



OUTLINE POPOSAL

**FOR PROVISION OF CONSULTING SERVICES
FARM-OUTS AND OPEN ACREAGE LICENSING**

FOR

**THE MINISTRY OF PETROLEUM, OR
EXPLORATION COMPANIES**

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1 Introduction

The Ministry of Petroleum, on behalf of the Government of the Republic of **CLIENT**, is willing to conduct Promotion and Marketing of Exploration and Production Blocks and Farm-outs. This can be considered a 'Licensing Round'.

Petroleum licensing bid rounds are a well-established means by which host governments seek and secure industry investment for exploration for hydrocarbon resources within their sovereign territory. Within the oil and gas industry, **competition for funds from oil companies** exploration budgets is usually intense, as there are generally far more opportunities available than budgetary funds can cover. Therefore, promotion and management of a Government licensing round requires **careful planning** and a marketing strategy which generates maximum exposure to attract the attention of specific decision-makers within the new ventures and exploration departments of international and state oil companies.

The success of a licensing round is dependent on numerous factors, but there are four fundamental factors that generally determine the level of interest shown by industry. These factors are:

- Geological prospectivity
- Fiscal regime
- Legal certainty
- Political stability

Geological Prospectivity – In frontier exploration areas, such as certain basins in Africa, where potentially commercial petroleum discoveries have not yet been made, and perceptions of prospectivity are generally based on geological analogues, supported by interpretation and integration of the actual data available. Access to relevant data held by the host government is a significant factor in determining the level of interest generated for a Licensing Round within the petroleum exploration industry.

Fiscal Regime – These fall into two broad systems: concessionary where Government take is derived from royalties and taxes associated with the production of hydrocarbons, and contractual regimes where the oil company acts as a contractor to the Government, assumes all exploration risk and, if successful, receives in return an agreed portion of the produced oil or gas from which the contractor recovers its costs and derives a profit. One area of differentiation of the two systems is that concessionary regimes generally confer title of

produced hydrocarbons to the concessionaire, whereas under contractual regimes the State retains title. Fiscal regimes vary greatly in their economic impact to stakeholders, and host Governments usually tailor their fiscal regimes to reflect perceptions of geological prospectivity and the anticipated amount of

Government take; the latter is generally a balance between the desire of a Government to derive maximum benefit from exploitation of the State's natural resources and the need to stimulate investment in its resource sector.

Legal Certainty – Petroleum exploration and production is generally a long-term activity, with project life extending in many cases over several decades, and may involve very significant expenditures, particularly for offshore projects. Perceptions of legal certainty through rule of law and sanctity of contracts over the life cycle of a project can have a major impact on investment decisions, and host governments can stimulate investment for petroleum exploration and production activities by affirming and maintaining the ongoing certainty of their legal systems and application of rule of law.

Political Stability – The long-term nature of petroleum projects means that investment decisions are impacted by perceptions of political stability within the host country, as well as by regional and global geopolitical considerations. Country risk is a significant factor in the ability of an oil company to borrow project funding. The propensity of a host government to change the rules in response to prevailing economic conditions or geopolitical situations can be offset by incorporating flexibility in the terms of the fiscal regime, thereby mitigating political risk for the investor.

The level of investor interest generated for a Licensing Round will depend to a large degree on clear enunciation of the four fundamental factors of **geological prospectivity, fiscal regime, legal certainty and political stability**, such that potential bidders will be able to compare and contrast the attractiveness of (in this case) the CLIENT as a destination for investment in petroleum exploration in relation to opportunities in other countries and jurisdictions.

PETRO-TEC PROPOSAL

1. Petro-TEC offers to manage the CLIENT upstream petroleum licensing/bidding round. If the suggested Proposal is accepted, PETRO-TEC will be operating on a risk basis to ensure maximum success for THE MINISTRY.
2. Through our extensive experience of preparing Promotional Flyers and Information Memorandums (IM) for new venture activities, we will create the necessary marketing literature for the Licensing Round. PETRO-TEC will prepare a comprehensive Information Memorandum. This document will be the prime information document for the Licensing Round and will be a summary of the technical, commercial, legal, environmental and administrative information to allow potential bidders to quickly comprehend all aspects of the Licensing Round. Individual Area Flyers will also be produced to highlight the unique opportunities on offer. Other reports can be prepared which will complement and expand on information contained in the Information Memorandum. The Republic's Coat of Arms and any other identifiers specified by MINISTRY will be prominently displayed on all documents and electronic communications.
3. PETRO-TEC has all necessary skills and expertise to collect, gather and collate the available legal, commercial, G&G and engineering data and files. PETRO-TEC will, if awarded the contract, send a crew to the CLIENT with the necessary equipment to capture all data and information that is required for the Licensing Round. At this stage we are not certain of the amount of **data, the condition** of the data or the formats of the data and files but understand that some of the seismic data is already in SEG Y format. This will be copied from tapes to USB hard drives ready for conditioning. Any seismic data not available in SEG Y format will be scanned and vectorised (turned back into SEG Y format) by PETRO-TEC. Documents will be bar-coded and scanned to PDF format. Well logs, if not already digital, will be scanned and digitized to modern LAS standards.

Once the data and files are gathered together they will be sorted into Data Packages, one for each license area. They will be included in the Online Data Room (ODR). For maximum efficiency we will need the expert guidance of Ministry in sorting the data and files for the Licensing Round.

The Republic's Coat of Arms and any other specified identifiers will be prominently displayed on all documents and electronic communications.

4. We propose that the opening announcement will be made after certain initial work such as the setting up of the online data room, conditioning of the data and preparation of the Information Memorandum has been completed. It is recommended to aim for an announcement date in early 2018. Deadline for submission of bids should be no more than 120 days (the exact number of days to be decided jointly by Ministry and

the PETRO-TEC) after the official announcement.

5. We recommend that appropriate links be placed on your web site to assist with the marketing and promotion of the Licensing Round. Your web site should confirm the Licensing Round, and the Government's role and backing for the event. It should also contain links to important documents such as current petroleum law, environmental issues, taxation and financial legislations and a comprehensive listing of technical data that can be made available to potential bidders.
6. PETRO-TEC has a combined international client network of over 3500 key new venture decision makers in 1300+ international and state oil companies. This data base will be integrated with that held by The Ministry to achieve the broadest and deepest possible reach into the upstream oil industry. A comprehensive Licence Round brochure, based on the Information Memorandum and containing all relevant legal and commercial terms, will be distributed to all individuals and companies as part of the promotion/marketing campaign.
7. PETRO-TEC recommends appropriate advertisements in the publications of professional associations such as SEAPEX, PESGB, PESA and AAPG in order to reach a readership focused on new venture activities in the upstream oil industry.
8. PETRO-TEC, in taking on this project on a part risk basis, will use every method available to reach the widest possible audience. PETRO-TEC will keep THE MINISTRY fully informed of the progress and results of the promotional and marketing process, including suggestions of approaches which may elicit positive response from potential bidders, such as facilitating interested parties to form study groups.
9. The purpose of a licensing round is for the government agency is **to license all Open Areas at the best possible terms**. Access to data and information is a critical aspect of allowing potential bidders to make informed business decisions.

Since the development of the internet, email and mobile phones, corporate executives of even small oil companies are now able to operate in the global market place. Companies are no longer confined to local regions. With this expansion of horizons, companies require more convenient and efficient methods of conducting business. As a consequence, Electronic Online Data Rooms (ODR) are now superseding physical data rooms.

PETRO-TEC operates a powerful and sophisticated ODRs in the industry. Most super-majors, many independents and an increasing number of State agencies use our ODRs for the benefits they provide - speed, security, convenience and efficiency. With respect, PETRO-TEC proposes that it will not be necessary to set up a physical data room outside The CLIENT Office, but rather to take advantage of the many benefits of ODRs to disseminate Licensing Round data to potential bidders.

PETRO-TEC proposes to use Online Data Rooms for the initial review by potential bidders, who will then have the option to purchase Data Packages for detailed evaluation purposes. This approach will provide the most convenient and efficient access to information and should result in enhanced exposure for evaluation of the opportunity by potential bidders.

10. PETRO-TEC can provide assistance to THE MINISTRY, as required, in the preparation of an official Call for Tenders containing full details of the Licensing Round, including bid requirements, bid deadlines, bid qualification procedures for IOCs, selection criteria, IOC submittals of qualifying information and the legal framework for the CLIENT Licensing Round. Individual consulting experts of the highest international standing in their relevant fields would be retained by PETRO-TEC to provide advice and assistance to THE MINISTRY and, if required, to sit on the government Technical Evaluation Committee.
11. The original format of a petroleum licensing round road show was a stand-alone circuit of the world's oil capitals where, after a prior marketing campaign, presentations would be made at individually organized events to which interested oil company personnel were invited. These events are both labor and cost-intensive, and have largely been supplanted within the oil industry. The rapid development of the internet and computing and telecommunications technologies allows the target audience to be reached much more efficiently and effectively, resulting in significant savings in cost and time both to the agency promoting a bid round and to the potential bidders.

Making presentations to appropriate audiences and conducting face-to-face meetings are still essential parts of doing business. We propose that this process, **formerly the domain of the road show, be incorporated into the marketing campaign** through representation at well-attended industry events which focus on new venture opportunities. Our proposed schedule of events will be outlined based on the start time of the LR and the scheduled Int. events thereafter. PETRO-TEC will prepare for, organize, and provide promotional material and staff booths at the proposed events and, in collaboration with THE MINISTRY personnel, facilitate the presentation and marketing of the CLIENT Licensing Round.

12. There are four key global centers to focus on for the best access to the largest number of high level new venture executives from a wide range of international oil and gas companies. PETRO-TEC proposes two formal licensing rounds, one in LONDON, and the other in DUBAI. These two LR will target companies in US& Europe; and companies in the Middle and Far East. The proposed Timetable and Schedule would assure THE MINISTRY of successfully maximizing this exposure. One-on-one meetings and discussions will be arranged after each presentation. PETRO-TEC will provide all the necessary marketing material and arrange the meetings.

13. PETRO-TEC will communicate with potential investors and provide them with bid-qualification documents and, in conjunction with THE MINISTRY, advise whether a company is suitable or not. It is called a pre-bid qualification document.

5 Technical Highlights

PETRO-TEC has long experience in promoting Exploration blocks in North and East Africa. Knowledge of the regional types of contracts, the operational set-up (EPSA, JOC, JOA, JSA), and the working conditions in the region can assist to clarify any queries and to enable the investors to move with comfort.

Furthermore, PETRO-TEC has an office in London and UAE (Ajman Free Zone) where it can facilitate the operations and streamline the communications, data transfer, and work arrangement.

Online Data Rooms (ODR)

Today's oil company new ventures executives are extremely busy and under incredibly tight time constraints. They find themselves having to prioritize which opportunities to evaluate. Offering a powerful, convenient online portal through which they can quickly and easily make an initial evaluation of an opportunity without the down time of travel will greatly expand the number of companies evaluating the investment opportunity.

An ODR provides an entire team of new venture specialists the ability to analyze a project or potential opportunity represented in a License Round in great detail from the convenience of their own offices. They can quickly and efficiently as a team study legal and commercial documents, project specific presentations, graphics, prospect plays, SEGY seismic and LAS digital well log data. This feature of being able to remotely view, manipulate and study SEGY data live and interactively is unique ODR technology which PETRO-TEC would utilize for the THE MINISTRY License Round.

Using only a standard web browser **authorized and authenticated users** could view the files and data contained within an ODR site. No installation of software is required. All data and files within the ODR would be in a format which allows viewing only, with no ability to download. Viewing is extremely fast and there is no file size limit. This is a tremendous benefit that will greatly enhance the evaluation process for the oil companies.

ODRs offer many benefits to THE MINISTRY. By giving companies an efficient methodology to evaluate the opportunity available in the Licensing Round, more companies will be willing to invest the time to make an initial evaluation. There is no limit to the number of companies simultaneously viewing data in the ODR,

eliminating the need for companies to queue up to attend a physical data room, and greatly reducing the effort and cost of managing data rooms. As the time span in which companies can familiarize themselves with the opportunity is reduced, the overall Licensing Round process can be shortened. Also, because the ODR provides a low cost opportunity to review the Licensing Round prior to purchasing the actual Data Packages, it will lead to widening the field of potential investors.

PETRO-TEC will provide the following services in relation to setting up and managing a dedicated ODR for the CLIENT Licensing Round:

- Review and audit available Licensing Round data held by the MINISTRY (THE MINISTRY to provide comprehensive list detailing data, logs, media and condition).
- Format, convert and transcribe data into suitable format for inclusion into the ODR and the Data Packages.
- Prepare Data Packages for sale to potential investors.
- Provide Promotion Services using PETRO-TEC's extensive global network to introduce pertinent information to key decision makers to generate participation in the Licensing Round.
- Provide an ODR to host all separate License areas.
- Each License Area to be contained in separate folders/sub-folders.
- Preparation of a customized ODR using our management software
- Upload and catalogue all files supplied by THE MINISTRY.
- Manage access for potential investors to the ODR in accordance with THE MINISTRY's instructions.
- Track data room access and provide online reporting to THE MINISTRY of authorized users activity in the data room.
- Receive enquiries from potential investors regarding ODR contents and prepare responses in conjunction with THE MINISTRY's personnel.
- Provide a close-out report of all ODR access activity, questions and answers.

NOTE: THE MINISTRY is solely responsible for legal and commercial negotiations with bidders for the Licensing Round. PETRO-TEC consultants can assist in the negotiations based on pre-approval from the Ministry. An agreed day rate will be charged for participation.

6 After the Event

Once the Licensing Round is closed and THE MINISTRY has completed negotiations with successful bidders, all data and files would be offloaded from the ODR servers and would then be loaded to new servers along with WebDataView software (**Supplied at cost**). These servers would then be delivered to THE MINISTRY.

After the Licensing Round THE MINISTRY's work will of course continue so, as part of the tender, the same industry standard tools utilized during the license round would be provided to THE MINISTRY to assist it with its future data management process. After training by PETRO-TEC experts, THE MINISTRY personnel would be able to store new data and files generated from the activities of new company exploration, development and production programs in the data management system and instantly view and retrieve files. **Annual software licensing fees will apply.**

7 Pricing Proposal

PETRO-TEC proposes a fee structure that is partly based on PETRO-TEC 'taking some of the risk'. The reasons for this are as follows:

- By providing day rates, neither THE MINISTRY nor PETRO-TEC know what the total costs are likely to be. We propose a fixed rate sum to cover PETRO-TEC's initial expenses.
- We propose to charge potential investors a fee to review the data and files in the online data room.
- If the Licensing Round is conducted according to our proposed alternative, PETRO-TEC will share the risk. With this incentive based approach, THE MINISTRY can be assured of PETRO-TEC putting forth best effort to produce the most successful results.
- We offer a revenue sharing scheme whereby, once certain benchmarks have been reached, THE MINISTRY would share in the projected revenue.
- Note that additional services such as **expert opinion**, when requested by THE MINISTRY, will be charged at agreed day-rates or on a cost-plus basis.

8 Payment Schedule

The following Payment Schedule is proposed to allow the PETRO-TEC to be compensated for its efforts:

1. Establishment Fee – THE MINISTRY to pay PETRO-TEC US\$ XXX.XX for one block, XXX.XX US\$ for two blocks XXX.XX US\$ for 3 blocks, and XXX.XX US\$ for four blocks.

The fee is to cover PETRO-TEC initial expenses including but not limited to: Licensing Round material and report preparations, Airfares, hotels and living expenses for PETRO-TEC personnel; document scanning and data collection from the CLIENT office and the provision, stocking and staffing of THE MINISTRY booths at conferences if and where appropriate.

This charge does NOT cover the costs of THE MINISTRY personnel for attendance of conferences and events and the associated travel, accommodation and living expenses. It does NOT cover the cost of road show items (**LR in London & Dubai**) such as hotel hire, food, banqueting, projection, auditorium, etc., if THE MINISTRY requests that a dedicated road show be organized and staffed by PETRO-TEC. The LR event cost will be estimated, agreed upon, and billed to the Ministry (**A fixed LR fee of XXX.XX US\$ can be agreed upon in advance**).

PETRO-TEC will display THE MINISTRY posters on its booths at additional events where PETRO-TEC has booths and THE MINISTRY personnel are welcome to

reside on these PETRO-TEC booths.

2. Oil company **access fee** to the Licensing Round - paid by the oil companies – estimated as US\$ XXX.XX (US Dollars fifteen thousand) per company and shared by THE MINISTRY and PETRO-TEC according to the following:

Scale 1: US\$ 0 to US\$ XXX.XX, 100% to PETRO-TEC

Scale 2: US\$ XXX.XX to US\$ XXX.XX 50% to THE MINISTRY and 50% to PETRO-TEC

Scale 3: US\$ XXX.XX and above, 75% to THE MINISTRY and 25% to PETRO-TEC

3. Revenues from **Data Package sales** prepared by PETRO-TEC and sold exclusively through PETRO-TEC. The prices will be estimated by PETRO-TEC based on the amount and quality of data. The data sale revenue will be shared as follows:

Scale 1: US\$ 0 to US\$ XXX.XX, 25% to THE MINISTRY and 75% to PETRO-TEC

Scale 2: US\$ XXX.XX to US\$ XXX.XX, 50% to THE MINISTRY, 50% to PETRO-TEC

Scale 3: US\$ XXX.XX and above, 75% to THE MINISTRY and 25% to PETRO-TEC

4. **Signature bonus**

15% of the signature bonus to be paid to PETRO-TEC, **85%** to THE MINISTRY or Government.

All payments of revenue due to THE MINISTRY can only be made on receipt of invoices from THE MINISTRY. PETRO-TEC will provide monthly accounting to THE MINISTRY listing the amounts received from oil companies and the amount due to THE MINISTRY. Based on these accounts THE MINISTRY will be able to issue invoices to PETRO-TEC for payment to a recognized official bank account specified by PETRO-TEC. Payments will be made by Bank Transfer.

9 **Conditions of Agreement**

The MINISTRY Licensing Round is to be exclusively managed by PETRO-TEC.

PETRO-TEC will have exclusive rights to sell all Data Packages pertaining to the Licensing Round for a period of 24 months after the date of the Official Launch.

The price of each Data Package will vary according to the data quantity and condition.

Delivery of Data Packages will be exclusively through PETRO-TEC.

12 Timetable and Schedule

One of the highest priorities of the MINISTRY Licensing Round is that it is showcase to be attended by as many companies as possible. PETRO-TEC will make sure that the Licensing Round is highly publicized but in addition to this, attending conferences to meet the right people and explain the Licensing Round personally is very important.

For this reason we will select the most appropriate conferences (the ones that are attended by new ventures executives) and recommend that this program is followed, and that it will replace the need for a stand-alone road show circuit.

PETRO-TEC will have representatives at all of these conferences and will be able to introduce or give short presentations to highlight the Licensing Round. The opportunity for one-on-one meetings during and after the events will be facilitated by PETRO-TEC staff in attendance.

NAPE Expo

APPEX

SEAPEX

MEOS

ADIPEC

This schedule covers the four principal regions for new venture activities in the industry.

Adoption of this plan in addition to a **LR in LONDON & DUBAI** will result in exposure at the most highly regarded and best attended international oil and gas upstream and new ventures events.

The Official Launch should be held in London, UK. It is preferable that extensive marketing and promotion is carried out prior to the official launch to maximize attendance. It is recommended that, depending on a senior Government figure's availability, the official launch is held mid-way through the above program. Following the official launch, we recommend potential bidders be granted **120 days** in which to submit their bids to THE MINISTRY.

Our proposed (**Model**) timetable of activities for the CLIENT Licensing Round is shown in the spreadsheet on the next page. This timetable can be modified to meet THE MINISTRY's priorities and objectives for the Licensing Round, and may be modified to accommodate the personal timetables of THE MINISTRY's personnel and to cover unforeseen events.

| TIMELINE FOR THE LICENSING ROUND ACTIVITY | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-18 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Project Discussion & Agreement | → | | | | | | | | | | | |
| PETRO-TEC Team Visit for Data Collection | | | | | | | | | | | | |
| PETRO-TEC Rep based in S Sudan | | | | | | | | | | | | |
| Data conditioning & Collating | | | | | | | | | | | | |
| Prepare IM Brochures & Posters | | | | | | | | | | | | |
| Marketing Efforts worldwide | | | | | | | | | | | | |
| Attending Conferences for promotion | | | → | | | | | | | | | |
| Attending Conferences for promotion | | | | → | | | | | | | | |
| Attending Conferences for promotion | | | | | → | | | | | | | |
| Attending Conferences for promotion | | | | | | → | | | | | | |
| OFFICIAL LAUNCH OF BID ROUND | | | | | | | | | | | | |
| Licensing Rounds in LONDON & DUBAI | | | | | | | | | | | | |
| ODR AVAILABLE | | | | | | | | | | | | |
| DATA Packages for sale | | | | | | | | | | | | |
| Closing date for Bid submission | | | | | | | | → | | | | |
| Bid evaluation | | | | | | | | | | | | |
| Negotiation with bidders | | | | | | | | | | | | |
| Announcement of winning bids | | | | | | | | | | | → | |
| Handover of Data Management system | | | | | | | | | | | | |