

Oil & Gas Master Limited Partnerships

IPAA, Las Vegas

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E&P Sector Outlook: 50,000' View

Market Has Become Complacent With Regard To Natural Gas Prices. . .

- \$7.50 - \$8.00/Mcfe assumed range

...And Will Likely Get Wakeup Call This Summer

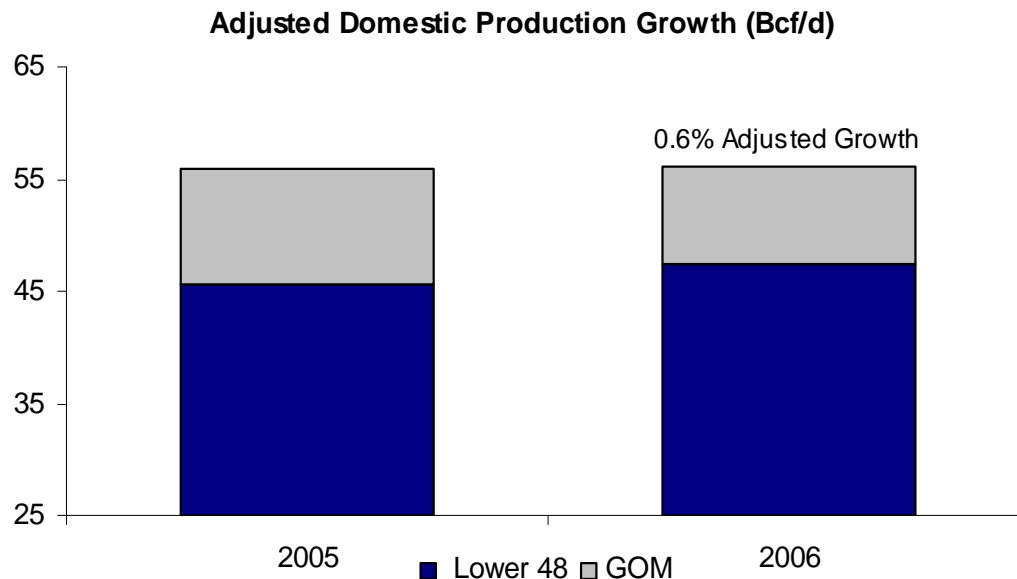
- Expect double-digit natural gas prices this summer
- “Shoulder season” weakness may be erased with MLP’s and inflows

Longer Term – Supply Response Not Enough

- Supply response won’t likely meet demand, infrastructure still too tight
- Domestic assets continue to increase in value, consolidation should continue

Source for slide: Wachovia Capital Markets, LLC E&P Equity Research Team

Natural Gas Outlook: Supply Sliding



U.S. Production Responds (Finally)

- U.S. Production: Growing, but only slightly
- Record rig count
- EIA 914: 0.6% Adj. Growth vs 2.7% Reported
- Big Picture: down 5% from 2001-2007

Demand/Supply Should Tighten

- Last molecule – power generation still growing
- Canada down – 0.5 -0.7 Bcfe/d
- Hydro down – Snowpack down 30% in California, 55% below in Idaho
- Storage less relevant – just in time inventory

	New Land Prod'n	New GoM Prod'n	New Total Prod'n	Land Gas Rigs	GoM Land Rigs	Total Gas Rigs
2000	3,794,238	1,099,324	4,893,562	547	117	664
2001	3,865,520	1,317,777	5,183,297	821	119	940
2002	3,751,657	808,734	4,560,391	627	97	724
2003	4,076,624	992,880	5,069,504	711	97	809
2004	4,289,430	720,920	5,010,350	903	91	994
2005	4,510,997	290,766	4,801,763	1,057	86	1,143
2006	4,547,072	672,332	5,219,404	1,251	72	1,322
2007E	4,483,008	810,375	5,293,383	1,399	73	1,472

Source for slide: Wachovia Capital Markets, LLC E&P Equity Research Team and Bloomberg

Crude Oil: Not Much Has Changed

Capacity Is Gone, Driving Prices Up

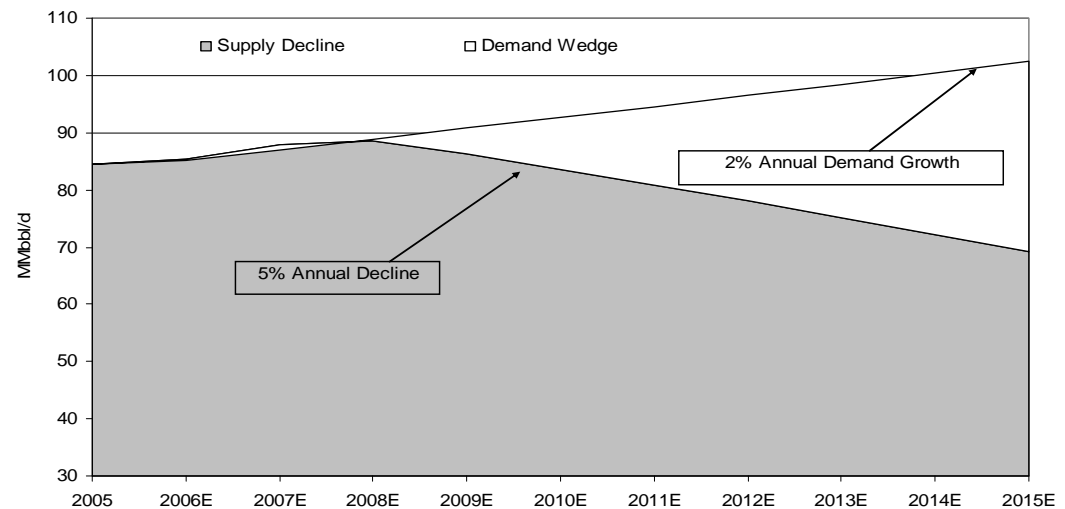
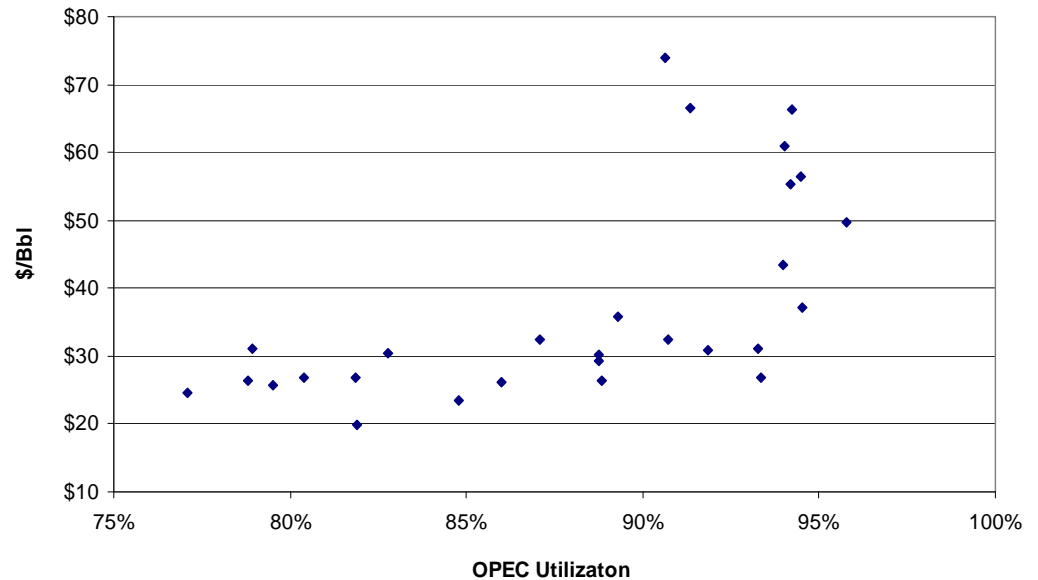
- Capacity Surplus Has Disappeared – Running at 90-95%+
- Remaining crude is sour, not sweet

Supply/Production

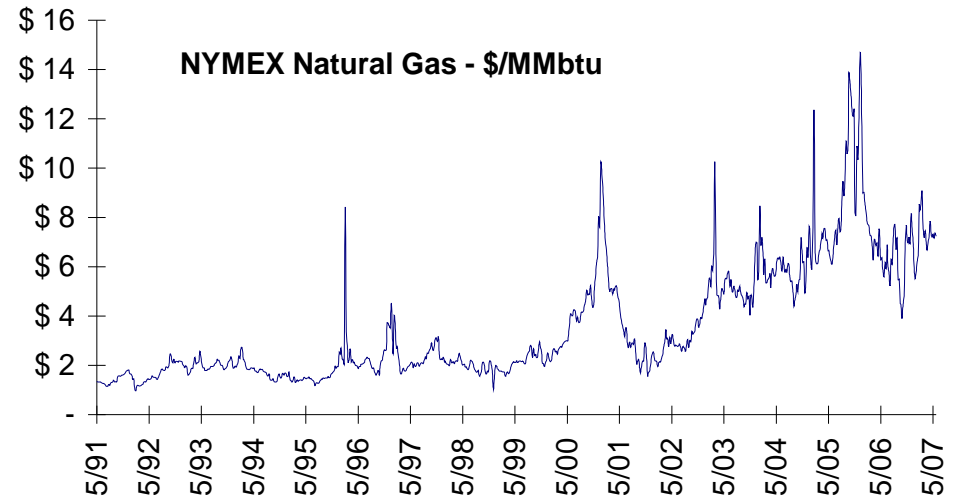
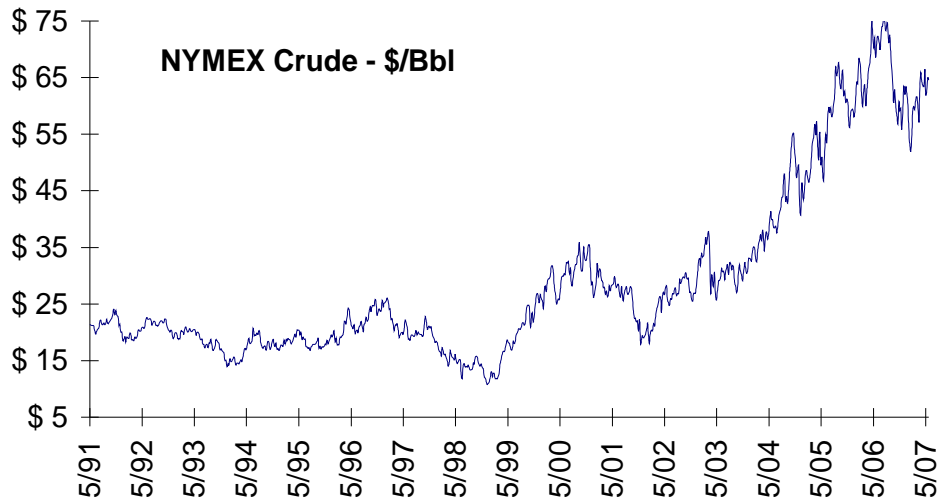
- 2006 / 2007 Supply: +0.7% / +0.4%
- 2006 / 2007 Demand: +0.8% / +1.8%
- Paying Price of Underinvestment in 1990's
- OPEC Capacity ~ 1.5 MMbbls/d vs. 3 MMbbls/d Previously
- At 2% Demand Growth, Can't Fill the Wedge

Commodity Prices

- 2007 Forecast of \$61.90 bbl
- Longer Term (Normalized) Forecast of \$50.00/bbl



Macro Summary – Commodity Price Forecast



Oil & Gas Price Assumptions	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07E	3Q07E	4Q07E	2007E	2008E
Crude Oil (WTI)	\$56.47	66.63	73.93	70.48	59.96	\$67.75	58.09	63.00	63.25	63.25	\$61.90	\$60.00
<i>Old Estimate</i>	-	-	-	-	67.00	\$69.51	62.50	63.00	63.25	63.25	\$63.00	\$60.00
<i>First Call Consensus</i>	-	-	-	-	60.84	\$62.45	59.66	60.26	61.25	61.59	\$60.23	\$57.29
Natural Gas - Henry Hub (\$/MMbtu)	\$8.96	8.97	6.81	6.58	6.06	\$7.10	6.81	7.45	7.55	8.45	\$7.57	\$7.28
<i>Old Estimate</i>	-	-	-	-	-	\$7.41	6.50	7.45	7.55	8.45	\$7.49	\$7.28
<i>First Call Consensus</i>	-	-	-	-	-	\$6.76	6.45	6.47	6.81	7.41	\$6.91	\$7.42

Source for slide: Wachovia Capital Markets, LLC E&P Equity Research Team, and Bloomberg

What Are Master Limited Partnerships (MLPs)?

- MLPs are limited partnerships whose interests (i.e. limited partner units) are traded on public exchanges just like corporate shares
- The ownership structure consists of a general partner (GP) and limited partners (LPs)
- MLPs generally do not pay income taxes and avoid double taxation. Consequently, MLPs benefit from a lower cost of capital
- MLPs must receive at least 90% of their income from qualifying sources (e.g. natural resource activities, real estate rents, etc.) to maintain their tax status
- MLPs are required to distribute their available cash at the end of each quarter – “distributable cash flow”

Key Terms

1) General partner

- Manages the MLP
- Generally owns 2% of the MLP
- Is eligible to receive incentive cash distributions (up to 50% of incremental cash flows)

2) Limited partners

- Provide capital
- Have no role in the MLP's operations and management
- Receive cash distributions (typically 80-90% tax deferred)

3) Incentive distribution rights (IDRs)

- The right to receive an increasing percentage of quarterly distributions after the minimum quarterly distribution and the target distribution levels have been achieved
- Typically held by the GP

Key Terms (continued)

4) Distributable cash flow to limited partners

EBITDA

LESS maintenance capex

LESS cash interest expense

LESS cash distributions paid to the GP

Distributable cash flow to limited partners



Source: Getty Images

Fundamental Back Drop Appears Favorable

- Commodity price outlook is positive
 - Crude oil price range of \$50-70 per barrel
 - Natural gas price range of \$6.00-9.00 per MMbtu

Commodity Price Forecast	FY2007	FY2008	Longer-term
Crude Oil - WTI (\$ per Bbl)	\$61.90	\$60.00	\$50.00
Natural Gas - Henry Hub (\$ per MMbtu)	\$7.57	\$7.28	\$6.00

Source: Wachovia Capital Markets, LLC E&P Equity Research Team

- Wachovia's Economics Team Is Forecasting GDP Growth Of 2.2% For 2007 (versus growth of 3.3% in 2006)

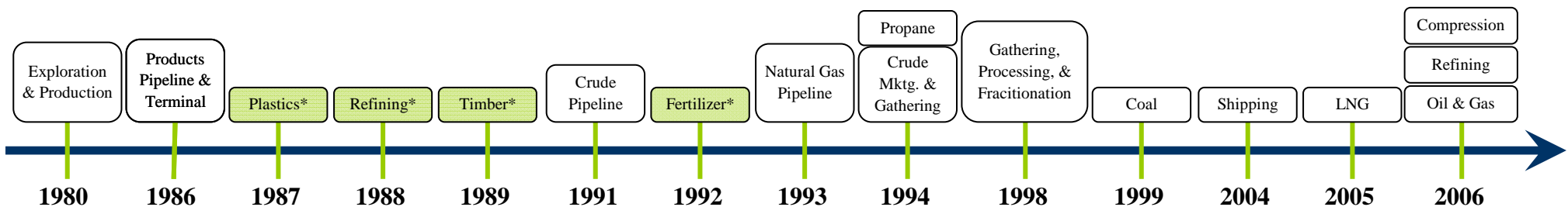
	Wachovia U.S. Economic Forecast									
	Q107A	Q207E	Q307E	Q407E	FY2007E	Q108E	Q208E	Q308E	Q408E	FY2008E
Real Gross Domestic Product	0.6%	3.5%	2.8%	3.0%	2.2%	3.3%	3.4%	3.5%	3.5%	3.3%
U.S. 10-Year Treasury	4.65%	4.85%	4.95%	5.00%	5.00%	5.10%	5.20%	5.30%	5.50%	5.50%

Source: Wachovia Economics Group (June 6, 2007 estimates)

- A Relatively Manageable Interest Rate Environment
 - The Wachovia's economics team has forecast the ten-year treasury to be relatively flat in 2007 with a year-end interest rate of 5.0%.

Oil & Gas MLPs Re-emerge

- First MLPs (early 1980's) were exploration & production companies that failed
- The modern day MLP (post 1986) was a “traditional” pipeline model characterized by steady cash flow and minimal commodity exposure
- Over time MLPs have moved progressively closer to the wellhead, adding more commodity sensitivity assets along the energy value chain, in our view
- We've Come Full Circle - oil and gas reserves are being re-introduced into the MLP structure



*Note - The Plastics, Refining, Timber, and Fertilizer MLP(s) introduced in the above time line were either dissolved or converted into another entity.

Source: Partnership reports and Vinson & Elkins, LLP

What Has Changed? Characteristics Of A Successful Oil & Gas MLP

- More Risk Management Tools Available (NYMEX)
- Technology
- More Disciplined Management Teams

Characteristics Of A Successful Oil & Gas MLP

- Long lived reserves with slow decline rates
- Predominantly proved developed reserves
- Active hedging program
- Conservative balance sheet and distribution coverage ratio (1.2x)
- Growth through acquisitions rather than the drill bit

Differences among recent IPOs

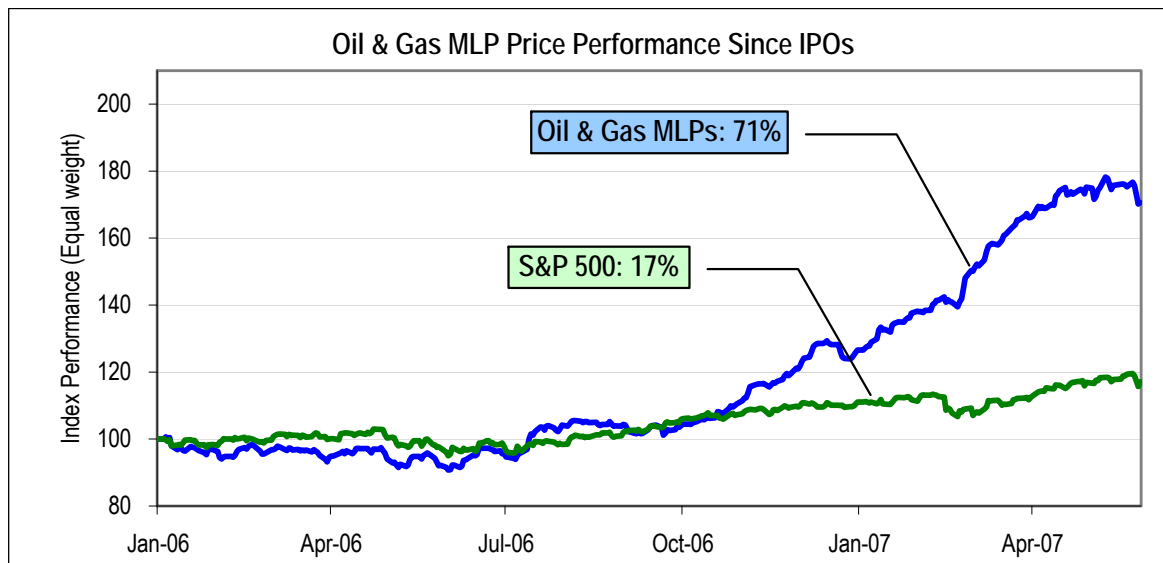
- Incentive distribution structure ranges from 0% to 25%
- Some oil and gas MLPs have subordinated units
- Some are structured as a limited liability company (LLC)
 - No general partner (GP)
 - Unitholders are entitled to vote for members of the Board of Directors

Company	IPO Date	Structure	Incentive Distributions	Est. % Tax Deferred
BreitBurn Energy Partners, L.P.	Oct-06	LP	0%	50% through 2007
Constellation Energy Partners, LLC	Nov-06	LLC	Up to 15%	70% through 2010
EV Energy Partners, L.P.	Sep-06	LP	Up to 25%	40% through 2008
Legacy Reserves, L.P.	Jan-07	LP	0%	90% through 2010
Linn Energy, LLC	Jan-06	LLC	0%	90% through 2008

Source: Partnership reports

Oil & Gas MLPs Have Gained Acceptance

- As a group, oil and gas MLPs have appreciated 33% in 2007, versus 6% for the S&P 500, and 14% for the Wachovia MLP Index
- Performance drivers include: \$2B of acquisitions, relatively strong commodity prices, and rotation of funds out of Canadian royalty trusts

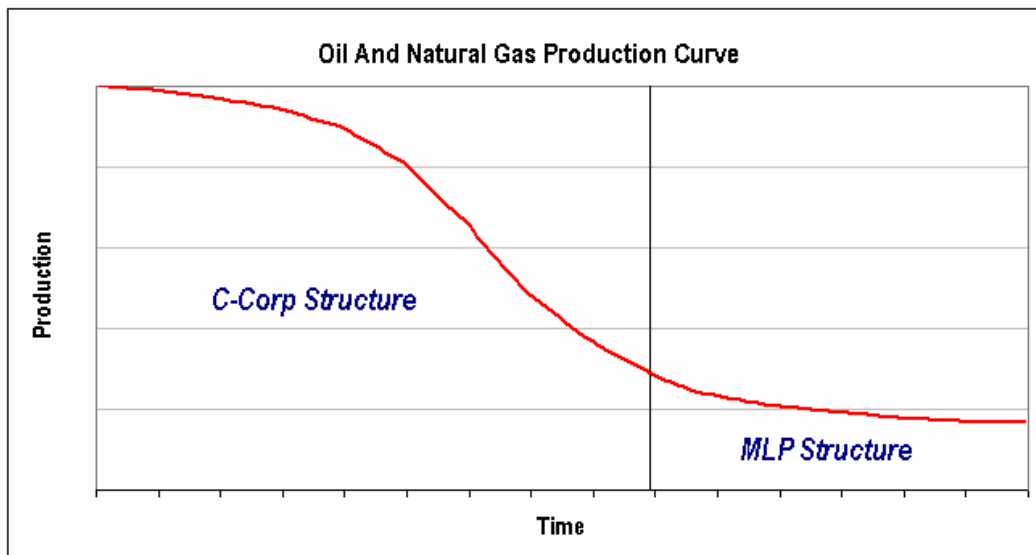


Source for both charts: FactSet, Standard & Poor's, and Wachovia Capital Markets, LLC

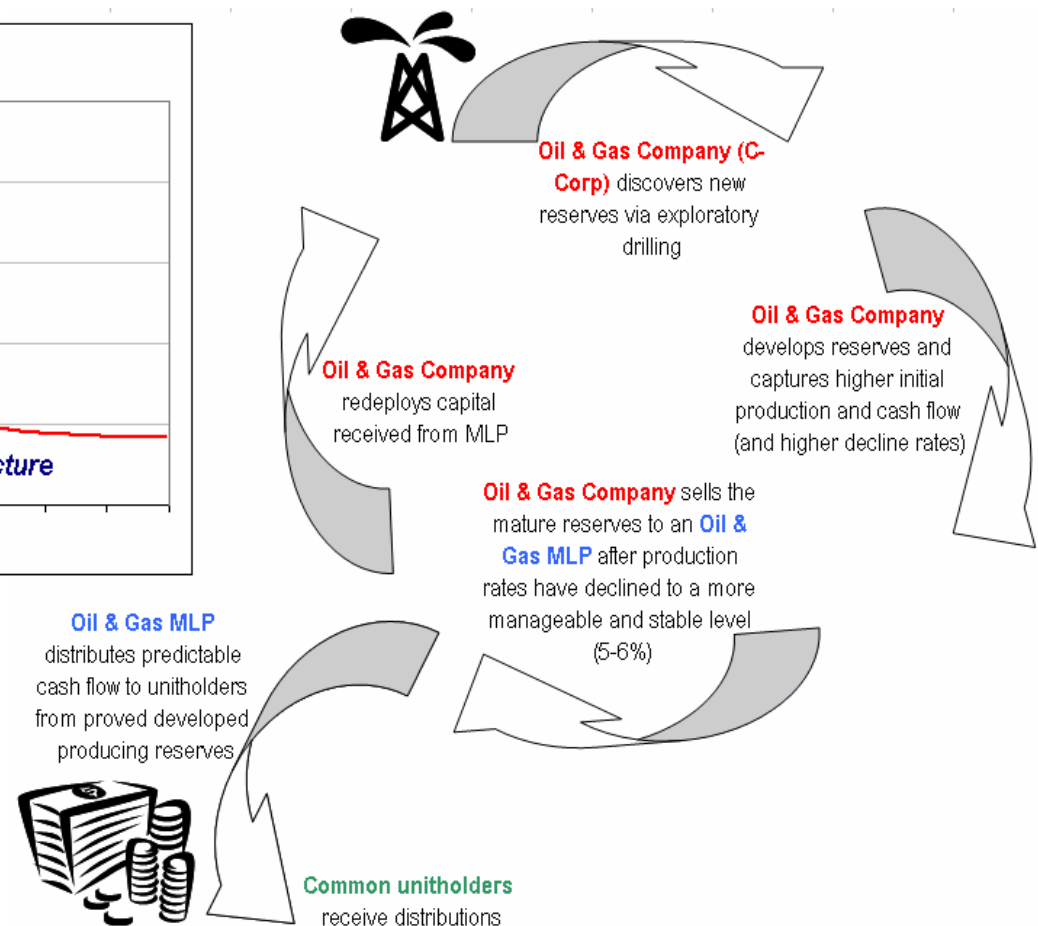
	Performance Since IPO	WCM MLP Index	S&P 500 Index
EVEP	88.2%	27.4%	12.8%
BBEP	79.8%	26.8%	13.0%
CEP	59.5%	18.5%	8.2%
LINE	56.1%	31.2%	17.2%
LGCY	36.2%	15.5%	5.9%

Oil & Gas MLPs Fill a Niche: Recycle Cash Flows

- Goal should be to acquire and harvest predictable cash flows from mature basins
- Sellers (C-Corps) should be able to redeploy proceeds into geologic plays that have higher risk and higher potential return



Source for both charts: Wachovia Capital Markets, LLC



Valuation Gap With C-Corps

- Oil & gas MLPs currently trade at 10x EBITDA versus 8x for E&P companies
- Valuations have been spurred by investors' appetite for high-yielding securities
- Valuation gap demonstrates how E&P companies can benefit by carving out “MLP’able” assets

	Price / DCF		EV/EBITDA	EV/Flowing Mcfe	EV/Mcfe
	2007E	2008E	2007E	2007E	Current
BreitBurn Energy Partners, L.P.	17.1x	12.5x	11.6x	\$20,933	\$3.25
Constellation Energy Partners, LLC	14.0x	10.5x	10.8x	\$27,045	\$3.27
EV Energy Partners, L.P.	11.7x	11.0x	7.7x	\$17,001	\$2.83
Legacy Reserves, L.P.	14.4x	12.9x	11.6x	\$25,682	\$4.99
Oil & Gas MLP Group Average	14.3x	11.7x	10.4x	\$23,044	\$3.43
Valuation Gap	5.8x	3.1x	2.2x	\$6,440	\$0.72
E&P C-Corp Group Average (1)	8.5x	8.6x	8.3x	\$16,604	\$2.70

Note (1): C-Corp estimates provided by WCM's E&P analyst, David Tameron

Source: FactSet, Company reports, and Wachovia Capital Markets, LLC estimates

Acquisition Business Model Has Been Validated

- 12 acquisitions made YTD, for a total consideration of approximately \$2 billion
- 2007 acquisitions have been completed at attractive valuations (i.e. average EBITDA multiple of 5.9x, \$2.05 per Mcfe, or \$12,385 per flowing Mcfe), in our view

	Date	Price (\$MM)	Reserves (Bcfe)	Price / Mcfe	Price / Flowing Mcfe	Prod. (Bcfe)	EBITDA (\$MM)	EBITDA Multiple	DCF (\$/unit)	Reserve Details		
									% Gas	% Dev.	R/P	
BBEP												
Permian Basin	Jan-07	\$29	12.0	\$2.42	\$16,038	0.66	\$4.5	6.4x	\$0.09	0%	-	18
Florida	May-07	\$100	57.0	\$1.75	\$10,417	3.50	\$14.8	6.8x	\$0.18	0%	90%	15
California	May-07	\$92	38.8	\$2.38	\$17,111	1.97	\$11.7	7.9x	\$0.19	1%	100%	20
CEP												
EnergyQuest (Yr 2)	Mar-07	\$115	49.0	\$2.35	\$8,814	4.76	\$20.4	6.0x	\$0.38	100%	-	17
EVEP												
Michigan	Jan-07	\$72	56.3	\$1.27	\$10,453	2.50	\$14.1	5.1x	\$0.51	100%	89%	22
Monroe Field	Mar-07	\$96	65.4	\$1.47	\$12,632	2.77	\$14.9	6.4x	\$0.36	100%	99%	22
Austin Chalk	Apr-07	\$100	39.0	\$2.56	\$7,581	4.81	\$26.4	3.8x	\$0.59	52%	82%	8
LGCY												
East Binger	Mar-07	\$45	24.6	\$1.83	\$10,218	1.61	\$9.7	4.7x	\$0.20	-	-	16
West Texas	Apr-07	\$21	8.6	\$2.41	\$12,207	0.62	\$3.9	5.3x	\$0.07	-	77%	14
West Texas	May-07	\$13	6.0	\$2.14	\$10,000	0.47	\$2.9	4.5x	\$0.06	-	100%	13
LINE												
Texas Panhandle	May-07	\$91	42.0	\$2.15	-	-	-	-	-	-	-	-
Peer Group Average		\$173	88.2	\$2.05	\$12,385	4.11	\$24.9	5.9x	\$0.30	48%	89%	18

■ - WCM Estimates

Source: Partnership reports and Wachovia Capital Markets, LLC estimates

How Much Option Value Is Embedded In Current Prices?

- Oil & gas MLPs trade with approximately 24% of embedded acquisition option value (calculated by taking the difference of WCM estimates with and without acquisition assumptions)
- Yields have compressed by an average of 2.9% since the partnerships went public
- If no acquisitions were made, we estimate oil and gas MLPs would be able to increase distributions another 17% before levelling off (based on our estimates through 2012)

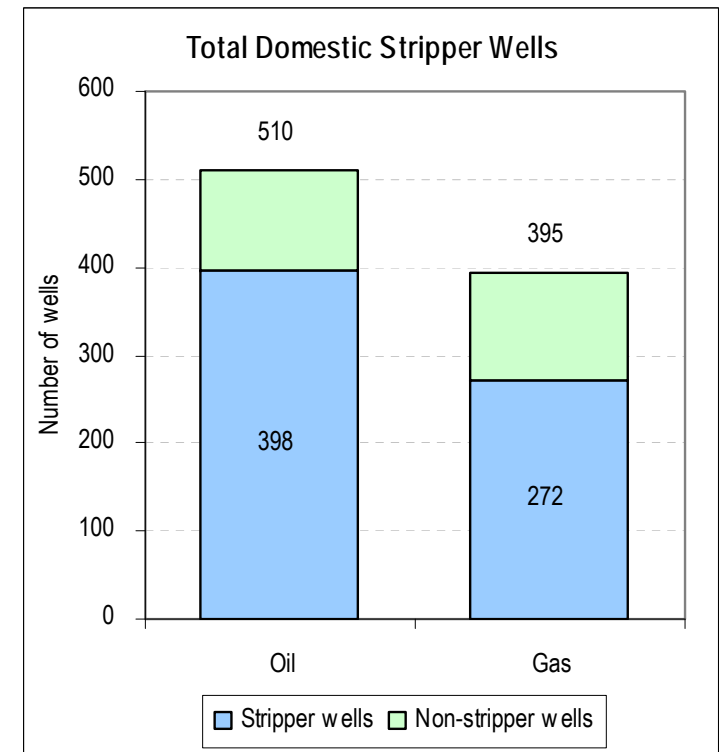
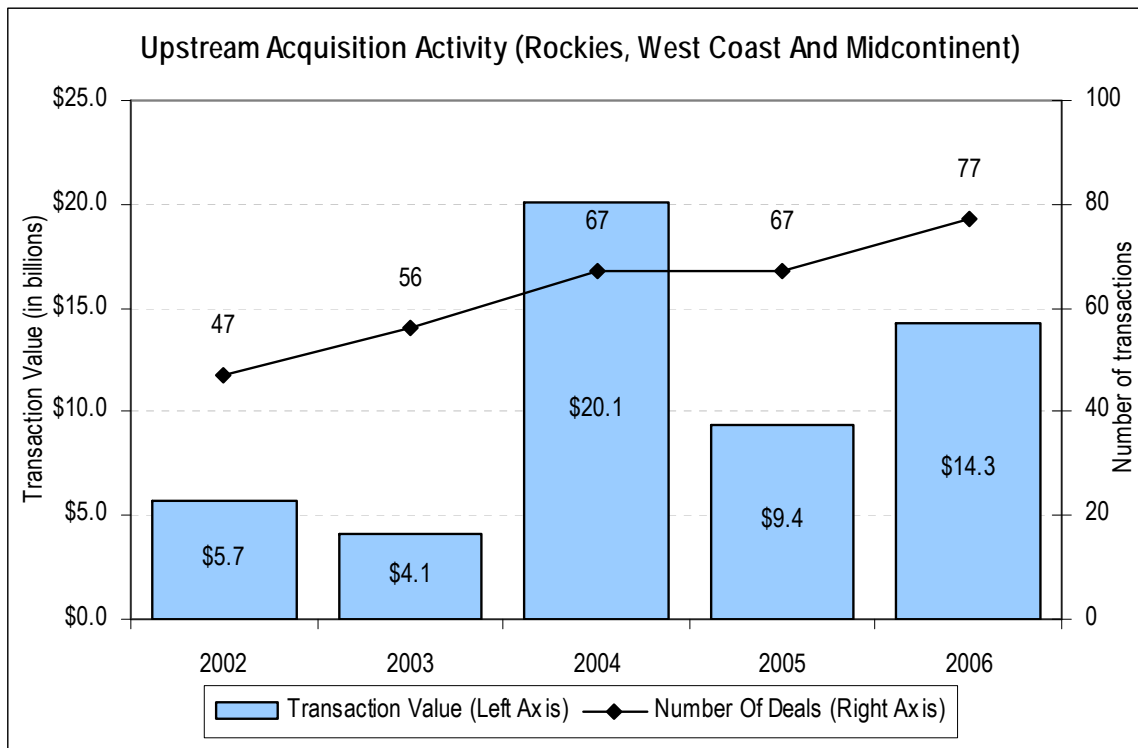
(\$ in millions, except per unit data)	Price 6/8/2007	Embedded Option Value (as %)	Option Value (per unit)	Current Yield	Yield at IPO	Current Distrib. (1)	Max. Sustainable Distribution
BreitBurn Energy Partners, L.P.	\$32.75	27%	\$9	5.4%	8.9%	\$1.77	\$2.08
Constellation Energy Partners, LLC	\$35.00	18%	\$6	5.3%	8.8%	\$1.85	\$2.33
EV Energy Partners, L.P.	\$37.24	31%	\$11	5.4%	8.0%	\$2.00	\$2.09
Legacy Reserves, L.P.	\$27.65	31%	\$8	5.9%	8.6%	\$1.64	\$1.69
Oil and Gas MLP Peer Group Average		24%	\$8	5.6%	8.5%	NA	NA

Note (1): Reflects intended distribution increases by management teams

Source: Company reports, FactSet, and Wachovia Capital Markets, LLC estimates

Quantifying The Size Of The Acquisition Market

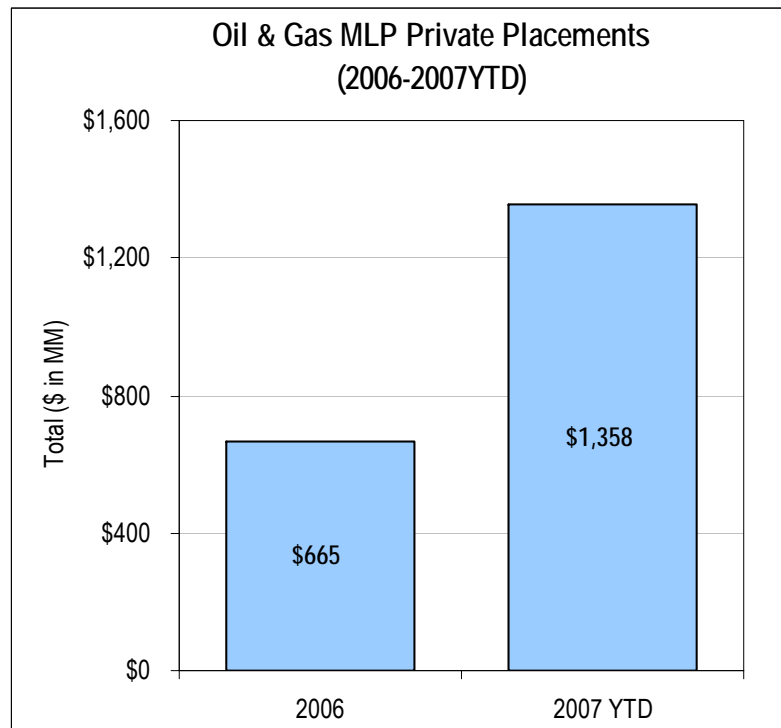
- Approximately 74% of wells in the U.S. are stripper wells—perfect for an MLP
- Upstream M&A activity in the Rockies, West Coast, and Mid-continent regions totalled \$14 billion in 2006



Source for both charts: BBEP, EVEC Partnership reports, and National Energy Technology Laboratory

Equity Private Placements Are Supporting Acquisition Growth

- Oil and gas MLPs have financed approximately \$2B of acquisitions in 2007 with \$1.4B of private placements of equity (PIPEs)
- The benefits of a PIPE over a secondary offering include speed and price stability...



Source: Partnership reports

	Proceeds (\$MM)	Discount	# Investors
BBEP	\$222	(8.3%)	6
CEP	\$60	(6.9%)	4
EVEP	\$216	(6.5%)	7
LINE	\$925	(8.0%)	8
	\$2,023	(8.8%)	6

Source: FactSet and Partnership reports

- Oil & gas MLP PIPEs have priced at an average discount of 8.8%, which roughly approximates the fees that would have gone to underwriters of a secondary offering

- ...But PIPEs may lead to a concentration of ownership among a handful of institutions

Concentration Of Risk

	BBEP	CEP	EVEP	LINE
Zimmer Lucas Partners	x	x	x	x
GPS Partners	x	x	x	x
Lehman Brothers MLP Opp.	x	x	x	x
Magnetar				x
Alerian Capital Management			x	x
Goldman Sachs PSG				x
Structured Finance Americas	x	x		
Total institutional investors	6	4	7	8

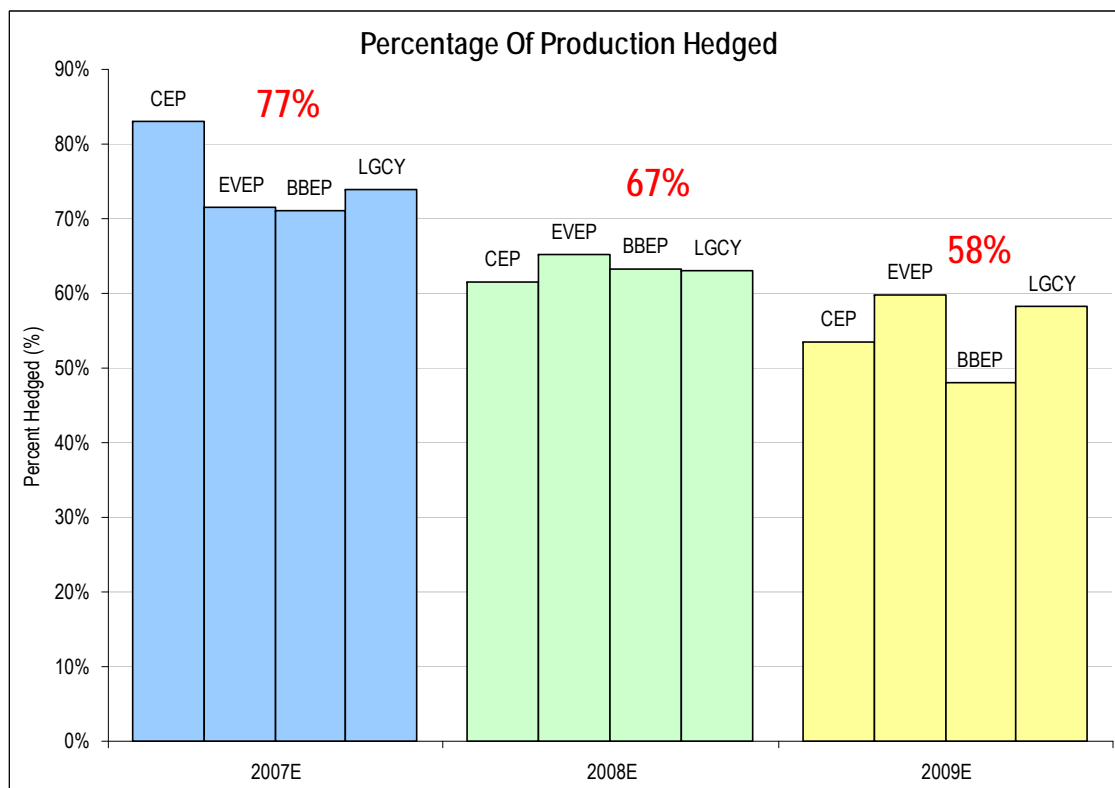
	BBEP	CEP	EVEP	LINE
Market cap (\$MM)	\$950	\$477	\$556	\$1,984
Public float (\$MM)	\$457	\$262	\$434	\$1,428
PIPEs (\$MM)	\$231	\$80	\$274	\$1,268
Float as a % of Mcap	48%	55%	78%	72%
PIPEs as a % of Mcap	24%	17%	49%	64%
PIPEs as a % of float	51%	31%	63%	89%

Source : FactSet and Partnership reports

- The majority of oil and gas MLP PIPE holdings are concentrated among 3 institutional investors: Zimmer Lucas, GPS Partners, and Lehman Brothers MLP Opportunity Fund
- Equity private placements currently make up approximately 39% of oil and gas MLP market cap and 62% of float

Conservative Hedging Strategy

- Partnerships have hedged approximately 77%, 67%, and 58% of our 2007, 2008, and 2009 production estimates, respectively, for an average of 4.8 years
- A 10% drop in commodity prices would lower our 2007E DCF per unit estimate for oil and gas MLPs in our universe by an average of 4%



Source for both charts: Partnership reports and Wachovia Capital Markets, LLC estimates

Average Natural Gas Hedge Price (\$/MMBtu)

	2007E	2008E	2009E	2010E	2011E	2012E
CEP	\$8.75	\$8.63	\$8.24	\$7.75	-	-
EVEP	\$9.18	\$8.84	\$8.17	-	-	-

Average Crude Oil Hedge Price (\$/BBI)

	2007E	2008E	2009E	2010E	2011E	2012E
BBEP	\$67.34	\$67.21	\$66.00	\$67.91	\$65.98	-
LGCY	\$67.46	\$67.65	\$65.60	\$63.69	\$67.88	\$67.72

Percent Of Production Hedged

	2007E	2008E	2009E	2010E	2011E	2012E
BBEP	71%	63%	48%	14%	6%	-
CEP	83%	62%	53%	21%	-	-
EVEP	71%	65%	60%	-	-	-
LGCY	74%	63%	58%	51%	9%	5%

Outlook

More Oil & Gas MLPs To Come, In Our View

- Companies that have announced an intention to form an oil & gas MLP, include:
 1. Encore Acquisition Company
 2. Exco Resources
 3. Plains Exploration
 4. Pioneer Natural Resources
 5. Quest Resource
 6. XTO Energy
- Oil and gas MLPs could experience weakness if funds rotate out of current names into new issues

Valuation Basis & Risks

BBEP

Our valuation range is based on a blend of (1) our two-stage maximum potential distribution discount model, which assumes a required rate of return of 10% and a long-term growth rate of 2.5%, and (2) a price-to-distributable cash flow multiple of about 13.0x our 2008 estimate. Risks to the units trading below our valuation range include a decline in commodity prices, the inability to hedge at favorable prices in future periods, rising interest rates, and the dependence upon acquisitions to offset the natural depletion of reserves and to fuel growth.

CEP

Our valuation range is based on a blend of (1) our two-stage maximum potential distribution discount model, which assumes a required rate of return of 10% and a long-term growth rate of 2.5%, and (2) a price-to-distributable cash flow multiple of about 12x our 2008 estimate. Risks to the units trading below our valuation range include a decline in commodity prices, the inability to hedge at favorable prices in future periods, rising interest rates, and the dependence upon acquisitions to fuel growth.

EVEP

Our valuation range is based on a blend of (1) our two-stage maximum potential distribution discount model, which assumes a required rate of return of 10% and a long-term growth rate of 2.5%, and (2) a price-to-distributable cash flow multiple of about 12.5x our 2008 estimate. Risks to the units trading below our valuation range include a decline in commodity prices, the inability to hedge at favorable prices in future periods, rising interest rates, and the dependence upon acquisitions to offset the natural depletion of reserves and to fuel growth.

LGCY

Our range is based on a blend of (1) our two-stage distribution discount model, which assumes a 10% required rate of return and a long-term 2.5% growth rate, and (2) a price-to-distributable cash flow multiple of about 12.5x our 2008 estimate. Risks to the units trading below our range include a decline in commodity prices, the dependence upon acquisitions to offset the natural depletion of reserves and to fuel growth, the inability to hedge at favorable prices in future periods, and rising interest rates.

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- 1 = **Outperform**: The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY*
- 2 = **Market Perform**: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD*
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SECTOR RATING

- O = Overweight**: Industry expected to outperform the relevant broad market benchmark over the next 12 months.*
- M = Market Weight**: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.*
- U = Underweight**: Industry expected to underperform the relevant broad market benchmark over the next 12 months.*

VOLATILITY RATING

V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: June 11, 2007

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