



kellas

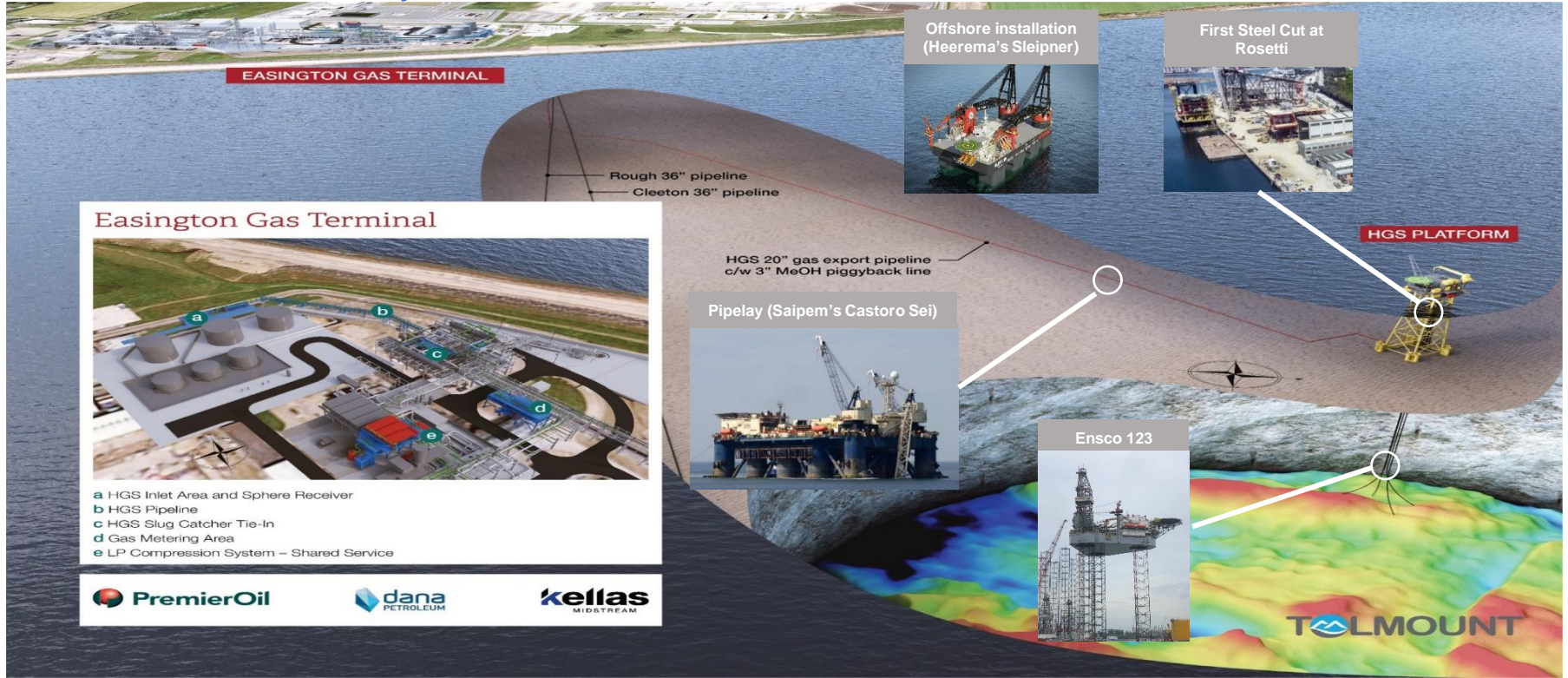
MIDSTREAM

A New Blueprint for Field Development

OGUK Conference, 4th June 2019

Tolmount

Discovered in 2011 by Eon & On-track for First Gas in 2020



Tolmount Discovery.... Tolmount Area

Opportunity & rationale for alternative commercial models

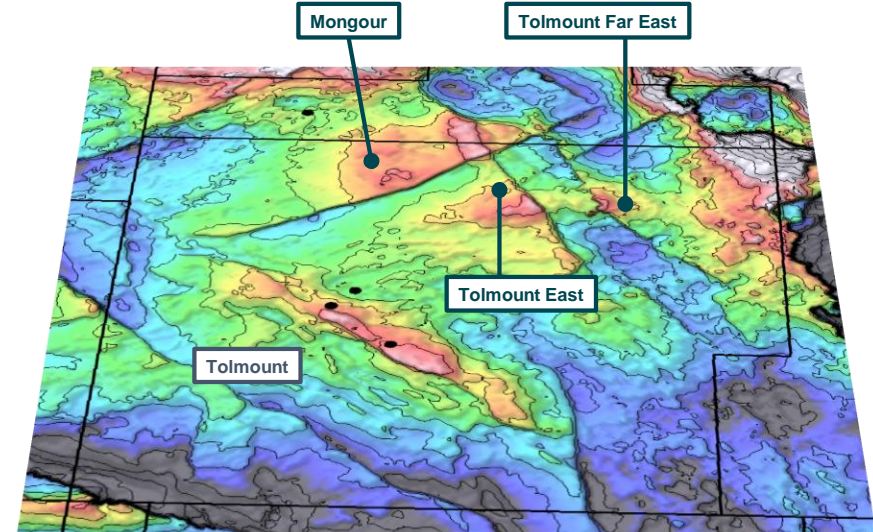


Tolmount Field

- High quality resource base with ca. 500bcf in Tolmount Main
- Significant upside through follow-on potential in area
- Premier & Dana seeking to maximize economic recovery via an area development solution, balanced with Premier desire to reduce its capital exposure
- Premier considered numerous ways to fund the development, including farm-out, vendor funding, independent infrastructure ownership
- Premier selected midstream JV which would build and own the infrastructure (NUI, pipeline & onshore mods)
- Engaged with Kellas to create an appropriate risk / reward framework
- Premier, Kellas and Dana collaborated to develop an appropriate commercial framework for implementation
- Risk and reward profile aligned to the needs of upstream and midstream investors

Tolmount Area

- Gross potential resource > 1Tcf
- Tolmount East spud July 2019, targeting up to 300 Bcf (gross)



Humber Gathering System ('HGS') Partnership

Collaboration between Upstream & Midstream owners

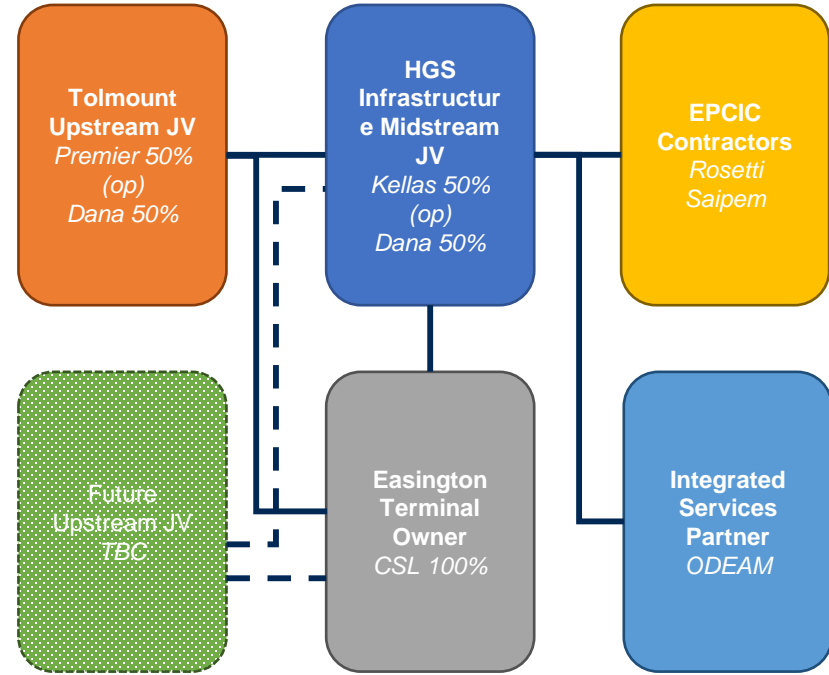


Steps to Delivery

- Commercial model developed
- Proposal to Premier & jointly created an open book economic model
- Enrolled Dana and negotiated HOT to define key principles
- Worked with financiers and contractors to describe commercial model
- Collaborated on selection of onshore terminal arrangements
- Put in place fully terms agreements covering overall project to enable FID

Commercial Structure

- Midstream JV to own, construct, install & operate platform and pipeline
- Fund terminal modifications
- Upstream JV pay tariff to Midstream JV for T&P services
- Tariff structure protects infrastructure owners in downside, share upside & incentivize future throughput
- Considered future fields tie into the infrastructure – backout & allocation
- Midstream JV can market spare capacity



Independent Midstream Owners



Advantages of independent ownership of midstream infrastructure

Assets are core to the owner's portfolio

- Effective operating models have been established which have proven to deliver excellent HSE, operational & financial performance
- Independent ownership can bring greater focus on infrastructure efficiencies

All shippers are treated on a non-discriminatory basis

- Unlike traditional ownership models, the midstream JV makes decisions independently of any interest in hydrocarbons and hence is driven to source new business opportunities from a wider pool of counterparties without bias
- A strong customer focus facilitates wider access to infrastructure

Local supply chain approach

- Increased ability to keep supply chain local without demands for wider integration
- Authority to spend budgets efficiently is delegated to those best able to manage the outcome

Minimal overhead and cost base

- Less burdened by large overheads of traditional owners, cost base can be efficient as it serves a much smaller pool of assets
- Small management team with selective advisors and operating partners in low cost sustainable model

Incentives to deliver high uptime and extend life of the asset

- Emphasis is on value creation which supports adequate investor returns and means owners are prepared to invest and support new developments
- More attention and focus is given to the assets' long-term viability and by pursuing a wide range of opportunities

Wider Application

Observations on using the HGS model elsewhere



Key to Success

- Correct commercial framework up front
- Risk / reward aligned to requirements of upstream & midstream
- Open book approach to finding commercial solution
- Maintain single development operator & single project
- Senior management steering committee & pragmatism
- Resourcing – Commit sufficient resource early, check-in often
- Integrated cross-functional planning, not just technical/project management
- Flush out and agree the big issues early

MER implications of model

- Differing infrastructure and upstream ownership optimizes investment capacity consistent with core business and risk appetite
- Facilitates MER by setting pricing point for infrastructure capacity
- Facilitates asset ownership by those best motivated to deliver successful development
- Commercial structure allows for future 3rd party access to infrastructure
- Pragmatic application of guidance required, especially where new ground is being broken
- Participation in open multi-party discussion fora to facilitate “non-standard” investment models