



The Science of The Deal

Acquiring & Divesting Oil and Gas Properties in Today's Marketplace

IPAA / TIPRO

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What is EnergyNet?

EnergyNet is an easy-to-use oil and gas property **auction and negotiated sale service** that facilitates the sale of producing working interests (operated and non-operated), overrides, royalties, mineral interests, and non-producing leasehold. Most of the properties we sell are located in the **lower 48 United States** and typically range in value from **\$1,000 to \$50MM**.

Using an **Internet platform**, EnergyNet allows buyers the flexibility and convenience of conducting their due diligence and placing bids online. EnergyNet is a **continuous marketplace**, with transactions going on everyday.

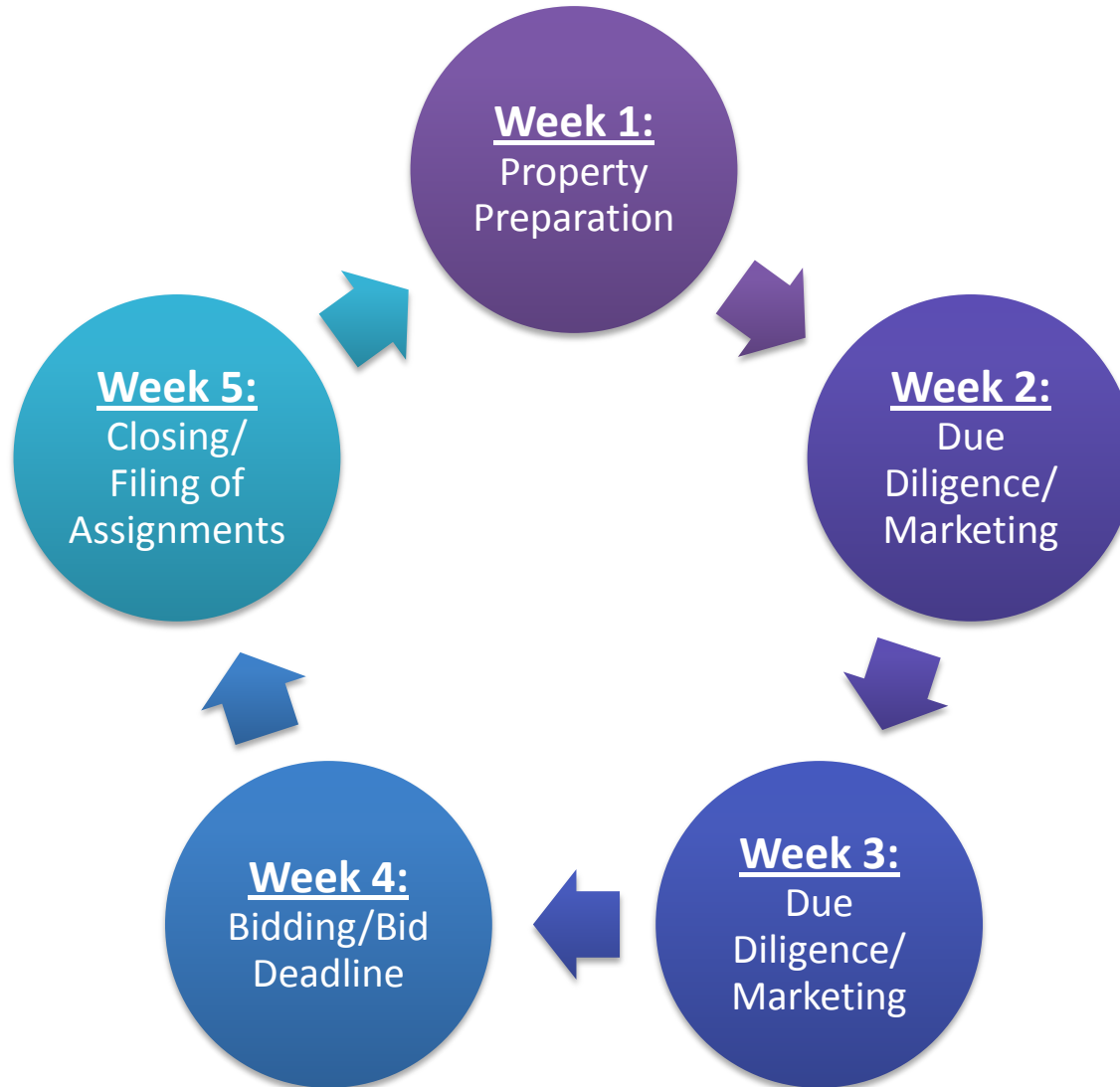
In simple terms, EnergyNet strives to **achieve the highest prices** while providing a **timely sale** for oil and gas properties by **exposing them to the widest possible national audience of accredited buyers**.

The Science of the Deal

- 1. Current Oil and Gas Transaction Metrics**
- 2. Components of the Deal**
- 3. Considerations when Selling Assets**
- 4. Negotiation Theory / Auction Game Theory**

EnergyNet Upcoming Sales

August 10th 2011
 August 11th
 August 16th
 August 17th
 August 18th
 August 23rd
 August 24th
 August 25th
 August 30th
 August 31st
 September 1st
 September 6th
 September 7th
 September 8th
 September 13th
 September 14th
 September 15th
 September 20th
 September 21st
 September 22nd
 September 27th
 September 28th
 September 29th
 October 4th
 October 5th
 October 6th
 October 11th
 October 12th
 October 13th
 October 18th
 October 19th
 October 20th 2011

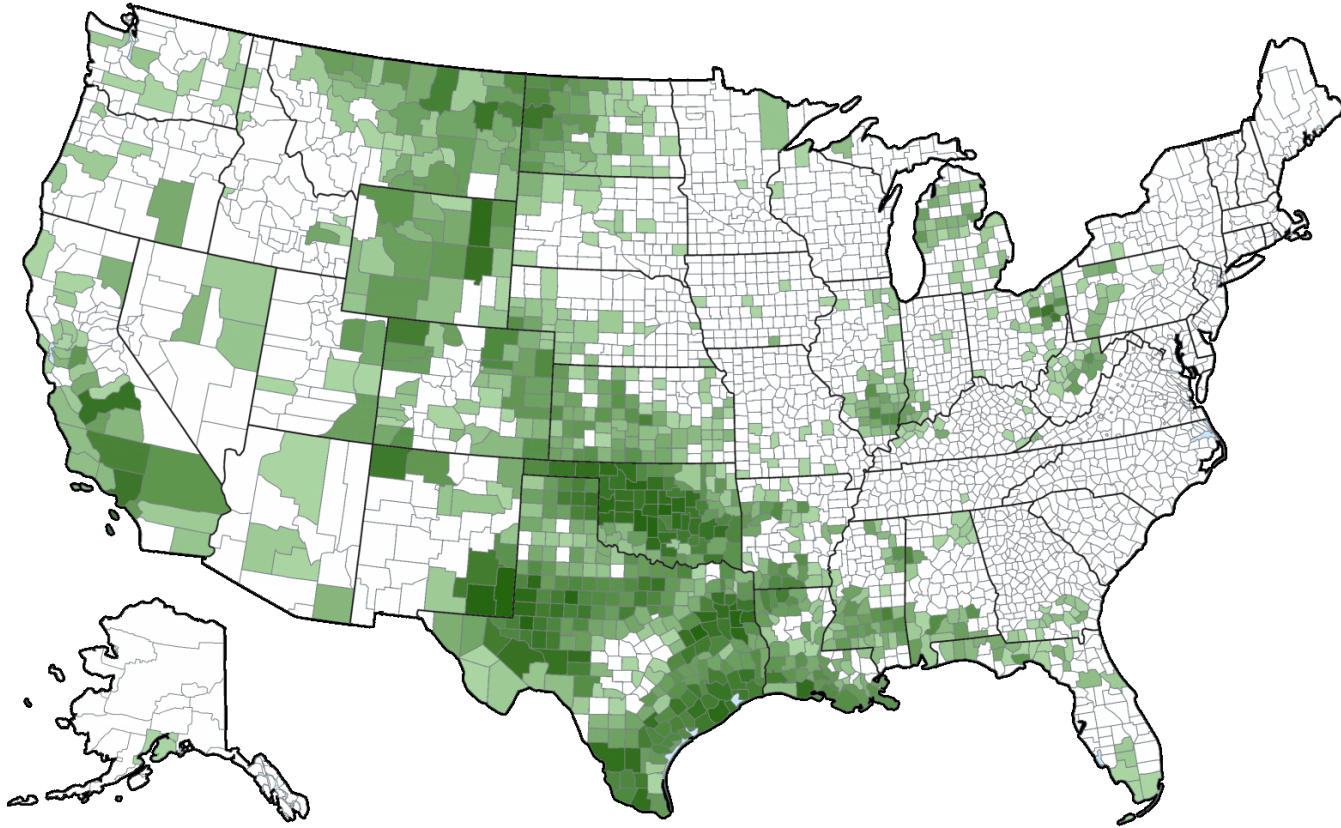


October 25th 2011
 October 26th
 October 27th
 November 1st
 November 2nd
 November 3rd
 November 8th
 November 9th
 November 10th
 November 15th
 November 16th
 November 17th
 November 22nd
 November 23rd
 November 29th
 November 30th
 December 1st
 December 6th
 December 7th
 December 8th
 December 13th
 December 14th
 December 15th
 December 20th
 December 29th
 January 3rd
 January 4th
 January 5th
 January 10th
 January 11th
 January 12th
 January 13th
 January 14th 2012

24/7/365 Oil and Gas Property Marketplace

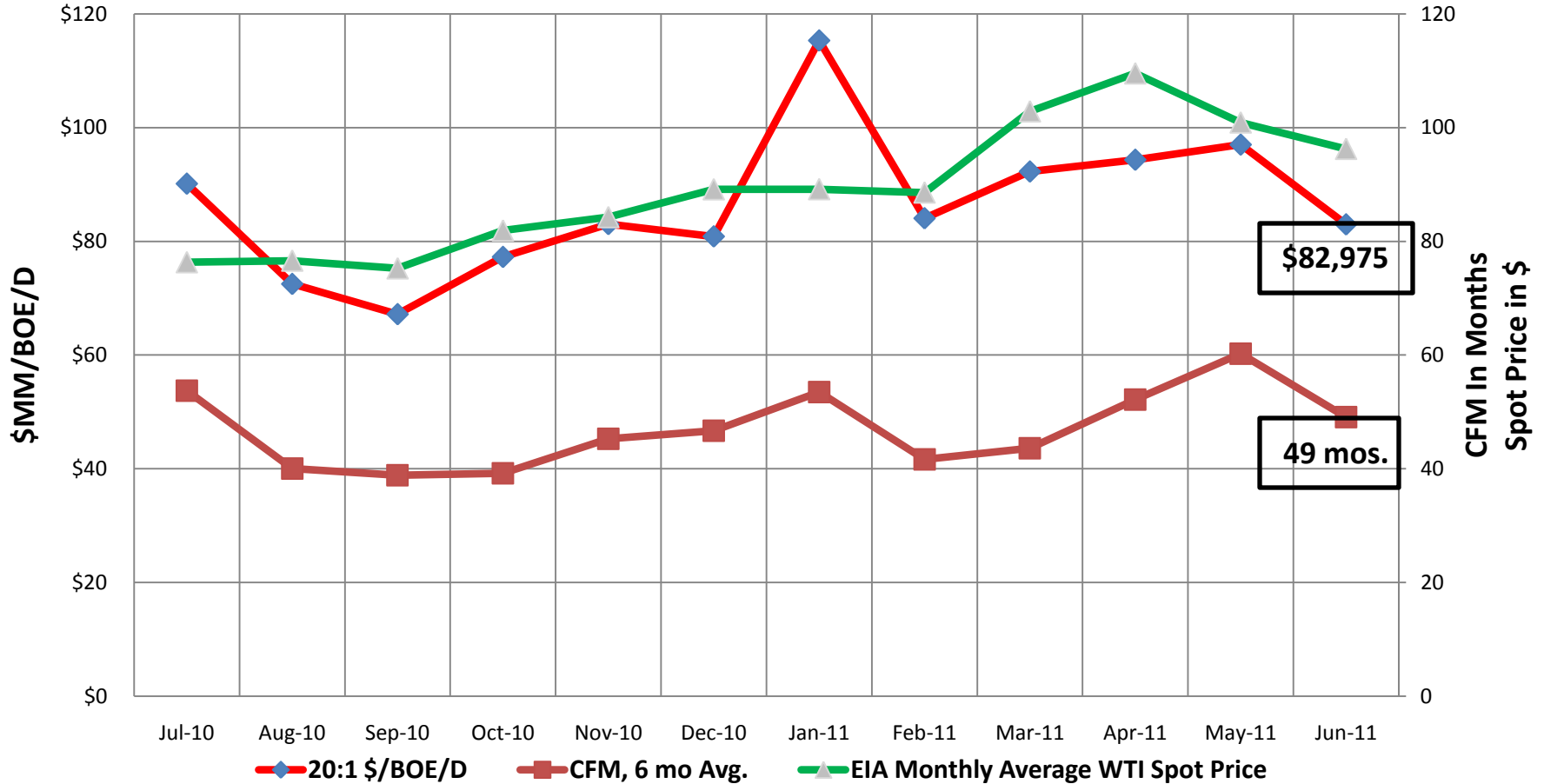
Current Market Transaction Metrics

35,000+ Properties Sold on EnergyNet



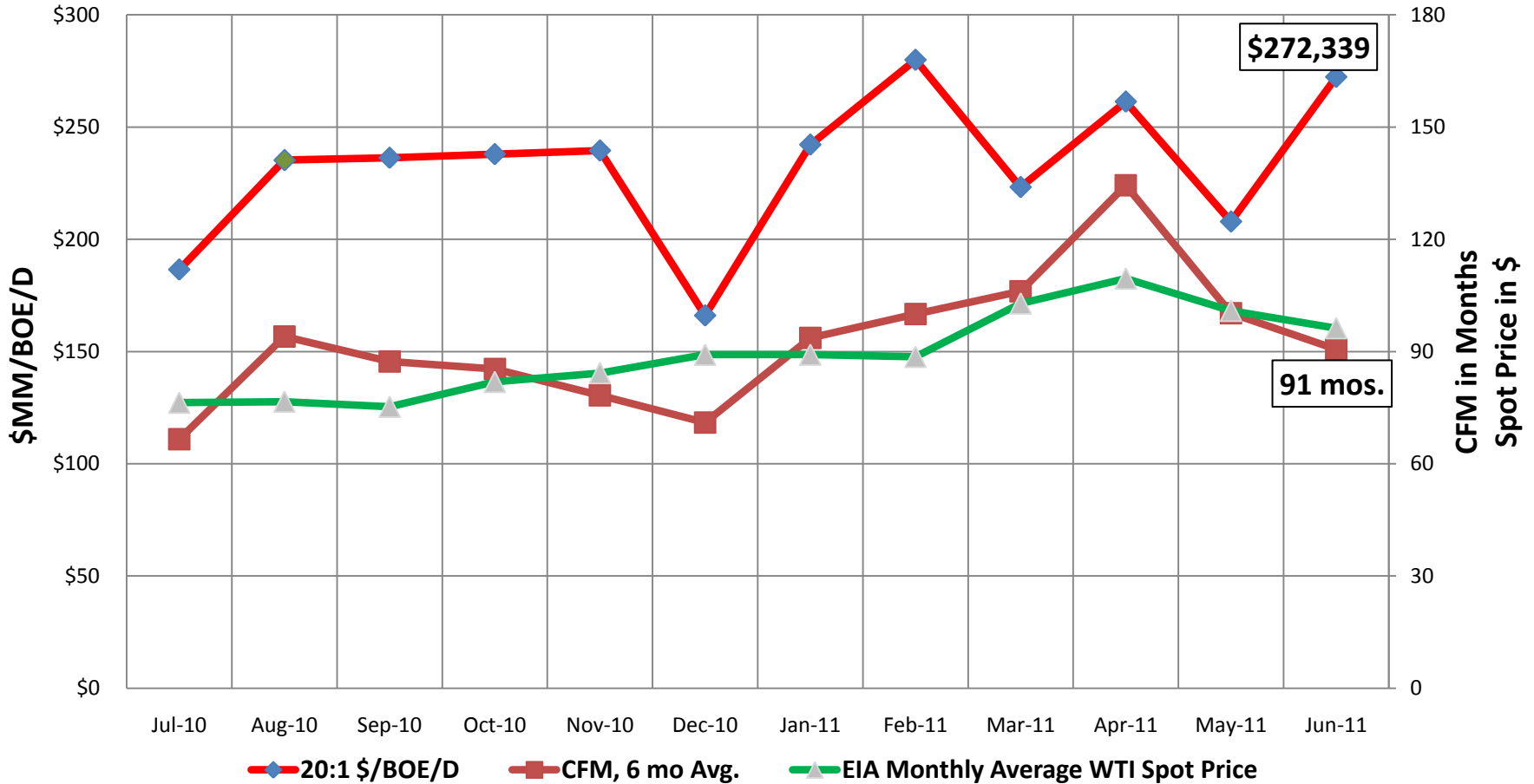
EnergyNet Market Metrics: WI – 20:1 \$/BOE/D

July 2010 - June 2011 EnergyNet Operated Working Interests / Non-Operated Working Interests Metrics Trend



EnergyNet Market Metrics: RI - 20:1 \$/BOE/D

July 2010 - June 2011 EnergyNet Royalty & Overriding Royalty Interests Metrics Trend



Working Interests (Operated & Non-Op): 20:1

Q3 2010 – Q2 2011

Region	\$/Net BOE/D	CF Multiple (Avg. 6 mos. prior to sale)	CF Multiple (Last month prior to sale)	Avg. # Views Per Lot	Avg. # Viewers Per Lot	Avg. # Bids Per Lot	Avg. # Bidders Per Lot
Appalachian	\$43,687	28.68	25.94	788	189	26	6
Ark-La-Tex	\$64,859	40.34	37.67	997	185	29	7
Gulf Coast	\$60,740	34.25	31.96	683	152	29	8
Michigan Basin	\$46,318	41.89	36.22	573	150	19	5
Mid-Continent	\$79,157	45.61	49.20	768	172	31	6
Permian	\$84,047	54.84	51.27	1074	222	34	7
Rockies	\$64,667	43.14	46.23	979	157	34	9
South Texas	\$78,999	42.01	71.75	532	143	17	5

Royalty & Overriding Royalty Interests: 20:1

Q3 2010 – Q2 2011

Region	\$/Net BOE/D	CF Multiple (Avg. 6 mos. prior to sale)	CF Multiple (Last month prior to sale)	Avg. # Views Per Lot	Avg. # Viewers Per Lot	Avg. # Bids Per Lot	Avg. # Bidders Per Lot
Appalachian	\$178,506	101.05	103.07	1429	215	81	11
Ark-La-Tex	\$207,926	94.46	103.45	628	134	48	12
Gulf Coast	\$174,099	73.92	79.00	806	151	53	12
Michigan Basin	\$171,443	90.42	96.03	757	136	65	13
Mid-Continent	\$224,899	88.14	97.38	910	191	48	12
Permian	\$224,781	108.84	106.71	1076	191	49	13
Rockies	\$236,164	104.30	111.28	1025	186	60	12
South Texas	\$223,104	84.84	104.56	625	177	51	12

Key Components of the Deal

Key Components of the Deal

1. Understand the Offering
2. Preparation of Buyer Due Diligence Materials
3. Exposure to the Marketplace / Marketing
4. Buyer Due Diligence / Feedback Loop
5. Competitive Function / Ask for Offers
6. Negotiation
7. Closing the Deal

Importance of Exposure

- More exposure creates more competition resulting in higher net proceeds to the seller.
- Simultaneously expose the property to buyers, rather than sequentially offering it to one buyer, then the next.
- Be prepared to answer the questions: “How many buyers reviewed the package? How many times did they review it? How many buyers made offers? What was the make-up of the buyers that reviewed it?”
- Typically the best deal for a buyer is to submit an unsolicited offer and it be accepted. The seller’s best outcome is the other end of the spectrum ...a highly competitive auction/negotiated sale process.

Importance of Competition

- A myth exists regarding the ease at which it is to find an aggressive buyer willing to pay a premium and do it by yourself, sequentially, rather than simultaneously.
- People like the allure of the private deal. It's difficult to do and you typically leave money on the table.
- Conventional wisdom says the operator of a working interest, ORRI or royalty interest is the logical buyer. This is typically not correct.

Access to the Marketplace



1,000 Buyers

EnergyNet Reaches All Well Known Buyers

- Top 250+ Public E&P Companies
- Top 250+ Private E&P Companies
- Private Equity Backed E&P's
- Upstream MLP's

15,500 Buyers

EnergyNet Also Reaches All Less Known Buyers

- Regional O&G Companies
- Royalty Aggregators
- Investor Groups / Institutions / Funds
- High Net Worth Individuals

Considerations when Selling

We like to describe the makeup of the EnergyNet bidder universe using the iceberg as an analogy. The top 4 categories of buyers are your name-brand companies. They have long histories, lots of employees, huge market caps, they are making headlines with big acquisitions, divestments or new discoveries, but they only represent a fraction of the companies buying assets.

There is an unseen market of aggressive and active buyers.

The number of possible buyers increases exponentially for deals selling for \$50MM and below and that is the competition and exposure EnergyNet tries to harness.

Considerations when Selling

Describe the Assets (Fully and Completely)

Active and aggressive buyers in the market are impatient. They don't waste their time trying to help sellers fix their incomplete offerings --- they move on to the next deal.

Put together a comprehensive set of buyer due diligence materials before you start. Revenue and expense data, master well list with API #s and decimal interests, ownership/land data, production data, engineering, geology, maps, plats.

It is important to have the due diligence materials in a format that can quickly be disseminated to interested buyers. This could be physical data room, a hard copy bound book, a flash drive or CD-Rom, or a web-based platform.

Our ideal/goal at EnergyNet is to create a data room that is SO thorough and complete that a buyer can review it, satisfy all of their due diligence requirements and be the winning buyer without ever having to pick up the phone.

Control the Parameters of the Sale

Create as few variables to the sale as possible in order to maximize competition for it.

Show potential buyers how you will convey the property to them if a deal is made.

Let buyers know ahead of time what effective date you will want for the transaction.

Set expectations for closing and when you will expect the funds.

Avoid complicating the sale with different options for offers, funding, closing, conveyances, etc. You want the offers that you receive to be as close to apples-to-apples as possible.

Considerations when Selling

The Sum of the Parts is Greater than the Whole

There is always a debate within E&P companies whether to sell a group of properties as a package or break them up into their component pieces.

We firmly believe and have empirical evidence to prove that the sum of the parts is indeed greater than the whole.

We never want to exclude buyers from participating in the bid process for assets they want to buy. The pyramid of money has a very small number at the very top and very large number at the bottom. We try to harness that competition.

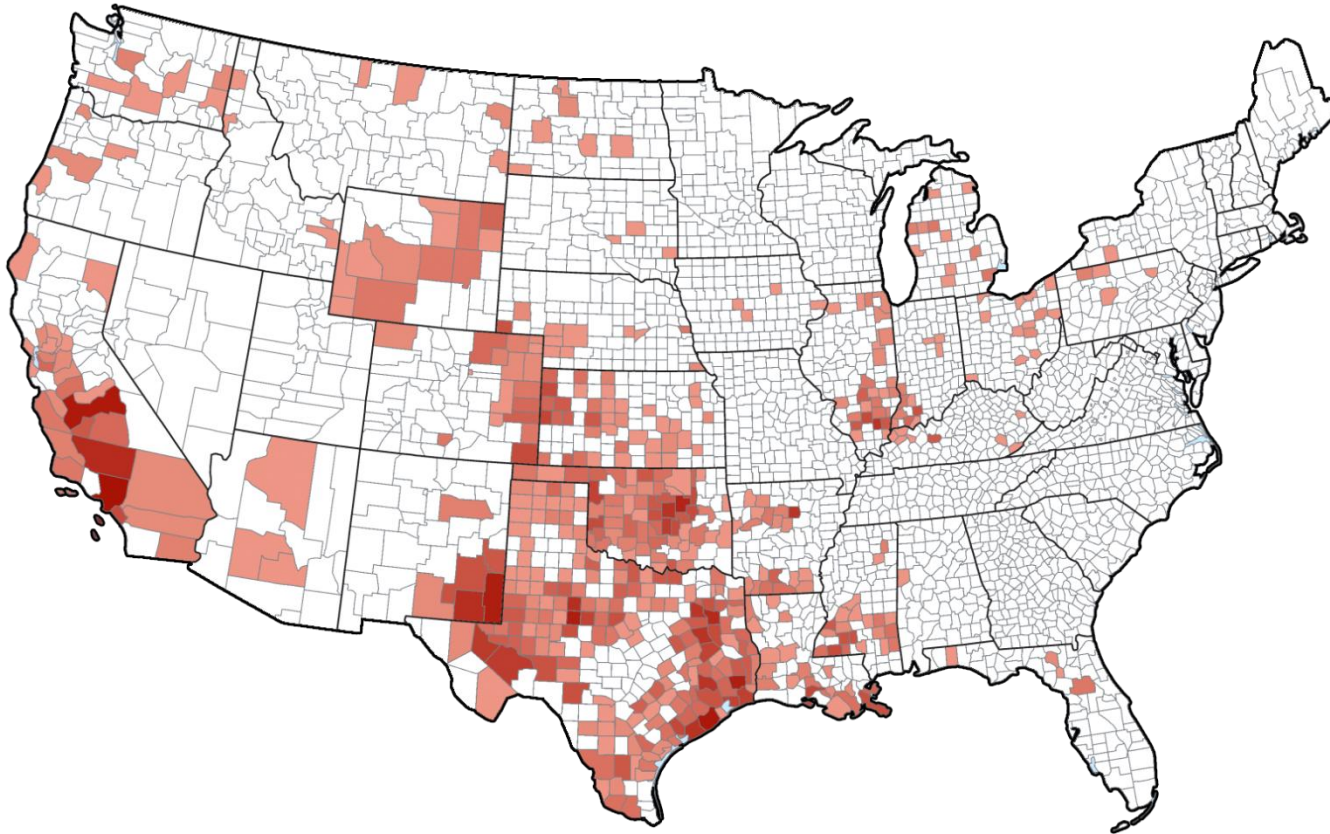
Since EnergyNet handles 2000+ deals a year, it does not slow our process if we turn a \$50MM geographically scattered package into 25 transactions, **if it will get the seller a higher net result.**

Chevron Case Study



Chevron Case Study

Chevron EnergyNet Property Sales: June 2003 – April 2011



Auction Lots Sold
2,069

NegotiAuctions

NegotiAuctions

The phenomenon of across-the-table competition, as exists in a negotiation, and also same-side-of-the-table competition, as exists in an auction, is fairly ubiquitous in our increasingly competitive marketplace.

A “**negotiauction**,” “is the commonplace situation in which negotiators are fighting on two fronts—across the table for sure, but also on the same side of the table, with known, unknown, or possible competitors.”

The “**negotiauction**” concept resonates with deal-makers because it captures the way most high-stakes assets are actually transferred.

The deal-makers talk about the friction at the margins and how you have to understand that to predict how these deals will come out.

Auctions sometimes turn in to private negotiations with the top two or three buyers, and negotiations regularly culminate with the seller going from buyer to buyer extracting successively higher prices, similar to an auction.

Negotiation Strategies



Set-Up Moves

Rearranging Moves

Shut-Down Moves

The Storefront



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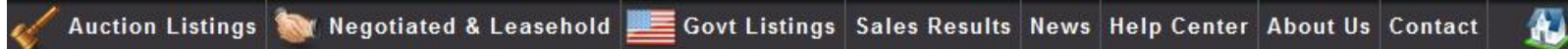
Buyer

Seller

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EnergyNet, Inc.
Amarillo, TX

Lot 19176 - 21 Well Pkg
100% GWI w/Operations

Lot 23993
Marcellus Shale Leasehold

Lot 19184 - Niobrara
HBP Leasehold Acreage

Lot 23967 - 6 Permian Wells
Non-Operated WI

Lot 19177
Bakken Shale Leasehold

Access to the marketplace
Below the surface

Buyer Base
16,500+ Buyers

Property Sales
Liquid Market

The Pledge
To Our Clients



About EnergyNet

EnergyNet offers an easy-to-use oil and gas auction service that facilitates the sale of producing working interests (operated and non-operated), overrides, royalties, mineral interests, and non-producing leasehold. EnergyNet is a continuous oil and gas property marketplace with due diligence and bidding available 24/7/365, where auctions close weekly. Most of the properties EnergyNet sells are located in the lower 48 United States and typically range in value from \$1,000 to \$20,000,000. Using an Internet platform, EnergyNet allows buyers the flexibility and convenience of conducting their acquisition and divestment activities online.

Companies who have sold with EnergyNet



Hilcorp Energy Company



NEWFIELD



WHY ENERGYNET?

Learn about the only continuous oil and gas marketplace

READY TO REGISTER?

Register as a buyer or seller

NEED HELP?

Access our Help Center to learn more



EnergyNet Advantages

- **Proven**
 - 35,000+ property transactions closed in 11 years
 - 2,750 unique sellers (significant repeat business)
 - 16,500+ active qualified buyers
- **Creates Value for Sellers**
 - 88% sales success rate
 - Efficient online sales and closing
 - Sellers choose when to sell – 140 auction closings annually
- **Creates Opportunity for Buyers**
 - Easy to access standardized due diligence set
 - Buyers can evaluate, bid and transact from anywhere
 - Link to DrillingInfo embedded in due diligence
 - Input can be downloaded to (PHDWin, Aries, IHS, HPDI, DI)

Success-Based Commission Includes

- Property Preparation
- Land Staff Support
- Scanning Hardcopy Data / Electronic Data Transfer
- Online Data Rooms for Each Lot
- Creation & Delivery of Bound Data Packages & CD-ROM
- Property Marketing
- Facilitate Competitive Bid Process
- Screen Buyers / Credit Verification / FINRA Suitability
- Closing Services / Post Sale Negotiation Services
- Wiring / Escrow Services
- Conveyance Documents to Seller & Buyer Recorded



Have Fun Storming the Castle!

--Miracle Max – The Princess Bride



Timing ♦ Exposure ♦ Value

Please feel free to contact us if you have questions, or would like to learn more about EnergyNet. Thank you!

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The Storefront



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