





# Divestment Services



For International Upstream Oil and Gas Companies

## Divestment

- \* Adding value by achieving the highest possible market price
- \* Efficient marketing and sales process
- \* Full range of divestment services from portfolio planning, data preparation, marketing to completion
- \* First class liaison and reporting to clients

## INTRODUCTION

Stellar Energy Advisors Limited is an established, independent consultancy specialising in all aspects of Portfolio Management for the upstream international oil & gas community.

Our head office is conveniently located on London's Oxford Street, near Bond Street tube station.

We have access to a broad range of facilities, resources and professionals to manage any M & A project.

We are principally based in our Central London offices but we have diverse experience of working and running data rooms in many worldwide locations.

Stellar has a successful divestment track record spanning over ten years. Stellar has:

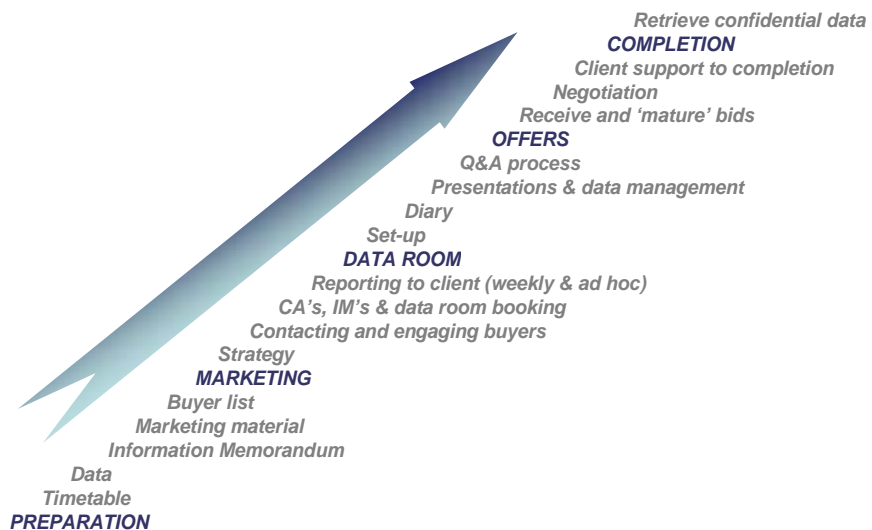
- An extensive client base from small Independents to Super Majors;

- Completed over 50 Acquisition & Divestment Projects worldwide;
- Been selected by traditional 'buyers' to undertake sales of their own assets;
- Developed bespoke marketing strategies which have received widespread praise from clients;
- Repeat business from established clients.

## SCOPE OF SERVICES

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Stellar will provide a full range of divestment services, from planning, through marketing to completion, or it will provide a bespoke service,

inter-acting with the client to provide selected parts of the overall divestment process.

In the following sections we address in detail the individual elements of the divestment process.

## PREPARATION

Preparation may, in some cases, begin with portfolio analysis to assist the client in deciding which assets it may wish to divest. More typically, the client has decided which assets to divest and preparation consists of deciding how to package the assets, the appropriate marketing technique, e.g. limited auction or placement, open or discreet sales process etc.

A realistic timetable for the sale must be agreed that gives buyers sufficient time to evaluate the assets and obtain board approvals, while ensuring the Client's needs are met.

A list of prospective buyers is researched, drawing on past deals, current company strategies and companies' availability of funds.

A detailed, confidential Information Memorandum is written and other non-confidential marketing produced.

A confidentiality agreement, preferably in a standard AIPN format, will be agreed with the client.

With these materials the marketing phase can be commenced.

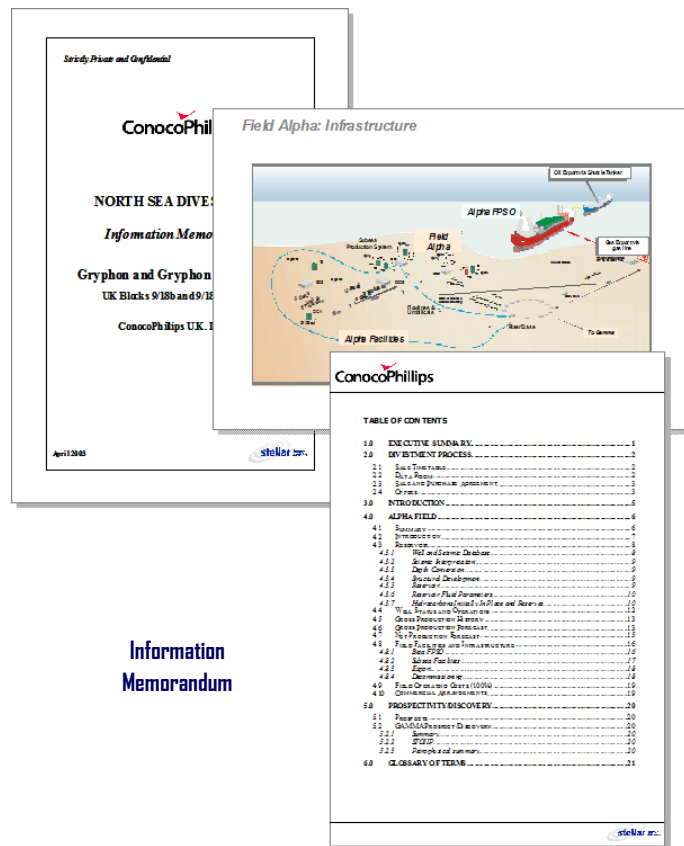
## Information Memorandum

Stellar will prepare an Information Memorandum to the highest standards. It will ensure that base case and upside potential in terms of technical and commercial issues are captured and that there is a clear divestment process with a specified timetable and milestones. The Information Memorandum is the "discovery" document and the data room visit is the "audit".

The Information Memorandum is published to a high hardcopy specification in addition to in electronic format.

As a minimum, Stellar's IM's will contain the following:

- Detail of the Sales Process and the Offer requirements.
- All the technical and commercial data to allow Buyers to run a preliminary economic evaluation.
- Focus on a positive but realistic base case with upside opportunities explained and described. Costed development scenarios included where appropriate.
- Stress upsides but wary of initially 'over-selling' assets.



Information Memorandum

- Ensure all issues are covered in data disclosure - no surprises for the buyer.
- Explain the commercial arrangements clearly.
- Ensure investment opportunities,

such as exploration, appraisal & in-fill drilling, have attendant data so that value can be ascribed by the buyer.

“The Information Memorandum is for ‘discovering’ the opportunity...”

## MARKETING

Stellar's worldwide network of contacts with key decision makers will get the opportunity in front of the right people. We will make personal contact with them to ensure they are made aware of the divestment opportunity and process, including the timetable. To achieve this we will:

- Draft initial 'non-confidential marketing materials;
- Identify potential purchasers;
- Draft & agree marketing strategy;
- Contact companies utilising Stellar's extensive network;
- Make use of web-based systems as appropriate;
- Issue and receive signed Confidentiality Agreements.

Stellar will make personal contact with all approved buyers utilising an Invitation Letter and non-confidential Summary of Offering (Bulletin) as follows:

### Invitation Letter

The letter set-out the sales process and timings plus the form of the sale i.e. Client's preferences for a deal structure, cash sale, farm-out etc.

## DATA ROOM

Stellar runs data rooms externally and in-house, and these have been widely praised for their efficient and professional management. Recent campaigns have included the management of three simultaneous data rooms in Southeast England and Aberdeen. Project preparation and data loading are also offered. Stellar

has two data rooms at Duke Street House both of which are large, light and air-conditioned.

Stellar will:

- Liaise closely with buyers visiting the Data Room and build links for further communication as the sale process progresses;

commercial merits of the assets;

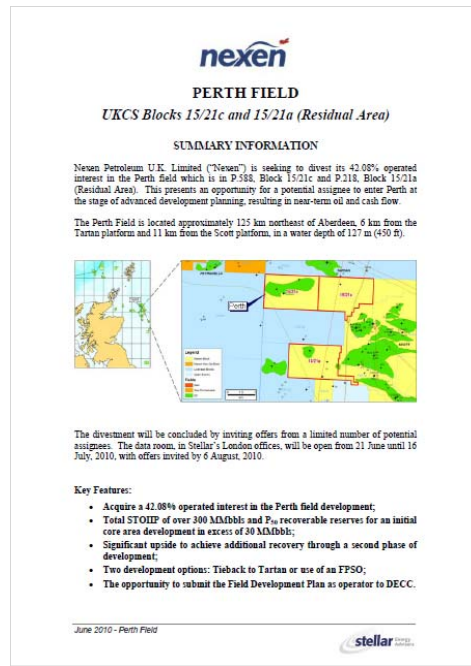
- Indicate the size of the potential resources;
- Future investment concepts, costs and timing;
- Growth potential in the asset and region;
- Infrastructure availability;
- Other E & A opportunities.

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**"... and the Data Room is for auditing the opportunity."**

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### Bulletin



### Summary of the Offering (Bulletin)

This short, non-confidential document gives companies an introduction to the assets, and allows the company to screen the opportunity and determine if it fits its strategy, capital constraints etc.

As far as is compatible with confidentiality limitations the Bulletin will:

- Describe the technical and com-



## Physical or Virtual Data Room



Seismic Workstation



**Physical Data Room:** Companies and their professional advisors can review in a spacious and comfortable environment supporting documents, which include drawings, contracts, technical data, legal, financial and other information.

The asset disposal process is conducted in a cost effective, efficient and professional manner, enabling prompt and widespread exposure of the data to potential purchasers.

**Virtual Data Room:** Asset information is compiled in electronic format and made available to prospective purchasers via a dedicated web portal\* or via CD-ROM/DVD or hard drives.

\* Not suitable for large seismic datasets

“Thank you very much for your complete and quick replies, for the help and support that you provided to BP and our team that visited the data room. Very professional”

*BP Resource Manager,*

## Data Room Management

Stellar's professional staff have commercial and technical backgrounds gained during careers working for E&P companies. Using this experience we assemble and catalogue the appropriate material for the data room. Typically 'additional data' is distributed by CD-ROM or electronically. Stellar has a drafting provider and has facilities to copy and print maps, logs and other materials.

Stellar will:

- Provide copies of data;
- Coordinate and issue the responses to data room questions;
- Receive and action requests for additional information;
- Complete an accurate and comprehensive log of all data issued.

**stellar** DATA RETURN FORM

As per section xx. of the confidentiality agreement for the COMPANY's divestment opportunity, Stellar Energy Advisors, acting on behalf of THE COMPANY, requests the return of all material provided (details below) during the divestment process and confirmation that any copies and data derived from the process have also been destroyed.

**Information & Data** Enclosed or Destroyed

IM Handcopy No. 5  x1

IM on CD-Rom  x1

Data CD's: 1  x1

2  x1

**G&A Process**

Any additional data provided:  see attached

**Data Room Visit**

Additional data:  see attached

Seismic (screen dumps):  see attached

**DECLARATION**

I/we confirm that all material supplied that all reasonable steps to permanent

### Data Tracking

	IM Number	Company	IM and Data Sent	Data CD 1	Data CD 2	O & A Form	Confirmation of Receipt	Data Return Request Sent	Data Returned	Details / Notes
Company:	1	Co1	07-May	✓	✓	✓	✓	03-Jul	18-Jul	all
Representatives Signature:	2	Co2	07-May	✓	X	X	✓	n/a	27-Jul	all returned before contractual signing
Print Name:	3	Co3	08-May	✓	✓	✓	✓	03-Jul	15-Jul	please see meeting log on CD-ROM disk
Date:	4	Co4	09-May	✓	✓	✓	X	03-Jul	04-Jul	all rec'd
	5	Co5	10-May	✓	✓	✓	✓	03-Jul	25-Jul	all rec'd
<b>Please complete</b>	6	Co6	14-May	✓	✓	✓	✓	n/a	20-Jun	all returned before contractual signing
All returns should be sent to:	7	Co7	07-May	✓	✓	✓	✓	03-Jul	18-Jul	all rec'd
	8	Co8	15-May	✓	✓	✓	✓	03-Jul	02-Aug	chase up - all rec'd now
	9	Co9	16-May	✓	✓	✓	X	03-Jul	27-Jul	all rec'd
	10	Co10	18-May	✓	✓	✓	✓	03-Jul	13-Jul	all rec'd
	11	Co11	18-May	✓	✓	✓	✓	03-Jul	15-Aug	chase up - all rec'd 15 Jul
	12	Co12	20-May	✓	✓	✓	✓	03-Jul	07-Jul	all rec'd
	12			12	11		10		12	

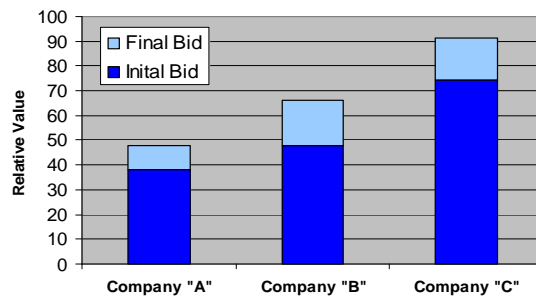


## OFFERS

In all our divestment campaigns, Stellar is the usual contact point for the receipt of offers and we are well aware of the security requirements of the process. Typically, there will be a number of issues that require clarification and Stellar will contact buyers to seek clarification of the details of their offers in order to allow all the offers to be evaluated on a level basis.

Examples of issues that we are used to handling include:

- The highest bid may not initially reach the Client's requirements. Stellar and the Client may consider an "Open Book" approach to coach and secure a satisfactory price;
- Several offers may be very close. Stellar will clarify Buyer's terms and encourage a "best and final" offer.



Comparison of Offers

Once offers have been assessed in conjunction with the Client, Stellar will advise on whether to enter exclusive negotiations with one company and how to treat offers from other companies.

Stellar's extensive transaction experience is available to assist the Client with the negotiation of a Sale and Purchase Agreement for the

deal, providing advice on typical deal parameters, operating in the interim period to completion, regulatory approvals, staffing issues and many other diverse topics that need to be addressed up to completion of the transaction. Stellar can also provide recommendations for legal, tax and other specialist experts as may be required to assist the Client.

## REPORTING

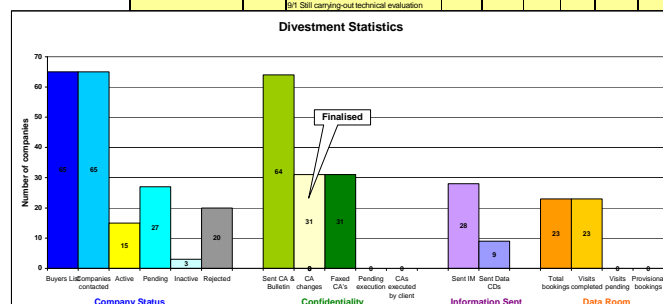
Stellar works closely with clients throughout the divestment campaign and keeps the Client fully apprised of the marketing status via a comprehensive weekly report.

The weekly report tracks companies contacted, their level of interest and evaluation status, data room visits, data room Q & A status and companies' comments on the asset.

In addition, Stellar tracks all confidential data and lists all documents disclosed to the buyers for attaching to the Sale & Purchase Agreement and recalls all confidential data from the unsuccessful companies.

### Weekly Report

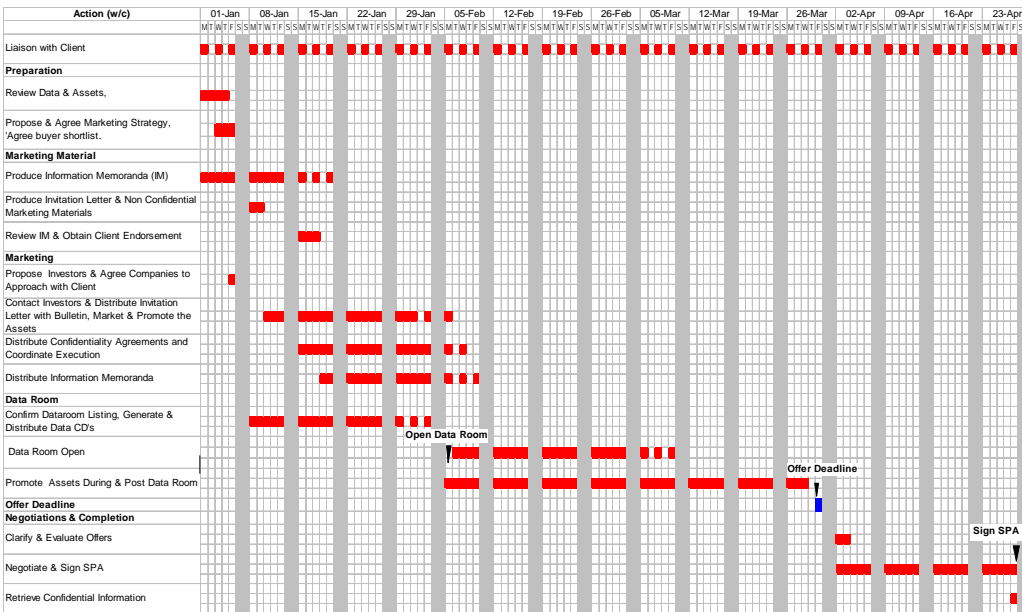
Company	Latest Contact Date	Latest comments	Status	Sent Bulletin & CA	Fixed CA rec'd	Sent IM	Sent Data CD(s)	Data Room Booked
Albert Oil	10-Jan	2012 Pre-empive bid submitted 101 Requested production information for second half of 2007. Is considering re-bidding	Active	14-Nov	15-Nov	21-Nov	21-Nov	26-Nov
CINTA	10-Jan	0512 Confirmed DR booking 0112 Sent draft SPA 1001 Plan to bid	Active	13-Nov	15-Nov	21-Nov	21-Nov	12-13 Dec
Clover Investments	11-Jan	0512 Confirmed DR visit 0112 Sent draft SPA 10 & 111 Left messages to inquire current status	Active	04-Dec	04-Dec	11-Dec		11-Dec
First Gas	11-Jan	2511 CA received 0112 Sent draft SPA 1011 Call to find-out status bu out of office until next week	Active	13-Nov	26-Nov	26-Nov		07-Dec
XBS	11-Jan	0512 DR Booked 0112 Sent draft SPA 101 Left message to find out status	Active	22-Nov	03-Dec	03-Dec		12-Dec
Troy Petroleum	10-Jan	2211 Waited DR 0112 Sent draft SPA 1001 Satisfied with data, undergoing internal meetings at moment to decide whether to bid	Active	13-Nov	15-Nov	21-Nov	22-Nov	22-Nov
Baffin Petroleum	09-Jan	2711 Waited DR 0112 Sent draft SPA 011 Still carrying-out technical evaluation	Active	13-Nov	14-Nov	21-Nov		27-Nov



"We thank Stellar for the outstanding support provided to EDG during the evaluation of this opportunity."

*Business Development Manager, EDG*

## TIMETABLE



Typical Sale Timetable

The timetable for each project is bespoke, designed to suit the asset and to meet the Client's needs. The

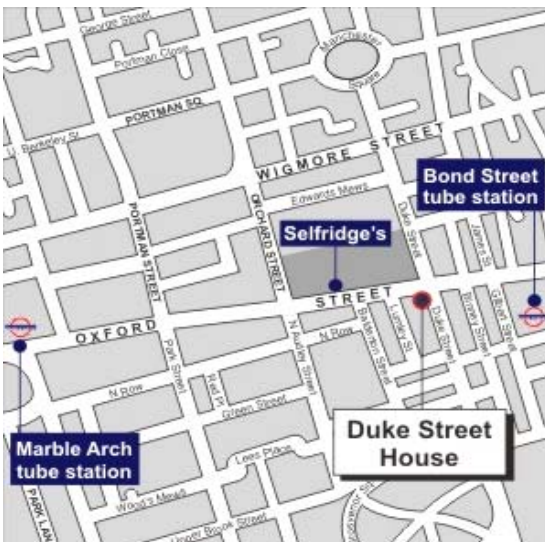
period from the initial meeting to the offer deadline is typically three months, giving time to prepare the

Information Memorandum, market to buyers, run data rooms, and for buyers to gain board approvals.

“The only reason for time is so that everything doesn't happen at once...”

*Albert Einstein*

## CONTACT



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