

IPAA – Private Capital Conference

New Capital Sources

**BB&T Capital Markets
Energy Group**

Alpheus Branch

- Born May 7, 1843; died Jan. 3, 1893



- Biography
 - Born into the prominent Branch family of Halifax County, NC
 - Left school at 17 to enlist in the NC 3rd regiment in the Civil War
 - Settled into farming life in Wilson, NC at war's end, and had built a sizeable agricultural operation by 1872
 - In 1872, teamed up with Thomas Jefferson Hadley to form Branch & Company, a bank which accepted deposits and loaned money to help rebuild farms and small businesses – first financial assistance for farmers and merchants in the community amid Reconstruction. Bought Hadley's interest in 1887.
 - Secured state bank charter in 1889 – Branch Banking and Trust Company
- BB&T Philosophy
 - Providing a sophisticated platform consistent with a large bank, while still providing the high-touch, responsive relationship consistent with a community bank

BB&T Overview

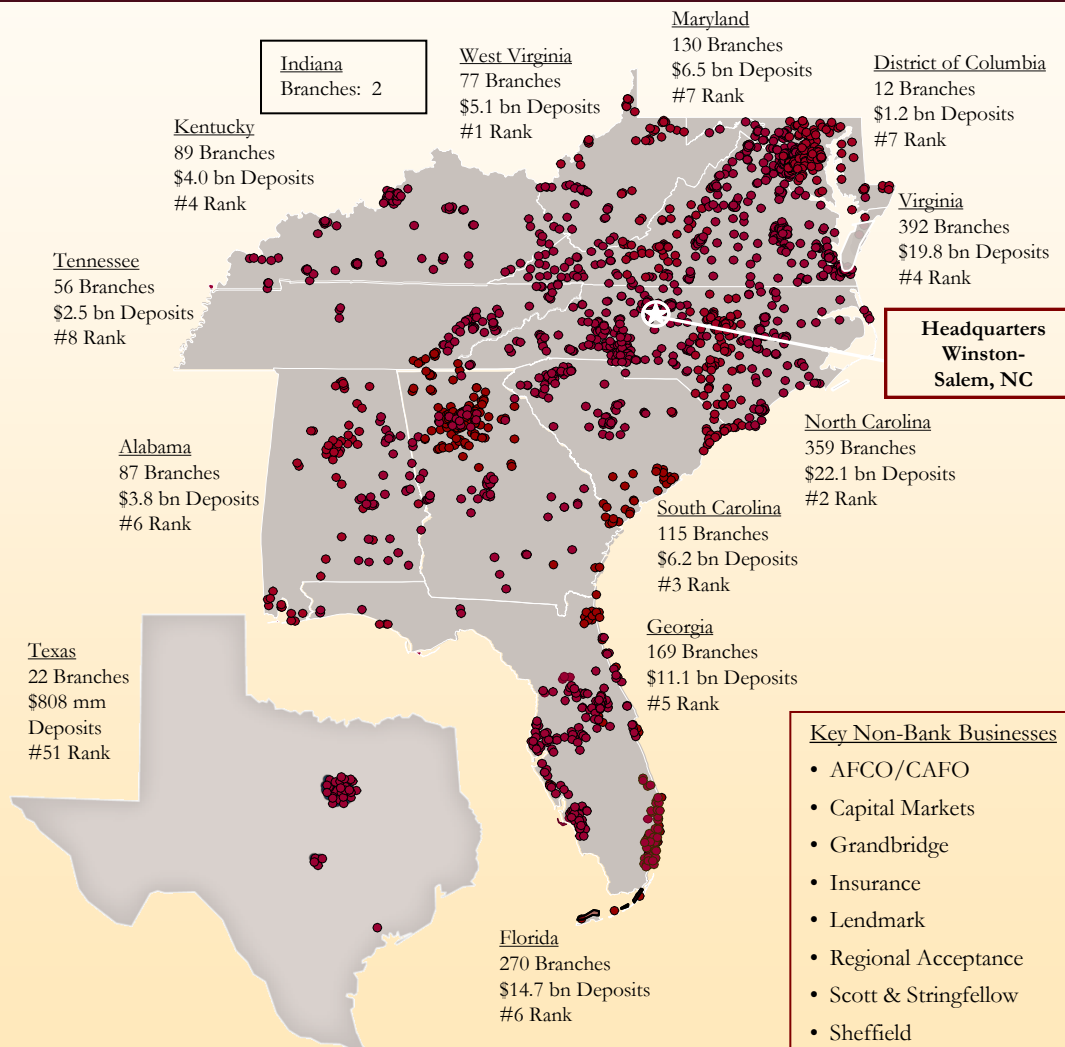
NYSE Traded	BBT
Headquarters	Winston-Salem, NC
Founded	1872
Market Cap ¹	\$18.7 billion
Branches	1,781
FTEs	31,365

Asset Size	\$167.7 billion
Deposits	\$115.1 billion
Loans	\$103.9 billion
Total Invested Assets	\$87.1 billion
Clients ²	6.56 million

Sources: Deposit Market Share as of June 30, 2011.

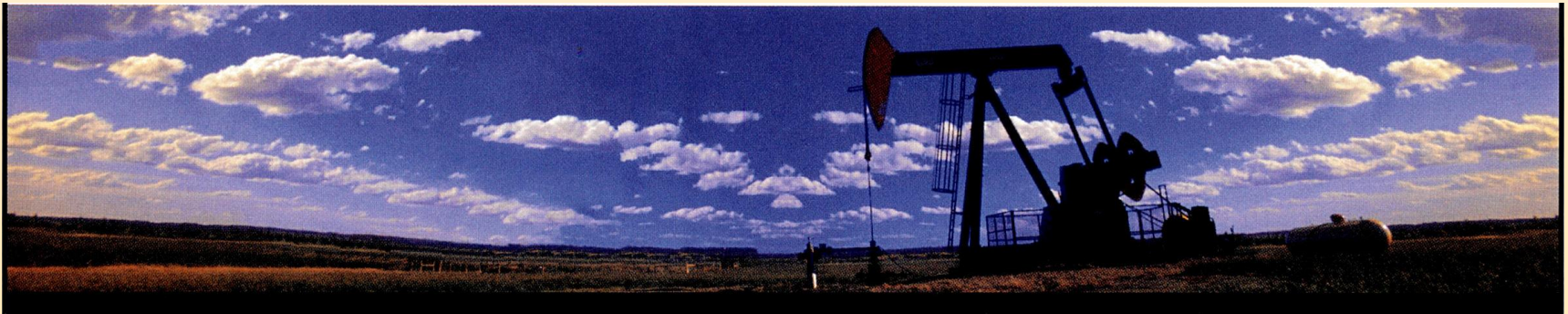
- As of January 18, 2012.
- BBT Standalone Information

BB&T Footprint



BB&T Capital Markets Energy Group

- Target market
 - Upstream Sector – Independent Oil & Gas Companies
 - Midstream Sector - Gathering , Processing and Transportation
 - Typical loan size - \$25MM to \$100MM
- Traditional reserve-based lending
 - Lend against PDP reserves
 - Non-producing reserves capped at 25% - risk adjusted
 - Typical Borrowing Base Revolvers with Semi-Annual Redeterminations
 - LIBOR-Based Pricing
 - Onshore – Lower 48 States
- Midstream Lending
 - Target growing midstream companies in areas of significant drilling activity
 - Typically secured revolving credits
- Energy Group
 - Six member team of experienced energy lending professionals
 - Over 150 years of combined experience
 - Backed by the significant resources of BB&T and its capital markets platform.



2012 Themes Impacting Energy Lending

Managing Operational Risk

Loss of Production Income (LOPI) & Contingent LOPI

- Consider existing and future production “Takeaway” Risks:
 - Pipeline Dependency Risks
 - Gas/Oil Processing Plant Risks

Contractual Risk Exposures

- Build up of Contractual Exposures at well site (often values exceed \$40MM +)
- Assumption of responsibility for damage to contractors equipment

Environmental/Legal Issues

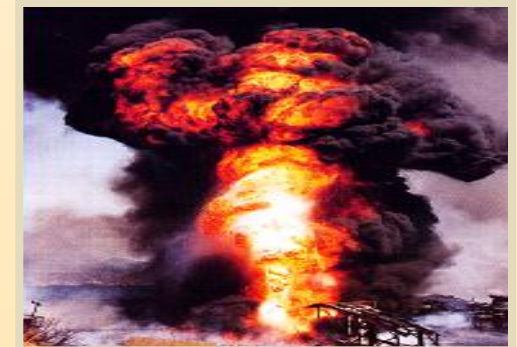
- Pollution (actual or otherwise). Fracturing may not trigger coverage.
- Defense costs

Control of Well/”Blowout” Risks etc

- Multiple Wells on the same pad – higher insurance limits likely required
- Enhanced Well Recovery/Casing Failure coverage – new coverage

Energy Lending Impact

- Banks are increasing scrutiny of attendant operational risks



Managing Operational Risk – McGriff Seibels & Williams

- **Broad Onshore/Offshore Upstream / E&P expertise** within the McGriff service team; Over 70 individual E&P clients
- **Niche focus** makes us better identifiers of risk, and able to create solutions to address specific issues unique to onshore and offshore E&P businesses including:
 - Loss of Production Income (LOPI) & Contingent LOPI
 - Gulf of Mexico Windstorm Risks
 - Fracturing Risks/Environmental Liability
 - Well Enhancement / Casing Failure Coverage
 - Contractual Risk Exposures
- **Broader energy experience (not just E&P)** provides market insight on a macro-level. Other specialties include:
 - Liquids / refined petroleum terminals and pipeline operations
 - Gas processing / midstream/Utilities (Electric and Gas) & IPPs
 - Offshore operations (midstream and E&P)

E&P Energy Experience:
(not all-inclusive)























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2012 Themes Impacting Energy Lending

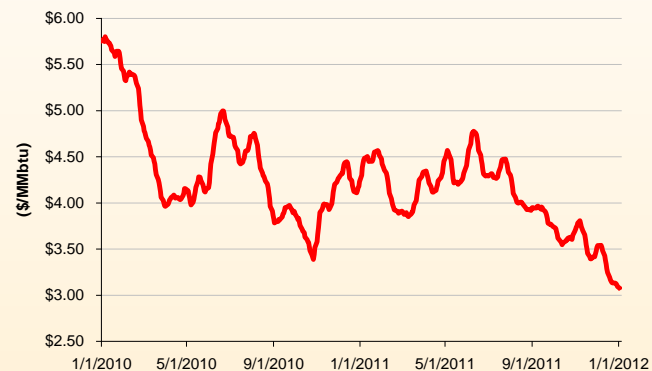
Natural Gas Prices

- Oil and gas prices have come completely uncoupled
- Natural gas prices are low and will stay low
- Not a bubble but a sausage
 - Large inventory of wells drilled and not completed
 - Drilling to hold leases continues
 - Liquids rich drilling produces a lot of gas
- Lack of demand
 - Warm weather
 - Poor economy/lack of industrial demand

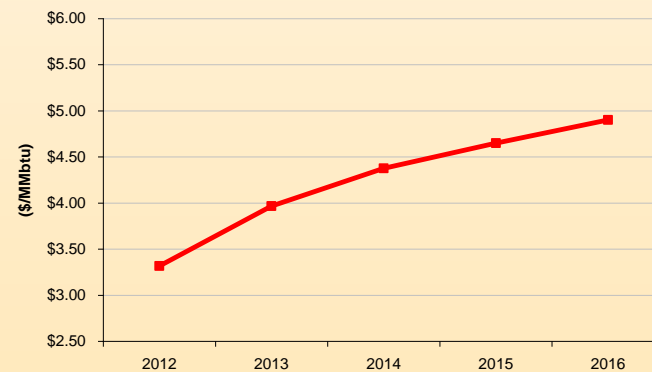
Energy Lending Impact

- Less capital available for gas biased borrowers
 - Limited ability to hedge
 - Lower Bank Price Decks
 - Reduced borrowing capacity for new deals
 - Anticipate smaller borrowing base increases during the Spring BB season
- Increased activity in conventional gas plays

NATURAL GAS SPOT PRICES - HENRY HUB



NYMEX FORWARD PRICES FOR NATURAL GAS - HENRY HUB



2012 Themes Impacting Energy Lending

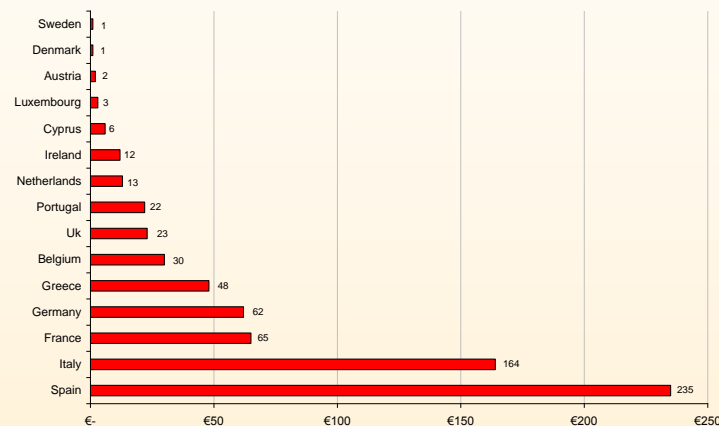
Europe and the European Banks

- Problems in Europe and the impact on the US economy
- Sovereign debt weighing on the balance sheets European banks
- US funding costs for Euro banks
- Limitation on capital to lend

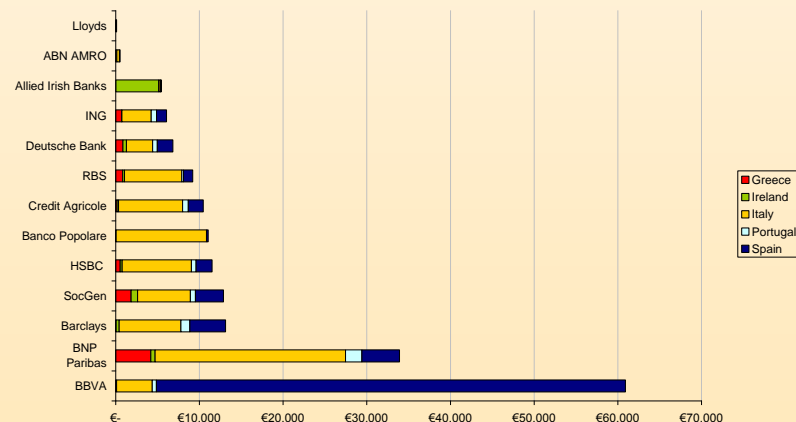
Energy Lending Impact

- Reduced direct lending
- Reduced capacity for syndicated deals
- Counterparty risk
- Decisions from headquarters delayed
- Bankers distracted
- Know your bank/ Know your banker
 - Consider casting a wider net

BANK EXPOSURE TO GIIPS SOVEREIGNS BY COUNTRY (BILLION €)



EUROPEAN BANKS - EXPOSURE TO GIIPS SOVEREIGN DEBT (MM €)



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