

## UkrGasVydobuvannya

**Public invitation for Expression of Interest for participation in the project of gas production enhancement**

October 2018  
Kyiv



## Summary and objectives

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- One of the current UkrGasVydobuvannya's (UGV) strategic objectives is intensification of gas production in its mature gas fields through efficient operations and modern technologies.
- For this purpose UGV is seeking Oil&Gas companies with relevant experience that are interested in managing UGV's upstream operations in selected fields under PEC (Production Enhancement Contract) services framework. It is expected that this approach will allow UGV to increase production, optimize spend, attract external investment resources and technical expertise.
- Three gas field clusters with relevant ground infrastructure are the subjects of separate contracts, to be operated under PEC services contracts with UGV retaining full ownership of licenses and operated assets.
- The prospective UGV partner (-s) will be supposed to run substantial investment program and upstream operations with objective of maximizing the net pay of hydrocarbons under the terms that are beneficial for both parties.



# Overview of assets to be operated under PEC services contracts



- Number of fields: 6
- 3 Gas treatment units
- Total 99 wells (94 producing)



- Number of fields: 3
- 2 Gas treatment units
- Total 84 wells (63 producing)



- Number of fields: 5
- 3 Gas treatment units
- Total 49 wells (31 producing)

Cluster	GAS Production, 2017 mcm	GAS Reserves 2017, mcm	Average depletion 2017, %	Well depletion range 2017, %	GAS Production Plan, 2018 mcm
01	143,2	6 177,0	53%	18-85%	146,3
02	100,0	7 495,0	59%	16-82%	117,3
03	38,2	1 173,0	48%	18-72%	40,0

- Gas fields-candidates from three homogenous clusters are grouped in a way, that the effects from interventions are identifiable and measurable in terms of net pay for each of the clusters.
- Expected interventions may include (but are not limited to) hydro fracking, drilling, sidetracking, fishing, coil tubing, improving ground infrastructure, etc.
- UGV retains full ownership of licenses and operated assets.



## General pre-qualification criteria (1/2)

### Experience

- Proven success story in increase of the production of hydrocarbons in mature deposits - provision of services under PEC framework or a risk-based contract. Willingness to provide information on the techniques and technologies that were used. Experience in increasing gas production is an advantage. Sizeable increase from initial production rate.
- Experience in the management of ground infrastructure for the preparation and transportation of gas.
- Significant production volume under such operations from mature and/or depleted fields.

### Personnel

- The presence of a management team with substantial experience in improving production of mature/depleted fields and ground infrastructure management (production engineers, geologists, reservoir managers, etc.). CVs to be provided.



## General pre-qualification criteria (2/2)

### Financial sustainability

- Availability of significant funds (equity, shareholder funds, guarantees, etc.) for financing CAPEX program (minimal spend obligations apply) according to the agreed schedule.

### Reputation

- Lack of lawsuits related to general business ethics (poor quality work, non-fulfillment of obligations, non-payment of taxes, money laundering, etc.)
- Candidate is the subject of compliance check in accordance to the NAK Naftogaz' and UGV' risk management procedures.
- Readiness to disclose shareholding structure. Participation of Russian capital is unacceptable. Selling the share to Russian related parties during the contract is considered as major breach of the contract.

### Other

- Readiness to obtain necessary permissions for carrying out related works in Ukraine according to the legislation.

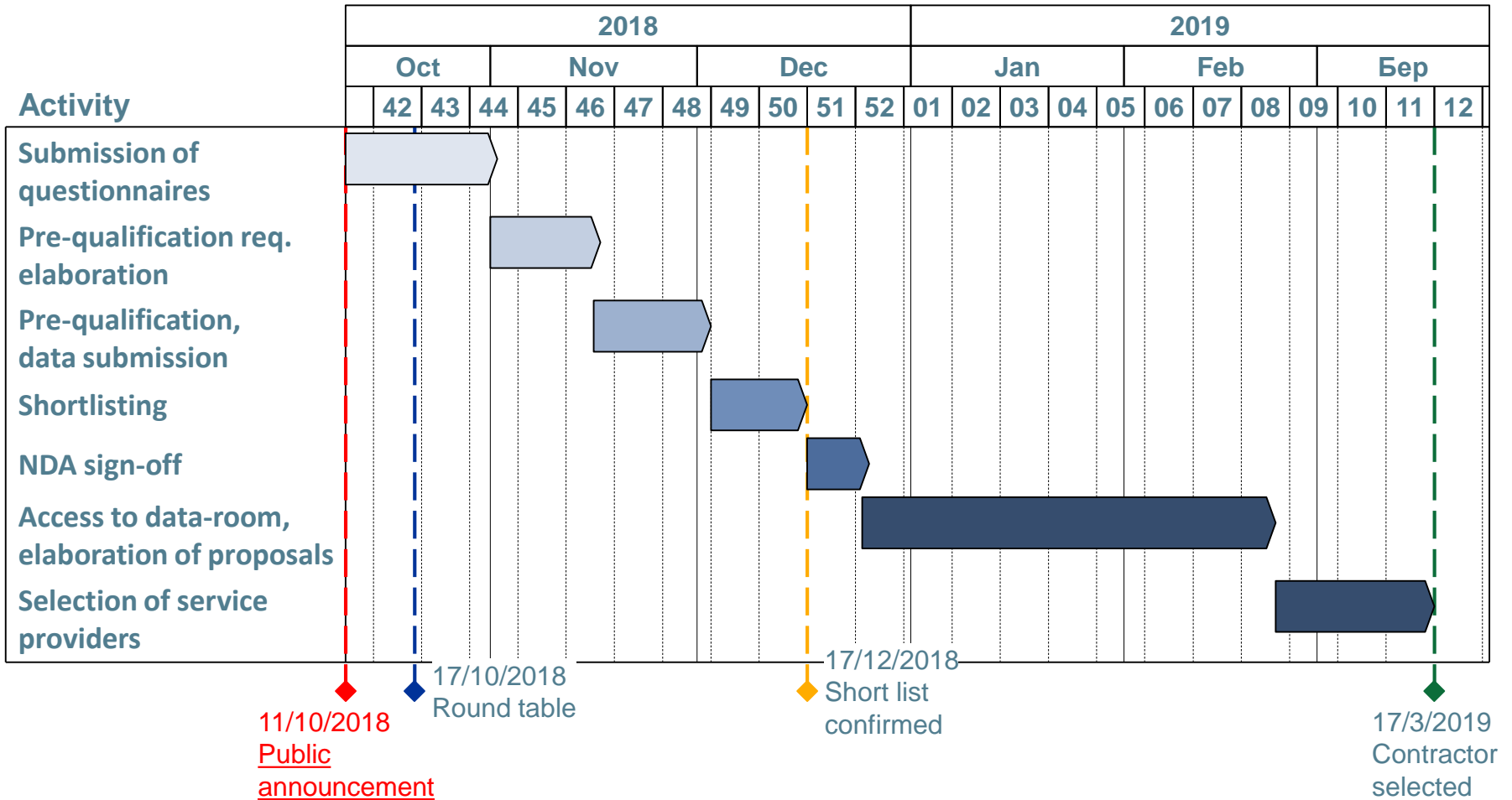


# Preliminary partnership conditions

- The contract term is expected to be of 15+10 years. After first 15 years the contract can be prolonged, if cooperation deemed to be successful.
- Central decision making body will be the Partnership Board, consisting of Contractor and UGV/Naftogas representatives and responsible for approving operational plans, budgets, AFEs, investment plans, etc.
- Minimal Spend Obligation (MSO) will be established to guarantee the investment level for Contractor. Investment schedule will be established.
- A production baseline will be established at the beginning of the contract period. Production within the limits of the baseline will be remunerated according to the discounted tariff. Production above baseline will be remunerated at full contractual tariff. The tariffs and the remuneration model will be built to stimulate the Contractor to maximize the production.
- UGV retains ownership of licenses and operated legacy assets. New assets to be created with contractor's investment to be owned by contractor during the contract period and to be transferred to UGV after contract completion (exact terms to be detailed in contract).
- All related costs (including exploration, operations, development, etc.) are to be covered by Contractor.
- The necessary UGV personnel, engaged in related gas fields operations will be transferred to Contractor for the period of contract, according to the Contractor's needs.
- Contractor is to provide the satisfactory evidence that it has obtained and is maintaining in force insurances, typical for International Oil Industry Standards, including, among other, third party damage liability.



# Expected timeline



- Preliminary timeline, subject to further dialogue and modification



## Next steps

1. October 22<sup>nd</sup> - questionnaire for interested parties will be sent for disclosure of the expertise, qualifications and capacity in the role of a potential PEC contractor.
2. November 1<sup>st</sup> (TBC) – deadline for submitting questionnaires.
3. November 16<sup>th</sup> (TBC) – pre-qualification round announced. Interested parties will be informed about pre-qualification criteria and start preparation of required information.
4. First week of December (TBC) – pre-qualification packages submission deadline. Start of shortlisting procedure.

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