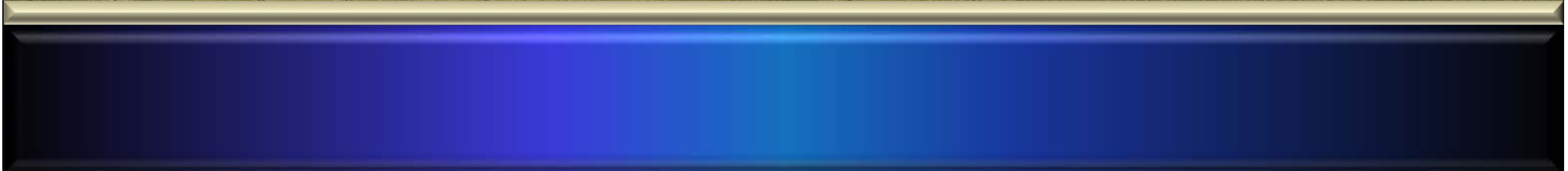




TREADSTONE
ENERGY PARTNERS

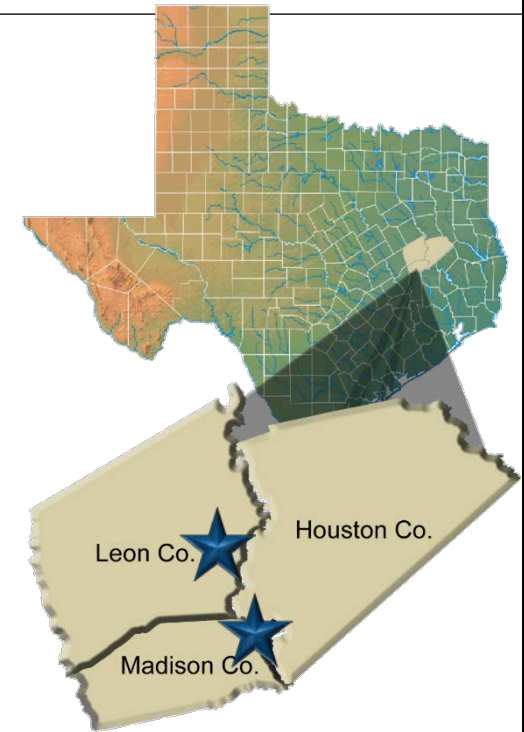
Living an Exit Strategy





Who is TreadStone?

- ❑ Yes: We are Named after the Jason Bourne Trilogy
- ❑ Kayne Anderson Private Equity Backed Company
- ❑ Started April 2011, with Three People
- ❑ Became an East Texas Player: One of the Few Areas
None of Us had Worked
- ❑ Mid 2014: 15 People, Operated 3 Drilling Rigs,
Produced >12,000 boed (all organic growth)
- ❑ Sold July 2014 for \$715mm, >10x Return on Investment





Many Types of Exits

❑ Complete Sale

- Large independent or major
- Larger PE backed company
- Company wanting to IPO

❑ Partial Exit

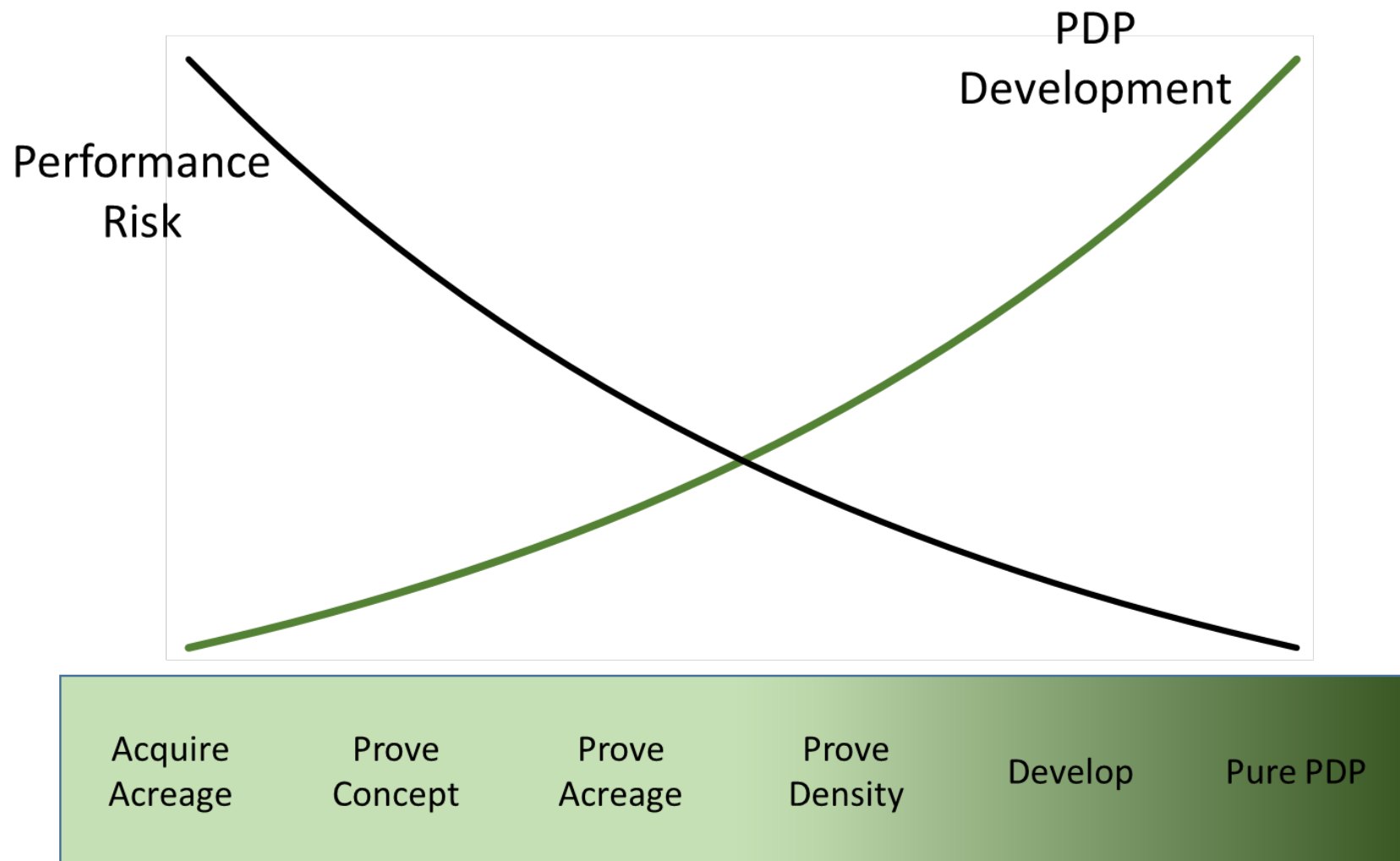
- JV with investor (i.e. foreign money) & continue operations
- JV & become non-operated

❑ Extended Exit

- Sell down PDP on a rolling basis with agreed purchase terms
- Recap on PDP value and fully develop to sell PDPs
- Go public through an IPO

❖ Implications: Payout Timing, Total Payout Risk / Reward, Time Commitment by Management Team

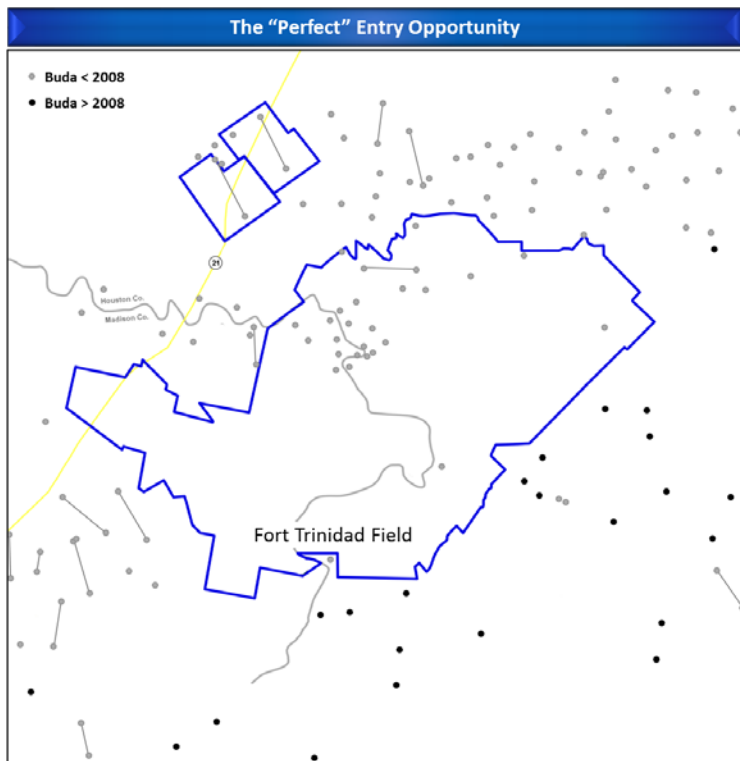
When is the Ideal Exit?



Exit Strategy Thoughts

- ❖ Exit strategy is significantly influenced by factors outside of your control...so control what you can
 - ❑ Non-Controllable Factors: Can Change Rapidly
 - Marketplace / Industry Entrance & Expansion Strategies
 - Price Environment
 - Investment Capital Availability
 - Market Readiness for Asset
 - ❑ Controllable Exit Strategy Factors
 - Acquire the Right Assets
 - Align with Company's Strengths & Strategy
 - Prepare the Assets for Divestiture
- ❖ Be Nimble & Flexible on Exit Timing & Method to Capture Aligned Factors

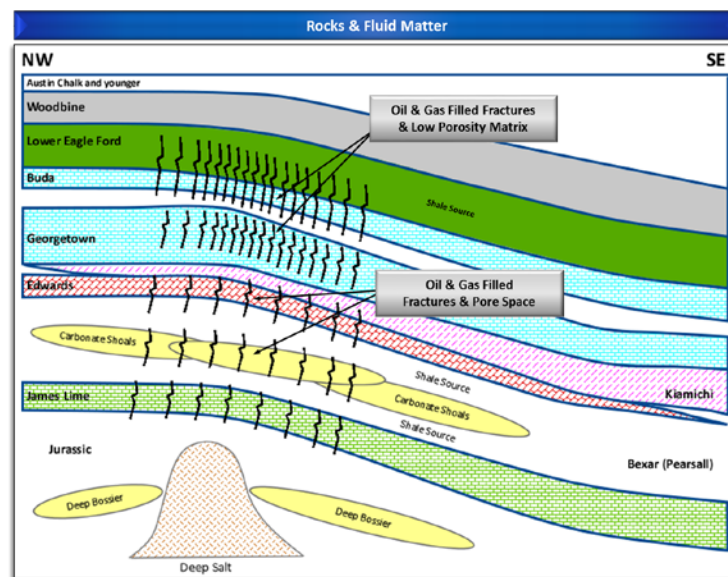
Acquire the Right Assets

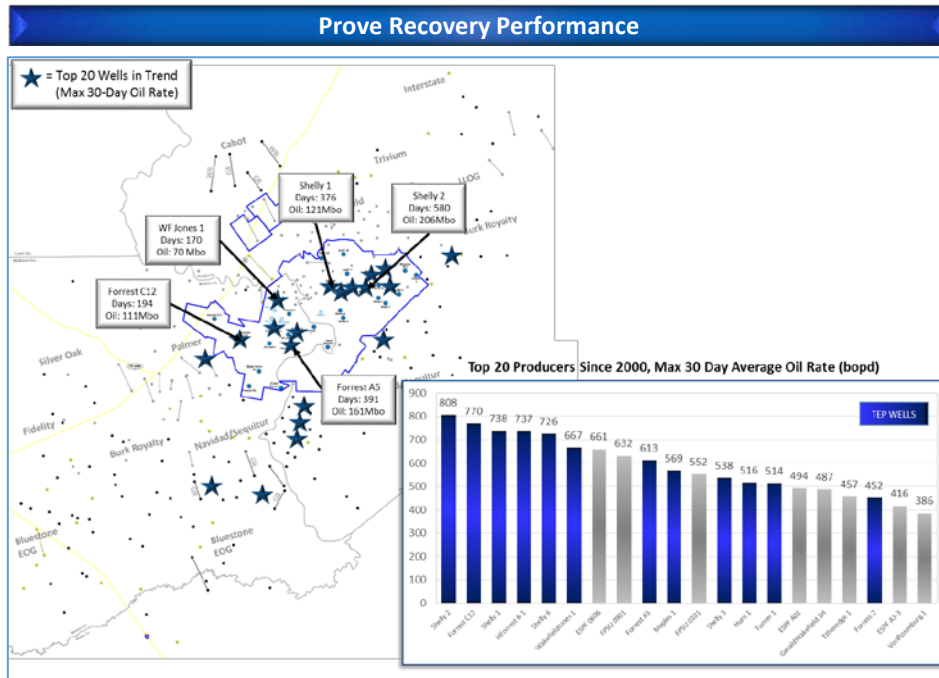


	Pay Area	Avg. Depth
CRETACEOUS	Eagle Ford	8,300-8,700'
	Woodbine	
	Shale	
	Buda	8,700-9,400'
	Del Rio Shale	
	Georgetown	
	Kiamichi	9,400-10,000'
	Edwards	
	Paluxy	
	Walnut	10,100-11,000'
	Glen Rose	
	Massive Anhydrite	
	Rodessa	12,500-14,000'
	Bexar	
James Lime		
Pine Island	18,000'	
Pettet		
Travis Peak		
JURASSIC	Knowles	18,000'
	Cotton Valley	
	Boissier	

- Fit for company strategy & capability
- Appropriate risk tolerance
- Multiple growth options
- Contiguous acreage position

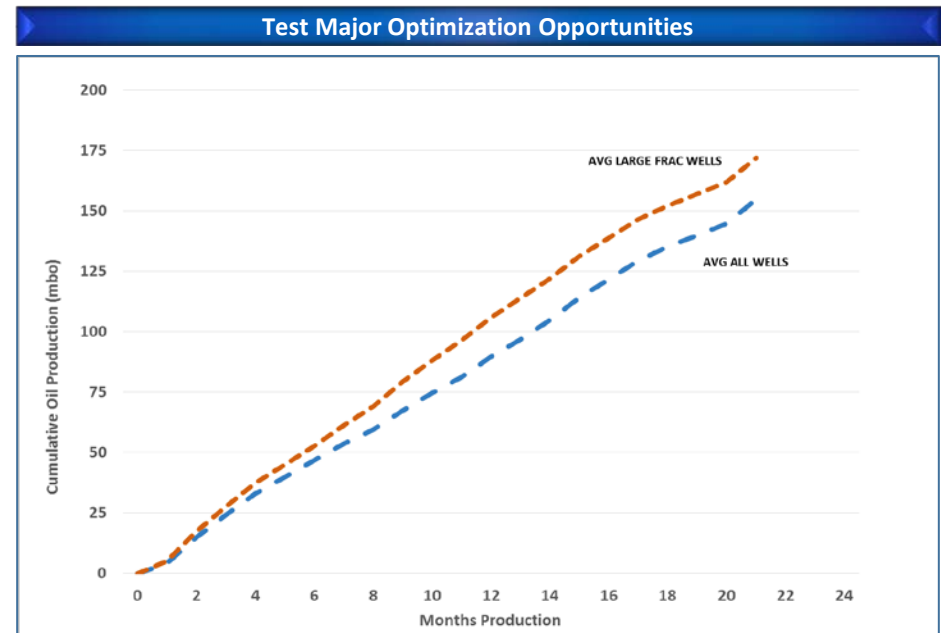
- Rocks & fluids do matter
- Understand geology & reservoir
- In all plays, there are sweet spots



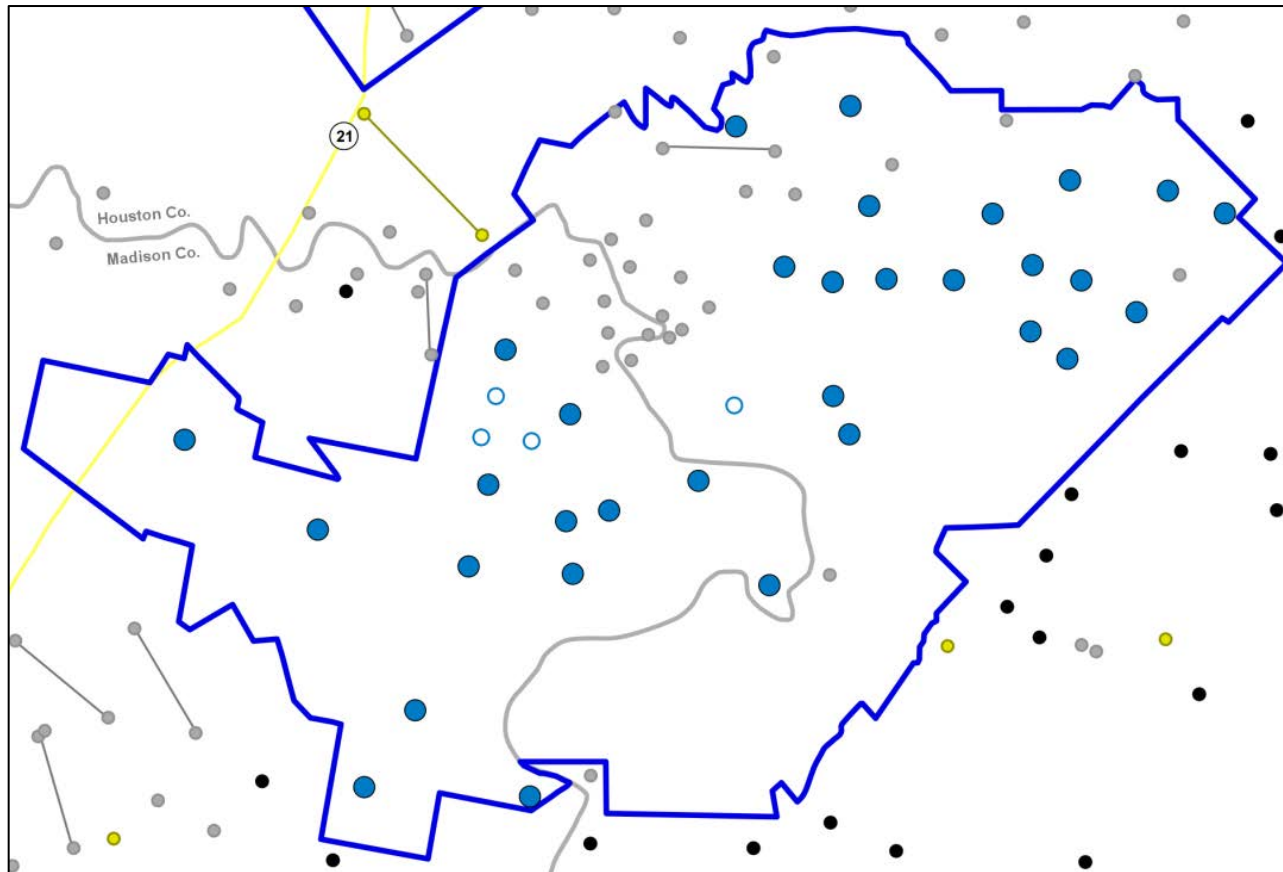


- Prove well performance
- Establish recovery profiles
- Show repeatability & consistency
- Keep wells on production

- Test major optimization opportunities
- Land on a successful method early
- Identify opportunities for further optimization in full development phase



Prove the Reserves Base



- Performance across acreage position
- Infill density
- Development pace
- Secondary reservoirs



Exit Strategy Flexibility

