



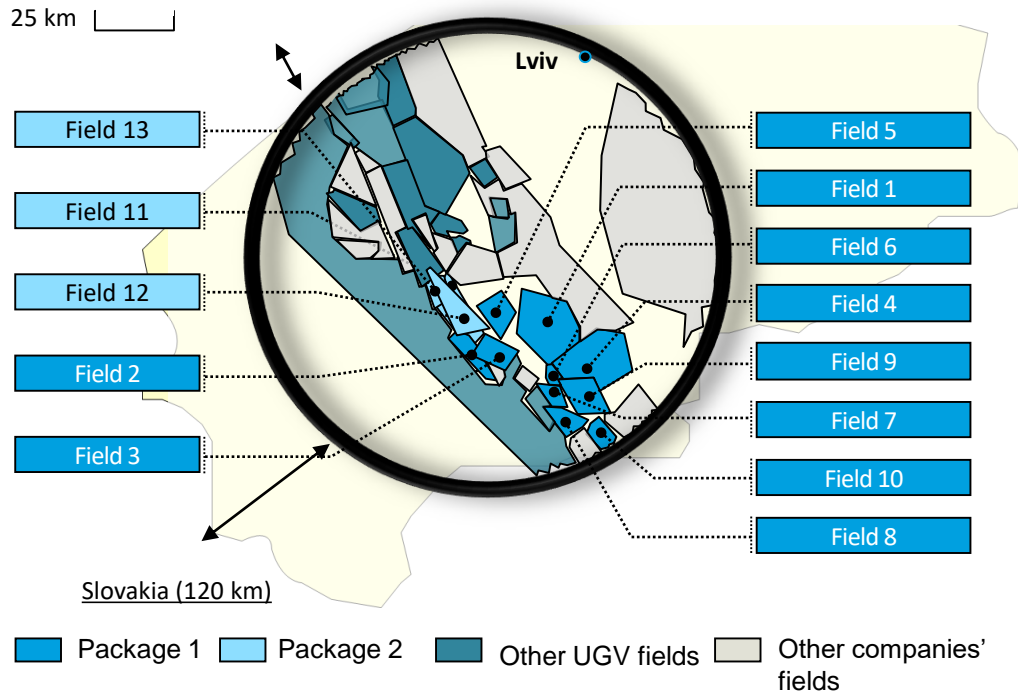
# Naftogaz Group

## PEC (production enhancement contract) overview

# Production enhancement contract (PEC):

## Brownfield partnership opportunity snapshot

### Field location



### 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, km <sup>2</sup>	Avg depth, m	# of wells <sup>1</sup>	Production, mcm	Reserves, bcm	Gas recovery factor 18, %	P/R 18, %	% Depletion <sup>2</sup>
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%
<b>Package 1</b>			<b>275</b>	<b>794</b>	<b>94</b>	<b>176</b>	<b>6.9</b>	<b>53%</b>	<b>3%</b>	<b>33%</b>
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%
<b>Package 2</b>			<b>111</b>	<b>1,167</b>	<b>56</b>	<b>114</b>	<b>7.9</b>	<b>58%</b>	<b>2%</b>	<b>51%</b>

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

