



MACQUARIE

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01

The Market Environment



Selected U.S. E&P Themes

Commodity prices lower for longer

- Commodity prices have declined rapidly from their 2014 peaks. Unlike the 2008-2009 price decline, supply is expected to significantly outstrip demand throughout 2016
- U.S. production growth is slowing as operators reduce rig counts. Since September 2014, total rig count has decreased by more than 1,200 rigs, but a recent uptick in permitting indicates a near bottom in rig count
- The backlog of uncompleted wells is still significant as operators postpone selling flush production at depressed prices. Completion of these wells could mitigate the production decline
- Market expectations are for crude oil to approach cash costs and not rebound until it rebalances in 2H16

E&P companies substantially reducing budgets

- Limited 2016 hedges and current strip prices forcing companies to substantially reduce drilling capex
- Financial distress / bankruptcies will continue to increase rapidly if commodities stay at current levels
 - 40 companies filed for bankruptcy in 2015 with over \$17bn in debt
- Debt restructuring is buying time but not solving fundamental problem
- Most companies have not released 2016 budgets but are expected to live within cash flows
 - Living within cash flow likely leads to reduced production
- Do investors really want growth now? Are wells really economic or are companies destroying value?

Capital markets closed except for selected companies

- High yield market is currently closed
- After nearly \$40bn of IPOs from 2013 to 2014, the IPO market remains closed
- Through the first half of 2015, nearly \$15bn of equity was raised to “survive the coming storm”
- During the remainder of the year the market became very selective with approximately \$3bn of equity offerings from predominantly well-capitalized operators in the Permian Basin
 - January 2016: Pioneer’s \$1.4bn and Diamondback’s \$226mm bought-deal well received by the market

Customized solutions

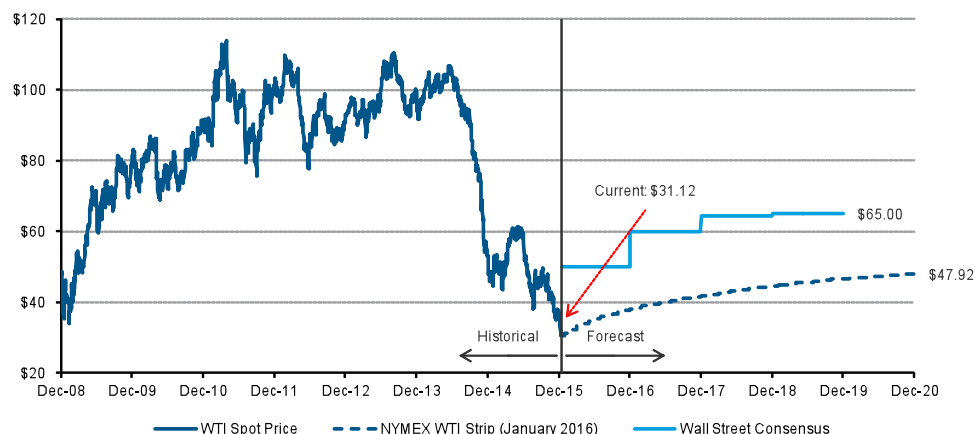
- Debt and hedge restructures
- Farm in debt finance
- First and second lien finance
- Pre-acquisition close hedging
- Physical structures

U.S. Crude Oil Price Outlook

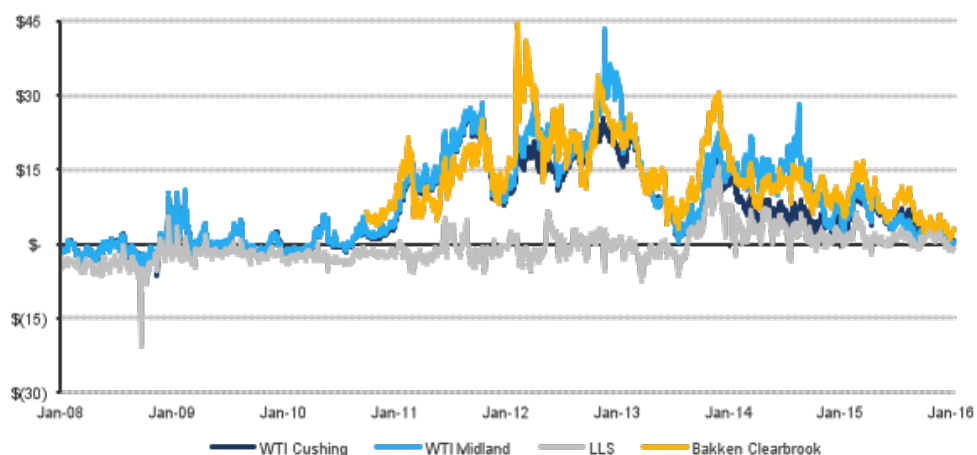
Street Consensus Well Above Strip

- Growth in North American production levelling after sharp drop in commodity prices and a resultant drop in rigs
 - Current total production sitting at ~9.2MM Bbls/d with production expected to decline in 2016 and 2017
 - Declining domestic operating and capital costs
- Demand growth expected to remain relatively healthy, with North American strength offset by weakness in Europe and Asia Pacific
- Glut in Cushing inventories combined with world oversupply will work to keep spread narrow between WTI & Brent
- In addition, first U.S. Crude export sailed in December 2015
- Storage overhang will limit upside in the medium term
- Well productivity remains in an upward trend but might be nearing peak
 - Production per lateral foot increasing
 - Larger laterals / completion intensity
- Strong U.S. Dollar exacerbating the situation

NYMEX Crude Oil pricing for WTI (\$/Bbl)



Historical U.S. Crude Differentials vs. Brent (\$/Bbl)



Source: NYMEX WTI and Brent Futures via Factset as of January 14, 2016, Bloomberg, EIA

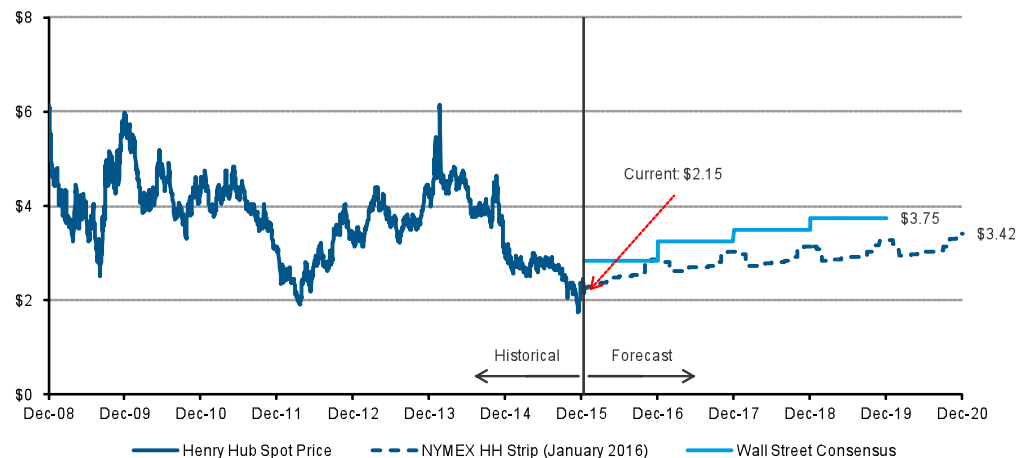


U.S. Natural Gas Outlook

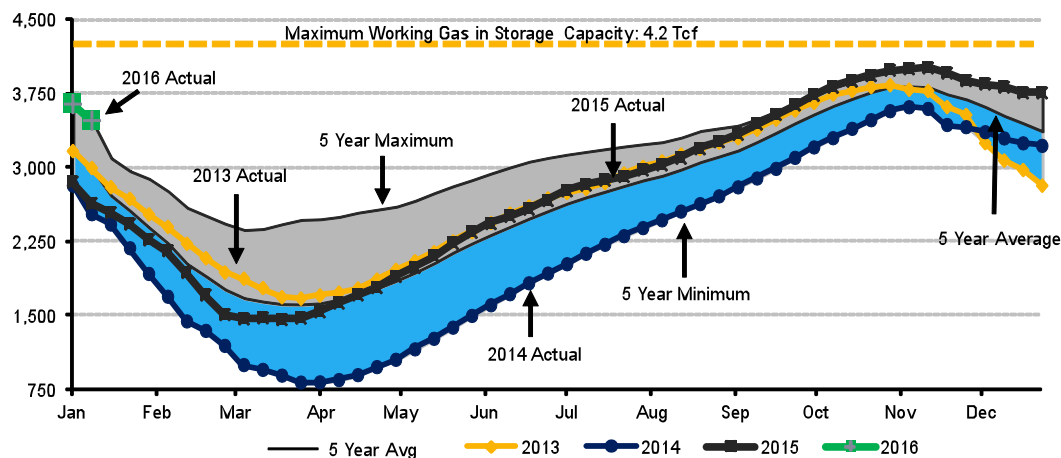
Street Consensus in Line with Strip

- Production beginning to plateau in the Marcellus
 - Slowing crude oil and wet gas growth can partly offset ongoing production growth in 2015
 - Production declines projected in the Haynesville and Fayetteville shales
- El Niño and resulting warmer than normal weather
- Coal-to-gas switching still key price driver
 - Switching continues to be a balancing factor in the \$2.50 - \$3.00/MMBTU range, which has contributed to strong burn
- Longer term demand growth expected over next five years
 - Petrochemical expansions
 - 10 Bcf/d of liquefaction capacity by 2020
 - Exports to Mexico
 - Coal plant retirements and coal-to-gas switching

NYMEX Henry Hub Prices (\$/MMBtu)



Historical U.S. Natural Gas Storage Inventory (Bcf)



Source: Energy Information Administration as of January 14, 2016; NYMEX Henry Hub Natural Gas Futures via FactSet as of January 14, 2016



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02

Macquarie Oil & Gas Team



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The Macquarie Oil & Gas Team

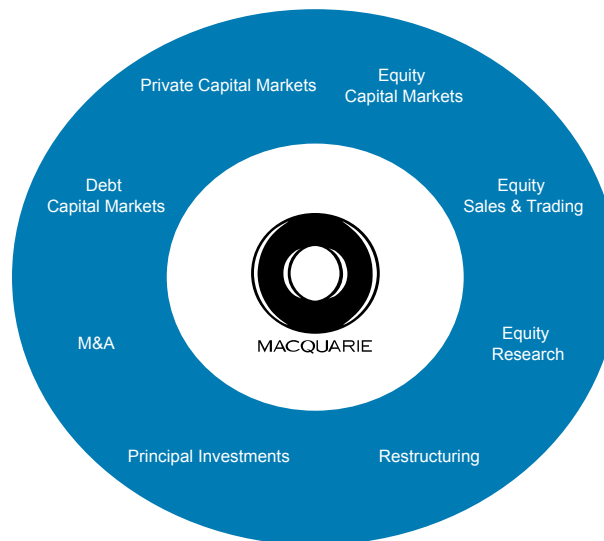
Oil & Gas Investment Banking



Brady Parish
Senior Managing Director
Head of U.S. Oil & Gas



Joel Saber
Senior Vice President
U.S. Oil & Gas



Oil & Gas A&D



Grant Butkus
Senior Vice President
Head of A&D Advisory



Michael Verhagen
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MACQUARIE



03

Overview of Macquarie



Macquarie Group

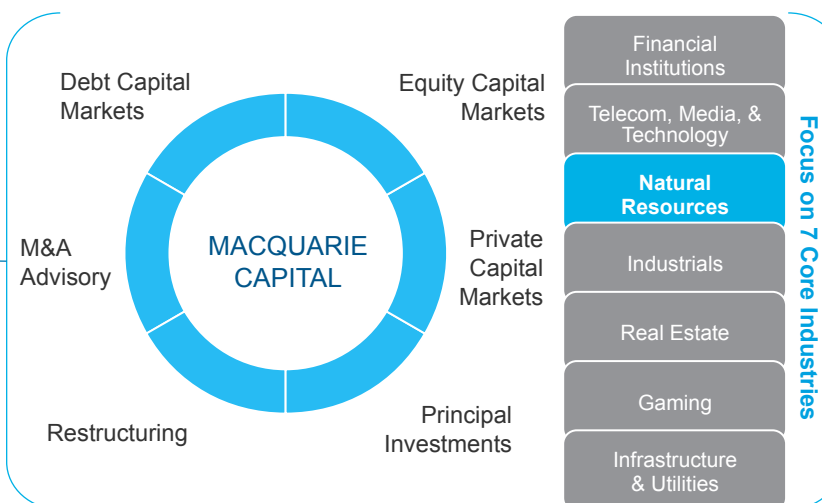
A global, diversified financial services provider

Macquarie Group at a Glance

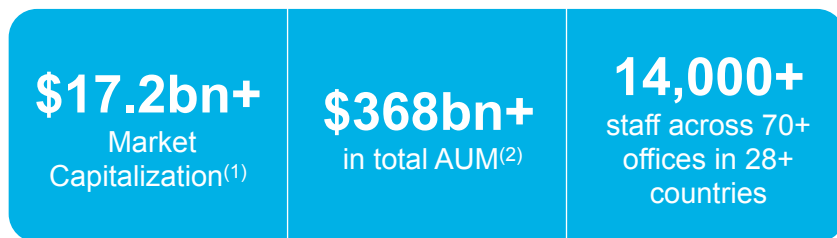
- Global provider of banking, financial advisory, investment and funds management services in major international financial centers
- Founded in 1969 as the Australian subsidiary of UK merchant bank Hill Samuel
- Established and growing presence in the U.S. since 1994
- Listed on Australian Securities Exchange (ASX:MQG) since 1996



Macquarie Capital Overview



Macquarie Group by the Numbers



Macquarie Capital by the Numbers



Macquarie Capital statistics include acquisitions

(1) Market capitalization in USD as of January 14, 2016

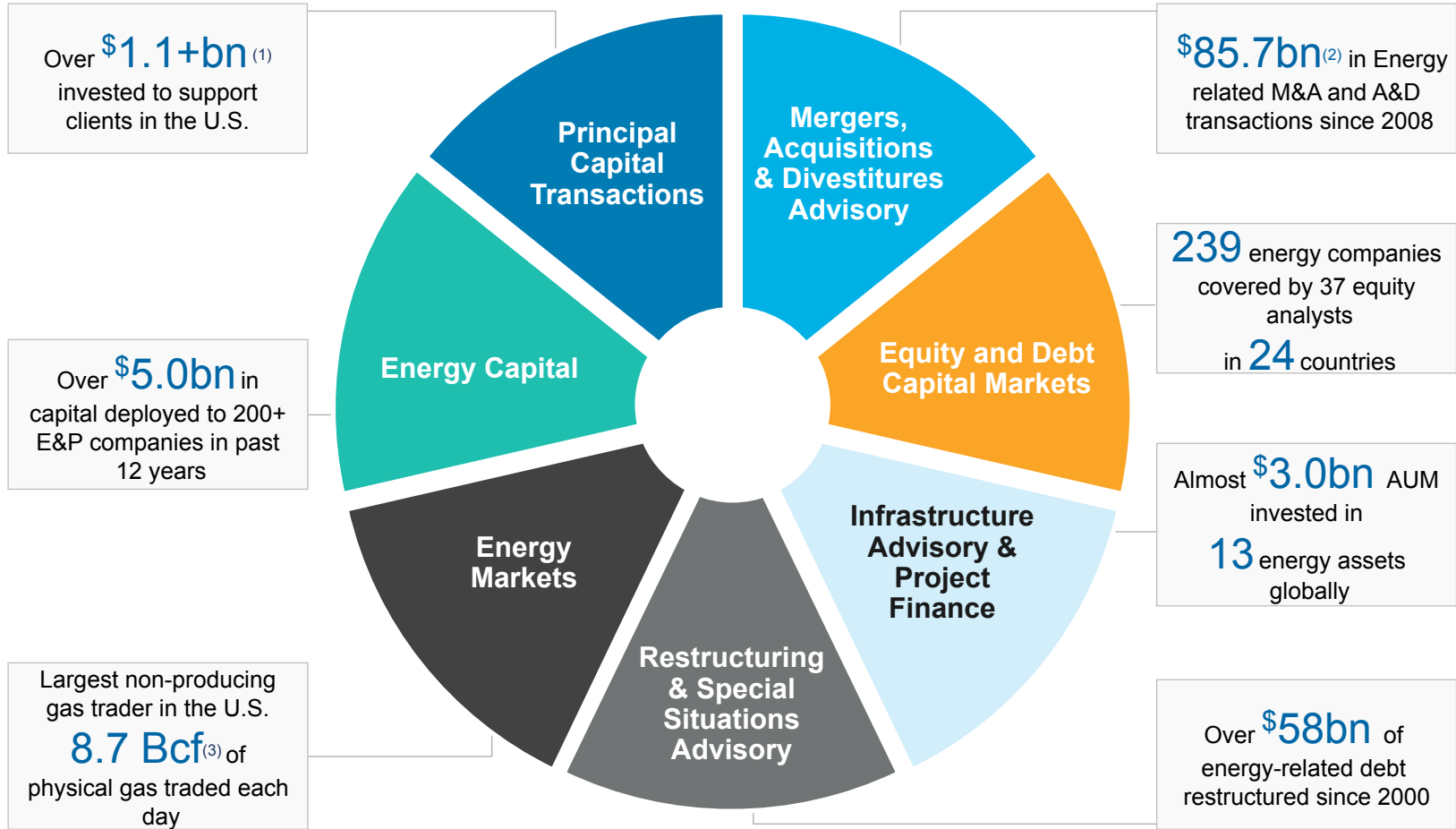
(2) AUM in USD as of year-end March 31, 2015

Macquarie Group

Committed to the Energy Sector



300+ people in Houston focused on the Energy sector



Note: "Commodities and Financial Markets" (CFM) is part of Macquarie Bank Limited. Principal Transactions, Mergers, Acquisitions & Divestitures, and Capital Markets are all part of "Macquarie Capital"

(1) Includes transactions across all industry verticals

(2) Mergermarket as of January 5, 2016; universe includes transactions with target assets located in the Americas, Africa, Europe, Middle East, and Asia Pacific; includes transactions of Tristone Capital acquired by Macquarie in 2009

(3) Natural Gas Intelligence Press Inc for 3Q 2015



Depth of Macquarie Capital Energy Sector Expertise

Macquarie's Commitment to the Energy Sector

Corporate M&A and Asset Divestment Advisory	Debt & Equity Capital Markets	Restructuring & Special Situations Advisory	Principal Capital Investments	Infrastructure, Midstream Advisory & Project Finance
<ul style="list-style-type: none">• Team has executed over \$100bn of Corporate M&A• Leveraging A&D platform• \$15bn+ of U.S. divestitures over past 8 years• Deep technical expertise across lower 48 E&P basins and credibility with operators and financial sponsors• Strategic alternatives• Experienced energy teams and established relationships in major energy hubs• Global presence and capability drives cross border activity• Complex transaction structuring experience	<ul style="list-style-type: none">• Leading global debt & equity underwriter• Arranger of acquisition financing• Dedicated equity sales and capital markets teams• Top ten equities research house globally with over 2,400 stocks under coverage• 155 US ECM transactions since 2009, including 53 as a bookrunner	<ul style="list-style-type: none">• Advise clients through recapitalizations and balance sheet restructurings• Develop innovative advisory solutions which draw upon global product capabilities and client relationships• Raise special situation capital, including senior stretch, mezzanine and/or equity capital• Provides distressed M&A advisory for clients leveraging deep contacts with industry players and special situation investors• Assessment of strategic alternatives	<ul style="list-style-type: none">• Flexible capital capabilities with an established track record of principal investing• Appetite to invest in a wide variety of opportunities• Typical investments in the \$25 - \$150 million range• Capital often utilized to facilitate acquisitions, refinancing of capital stakeholders or organic capex/project and asset development needs• Variety of structured solutions ranging from debt/preferreds through common equity with flexibility in tenor	<ul style="list-style-type: none">• Strong understanding of investor appetite, requirements and investment processes• Extensive industry, development and project finance experience with balance sheet support to provide financing solutions for midstream clients• Leading energy and midstream equity raising and financing capability with over \$1.5bn in equity raised over last 2 years• Midstream sector focus includes storage, pipelines, gathering & processing & LNG



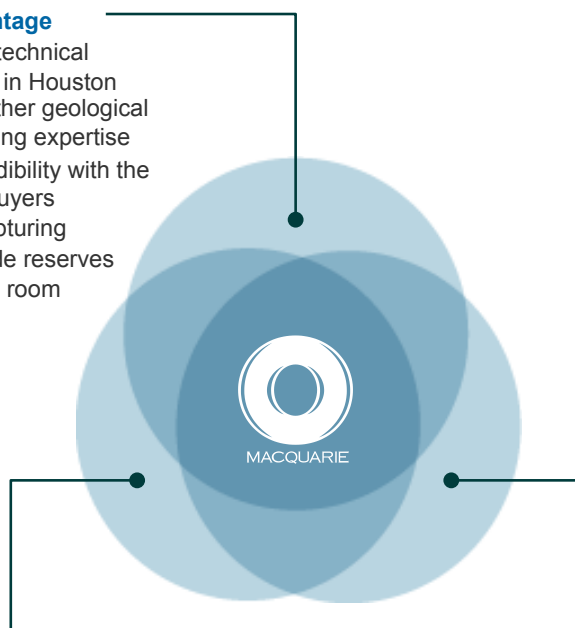
Macquarie A&D Overview

Maximum Value Retention

The Macquarie Difference

Technical Advantage

- Experienced technical professionals in Houston bringing together geological and engineering expertise
- Technical credibility with the most active buyers
- Experts in capturing value of upside reserves
- Effective data room presentations



Financial Expertise

- Sophisticated asset divestiture processes
- International debt, equity and capital markets expertise and insight
- High-level industry and institutional relationships
- Complex transaction structuring experience

Full-Service Global Platform

- Part of Macquarie's comprehensive, integrated, global energy platform
- Dedicated energy teams and established relationships in all major energy hubs
- Global distribution network
- Cross-border capabilities

Our Services and Capabilities

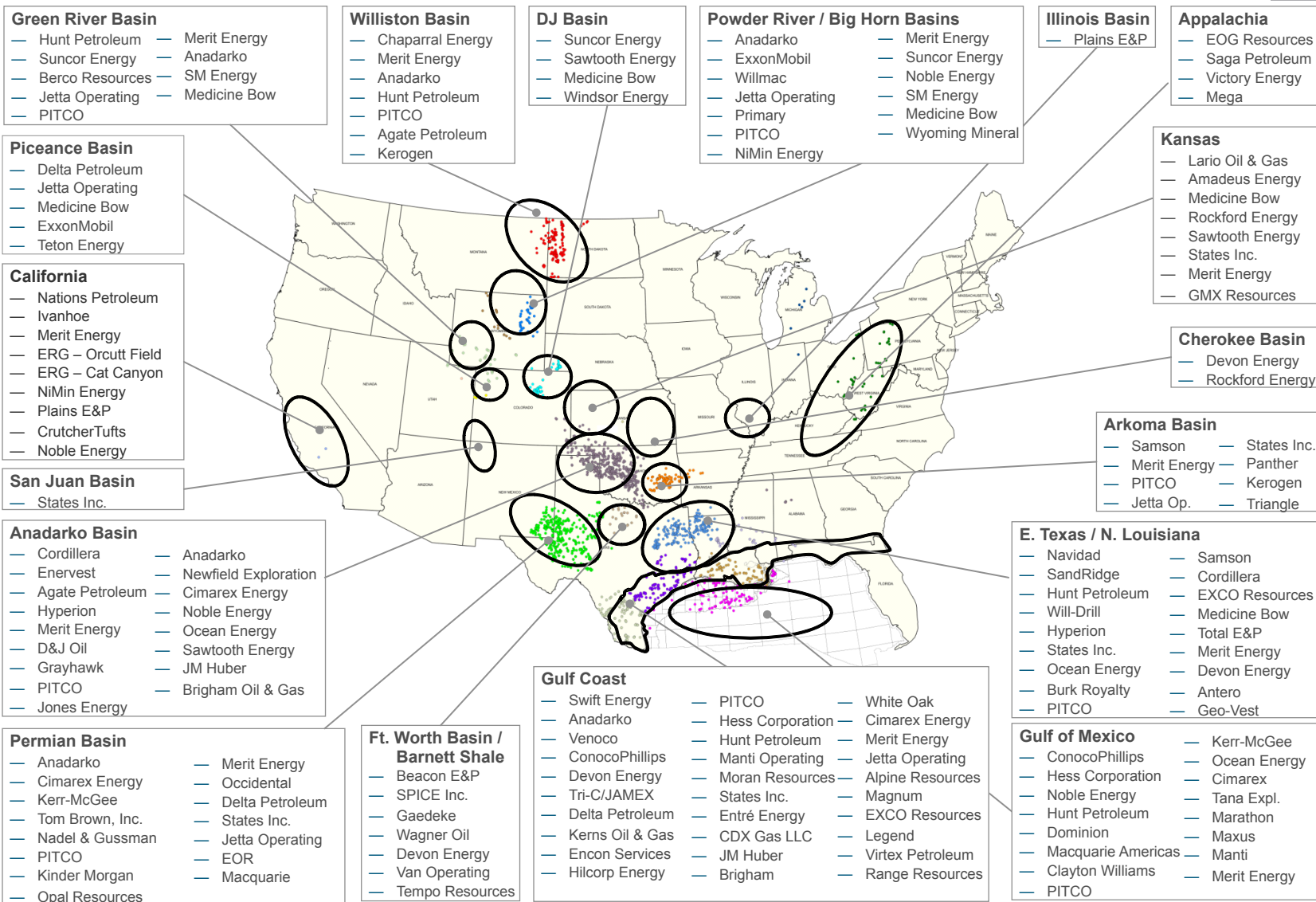
- **Ability to customize our marketing process to fit the clients' needs**
- **Technical credibility with buyers**
 - Respected technical staff with reputation for achieving maximum value
 - Experts in working with potential buyers and mitigating concerns
- **Technical knowledge and presentations tailored to capture value of upside reserves**
 - Present assets clearly and accurately
 - Capture value of upside reserves often overlooked by potential buyers
- **Extensive experience in all major US basins with numerous repeat clients**
 - \$15+ billion of US properties sold in the last eight years
- **We know the buyer universe – best and worst**
 - Constant interaction with the most active US buyers
 - Relationship with non-U.S. Buyers
- **We do the bulk of the work, so you can focus on your core business and creating value**
 - Allows for an efficient and effective process



MACQUARIE

Extensive Macquarie A&D Experience in U.S. Basins

\$15+ Billion of U.S. Properties Sold in Last 8 Years





Commodities & Financial Markets

Macquarie Energy Capital

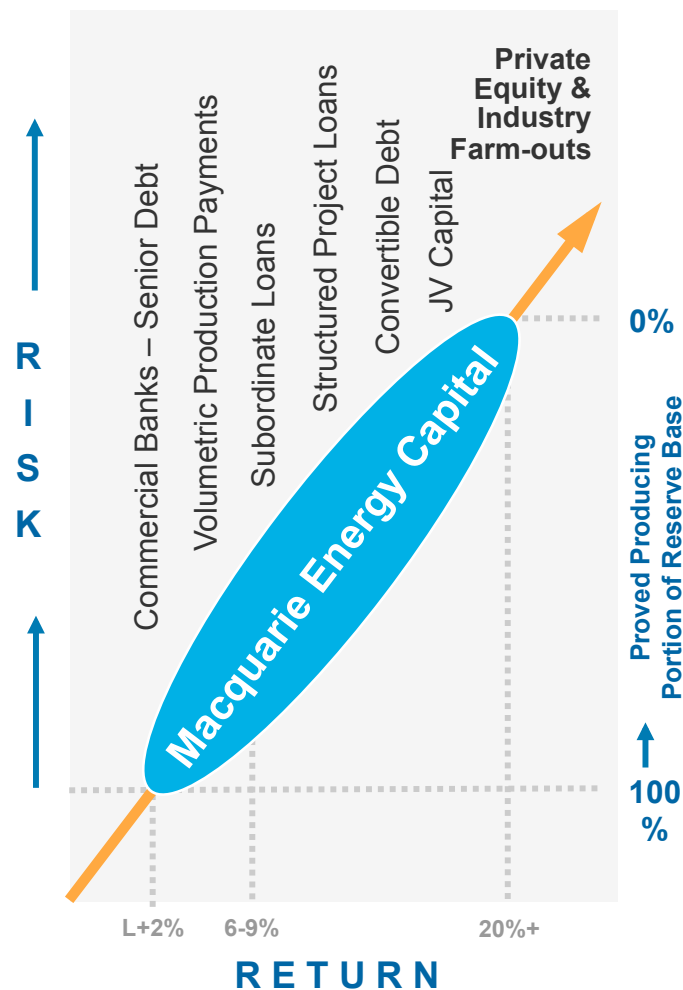
World leader in natural resource investments: 200+ deals and \$5bn funded since 2002

Tailored solutions including a wide array of debt and equity capital for the upstream oil and gas industry

- Conforming Senior Debt (Borrowing Base Lending)
- Pre-paid Swaps and Volumetric Production Payments
- Uni-tranche / Nonconforming Senior Debt
- Subordinated Debt
- Structured and Project Finance
 - Term loan structure that may include warrants or after-payout real property interests (NPIs or ORRIs)
- Convertible Debt
- Alternative JV Development Capital
- Public and Private Equity Capital
 - Often combined with debt investments including common, preferred and convertible stock and warrants and options

\$US20—\$150m
DEBT DEAL SIZE

\$US5—\$50m
EQUITY HOLD





Commodities & Financial Markets

Commodities Division

Global presence across key energy centers with financial and physical commodity capabilities

Top North American gas marketers: Q3 2015

By wholesale physical volumes sold, second quarter (in Bcf/d)

Company	Bcf/d
BP	21.9
Shell Energy	9.8
ConocoPhillips	8.9
Macquarie Energy	8.7
Tenaska	7.5
Sequent	6.4
J. Aron / Goldman Sachs	5.3
EDF	5.0
Chevron	4.0
Direct Energy	3.9

9+ year track record of serving North America at all major points in the U.S. and Western Canada

- Includes structured supply solutions, asset management, and physical pipeline and index options



Oil

Physical crude and product marketing and trading

- Crude oils, diesel, gasoline, jet fuel, fuel oil

Financial options and derivatives

- Crude oil basis hedging (WTI, Brent, Dubai)
- Crude differentials (WTS, Mid/Cush, LLS, Mars, WCC, WCS)



Natural gas

Physical natural gas marketing and trading

- Henry Hub & UK NBP
- Basis locations

Financial options and derivatives

- Henry Hub & NBP
- Most N.A. basis points

Optimization of storage and pipeline capacity

Natural gas liquids

Physical and financial natural gas liquids marketing and trading

- Mont Belvieu/Conway
- Ethane, propane, butanes, natural gasoline
- Out to 48 months

Note: Data compiled from quarterly filings with the Securities and Exchange Commission. In cases where such data was not available, a certified statement from a company executive was required. Data from some producers reflect average production.



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