

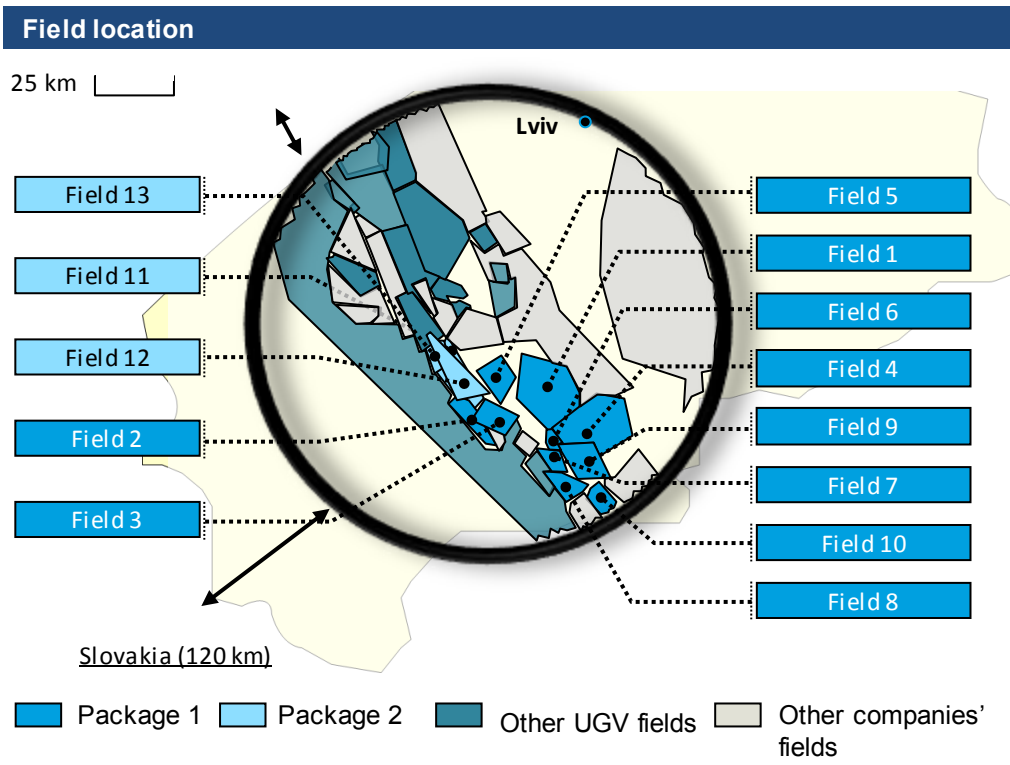
Naftogaz Group

PEC (production enhancement contract) overview



Production enhancement contract (PEC):

Brownfield partnership opportunity snapshot



Contractual framework: PEC

Short description: Development and operation (provision of the technical and managerial expertise) of the brownfields with the purpose of decreasing production costs (\$/ tcm) and increasing production levels and reserves

Contract term: 15+ years

Title to reserves and production: Naftogaz / UGV

Fixed Assets: No transfer of assets title to Contractor, all assets created during the contract duration to be transferred to the Operator

Operational Control: Contractor

Management: Joint-management committee

Compensation mechanism:

- Service fee: 2-stage \$/tcm tariff (baseline and incremental); incremental > baseline
- Service fee covers CAPEX, profit share, OPEX and other reasonable fees

CAPEX:

- 100% financed by Contractor
- MWO approved every 5 years

Objectives: Rejuvenate brownfields that Naftogaz / UGV does not intend to direct capital or resources

Tendering & proposal evaluation criteria

- Open tender with decision made by Naftogaz Group
- Winner defined based on highest NPV to Naftogaz
- Baseline production profile and tariff level, and min capex obligation is provided by Naftogaz and is not negotiable
- Bidders submit their proposed tariffs for incremental production and incremental production profile

Key field parameters	Package 1	Package 2	Total
# of fields	10	3	13
Reserves, bcm	6.9	7.9	14.8
Production, mcm	176	114	290
# of wells (incl. liquidated)	179	90	269
# of non-liquidated wells	94	56	150
Area, km2	275	111	386
Average depth, m	794	1 167	880
% of depletion (weighted)	33%	51%	42%

Redevelopment of brownfields via PEC: selected

■ fields for pilot

#	Field title	?*	Area, km2	Avg depth, m	# of wells ¹	Production, mcm	Reserves, bcm	Gas recovery factor 18, %	P/R 18, %	% Depletion ²
1	Field 1	✓	91	780	46	85	3,9	38%	2%	25%
2	Field 2		26	1.375	9	17	0,2	89%	7%	84%
3	Field 3		22	630	3	7	0,6	70%	1%	70%
4	Field 4		11	810	5	9	0,5	14%	2%	20%
5	Field 5		28	1.095	5	13	0,7	18%	2%	17%
6	Field 6		7	866	4	12	0,1	39%	8%	43%
7	Field 7		12	630	2	5	0,1	41%	4%	38%
8	Field 8		19	945	5	7	0,2	18%	3%	16%
9	Field 9		34	320	3	0	0,0	83%	2%	79%
10	Field 10		25	490	12	23	0,4	67%	5%	67%
Package 1			275	794	94	176	6,9	53%	3%	33%
11	Field 11	✓	48	1.350	25	61	5,3	36%	2%	36%
12	Field 12		47	600	26	51	2,2	78%	2%	92%
13	Field 13		16	1.550	5	3	0,4	16%	1%	16%
Package 2			111	1.167	56	114	7,9	58%	2%	51%

1) Does not include abandoned and suspended wells; 2) Weighted depletion

Data room will be provided for shortlisted

companies for elaboration of commercial proposal

Technical

- Well stock data
- Well completion diagrams
- Well logs
- Record of well interventions/work overs
- Drilling reports
- Reservoir data
- Core data
- Water salinity reports
- Petrophysical data
- Pressure measurements
- Fluids properties
- Stimulation operations record
- Workovers record
- Incidents reports
- Infrastructure data

Financial

- Cost model
- Audited financial statements
- Cost accounts breakdowns
- Commercial agreements for hydrocarbons sales
- FA registers
- Annual budgets
- Management reports
- Accounting manuals, policies and procedures
- Own gas consumption reports
- Insurance data

HR

- Organizational charts
- Payroll / benefits / disciplinary data
- CLA
- Agreements with trade unions
- HR department structure
- Policies, procedures, manuals
- Information on pending litigation
- Certifications requirements
- Retirement plans

HSE

- Environmental audit materials
- Licenses
- Permits
- Policies, procedures, standards
- Manuals
- Incidents reports
- Authorities inspections reports

IT

- IT organization layout
- Applications map
- List of servers and key network equipment
- IT providers and contractors list
- Network diagram
- IT spending for the last 2 years and the 2019 budget
- Policies and procedures
- Brief description of IT users equipment



PEC partnership project timeline

