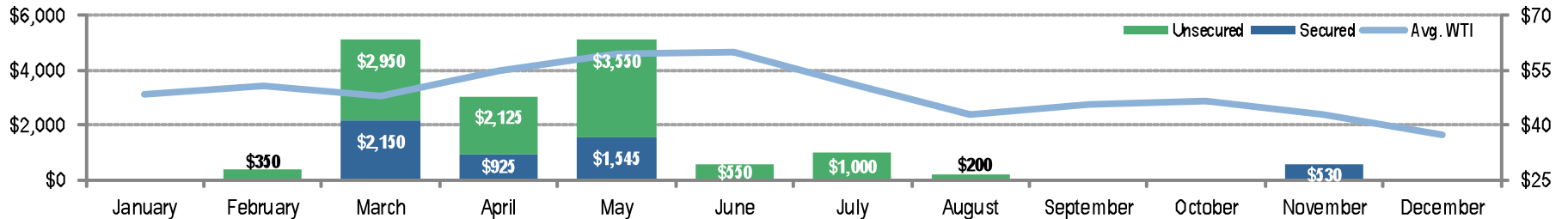


IPAA Private Capital Conference – The Changing Debt Picture

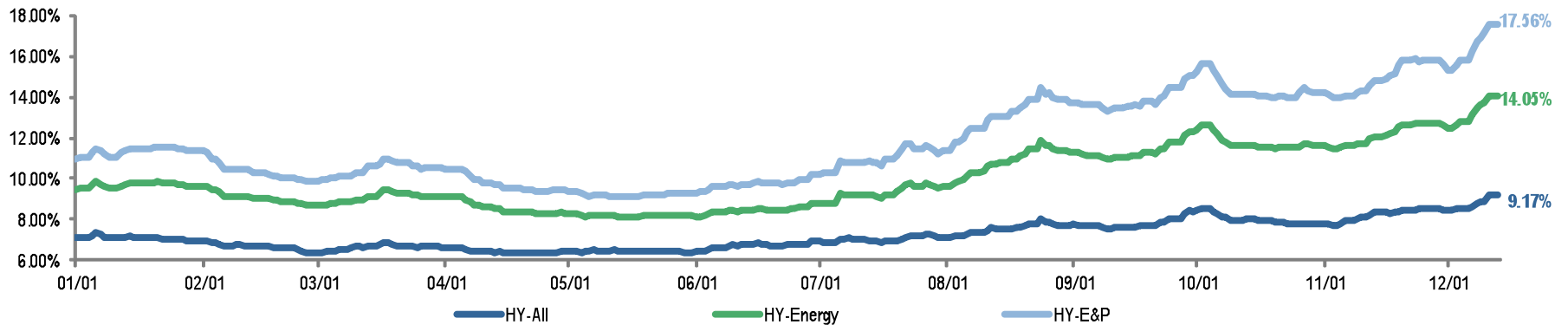


E&P High Yield Market Update

2015 E&P New Debt Issued by Month (\$MM)



2015 High Yield Bond Yields

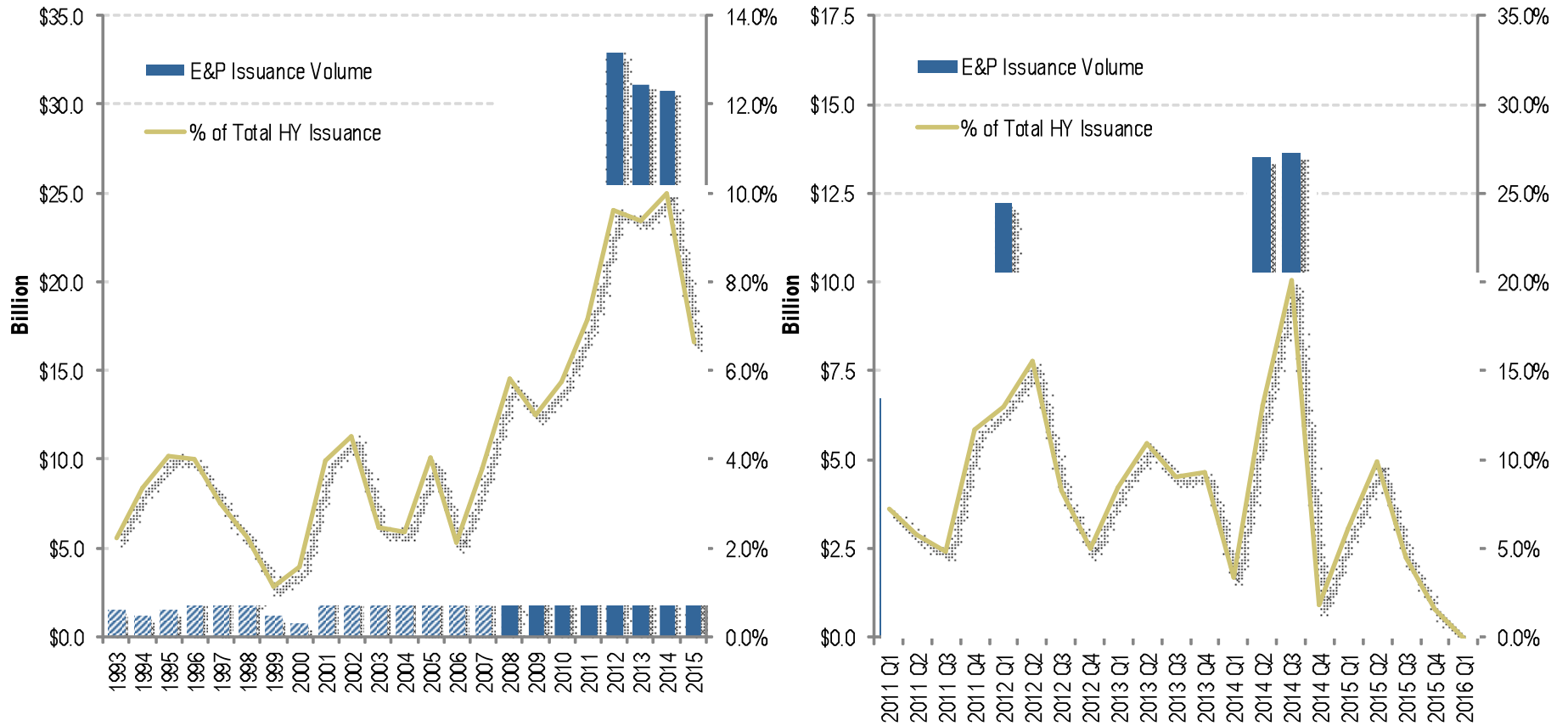


E&P Recent New Issue Trading Levels

Issuer	Issue Date	Amount (\$MM)	Coupon	Security	Maturity	Ratings	At Issuance			As of 1/11/2016				
							Price	YTW	STW	Price	YTW	YTW Date	STW	Yield Δ
American Energy - Permian	11/19/2015	\$530	13.000%	1st Lien Notes	11/30/2020	B2 / B	100.000	13.000%	+1125bp	103.250	11.915%	11/30/2019	+1052bp	-108 bp
WPX Energy	7/17/2015	\$500	7.500%	Sr Notes	8/1/2020	Ba1 / *- / BB	100.000	8.250%	+603bp	80.500	13.356%	8/1/2020	+1183bp	+511 bp
WPX Energy	7/17/2015	\$500	8.250%	Sr Notes	8/1/2023	Ba1 / *- / BB	100.000	8.250%	+603bp	81.600	12.025%	8/1/2023	+1003bp	+377 bp
Eclipse Resources	6/19/2015	\$550	8.875%	Sr Notes	7/15/2023	Caa1 / CCC+	97.903	9.250%	+712bp	42.500	27.241%	7/15/2023	+2525bp	+1799 bp
American Energy - Permian	5/28/2015	\$295	8.000%	2nd Lien Notes	6/15/2020	Caa1 / CCC-	100.000	8.000%	+649bp	75.250	16.021%	6/15/2020	+1452bp	+802 bp
SandRidge Energy	5/28/2015	\$1,328	8.750%	2nd Lien Notes	6/1/2020	B2 / B	100.000	8.750%	+723bp	29.000	50.130%	6/1/2020	+4863bp	+4138 bp
Paramount Resources	5/21/2015	\$450	6.875%	Sr Notes	6/30/2023	B3 / BB-	99.533	6.950%	+491bp	62.500	15.536%	6/30/2023	+1355bp	+859 bp
Hilcorp Energy	5/20/2015	\$500	5.750%	Sr Notes	10/1/2025	Ba2 / *- / BB+	100.000	5.750%	+350bp	87.520	7.587%	10/1/2025	+542bp	+184 bp
EP Energy	5/19/2015	\$800	6.375%	Sr Notes	6/15/2023	B1 / *- / B	100.000	6.375%	+424bp	49.750	19.436%	6/15/2023	+1745bp	+1306 bp
Bellatrix Exploration	5/15/2015	\$250	8.500%	Sr Notes	5/15/2020	B3 / CCC+	98.030	9.000%	+755bp	58.000	24.838%	5/15/2020	+2335bp	+1584 bp

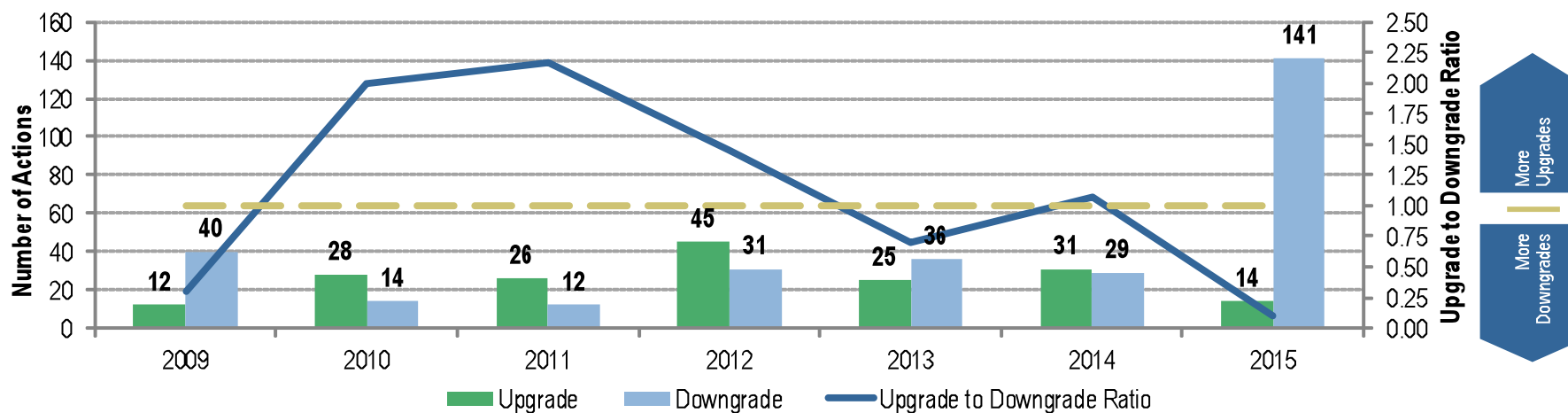
Historical E&P Issuance

E&P Bond Issuance as a Percentage of Total High Yield Bond Issuance (Yearly and Quarterly)



2015 Rating Actions

- The severity of the oil and gas industry downturn caused by the collapse of commodity prices is quite apparent in both the number of rating actions and their composition in 2015
 - The upgrade to downgrade ratio for 2015, at 0.10, was the lowest in five years



- 2015 saw a record 141 downgrades, almost five times more than what was seen in 2014

Downgrades							
	2016	2015	2014	2013	2012	2011	2010
Q1	3	30	5	8	3	0	3
Q2	--	35	8	14	9	3	5
Q3	--	36	8	6	14	3	3
Q4	--	40	8	8	5	6	3
Total	3	141	29	36	31	12	14

Distressed Exchanges

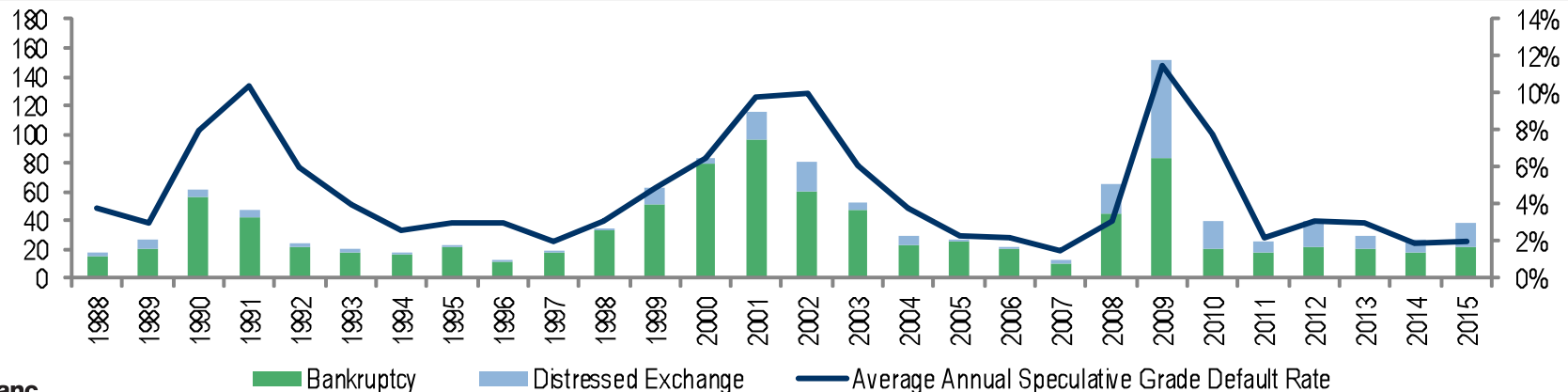
Over the past year, and in a lower-for-longer commodity price environment, companies with unsecured bonds trading at a significant discount, and with the capacity to issue additional secured debt, have exchanged their unsecured debt for lower face amounts of various securities in an effort to reduce leverage, cut interest expense, and maintain liquidity

- Investors are incentivized to exchange their bonds for g in a premium to the current trading level
- With reductions in borrowing bases of HY E&P companies projected, recovery prospects for new secured debt tranches that replace unsecured debt in distressed exchanges have the potential to improve
- However, this benefit can be offset by decreased liquidity from a reduced RBL and by the reduced debt cushion as a result of the exchange

On Average, Every Tranche of Debt Does Better in a Distressed Exchange versus in a Bankruptcy

	Historical Average Recovery Rate	
	Distressed Exchanges	Bankruptcies
First-lien Bank Debt	98%	82%
Subordinated Bank Debt	84%	51%
Senior Secured Bonds	82%	61%
Senior Unsecured Bonds	75%	42%
Subordinated Bonds	65%	20%
Family Level Recovery	72%	50%

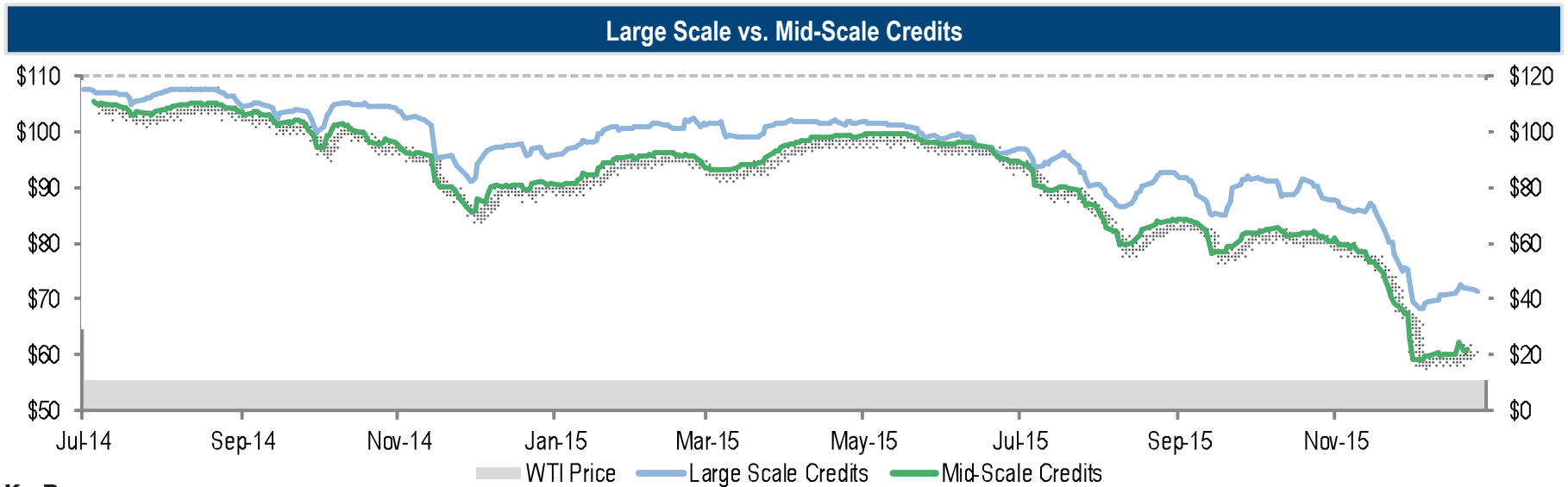
Percentage of Distressed Exchanges has Surged During Credit Crises



Market Has Favored Large Scale Producers

Large Scale	Issuer	Issue Date	Amount	Coupon	Security	Maturity	Ratings	As of 7/15/2014			As of 1/12/2016				
								Price	YTW	STW	Price	YTW	YTW Date	STW	Yield Δ
								Antero Resources	4/28/2014	\$1,000	5.375%	Sr Notes	11/1/2021	Ba3 /*- / BB	103.813
Range Resources	5/20/2013	\$750	5.000%	Sr Sub Notes	3/15/2023	Ba2 /*- / BB+	105.250	3.580%	148 bp	76.000	9.725%	3/15/2023	783 bp	+615 bp	
Whiting Petroleum	9/9/2013	\$1,200	5.750%	Sr Notes	3/15/2021	Ba3 /*- / BB-	111.188	3.270%	173 bp	74.000	12.772%	3/15/2021	1119 bp	+950 bp	
Chesapeake Energy	3/18/2013	\$384	5.750%	Sr Notes	3/15/2023	B3 / CCC+	110.313	4.075%	197 bp	31.034	29.201%	3/15/2023	2731 bp	+2513 bp	
Weighted Average								108.517	3.844%	199 bp	71.371	13.130%	1/26/2022	1141 bp	+929 bp

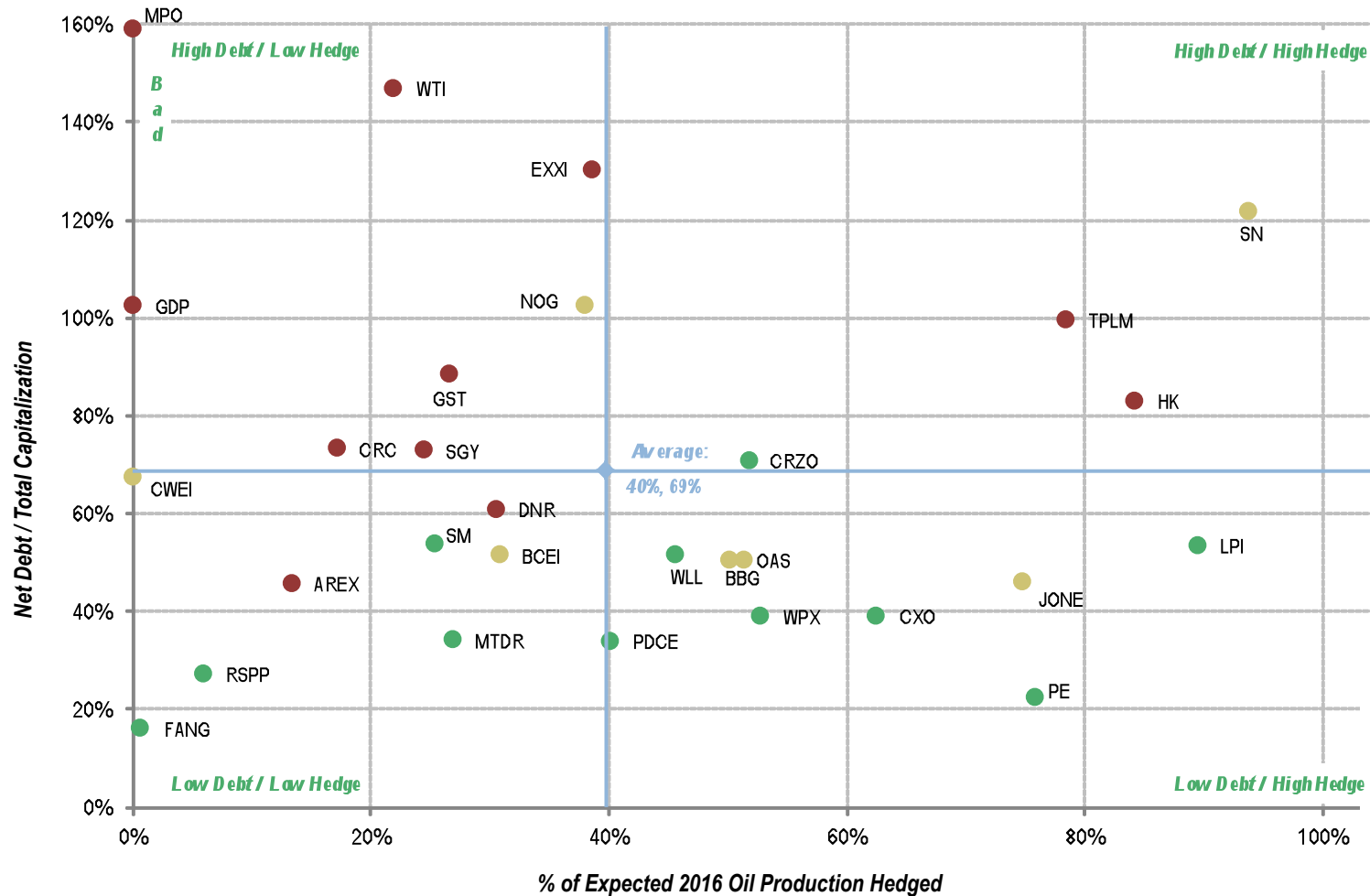
Mid-Scale	Issuer	Issue Date	Amount	Coupon	Security	Maturity	Ratings	As of 7/15/2014			As of 1/12/2016				
								Price	YTW	STW	Price	YTW	YTW Date	STW	Yield Δ
								Rice Energy	4/16/2014	\$900	6.250%	Sr Notes	5/1/2022	B3 / B-	102.875
SM Energy	5/23/2014	\$500	5.000%	Sr Notes	1/15/2024	Ba2 /*- / BB	101.688	4.649%	255 bp	65.000	11.904%	1/15/2024	994 bp	+725 bp	
Oasis Petroleum	6/27/2012	\$400	6.875%	Sr Notes	1/15/2023	B2 / B+	110.438	5.084%	299 bp	57.250	17.792%	1/15/2023	1591 bp	+1271 bp	
Bonanza Creek Energy	6/3/2013	\$500	6.750%	Sr Notes	4/15/2021	B3 / CCC+	106.625	3.921%	239 bp	58.500	19.805%	4/15/2021	1821 bp	+1588 bp	
Rex Energy	9/27/2013	\$350	8.875%	Sr Notes	12/1/2020	Caa2 / CC	111.625	6.082%	455 bp	12.000	90.623%	12/1/2020	8909 bp	+8454 bp	
Weighted Average								107.720	5.046%	336 bp	59.509	24.581%	5/17/2022	2282 bp	+1953 bp



Percent of 2016 Oil Production Hedged and Debt in Relation to Bond Yields

- The following chart compares net debt as a percent of capitalization and the percentage of expected 2016 oil production that is hedged for all E&P companies whose production was >50% liquids in the last quarter and have high yield bonds outstanding
- There is a strong correlation between those companies whose bonds have outperformed the market and those companies with low debt levels and strong hedge positions

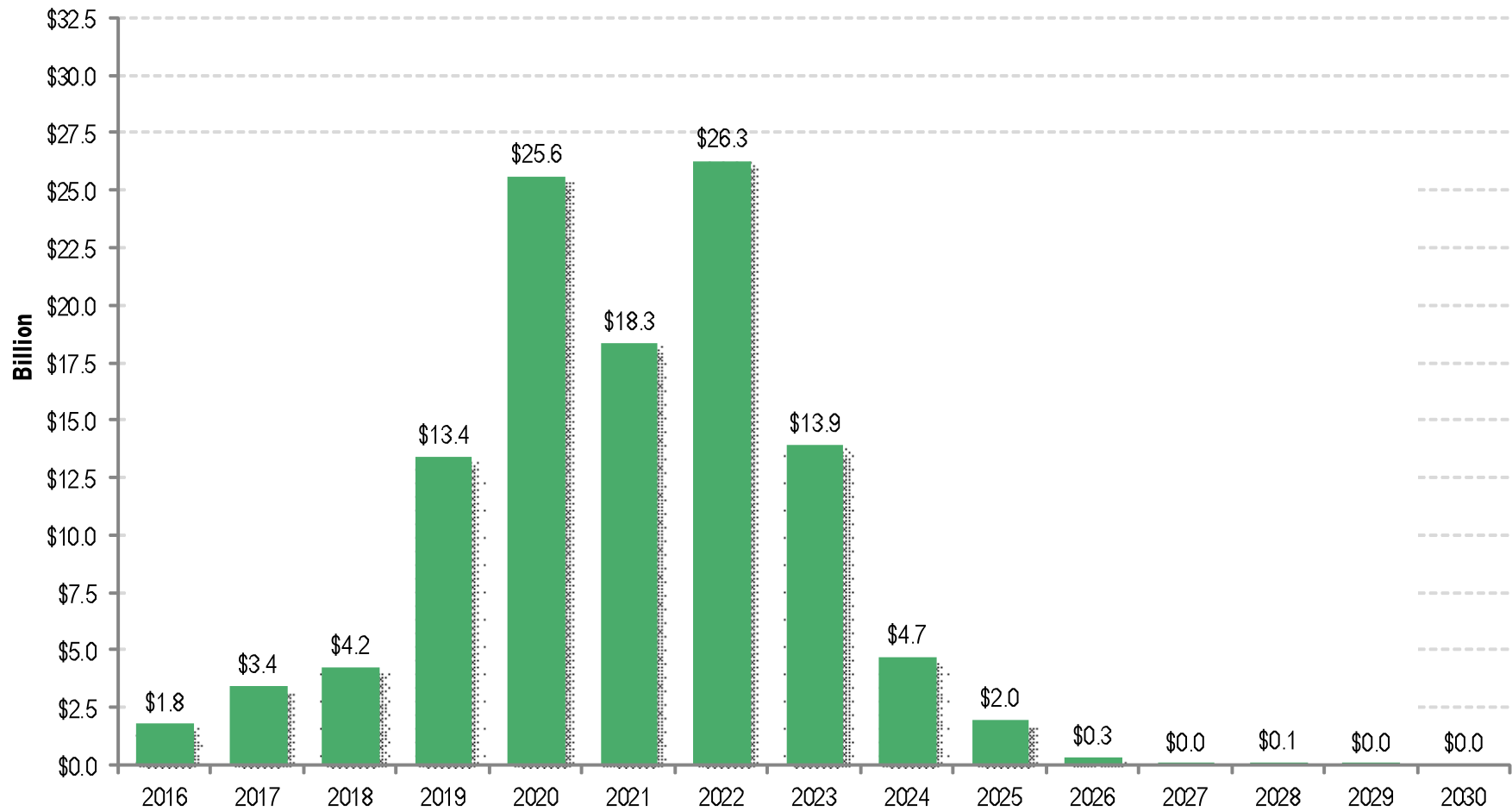
- Yield < 10%
- Yield 10-20%
- Yield > 20%



Ticker	Avg. Hedge Price
FANG	●
CXO	◐
MTDR	○
RSPP	○
PDCE	●
LPI	●
PE	○
CRZO	○
SM	●
WPX	◐
WLL	○
OAS	○
JONE	●
SN	●
BBG	●
BCEI	○
CWEI	—
NOG	●
CRC	○
SGY	◐
DNR	◐
TPLM	○
AREX	◐
GST	●
HK	●
WTI	○
EXXI	○
MPO	—
GDP	—

E&P Maturity Schedule

Maturing E&P Bond Volume



The Year Ahead – What to Look For

1st Half of 2016







- The first half of 2016 will likely be bleak with increased:
 - Defaults
 - Pre-packaged bankruptcies
 - Distressed exchanges
- Bearish commodity price outlook
- Looming borrowing base redeterminations

2nd Half of 2016

- The second half of 2016 has potential for improvement, but may still prove to be a difficult period:
 - Volatility due to negative headlines will dissipate as companies stabilize themselves in reorganization
 - Hope for commodity price stability, or even limited recovery
 - Increased whole-company M&A by investment grade credits will improve credit quality
 - Financing of some A&D packages with blurring lines between High Yield and Mezzanine Markets
 - Asset sales, equity raises, and M&A will lead to stronger credits with the ability to access capital markets





Appendix: Summary of Distressed Debt Exchanges

Summary of Recent Distressed Exchanges

Issuer	Date	Exchange Offer Overview	Pre-Exchange Level / Level of Exchange	Conditions for Exchange	Δ in Borrowing Base	Total Debt (\$ in mm)		Unsecured Rating Implications	
						Before	After	Before	After
	12/15/2015	Issued \$2.4bn new 8.00% 2 nd Lien Notes due '22 in exchange for various amounts of all tranches of unsecured notes, which were given an acceptance priority level based on maturity in the event of oversubscription, with earlier maturities receiving a higher tender price than later maturities	~50% of Par / 56-100% of Par	All existing notes that are tendered for exchange before the Early Tender Date will have priority over those who tender after the Early Tender Date, regardless of the acceptance priority level	No Change	\$11,567.0	\$10,992.0	Ba3 / BB-	B3 / CCC+
	12/10/2015	Exchanged a total of \$2.81bn of Unsecured Notes across 3 tranches, due '20, '21 and '24, for \$2.25bn of new 2 nd Lien Notes due '22; tender offer was oversubscribed by \$841mm	~68% of Par / 80% of Par	Company had maximum offering size of \$2.25bn Secured debt	No change	\$6,481.0	\$5,917.8	B2 / BB-	Caa3 / BB-
	11/16/2015	Exchanged \$584mm 6.50% Notes, \$824mm 6.25% Notes, \$286mm 8.625% Notes, \$184mm 7.75% Notes and \$121mm 6.50% Notes for \$1bn of 2 nd Lien Notes	~27% of Par / 50% of Par	Senior Lien Notes subject to Springing Maturity	From \$4bn to \$3.6bn	\$10,044.3	\$9,044.3	B3 / B-	Caa2 / B-
	10/20/2015 11/2/2015	Exchanged \$376mm 7.50% Senior Notes and \$201mm 8.50% Senior Notes for a \$591mm 12.50% Senior Secured 2 nd Lien Term Loan; Later repurchased \$251mm of Senior Notes for \$109mm of its 2 nd Lien Term Loan	~25% of Par / 43% of Par	Credit Agreement amendment: interest coverage ratio reduced; total leverage ratio removed	From \$600mm to \$375mm	\$1,550.0	\$1,137.0	Caa2 / CCC	Ca / D
	8/14/2015 10/8/2015	Issued 16mm shares of stock in exchange for \$29mm in '21 notes and 11.6mm shares for \$21mm in '22 notes; Repurchased \$29.3mm 8.75% Senior Notes due '20, \$111.6mm 7.50% Senior Notes due '21, \$26.1mm 8.125% Senior Notes due '22, and \$83mm 7.50% Senior Notes due '23 for \$94.5mm in cash; also exchanged a portion of its unsecured debt for \$158.4mm of new 8.125% Convertible Notes and \$116.6mm of new 7.50% Convertible Notes	~29% of Par / 38% of Par	The new Convertible Notes will be guaranteed by the same guarantors that guarantee the outstanding Senior Notes; Revolver amendment	From \$900mm to \$500mm	\$4,395.6	\$4,145.6	Caa2 / CCC-	Caa3 / D
	9/1/2015 9/25/2015	Exchanged \$55mm 5.00% Convertible Notes due '32 for new notes with the same ranking, maturity, and interest rate but with a face value of \$27.5mm. Also exchanged \$158.2mm (57%) 8.875% Senior Notes due '19 for \$75mm of 8.875% 2 nd Lien Notes due '18 and \$6mm in warrants to buy stock at \$1 / share.	21% of Par / 47% of Par	New debt must be (i) unsecured or (ii) for a Third Lien Facility (not in excess of \$50mm); price at which the convertible debt can be converted was cut to \$2 / share from more than \$34 / share	From \$105mm to \$75mm	\$893.5	\$810.3	Caa2 / CCC	Ca / D

Average Premium: 22 points

Summary of Recent Distressed Exchanges (Continued)

Issuer	Date	Exchange Offer Overview	Pre-Exchange Level / Level of Exchange	Conditions for Exchange	Δ in Borrowing Base	Total Debt (\$ in mm)		Unsecured Rating Implications	
						Before	After	Before	After
	4/9/2015 8/27/2015 12/21/2015	Exchanged \$116.5mm 9.75% Senior Notes for 66.5mm shares of HK stock; Exchanged \$1.57bn of outstanding unsecured debt for \$1bn of new 13.00% 3 rd Lien Senior Secured Notes due '22 ; Later exchanged \$116.5mm 9.75% Notes due '20, \$137.7mm 8.875% Notes due '21 and \$35.3mm 9.25% Notes due '22 for \$112.8mm new 12.00% 2 nd Lien Notes	~45% of Par / 64% of Par	Contingent on amendment to revolver	From \$900mm to \$850mm	\$3,871.7	\$3,111.2	Caa3 / CCC	Caa3 / D
	6/25/2015	Exchanged \$339.7mm (97%) 9.00% Senior Notes due '22 for \$237.6mm of new 12.00% 2 nd Lien PIK Notes	43% of Par / 70% of Par	Participation by at least 85% of bondholders; receipt of \$100mm of new equity from its sponsors; arrangement of new RBL	Arranged new \$140mm base	\$350.0 ⁽¹⁾	\$247.9 ⁽¹⁾	Caa3 / C	Ca / D
	6/22/2015	Exchanged \$69.6mm 9.00% Senior Notes due '22 for \$47.2mm of new 1 st Lien Notes due '20	48% of Par / 68% of Par	--	No change	\$519.7	\$497.3	Caa1 / CCC-	Caa3 / D
	5/21/2015	Exchanged \$279.8mm 10.75% Senior Notes due '20 and \$350.3mm 9.25% Senior Notes due '21 for new 3 rd Lien 10% cash / 2% PIK Notes in an aggregate principal amount of \$504.1mm	47% of Par / 80% of Par	Amendment to the revolving credit facility to provide additional covenant flexibility	From \$525mm to \$253mm	\$1,735.2 ⁽¹⁾	\$1,609.2 ⁽¹⁾	Caa2 / CCC+	Caa3 / D

Average Premium: 22 points

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