

ENERGY SERVICES



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LEADERSHIP ACTION RESULTS

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Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to activate change and achieve results.

Privately-held since 1983, A&M is a leading global professional services firm that delivers performance improvement, turnaround management and business advisory services to organizations seeking to transform operations, catapult growth and accelerate results through decisive action. Our senior professionals are experienced operators, world-class consultants and industry veterans who draw upon the firm's restructuring heritage to help leaders turn change into a strategic business asset, manage risk and unlock value at every stage.

When action matters, find us at: www.alvarezandmarsal.com

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ALVAREZ & MARSAL

ENERGY SERVICES

Deep expertise to enact the change today's energy operators need.



ALVAREZ & MARSAL



MEETING TODAY'S ENERGY CHALLENGES HEAD ON

Declining energy prices and changing supply and demand dynamics create a more complex environment than the energy industry has ever seen before. As E&P operators experience declines in cash flows and adjust their capital spending, service and equipment providers and many midstream operators are under greater pressure to reduce costs and prices, even as they battle their own excess capacity and business model challenges. With so much uncertainty surrounding when and to what extent prices will rebound, operators need a partner who knows the business and can help accelerate the change today's market demands.

CLIENTS CALL US WHEN:

- Low prices create pressure to improve profitability and increase liquidity to remain competitive.
- They need to improve operating performance and costs to adjust for changing market conditions and/or to optimize performance.
- They need to significantly improve the quality and cost of IT service delivery, while also positioning IT to be a strategic business partner that drives value and competitive advantage through technology.
- They are implementing a fundamental structural change in the business (e.g. acquisitions, mergers, divestitures, carve-outs, joint ventures, legal entity change, etc.).
- They need objective, credible experience when they have a temporary void in senior leadership.

CORE SERVICES INCLUDE

RAPID COST REDUCTION

- Capex, Opex, and G&A Reduction
- Working Capital Improvement
- Organization Design and Talent Management

FIELD OPERATIONS OPTIMIZATION

- Drilling and Completions
- Operations Performance Improvement
- Production Operations Improvement
- Oilfield Services Operational Productivity
- Supply Chain Improvement
- Manufacturing and Shop Floor Improvement

OIL AND GAS ACCOUNTING

- Revenue Accounting
- Joint Interest Accounting
- Planning, Budgeting, and Reporting

LAND AND DIVISION ORDERS

- Land Management
- Lease and Contract Compliance
- Land Owner Relations

TECHNOLOGY SERVICES

- IT Transformations
- “Big Bet” Initiatives

RISK MANAGEMENT SERVICES

- Enterprise Risk Management
- Cost and Product Hedging
- Back Office, Trading Controls and Software
- Cybersecurity

MERGER, ACQUISITION AND DIVESTITURE SERVICES

- Acquisition and Divestiture Strategy Development
- Valuation Services
- Integrated Due Diligence
- Transaction Tax Advisory
- Merger and Acquisition Integration Planning and Execution
- Carve-out / Divestiture Planning and Execution
- IPO Readiness

EXECUTIVE ADVISORY AND INTERIM LEADERSHIP



SUCCESS STORIES

RAPID COST REDUCTION

CLIENTS CALL US WHEN THEY ARE UNDER PRESSURE TO DELIVER DRAMATIC RESULTS VERY QUICKLY. WE WORK SHOULDER-TO-SHOULDER WITH MANAGEMENT TO FIND AND MAKE IMMEDIATE IMPROVEMENTS IN EBITDA, CASH FLOW AND ORGANIZATIONAL EFFICIENCY.

Rapid Delivery of Dramatic CAPEX, OPEX and G&A Cost Reductions

An independent E&P operator had to significantly reduce CAPEX, LOE and G&A costs in order to operate within cash flow. The client had drilling rig and pressure pumping minimum volume commitments with significant early termination penalties. The client engaged A&M to manage a cost takeout process across all asset and corporate teams. With A&M's help, the client kicked off a 90-day CAPEX reduction effort which delivered \$350M in savings realized over the remaining 8 months in the fiscal year followed by a 60-day OPEX reduction effort which delivered \$90M in savings realized over the remaining 6 months in the fiscal year. Finally, A&M assisted the client in reducing non-payroll G&A costs by 15% over a 30 day period.

Realigning Cost Structures in Response to Falling Oil Prices

A leading provider of sand and sand-based products had idled or closed roughly 25% of its facilities in response to declining margins within the oil and gas industry. The client engaged A&M to quantify, prioritize and implement improvements to direct costs, SG&A and working capital.

A&M identified over \$55M in potential improvements including direct cost savings of up to \$17M from holistic rail negotiations, optimized rail car storage and consolidation of distribution terminals, \$15M in SG&A achieved through the closing of plants and terminals, consolidation of administration facilities, organizational redesign, headcount reductions and travel and legal budget reductions and \$24M improvement to working capital with improved cash management in A/P and A/R and inventory reductions.

G&A Cost Reduction of 65%

A distressed independent E&P operator had filed for bankruptcy and had developed a plan to reduce G&A by 50%. Due to bondholder goals and bank loan covenants, a new G&A cost reduction was set at 75%. A&M managed a collaborative G&A cost takeout process covering both payroll and non-payroll costs. A&M developed two G&A scenarios: 1) a 75% reduction with significant operating risk, and 2) a 65% reduction with moderate operating risk. The clients selected the 65% G&A scenario and with A&M's assistance, achieved the target with the majority of G&A savings generated through headcount reductions and compensation alignment to market and reduction of office-related, IT software and hardware, and professional services costs including third party data, audit, corporate tax, marketing and reserves services.

Deliver Dramatic Results.





FIELD OPERATIONS OPTIMIZATION

WHEN CLIENTS NEED DEEP E&P EXPERIENCE TO IMPROVE ALL ASPECTS OF OPERATIONS, THEY COME TO A&M. FROM FIELD DEVELOPMENT PLANNING TO PRODUCTION IMPROVEMENT, OUR TEAMS BRING A PROVEN TRACK RECORD IN IMPROVING THE PERFORMANCE OF YOUR MOST CRITICAL ASSETS.

Reduced Water Hauling Costs by over \$40M and Water Transfer Costs by over \$10M in 6 Weeks

A large independent E&P company needed to decrease costs related to water – a critical input for drilling and completion operations. The client hired A&M to lead water management improvement efforts with a focus on driving near term cost and performance improvements and to develop a mid- and long-term strategy for water management. A&M implemented changes to water hauling and disposal routes, water transfer management and processes, invoicing and governance, as well as developing a long-term strategy for water management. Within six weeks, these efforts reduced water hauling costs by over \$40M and water transfer costs by over \$10M across all assets and provided a clear roadmap for managing water more effectively for the long term.

Lean Methods to Reduce Operating Expense and Increase Production Throughput

An independent E&P operator wanted to reduce operating cost and increase production throughput for its Permian Basin assets using Lean manufacturing techniques. The client engaged A&M to identify and implement improvement opportunities to reduce the operating expense budget by 10%. Over the course of six weeks, A&M assessed costs across the value chain including production operations, facilities and well maintenance, gas plant operations and back office activities. The team then developed project plans for both quick-win and longer term, high-impact opportunities and led the implementation of six projects to reduce variability and lower operating costs using a Kaizen approach. Results from these efforts produced a 50% reduction in rig move time, a 30% reduction in ESP workover rig cycle time, reduced costs for fluid hauling and an integrated scheduling and planning process.

“The A&M team had a natural and comfortable way of establishing rapport with everyone from rig operators to executives – and that credibility gave our team the confidence to enact the real changes our organization needed.”

- Barry Biggs, Vice President, Onshore, Hess Corporation.

OIL AND GAS ACCOUNTING

WHEN CLIENTS STRUGGLE TO PROVIDE TIMELY AND ACCURATE DATA TO SUPPORT OPERATIONS AND DECISION-MAKING, THEY COME TO US. A&M BRINGS THE EXPERIENCE AND KNOWLEDGE NEEDED TO CREATE ORGANIZATIONS AND PROCESSES THAT SUPPORT ROYALTY COMPLIANCE, JOINT INTEREST BILLING AND PLANNING AND FORECASTING.

Improved Working Capital Management, Forecasting and Capital Allocation to Support Smart Growth

A global oilfield services and equipment company struggled with looming liquidity concerns as a result of poor cash forecasting and working capital management. Serving as Interim Treasurer, A&M managed a team to identify and eliminate barriers to effective working capital management. In addition to improved visibility and control, the team's execution reduced domestic DSO by over 15 days and monetized over \$10M in stranded work-in-progress. Building upon this, A&M returned to design an improved process for capital forecasting and allocation. Without a standard, robust process to evaluate or track capital, the client had struggled to make sure resources were allocated appropriately to the most strategic projects rather than on a “first-come-first-serve” basis. A&M built the organization, processes and reporting framework to support a centralized financial planning and analysis function and designed and implemented a standard capital allocation framework. Combined, these efforts allowed the client to objectively evaluate opportunities and allocate capital to the most strategic, highest return projects as well as track progress against expected benefits.

Transformed Revenue Accounting for Massive Efficiency Gains

A North American energy company's revenue teams used an antiquated revenue accounting software package, lacked standardization and operated inefficiently. The client engaged A&M to select a new software package and optimize the revenue accounting team structure and processes. A&M used value stream mapping workshops and industry benchmarking to define the future state vision and roadmap for the client. The team then helped execute a transformation of the revenue accounting function including standardizing processes across all business units, selecting and deploying a new revenue and land software package and re-structuring the revenue teams to optimize skill sets and balance monthly workload. The efficiencies gained as a result of the work allowed the client to reduce the number of required resources to book operated and non-operated revenue by 50% and 80%, respectively.

Provide Timely and Accurate Data to Support Operations and Decision-Making.





LAND AND DIVISION ORDERS

WHEN LAND DEPARTMENTS CANNOT KEEP UP WITH THE DEMANDS AND COMPLEXITIES OF MANAGING LEASES AND CONTRACTS, THEY TURN TO A&M. WE HELP CLIENTS BUILD HIGH-PERFORMING LAND DEPARTMENTS WITH THE TOOLS AND PROCESSES NECESSARY TO COMPLY WITH THEIR OBLIGATIONS AND MAINTAIN POSITIVE OWNER RELATIONSHIPS.

Land and Revenue Process Transformation Instills Confidence in Lease Compliance

An E&P company's management was concerned about compliance with complex legal provisions of their critical mineral leases. A&M assessed and implemented process and technology improvements in the land and revenue processes including the design and implementation of new revenue deduction codes, institution of a more accurate calculation of production and sales allocations and valuations, an improved land management and owner relations process and facilitation to promote cooperation and collaboration across the land, revenue, marketing and production departments. Thanks to A&M's leadership, the accuracy and timeliness of land information drastically improved and management could once again trust that they were in strict compliance with critical mineral leases' legal provisions.

Creating Scale to Support Rapid Growth

A newly formed, publicly-traded E&P company needed help executing their strategy to boost production of owned oil and gas assets and to grow by acquisition of new assets. Their management questioned whether the current accounting, land and production processes and systems could scale to support planned growth. They engaged A&M to assist in the selection of a new E&P system and to implement corresponding business process improvements for accounting, land and production with a focus on efficiency and SOX compliance. In addition, A&M partnered with the client to execute integration activities for two acquisitions that more than quadrupled the size of the company over the course of seven months. The successful implementation resulted in improved reporting and transaction processing and positioned the company for continued growth.

"We could not have gotten here with new processes and new systems without the strong leadership and commitment to the success of the project from A&M. A&M not only provided effective project and change management, but also did quite a bit of the heavy lifting when it came to the data conversion and validation. Hard work, great job, successful result."

– CFO, Publicly-Traded E&P Company

TECHNOLOGY SERVICES

TECHNOLOGY SHOULD BE A STRATEGIC ENABLER FOR YOUR ORGANIZATION, DRIVING SUCCESSFUL PERFORMANCE ACROSS THE ENTERPRISE AND DIFFERENTIATION IN THE MARKET. A&M'S LEADERS BRING THE RIGHT BLEND OF TECHNOLOGY AND ENERGY EXPERTISE TO MAKE IMPROVEMENTS ACROSS THE ENERGY VALUE CHAIN THAT ADDRESS THE SPECIFIC NEEDS OF YOUR BUSINESS. WE HELP YOU REALIZE MAXIMUM VALUE FROM YOUR TECHNOLOGY INVESTMENTS AND HELP SOLVE YOUR BIGGEST, MOST COMPLEX TECHNOLOGY PROBLEMS.

Successful Transformation of Failing Well Lifecycle Data Analytics Project Delivers Rich Management Reporting Capabilities

An upstream energy company struggled to implement well life cycle management software to monitor well performance, conduct lifecycle analysis and consolidate financial and operational data for its three geographic divisions. A previous software implementation was abandoned after teams spent nearly three years working with the developers to solve for bugs and inconsistencies found during testing. As a result, leadership showed little tolerance for further delays or unexpected expense for the new implementation. Shortly after coming onboard, the A&M team realized that the current implementation was also at risk. The previous failure severely damaged the credibility of the project, and business end-users and operational leaders opposed the required organizational, process and reporting changes accompanying the software. A&M worked with leadership to realign the project structure and stakeholder engagement approach to drive standardization and decision-making and to develop a risk mitigation plan to address known challenges. The new approach focused on consensus-

building and managing adoption risks including a multi-tiered, division-by-division communication and training strategy. With A&M's leadership, the client transformed a once risky and failing initiative into a successful implementation, delivering a rich data analytics solution that allowed the business to rapidly track data, share consistent reporting standards and make data-driven decisions within their teams and enterprise-wide.

New SCADA Platform On-Time and \$500K Under Budget

An E&P energy company engaged A&M to manage the implementation of a new SCADA platform to replace multiple legacy systems with a single solution that would allow for enterprise-wide sharing of reporting and analytical data. A&M employed the AGILE methodology to manage the integration and development efforts of the new SCADA platform, acting as the SCRUM Master to effectively manage team capacity, release planning and timeline commitments. A&M also led change management, communications and training execution for roughly 800 customers and end users, successfully bringing up the new platform at a price tag nearly \$500K under budget due to productivity and process improvements employed throughout the AGILE methodology. Although a multi-year project in its first year, the client has already begun to realize the added value and benefits of enterprise-wide transparent analytical data.

The Right Blend of Technology and Energy Expertise to Drive Improvement.





RISK MANAGEMENT SERVICES

WHEN CLIENTS NEED HELP WITH RISK MANAGEMENT CHALLENGES AT EITHER THE CORPORATE OR OPERATING UNIT LEVEL, A&M BRINGS THE REQUIRED EXPERIENCE AND METHODOLOGY TO PROVIDE BOTH STRATEGIC PERSPECTIVE AND DETAILED OPERATIONAL IMPLEMENTATION.

Enterprise Risk Oversight and Comprehensive Risk Mitigation to Address Board of Director Concerns

A large public energy company sought to improve its approach to Enterprise Risk Management (ERM) in order to efficiently identify, manage and mitigate critical risks that could materially damage the economic health of the enterprise or lead to a loss of reputation. A&M developed the framework and tools for the client's ERM Program based on best practices and the client's specific needs. A&M performed a gap analysis between the client's existing risk management practices and best practices and recommended improvements. Within six weeks, these efforts produced an inventory of categorized and quantified risks allowing for ongoing management, a "Top Risks" list for the Board of Directors, heat maps showing probability and impact of each identified risk, an assessment of current mitigations, a gap assessment of existing ERM practices and an overall risk mitigation implementation plan including set-up of their Enterprise Risk Committee.

\$6M in Potential Savings through Reduction of Fuel Price Pass-Through Volatility

A transportation services company, in concert with its risk management policies, needed to improve its fuel hedging program to effectively manage fuel price risk over the life of a large portfolio of multi-year supply and customer contracts. Over the course of eight weeks, A&M created a formal fuel hedging strategy and execution playbook covering a programmatic hedging approach linked to client contract execution. This included a thorough analysis of available hedging instrument alternatives and residual exposures to timing differences. Improvements to fuel hedge tracking reports with corporate and division level breakdown were designed to show contracted fuel liabilities, fuel hedges and net exposure on a mark-to-market basis as well as improved accounting for net fuel hedging positions.

"We historically hedged fuel in somewhat of a haphazard manner. A&M helped us to refine our Fuel Risk Mitigation policy and developed a detailed playbook to help us execute hedges seamlessly in accordance with our new policy."

- CFO, Transportation Services Company

MERGER, ACQUISITION AND DIVESTITURE SERVICES

REALIGNING YOUR BUSINESS MODEL, BUSINESS PROCESSES AND INFORMATION SYSTEMS AFTER A SIGNIFICANT MERGER OR ACQUISITION IS DISRUPTIVE AND COSTLY. A&M HELPS EXECUTE MERGERS, ACQUISITIONS, DIVESTITURES AND CARVE-OUTS WITH SPEED AND DEDICATION TO MANAGING RISKS AND MAXIMIZING VALUE AT ALL STAGES OF THE TRANSACTION.

Due Diligence Identifies Over \$30M in Savings to Inform Successful Bidding Strategy

A global manufacturer and provider of equipment used in offshore drilling and production was considering acquiring a 2,000+ employee company and needed help identifying any pre-deal issues and cost take-out opportunities. A&M identified over \$30M in potential savings including consolidating real estate, reducing SG&A staff, improving operations and supply chain functions and decreasing reliance on third party support. All findings were packaged along with integration timelines, cost estimates and a high level cash flow model. Combining this with A&M's risk findings allowed the client to develop an appropriate bidding strategy for the deal.

Leadership and Expertise to Stand-up an Organization to Support Newly Purchased Assets

A recently formed management team, backed by private equity, executed a \$900M+ transaction to purchase 200,000 acres with existing production in the Piceance basin. With close rapidly approaching and minimal staff, the management team hired A&M to provide leadership and support through the close and transition process.

A&M developed pre-close and 100-day work plans and provided functional advisory services for each target area including HR, IT, Finance and Accounting, Land, Operations and Legal. A&M also assumed a prominent leadership role for the IT work stream while CIO candidates were interviewed. In this role, A&M designed the infrastructure and procured and deployed critical applications, as well as selected a third party to help build and support the new design.

Successful Integration of 850+ Retail Sites with a Focus on Collaboration and Partnership

A large oil refiner and marketer completed a transformative \$2.4B acquisition including a substantial retail marketing portfolio of over 850 dealer operated sites. The transaction required that all sites transition off of the seller's proprietary systems, and the client was committed to making sure the new system was designed and implemented in partnership with site operators. A&M led a team of over 100 full time members and client subject matter experts to develop a completely new process, technology and training platform. The resulting transition and training approach minimized costs and maximized collaboration with owners and dealers. With A&M's help, the client successfully integrated the full portfolio of 850 sites positioning them for continued growth and operational excellence.

Maximizing Value at all Stages of the Transaction.





EXECUTIVE ADVISORY AND INTERIM LEADERSHIP

CRITICAL INITIATIVES REQUIRE EXPERIENCED LEADERSHIP. A&M'S SEASONED INDUSTRY EXECUTIVES PROVIDE EXPERT GUIDANCE AND TEMPORARY LEADERSHIP TO DELIVER TANGIBLE SOLUTIONS TO COMPLEX PROBLEMS IN RECORD TIME.

Leadership to Create an IT Organization to Support the Strategic Goals of the Business

A leading global provider of tubular goods and services to the oil industry needed an experienced leader to help them transform their largely cost-driven IT department into a service-oriented enabler for operations. Serving as Interim CIO, A&M worked with leaders to understand what role IT should play in achieving the business goals and strategy and used what it found to develop an enterprise roadmap to guide the transformation. A&M developed a new architectural vision for IT to support corporate goals and prepared capital and operations budgets with a focus on applying resources to high-value projects. Finally, A&M assisted with building an IT leadership team that could support the new vision, including sourcing and hiring a permanent CIO.

Human Resources Leadership during a Period of Rapid Improvement and Change

The SVP of Human Resources for a Fortune 500 firm serving the energy infrastructure industry unexpectedly left the organization. Immediately following the departure, the organization's board requested a comprehensive strategic plan for the Human Resources function. A&M stepped in as interim SVP of HR, tasked with developing

a 3-5 year HR strategy and leading overall improvement of the function. In addition to execution leadership for the plan which included restructuring of the corporate office and operations organization, the A&M leader redefined the compensation strategy, overhauled 30+ processes, integrated the HR function for two acquisitions and stood up two new business units.

Finance and Accounting Leadership During Back Office Build-Out

An E&P company wanted to operate independently from its joint venture partner, but doing so required the termination of its administrative services agreement and the build-out of its own back office capabilities including Accounting, Finance, Tax, Internal Audit, Treasury, Legal, HR, IT, HSE, Engineering, Land Services, Regulatory, Procurement and Marketing. A&M assumed the role of Interim Controller and operated in that capacity until the back-office was fully independent and operating effectively. In this role, the A&M leader hired and staffed all accounting and finance roles and established SOX controls and documentation in addition to the standard controller responsibilities.

Experienced Leadership for
Critical Initiatives.

WHY CHOOSE A&M?

SOLVING COMPLEX PROBLEMS IS IN OUR DNA.

After 30 years of resolving some of the most urgent challenges in business history, we've honed critical expertise that clients at all levels of maturity can use to achieve rapid results.

SENIOR-LEVEL OPERATIONS EXPERIENCE.

Our senior leaders, many of whom are former industry operators, bring deep insight into the challenges faced by the energy industry with practical approaches that work versus theoretical approaches that don't.

URGENCY FOR ACTION AND RESULTS.

Our clients frequently comment that we drive change and rapid results where internal teams and other consultants have failed.

OBJECTIVE AND INDEPENDENT.

Without the potential conflicts of public accounting firms, A&M offers objective, credible advice you can trust to be in your best interest, not ours.

