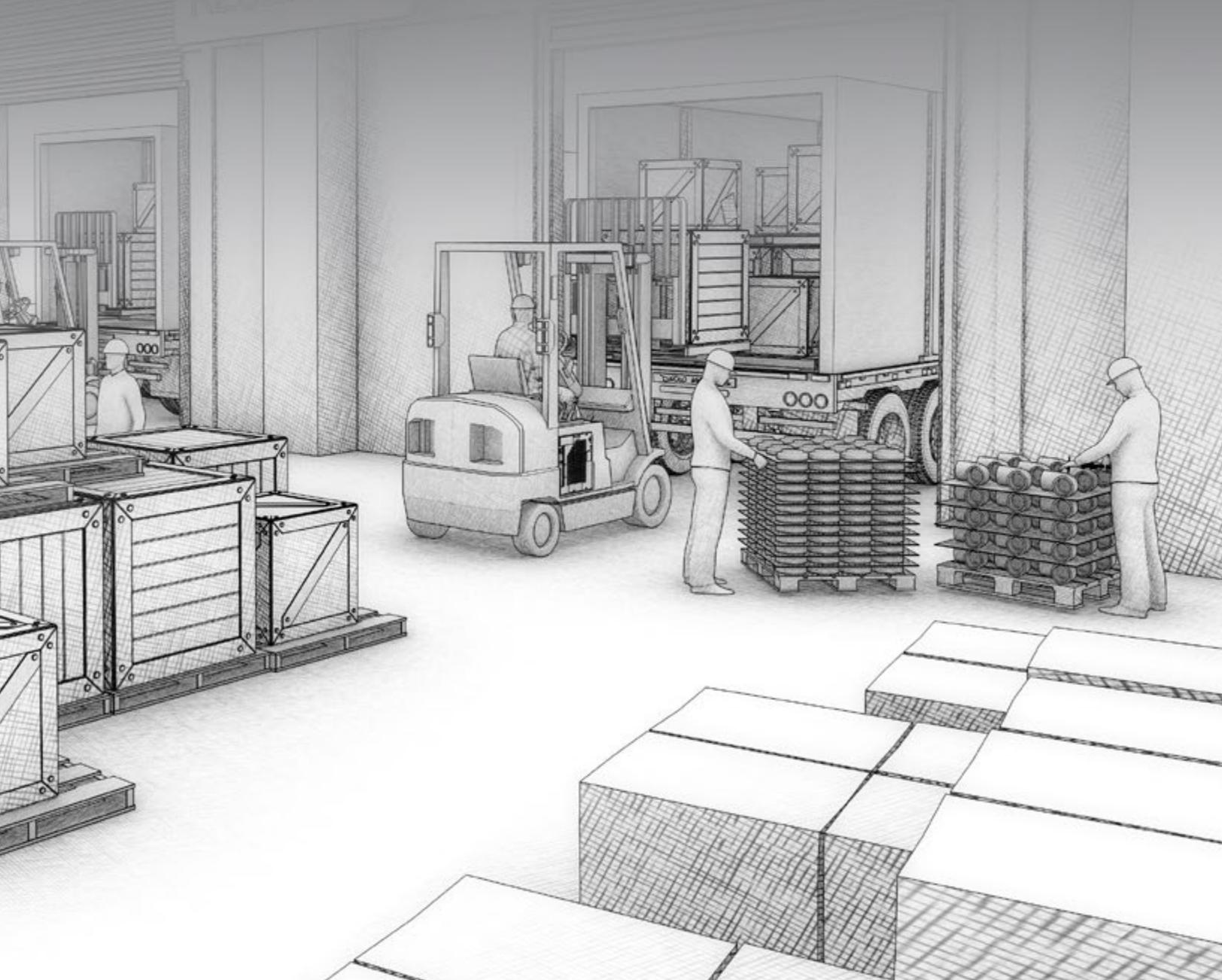


SUPPLY CHAIN SERVICES

Energy and Industrial Markets

*Sourcing and Procurement • Facilities Layout and Project Workflow
Project Management • Onsite Service Management • Asset and Inventory Management*



Operator Challenges

Running a successful oil and gas operation requires thousands of moving parts, from the drilling program, production yield, and to the operators, contractors and suppliers. Keeping track of every nut, bolt, fitting, pipe, and valve along the supply chain isn't always easy, and every operation is unique. DistributionNOW can help. DNOW is a **supply chain, project management, and warehouse and inventory management expert**, with extensive knowledge, hands-on industry experience, and a global presence. We employ a customer-focused management approach that delivers tangible results.

TARGETED SAVINGS OPPORTUNITY

Capital is tied up in non-core investments, such as inventory, equipment, and facilities.

Oil and gas companies typically lack core competency in managing non-core investments in the form of materials management.

Why choose DistributionNOW?

Instead of building and acquiring the expertise and expense of a comprehensive materials management organization, operators partner with DistributionNOW to reduce their total cost of ownership (TCO). They leverage DNOW's expertise, global infrastructure, product availability, systems, and proven materials management, logistics, and procurement solutions.

A partnership with us allows customers to invest more of their resources into their core competencies and growth initiatives. By aligning our goals, DNOW can help establish an efficient supply chain infrastructure to eliminate waste and get your product to market.

KEY CUSTOMER ADVANTAGES

- Reduce materials costs
- Reduce sales and general administrative (SG&A) costs
- Reduce capital employed
- Eliminate leakage, increasing visibility to purchases for planning
- Dedicated DNOW support staff, facilities, and inventory
- Transparent DNOW "open book" partnering model
- Measurable results



Customer Savings Achieved... Through DNOW's Project Management Model

Customer Saving Opportunities

- | | |
|---|--|
| • Standardization, leverage, and planning | • Faster-moving inventory held by DNOW |
| • Transportation expense | • Spend control |
| • Vendor management | • Reduced non-productive time (NPT) |
| • Minimized buyouts | • Increased time to revenue |
| • Reduced infrastructure | |

Value Delivered

- | | |
|--|--|
| • DNOW approved manufacturers list (AML) | • Quantified results |
| • End-to-end purchase order management (POM) for materials | • "Open book" model |
| • Dedicated and consistent team | • Systems integration |
| • Custom dashboard with support data | • Kitting and prefabrication |
| | • Materials available at point of need |

Methodology

1 Customer Goals

- Identify customer's challenges, objectives, and what success looks like
- Engaging supply chain, operations, and finance

2 Quantitative and Qualitative Site Assessment

- Materials management
- Procurement
- Logistics
- Holistic view of supply chain and interdependencies
 - Supply chain
 - Operations
 - Finance

3 What We Propose

- Develop and deliver a collaborative strategy that meets or exceeds customer's goals and objectives

4 Quantify and Document

- Documenting a current state (CS) baseline

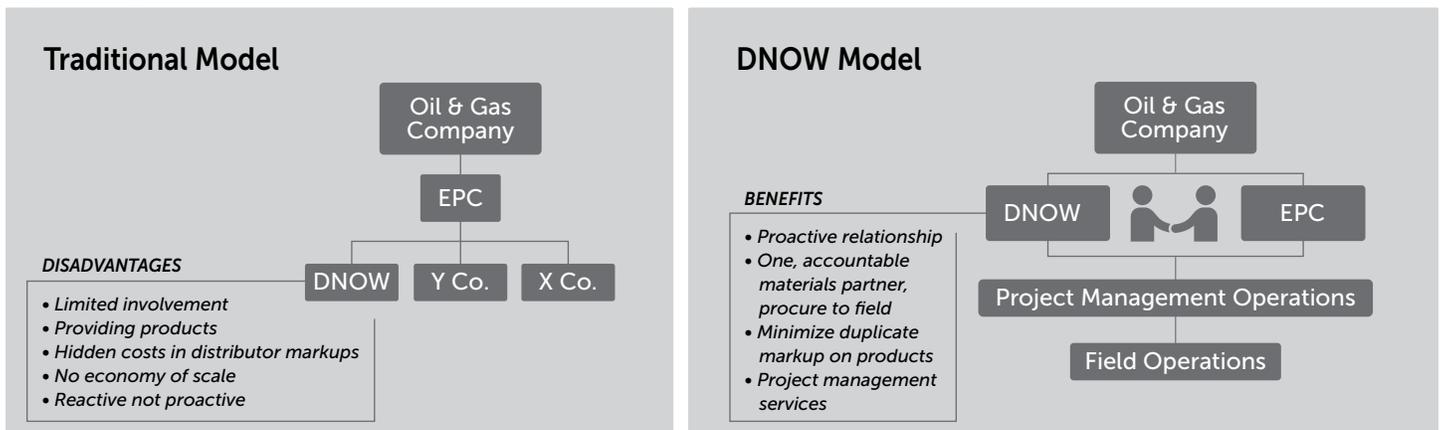
5 Implementation

- Implementation plan and schedule
- Change management component

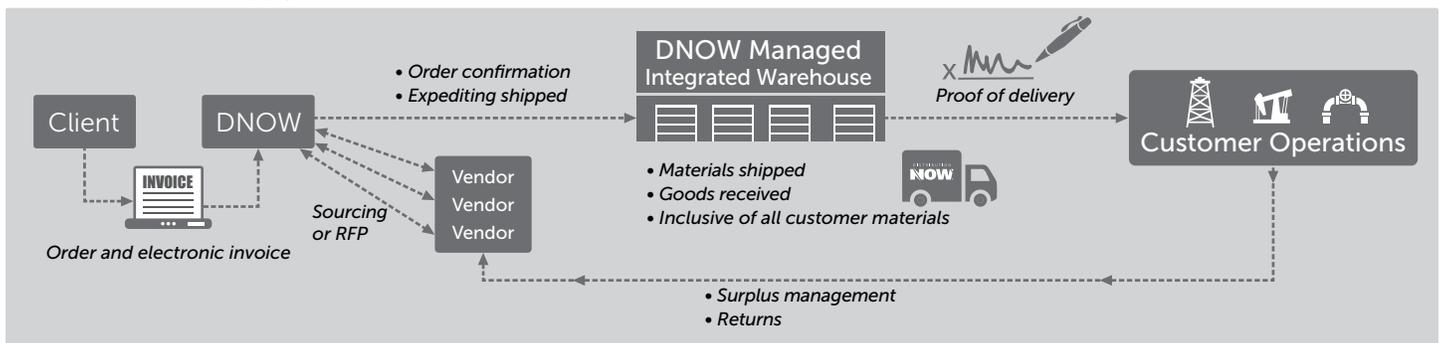
6 Measurement and Feedback

- Measurement of past implementation
- Compare with CS baseline
- Collaboratively develop customizable key performance indicators (KPIs) and dashboard reporting

Capital Projects Model



DistributionNOW Supply Chain Services Model



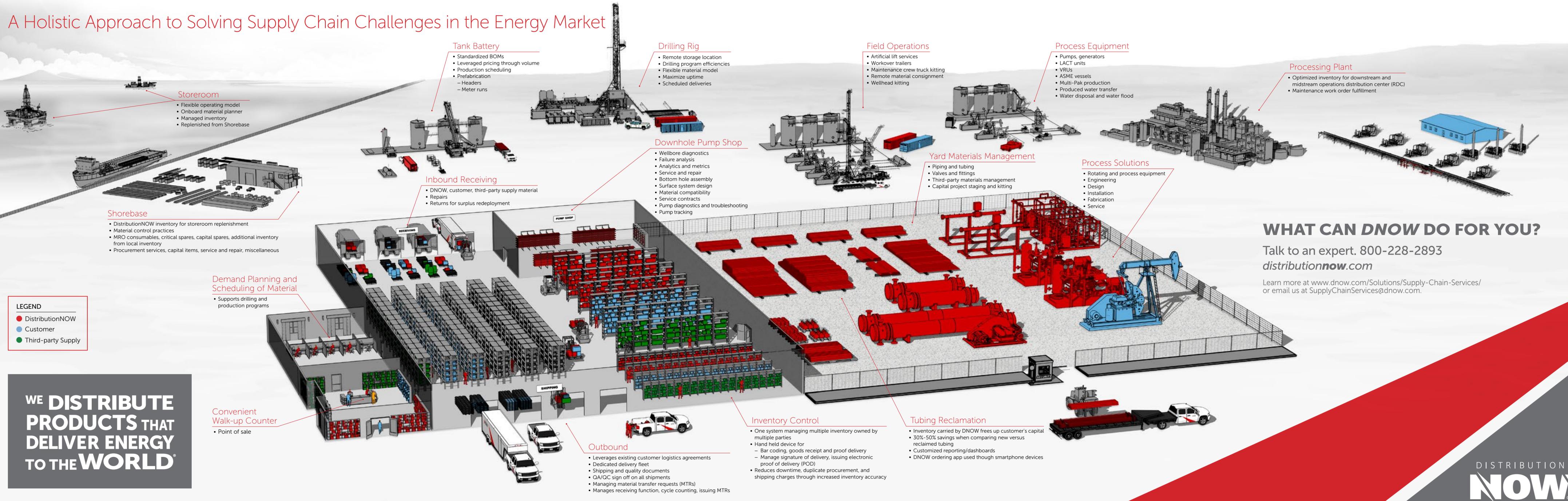
Case Studies

Company and Opportunity	Goal	Solution	Result
<p>Integrated Exploration and Production (E&P) Company</p> <p>Reduction of Total Cost of Ownership within Supply Chain</p>	<p>Consolidate 100+ yards throughout Louisiana. Increase visibility and material preservation.</p>	<p>Implement single materials management system, catalog material in multiple yards, and consolidate at one facility. Create a single point of contact, allowing material management to be universal for shorebase and offshore platforms. Streamline procurement through B2B invoicing.</p>	<p>Reduced duplication of labor, material handling, redundant purchases and non-productive time (NPT) for operator. Material preservation increased usage of surplus material, and Material Coordinators became the single point of contact for procurement, logistics, and material visibility. Inventory integrity improved from below 35% to over 99%.</p>
<p>Integrated E&P Company</p> <p>Reduction of MRO Inventory</p>	<p>Reduce daily buyouts for material, some of which are in stock at E&P company facility</p>	<p>Build an MRO branch within the customer facility, to working in conjunction with the preservation team to manage daily material needs. Decrease daily buyouts and increased on-hand material for daily needs through proper material management practices.</p>	<p>Saved more than \$1.7 million since implementation.</p>
<p>Independent E&P Company</p> <p>Surplus Redevelopment</p>	<p>Utilize unused, procured material on future projects to reduce material costs and limit inventory</p>	<p>Dedicate an onsite Material Coordinator to catalog material for customer and DNOW visibility</p>	<p>Through both operating and capital expense buying channels, redeployed more than \$1.4 million of previously purchased and unused material on new projects</p>



Company and Opportunity	Goal	Solution	Result
<p>Equipment Manufacturer</p> <p>Reduction of Working Capital</p>	<p>Return customer's focus to research and development, instead of warehouse and materials management. Assist with fulfilling aftermarket customer orders.</p>	<p>Transfer materials management responsibilities to DNOW, utilizing its enterprise resource planning (ERP) system. Work with the customer to identify critical spares and stage them in their customers' operating areas.</p>	<p>Reduced nearly \$4 million in inventory variance, allowing the customer to invest capital in developing a new rig design. Facilitated aftermarket sales through DNOW's global distribution network.</p>
<p>Independent E&P Company</p> <p>Reduction of Total Cost of Ownership within Supply Chain</p>	<p>Lower total cost of ownership, including product, labor, and administrative costs. Manage and reduce customer-owned inventories. Reduce construction times for new projects.</p>	<p>Operate 8 customer-dedicated facilities and 20+ remote storage locations to support day-to-day activities. Manage dedicated customer inventories within DNOW's enterprise resource planning (ERP) system, including 3rd party consignments and customer-owned materials. Reduce total cost of ownership by standardizing to DNOW core products and leveraging supplier relationships. Use mobile scanner devices to track issued materials and replenishment of remote storage units.</p>	<p>New customer-dedicated facilities reduced customer-owned inventories by \$75 million since implementation, and closed more than 100 customer service yards. Reduced the number of suppliers by 66% through product standardization, and reduced costs on those suppliers through negotiations and volume purchases. Reduced construction times with hook-up packages that ensure order accuracy and include all parts with their associated equipment.</p>
<p>Independent E&P Company</p> <p>Increased Efficiency</p>	<p>Decrease the wait time at the warehouse counter and for field orders</p>	<p>Create a proprietary mobile application for a customer-requested task to improve order accuracy and invoicing</p>	<p>Available material is listed in the mobile app with photos and descriptions. Customer operations gained visibility from the field and were confident of the accuracy of a material order without having to visit the warehouse. The number of customer trips to the store counter was reduced by 50%, saving approximately 300-350 man hours per week.</p>
<p>Independent E&P Company</p> <p>Increased Efficiency</p>	<p>Increase the amount of productive time at the rig during workovers</p>	<p>Utilize customer-specific metrics to determine which items are critical to each workover. Deliver a customized and predetermined bill of material to each rig for the crew to pull from as needed.</p>	<p>Saved between \$2,000 and \$12,000 per workover in reduced rig time, and minimized hot shot delivery charges</p>
<p>Independent E&P Company</p> <p>Material Issue Productivity/Efficiency</p>	<p>Decrease wait time for construction teams, and increase material availability for recurring projects</p>	<p>Use customer history and engineered drawings to determine what material stock will be needed for future work</p>	<p>Packaged materials for future projects into kits, saving approximately 2 hours per kit for construction crews and minimizing non-productive administrative activities</p>

A Holistic Approach to Solving Supply Chain Challenges in the Energy Market



Storeroom

- Flexible operating model
- Onboard material planner
- Managed inventory
- Replenished from Shorebase

Shorebase

- DistributionNOW inventory for storeroom replenishment
- Material control practices
- MRO consumables, critical spares, capital spares, additional inventory from local inventory
- Procurement services, capital items, service and repair, miscellaneous

Tank Battery

- Standardized BOMs
- Leveraged pricing through volume
- Production scheduling
- Prefabrication
 - Headers
 - Meter runs

Drilling Rig

- Remote storage location
- Drilling program efficiencies
- Flexible material model
- Maximize uptime
- Scheduled deliveries

Field Operations

- Artificial lift services
- Workover trailers
- Maintenance crew truck kitting
- Remote material consignment
- Wellhead kitting

Process Equipment

- Pumps, generators
- LACT units
- VRUs
- ASME vessels
- Multi-Pak production
- Produced water transfer
- Water disposal and water flood

Processing Plant

- Optimized inventory for downstream and midstream operations distribution center (RDC)
- Maintenance work order fulfillment

Downhole Pump Shop

- Wellbore diagnostics
- Failure analysis
- Analytics and metrics
- Service and repair
- Bottom hole assembly
- Surface system design
- Material compatibility
- Service contracts
- Pump diagnostics and troubleshooting
- Pump tracking

Yard Materials Management

- Piping and tubing
- Valves and fittings
- Third-party materials management
- Capital project staging and kitting

Process Solutions

- Rotating and process equipment
- Engineering
- Design
- Installation
- Fabrication
- Service

Demand Planning and Scheduling of Material

- Supports drilling and production programs

Convenient Walk-up Counter

- Point of sale

Outbound

- Leverages existing customer logistics agreements
- Dedicated delivery fleet
- Shipping and quality documents
- QA/QC sign off on all shipments
- Managing material transfer requests (MTRs)
- Manages receiving function, cycle counting, issuing MTRs

Inventory Control

- One system managing multiple inventory owned by multiple parties
- Hand held device for
 - Bar coding, goods receipt and proof delivery
 - Manage signature of delivery, issuing electronic proof of delivery (POD)
- Reduces downtime, duplicate procurement, and shipping charges through increased inventory accuracy

Tubing Reclamation

- Inventory carried by DNOW frees up customer's capital
- 30%-50% savings when comparing new versus reclaimed tubing
- Customized reporting/dashboards
- DNOW ordering app used through smartphone devices

LEGEND

- DistributionNOW
- Customer
- Third-party Supply

WE DISTRIBUTE PRODUCTS THAT DELIVER ENERGY TO THE WORLD®

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 Learn more at www.dnow.com/Solutions/Supply-Chain-Services/
 or email us at SupplyChainServices@dnow.com.



Products Portfolio



Drilling & Production

Drilling Products

- OEM equipment
- Wireline, slings
- Tong dies, inserts
- Pipe wipers
- Fluid treatment
- Drilling fittings
- Fluid end parts
- Drilling hose
- Drilling compounds
- Mud buckets
- Power end parts
- Elevators

Production Equipment

- Wellhead parts
- Blowout preventers
- Spill protection
- Chokes
- Storage compounds
- Meter runs

Artificial Lift

- Rod pump systems, parts, accessories
- Progressing cavity pumps, parts, accessories
- Plunger lift equipment
- Variable frequency drives

Electrical (see next column)

Power Transmission

- Hydraulic hose, couplings
- Roller chain, sprockets
- Pneumatic hose, couplings
- Sheaves
- V-belts
- QD bushings
- Pneumatic clutches
- Rotor seals
- Shaft couplings



Modular Production Equipment

Lease Automatic Custody Transfer (LACT) units

Vapor Recovery Units (VRUs)

ASME Vessels

- Heater treaters
- Dehy units
- Fractionation towers
- Slug catchers

Multi-Pak 3-phase Measurement

Produced Water Transfer

Water Disposal and Water Flood

Gas Measurement

Gas Compressors

Oil and Condensate Stabilization Units

Instrument and Utility Air Packages

Solar/Chemical Pump Packages

Liquid Measurement packages

Mainline Pipeline Pump Stations

Pig Launchers/Receivers

Pumps, generators



Valves & Actuation

Valves

- Ball – floating
- Ball – trunnion
- Butterfly
- Check
- Choke
- Control
- Gate
- Globe
- Needle
- Plug
- Relief

Instrumentation

- Mechanical and electronic
- Pressure, temperature, and level sensors
- Gauges and accessories
- Instrument valves, fittings, and hose assemblies
- Measurement

Valve Actuation Packages

- Linear and rotary
- Pneumatic
- Hydraulic
- Electric
- Gas over oil
- Direct gas
- Double-acting and spring-return
- Emergency shutdown valves
- Mounting hardware and accessories



Electrical

Cable

- Onshore and offshore
- Marine and industrial

Motors

- Oilfield and industrial
- Explosion-proof
- Fractional
- Motor control

Lighting

- LED, HID, incandescent, fluorescent
- Marine
- Emergency

Industrial Fittings

- Conduit bodies
- Unions, couplings
- Hubs and seals

Connectivity

- Classified zone area
- Harsh area
- Pin and sleeve
- High amperage roughneck
- CSA, UL, NEMA, IEC, IEC Ex, ATEX
- Cable glands

Accessories

- Grounding/earthing
- Cable ties, wraps, heatshrink
- Fasteners, lugs, terminations
- Cable trays and supports
- Enclosures

Instrumentation

Transformers



Mill, Tool & Safety

Mill/Industrial Supplies

- Abrasives
- Adhesives, sealants
- Lubricants, solvents
- Janitorial supplies
- Material handling
- Industrial MRO
- Drill bits, reamers, burrs, cutters
- Taps and dies
- Cutting oils, fluids

Hand/Power Tools

- Hand tools and accessories
- Power tools and accessories
- Measurement/precision tools
- Hoists
- Torquing tools

PPE/Safety Supplies

- Personal protective equipment
- Protective clothing, workwear
- Lockout/tagout
- Ergonomics
- Gas detection, instrumentation
- Spill control



Pipe, Fittings & Flanges

Pipe

- Carbon steel
- seamless, ERW, DSAW, CW, low-temp, all spec/grades
- Stainless steel
- welded, seamless, instrument tube, grade 304/L, 316/L, duplex
- Chrome/Molybdenum
- grade P11, P22, P5, P9
- Resin-based
- fiberglass, polyethylene

Fittings/Flanges

- Carbon steel, including low-temp and high yield
- Stainless steel and alloy, grade 304/L, 316/L, duplex
- Resin-based
- fiberglass, polyethylene

Gaskets/Fasteners

- Spiral-wound
- Ring-type joint
- Heat exchanger
- Stud bolts
- Carbon and stainless steel
- Plated and Teflon-coated

Paint/Coatings

- Acrylics
- (solvent and waterborne)
- Epoxies
- (high build, high solids)
- Alkyds
- (oil-based enamels, high solids)
- Polyurethanes
- Tank linings



Applied Solutions

Material/Inventory Management

Warehouse Management

RigPAC/ProductionPAC

Project Management

Artificial Lift Solutions

Total Valve Solutions

Machine Tool and Manufacturing Solutions

Industrial Vending

Safety Services

Modular Production Equipment



Pumps

Oil and Gas

- Salt water disposal
- Waterflood
- Turnkey
- Offshore
- Water transfer
- Custom-designed packages
- Chemical injection
- Tank battery solutions
- Pipeline pumping
- Vapor recovery unit (VRU)

Municipal

- Booster stations
- Wastewater plant
- Lift station
- Controls
- Flood control
- Water and wastewater pumping solutions

Pump rental

- Bypass pumping
- Water transfer
- Dewatering
- Salt water disposal
- Marine rental

Industrial

- Turnkey
- Water transfer
- Custom-designed packages
- Chemical metering pumps
- Chemical process/transfer
- Cooling tower circulation
- Engineered pump packages
- Wastewater transfer and treatment
- Railcar loading/unloading
- Utility water pH control

Machining and Repairs

- Plunger pump fluid end
- Horizontal multi-stage
- Vertical turbines
- Power ends
- End suction centrifugals

Field Service

- Preventative maintenance
- In-house repairs
- Laser alignment
- Service trucks
- 24 hour emergency service

Services Portfolio

Project Management & Procurement

- Collaborative bill of materials (BOM) development
- Surplus material reductions and redeployment
- Requisitions
- Bidding and sourcing
- Expediting
- Kitting
- Documentation
- Logistics

Onsite Service Management

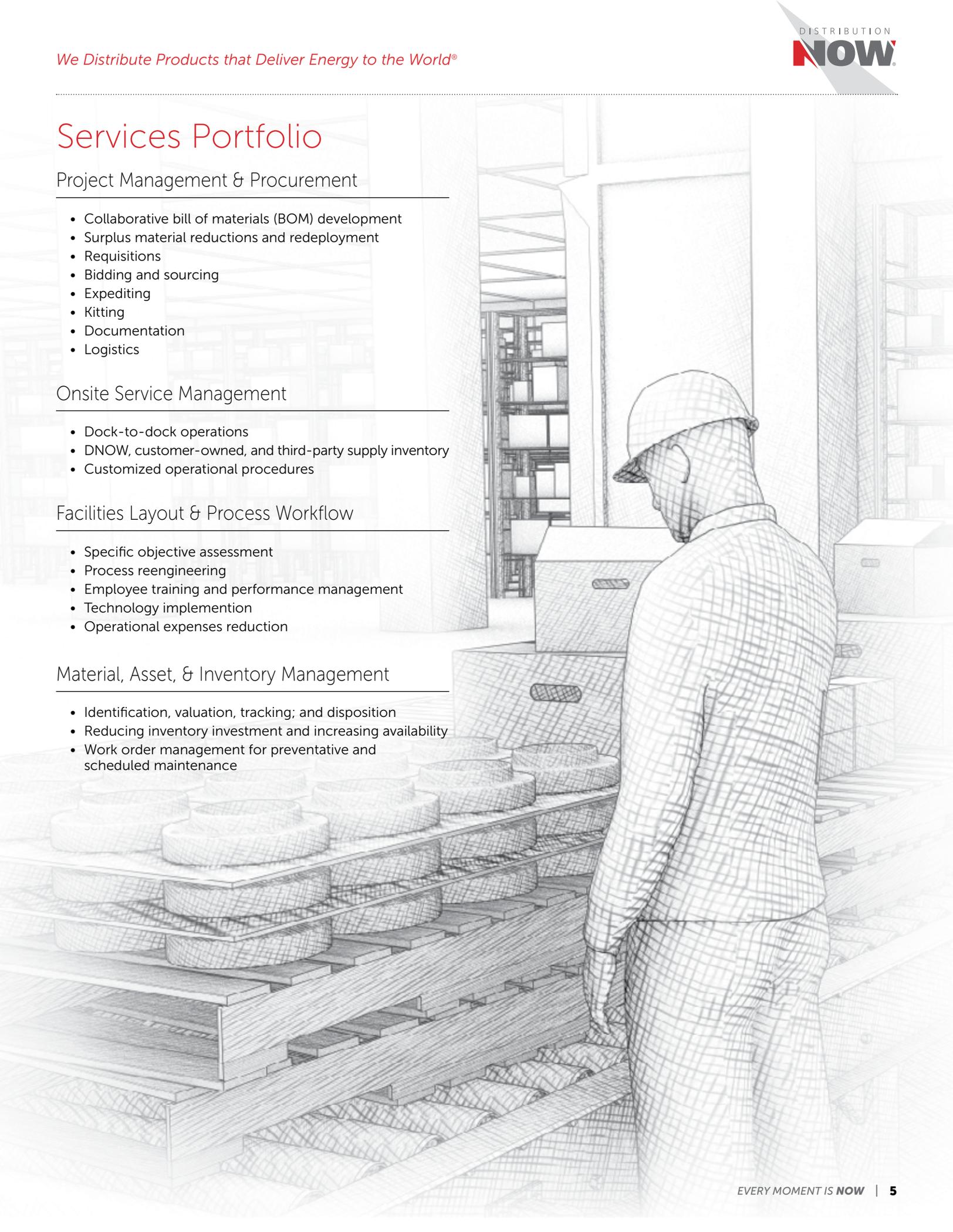
- Dock-to-dock operations
- DNOW, customer-owned, and third-party supply inventory
- Customized operational procedures

Facilities Layout & Process Workflow

- Specific objective assessment
- Process reengineering
- Employee training and performance management
- Technology implementation
- Operational expenses reduction

Material, Asset, & Inventory Management

- Identification, valuation, tracking; and disposition
- Reducing inventory investment and increasing availability
- Work order management for preventative and scheduled maintenance





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WE WANT TO HEAR FROM YOU!

Please send customer service comments
and questions to CP1@dnw.com

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