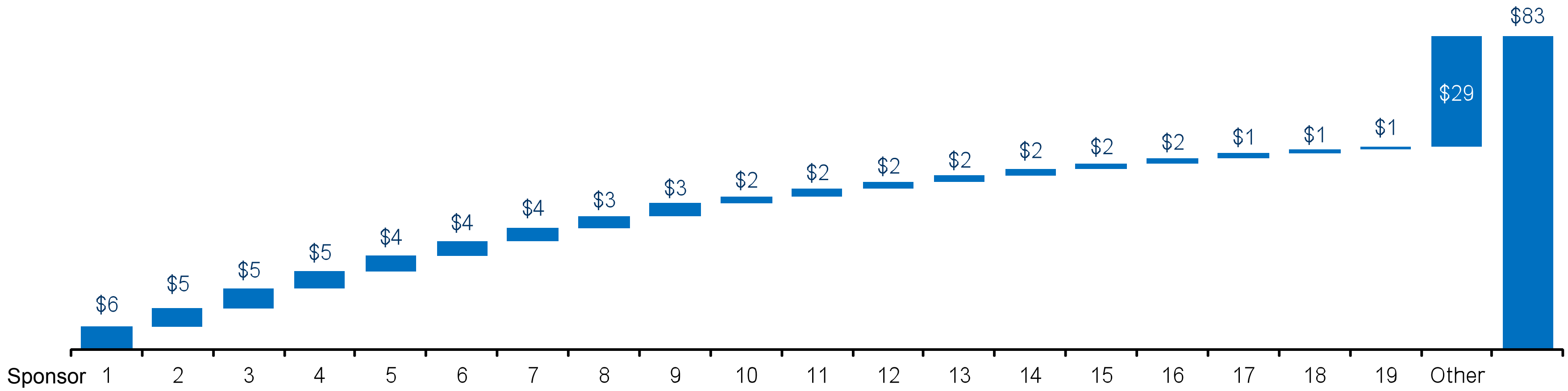
Sage Road overview

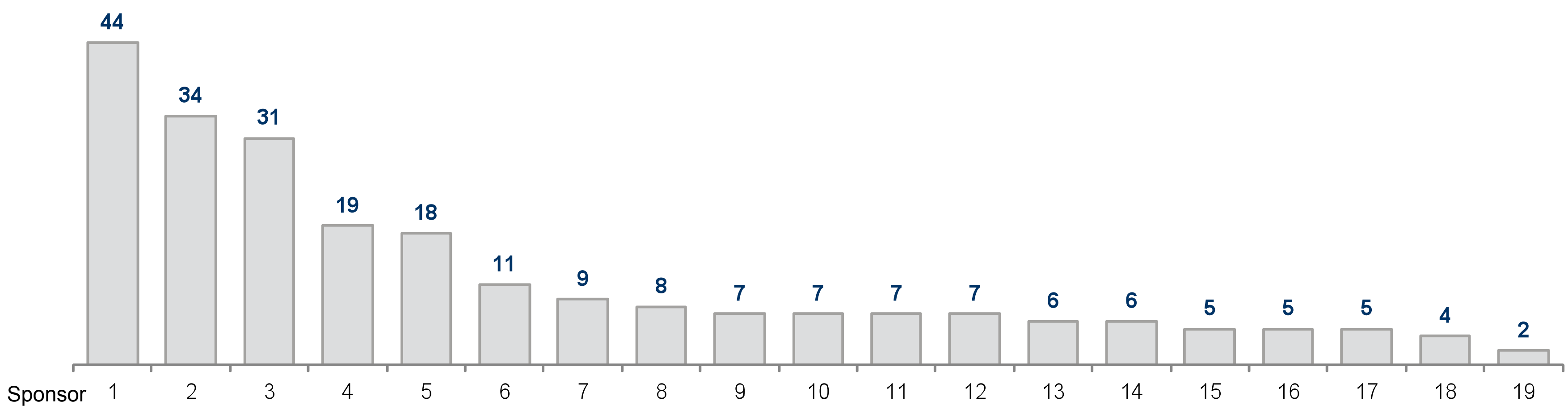
Overview	➢ Upstream-focused private equity firm founded in 2012 ➢ Offices in Houston, TX and Oklahoma City, OK ➢ $100MM of capital under management
Investment Characteristics	➢ Partner with exceptional owner-operators ➢ Onshore US; primarily conventional assets ➢ Target lower middle market assets with value <$100 million, often <$50 million ➢ Producing assets with development / exploitation upside (avoid "wildcat" exploration)
Deal Structure	➢ $10-30 million equity investments; potential to upsize with co-investment ➢ Target assets / strategy identified from inception of investment ➢ Alignment with management via incentive structure and capital commitment ➢ Capitalization consistent with company strategy ➢ Preference for control ➢ Patient, long-term capital provides substantial flexibility with regard to structure

Private equity has dedicated tremendous capital to E&P space

Financial Sponsors Active in E&P Space



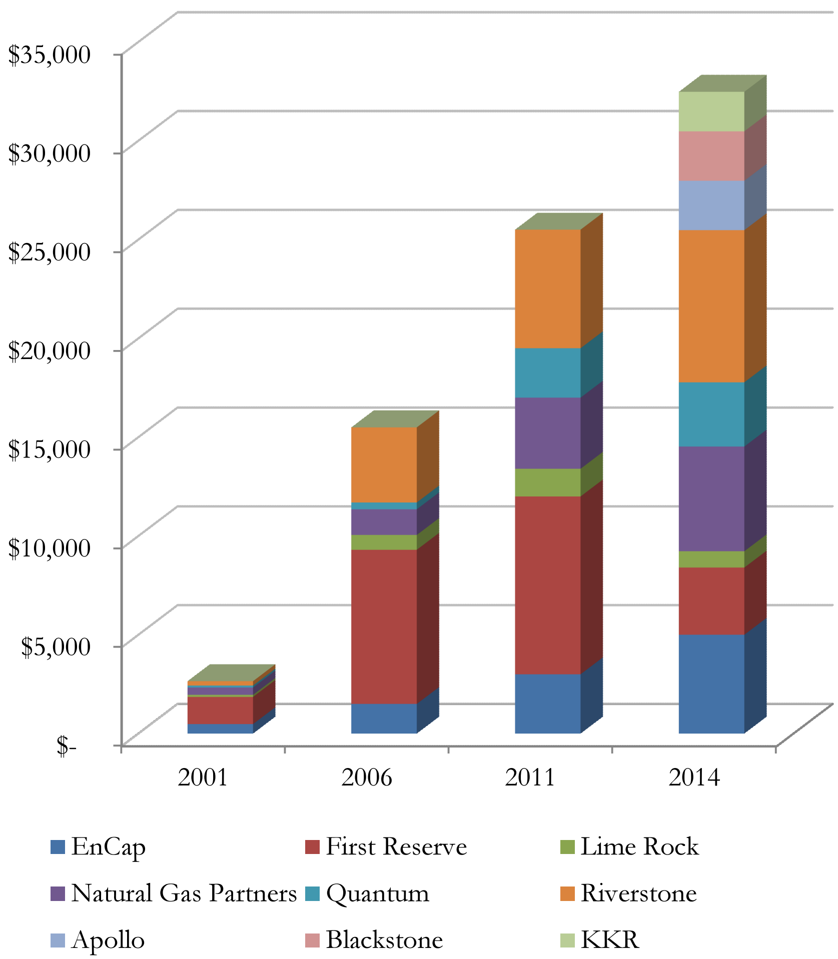
Number of U.S. E&P Focused Management Teams per Financial Sponsor



Source: RBC Richardson Barr estimates.

Energy private equity funds have dramatically grown in size…

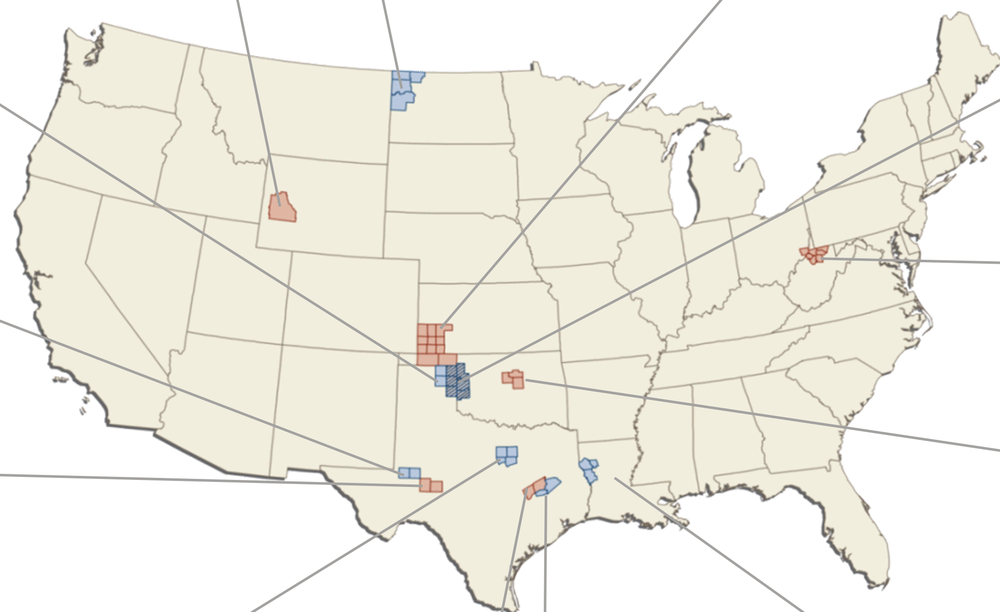
Energy PE Fund Growth: 2001-2014



Commentary

- Dramatic growth of energy-focused private equity as firms shifted focus toward larger investments
- Entry by larger "generalist" private equity / LBO firms
- A number of larger PE players have raised dedicated energy-focused investment vehicles, many of which had previously invested out of diversified (i.e. multi-industry) pools of capital

..and have increasingly focused on larger deals



TPG / JONAH ENERGY LLC / encana
JONAH
Mar-14
$1.8 Billion

RIVERSTONE / LIBERTY RESOURCES / sequel
BAKKEN
Jan-14
$455 Million

M / MERIT ENERGY COMPANY / OXY
HUGOTON
Feb-14
$1.4 Billion

ENERVEST / FOURPOINT ENERGY / LINN Energy
ANADARKO
Oct-14
$1.95 Billion

FIRST RESERVE CORPORATION / TEMPLAR ENERGY LLC / NEWFIELD
GRANITE WASH
Jul-14
$588 Million

Fleur de Lis Energy, L.L.C. / LINN Energy
WOLFCAMP
Oct-14
$350 Million

THE ENERGY & MINERALS GROUP / AMERICAN ENERGY PARTNERS / EAST RESOURCES INC.
MARCELLUS
Jun-14
$1.75 Billion

THE ENERGY & MINERALS GROUP / AMERICAN ENERGY PARTNERS
WOLFCAMP
Jun-14
$2.5 Billion

THE ENERGY & MINERALS GROUP / AMERICAN ENERGY PARTNERS / Calyx Energy LLC
WOODFORD
Jan-14
$680 Million

RIVERSTONE / KKR
Trinity River Energy
BARNETT
Jul-14
Confidential Price

COVEYPARK ENERGY / HawkwoodEnergy / DENHAM CAPITAL / WARBURG PINCUS / encana
BOSSIER/CV
Apr-14
$530 Million

Undisclosed Investors
TREADSTONE ENERGY PARTNERS
EAGLEBINE
Jun-14
$715 Million

Blackstone / **Vine Oil & Gas** / Shell
HAYNESVILLE
Aug-14
$1.2 Billion

Denotes gas transaction   Denotes oil transaction

Source: RBC Richardson Barr database

Sage Road is addressing an under-served niche: small-cap privates

Equity Investment Per Deal	Midstream	Upstream: Acquisition / Exploitation	Upstream: Exploration	Oilfield Services
$10 - $25 MM	SAGEROAD capital	SAGEROAD capital		OFS Energy Fund; Pelican Energy Partners
$25 - $50 MM	Hardington Ventures, L.L.C.; Energy Spectrum	SW Capital Partners; Post Oak Energy Capital	SW Capital Partners; Kern; ARC Financial Corp; TPH Partners; Cadent Energy Partners	Intervale Capital; SCF Partners
$50 - $125 MM		SFC Energy Partners; Kayne Anderson	Pine Brook Road Partners, LLC; Lime Rock Partners; WD	
> $125 MM	Quantum Energy Partners	Natural Gas Partners; Riverstone	EnCap Investments L.P.; First Reserve Corporation	
Mega Funds > $125 MM	Apollo; Blackstone	KKR	TPG	Warburg Pincus

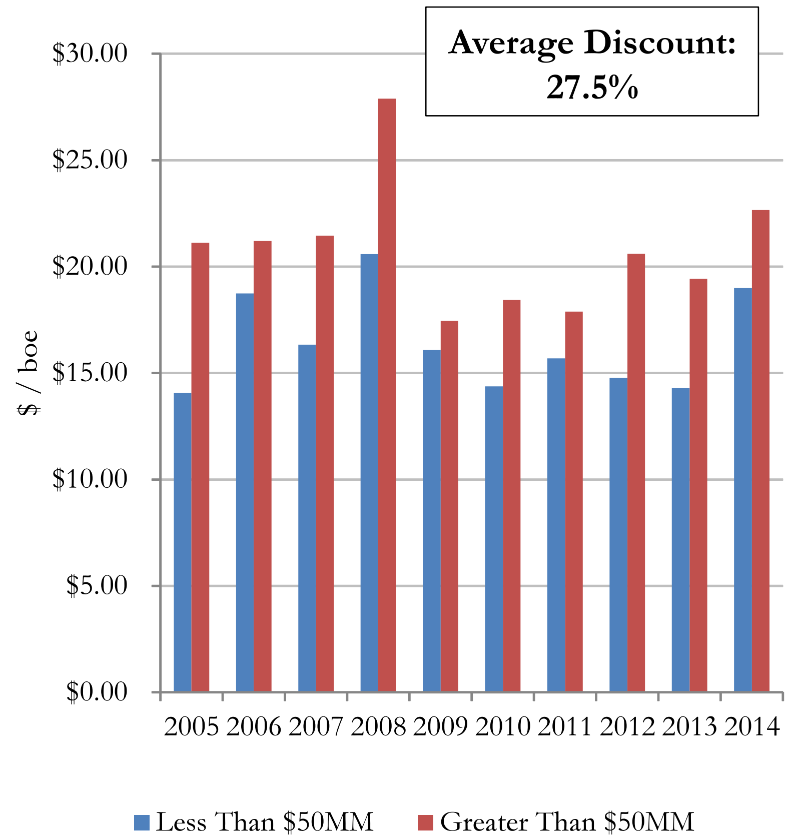
Why we like the lower middle market E&P space

- Less competition for teams and assets
- Ability to buy value: assets consistently trade at a material discount
- Greater opportunities for operational improvement
- Multiple arbitrage for larger assets
- Greater ability to influence outcomes and add value in partnership with management

Valuation metrics of smaller deals are consistently more compelling

Average Purchase Price / Daily Production 2005-2014 ($000/boepd)

Average Purchase Price / Proved Reserves 2005-2014 ($/boe)



Note: Assumes 10:1 natural gas to crude oil conversion ratio.
Source: J.S. Herold, Inc.

Value creation playbook

Asset Characteristics at Entry

- "Orphaned" assets: undermanaged and under capitalized
- Limited scale: <$50MM, and often <$25MM
- Volatile cash flows (no commodity hedging in place)
- Concentrated asset portfolio
- Poor information quality / information systems
- Little or no access to capital
- Fragmented market with limited exit opportunities

Value Creation During SRC Ownership

Comprehensive approach to value creation:

- Operations
- Growth
- Finance / Strategy

Asset Characteristics at Exit

- Larger scale: >$50MM
- Stable production base
- Diversified portfolio of assets
- Tangible inventory of development upside
- Robust financial reporting and information systems
- Greater access to capital (debt and equity)
- Greater access to advisors
- Substantially larger buyer universe (MLP's, privates, etc.)

Sage Road value proposition

Operations	Growth	Finance / Strategy
➢ Comprehensive review of all operating practices ▪ Drilling and completions ▪ Budgeting / capital allocation ▪ Operations / management ➢ Optimization of existing asset base ▪ Lease operating expense ▪ Infrastructure ▪ Reinvest in high value-add ➢ Systematic review of contractual arrangements ➢ Right-size staffing and augment personnel where needed	➢ Exploitation of existing assets ▪ Recompletions ▪ Workovers ▪ Enhanced recovery ➢ Development ▪ "Infill" drilling ▪ New horizons ▪ "Step out" drilling ➢ Complementary add-ons ▪ Regional consolidation ▪ Synergies ▪ Diversification / scale ➢ Leasehold acquisition	➢ Stabilize top-line revenue ▪ Hedging program ▪ Marketing arrangements ▪ Basis differential ➢ Optimizing portfolio ▪ Diversification ▪ Production vs. inventory ➢ Institute best practice systems ▪ Information / reporting ▪ Budgeting ➢ Prudent leverage ➢ M&A / capital markets activities ➢ Manage exit timing and strategy

Lesser Sage Road Involvement **Greater**

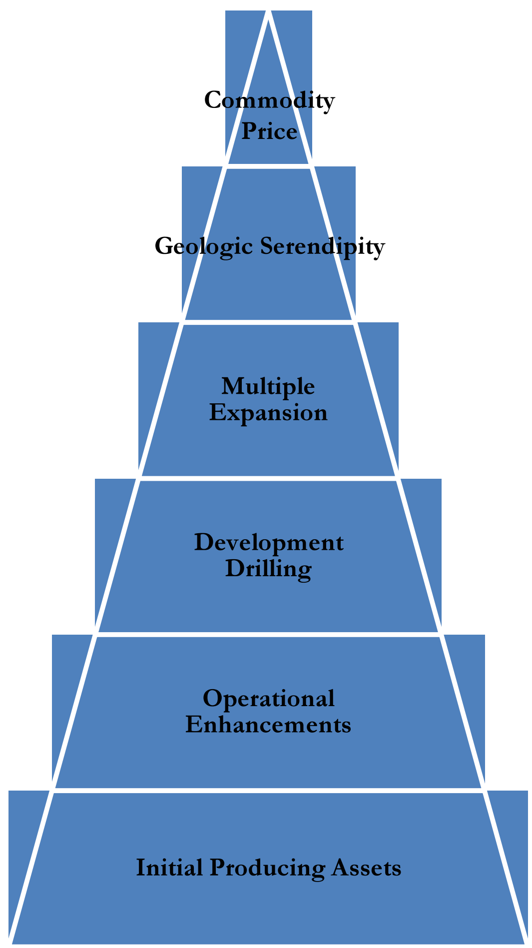
Value creation paradigm

Degree of Influence

Least

Most

Elements of Value Creation



- Volatility enhances option value
- Increases value of existing assets and renders additional resource economic

- Stacked pay and innovation create opportunities to unlock resource potential
- Offset activity can "prove up" unknown resource

- Larger packages garner higher valuations due to more competitive / liquid markets

- Development drilling in both new and existing formations.

- Low-risk quantifiable upside projects
- Operational / cost efficiencies

- Existing developed asset base with production and cash flow

ROI

5.0x + — Multiple "upside" elements provide opportunity to exceed expected results

2.5x — Target asset-level "base case" return of 2.5x - 3.0x

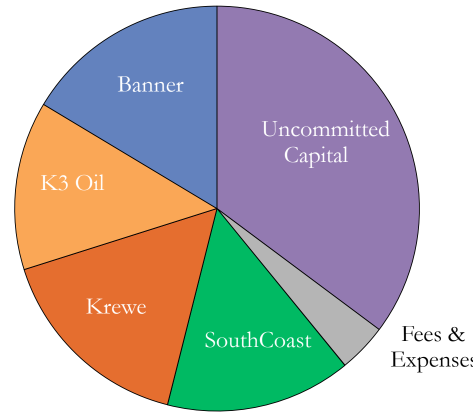
1.0x — "Downside" protection to return of capital plus modest return

Portfolio snapshot

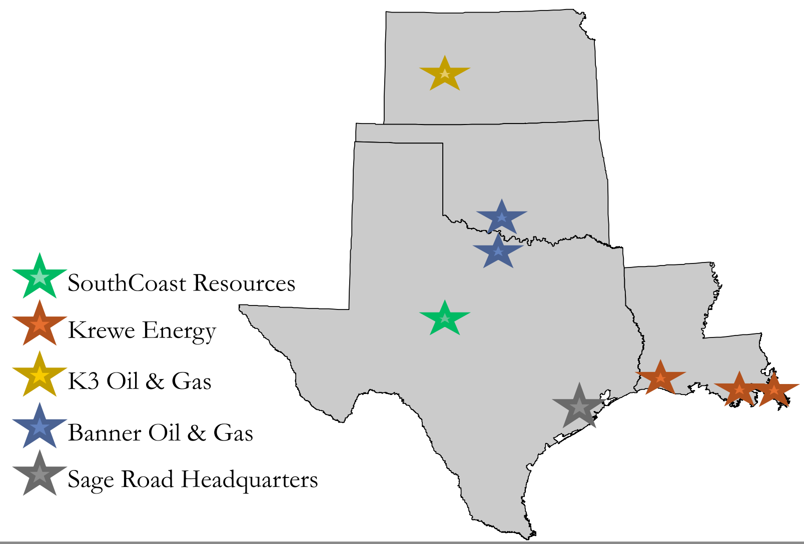
Commentary

- Fund I raised in 2012-2013; ~ $100MM AUM
- ~60% committed to date in 4 companies; 30% invested at 12/2014
  - SouthCoast Resources (August 2013): Gulf Coast / Central Texas acquisition, exploitation and development of onshore conventional assets; primary assets in Runnels County, TX
  - Krewe Energy (September 2013): South Louisiana acquisition and exploitation strategy, specializing in restoring and optimizing production in previously abandoned or under-managed fields
  - K3 Oil (May 2014): Western Kansas acquisition and development strategy, utilizing 3D seismic to identify shallow, undrilled conventional oil structures in established oil producing regions
  - Banner Oil & Gas (June 2014): Oklahoma and North Texas acquisition, exploitation and development of crude oil-weighted assets; primary asset is the Loco Field waterflood in Stephens County, OK

Fund I Commitments



Portfolio Map



Investment parameters

Management Team	➢ Established track record consistent with company strategy ➢ Team members have a history of (successfully) working together ➢ "Complete" technical and operating team
Asset Characteristics	➢ Onshore US; primarily conventional assets ➢ Substantial runway for growth (e.g. regional fragmentation / acquisition opportunities) ➢ Focus on producing assets with development / exploitation potential (avoid "wildcat" exploratory strategies)
Deal Structure	➢ $10-30 million investments in companies with enterprise values of less than $50 million ➢ Target assets / strategy identified from inception of investment ➢ Alignment with management via incentive structure and capital commitment ➢ Capitalization consistent with company strategy ➢ Preference for control ➢ Flexible structure; ability to invest in project or company level; carve-out for legacy assets

Contact information

Josh Batchelor
Managing Partner

Direct: 713-364-1410
Email: josh@sagerc.com

Ben Stamets
Managing Partner

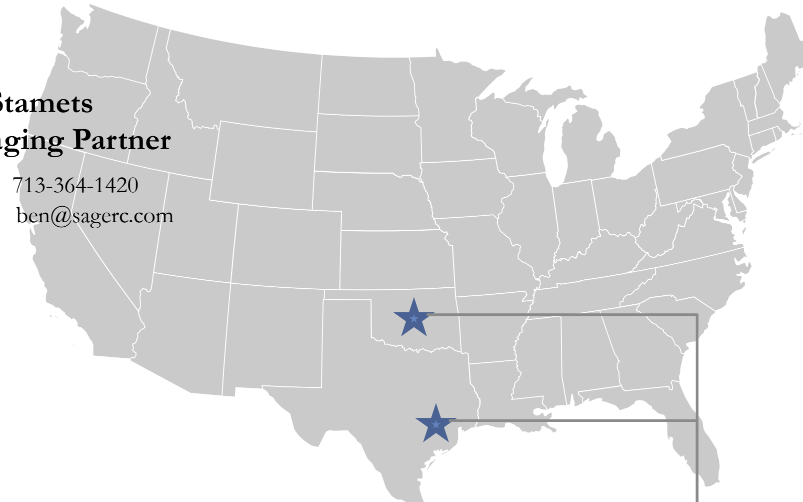
Direct: 713-364-1420
Email: ben@sagerc.com

Robert Sheffey
Director of Engineering

Direct: 713-364-1440
Email: robert@sagerc.com

Paul Barnhart
Vice President

Direct: 713-364-1430
Email: paul@sagerc.com



SRC Offices

- **Houston, Texas (HQ)**
  2121 Sage Road, Suite 325
  Houston, TX 77056
- **Oklahoma City, OK**
  117 Park Ave., Suite 200
  Oklahoma City, OK 73102