hungary?

- Q2 or Q3 in 2024. The Hungarian government focuses on unconventional reservoirs, but conventional ones are just as good

Will the bid round be invitational or available to any interested parties?

- Open to any interested parties, an established presence in Hungary is an advantage

Return on Investment (ROI) potential

- Rather fast. After drilling and well tie-in (including surface technology and pipeline construction, etc.), an ROI per well is possible as early as **6-12 months**, depending on the size of the discovery and prevailing oil/gas prices

Yield estimate (based on historical facts in Hungary and CEE Region)

- Over 20%

Repayment (when can the venture turn profitable?)

- The already existing well can be put into production within 3-4 months, and the second one will follow in 9-12 months. The newly drilled wells are expected to start production in Q4 2025

Best form to express interest?

- Non-binding letter of intent

Preliminary investment timeframe

- **Q2 2024:** the first 1 million Dollars/Euros are required to improve and test the already available wells. A part of that can be in the form of bank guarantees, too. "Cash" payment is also required to cover legal fees, setting up a small office with a very small team of 4-5 people, operating costs, etc.
- **Q2-4 2024:** USD/EUR 1-3 million required for the exploration work (geologists, data purchase, etc.), and to buy the tender documentation in the bid round. Permitting of the planned drillings begins
- **Q1-2 2025:** preparation for drilling begins early 2025 (access road and drilling site construction, purchase of casings and other drilling accessories, etc.), and drilling three wells is scheduled for Q2 2025. Total costs are estimated at USD/EUR 6-8 million, and production is to begin in Q4 2025
- **Q1-2 2025:** concession fee payment due for new areas obtained in the 2024 concession bid round, and exploration work begins right away (geoscience work, seismic survey, etc.)

Who are the contracting parties?

- Management team and Investors

Who are the members of the Management Team?

- Two US citizens with excellent references in the oil industry
 - o One of them will mostly focus on government and industry relations as well as business development. The other person handles drilling, tie-in and other technical issues as operating manager
 - o CV's are available upon request

References?

- The management team has outstanding references in Hungary and other countries, details available after signing a non-disclosure agreement.