

Lessons learned from the merger process of DEA and EON E&P in Norway

16th November 2016, Jan Andreassen, HSEQ Manager



Outline



1. DEA in Norway
2. Integration Process
3. HSE aspects
4. Lessons Learned
5. Summary

1. DEA in Norway

DEA Norge's current portfolio



Development (operated)

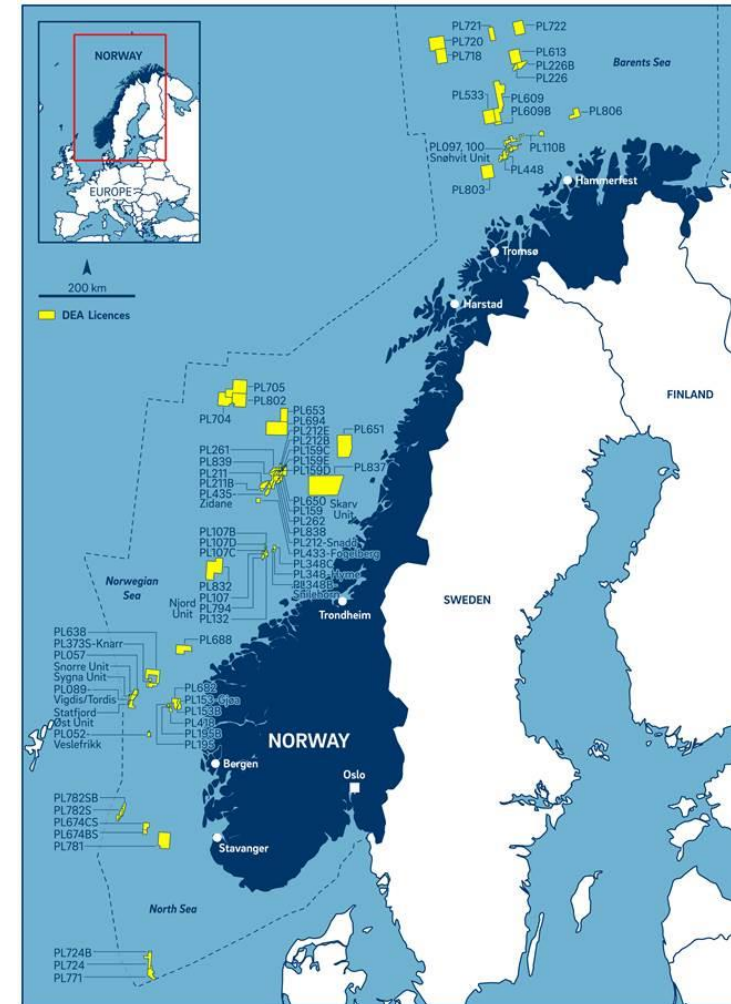
- › Dvalin (subsea tieback)

Production (as partner)

- › *Key fields:* Skarv, Snorre, Gjøa, Knarr, Njord & Hyme
- › Approx. 63 000 boe/day

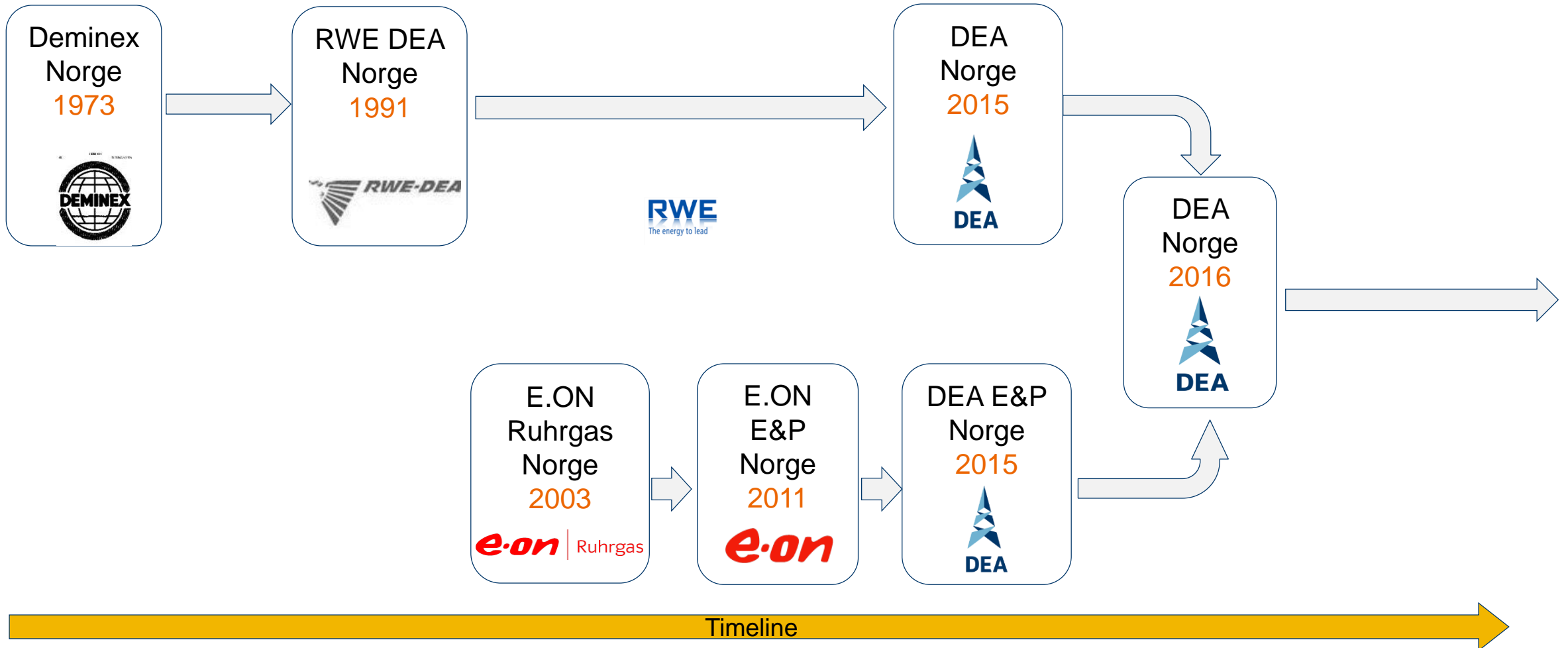
Exploration

- › Active in all NCS areas
- › Good mixture of different types of prospects and leads



2. Integration Process

Combining two companies with considerable experience and good track record at the NCS



Foundation for the new organisation



Synergies from the merger of two fully functioning E&P companies

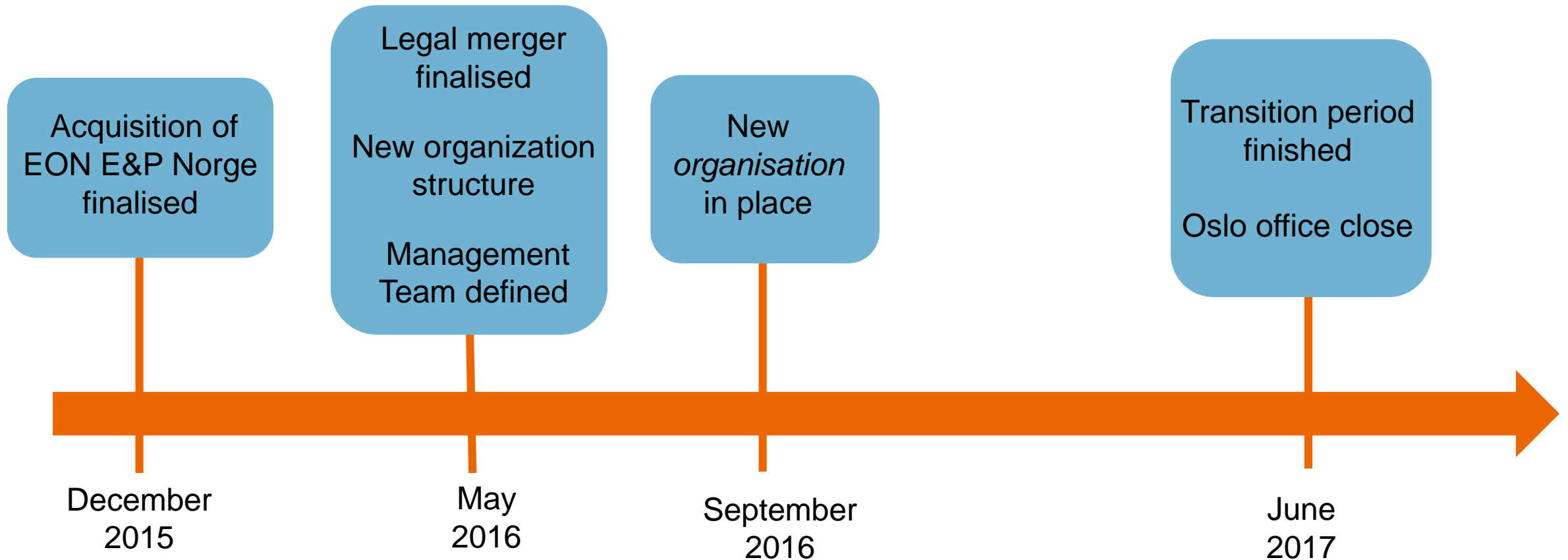


Strategic focus, portfolio optimization and staffing for new delivery model



Competitiveness in a challenging market situation

Merger - Integration timeline



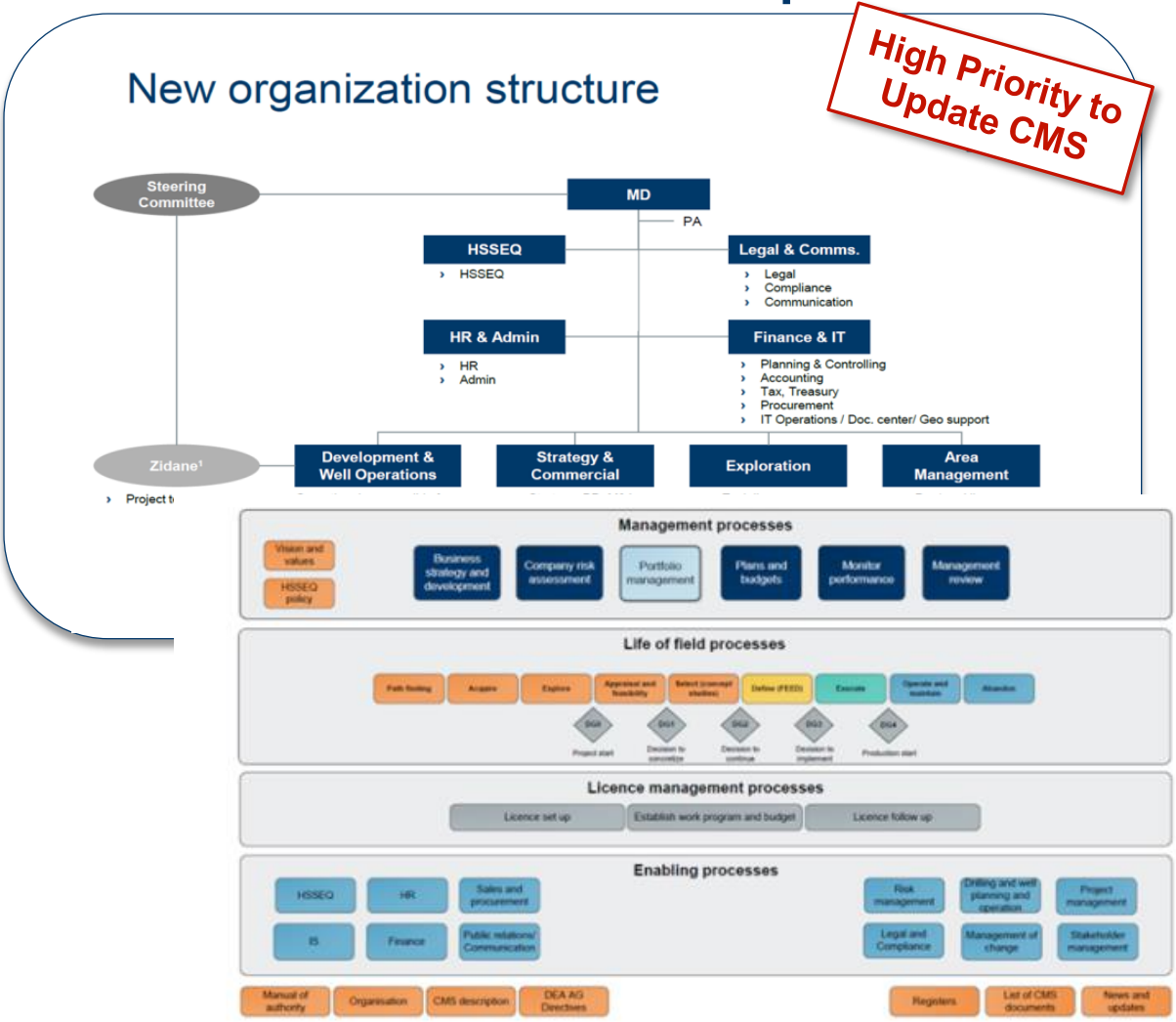
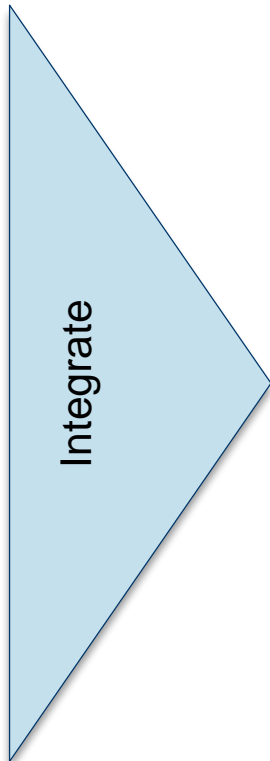
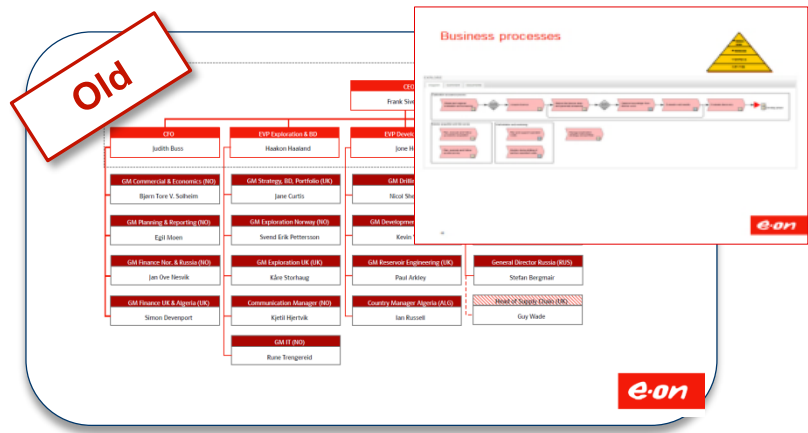
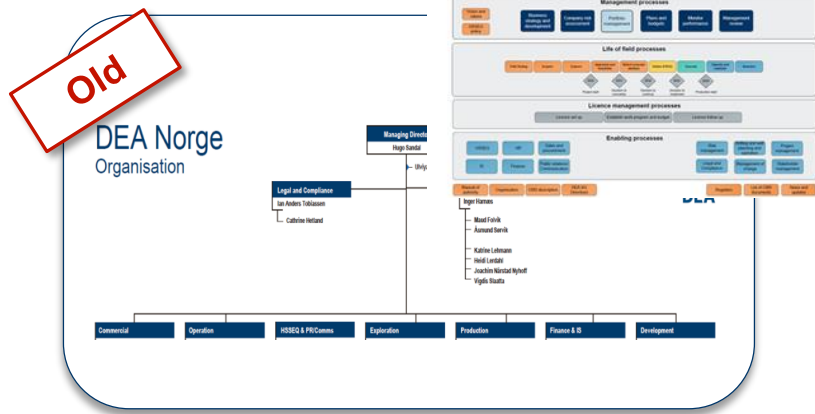
3. HSE aspects

HSE prioritised in the integration process

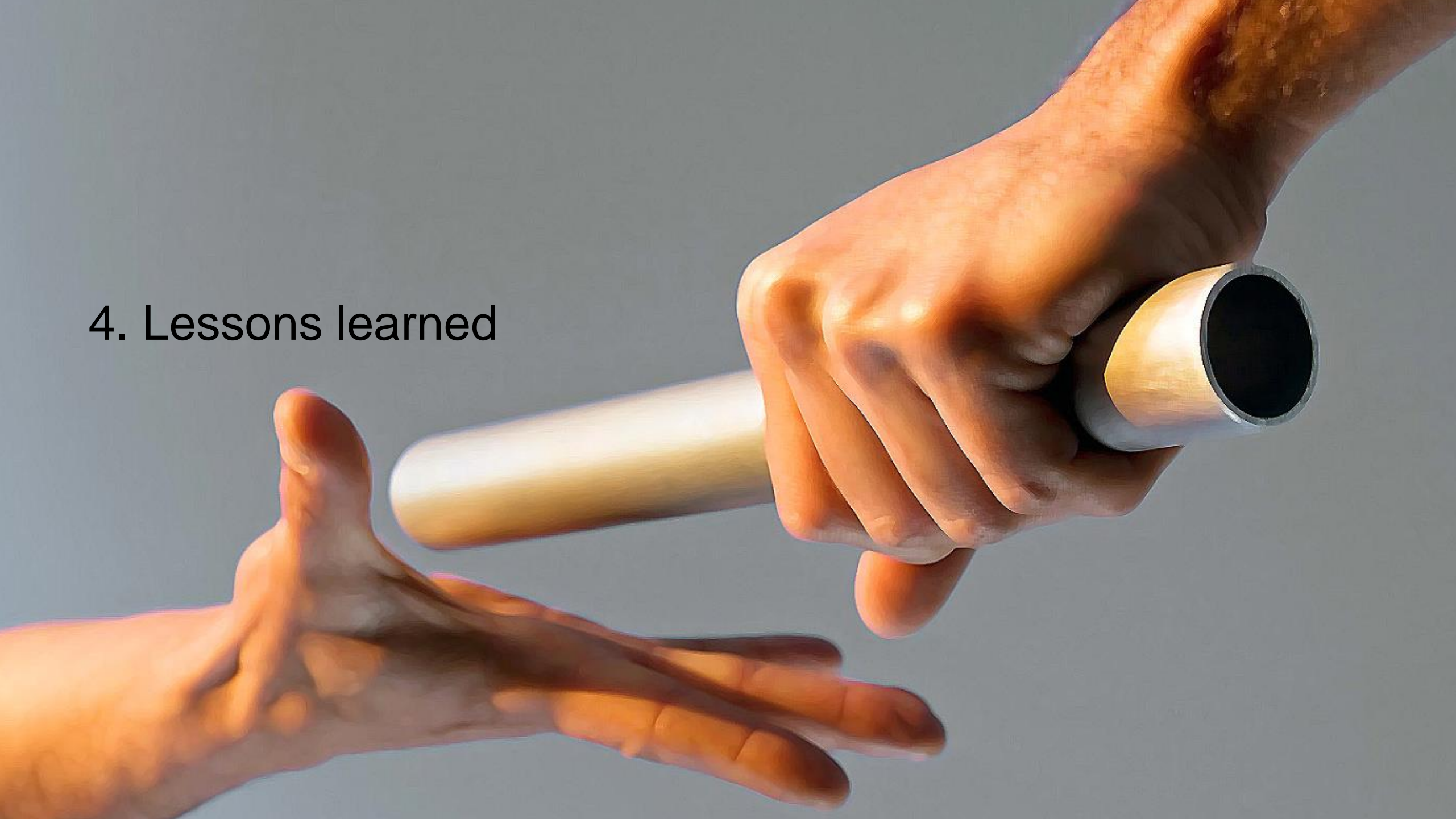


- › **High priority** on improving the existing HSE system
 - › Using DEA Norge's existing company management system (CMS) as base
- › **Employee representatives and AMU** in Oslo and Stavanger involved according to the working environment act
- › **HSE and mandatory duties** handled in an efficient and prudent manner
 - › Continued work as active Partner with HSE high on the agenda
 - › Limited Operated activities through the next years being convenient

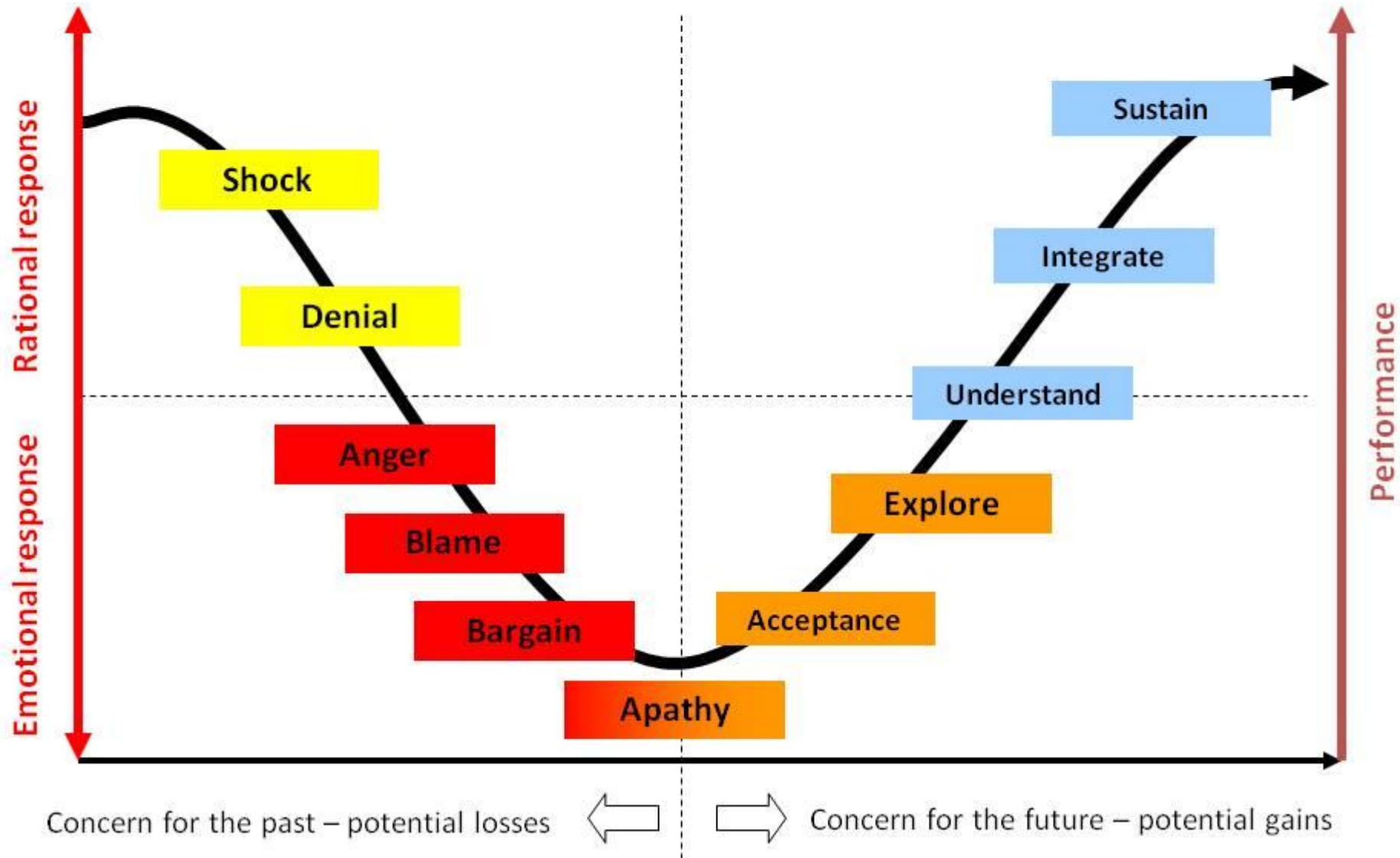
Updating Company Management System (CMS) with focus on integrating best practices from both companies



4. Lessons learned



Human Response to Change Cycle



Employees are affected by change

Building trust between entities requires time and attention



- › Capability is not just a question of head-count, as changes also affect people's mind-set by reduced job focus, progress and quality of deliverables
 - › Reduced openness/ cooperation, – individuals protecting own interests, - staff afraid for being unemployed
- › Excessive work pressure overload may occur
- › Office move uncertainties caused extra organisational stress

Some of the challenges

Defer over-ambiguous plans/ commitments



- Challenge to move staff from Oslo to Stavanger
- Loss of staff competence/capacity partially compensated by external resources
- Large changes in personnel resources require extra attention on information sharing and team building
- Avoid excessive work overload



Key learnings so far

Communicate and steer expectations!



- › **Clarify key expectations upfront** and prepare managers and staff
- › **Structured** process and **detailed** plans key to success
 - › Work streams covering all aspects of business, e.g. HSSEQ, Field Development, Production, Drilling, Finance, HR.
- › Prioritise **significant decisions first** (location, management appointments, etc.) to shorten duration of the process.
- › Head office (Hamburg) contributes guidelines for knock-on adaptations and procedures as a result of regional downsizing
 - › Differences in perception of priorities and expected processing times create stress

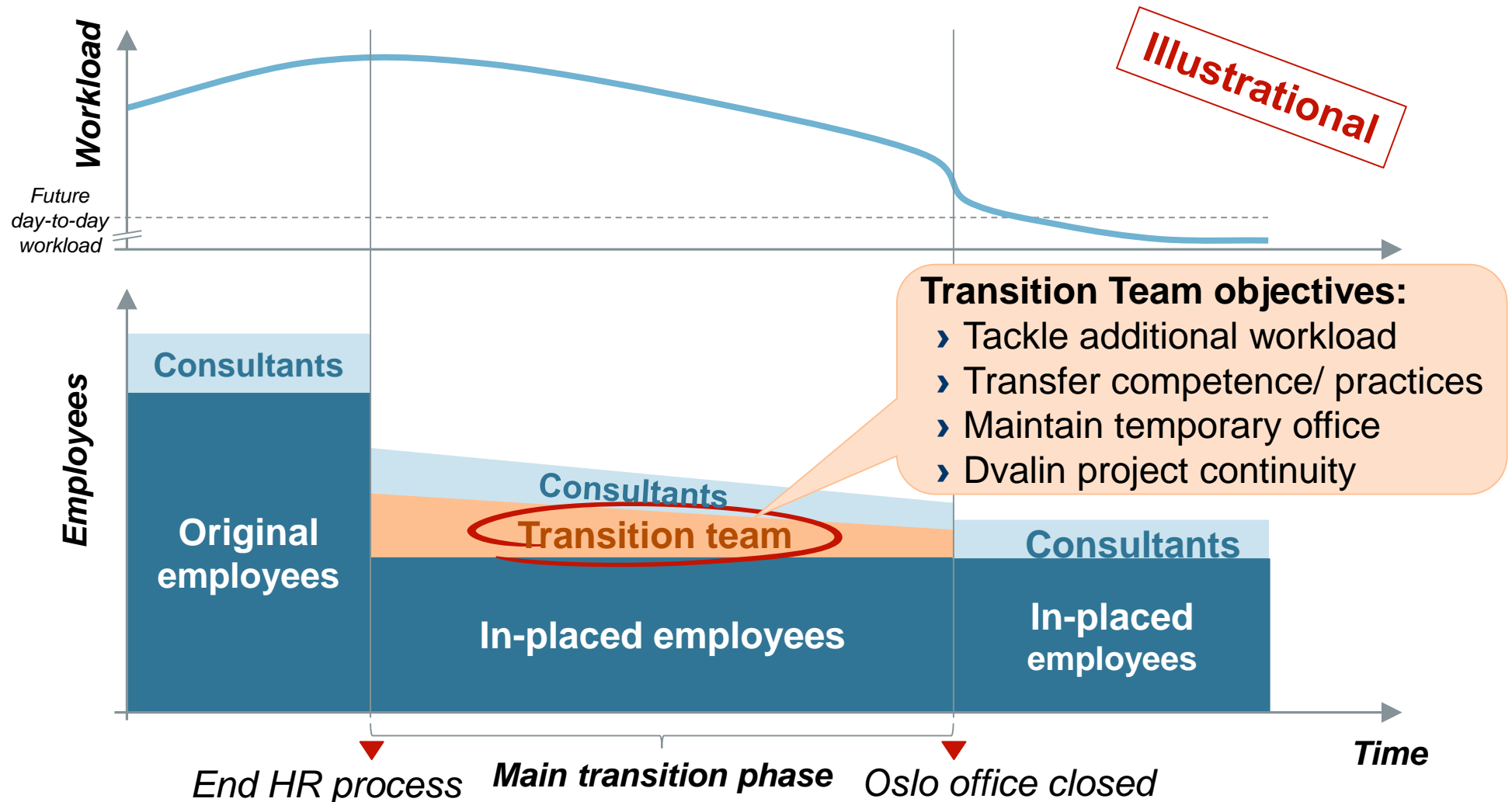
Way forward



Reducing staff and securing experience transfer



Transition Team contributes with experience transfer and supports the new organisation's handling of workload



5. Summary

Summary



- › Started up with two fully functioning E&P companies
- › HSE assurance and updating CMS key in process
- › Communicate clearly and steer expectations through process, whilst being prepared on human reactions

- › It is possible to go through such a process without negative impact on HSE and mandatory duties