OneNexus

Responsibility Assured

State of Wyoming

Joint Minerals, Business & Economic Development Committee

Oil and Gas Bonding Options for Federal BLM Wells

July 31, 2024

Agenda

Introducing OneNexus

PROVIDING SECURE FUNDING FOR OIL & GAS PLUGGING OBLIGATIONS

OneNexus LLC ("ONE") is a financial risk and decommissioning management company that focuses on solutions relating to liabilities in the oil & gas industry.

Through our innovative life insurance-like product, **WellSecure™**, ONE has pioneered a **Permanent**, **Secure**, and **Guaranteed** method of pre-funding plugging and abandonment expenses.

PERMANENT | SECURE | GUARANTEED

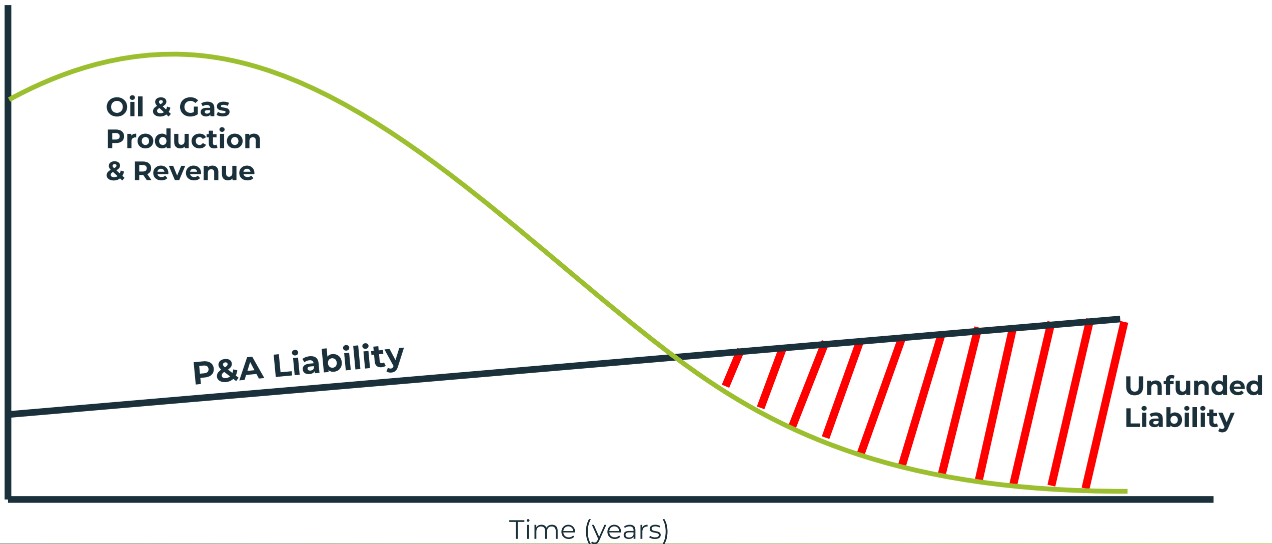
Facing the Challenge of Increasing Financial Assurance Requirements

Problem:

Regulatory financial assurance requirements are increasing while the underlying oil & gas assets are depleting, causing surety bonds to become increasingly difficult and costly for Operators to secure and maintain. Surety carriers face complex decisions on managing uncollateralized and unsecured risk exposure.

Root Causes:

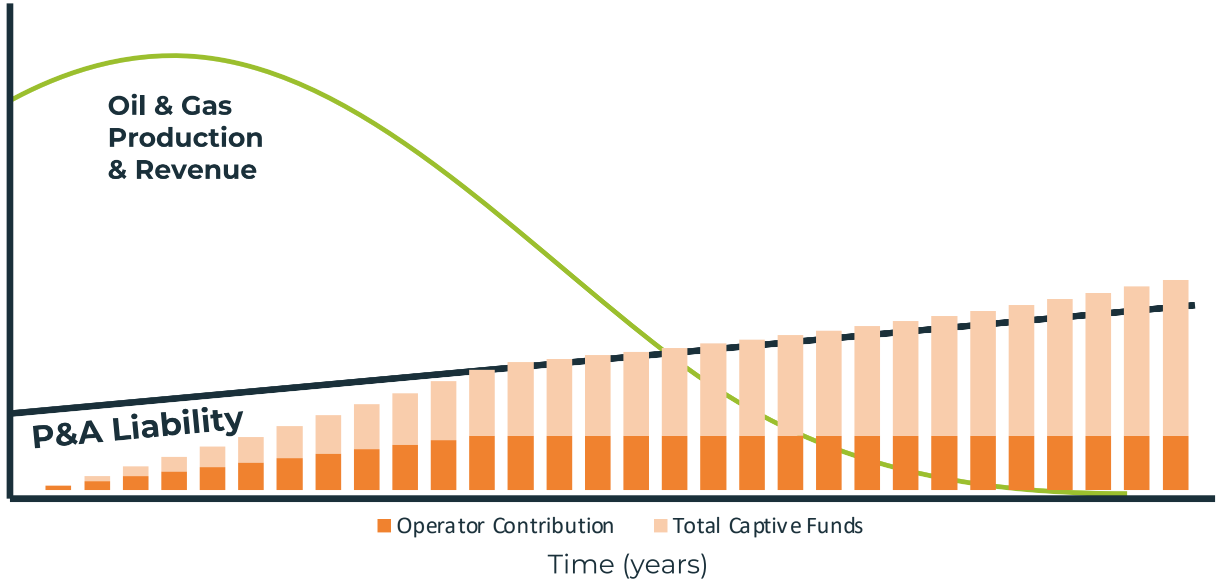
- **Reliance on Revenue:** Operators depend on cash flow from active assets to cover decommissioning, leading to funding gaps when production declines.
- **Asset Transfers:** Assets often transfer to smaller operators who may lack financial resources for decommissioning.
- **Insufficient Financial Planning:** Operators frequently do not allocate sufficient funds for decommissioning during peak asset productivity.
- **Surety Bond Limitations:** Reliance on surety bonds increases operating costs without addressing the underlying need for dedicated decommissioning funding.



OneNexus Solution

Financial Assurance that Funds Future Decommissioning

- **Convert Surety Premiums from Expenses into Compounding Assets:** Prevent money from leaving the system and build funds dedicated to decommissioning
- **“Life Insurance” for Wells:** Using an innovative life-insurance like structure, OneNexus holds and grows funds in a regulated insurance account.
- **Fund the Decommissioning:** OneNexus guarantees funding for the party who decommissions the assets.
- **Customize Coverage:** OneNexus coverage can be designed for individual wells (Defined Benefit) or entire fields (Blanket), depending on the regulatory requirements



OneNexus History

2021

Company Founded

Partnership with BlackGold Capital Management LP.

Development of actuarial models for Oil & Gas wells.

2022

OOCC & Munich Re

OneNexus forms OneNexus Oklahoma Captive Corp (OOCC) under the jurisdiction of the Oklahoma Insurance Department

Partnership with Munich Re to provide permanent regulatory capital to OOCC.

2023

First Movers

OneNexus signs over $30 MM in Asset Retirement Coverage.

Partnership with BMB to form an MGU

2024

Mkt Acceptance

OneNexus continues to gain market acceptance from Oil & Gas Operators and is seeking approval from BOEM and State regulatory agencies

How It Works

The OneNexus Insured Financial Contract is Permanent, Secure and Guaranteed

- **Asset Retirement Agreement (ARA):** The financial contract between OneNexus and the Operator.
- **Contractual Liability Insurance Policy (CLIP):** A non-cancellable insurance policy specifically designed to insure the obligations specified in the ARA and Guarantee/Indemnity.
- **Financial Assurance Guarantee:** A 3-party agreement, in which OneNexus guarantees funds to the Obligee in the event the Operator defaults (in a manner equivalent to a surety bond)
- **Surety Indemnity**: When the Obligee requires a surety bond, OneNexus indemnifies the surety company in exchange for preferred rates and terms for the Operators

Partnership with Munich Re

OneNexus + Munich RE

Insured Financial Contract
Oklahoma Insurance Department

Permanent Reserve Capital Partner
Munich Re

Underwriting Capacity
Up to $2 Billion in plugging liabilities

Bankruptcy Remote
Dedicated Funds for Decommissioning

OneNexus Oklahoma Captive Corp (OOCC)
Regulated Insurance Company

Munich Re Commitment to OneNexus

- **Capital Partner**: As a capital partner, Munich Re has committed regulatory capital to cover $1 to $2 Billion in ARO liabilities.
  - Regulatory capital amounts are set by the Oklahoma Insurance Department (OID).
  - Munich Re capital guarantees the underwriting risks assumed by OOCC

- **Permanency:** Once pledged, Munich Re's regulatory capital cannot be removed.

- **Financial Stability**: Munich Re carries an A+ AM Best rating and AA- S&P rating

Vikram Nath, Managing Director, Munich Re Energy Transition Finance, comments, "The transaction with OneNexus demonstrates our unwavering commitment to energy transition. Unplugged or improperly plugged oil and gas wells might lead to harmful emissions, but to date there has been no solution that could address this problem head-on." Mr. Nath goes on to say, "We have worked closely with the OneNexus team in structuring this product and are confident that, as this product gains acceptance, it will be a win-win solution for all stakeholders.

Munich RE

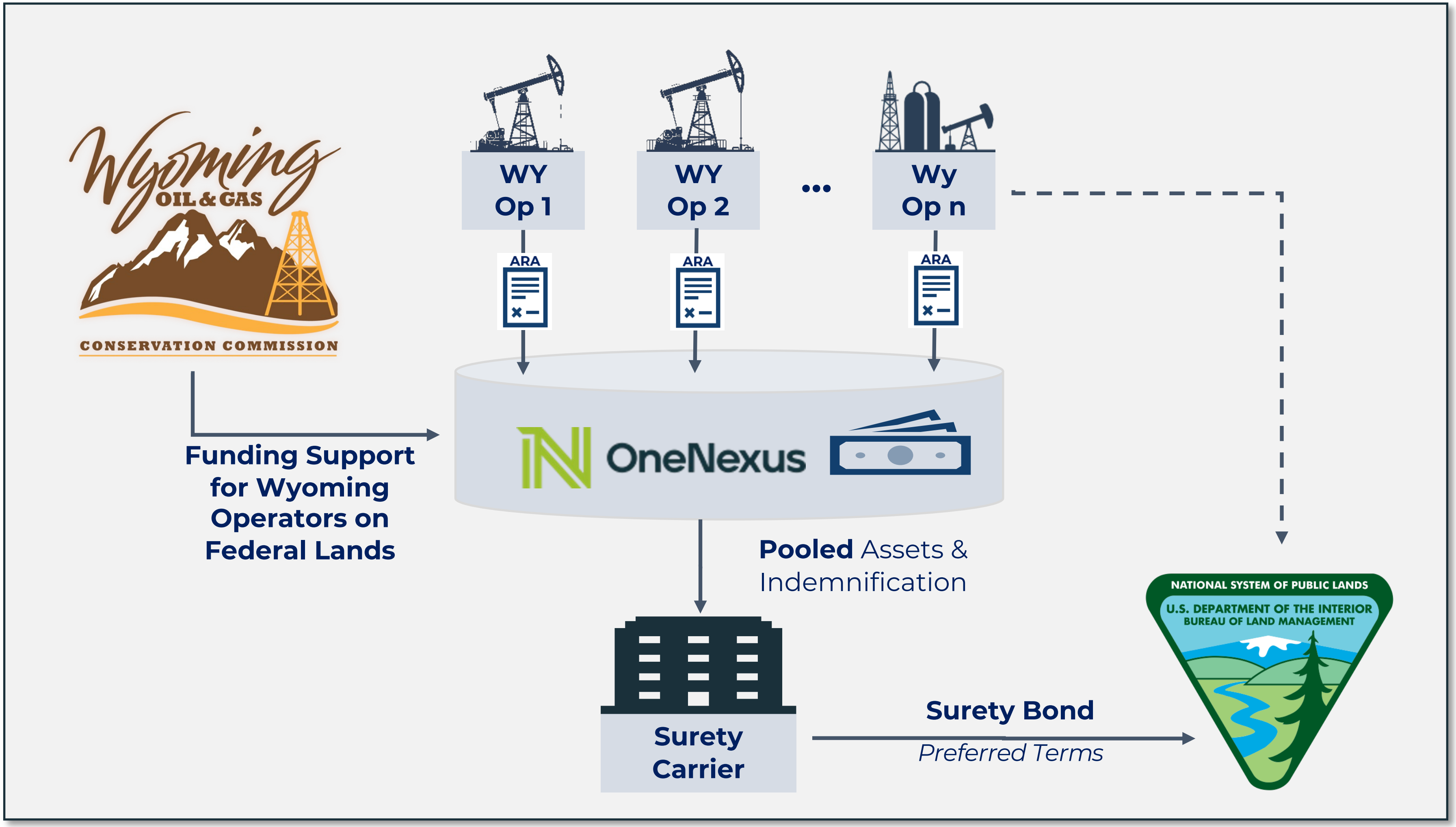
PERMANENT | SECURE | GUARANTEED

Regulated & Established Structure

PERMANENT	SECURE	GUARANTEED
Funds are attached to the asset and are protected in bankruptcy. Funds can only be accessed in accordance with applicable contract terms	Funds are held in an insurance company that is licensed and regulated by the Oklahoma Insurance Department.	OneNexus has partnered with Munich Re, a AA -rated global insurance company, to ensure that funds will be available when needed.

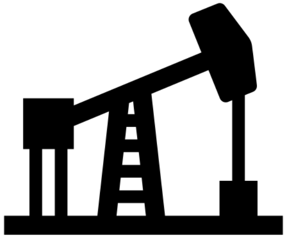
OneNexus Support for BLM Bonds in Wyoming

OneNexus offers surety companies a unique combination of pooled collateral and insured indemnity. In exchange, surety providers offer OneNexus clients surety bonds with preferred rates and terms.



Benefits of Partnering with OneNexus

Partnering with OneNexus to meet BLM bonding requirements will provide benefits to both the Operators and WOGCC.



Oil & Gas Operator

Wyoming Oil & Gas Conservation Commission

- **Reduced Financial Burden of BLM Compliance**
- **OneNexus Administrative Support for Program**
- **Customizable Contract Terms**
  - *Working Group feedback incorporated in terms*
- **Fixed *Preferred* Annual Rate**
  - *Not subject to annual increases*
- **Collateral is Set at Time of Coverage**
  - *No unplanned calls for collateral*
  - *WOGCC backing to reduce or eliminate collateral requirements*
- **Guaranteed Payout of Funds**
  - *OneNexus makes funding available when the obligations are met/released*
- **OneNexus Contract is Transferrable**
  - *Funds can remain with wells when they are sold*

Key Features of OneNexus Financial Assurance

- ☑ **Three-Party Agreement:** OneNexus WellSecure is a 3-party agreement, with the State Regulatory Agency named as the Obligee.
- ☑ **Obligee Determined Coverage Amounts and Terms**: OneNexus will provide financial assurance in the amounts required by the Obligee.
- ☑ **Non-Cancellable:** Coverage cannot be cancelled unless approved by the Beneficiary.
- ☑ **Credit Rated:** OneNexus received a Demotech Financial Stability rating of A, and is applying for an AM Best rating as of May 2024. Munich Re, a global insurance company and OOCC's regulatory capital provide has an A+ credit rating.
- ☑ **Regulated**: OOCC is regulated by the Oklahoma Insurance Department (OID)
- ☑ **Capital Requirement:** OneNexus must meet minimum capital requirements in accordance with determinations made by OID and based on assessments performed by a 3rd party actuarial firm, Milliman.
- ☑ **Audit and Reporting Requirements:** OneNexus is subject to quarterly financial audits overseen by Munich Re and a independent captive insurance manager, Strategic Risk Solutions.

Why Choose OneNexus for Enhanced Financial Assurance?

OneNexus provides the same 3rd party guarantees as traditional financial assurance, while also enabling operators to save for decommissioning

	OneNexus WellSecure™	"Normal" Surety Bonds
Obligee has access to funds should an Operator default on P&A liabilities	✓	✓
Coverage is non-cancelable, unless released by Obligee	✓	✓
Provides Operator with funds when assets are decommissioned	✓	✕
Payment term for Operator is fixed (Bonds = Life of asset)	✓	✕
Payment amount is fixed (Bonds are subject to premium increases annually)	✓	✕
Operator is able to fund P&A obligations at a discount	✓	✕
ARO liability can be removed from reserve report	✓	✕
ARO liability can be remeasured on the financial statement	✓	✕
Coverage can transfer in a divestiture (increases asset value to next owner)	✓	✕

Integrating OneNexus for Better Financial Assurance Outcomes

Unlike Traditional Surety Bonds, OneNexus is designed with a payout in mind

- ☑ **ONENEXUS:** OneNexus is designed to fund the decommissioning expenses for oil & gas wells and related facilities and infrastructure. Similar to a life insurance policy, OneNexus contracts are designed to pay claims at the end of a well's life, to cover the P&A costs. Claims are paid to the Operator or a named beneficiary.

- ☒ **SURETY:** Surety companies do not plan to incur losses from the from their policies and only make payments to the Obligee when the Operator defaults. Despite paying surety premiums for the entire life of an asset, Operators do not receive any funds for plugging wells.

In response to increasing orphan well claims, higher coverage requirements (i.e., 'full cost bonding'), and increasing credit risk resulting from declining production, the Surety market is turning to higher premiums and additional demands for collateral, thereby putting a financial strain on energy companies.

Additional Benefits to Oil & Gas Operators

"Boomerang Liability" Protection

OneNexus coverage provides funding for the decommissioning obligations, regardless of who plugs the well. If a future owner defaults on the obligation, funding is available to protect the original operator from Predecessor-In-Interest liabilities.

Sustainable Development

OneNexus coverage demonstrates an Operator's commitment to plugging and abandoning wells and ensuring that tax-payers will not be burdened with orphan well costs in the future.

Mitigate Risk of Partner Non-Payment

Pre-payment of future decommissioning costs by working interest partners can protect the Operator from having to collect from working interest partners when wells are no longer productive at the time of plugging.

Bankruptcy Remote

P&A funds are protected from creditor claims. By utilizing an independent financing mechanism that is insured by OneNexus' captive insurance company, funding is secured for the exclusive use of plugging and decommissioning.

Prefund Decommissioning Liabilities

Prefunding the P&A while wells are producing prevents future generations from being burdened with the cost once the wells cease producing.

Market Acceptance of OneNexus

Operating Companies

- Accepted by a Major U.S. O&G company to protect against 'boomerang liability' in two divestitures
- Accepted by a Major Independent O&G company as a replacement to surety for previously divested wells ('boomerang liability' protection)
- Used by small independents to pre-fund AROs to mitigate risk of partner non-payment

California (CalGEM)

- CalGEM has recommended OneNexus to operators who are faced with additional financial requirements under AB 1057 and AB 1167.
- OneNexus is actively working with the California Independent Producers Association to develop a group coverage plan
- Used to collateralize a bond for the California State Lands Commission

Bureau of Ocean Energy Management (BOEM)

- OneNexus is engaged in advanced discussions for approval under BOEM's Corporate Guarantee option for Gulf of Mexico operations.
- OneNexus is actively working with regulators and operators in the GOM for formal approval and policy enactment.

Other States

- Actively working with multiple state regulatory agencies including CO, ND, WV, NM, PA, TX, OK, LA

Thank You

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OneNexus