



Oil and Gas II, LLC

## **IPAA Private Capital Conference**

### ***Exit Strategies – Complexity Increases as Dollar Volume Grows***

IPAA Private Capital Conference | Houston, Texas

Thursday, January 29<sup>th</sup>, 2015

# Rio Oil and Gas II | Overview

## Who We Are --- Rio Oil and Gas II

- Second Iteration of Our Company Following the Sale of Rio I in September 2014.
- Partnered with Quantum Energy Partners.
- Located in The Woodlands and Fort Worth with 22 Employees.

## Rio Oil and Gas I

- Founded in June 2013.
- Acquired Permian Assets in August 2013.
- Built a Very Clear Business Plan to Grow the Company.
- Through Grit, We Grew the Business (2X) and Pushed it to a Deliberate Exit.
- Exit --- Sales in Two Transactions to Public Companies for \$585 MM.
- Outcome to Investors --- ~45% IRR and 3.0 ROI.

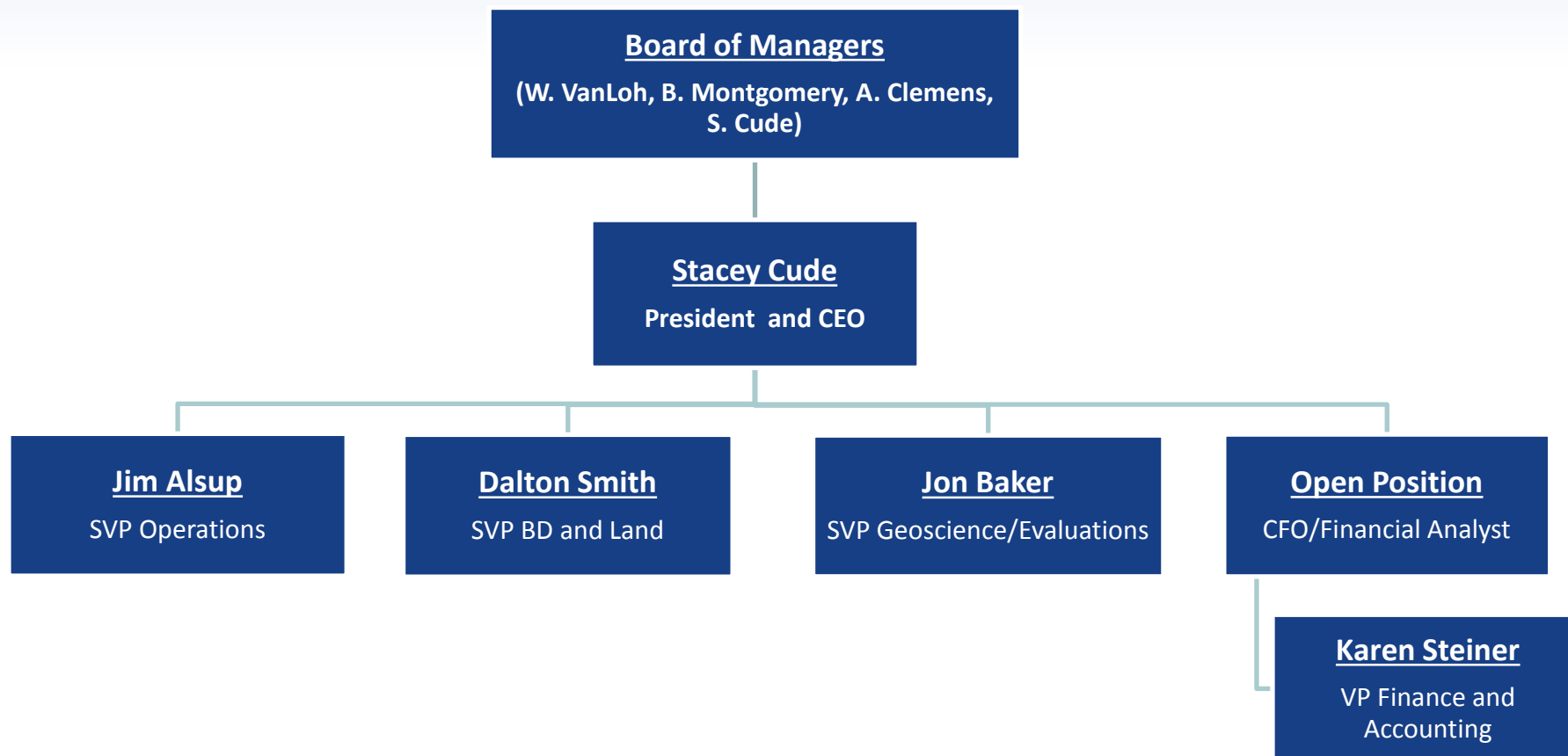
## What We Do Well

- Develop and Understand Geologic Frameworks.
- Ability to Consolidate Acreage Positions and Grind through Difficult Situations.
- Operational Expertise with the Ability to Scale.
- We Understand our Capital Structure.

## What We Are Doing Now

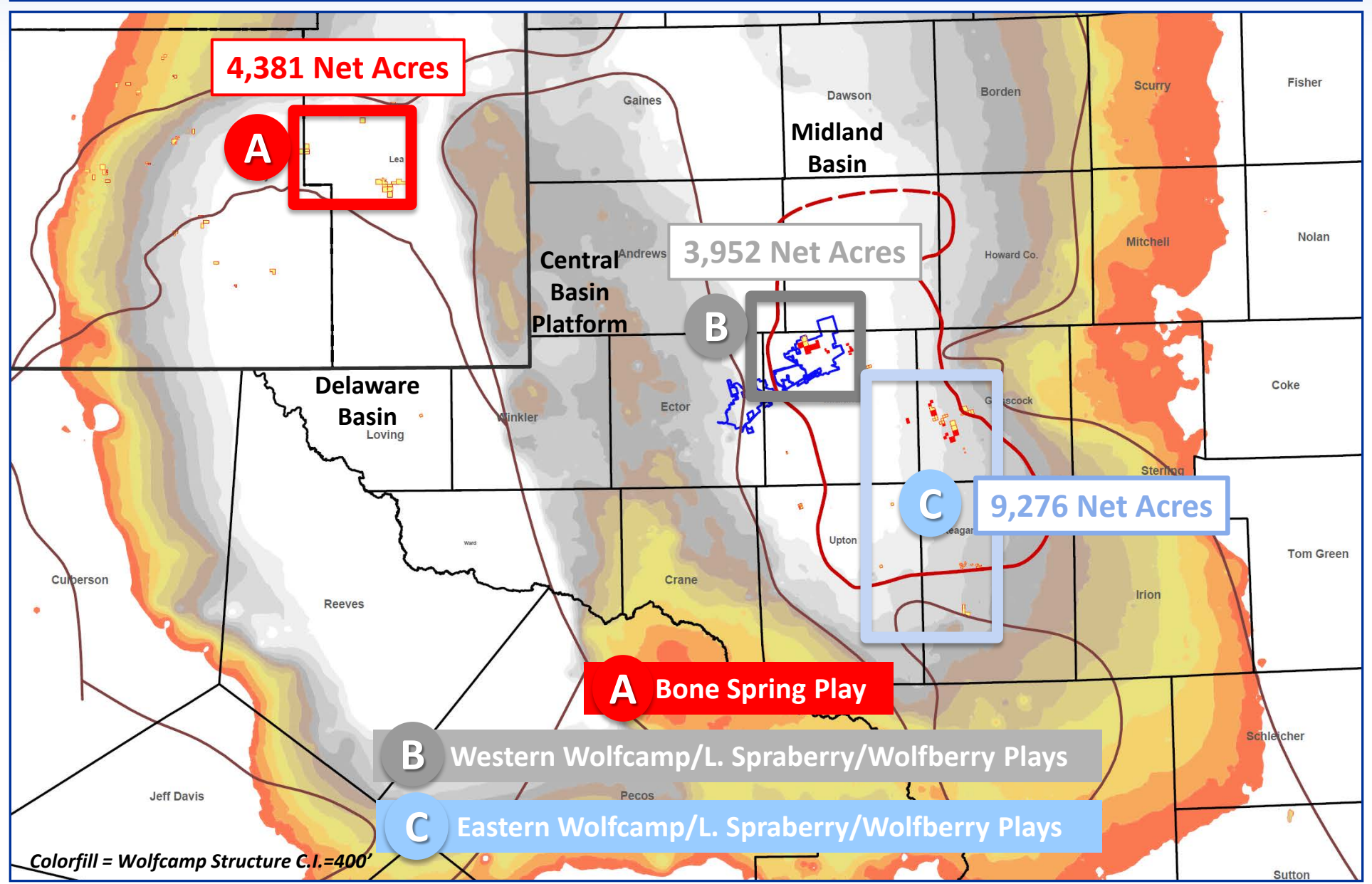
- Still Working in the Midland Basin.
- Considering Opportunities in Other Basins, i.e. Anadarko Basin, etc.

# Organization Chart | The Team Really Matters



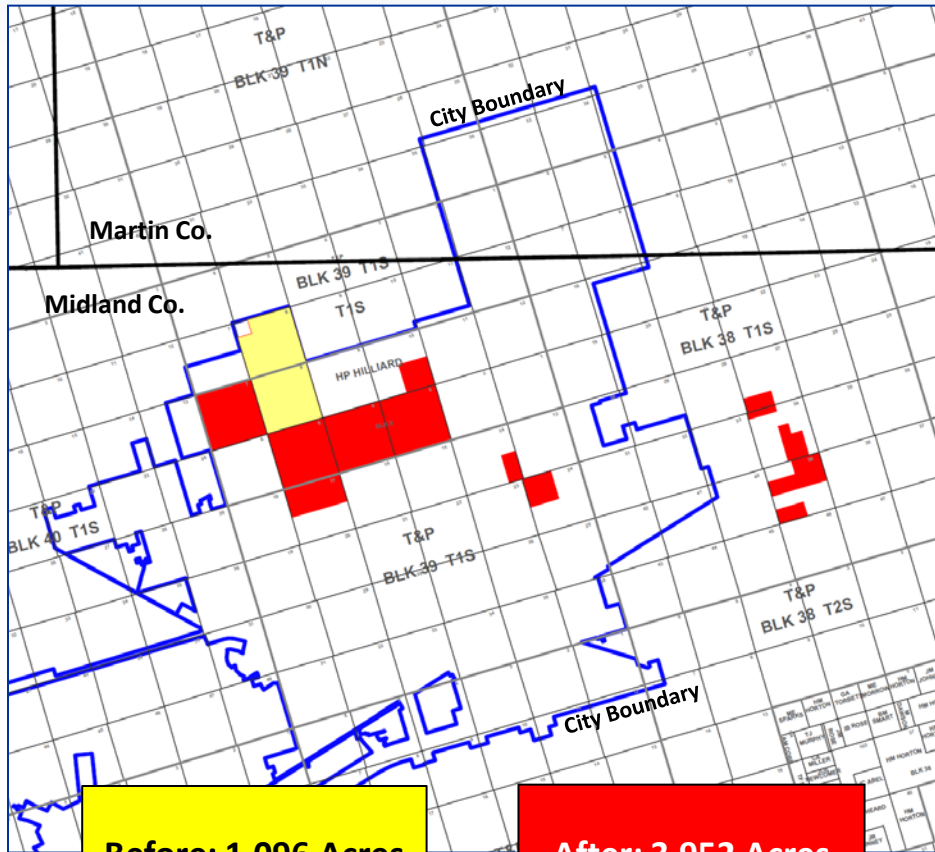
- Everyone on Our Team has Worked Together Before in Some Form.
- Each Member has Specific Functional Responsibilities and is Able to “Wear Multiple Hats”.
- Going Forward, Our Team is Stronger Because We Have Collectively Worked Together.

# Rio Oil and Gas I | Tier I Acreage Positions In The Permian Complex



# Business Plan Execution | Transformative Bolt-On Transactions

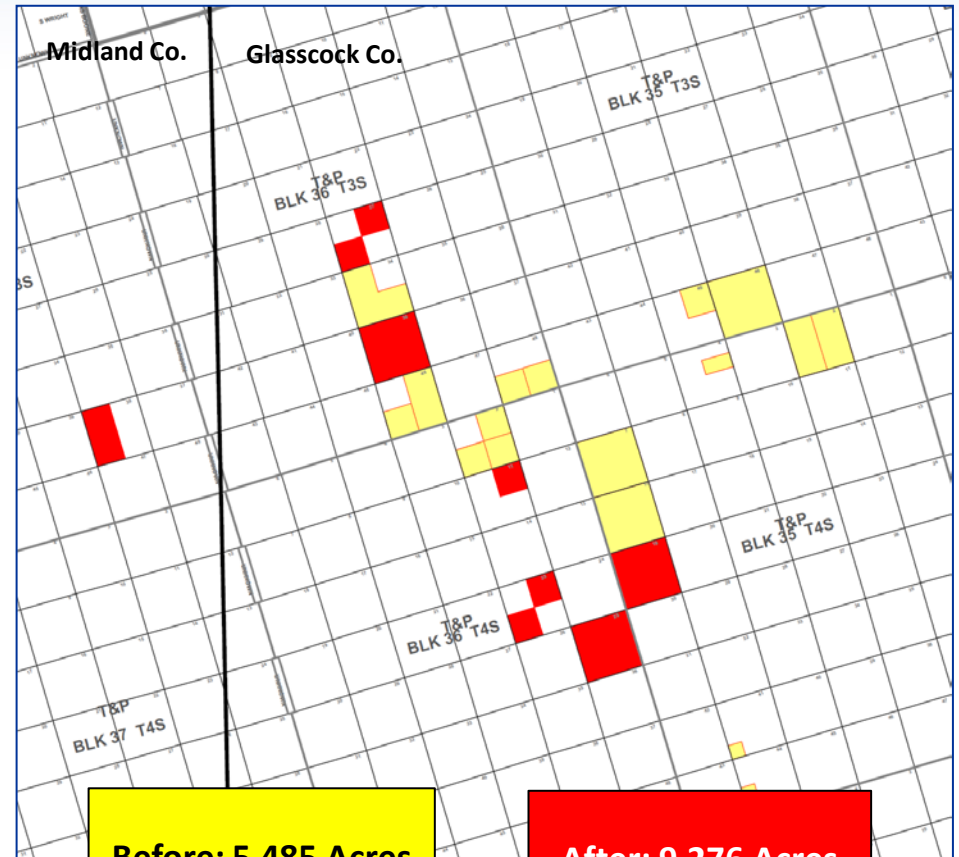
## City of Midland Area | “Before and After”



Before: 1,096 Acres

After: 3,952 Acres

## Glasscock County Area | “Before and After”

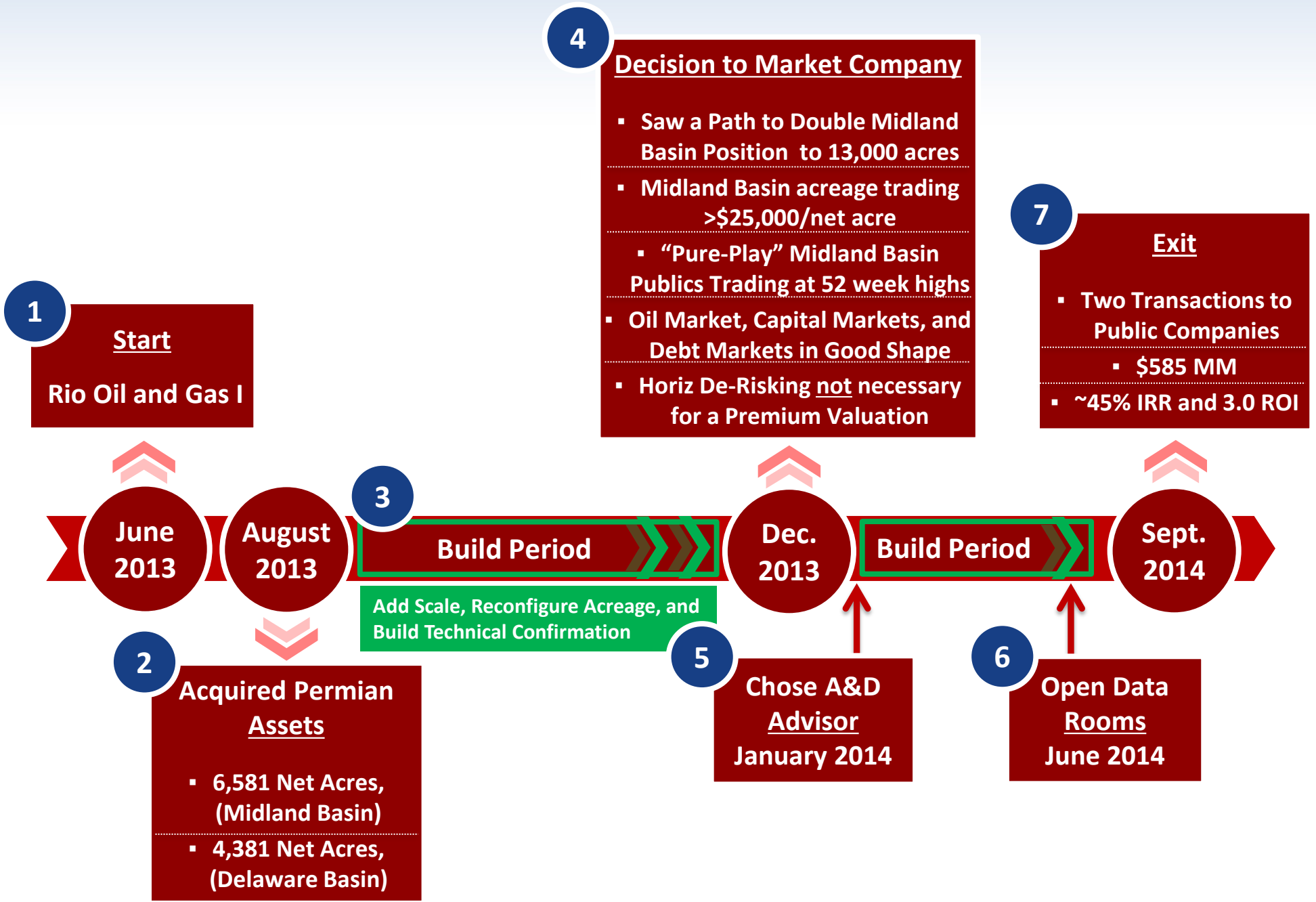


Before: 5,485 Acres

After: 9,276 Acres

- Identified Unleased Acreage Positions Within the City of Midland --- Engaged and Quickly Executed.
- Identified Producing Property Acquisition Targets --- Engaged and Quickly Executed.
- These Additions Were Transformative for our Enterprise.

# Business Cycle Timeline | Building a Business and Pushing to the Exit



# Conclusion | Begin With the End in Mind

## Find the Right Equity Partner

- Understand and Align Risk Tolerance, Both Provider and Management Team.
- Understand Your Providers Time Frame...Can You Deliver?

## Business Plan

- Build an Investment Thesis --- Before You Invest Capital.
- Be Honest With Yourself...What is Your Management Team Really Good at?

## Understand Your Capital Structure

- What Will Stress or Upset the Structure?
- What Will Optimize Your Returns?

## Capital Allocation

- Once You Establish an Asset Base that Fits Your Skill Set...Build an Execution Plan.
- Design Exit Plan...What Does Your Business Need , Then Make That Happen.
- Ensure there is a Focus on Execution at the Field Level.

## Intellectual Honesty

- Be Transparent to Your Partners, i.e. EUR Est., DC&E Est., Time Frames, etc.
- Clearly Illustrate What You Are Comfortable With and What You Are Not.
- Have Strong Conviction on an Investment Before You Recommend to Your Investors.

## Exit Plan

- Again, Know What Your Business Ultimately Needs to Look Like...Make That Happen.
- Get an A&D Advisor that is Excited to Work Your Deal.
- Don't Let Anyone Get in the Way Once Your Plan is Established...No One...