

IPAA/TIPRO S.E. Region Luncheon

Overview of the Merger, Acquisition & Divestment Environment

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Overview of Jefferies Randall & Dewey

- Randall & Dewey founded by Jack Randall and Ken Dewey in 1989
- Played key role in the emergence of the transaction advisory business in 1990's
 - Basic premise was adding value through technical and marketing expertise
- In 2002/2003 transitioned leadership to Claire Farley and Ralph Eads
 - Began capital markets work complemented by A&D expertise
 - Established international presence with London team
- In February 2005 sold to Jefferies & Company
 - Became Jefferies upstream energy business – largest in the world
 - Jefferies had previous success acquiring top tier boutiques in technology and defense

Recent Deal Flow

<p>February 2007</p>  <p>\$360,000,000</p> <p>Private Equity Offering Joint Lead Placement Manager</p>	<p>September 2006</p>  <p>California and Texas Assets have been acquired by</p>  <p>\$865,000,000</p> <p>Financial Advisor to the Seller</p>	<p>August 2006</p>  <p>Los Angeles Basin Assets have been acquired by</p>  <p>\$291,000,000</p> <p>Financial Advisor to the Seller</p>	<p>August 2006</p>  <p>\$63,125,000</p> <p>Bought-Deal Equity Offering Sole Book-Running Manager</p>	<p>June 2006</p>  <p>has been acquired by</p>  <p>\$1,246,000,000</p> <p>Financial Advisor to the Seller</p>
<p>May 2006</p>  <p>has been acquired by</p>  <p>\$750,000,000</p> <p>Financial Advisor to the Seller</p>	<p>March 2006</p>  <p>\$60,000,000</p> <p>Private Placement Sole Placement Agent</p>	<p>January 2006</p>  <p>Company Sale acquired by</p>  <p>\$145,000,000</p> <p>Financial Advisor to the Seller</p>	<p>December 2005</p>  <p>has been acquired by</p>  <p>\$2,450,000,000</p> <p>Financial Advisor to the Seller</p>	<p>July 2005</p>  <p>\$300,000,000</p> <p>Recapitalization and Financing Commitment Financial Advisor and Placement Agent</p>
<p>May 2005</p>  <p>Divestiture of Gulf of Mexico Offshore Assets acquired by</p>  <p>\$2,000,000,000</p> <p>Transaction Advisor to the Seller</p>	<p>January 2005</p>  <p>\$240,500,000</p> <p>Initial Public Offering Lead Manager and Joint Book-Running Manager</p>	<ul style="list-style-type: none"> Deal flow now consists of MA&D and capital markets projects of all shapes and sizes 		

2006 M&A Rankings – All Industries

DEALS <\$500 MILLION		
Rank	Financial Advisor	Number of Deals
1	Houlihan Lokey Howard & Zukin	114
2*	Jefferies & Co Inc	98
2*	UBS	98
4*	Credit Suisse	83
4*	JP Morgan	83
4*	Goldman Sachs & Co	83
7*	Citigroup	79
8	Merrill Lynch	71
9	Morgan Stanley	66
10	Lehman Brothers	64
11	Sandler O'Neill Partners	60
12	Keefe Bruyette & Woods Inc.	57

DEALS ALL VALUES		
Rank	Financial Advisor	Number of Deals
1	Goldman Sachs & Co	190
2	JP Morgan	164
3*	UBS	158
3*	Credit Suisse	158
5	Morgan Stanley	143
6	Citigroup	139
7	Houlihan Lokey Howard & Zukin	135
8	Merrill Lynch	131
9	Lehman Brothers	123
10	Jefferies & Co Inc	116
11	Banc of America Securities LLC	104
12	Lazard	70

(*): tie.

Source: Thomson SDC. US transactions announced 1/1/2006 – 12/31/2006. Includes mergers, acquisitions and minority investments with disclosed and undisclosed values.

Excludes: Tender Offers, Exchange Offers, Self-tenders, Repurchases, Remaining Interests, Privatizations

2006 US Energy M&A Rankings

DEALS ALL VALUES		
Rank	Financial Advisor	Number of Deals
1	Jefferies & Co Inc.	21
2	Merrill Lynch	19
3	Lehman Brothers	15
4	JP Morgan	10
5	Credit Suisse	7
6*	UBS	5
6*	Goldman Sachs & Co	5
8	Simmons & Co International	4
9*	Macquarie Bank	3
9*	Scotiabank-Bank of Nova Scotia	3
9*	Houlihan Lokey Howard & Zukin	3
9*	Banc of America Securities LLC	3

The Changing Transaction Advisory Landscape

The Transaction Advisory Business Has Stratified Into Full Service Investment Banks Or Boutiques

A Few Years Ago

Bulge Bracket Investment Banks

Transaction Advisors

- Randall & Dewey
- Petrie Parkman
- Petroleum Place
- Waterous
- Albrecht
- Wellspring
- Madison Energy
- Regional Specialists

Today

Bulge Bracket Investment Banks

Full-Service Banks with Energy Focus

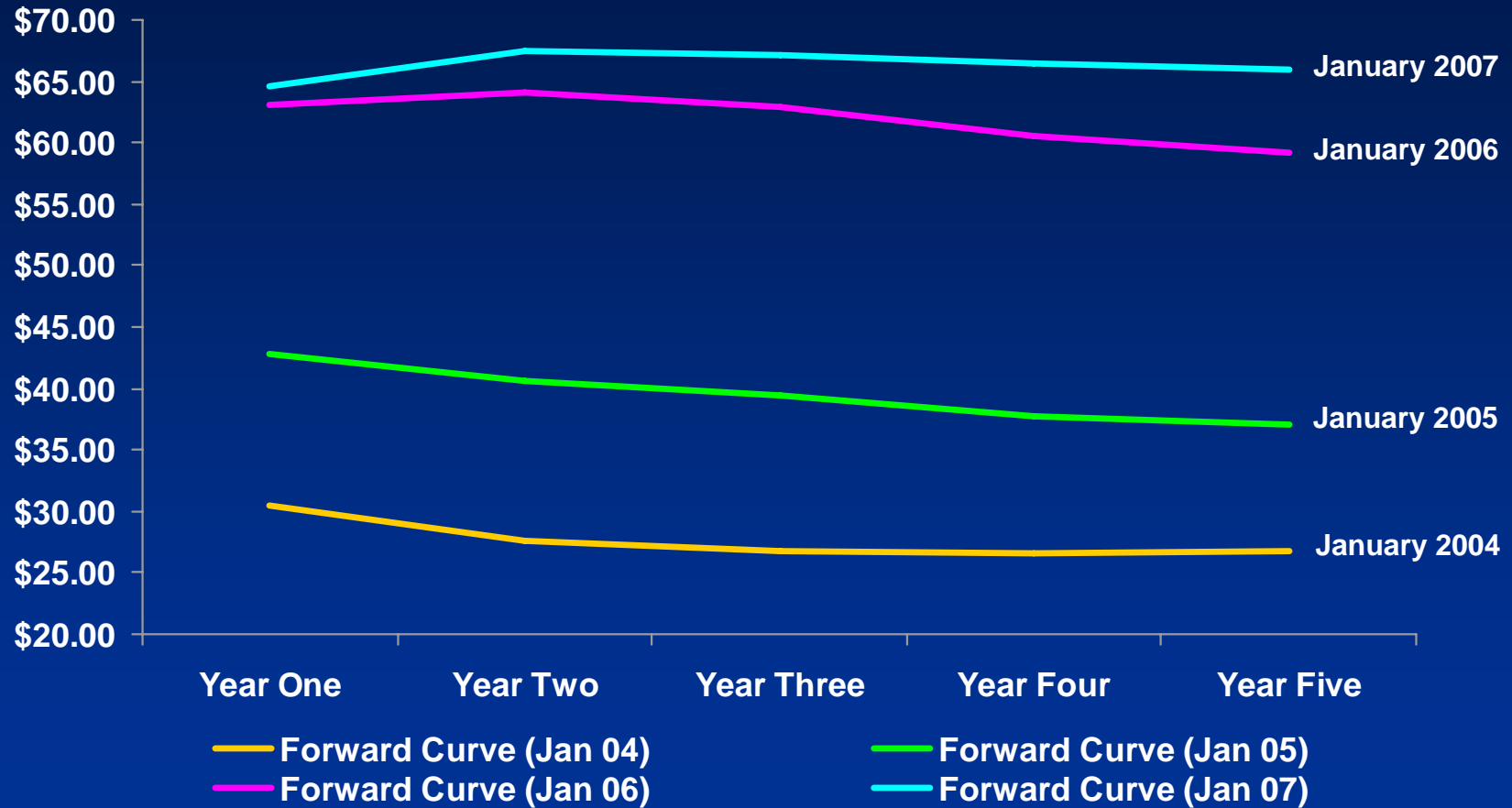
- Jefferies Randall & Dewey
- Merrill Lynch Petrie
- Scotia Waterous
- Tristone Capital

Boutiques

- Albrecht & Associates
- Griffis & Associates
- Lantana Oil & Gas
- Richardson Barr
- Regional & Other Specialists (+60 Other Companies)

Overview of the MA&D Market

Commodity Price Progression



Announced U.S. MA&D Activity

Transaction Summary

	2004			2005			2006		
Reported Consideration ⁽¹⁾	29.4			32.2			65.8		
Acquisition Cost, ⁽²⁾ \$/BOE ⁽³⁾	9.61			14.53			19.06		
Size (\$MM)	Count	\$MM	\$/BOE	Count	\$MM	\$/BOE	Count	\$MM	\$/BOE
>500	10	17,230	10.49	14	18,128	16.62	25	51,540	23.04
100-500	41	9,191	8.66	46	10,701	14.29	38	9,306	13.13
50-100	21	1,492	9.04	25	1,749	8.07	31	2,188	10.71
<50 ⁽⁴⁾	315	1,521	6.54	404	1,656	5.40	669	2,814	10.52
	387	29,434	9.61	489	32,234	14.53	763	65,848	19.06

- There is a growing premium for large deals
 - Resource play effect – Value being paid for non-proven
 - Large size offers optionality
- Large deal count, and total value, have risen dramatically
- If you are a buyer, aggregate deals <\$100 MM

(1) For deals with reported consideration

(2) For deals with reported consideration and reserves

(3) Weighted average

(4) Includes deals that do not report metrics

Source: Jefferies Randall & Dewey database

Fueling the M&A Flame

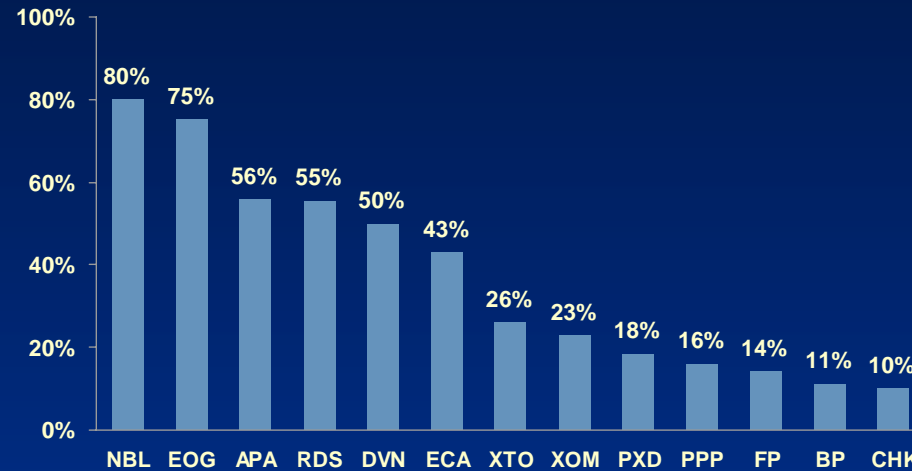
Transaction Market Has Been Driven To A Large Degree By Demand From The Financial Markets

- Low interest rates
- Excess cash on the balance sheet
- High finding and development costs – drill vs. buy decision
- Oil futures market that is higher than First Call
- Pass through vehicles that trade on yield
- Unprecedentedly large private equity available
- The E&P food chain continues to increase sophistication

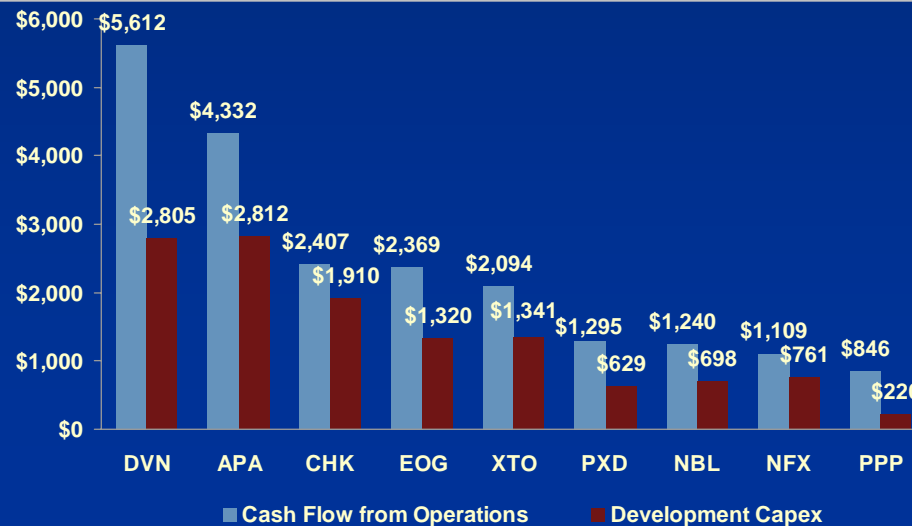
Plenty of Cash to Fuel Mergers and Acquisitions

E&P Companies Have Been Generating Large Amounts Of Discretionary Cash Flow Providing Funding To Fuel Merger Activity

Dividend Increase From 2005 to 2006 ⁽¹⁾



Cash Flow from Operations vs. Development Capex



(1) 2006 estimated annual dividend from Thomson One Banker.

Commodity Price Progression



Is MLP/LLC/Royalty Trust Value Uplift

**MLPs, LLCs And
Royalty Trusts
Arbitrage Favorable
Structuring To Receive
Valuation Uplift In The
Market**

	MLPs / LLC / Royalty Trusts					
(\$MM)	Penn West	Prime West	Provident	Constellation Energy Prts.	Linn Energy ⁽¹⁾	Breitburn
Enterprise Value	\$ 8,163.5	\$ 2,330.1	\$ 3,248.3	\$ 288.8	\$ 2,484.7	\$ 596.0
Implied Yield	11.3%	13.1%	11.7%	7.8%	6.9%	6.8%
2007E EBITDA	\$ 1,140.6	\$ 356.2	\$ 391.8	\$ 35.0	\$ 214.0	\$ 58.0
EV/EBITDA	7.2x	6.5x	8.3x	8.3x	11.6x	10.3x

	Publicly Traded Companies With Significant PDP Component					
(\$MM)	Bois D'arc	Cimarex	St. Mary	Devon	EOG	Pogo
Enterprise Value	\$ 1,104.8	\$ 3,519.9	\$ 2,410.3	\$ 37,939.2	\$ 17,263.0	\$ 5,041.5
Implied Yield	0.0%	0.4%	0.1%	0.7%	0.5%	0.6%
2007E EBITDA	\$ 256.0	\$ 1,032.0	\$ 594.0	\$ 8,162.0	\$ 3,107.0	\$ 1,250.0
EV/EBITDA	4.3x	3.4x	4.1x	4.6x	5.6x	4.0x

- Pass through vehicles enjoy 6.5 – 11+ multiple vs. 3.4 – 5.7 for public E&Ps

Private Equity Playing Much Larger Role in MA&D

Demand To Invest Funding By Privates Continues To Bolster Deal Flow

- Financial sponsors have earmarked over \$50 billion of capital for the energy industry
- There are more than 500 hedge funds focused on energy with \$67 billion of capital dedicated
- Hedge funds are playing a more meaningful role in M&A dialogue
- Since 2001, private equity-sponsored M&A activity has increased more than five fold
- Private equity is growing investment in areas previously untouched, such as exploration and the Gulf of Mexico

Emerging Trends for the Future

Current Demand and Supply Perspectives

Deal Flow Will Remain Strong And Driven By Both Demand For, And Supply Of, Opportunities

Drivers of Demand Side of Deal Flow

- Private equity money plentiful
- Public companies' continued need to grow
- Formation of MLPs creating companies with heavy appetites
- Continued foreign company demand

Drivers of Supply Side of Deal Flow

- Private equity financed companies continue to sell (2-4 year cycle)
- Other privates selling in still historically favorable price environment (\$7.50 gas/ \$60.00 oil strips)
- Big corporate restructuring events
 - Anadarko Petroleum Corporation
 - Dominion Exploration & Production
- Continued portfolio rationalization
 - GOM Deepwater and Shelf
 - Barnett Shale, other resource plays

Outlook for 2007

**High Rate Of Deal Flow
Will Continue
Presuming Commodity
Pricing Remains In A
\$6.50 - \$7.50/Mcf And
\$55.00 - \$65.00/Bbl
Range**

- Market continues to increase sophistication
 - Best buyers move fast, know where to be aggressive in valuations
 - Buyers use financial tools to enhance aggressiveness
 - Buyers screen opportunities and sellers screen potential buyers better than ever
 - Supply of money is sophisticated and can respond to changing environments

- Sellers design sales to target potential buyers
 - Majority of sales are not broadly marketed
 - Sale packages may be designed to target a specific buyer group

- New buyers continue to emerge
 - New private equity backed companies
 - New entrants, recent bigger company graduates or foreign companies
 - Current and newly created MLPs

Outlook for 2007

High Rate Of Deal Flow Will Continue

- Majors are trying to figure out how to rebuild U.S.
 - Hard to compete on valuation in the acquisition market
 - Increased emphasis on joint ventures, farm-out of big acreage positions or farm-in to other's positions
 - We may see a corporate acquisition or two

- We may see public E&Ps go private
 - Take advantage of private equity demand
 - Unlock near term shareholder value
 - Escape SOX, road shows
 - Take advantage of private equity demand

- Would not be surprised to see some corporate mergers this year
 - Publics need to continue to grow
 - Some independents continue to suffer lagging valuations