



UNIT CORPORATION



T **UNIT DRILLING**

e

a

m

W

O

r

k



KRATUS ENERGY



Unit Drilling Company



Unit Drilling Company is a wholly-owned subsidiary of Unit Corporation. **Unit Corporation** – stock ticker “**UNT**” is a **NYSE** corporation which owns and operates Unit Drilling, Unit Petroleum and Superior Pipeline.

- The original subsidiary Unit Drilling Company was founded in 1963 with three drilling rigs. Unit is one of the largest onshore drilling companies in the United States and operates 94 onshore drilling rigs in the Anadarko and Arkoma Basins, the Rocky Mountains, Texas, Louisiana and plays along the Gulf Coast.
- Unit’s rig fleet is capable of reaching depth capacities ranging from 5,000 to 40,000 feet.



Unit Drilling Co. & KRATUS ENERGY



Unit Drilling Co. and **KRATUS Energy** have joined forces in Mexico and throughout Latin America to re-allocate some of our current drilling asset base in order to efficiently adjust to the current U.S. market demands.

- This re-allocation of assets will be presented through a unique **Rig Packaging Program** referred to as "**RPP**".
- The program will allow Mexico and Latin America to have streamlined access to a credible, long standing and accountable U. S. Drilling Contractor.



“RPP” Scope and Objectives



Scope

“RPP” will allow entities such as PEMEX, CFE, PPI and NEW ENERGY REFORM partners to take advantage of the streamlined relationship through increasing drilling efficiencies, operating time, life cycles of equipment, reporting capabilities, proper training, inspections and accountability.

This is the path to identify problems, provide solutions and prevent failures.

Objectives

The objective is to achieve maximum efficiency of the equipment and drilling operations while reducing purchasing and implementation cost.

Included in the “RPP” are procedures for extending the life of all components and accountability for a preventive maintenance program that will decrease operational costs and increase profitability for the contractor and all other parties involved.



“RPP” Core Concept



- Unit Drilling and KRATUS Energy will provide “2 to 5” rig packages ranging from heavy 800 hp to 4000 hp drilling rigs for future contracts that encompass the rig up, run out, test function, certification, training and shipment of the package to the specified drilling location.
- This will insure that all rigs are fully capable of meeting their contract obligations.
- In order to take advantage of this new concept. Unit will require that our rig package be the exclusive “Rigs” offered for the upcoming contracts. The only cost incurred by the Operator will be the down payment, rig up and test function charges associated to the rigs.
- *This fee will paid back to the Operator at the time the contractor purchases the specified rig.*



“RPP” Core Concept Continued



- The “RPP” will be packaged and sold according to the purchase sales agreement between the customer, KRATUS Energy and Unit Drilling.
- The rigs will be integrated in packages in order to service the upcoming drilling program requirements. This will insure that the drilling requirements are met by the rig issued to the contract.
- The rigs will meet and exceed the PEMEX DT-3 through DT-5 standards and specifications. Adjustments will be made during the project progression to meet the ever changing drilling program specifications.
- The addendum items in the contractual agreement other than the “RIG” will be provided by KRATUS Energy and or certified 3rd party providers.



“RPP” Rig Packaging Program Savings



This program will assist in the path to a tremendous cost reduction associated to procurement, in-efficiencies and downtime. The list of cost reductions are as follows:

1. >15% of the current procurement cost
2. 10% of the current certification and or the re-certification process
3. Up to 10% of the current rig up, run out, test function and mobilization charges
4. > 5% of the current downtime associated to preventive maintenance
5. Up to 8% savings associated to contract timelines and completion capabilities



Savings Break Down and Examples



1. Current Procurement cost can be reduced by the streamline process of connecting the customer directly with KRATUS Energy / Unit Group. This cost is typically 5 to 10% on the American side and 10 - 15% on the Mexico side. The excessive fees are due to brokers, 3rd party connections and miscellaneous charges that integrate into the package deal.
2. Elimination of in-efficiencies such as multiple site inspections, verification, inventory and technical visits. These multiple trip cost are in place because the transaction typically takes place through a broker, rig yard, inspection service and shipper. This cost will be eliminated due to the "RPP" defined process and guarantee. **(The entire transaction will be transparent to all parties involved. Authorized personnel from the customer will be involved during the entire process.)**
3. The inspection, run out and test functioning through the "RPP" will take place utilizing Unit Drillings workforce with the customers oversight. This will be on a cost plus 10% flat rate bases and will eliminate 20% by reducing the number of 3rd party contractors that typically are integrated into the project at 30% margins.



Savings Break Down and Examples Cont.



4. Certification and Re-certification under the "RPP" will utilize Unit Drilling personnel to stage and prep for the 3rd party certification process. This will eliminate 10% of the cost involved for procurement and labor. **(There will still be 3rd party verification and inspection just not layout, labor and repair.)**
5. Efficiencies will be created through contractual timelines that will be met and or exceeded. The reduction of cost through the training / implementation of the preventive maintenance program will save the customer time, reduce down time and increase profit.



“RPP” Exclusive Services



Included in the “RPP” will be the following:

1. Detailed line item inventories
2. Receipt and Delivery Coordination
3. Asset Management System
(Including Inventory Control and Accountability Measures)
4. Integrated On Site Supervision
5. Daily Status Reports
6. International Standard Documentation
7. Customs & Clearance Coordination
8. Industry Leading Preventive Maintenance System



Components of the Preventive Maintenance System



1. Oil Sampling
2. Rig, Engine, Pump & Compressor Inspections
3. 2 Year / 4 Year Structural Inspection Program
4. Oil Change / Maintenance Logs
5. Maintenance / Service Alerts
6. Daily Maintenance Guide
7. BOP Management System