



**LIME ROCK  
RESOURCES**

# **Presentation to IPAA**

**Eric Mullins,  
Co-CEO  
Lime Rock Resources**

**April 8, 2009**

# Lime Rock Collectively Manages Over \$3.8 Billion in Private Equity Capital



- ▶ Acquires and oil and natural gas properties
- ▶ U.S. strategy: E&P only
- ▶ Houston and field offices
- ▶ Directly operates properties
- ▶ Targeting lower-risk mature, currently producing, high PDP reserves
- ▶ Fundraising second fund now, two funds with total of about \$750 million of equity capital committed with more to come



- ▶ Invests in companies
- ▶ Global strategy: E&P and energy service
- ▶ Houston, Westport, Aberdeen, and Dubai
- ▶ E&P portfolio companies operate properties
- ▶ E&P investments traditionally target higher-risk, unconventional resource or exploration- oriented projects
- ▶ Investing from fifth fund now; total of over \$3.0billion in investor capital commitments

**SOMETIMES RECENTLY  
WE ALL WANT TO BE THIS**

© Cartoonbank.com



*C. Szuzsatti*

*“You’re amazing, Hargrave—fair weather or foul, good times or bad, boom or recession, you’re always the same.”*

**SOMETIMES RECENTLY  
WE ALL AGREE WITH THIS**

© Cartoonbank.com



*"Right now I think the wisest strategy is  
to diversify among your mattresses."*

## → Today, Active Battle Between “Always the Same” and “Diversifying Among the Mattresses” From Two Sets of People

### THEM

- ▶ College endowments, foundations, pension funds, and other institutional investors
- ▶ Current investors with Lime Rock Resources
- ▶ Others we have talked to over the last nine months on the road

### US

- ▶ We acquire and operate lower-risk primarily PDP reserves in the U.S.
- ▶ Have acquired over \$600 million in properties since 2005
- ▶ Current (and growing) acquisition capacity for another \$1.0 billion +
- ▶ 39-person team, mostly in Houston
- ▶ Private operator seeking to provide private equity investors with current income, long-term energy exposure, and lower-risk returns

THEM

## Ten Most Frequently Questions Asked by Institutional Investors

1. Why was oil \$145 per barrel last summer?
2. Why is oil \$50 per barrel now?
3. What are commodity prices going to be this year?
4. Next year?
5. Five years?
6. Are we at the start of a great depression?
7. When is the recession going to end?
8. Why are you asking for money when my portfolio is down so much?
9. How do you compare your investment strategy to municipal bonds, common shares, distressed debt funds, sovereign debt funds, long-short hedge...
10. Oh, yes, when is the recession going to end?

***"Heck, I don't know. I'm just an oil man."***

## → Context: Very Difficult Year for Institutional Investors

- ▶ Almost every asset class was correlated—and down—in second half of 2008
- ▶ “Denominator” effect
- ▶ Many facing liquidity concerns:
  - ▶ Capital base is down
  - ▶ Large binding commitments over next 4-5 years
    - ▶ Private Equity
    - ▶ Real Estate
    - ▶ Other
  - ▶ Internal cash needs – operating budgets

## → Believe It or Not, We're the Lucky Ones

- ▶ Energy is generally still a favored class
  - ▶ Lessons learned from 2002-2007 -- energy exposure is a must
  - ▶ People like specialist investors
  - ▶ Some underinvested before
  - ▶ Some are pursuing deliberate "we're always the same" strategy to make sure investments are averaged across many markets
- ▶ Some investors recognize value in energy...
  - ▶ However, other sectors depressed also
  - ▶ Energy return hurdle now higher as a result
- ▶ However, several investors taking "mattress approach" for now
  - ▶ Assume markets are bad and getting worse
  - ▶ Other investors have liquidity issues

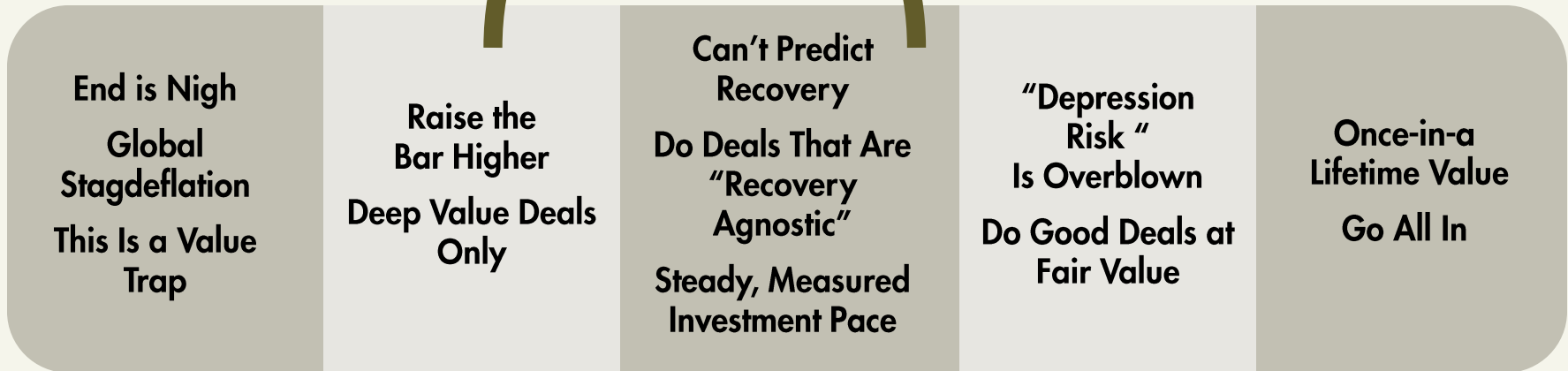
US

## → Acquisition Philosophies Tested in Volatile Markets

- ▶ Buy quality... anytime, anyplace
- ▶ Buy opportunities; active development required
- ▶ Buy ugly; use make-up
- ▶ Buy smart, single basin focus -- differential knowledge
- ▶ Buy low, sell high -- rigorous research; trend analysis

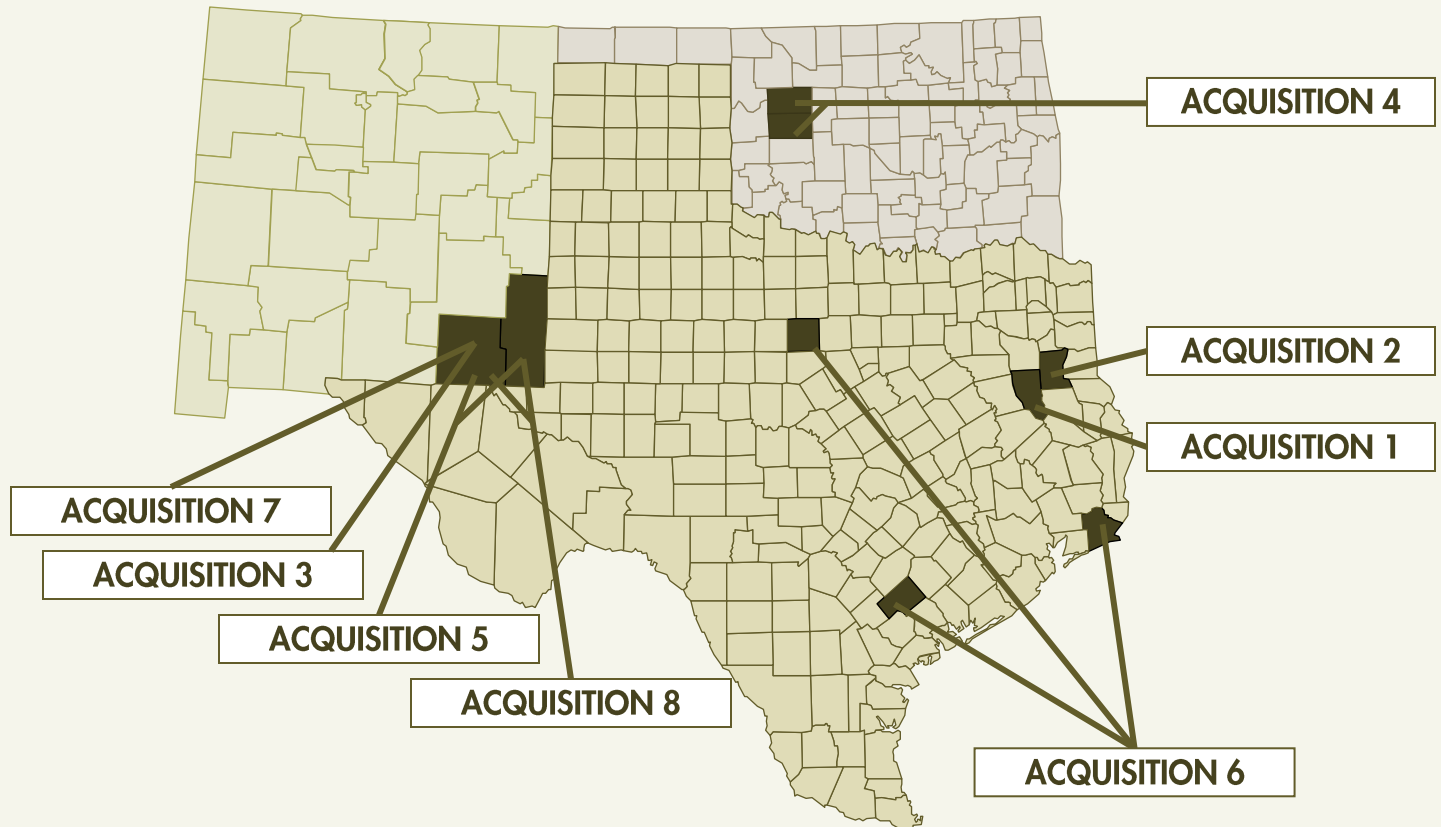
# To Know the Correct Answer Means Knowing the Future; as We Don't Know It, We Are Taking Cautious to Neutral Stance

**WE ARE HERE**



# Current Portfolio of Very Low-Cost Producing Properties Is Also Reasonably Well Positioned to Withstand Low Prices

*About 40% of Lime Rock Resources operations are in the core region of Southeast New Mexico.*



## MONETIZING YOUR PROPERTY PORTFOLIO?

Lime Rock Resources is acquiring lower-risk oil and gas properties in the United States.



With \$450 million under management and an acquisition capacity of \$750 million, Lime Rock Resources acquires, operates, and improves a diverse group of lower-risk, primarily proved properties in the United States.

To discuss a specific opportunity or your long-term disposition strategy, contact Eric Mullins or Charlie Adecock at 713.292.9510 or visit [www.limerockresources.com](http://www.limerockresources.com).



Acquire, Improve, Produce