

Ironman Capital Management, LLC

IPAA / TIPRO

June 8, 2016

G. Bryan Dutt, CFA

John Bishop

Ironman Disclaimer

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NAPE 2014



NAPE 2016





Ironman Energy Capital

- Who We Are
- What We Do
- What We Currently Think
 - Cycle
 - Oil Prices
 - Nat Gas
 - Stocks/Investment Opportunities

G. Bryan Dutt, CFA

- 30+ years experience in energy
- Chartered Financial Analyst
- Tulane Energy Board
- Founding member IPAA Finance Committee
- Past President New Orleans Financial Society
- Howard Weil Supervisory Analyst
- Recognized Institutional Investor/WSJ for Energy
- Wood McKenzie
- Baker International, (Baker Hughes)
- MBA Finance, Tulane University
- BA Geology & Economics, Colgate University

John Bishop

- 30+ years experience in energy
- Director of Finance, Salamander Energy / GFI Oil and Gas
- Managing Director, Energy, First Union Securities
- Managing Director, Head of Energy Group, Everen Securities
- Managing Director, Energy, Principal Financial Securities
- Vice President, Energy, CS First Boston, Bear Stearns
- Exxon Company USA, Senior Exploration Geologist
- MBA Finance, University of Texas
- MS, Geology, University of South Carolina
- BA, Geology, Colgate University

Christian Juengling

- Case Western Reserve/London School of Economics
 - Highest Math GPA
 - Winner - Western Godman Simon Math Award
- GMT Capital (Hedge Fund heavy Energy emphasis) Internship 2012, 2013, 2015
- Colorado Capital Advisors (Energy Hedge Fund) 2011 Inert
- Resolute Energy: Intern 2014

Past Consultants

- Antonio Benavides
- Todd Dittman
- Tom Green
- Bobby Kincaid
- Roderick "Bo" McKenzie
- Dr. Rod Standley

What We Do

What We Do

- Micro-Mid Cap Energy Investing
 - Upstream and Oilfield Services oil and gas equities focus
 - Select preferred stock and debt investments
 - North America primarily with select international opportunities

What We Do

- Legal : Vinson & Elkins, Akin Gump
- Prime Broker/Custodian: Convergex Goldman Sachs
- Auditors: Weaver
- Administrator: Partners Admin
- Investors: Sophisticated in Energy Industry

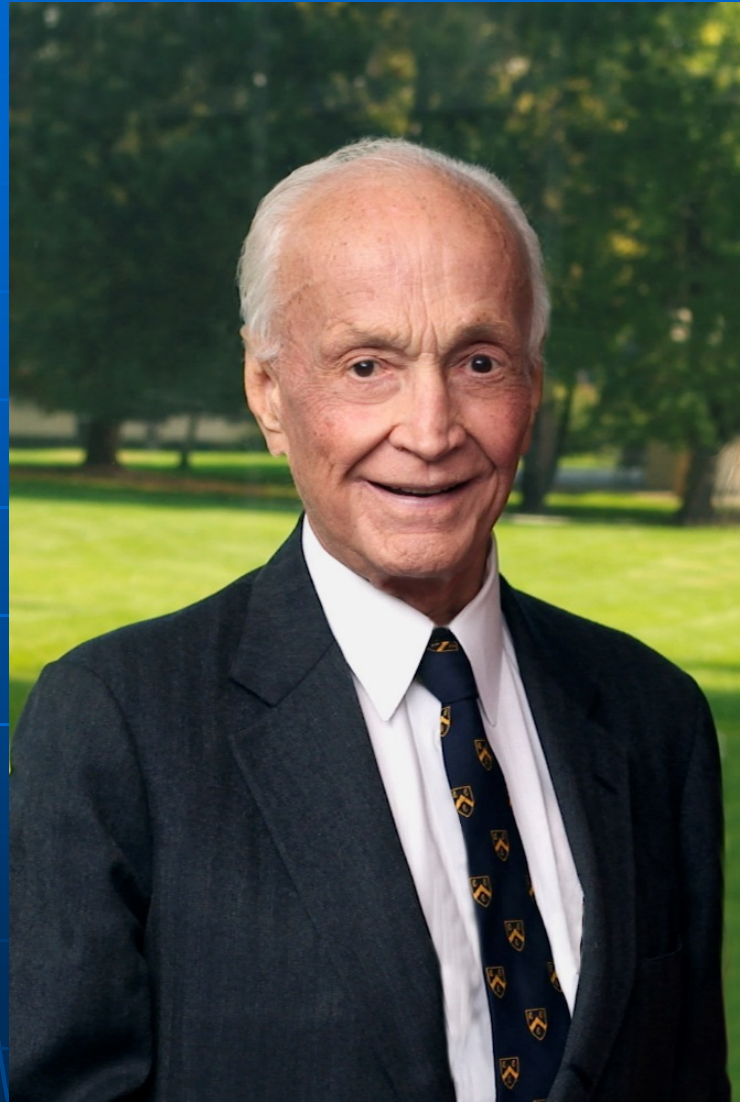
What We Do

- SEC Registered
- Ironman PI I
- Ironman PI II
- Ironman Energy Master Fund,
inception February 16, 1999



“I keep hearing the four most dangerous words in finance: “This time it’s different.””

Sir John Templeton





“Those who ignore history are entitled to repeat it.”

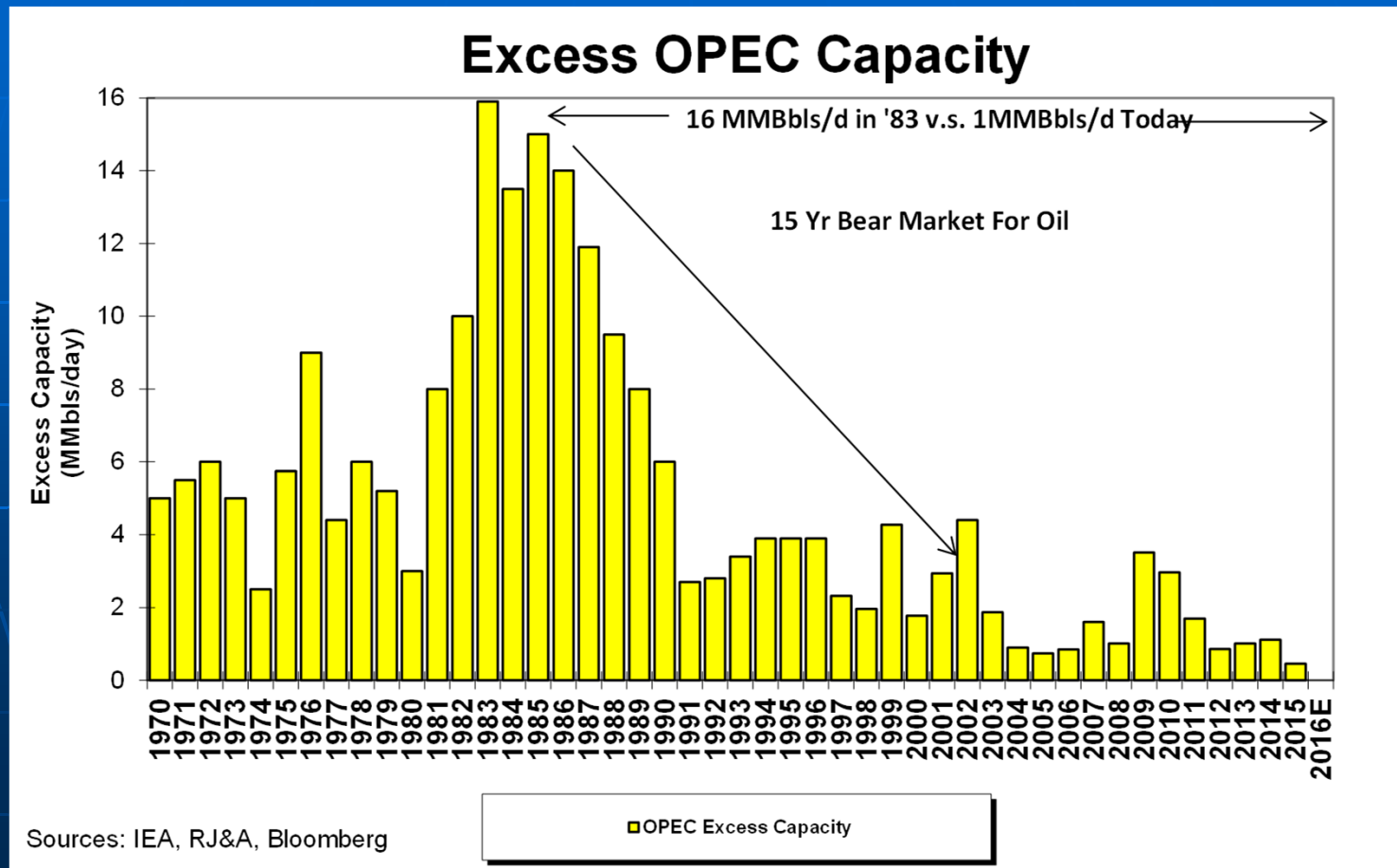
Historical Oil Price Recovery After Major Declines

Comparison of Major Oil Corrections and Major Matador Turning Points				
Date	Event	% Change in Oil Price	Length of Oil Price Decline (in trading days)	% Increase in Oil Price – 1-Year Post-Low
1986	Saudi Market Share War	-67.2%	82	79.0%
1988	Oil Glut	-43.7%	295	58.4%
1991	Global Recession / End of Gulf War	-57.2%	90	5.4%
1998	Asian Crisis	-59.6%	484	134.5%
2001	Global Recession	-53.1%	290	46.2%
2008	Great Recession	-78.4%	119	134.8%
	Average	-59.9%	227	76.4%

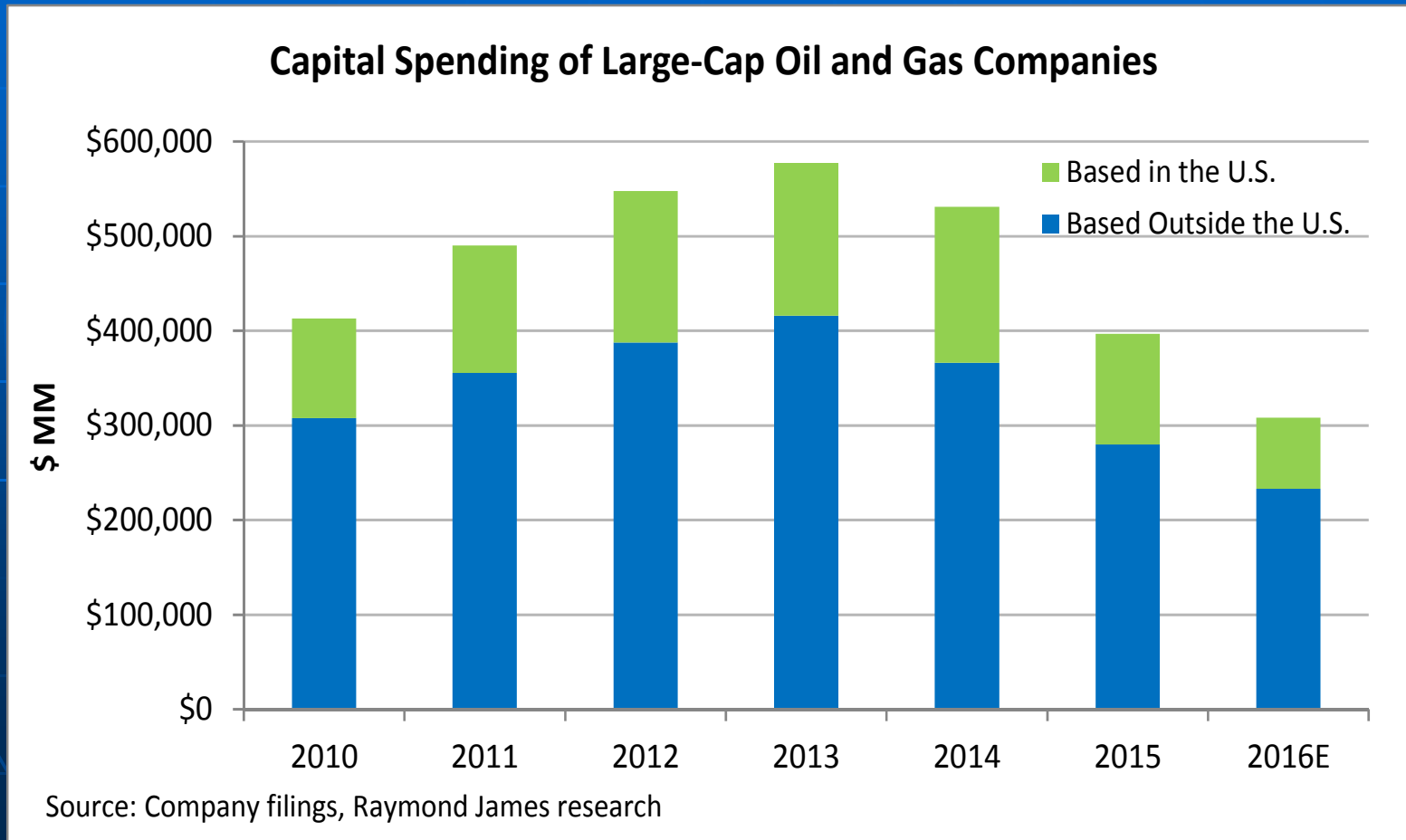
From Matador Resources, April 2015

2014 -16	Shale, SA Mkt War	-75%	497	?
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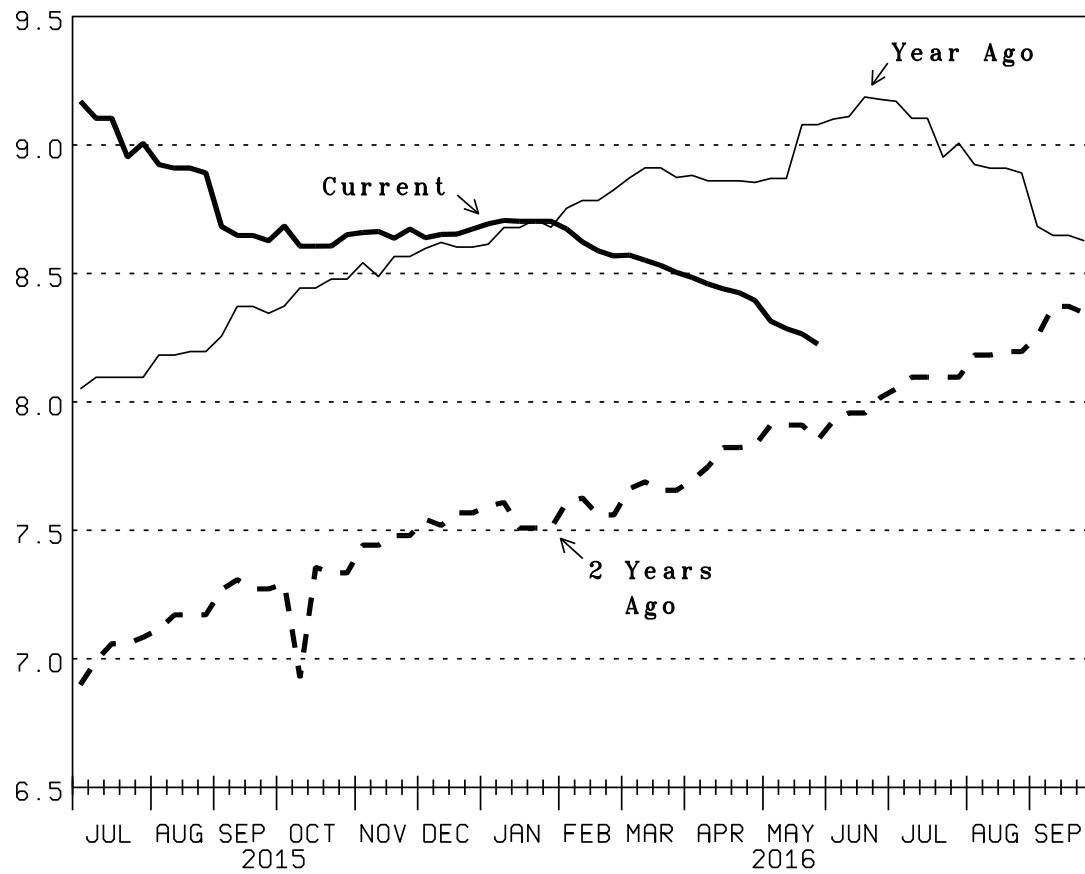
OPEC Spare Capacity at Historic Low



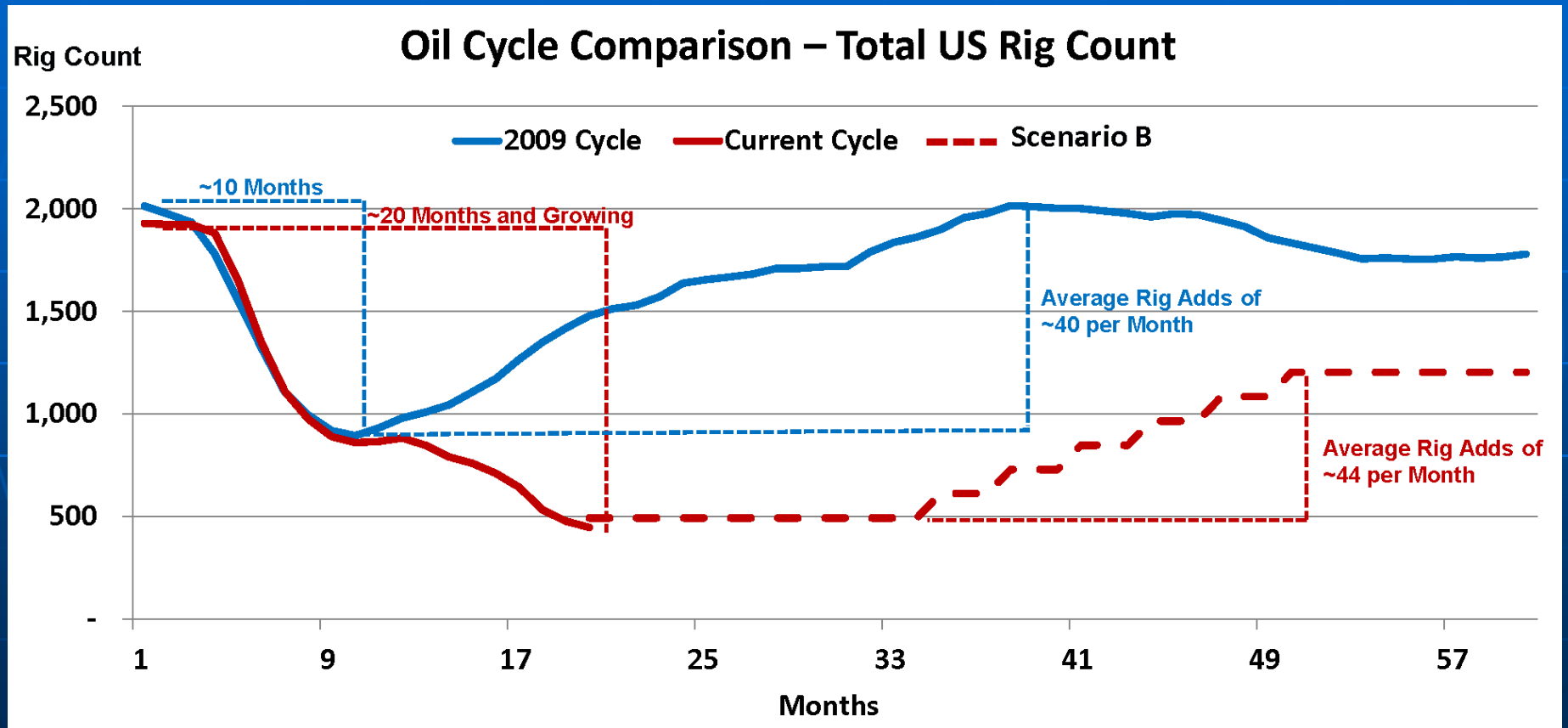
Spending for New Supplies Cut by Half



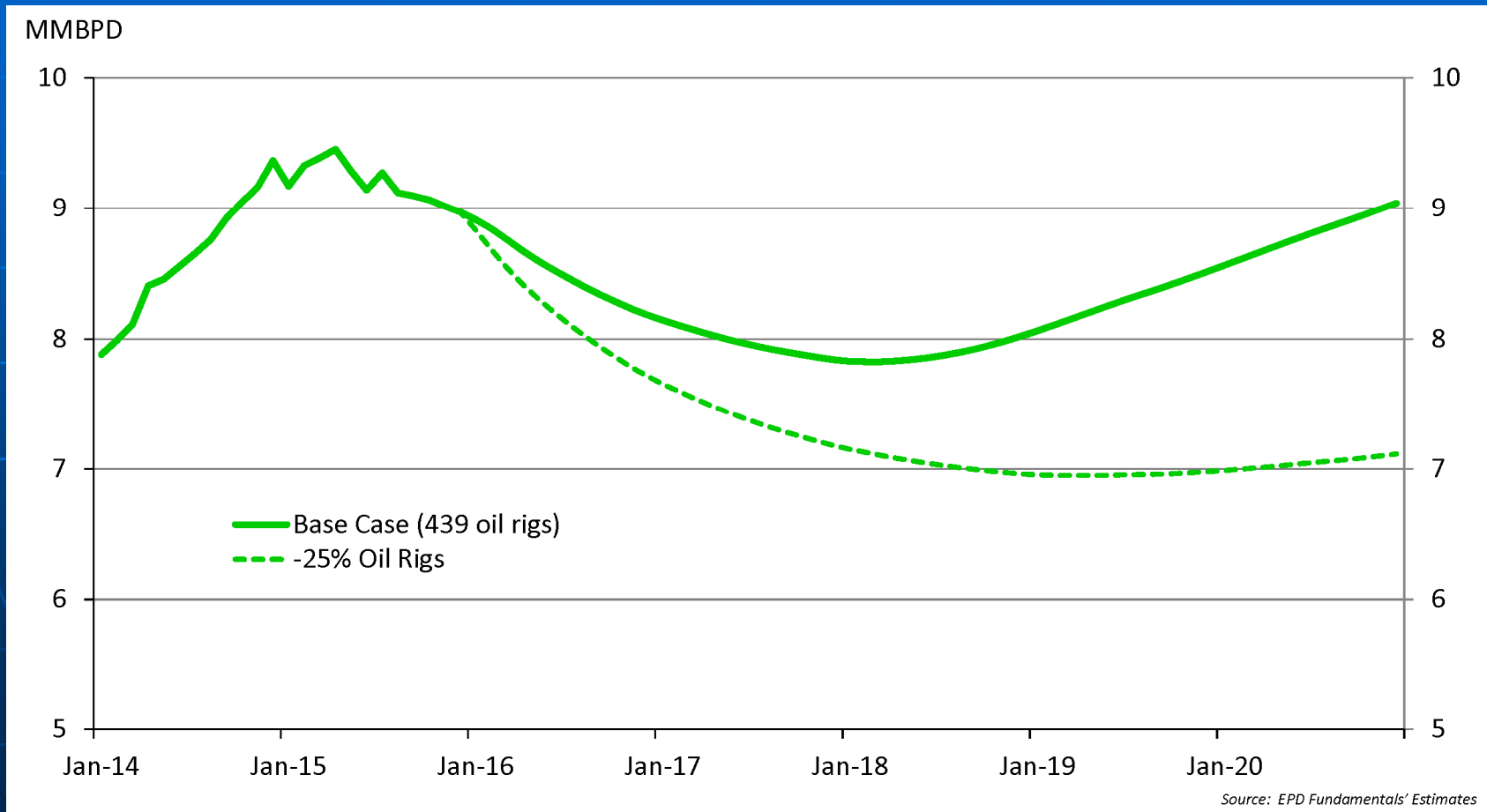
US Lower 48 Production



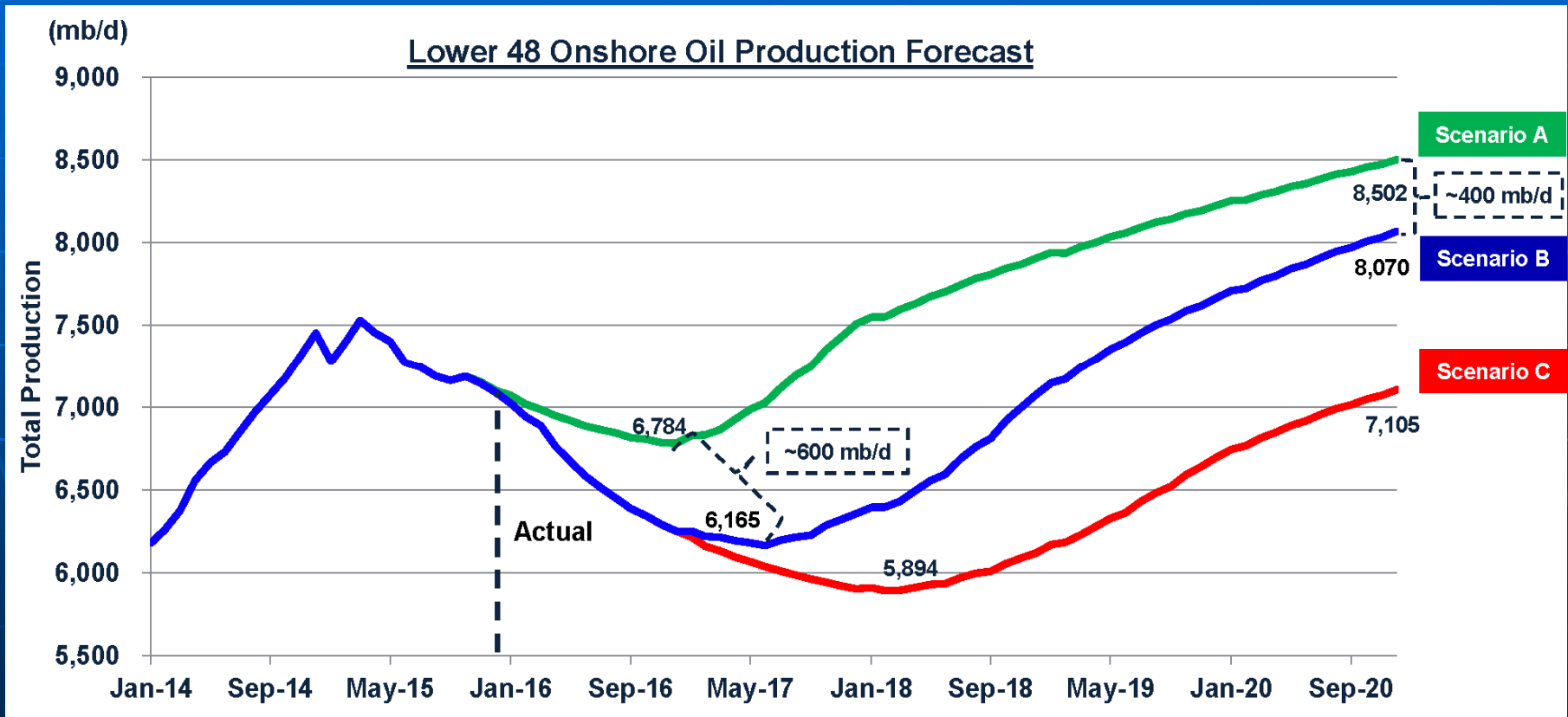
Extreme Depth and Duration of Current Rig Count Decline



U.S. Production Doesn't Bottom until 2018



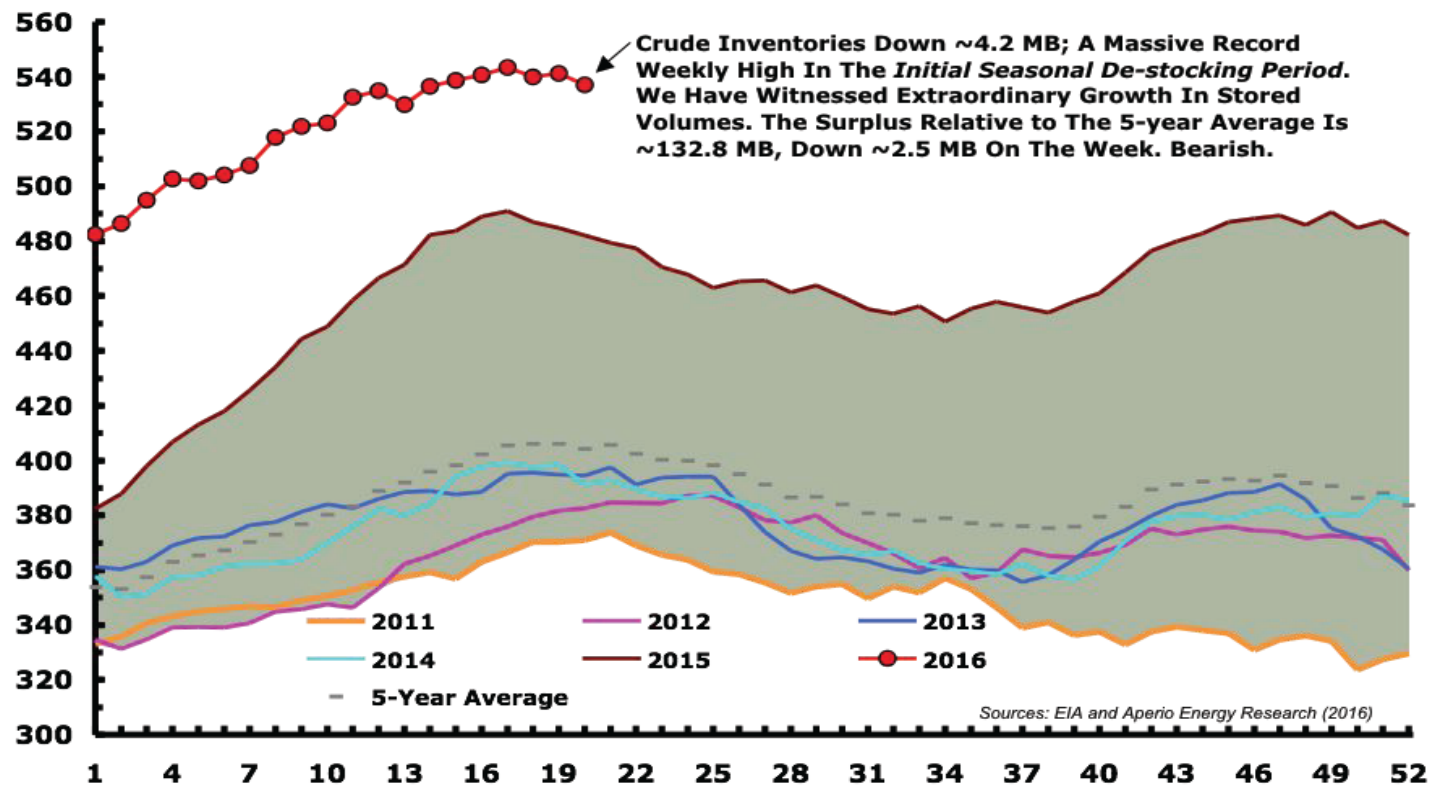
2019+ Before U.S. Oil Production Recovers to 2015 High



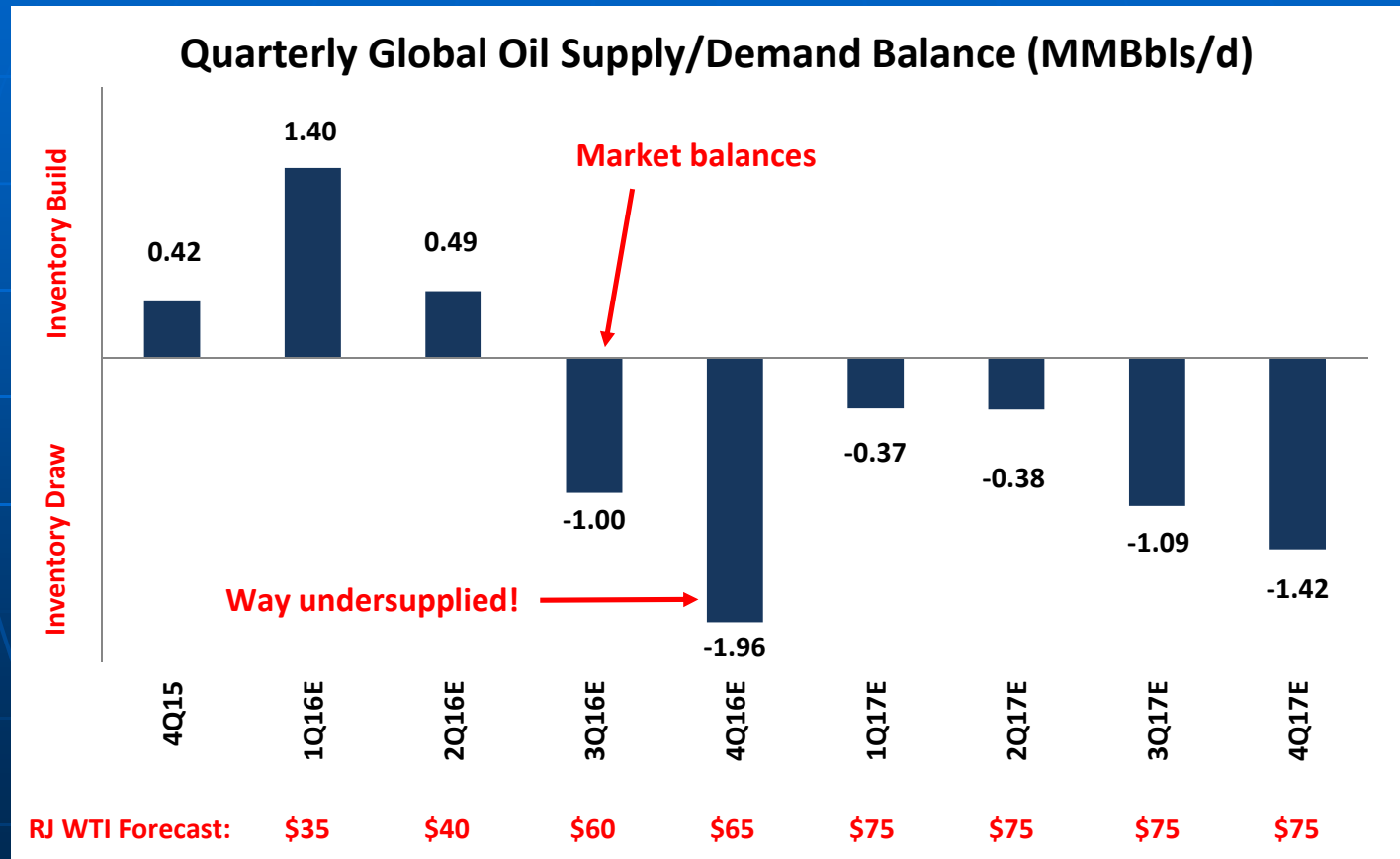
U.S. Crude Storage (OECD Proxy) – 130MMbo Above 5 Year Ave.

EIA Total U.S. Non-SPR Crude Oil Inventory

Million Barrels: 2016 Compared to the 5-Year Average

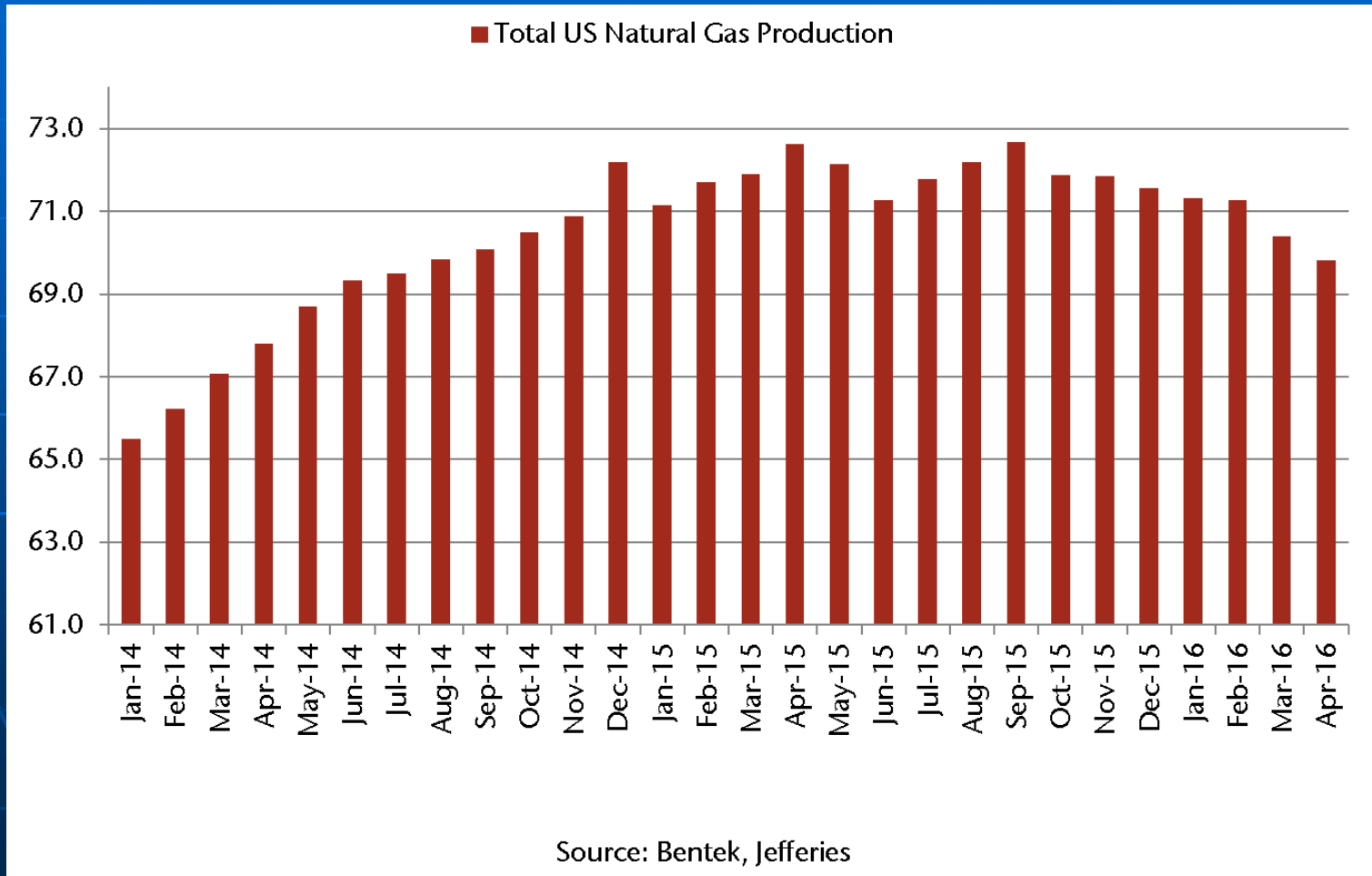


Oil Supply/Demand Deficit in 2H2016

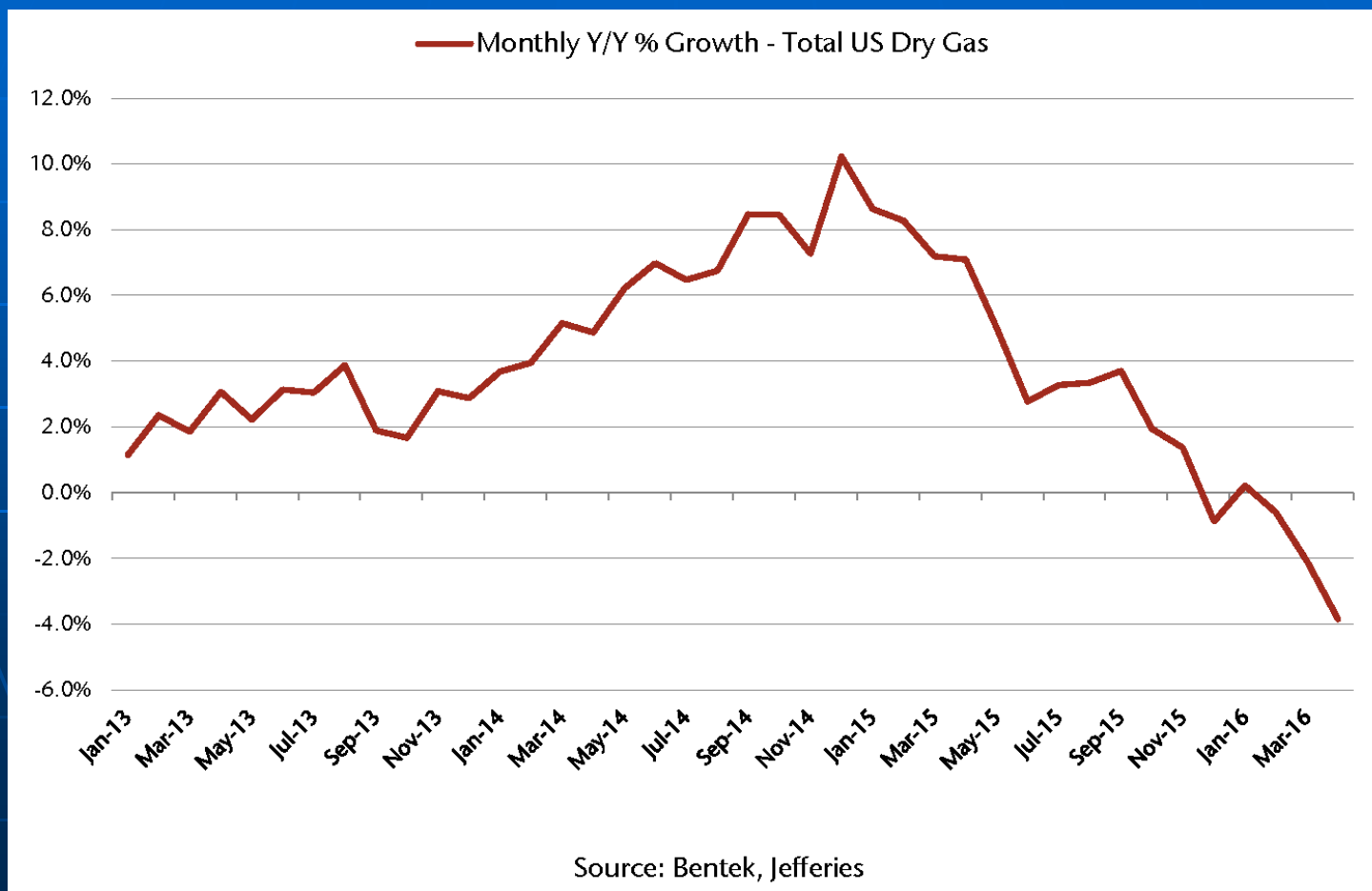


North American Natural Gas

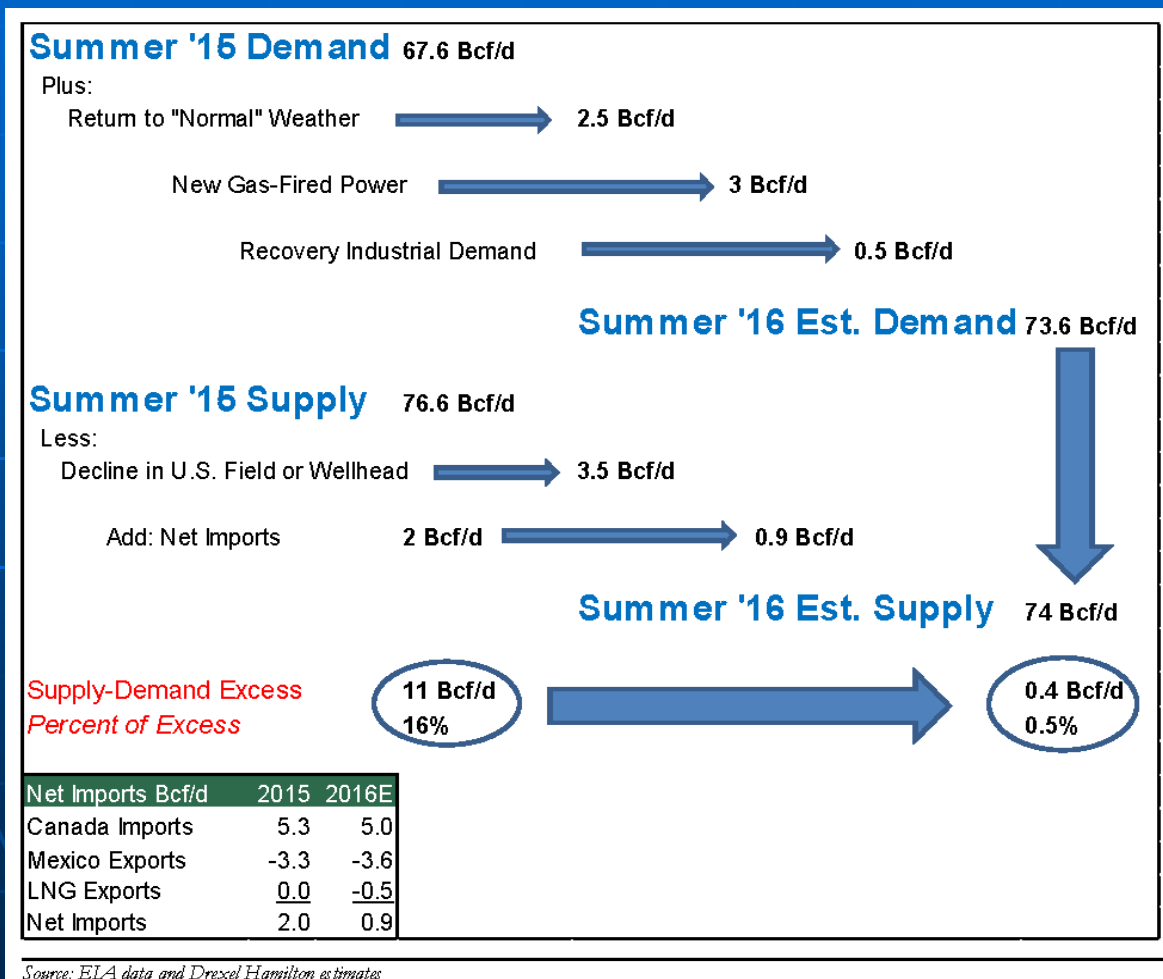
Natural Gas – Production Declining



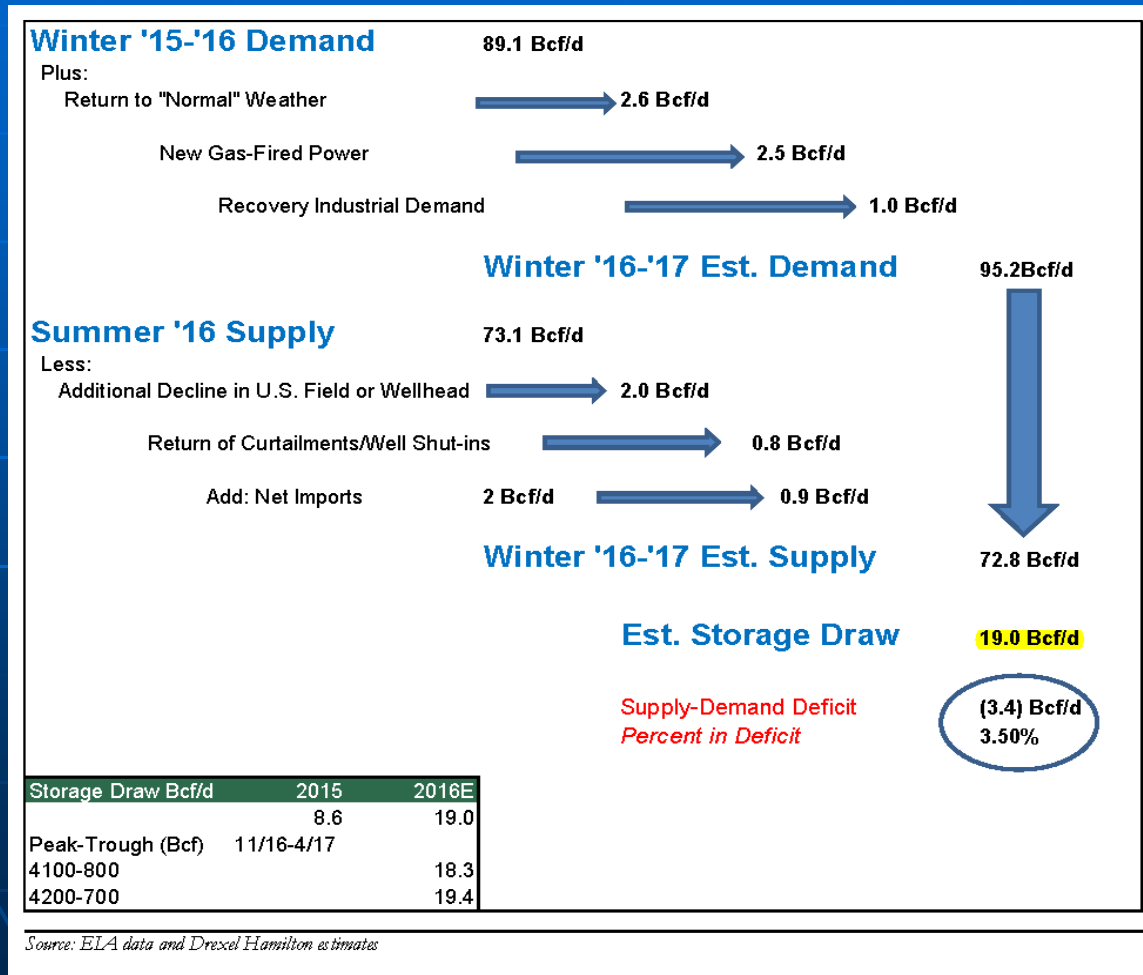
U.S. Natural Gas Production Growth Went Negative in Early 2016



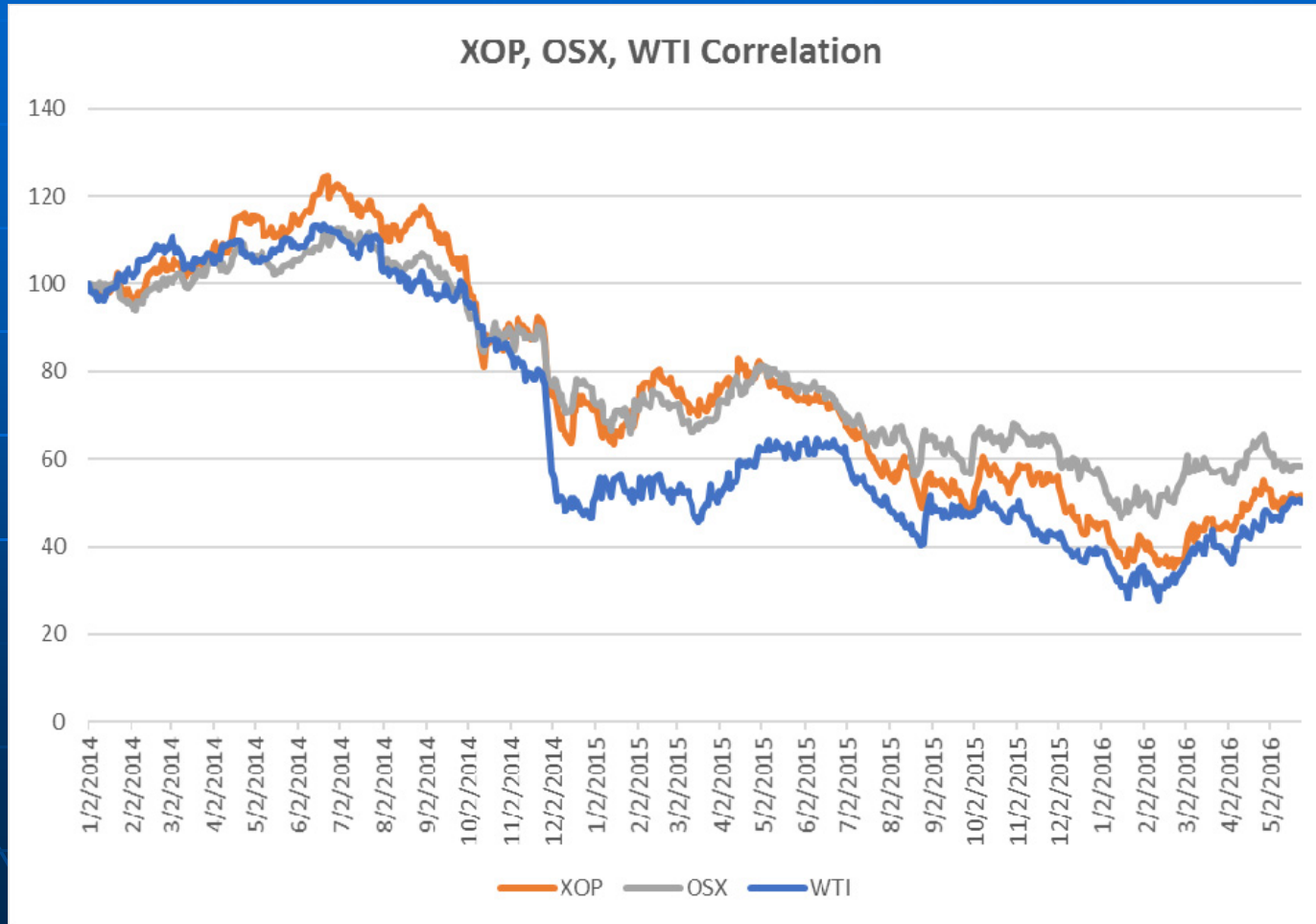
Natural Gas – Reaching Balance Summer 2016



Natural Gas – Significant Deficits Winter 2017



High Correlation of Energy Equities and Oil





GARTMAN'S CRUDE CALL

Won't see crude
above \$44 again 'in
my lifetime'

Should stabilize
around \$37

Doubt it will fall
below \$22/barrel



CRUDE FALLS NEARLY 8%



Raise \$ When You Can: Q1 14, Q1 15

Equity Raised for Energy Companies		
	<u>Q1 2014</u>	<u>Q1 2015</u>
Equity Raised (\$Bn)	\$0.7	\$11.7
WTI Price (\$/Bbl)	\$91 - \$101	\$42 - \$50
OSX	270 - 295	178 - 210

Raise \$ When You Can, Not When You Have To

Equity Raised for Energy Companies			
	<u>Q1 2014</u>	<u>Q1 2015</u>	<u>2016, 5mos</u>
Equity Raised (\$Bn)	\$0.7	\$11.7	\$15.1
WTI Price (\$/Bbl)	\$91 - \$101	\$42 - \$50	\$26 - \$49
OSX	270 - 295	178 - 210	129 - 180

Recent Energy Equity Deals

Company	Ticker	Offering Date	Shares * (MM)	Dilution	Deal Price	Gross Proceeds (MM)	Discount to Close	Current Price 5/2/2016	Performance Since Deal
Parsley Energy, Inc. Class A	PE	12/9/2015	14.2	11%	\$18.00	\$256	-5%	\$23.42	30%
Pioneer Natural Resources Company	PXD	1/5/2016	12.0	8%	\$117.00	\$1,404	-7%	\$166.10	42%
Diamondback Energy, Inc.	FANG	1/13/2016	4.6	7%	\$55.33	\$255	-5%	\$86.58	56%
Synergy Resources Corporation	SYRG	1/21/2016	16.1	15%	\$5.50	\$89	-13%	\$7.22	31%
Oasis Petroleum Inc.	OAS	1/28/2016	39.1	28%	\$4.68	\$159	-2%	\$9.69	107%
Hess Corporation	HES	2/4/2016	28.8	10%	\$39.00	\$1,121	-10%	\$59.62	53%
Devon Energy Corporation	DVN	2/17/2016	79.4	19%	\$18.75	\$1,488	-8%	\$34.68	85%
Energen Corporation	EGN	2/17/2016	18.2	23%	\$21.00	\$382	-8%	\$42.49	102%
EQT Corporation	EQT	2/19/2016	7.5	5%	\$58.50	\$437	-6%	\$70.10	20%
Cabot Oil & Gas Corporation	COG	2/22/2016	44.0	11%	\$20.00	\$880	-7%	\$23.40	17%
Newfield Exploration Company	NFX	2/25/2016	30.0	18%	\$22.50	\$675	-8%	\$36.25	61%
QEP Resources, Inc.	QEP	2/29/2016	38.0	21%	\$10.00	\$380	-7%	\$17.93	79%
Marathon Oil Corporation	MRO	3/1/2016	145.0	21%	\$7.65	\$1,109	-4%	\$14.09	84%
Weatherford International plc	WFT	3/1/2016	115.0	15%	\$5.65	\$650	-9%	\$8.13	44%
Callon Petroleum Company	CPE	3/3/2016	15.3	19%	\$6.50	\$99	-5%	\$10.51	62%
Matador Resources Company	MTDR	3/7/2016	8.6	10%	\$19.00	\$164	-4%	\$21.55	13%
PDC Energy Inc	PDCE	3/7/2016	5.9	15%	\$51.00	\$302	-2%	\$62.79	23%
Gulfport Energy Corporation	GPOR	3/9/2016	16.9	16%	\$25.25	\$427	-5%	\$31.30	24%
U.S. Silica Holdings, Inc.	SLCA	3/16/2016	10.0	19%	\$20.00	\$200	-3%	\$25.55	28%
Parsley Energy, Inc. Class A	PE	4/4/2016	21.0	15%	\$21.40	\$449	-5%	\$23.42	9%
Spectra Energy Corp	SE	4/4/2016	16.1	2%	\$30.00	\$483	-1%	\$31.27	4%
Synergy Resources Corporation	SYRG	4/11/2016	22.4	18%	\$7.70	\$173	-8%	\$7.22	-6%
Rice Energy Inc.	RICE	4/12/2016	20.0	15%	\$16.35	\$327	-2%	\$17.31	6%
EnscO plc	ESV	4/14/2016	65.6	28%	\$9.25	\$606	-13%	\$11.96	29%
Callon Petroleum Company	CPE	4/19/2016	25.3	26%	\$8.50	\$215	-5%	\$10.51	24%
Independence Contract Drilling, Inc.	ICD	4/20/2016	13.2	54%	\$3.50	\$46	-29%	\$3.98	14%
Ring Energy, Inc.	REI	4/20/2016	11.5	38%	\$5.60	\$64	-17%	\$7.20	29%

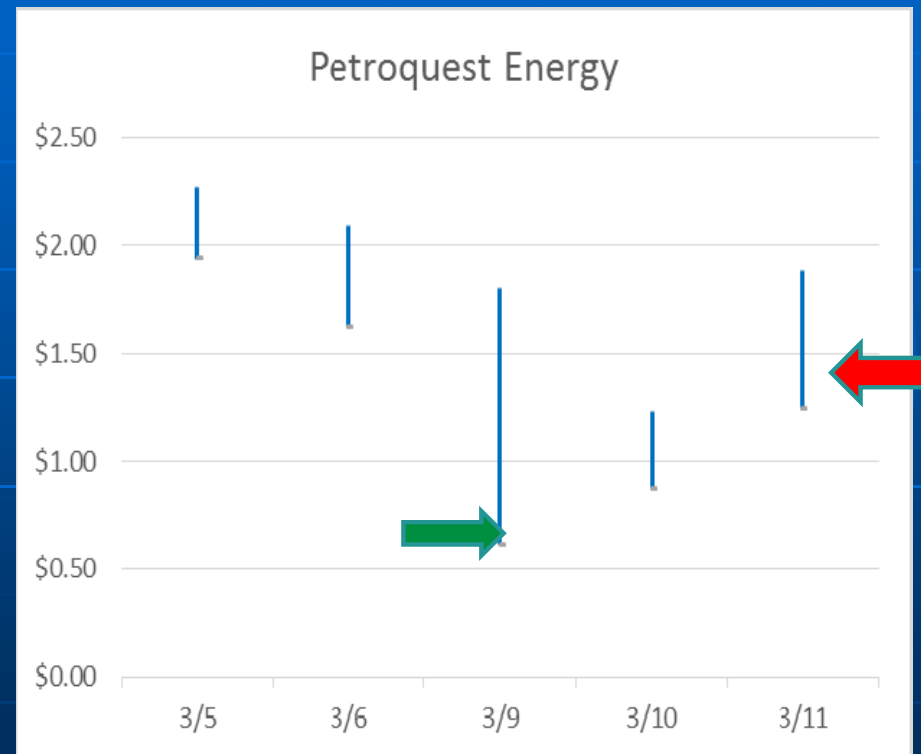
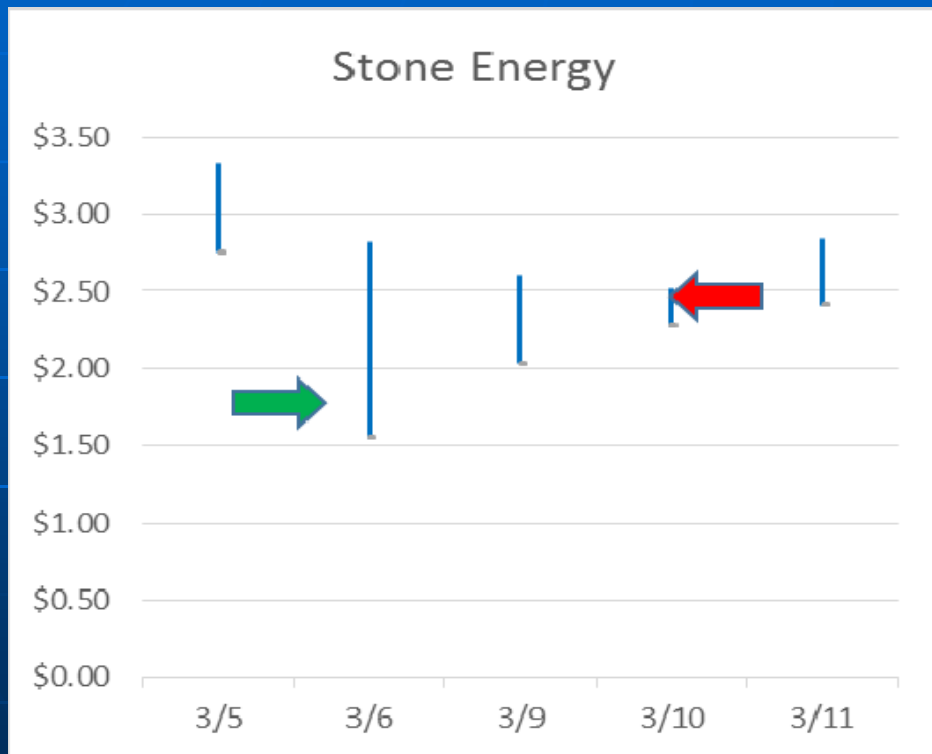
* Assumes full exercise of shoe unless specified

Total **\$12,839**

What We Learned/Different From THIS Collapse

- Debt and equity immediate and violent interaction
- Strip Pricing is “Wrong”
 - Shell CEO “...strip pricing tells you nothing about the price to produce oil, just the cost to store it.”
 - Strip was as wrong as consensus predictions
 - Contango/Backwardation is the issue
- Banking “Reform” has had its impact
 - OCC & holistic approach
 - Banking relationships
 - Banks as hedging counterparties?
- Rig count inversely proportional to service stocks
- Oil prices and stock market highly correlated

Energy Rebound – March 6-11, 2009



Energy Rebound – March to December, 2009

Stone Energy, Mar- Dec, 2009



PetroQuest Energy, Mar- Dec, 2009



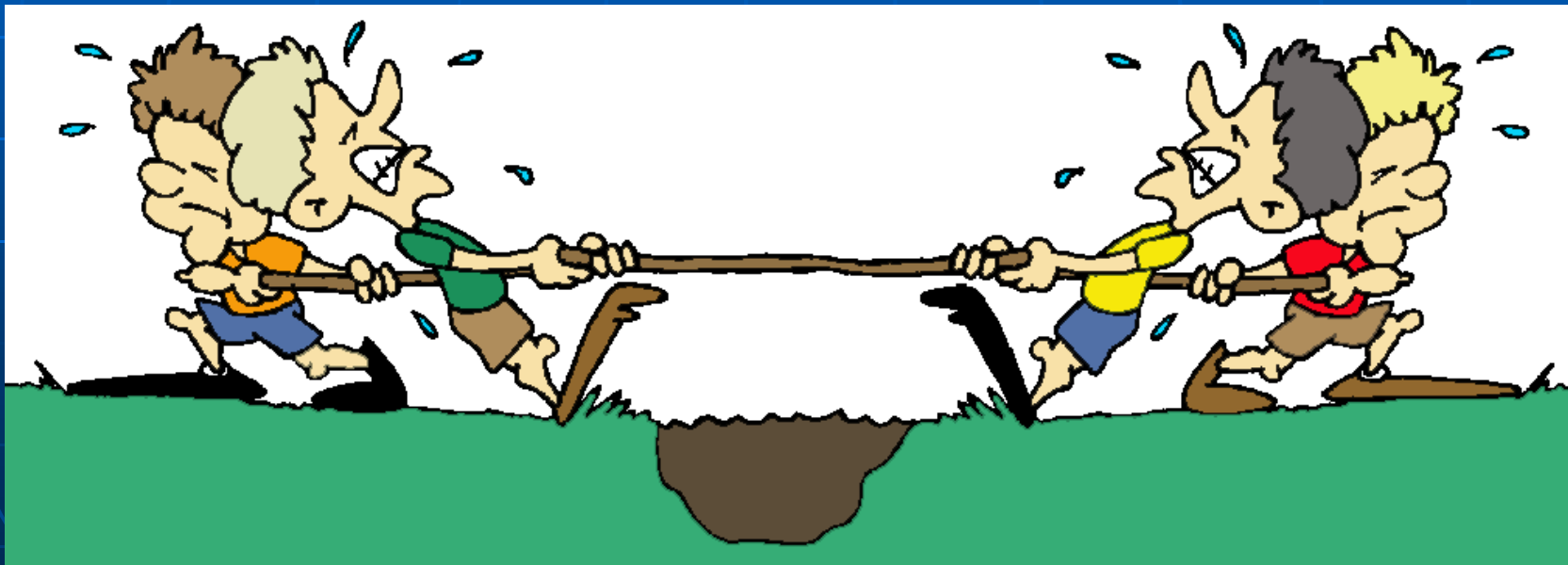
Ironman: +267% Since Inception

March 1999 through May 2016

- Monthly Compounded Return vs. Indices since Inception
 - Ironman: +267%
 - Indices:
 - OSX / Oilfield Service Index: +114%
 - Dow Jones Industrials Average: +65%
 - S&P 500 Index: +57%

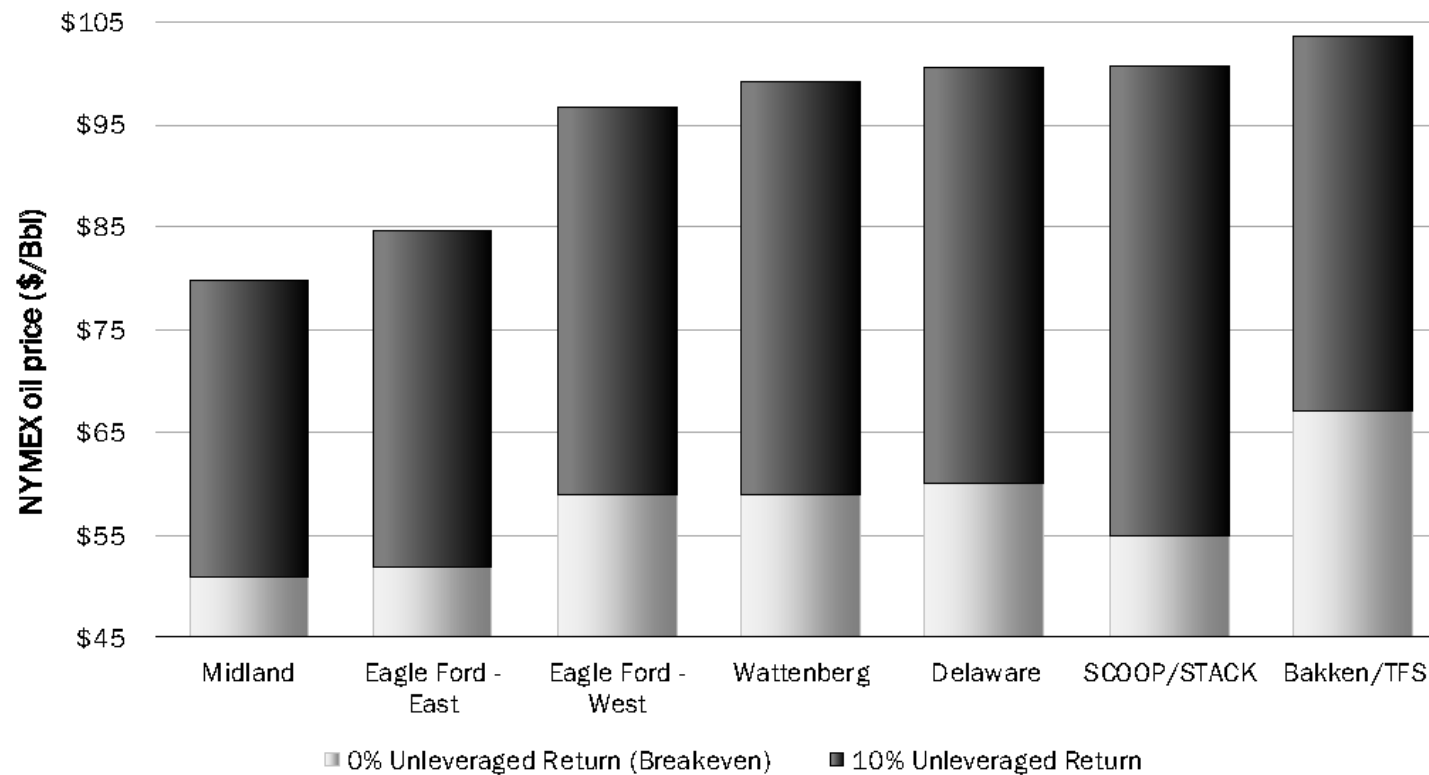
Investment Decision Tree:

Eternal Struggle of Oilfield Service vs. E&P



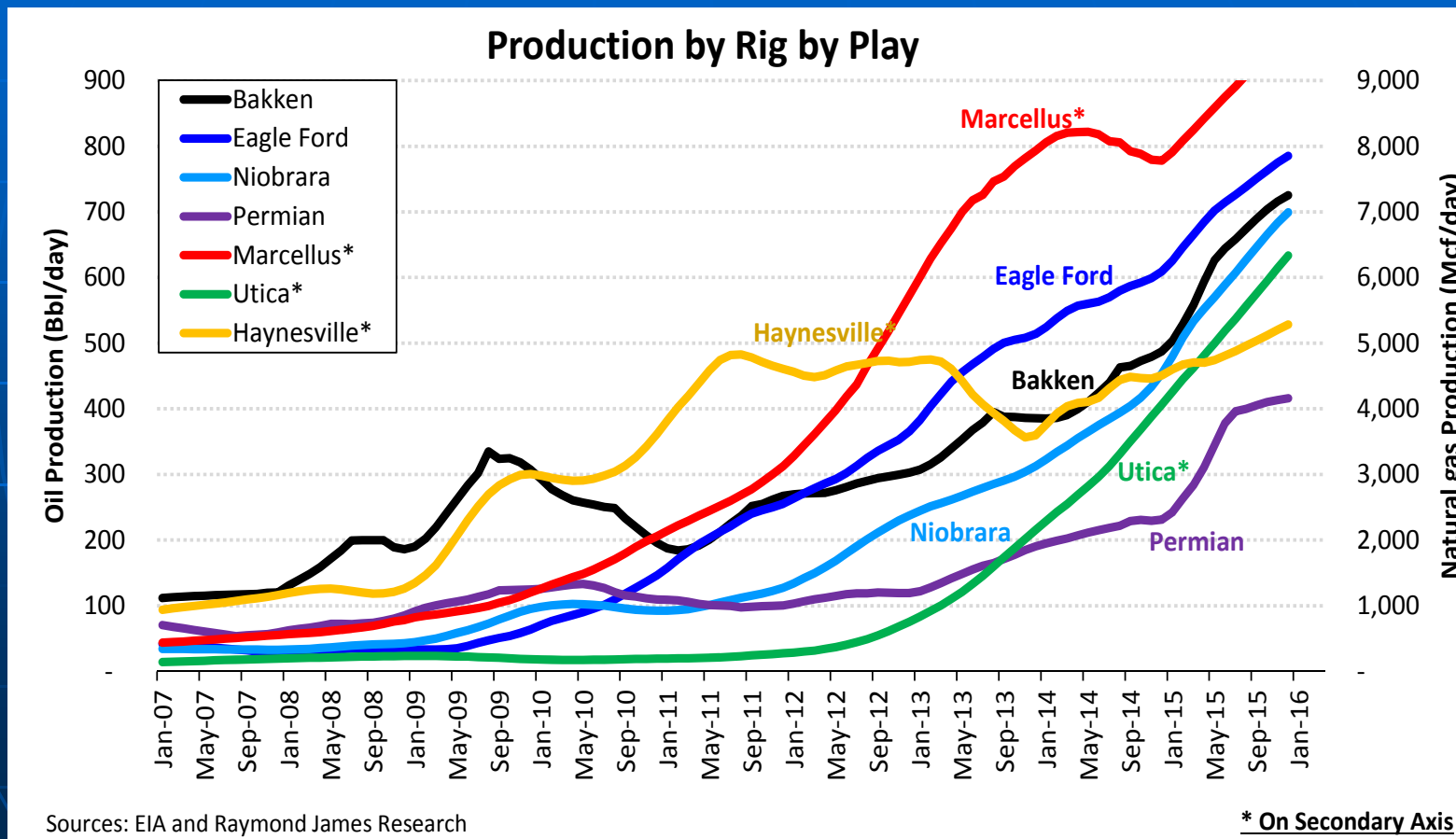
Breakeven Oil Prices by Play

0% and 10% Unlevered Returns



Source: KLR Group.

U.S. Drilling Efficiency is Sky Rocketing



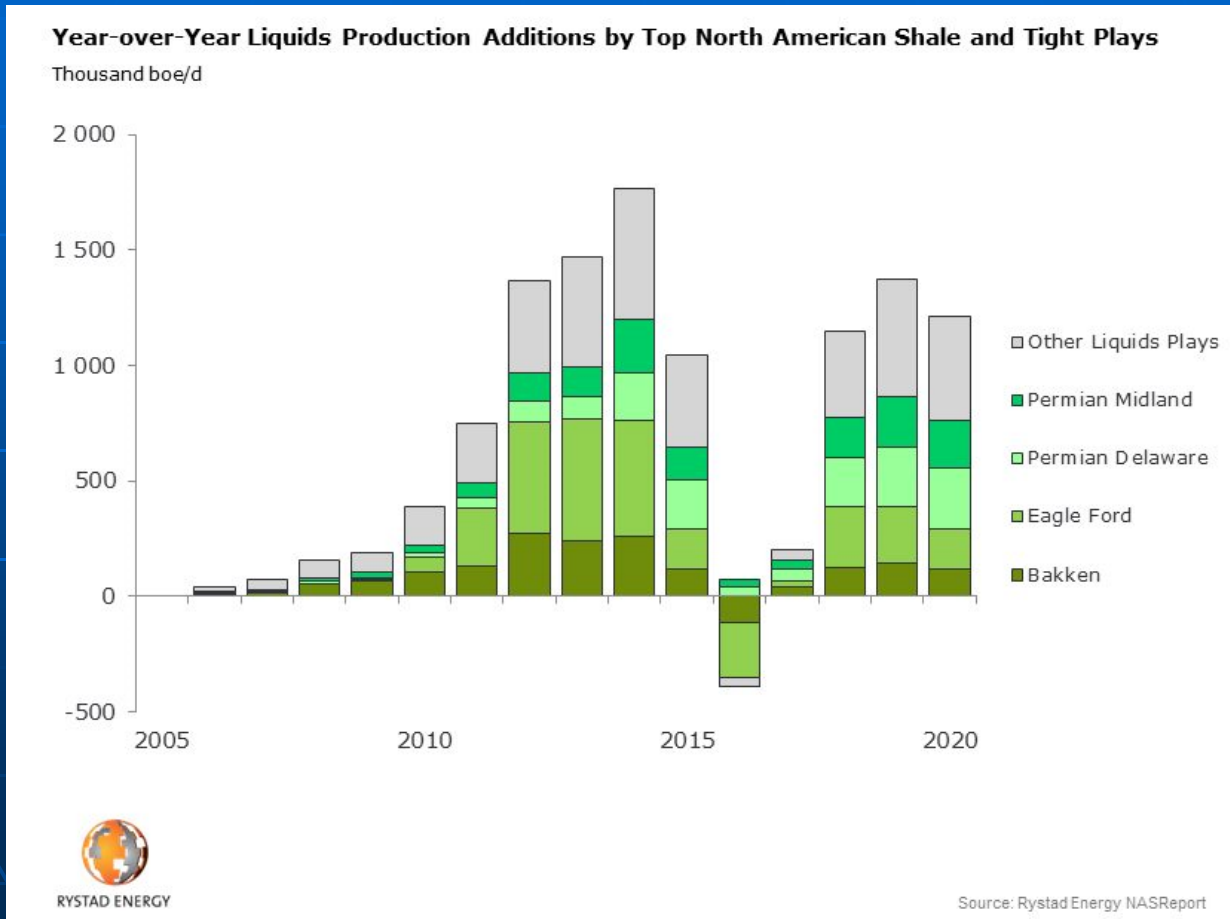
Drilling Perspective and Oil Prices

- “Oil is at \$90, interest rates are low, debt markets accessible, now is the best time I have ever seen in my career to drill”
 - Aug 2014, unnamed CEO of bankrupt oil & gas co.
- Oil is at \$50 and we believe headed higher, the best rigs, best equipment with the best personnel at rock bottom prices

Investment Decision Tree: E&P

- Oil vs. Gas vs. Liquids
- Basins
 - Play breakeven prices / returns
 - Differentials
- Company Specific
 - Capital needs
 - Leverage

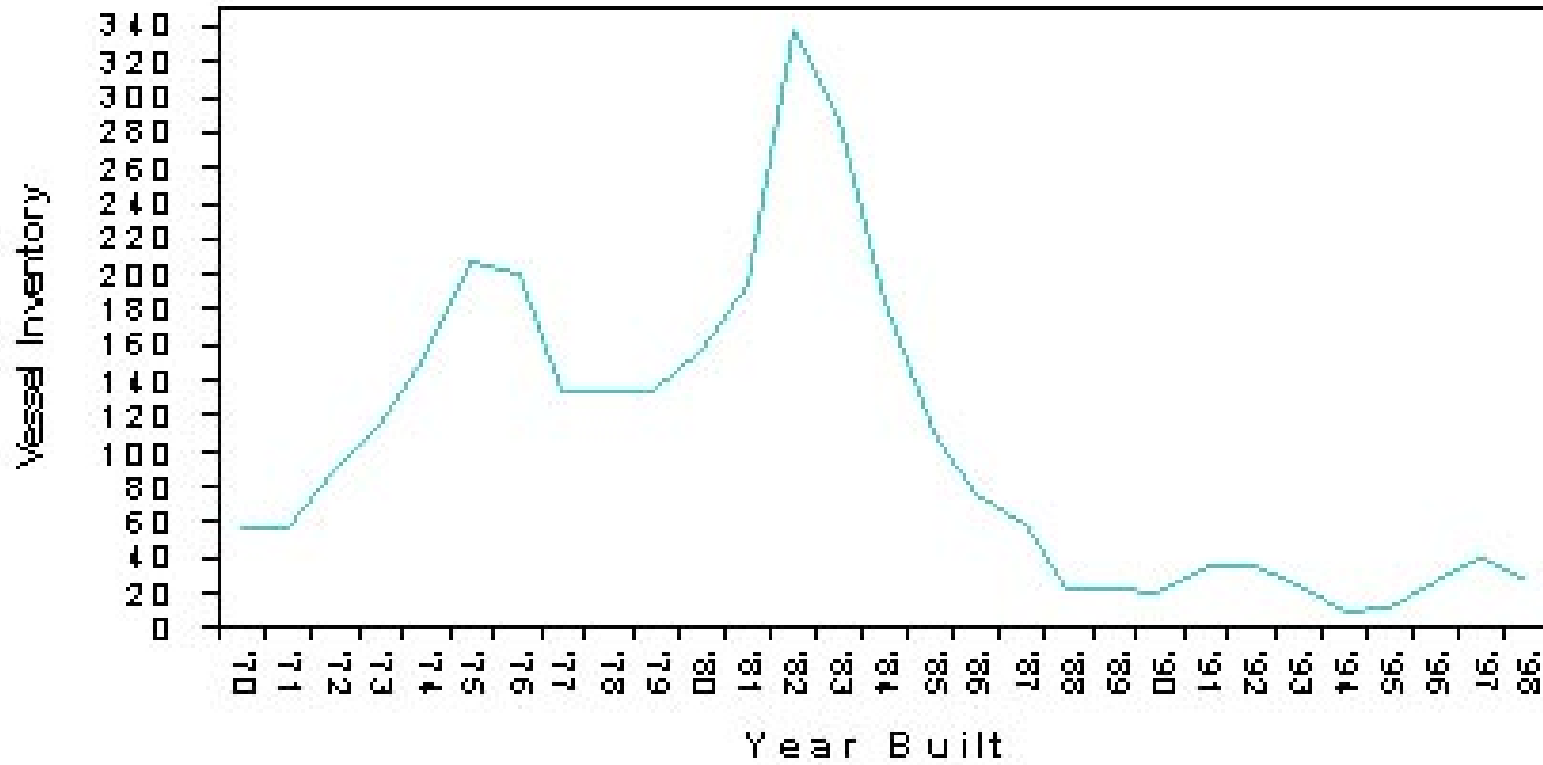
Production by Play Forecast



Oil Field Services – Estimated Time to Recovery

- 1500HP AC Pad Rigs 9 months
- Pressure Pumpers 1 ½ YEARS
- Offshore Rigs 5-10 years
- OSV 10 Years
- Mechanical Land Rigs infinity +1

WORLDWIDE OFFSHORE SERVICE VESSEL FLEET
CLARKSON RESEARCH STUDIES

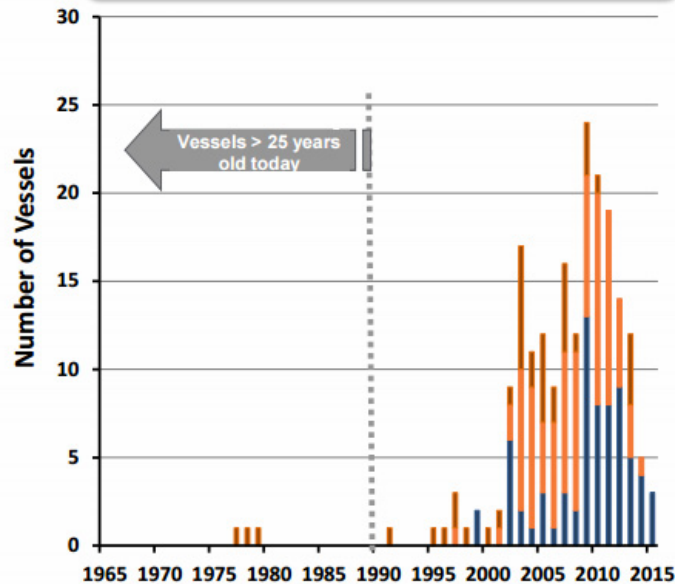


Tidewater's Active Fleet Versus the Worldwide OSV Fleet

Tidewater as of December 31, 2015 and Worldwide Fleet Estimated April 2016

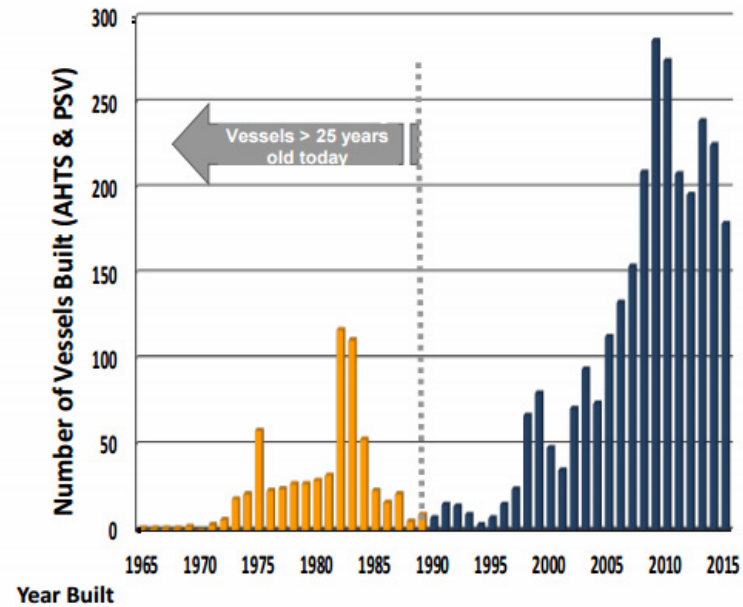
■ Deepwater vessels ■ Towing Supply/Supply
■ Other vessels

190 "New" vessels – 7.1 avg yrs
 9 "Traditional" vessels – 25.2 avg yrs (only 1 OSV)



As of April 2016, there are approximately 349 additional AHTS and PSV's (~10% of the global fleet) under construction. Some number of these, we believe, will not be completed and delivered.

Source: IHS-Petrodata and Tidewater



Global fleet is estimated at ~3,425 vessels, including ~650 vessels that are 25+ yrs old (19%)



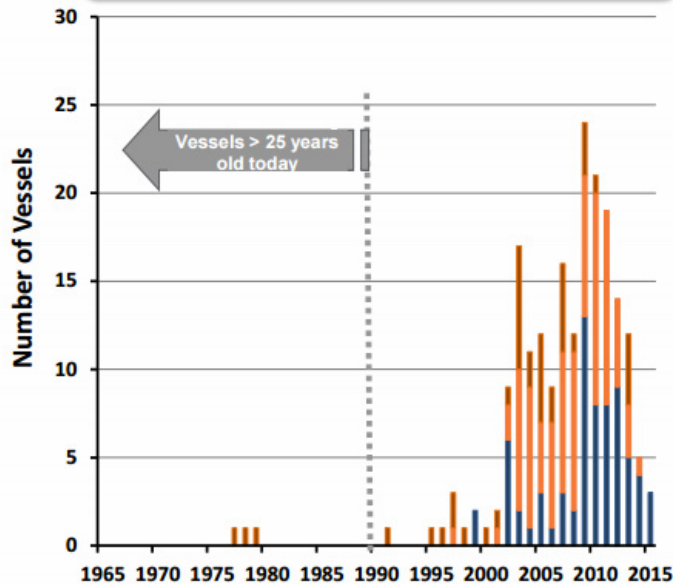


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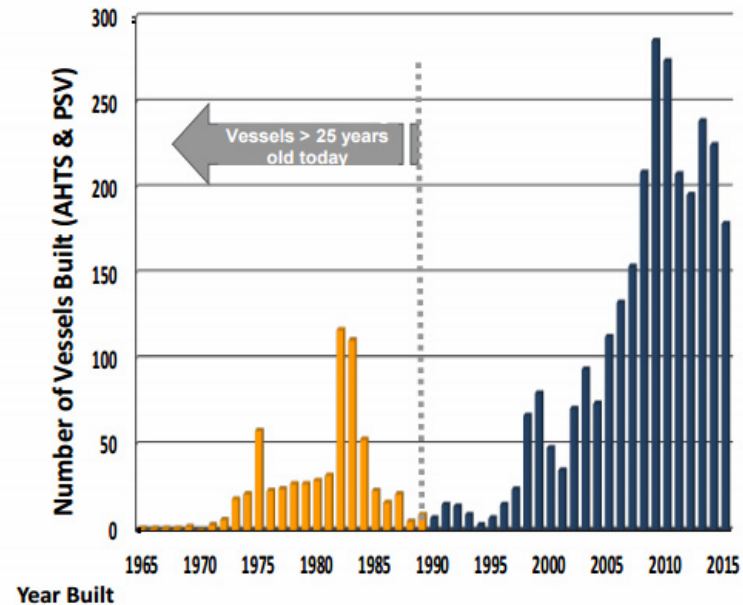
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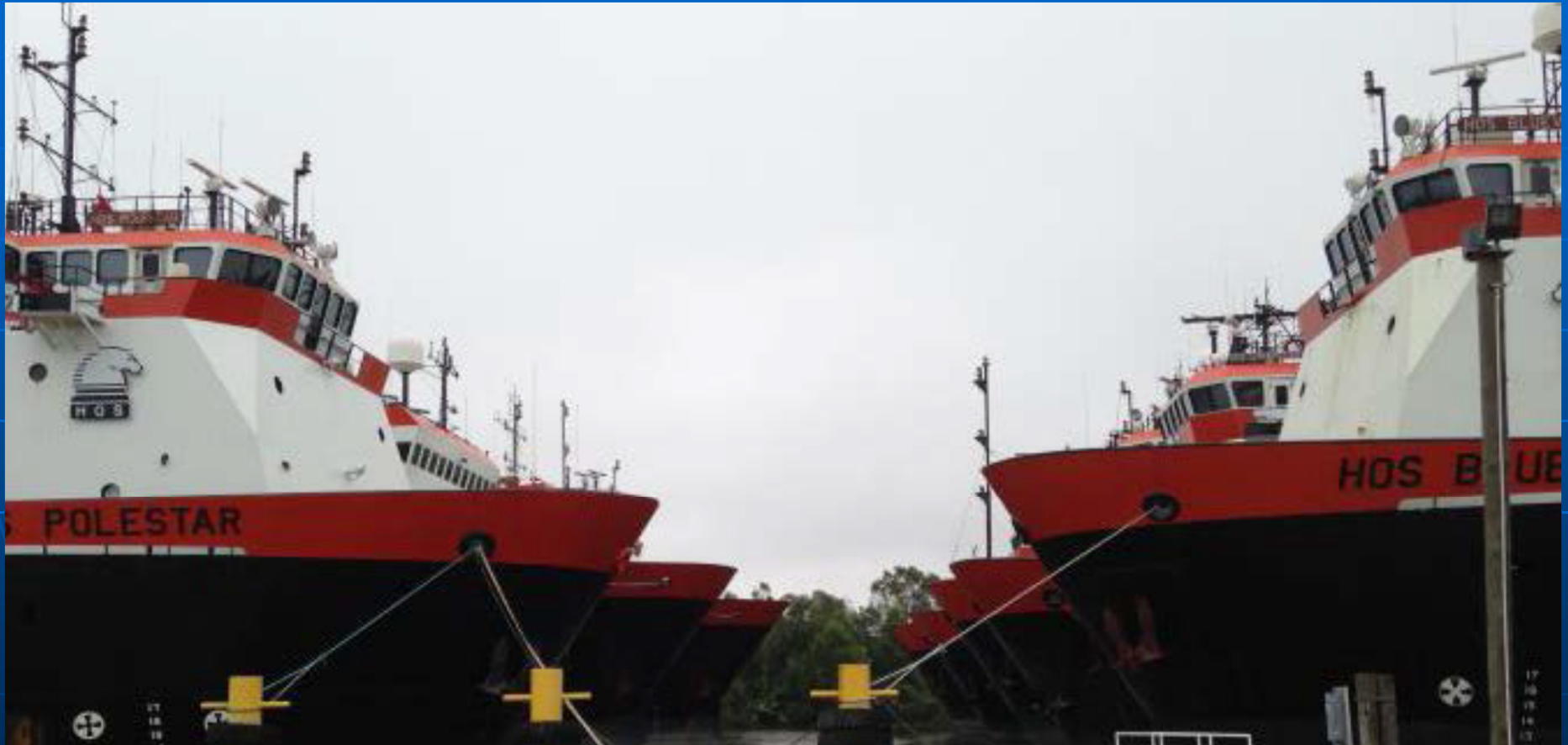
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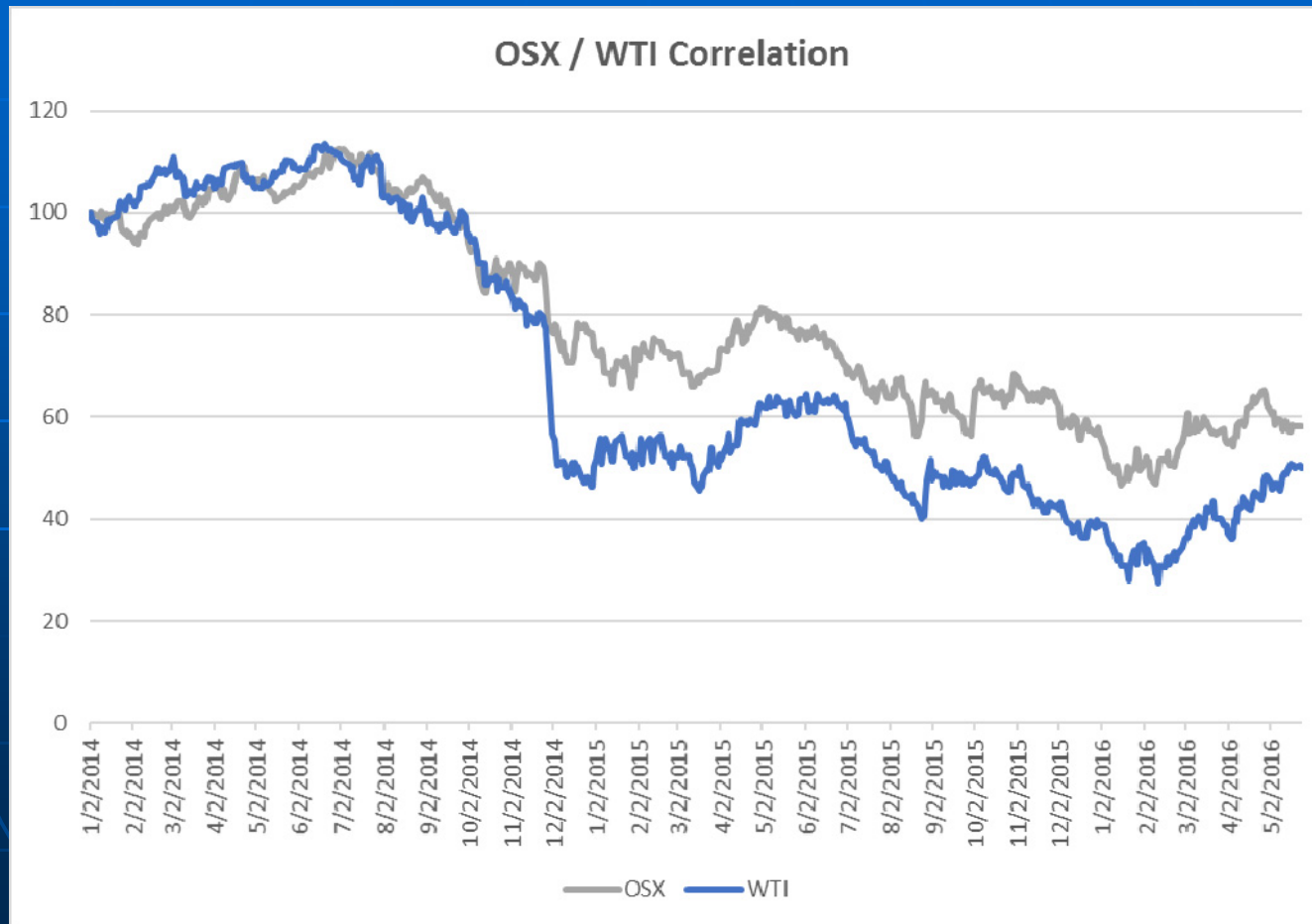






West Capella

High Correlation of Oil Field Services and Oil

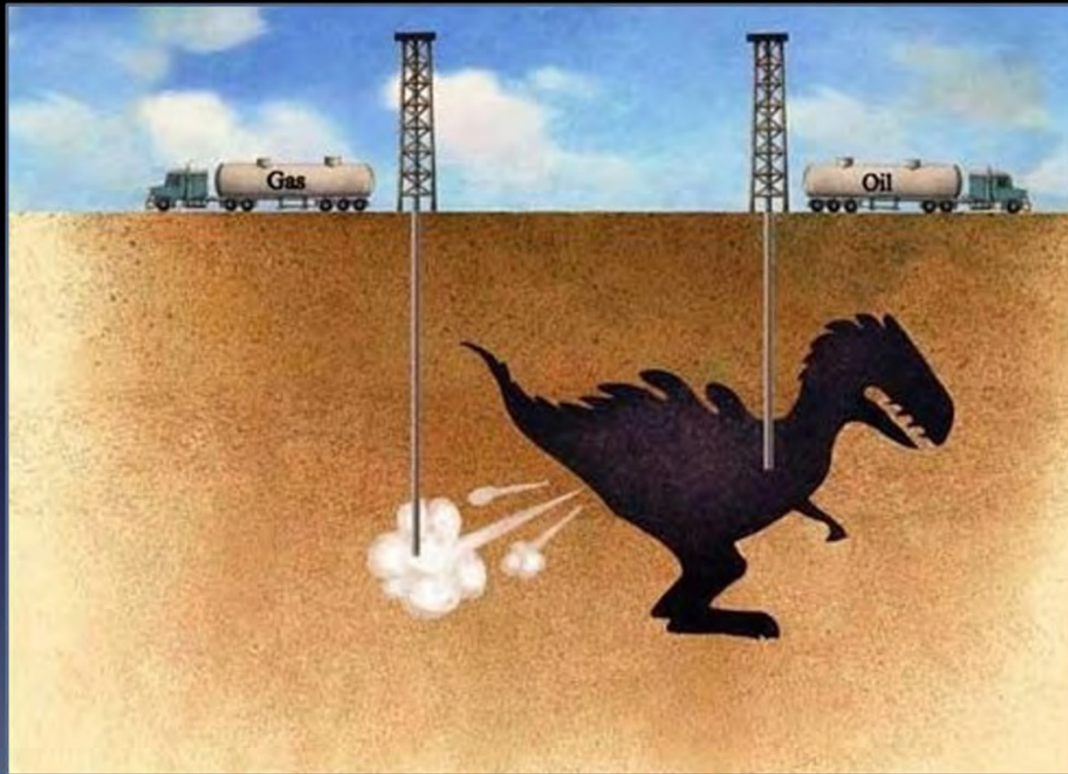


Summarize What We Think

- Bearish most of service (but stocks will go up short term with oil)
- Equity: Focus on micro-caps E&P with good rocks & mgmt. and balance sheet that will *barely* survive
- Debt: Highly stressed with good rocks/equipment either survive OR recovery expectations materially above purchase price
- Agnostic to modestly bullish natural gas
- **Ultimate Driver of Ironman's Energy World: Bullish Oil**

What Can Go Wrong?

- **Macroeconomic Collapse**
- U.S. Dollar
- OPEC Dead.....who cares
- Anti-Fracking
- Earthquakes, SWD
- Global Warning Political Initiatives



Greenlight Capital, 2015



"Something's just not right—our air is clean, our water is pure, we all get plenty of exercise, everything we eat is organic and free-range, and yet nobody lives past thirty."

Ironman Energy Capital



**Celebrating 15 years of
Global Warming**



Our Outlook – “No Place To Go But Up”



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