



Acquisition Services



For International Upstream Oil and Gas Companies

Acquisition

- * *Recognition of acquisition opportunities*
- * *"Opening the door" for buyers to one-on-one acquisition negotiations*
- * *Full range of tailored strategic acquisition 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 specialised professionals to manage any M & A project.

We are principally based in London but we have a very wide knowledge of the major petroleum provinces of the world and extensive experience of negotiating deals under the diverse legal and commercial regimes encountered worldwide.

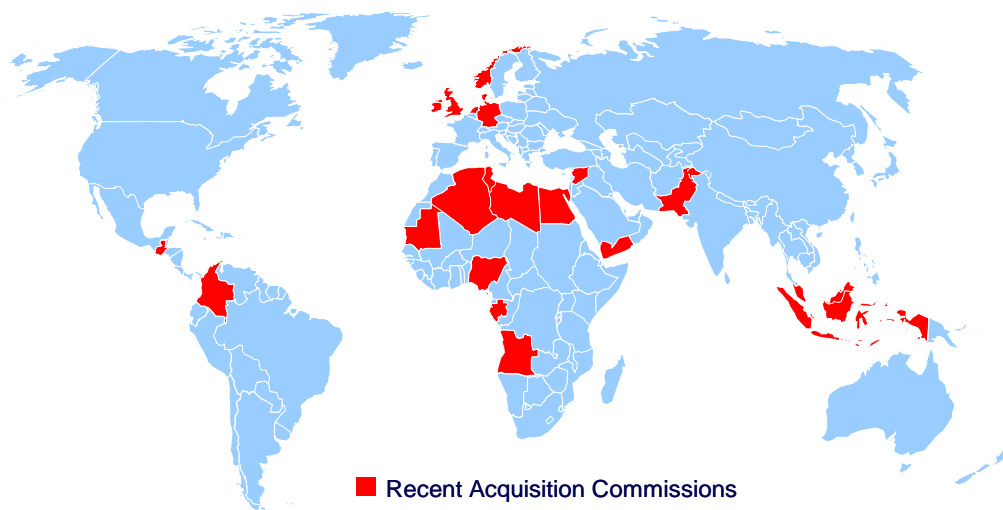
Stellar has a successful divestment track record spanning over ten years. Stellar has:

- An extensive client base from small Independents to Super Majors;
- Completed over 50 Acquisition & Divestment Projects worldwide;
- Developed bespoke acquisition strategies which have received widespread praise from clients;
- Repeat business from established clients.

ACQUISITION SERVICES

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Stellar offers two main services to companies wishing to acquire upstream oil and gas assets:

Proactive Acquisition: the deliberate search for assets/companies that meets the Client's requirements

followed by evaluation of the assets/company, preparation and submission of an offer, and negotiation of a sale and purchase agreement;

Action support: For a public offering, organisation and management of

evaluation of the assets/company, analysis of competitive pricing, submission of a competitive offer, and negotiation of a sale and purchase agreement.



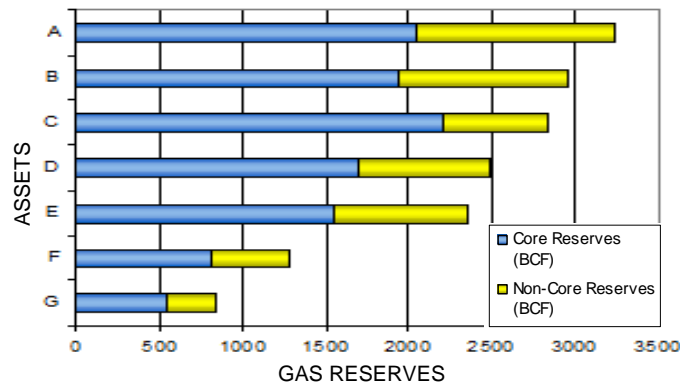
PROACTIVE ACQUISITION

This is the deliberate search for specified acquisition targets. The typical sequence of events in a proactive acquisition campaign for assets/companies are:

Research to assess the hydrocarbon characteristics and resources of a basin/play in order to establish if an area can realistically achieve the Client's objectives:

- Agreement on asset characteristics desired, size of funds available, and timeframe for success;
- Seek out assets that meet the Client's criteria;
- Screening companies that might be weak holders of interests that meet the Client's criteria;
- Preliminary evaluation of selected assets;

COMPANY FIELDS DEVELOPMENTS



- Develop and deliver innovative tailored tactical advice to approach asset owners;
- Approach asset owners to make initial offer and engage in negotiations;
- Refine the evaluation and negotiate a deal.

both assets that meet the Client's criteria and searching for companies that are weak holders of assets in the area/play is a powerful approach that yields opportunities. Typically, conversations about one asset lead to uncovering other opportunities that may interest the Client even if they are not originally what the Client first considered of interest.

A dual approach of searching for

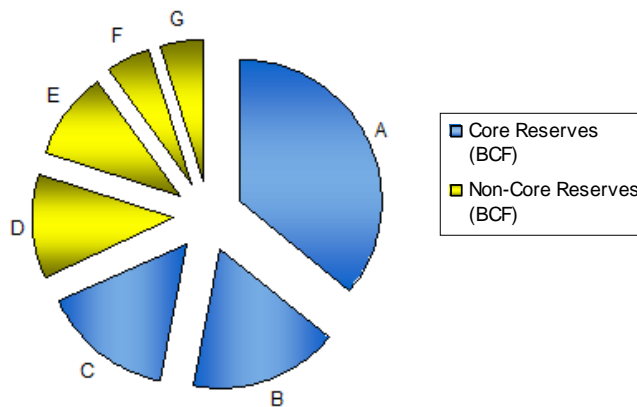
“Today knowledge has power. It controls access to opportunity and advancement”
Thomas Edison

Preliminary Research

Preliminary research will use largely publically available information and selected data bases to establish the hydrocarbon characteristics and potential of an area and play, the companies holding assets in the area. This will clarify technically and commercially what the basin may be capable of delivering, who are the companies that have the holdings in the area, what is the technical and commercial framework.

Preliminary research is fundamental to having a common view of the “hunting ground” with the Client and having a realistic assessment of what might be achieved in an acquisition campaign.

COMPANY PORTFOLIO



Asset	Core Status	Equity	Net Gas (BCF)	Net Value (£mm)
A	Core	36%	303.12	314
B	Core	17%	143.14	154
C	Core	15%	126.3	137
D	Non-Core	12%	101.04	112
E	Non-Core	10%	84.2	95
F	Non-Core	5%	42.1	48
G	Non-Core	5%	42.1	48
TOTAL			842	908



Search Criteria

Having a clear mandate for an acquisition campaign is paramount. In Stellar's experience an unfocussed campaign is an unsuccessful campaign. Nonetheless, it should be recognised that a focussed search will unearth unanticipated acquisition opportunities and the Client will probably want to be opportunistic as well as strategic in its acquisition campaign.

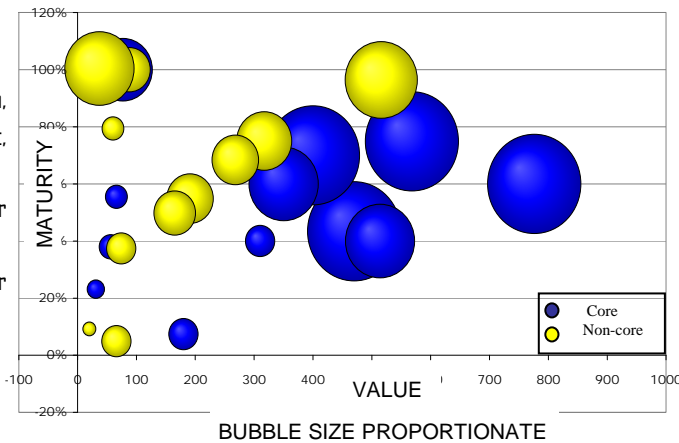
Search criteria typically include:

- Asset type: Plateau production, late-life production, development, appraisal, exploration;
- Fluid-type: Oil, heavy oil, gas, or condensate;
- Environment: Onshore, near shore, deepwater;
- Equity level and coventurers;
- Operated or non-operated;

- Commercial and political environment;
- Risk preference;
- Size of resource;
- Funds available for acquisition and post-acquisition activities.

It is important to define these parameters to achieve focus and be fully aligned with the Client. However, the filter must not be too tight to ensure that good potential opportunities are not overlooked.

COMPANY PORTFOLIO



Identify Target Assets

A two-prong approach is utilised to identify potential acquisition targets via analysis of assets; and company portfolios. This powerful technique means that an opportunity may be recognised by researching assets, or by researching companies' portfolios.

Analyse Assets: This approach uses databases and Stellar's extensive knowledge of assets to identify assets that meet the Client's criteria. At this point assets that meet the criteria are not "opportunities" and further research needs to be carried-out to ascertain the likelihood of

being able to acquire an interest in the assets from one of their owners.

Analyse Company Portfolios: This approach looks at companies' portfolios to recognise non-core assets which are then screened to see if they meet the Client's criteria.

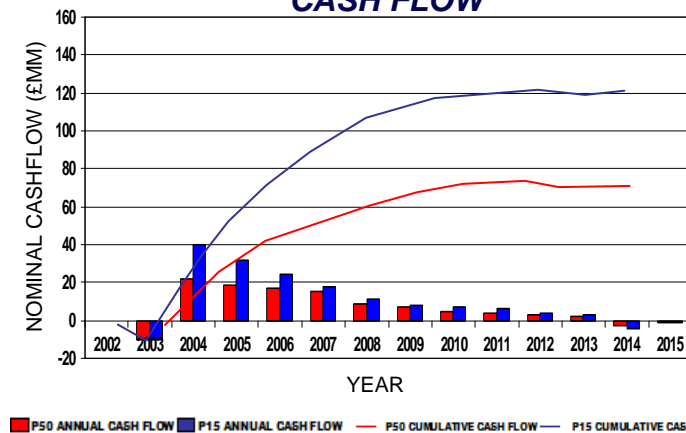
"A focused campaign is a successful campaign."

Margret Thatcher

Approach Asset Owners

Once a suite of potential acquisition targets have been recognised these need to be prioritised by the Client and sorted by owner. This leads to the decision as to which companies to approach first about which assets. Tactics need to be developed for instance, should a small interest holder in an asset of interest be approached first to learn the current status of the asset and then approach larger asset holders late on a more informed basis?

CASH FLOW





The object of approaching an asset owner is to try to engage them in a process that may lead to them selling the asset to the Client. As such, a number of steps are required that include access to data for asset valuation, establishing the "currency" and circumstances that will attract the owner to sell etc. Stellar's extensive experience is key to advising how to handle this critical stage and successfully engage with the asset owner.

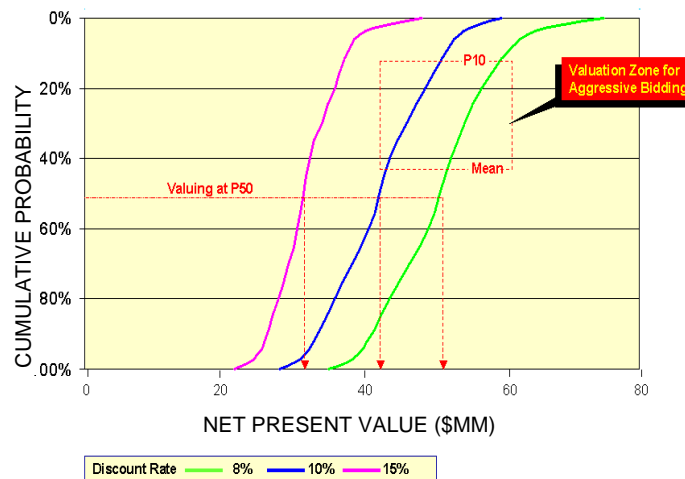
SWOT ANALYSIS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Market Position • Company Strategy • Cash Position 	<ul style="list-style-type: none"> • Company Size • Asset Status • Future
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Well Capitalised • Unique Selling Proposition • Business Development Partnership 	<ul style="list-style-type: none"> • Pre-emption/Legislation • Capital/Dept • Decommissioning Costs

Refine Valuation & Negotiate Deal

Once an asset owner is engaged in a potential transaction, the value of the assets needs to be updated with the latest information to look at its value on a predicted cash flow basis and the asset needs to be valued on a market basis taking into consideration comparable deals and market asset prices. This information is then available to the client to agree the headline terms of a deal. Thereafter, a detailed sale and purchase agreement will be negotiated. Stellar provides support through this phase and can coordinate a team of legal, tax and technical professionals to assist the Client in reaching a successful completion of a deal.

COMPETITIVE VALUATION



"I feel that luck is preparation meeting opportunity."

Richard Branson

Stellar's technical, commercial and analytical skills, plus our extensive databases, are fundamental for providing bespoke strategic analyses and support for acquisition campaigns.

AUCTION SUPPORT & CORPORATE ACQUISITIONS

Stellar can support the Client in competitive auctions. Stellar will coordinate a team of legal, tax and technical professionals to evaluate the assets on auction and assist the Client to submit a competitive offer or, alternatively, Stellar can be part

of a team where it will gather competitive information and advise on the strategy and level of a competitive offer.

A corporate sale of a subsidiary company operating in a particular

territory is a common vehicle for packaging assets and may offer benefits of continuity of staffing, tax synergies, avoidance of pre-emption etc. Stellar has extensive experience of such acquisitions from small Independents to Super Majors.

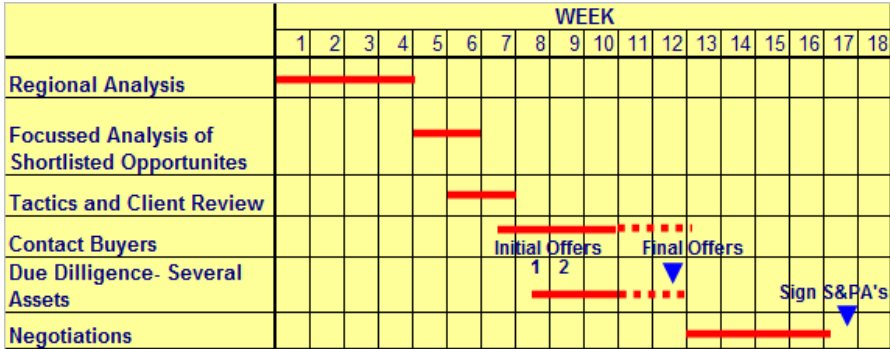
TIMETABLE

Typical Initial Acquisition Timetable

The timetable for each project is bespoke, designed to meet the Client's needs. The period from the

initial meeting to making a first offer is around 8 –10 weeks. Thereafter, the campaign continues dependent

on the success of offers and the Client's appetite for acquisitions.

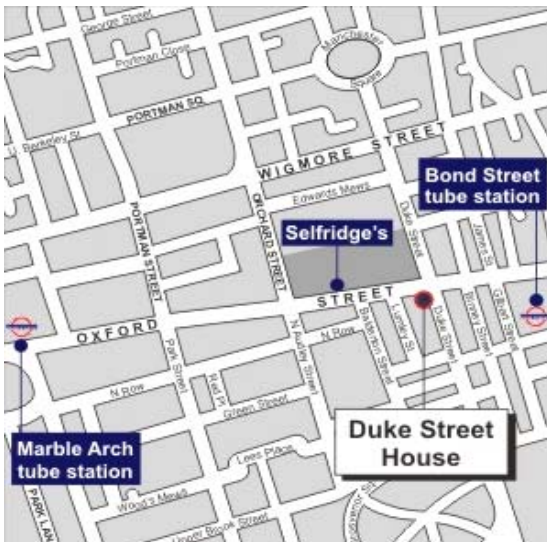


Stellar's relationships with the sellers' senior decision makers means we can access them for our client. We manage the evaluation, using our country economic & tax models, and our combined knowledge of value chain issues to 'reveal' the full value of the opportunity.

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

Albert Einstein

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