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GSO Capital Partners

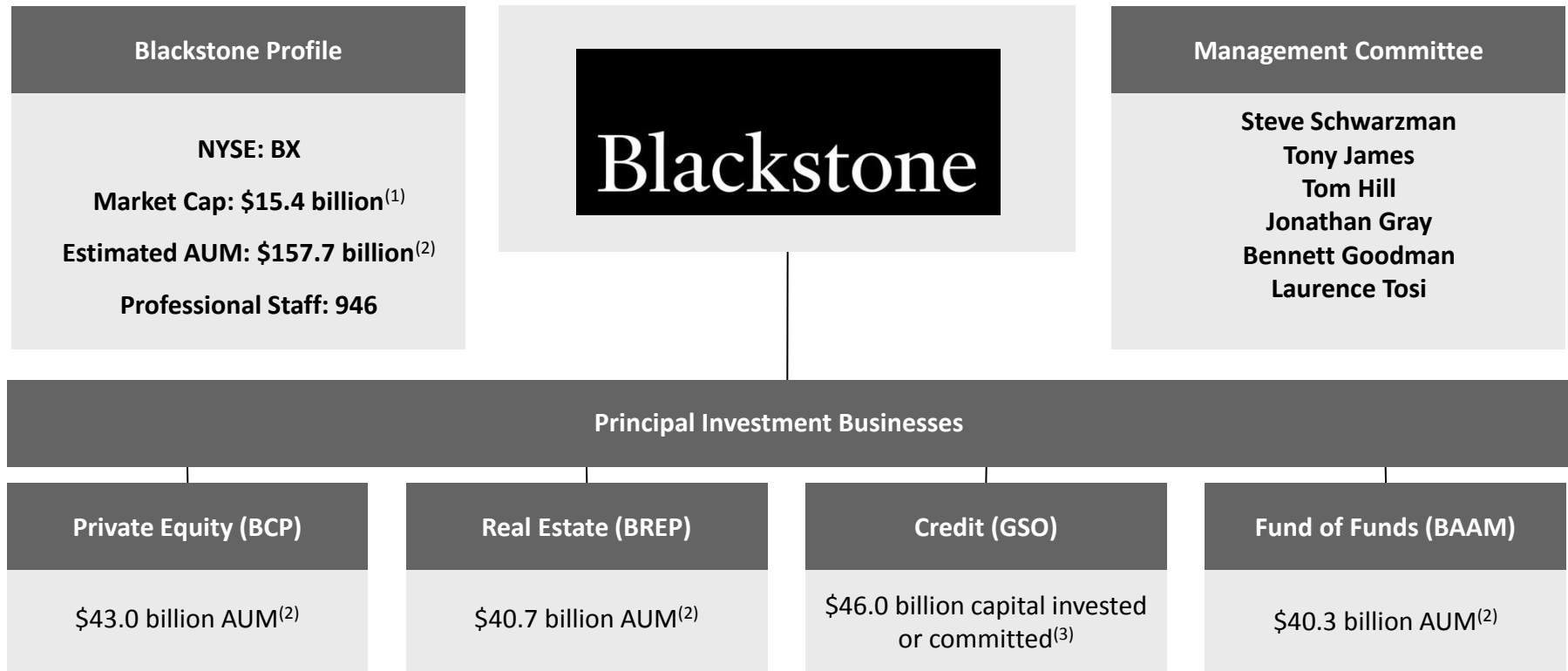
**IPAA Private Capital Conference
Houston, Texas
January 24, 2012**

**Dwight Scott
Senior Managing Director**

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Overview of Blackstone's Principal Investment Businesses



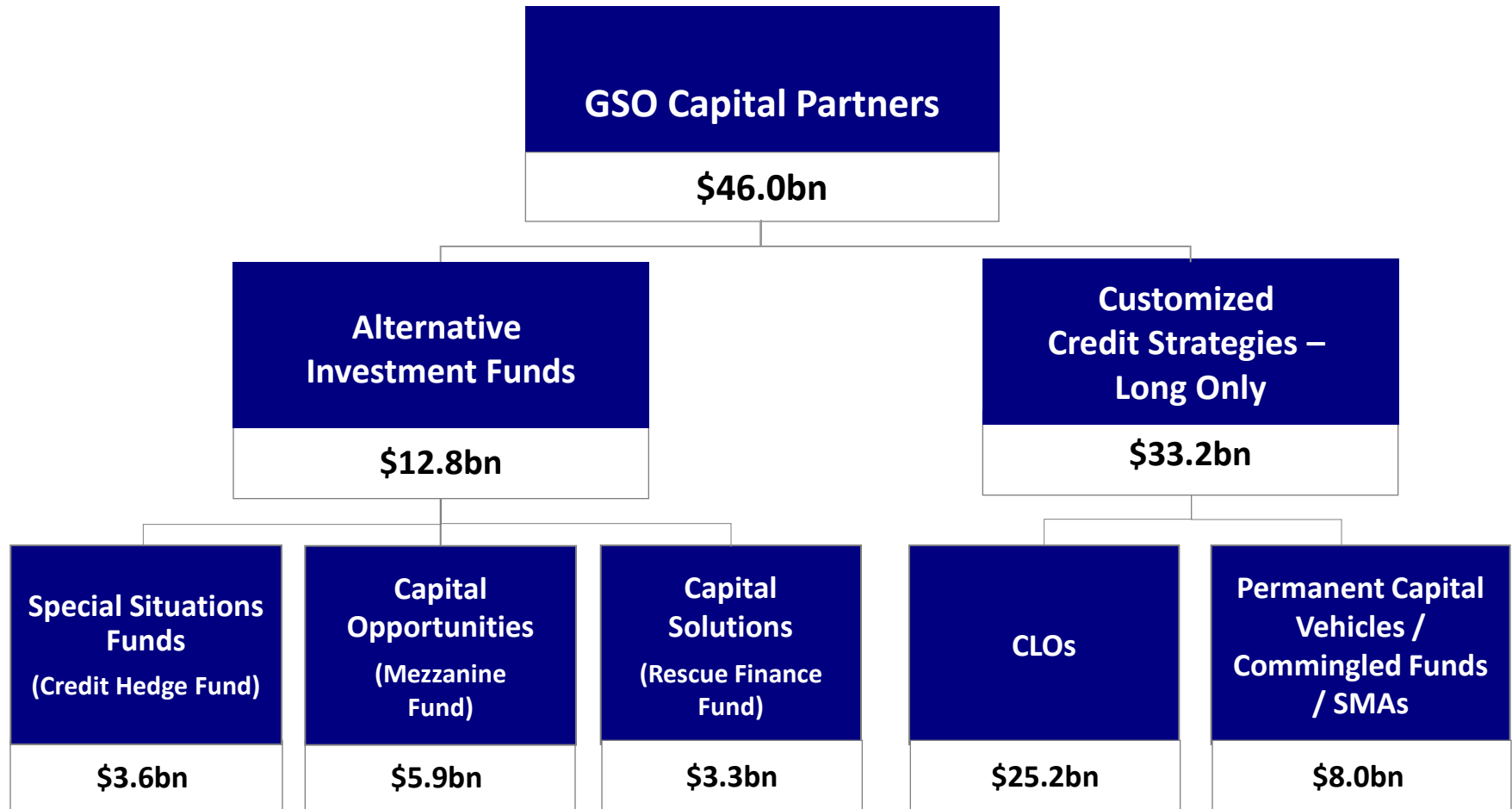
- ▶ An Industry Leading 20+ Year Investment Record
- ▶ Consistent Investment Success Through Cycles
- ▶ Compelling Synergies Across Businesses
- ▶ Market Leading Advisory Businesses in M&A, Restructurings and Funds Placement

(1) Quoted from Bloomberg on December 31, 2011.

(2) Estimated AUM as of September 30, 2011 except for GSO.

(3) Estimated pro forma AUM and amount of closed commitments for GSO as of January 5, 2012. Includes estimated \$9.8 billion Harbourmaster Capital assets acquired on January 5, 2012 and \$60 million pending separately managed accounts.

Overview of GSO Funds



Global Footprint with Approximately 220 Employees in New York, Dublin, London and Houston

Estimated pro forma AUM and amount of closed commitments for GSO as of January 5, 2012. Includes estimated \$9.8 billion Harbourmaster Capital assets acquired on January 5, 2012 and \$60 million pending Separately managed accounts.

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GSO's Energy and Power Investments

Sub Sector / Theme	Privately-Originated Investments		Public Investments		
	Secured / Mezz Debt	Structured / Private Equity	Secured Debt	Distressed	Other Debt
Midstream <ul style="list-style-type: none"> ▶ Rich in Assets ▶ Shift in Production 	 Pecos	  			
Power Generation <ul style="list-style-type: none"> ▶ Supply / Demand Imbalance ▶ High Cost to Entry ▶ Environmental Concerns 	Lake Road	 Calpeak	 TXU <small>Gas and electricity.</small>	 	
Upstream <ul style="list-style-type: none"> ▶ Supply / Demand Imbalance ▶ Record Oil/Natural Gas Spread ▶ Movement to Unconventional Drilling, Deepwater Offshore, International Properties 	 	  	  		 
Service and Equipment <ul style="list-style-type: none"> ▶ Unconventional Drilling is More Equipment-Intensive ▶ Equipment-Intensive Drilling and Increased Utilization will Increase Demand for Services 	 	 			

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Saratoga Resources: Senior Secured Notes & Common Equity



\$127.5 Million

Senior Secured Notes Offering
Anchor Investor
(\$75.0 Million Investment for GSO)

\$30.0 Million

Common Equity Offering
Anchor Investor
(\$20.0 Million Investment for GSO)

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July 2011

Investment Themes / Deal

Company:

- ▶ Saratoga Resources (AMEX: SARA) is an exploration and production company with assets in the shallow water Gulf of Mexico in Louisiana state waters.
- ▶ As of 12/31/10, the company owned 18,025 Mboe of total reserves with a NYMEX PV10 value of \$430 million, and a production mix of 60% oil and 40% gas
- ▶ Saratoga acquired substantially all of its assets through the acquisition of the Harvest Companies in July 2008. Following the acquisition, Saratoga experienced a sharp drop in commodity prices and was in Chapter 11 from May 2009 to May 2010
- ▶ GSO believes that a more flexible capital structure will allow Saratoga to capitalize on a mix of low and medium risk drilling opportunities that will allow it to significantly increase production and cash flow, de-risking the credit and driving significant equity upside

Investment Highlights:

- ▶ Saratoga raised \$157.5 million of new capital (\$127.5 million of secured notes and \$30.0 million of equity) to refinance an existing Term Loan which matures in April 2012 and to fund its drilling program
- ▶ 12.50% cash coupon, 98.221 issue price, NC-2.5, 5-year maturity
- ▶ GSO's anchor order allowed the transaction to proceed in a weak market environment
- ▶ GSO has board observation rights

Note: The selected case studies are for informational purposes only and do not constitute investment advice or recommendations or past investments. Past performance is not necessarily indicative of future results, and there can be no assurance that such returns will be achieved, that we will achieve comparable results or that we will be able to implement its investment strategy or achieve our investment objectives.

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Crimson Exploration: 2nd Lien Term Loan



\$175,000,000

Second Lien Term Loan

Anchor Investor
(\$125 million Investment for GSO)



December 2010

Investment Themes / Deal

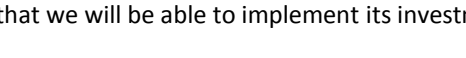
Company:

- ▶ Crimson Exploration (NASDAQ: CXPO) is an independent exploration and production company with operations primarily in Texas
- ▶ The Company's key areas of focus are East Texas, South Texas, and Southeast Texas
- ▶ Crimson experienced financial distress from 2008–2009 due to an overly aggressive capital budget paired with falling commodity prices. In late 2009 the Company focused on deleveraging its capital structure and cutting its budget. Crimson raised \$100 million of equity in December 2009 and \$30 million in Q4 2010
- ▶ GSO believes that the Company's recent progress in growing production, reducing debt and focusing on its key assets provides an attractive entry point with attractive risk adjusted returns

Investment Highlights:

- ▶ GSO provided a \$125 million anchor investment in the financing which was used refinance existing debt
- ▶ The 2nd Lien Term Loan carries a coupon of L+950, subject to a 3% Libor Floor, a five year maturity and is NC-1 with call premiums of 102 and 101 in subsequent years; the Loan is collateralized by substantially all assets of the Company and its subsidiaries
- ▶ Company's solid asset base, current drilling opportunities and strong management team provide the base credit strength needed to finance the Company's growth

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Crosstex: Convertible Preferred



\$125,000,000
Convertible Preferred Equity

Sole Purchaser

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January 2010

Investment Themes / Deal

Company:

- ▶ Crosstex Energy, L.P. (XTEX) is a publicly traded MLP that provides midstream energy services with strategically-located assets in some of the most attractive regions in the United States. The Company engages in the gathering, transmission, treating, processing and marketing of natural gas and natural gas liquids
- ▶ The Company's assets include over 3,300 miles of pipeline, 10 gas processing plants and three fractionation facilities. XTEX provides for over 3.2 billion cubic feet per day of facility throughput and marketed volumes. The assets are located in the Barnett Shale, the Eagle Ford Shale, the Permian Basin, and Louisiana
- ▶ ~80% of pro forma cash flow derived from gathering, transportation, and fixed fee business with no direct commodity price exposure
- ▶ This investment and an expected debt refinancing were the last steps in the Company's restructuring activities. The debt refinancing was completed post-closing in February 2010

Investment Highlights:

- ▶ \$125 million Convertible Preferred with strike price at \$8.50/unit
- ▶ Provides baseline 10% distribution yield and participates with the common distributions should they exceed 10%
- ▶ 1 Board Seat
- ▶ Investment represents 22.8% of the fully-diluted equity

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