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Morgan Lewis Advises State Oil Company of Azerbaijan in Agreement for Future Development of the Super-Giant Azeri-Chirag-Gunashli Oil Fields

LONDON, BAKU, September 14, 2017: Morgan Lewis represented the State Oil Company of the Azerbaijan Republic (SOCAR) in negotiating the amendment and extension of a production sharing agreement (PSA) and associated agreements for future development of the super-giant Azeri, Chirag, and deep-water Gunashli (ACG) oil field complex in the Azerbaijan sector of the Caspian Sea.

SOCAR and the BP-led Azerbaijan International Operating Company (AIOC) consortium finalised the agreement at a signing ceremony in Baku today, presided over by H.E. President Ilham Aliyev of the Republic of Azerbaijan, BP CEO Bob Dudley, and SOCAR President Rovnag Abdullayev.

The ACG field complex, located about 100 km east of Baku, is the largest producing project in the Caspian Sea and one of the largest producing offshore oil fields in the world. To date the field has delivered about 3.2 billion barrels (some 440 million tonnes) of oil equivalent, which has been exported to world markets through the Baku-Tbilisi-Ceyhan pipeline and otherwise. There has been around \$33 billion of investment so far, with the potential of up to \$40 billion more in the newly extended term. Total ACG project production averaged 585,000 barrels per day in first half 2017. Azerbaijan's State Oil Fund (SOFAZ) has received more than \$125 billion in project revenues to date.

As part of the agreement, the international co-venturers will pay a bonus of \$3.6 billion to SOFAZ, and SOCAR will increase its equity share in the ACG PSA from 11.65% to 25%.

The amended and restated agreement will cover development of the fields until 2050, 25 years beyond the duration of the existing 30-year agreement signed in 1994, and will add significant resource development potential to the project. In addition to operator BP, the international consortium members are Chevron, INPEX and Itochu of Japan, Statoil of Norway, ExxonMobil, TPAO of Turkey and ONGC Videsh of India.

"Today's signing expands and extends an extraordinarily important and successful project, opening the door to continued major investment that will enhance production from this world-class reservoir for decades to come," said Morgan Lewis partner [Jon Hines](#). "We are most honoured to have assisted SOCAR in this endeavour."

Mr. Hines led the Morgan Lewis Moscow- and London-based team advising SOCAR, which included of counsel [Alexander Marchenko](#) and associates [Thomas Edwards](#) and [Kseniya Lopatkina](#), with support from partner [Lewis Jones](#). The AIOC consortium was represented by Norton Rose Fulbright.

For more information, read the press release issued by SOCAR and BP [here](#)

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Founded in 1873, Morgan Lewis offers more than 2,200 lawyers, patent agents, benefits advisers, regulatory scientists, and other specialists in 30 offices* across North America, Asia, Europe, and the Middle East. The firm provides comprehensive litigation, corporate, transactional, regulatory, intellectual property, and labor and employment legal services to clients of all sizes—from globally established industry leaders to just-conceived startups. For more information about Morgan Lewis or its practices, please visit us online at www.morganlewis.com.

*Our Beijing and Shanghai offices operate as representative offices of Morgan, Lewis & Bockius LLP. In Hong Kong, Morgan Lewis has filed an application to become a registered foreign law firm and is seeking approval with The Law Society of Hong Kong to associate with Luk & Partners.

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