Chambers Energy Capital

Credit Opportunities in Energy

IPAA Private Capital Conference

January 21, 2013

Chambers Energy Capital

Mission

- **Chambers Energy Capital, a Houston-based investment firm, provides flexible debt capital to small and mid-sized U.S. energy companies**
- The firm seeks to partner with established energy companies to produce durable businesses for the long term

Chambers Advantage

- The investment team's extensive experience in the energy industry across many commodity price cycles enables it to understand the challenges and objectives of its clients
- Experience gleaned from investing $2.5 billion across over 50 transactions in the last 10 years allows for relatively quick decisions and execution

Market Focus

Chambers Energy targets investments across the energy sub-sectors

E&P and Oil Services

Gathering & Processing

Refining

- Development of shale resources is well suited for debt solutions given low risk nature of drilling
- Targeted investment sizes range from $15 to $75 million
- Typical transactions include:
  - Development drilling capital
  - Expansion capital for energy services
  - 2nd-lien acquisition financings
  - Recapitalizations
- With over $1 billion in assets under management, Chambers Energy Capital is one of the largest funds dedicated solely to providing private debt capital to the domestic energy industry

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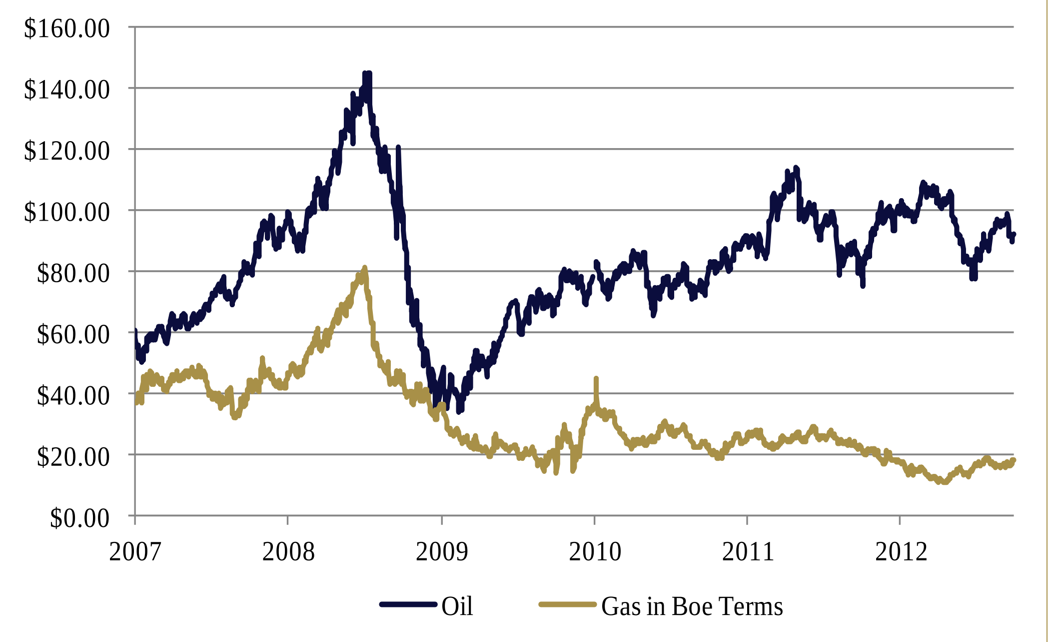
Commodity Prices Drive Investment Activity

Oil: well supported, Natural gas: beginning of long recovery

- Spare capacity in oil market remains modest, as is growth
- US oil production is increasing, reversing a 40 year trend
- Global demand of 90 million barrels/day (Chevron's reserves consumed every 72 days)
- "Tight" oil is expensive
- Natural gas prices "a desert in the oasis"…abundance crushing prices
- It will take a while for demand (industrial and power) to catch up with gas supply
- Electric power consumption of natural gas up >20% in 2012

U.S. Oil and Natural Gas Prices



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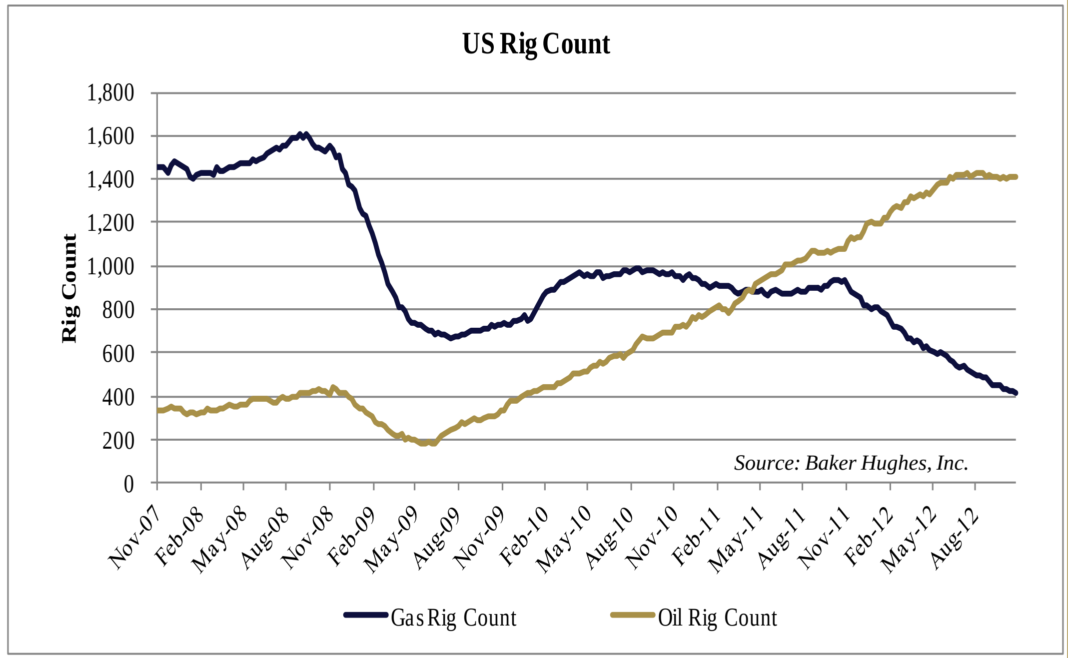
Oil Rig Count On A Tear

Oil drilling saved the day for energy service companies

- Total rig count is near a 20 year record
- Oil rig count surpassed the gas rig count in 2011 for the first time since December 1993
- Oil accounts for 77% of drilling versus 20% from 2000-2010
- North Dakota (Bakken) increased to 189 rigs in 2012 from 35 the prior decade
- Natural gas drilling is down 73% from the peak and 45% since Jan 2012
- Energy services benefit from having both commodities driving activity

U.S. Oil and Gas Rig Counts



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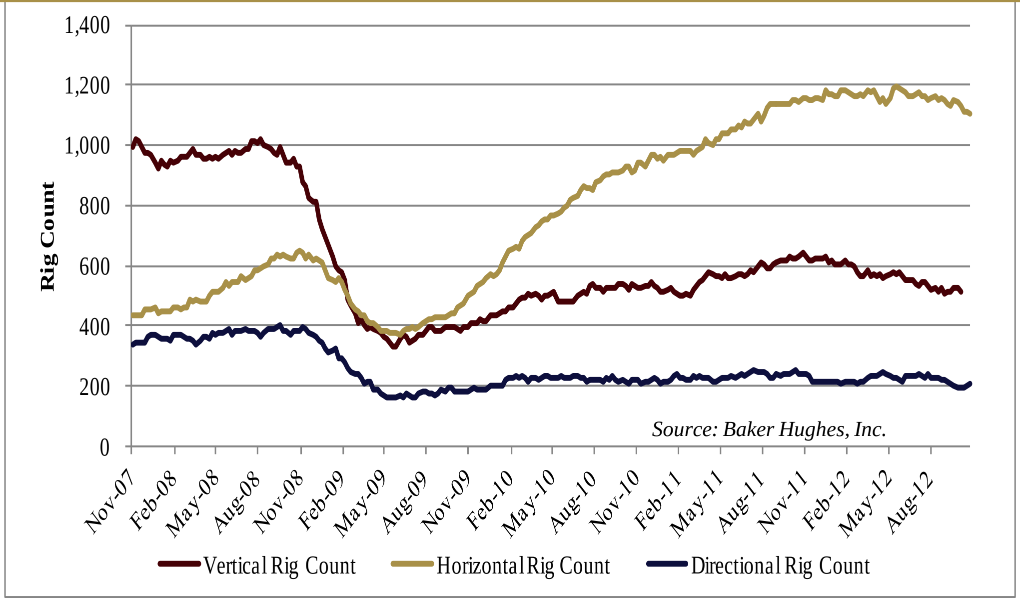
Shale Revolution

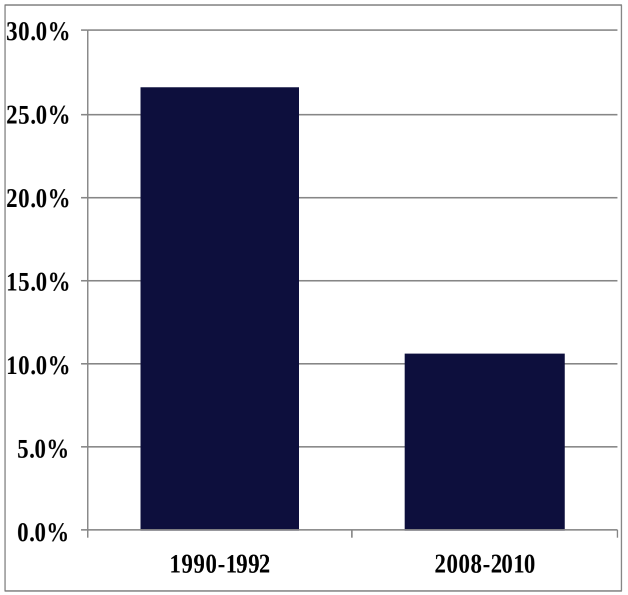
The landscape has changed dramatically

- Changes results from combination of horizontal drilling and multi-stage hydraulic fracturing (low quality reservoirs are now productive)
- Shale drilling now dominates the landscape as horizontal wells comprise 63% of all activity
  - Total rig count at 1,761 rigs is near a record
  - Horizontal rig count is 1,119 versus 50 in 2000
  - Vertical rig count is also frac intensive
- Well costs in most basins $5 to $10 million per well
  - Over $2 trillion of capital will be required to develop the current U.S. shale assets
  - Shale drilling is lower risk; substantial decline in dry holes (from 27% of all wells to 11%)
  - Exploration success has increased from 26% to 64%

Weekly U.S. Horizontal Rig Count



Dry Holes (%)



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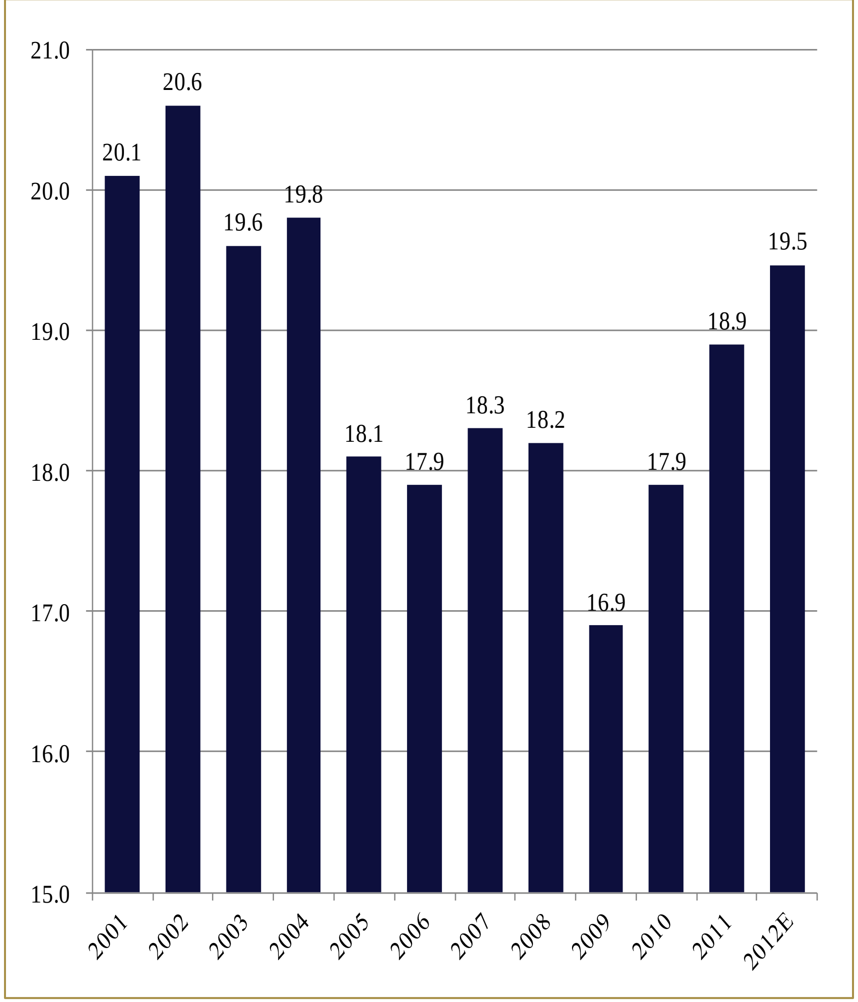
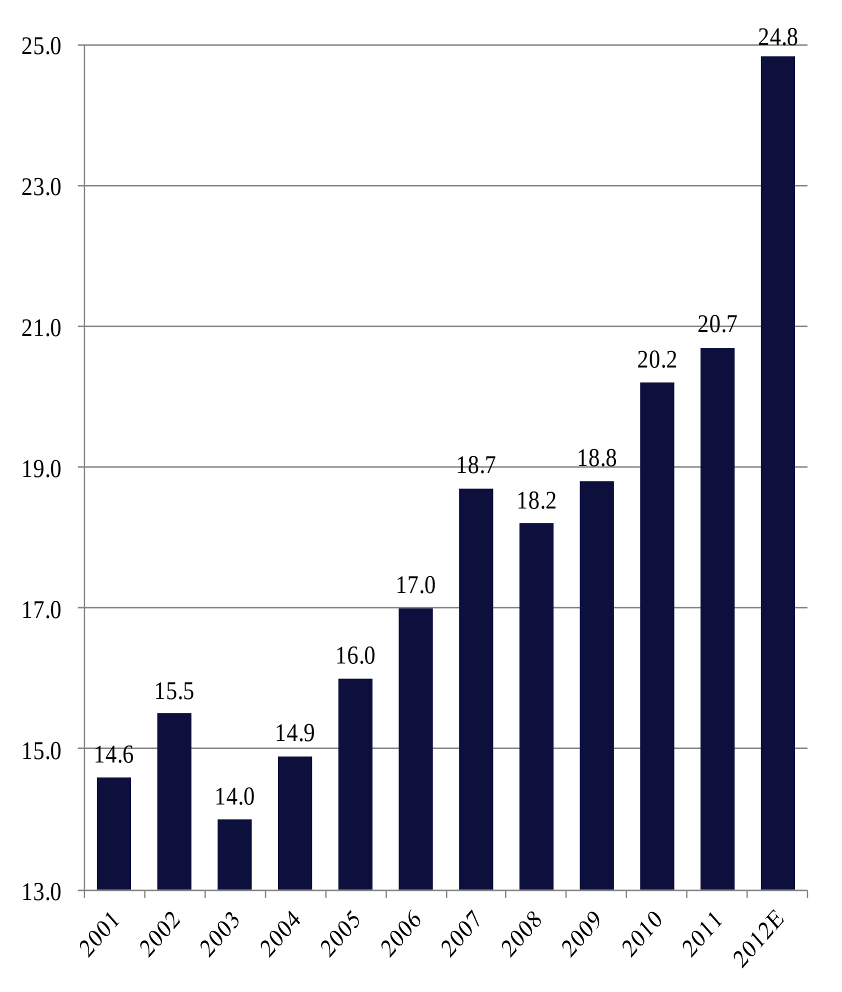
Demand for Natural Gas

Price matters, markets respond

Industrial Demand for Natural Gas (Bcf/d)



Electric Utility Demand for Natural Gas (Bcf/d)



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Summary

Natural gas is down but not out

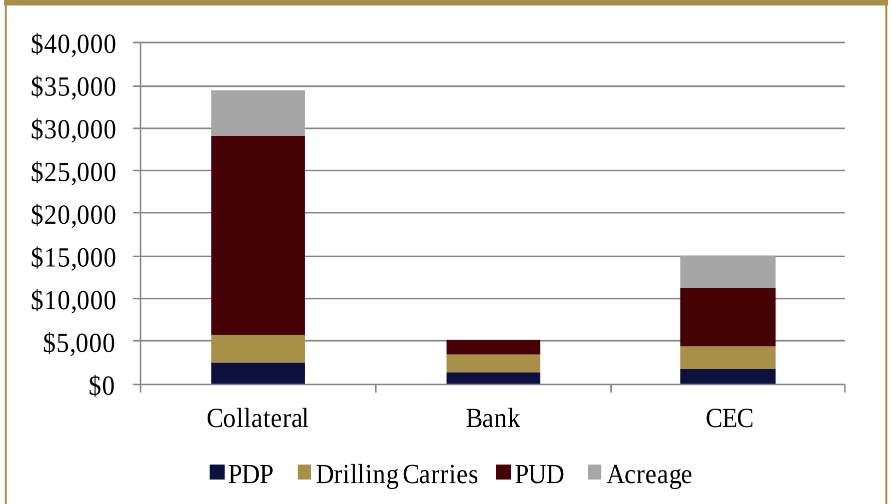
- Weather is a fundamental; warm weather added insult to injury in 2012
- Help is on the way:
  - Power demand +32% since 2009
  - Industrial demand +15% since 2009
  - Drilling is down, depletion rates are high
- Consumer confidence in natural gas supplies has improved significantly
- Environmental pressures favor gas over coal
- 2012 will likely be the low point of this cycle for natural gas

Wolfberry Energy Company

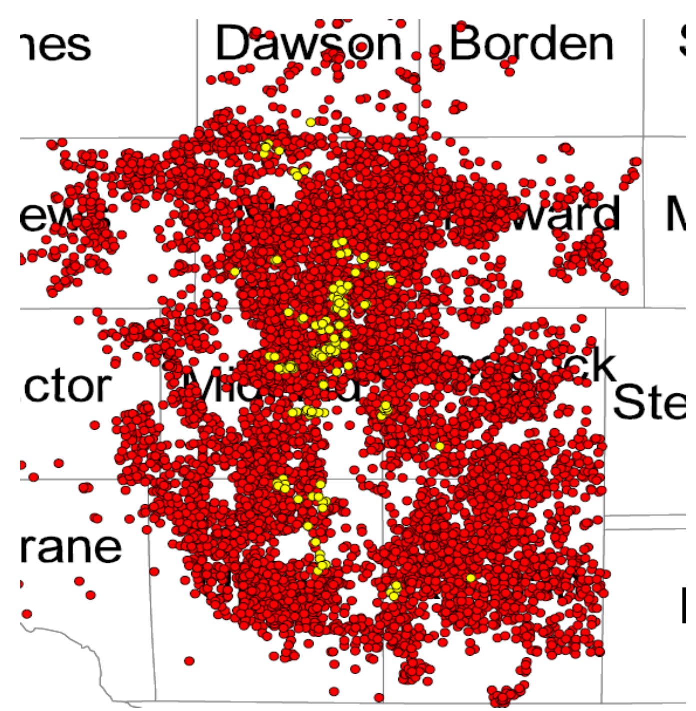
Transaction Summary

- The Company had hired team, drilled 50 wells with minor working interest and desired to retain higher interest
- Success rate of 100% had provided production of approximately 100 net Boe/d as of the closing date
- Chambers Energy committed $40 million ($15 million initial funding) to a 3 year credit facility to fund drilling
- Commercial bank model assigned little value to new wells, proven undeveloped reserves or acreage
- CEC funding non-recourse to the owners
- Company retained 100% of the equity in exchange for 20% cost of capital

Ascribed Credit Capacity ($000s)



Core Permian Basin



Note: Red dots denote industry wells and yellow dots denote Wolfberry Energy wells

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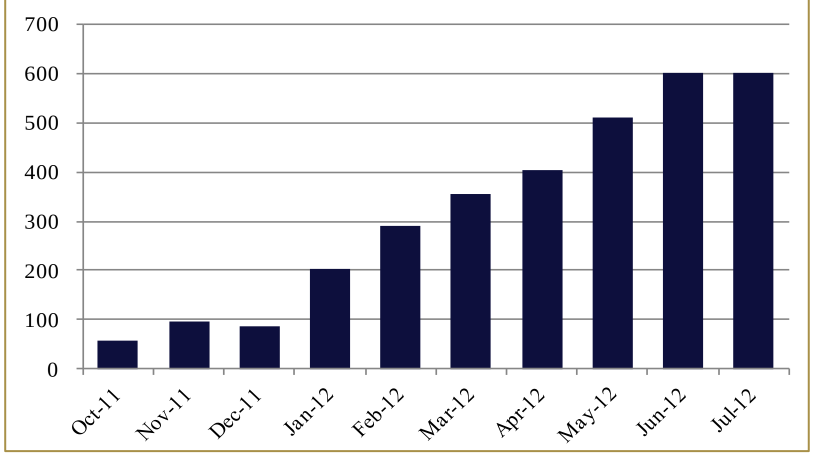
Wolfberry Energy Company Value Creation

Case Study

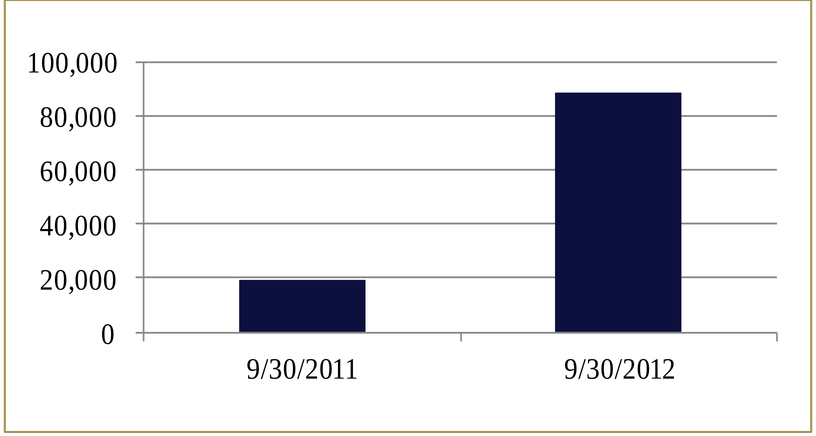
As production has increased, substantial equity value has been created

- Production reached 600 net Boe/d by June
- By September 2012, the Company had converted substantial portions of its PUD and acreage value to PDP, dramatically increasing value
- Equity value increased to $90 million from less than $20 million
- Commercial bank availability increased from $5 to $40 million

Net Daily Production (Boe/d)



Equity Value



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