Premier Oil Evaluates Acquisitions with Merak Software

Wytch Farm and EnCore Oil deals modeled for portfolio impact

Following its acquisition of Oilexco in 2009, Premier Oil—the independent UK-based oil and gas production and exploration company—wanted to strengthen its financial analysis capabilities for optimal due diligence, ahead of further potential transactions, ensuring any new solutions were fully integrated with its existing economic systems.

From a portfolio perspective, acquisition activity must be accurately planned—overall portfolio size is often dramatically expanded, upon deal completion, by the assets of the acquisition target. Economic and financial systems must handle this rapid portfolio growth, so the value of a potential acquisition can be fully understood and leveraged.

Following the Oilexco acquisition—to ensure that, for the enlarged group, optimal due diligence was undertaken for future deals—Premier wanted to implement a financial and economic model which was

- scalable, so new fields could be added as required
- flexible, to allow fields to be moved into different groupings with immediate incorporation into all totals
- integrated with all corporate data sources
- user friendly—delivering the ability to access forecasts and reports at the touch of a button.

Merak integration

After meeting with Schlumberger to discuss requirements, it was agreed that the Merak Fiscal Model Library (FML) would be introduced. Premier already used Merak Peep petroleum economic evaluation and decline analysis software. In addition, after a short pilot evaluation, Premier also added Merak Petroleum Financials (MPF).

The implementation involved developing MPF models for the areas in which Premier was active—the United Kingdom, Indonesia, Pakistan, Vietnam, Mauritania, and Norway. These models allowed regional and group-level operations to be consolidated to produce profit and loss, cashflow, and balance sheet statements. Premier’s financing arrangements were fully modeled.

Premier used the new, integrated system to evaluate the overall economic and corporate impact of prospective deals to increase its stake in the Wytch Farm Field in Dorset, UK, and fully acquire EnCore Oil—the North Sea exploration company. The standardized fiscal models within Merak FML were combined with consistent economic data from Merak Peep, then exported to MPF to produce detailed intelligence reports, used to drive financial decision making. All this proved crucial in the due diligence process for both deals.
CASE STUDY: European acquisition deals modeled for portfolio impact

**Deal-closing intelligence**

Through its hierarchical modeling capability MPF generated reliable, standardized economic and financial reports reflective of Premier’s legal and managerial structure and responsibilities. It allowed the prospective portfolio asset data to be forecasted to ensure no bank covenants would be breached.

Use of the Merak suite of software helped Premier evaluate and close both deals—the company more than doubled its stake, to over 30% of the Wytch Farm field, and fully acquired EnCore Oil. The new, integrated Premier economic system—based on Merak software—delivered the required scalability, agile reporting, and analysis required to conclude these deals with a clear understanding of the range of uncertainty in various scenarios.

An unlimited number of new or prospective assets can now be easily incorporated into the existing portfolio, and can be evaluated at multiple price scenarios across multiple geographies with varying fiscal regimes.

E-mail sisinfo@slb.com or contact your local Schlumberger representative to learn more.

**MPF illustrative outputs:**

“The new, integrated system, based on Merak software, allowed us to complete financial and portfolio forecast projections for both transactions, in a timely and efficient manner, and proved key to the completion of both deals. Our reporting is also significantly improved and accelerated—management can make important decisions quickly and with a greater level of certainty.”

Mike Smith
Planning Manager
Premier Group

Customized financial indicators, available on demand (illustration only).

The new system’s improved reporting and analysis helped key acquisition decisions (illustration only).