



CURRENT STATE OF E&P PRIVATE EQUITY AND DEBT MARKETS

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1000+

Stephens Employees⁽¹⁾

190+

Investment Banking
Professionals⁽¹⁾

11

Corporate Finance Offices⁽¹⁾

9

Industry Groups

500+

Companies Covered

\$69+ BN

Mergers & Acquisitions
Transaction Volume

\$62+ BN

Equity Capital Markets
Transaction Volume

\$23+ BN

Debt Capital Markets
Transaction Volume

(1) Includes affiliates.
Note: Stephens statistics since 2010.

Keith Behrens – Energy Investment Banking



Keith Behrens

Managing Director & Group Head

25+ years experience

- Mr. Behrens joined Stephens in May 2009 as a Managing Director
- Prior to joining Stephens, Mr. Behrens was a Co-Founder and a Managing Partner of Energy Capital Solutions
- Mr. Behrens has over 25 years of investment banking experience with major investment banking firms including Bear Sterns and Wasserstein Perella
- He has focused most of his career in covering primarily exploration and production companies as well as other energy-related companies
- Mr. Behrens has generated and led the execution of various MA&, public & private equity and senior & mezzanine debt transactions representing in excess of 165 transactions and \$35 billion in transaction volume
- In addition to his extensive transaction experience, Mr. Behrens:
 - Serves on the board of directors of Enservco Corp. (NYSE MKT: ENSV),
 - Recently served as Chairman of the IPAA's Private Capital Conference, and
 - Remains active in several energy industry organizations
- Mr. Behrens received his BBA and MBA from the University of Texas at Austin

Senior Energy Investment Banking Team

Brad Nelson
Managing Director

Charles Lapeyre
Managing Director

Paul Moorman
Managing Director

A Dedicated & Growing Energy Practice

What Drives The Practice

- Stephens has been a principal investor in the energy space since 1952 and has a longstanding commitment to assisting and advising public and private energy companies throughout their life cycles
- Broad network of relationships with public and private energy companies as well as private energy capital sources
- Growing equity research practice dedicated to the Exploration and Production, Oilfield Service and Master Limited Partnership sectors

\$41+ BN

Aggregate Transaction Volume since 2009

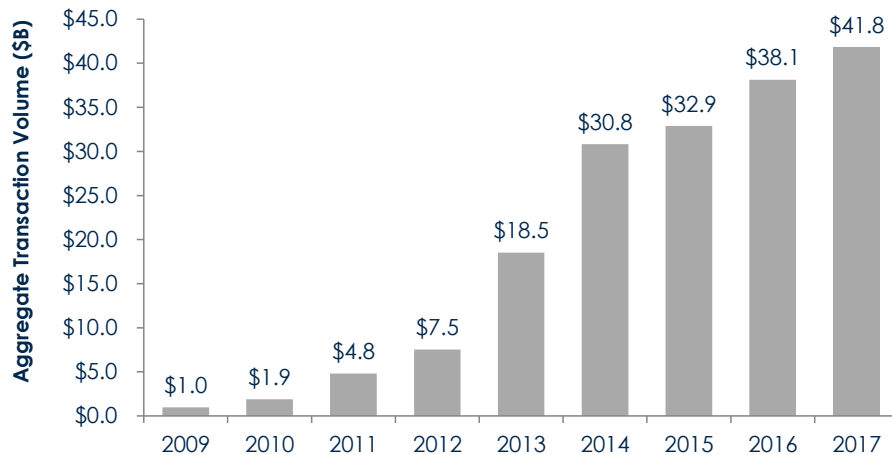
\$315 MM

Average Transaction Size

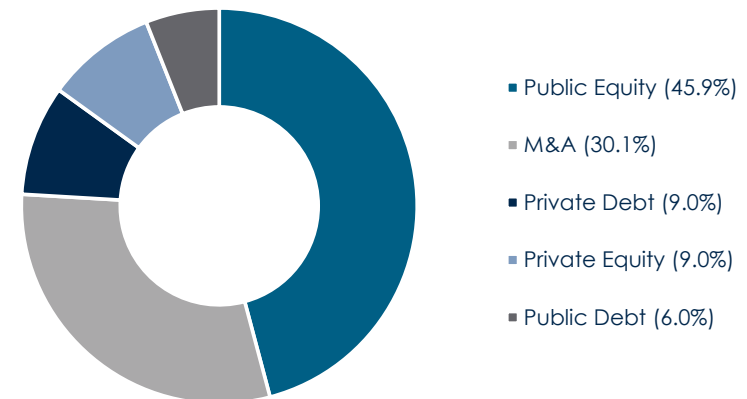
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Transactions Closed Since 2009

Aggregate Transaction Volume



Transaction Mix



Merchant Banking Perspective: Stephens Capital Partners

www.stephens.com/private-equity/

Overview

- Stephens Capital Partners LLC ("SCP") is the principal investing group for Warren Stephens and his family
 - SCP has been an active private investor for over 65 years and has made approximately 400 investments in private and public companies and currently holds investments in about 30 companies
- SCP is highly flexible with regard to industries and transaction structures and looks for long-term value creation rather than exit strategies
- SCP targets companies that are cash-flow producing businesses with above average margins and return on invested capital
- Equity sweet spot of \$10 - \$50 million; but can go smaller or larger

Team

- Warren Stephens, Chairman, CEO
- Doug Martin, Senior Managing Director
- Richard Blank, Jr., Managing Director
- Rob Janes, Managing Director
- Kevin Eckert, Managing Director
- Kevin Wilcox, Managing Director
- Noel Strauss, Managing Director
- Jackson Farrow, Jr., General Counsel & Managing Director
- Kathy Bryant, CFO

Energy Investments



Stephens Natural Resources

- Since 1953
- Active Investment
- Natural gas and oil production company in multiple onshore and offshore basins



Energy Transfer

- Since 2002
- Active Investment
- Publically traded midstream and energy service company



Four Corners Petroleum

- Since 2016
- Active Investment
- Minority investment in oil company focused on the Central Basin Platform



TriGeo Energy

- Since 2016
- Active Investment
- Operator of oil wells in the East Permian on about 15,000 net acres



Basin Oil & Gas

- Since 2014
- Active Investment
- Fund formed to purchase non-operating oil and gas interests



Nadel & Gussman

- Since 2013
- Active Investment
- Working interest investment focused in the Fort Worth Basin

Executive Summary: Current State of E&P Private Capital Markets

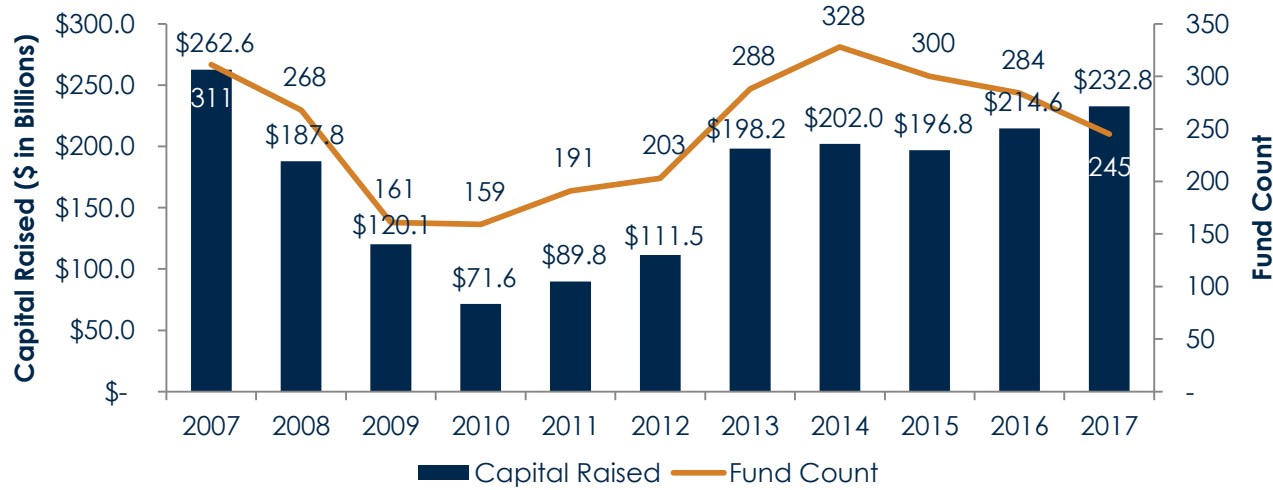
Private Capital activity has picked up dramatically from 2015 / 2016 lows, with Lenders & Sponsors actively looking to deploy pent-up capital into new strategic opportunities

Current Private Capital Themes: Private Equity Capital

- Stephens has seen an uptick in sponsor activity given ample dry powder from newly raised funds + dry powder from older vintage funds
- Sponsors are currently looking to commit capital to new teams, but majority of capital will go to:
 - 1) Teams they have already had a successful exit with,
 - 2) Unique situations requiring growth capital for an acquisition or development of an existing asset
- Teams without a current asset and/or stellar track record are unlikely to receive a commitment from sponsors at that time
 - Sponsors likely will advise the team to call when a non-marketed opportunity in the core of a particular basin presents itself, in which they have negotiated exclusivity at below-market value, aka a “Unicorn”

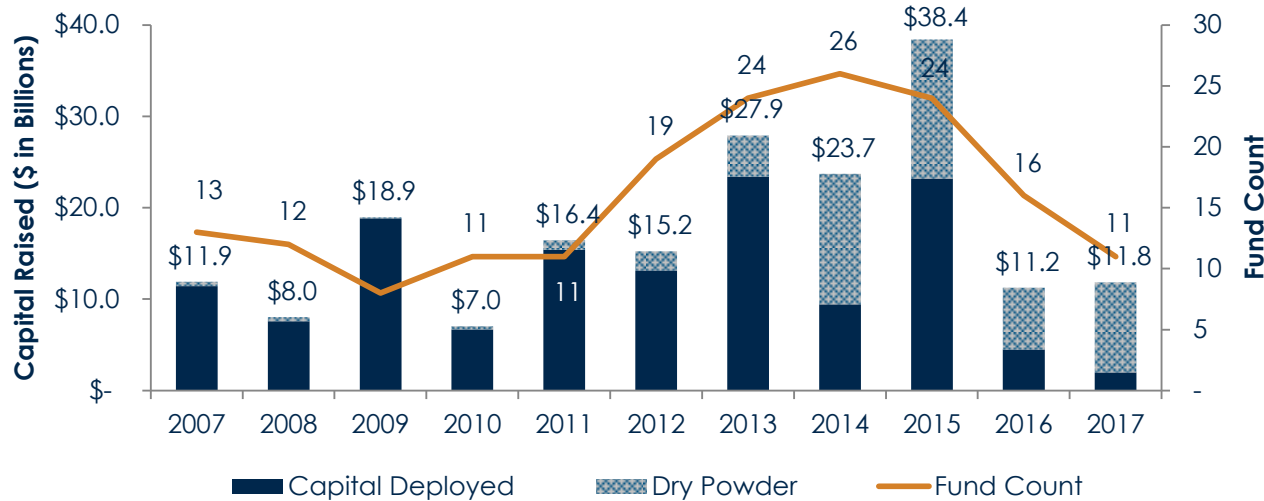
Private Equity Capital Fundraising

Total Capital Raised for All Private Equity Funds¹



6 Years (2007-2012)	
Total \$ Raised (\$ in Billions)	\$ 843.4
Total # of Funds	1,293
Average Fund Size (\$ in Millions)	\$ 652.3
5 Years (2013-2017)	
Total \$ Raised (\$ in Billions)	\$ 1,044.4
Total # of Funds	1,445
Average Fund Size (\$ in Millions)	\$ 722.8

Total Capital Raised for Oil & Gas Private Equity Funds²



6 Years (2007-2012)	
Total \$ Raised (\$ in Billions)	\$ 77.4
% of Total	9.2%
Total # of Funds	74
% of Total	5.7%
Average Fund Size (\$ in Millions)	\$ 1,046.4
5 Years (2013-2017)	
Total \$ Raised (\$ in Billions)	\$ 113.0
% of Total	10.8%
Total # of Funds	101
% of Total	7.0%
Average Fund Size (\$ in Millions)	\$ 1,119.0

(1) Includes all Private Equity funds.

(2) Includes all Energy Private Equity funds focused on investments in the Oil & Gas sector.









Source: Pitchbook Data, Inc. as of 1/2/2018.

Energy Group Private Capital Coverage

Private Equity & Debt Relationships

- The Stephens Energy Team has developed deep relationships with financial sponsors established through years of executing multiple transactions
 - Regular dialogue with 60+ sponsors on the equity side and 30+ sponsors on the debt side
 - Executed 24 private capital raises totaling in excess of \$3.9 billion since 2009**
- Long history of principal transaction advisory through private placements
- Stephens Energy Group has established itself as a proprietary source of deal flow for private equity sponsors
 - "Stephens" deals receive attention
 - Pulse on the market allows Stephens to provide real time market feedback
 - Sponsors seek out Stephens for opportunities

Select Private Equity Transactions

<p>\$22 MILLION</p>  <p>Thunder Basin Resources</p> <p>Private Placement of Equity</p> <p>Placement Agent</p>	<p>\$100 MILLION</p>  <p>PRODUCERS MIDSTREAM</p> <p>Has received an equity commitment from</p>  <p>TAILWATER CAPITAL</p> <p>Sole Placement Agent</p>	<p>\$300 MILLION</p>  <p>FCP Four Corners Petroleum, LLC</p> <p>Has acquired Permian Basin assets of</p>  <p>WHITING</p> <p>Originator & Advisor</p>
<p>\$75 MILLION</p>  <p>Palmera Resources</p> <p>Private Placement of Equity</p> <p>Sole Placement Agent</p>	<p>\$50 MILLION</p>  <p>TERRACE ENERGY, LLC</p> <p>Private Placement of Equity</p> <p>Sole Placement Agent</p>	<p>UNDISCLOSED</p>  <p>NOBLE ROYALTIES, INC. OIL AND GAS ACQUISITION IS OUR BUSINESS</p> <p>Private Placement of Equity</p> <p>Sole Placement Agent</p>

Select Private Debt Transactions

<p>\$15 MILLION</p>  <p>ELMRIDGE EXPLORATION</p> <p>Sr. Secured Term Loan Facility</p> <p>Sole Placement Agent</p>	<p>\$350 MILLION</p>  <p>ERG Resources, LLC</p> <p>Private Placement of Debt</p> <p>Sole Placement Agent</p>	<p>\$62 MILLION</p>  <p>FLEXSTEEL</p> <p>Sr. Secured Term Loan Facility</p> <p>Sole Placement Agent</p>
<p>\$420 MILLION</p>  <p>BLACKBRUSH OIL & GAS TEXSTAR</p> <p>Private Placement of Debt and Equity</p> <p>Placement Agent</p>	<p>\$125 MILLION</p>  <p>GEO SOUTHERN ENERGY CORPORATION</p> <p>Private Placement of Debt</p> <p>Sole Placement Agent</p>	<p>\$22 MILLION</p> <p>UPTEx ENERGY, LLC</p> <p>Private Placement of Debt</p> <p>Sole Placement Agent</p>

2017 Closed U.S. E&P Private Equity Deals

Deal Date	Company Name	Deal Type	Deal Size (\$MM)	Investor	Sellers
12/22/17	Panther Energy Company	PE Growth/Expansion	\$ 375.0	Kayne Anderson Capital Advisors	---
12/22/17	Marksman Energy	PIPE	0.5	---	---
12/22/17	Advantagewon Oil	PIPE	1.1	---	---
12/13/17	Freedom Oil and Gas	PIPE	17.2	---	---
12/7/17	Linn Energy	Buyout/LBO	285.0	Kayne Anderson Capital Advisors, Valorem Energy	LINN Energy
12/5/17	FourPoint Energy	PE Growth/Expansion	525.0	GSO Capital Partners, Quantum Energy Partners	---
12/1/17	Wayfinder Resources	PE Growth/Expansion	---	Lime Rock Partners	---
11/30/17	Energy Corporation of America	Buyout/LBO	---	Arclight Capital Partners, Greyllock Energy	Energy Corporation of America
10/31/17	Opportunity in Pine Prairie Field, LA	Buyout/LBO	---	Coral Reef Capital, HPS Investment Partners, Krewe Energy, Sage Road Capital	---
10/30/17	BNK Petroleum	PIPE	---	Harrington Global	---
10/27/17	Outrider Energy	PIPE	2.5	Q Investments	---
10/10/17	Krewe Energy	Buyout/LBO	---	Coral Reef Capital, HPS Investment Partners, Krewe Energy, Sage Road Capital	---
10/4/17	Continental Resources	Buyout/LBO	68.0	Corterra Energy, White Deer Energy	Continental Resources
9/29/17	Samson Resources	Buyout/LBO	525.0	Quantum Energy Partners, Rockcliff Energy	Samson Resources
9/26/17	Fortem Resources	PIPE	5.3	---	---
9/12/17	Chevron U.S.A.	Buyout/LBO	---	Kayne Anderson Capital Advisors, Sabinal Energy	Chevron
9/7/17	Halcon Resources	Buyout/LBO	1,400.0	Arclight Capital Partners, Bruin E&P Partners	Halcon Resources
8/22/17	Sierra Resources	PE Growth/Expansion	100.0	GSO Capital Partners, Post Oak Energy Capital	---
8/14/17	Whiting Petroleum	Buyout/LBO	500.0	RimRock Oil & Gas, Warburg Pincus	Whiting Petroleum
8/14/17	Stonegate Production Co.	Buyout/LBO	---	Breyer Capital	Stonegate Production
8/11/17	Destiny Oil Partners	PE Growth/Expansion	---	Post Oak Energy Capital	---
8/10/17	Carrizo Oil and Gas	PIPE	500.0	GSO Capital Partners	---
7/31/17	ConocoPhillips	Buyout/LBO	3,000.0	ACE & Company, Hilcorp Energy (Greg Lalicker), The Carlyle Group	ConocoPhillips
7/12/17	Opportunity in Timpalier Bay Field, LA	Buyout/LBO	---	Coral Reef Capital, HPS Investment Partners, Krewe Energy, Sage Road Capital	---
7/10/17	Silverback Exploration II	PE Growth/Expansion	500.0	EnCap Investments	---
7/6/17	Chevron	Buyout/LBO	---	Cantium Holdco, Sole Source Capital, York Capital Management	Chevron
7/3/17	EQT Production Co.	PIPE	---	American Century Investments, Aristotle Capital Management, Bank of Nova Scotia, Highbridge Ca	---
6/29/17	Energen	PIPE	---	Balyasny Asset Management, ClariVest Asset Management, Corvex Management, DekaBank Deuts	---
6/15/17	Lonestar Resources	PIPE	126.0	Chambers Energy Capital	---
6/15/17	Diversified Gas & Oil	PIPE	32.6	---	---
6/13/17	WPX	Buyout/LBO	431.5	Alberta Investment Management, Alinda Capital Partners, GIC Private, Howard Energy Partners	WPX Energy
6/1/17	Newark	Buyout/LBO	---	Bayou City Energy, White Knight Resources	CCMP Capital Advisors, Newark E&P, Quantum Energy Partners
5/22/17	EOG Resources	PIPE	400.0	The Carlyle Group	---
5/19/17	Valorem Energy	PE Growth/Expansion	300.0	Kayne Anderson Capital Advisors	---
5/15/17	Delaware Basin Asset	Buyout/LBO	---	Chisholm Energy Holdings, Warburg Pincus	---
5/11/17	WildHorse Resource Development	PIPE	435.0	The Carlyle Group	---
5/9/17	Earthstone Energy	Buyout/LBO	325.0	Bold Energy III, EnCap Investments	---
5/1/17	Sable Permian Resources	PE Growth/Expansion	744.0	Nytex Energy Holdings, OnyxPoint Global Management, The Energy & Minerals Group	---
5/1/17	Blue Ridge Mountain Resources	Buyout/LBO	34.7	Apollo Global Management, Resource Energy Partners	Blue Ridge Mountain Resources
4/12/17	Mongoose Energy	PE Growth/Expansion	---	EnCap Investments	---
4/5/17	LongPoint Minerals	PE Growth/Expansion	831.6	Canada Pension Plan Investment Board	---
3/29/17	Chisholm Oil & Gas	PE Growth/Expansion	---	Apollo Global Management, FS Investment	---
3/29/17	Opportunity in Kingfisher County, OK	Buyout/LBO	---	Apollo Global Management, Chisholm Oil & Gas	---
3/14/17	White Star Petroleum II	Buyout/LBO	---	AEW Capital Management, First Reserve, GSO Capital Partners, The Energy & Minerals Group, Triangl	Talara Capital Management
3/13/17	SM Energy	Buyout/LBO	800.0	EnCap Investments, Kohlberg Kravis Roberts, Riverstone Holdings, Venado Oil & Gas	SM Energy
3/13/17	Luxe Energy	PE Growth/Expansion	254.0	NGP Energy Capital Management	---
3/9/17	Halcon Resources	Buyout/LBO	500.0	Hawkwood Energy, Ontario Teachers' Pension Plan, Warburg Pincus	Halcon Resources
3/9/17	Canyon Creek Energy	PE Growth/Expansion	---	Vortus Investments	---
3/7/17	Ameredev	PE Growth/Expansion	400.0	EnCap Investments	---
3/3/17	Gastar Exploration	PIPE	425.0	Ares Management	---

Source: Pitchbook Data, Inc..

2017 Closed U.S. E&P Private Equity Deals (Cont'd)

Deal Date	Company Name	Deal Type	Deal Size (\$MM)	Investor	Sellers
3/2/17	Fortuna Resources	PE Growth/Expansion	---	Och-Ziff Capital Management Group	---
3/2/17	Anadarko Petroleum	Buyout/LBO	2,300.0	Sanchez Energy, The Blackstone Group	Anadarko Petroleum
3/1/17	Lilis Energy	PIPE	20.0	---	---
3/1/17	Anadarko Petroleum	Buyout/LBO	1,150.0	The Blackstone Group	Anadarko Petroleum
2/27/17	Halcon Resources	PIPE	400.0	---	---
2/24/17	Krewe Energy	Buyout/LBO	---	HPS Investment Partners	Sage Road Capital, Shoreline Energy
2/22/17	Resolute Energy	Buyout/LBO	---	Quantum Energy Partners, Wishbone Energy Partners	Resolute Energy
2/21/17	Moriah Henry Partners	PE Growth/Expansion	200.0	Henry Petroleum, Moriah Partners, Post Oak Energy Capital	---
2/15/17	Penn Virginia	PIPE	---	Wexford Capital	---
2/15/17	Covey Park Energy	PE Growth/Expansion	---	Denham Capital Management, Kohlberg Kravis Roberts, Magnetar Capital, Triangle Peak Partners	---
2/15/17	Chesapeake Energy	Buyout/LBO	465.0	Covey Park Energy, Denham Capital Management, Kohlberg Kravis Roberts, Magnetar Capital, Triar	Chesapeake Energy
2/8/17	California Resources	PIPE	---	Adams Asset Advisors, Blockhouse Capital Management, Bourgeon Capital Management, Coastlar	Occidental Petroleum
1/26/17	Swift Energy	PIPE	40.0	---	---
1/25/17	Staghorn Petroleum	Buyout/LBO	625.0	Apollo Global Management, Zenergy	Staghorn Petroleum
1/17/17	SLANT Energy	PE Growth/Expansion	30.0	Pearl Energy Investments	---
1/12/17	EnVen Energy Ventures	PE Growth/Expansion	118.4	Clark Enterprises, CNF Investments	---
1/9/17	Royal Holly Energy	PE Growth/Expansion	150.0	EnCap Investments	---
1/2/17	Avad Energy Partners	PE Growth/Expansion	77.5	NGP Energy Capital Management, Pearl Energy Investments	---
1/1/17	Ventana Exploration and Production	PE Growth/Expansion	---	Equity Group Investments	---
1/1/17	Tri-C Resources	PE Growth/Expansion	---	Post Oak Energy Capital	---
1/1/17	Olifant Energy	PE Growth/Expansion	---	EnCap Investments	---
1/1/17	Caerus Oil and Gas	PE Growth/Expansion	---	Old Ironsides Energy	---
72 E&P Private Equity Deals			\$ 19,419.8		

Source: Pitchbook Data, Inc..

Reversionary Structures Have Been Stable Over Past Several Years

- Typically structured as common equity -- Management agrees, up-front, to fund/contribute some percentage of the total equity commitment
- After the Investor achieves a certain return (IRR) and (ROI) on its capital, Management will receive incremental ownership through a promote at each hurdle level
- Management shall fund its share of the commitment, pro rata, as Investor contributes capital
- “Waterfall” structures are generally incremental and not cumulative, which means that as value is created, Management will own more of the incremental dollars/value generated by the Company

Summary Investment Assumptions							
New Common Equity Investment	\$95.0	Management Contributed Ownership %	5.0%		2020	2021	2022
Management Equity Contribution	5.0	Management Promoted Ownership%	0.0%	EBITDA	\$40.0	\$50.0	\$60.0
Initial Common Equity Value	\$100.0	New Investor Ownership %	95.0%	Multiple	6.0x	6.0x	6.0x
				EV	\$240.0	\$300.0	\$360.0
Investment Date	12/31/17			Net Debt	\$0.0	\$0.0	\$0.0
				Equity	\$240.0	\$300.0	\$360.0

	Hurdle Structure 1			Hurdle Structure 2			Hurdle Structure 3		
	IRR	ROI	% Promote	IRR	ROI	% Promote	IRR	ROI	% Promote
	8.0%	1.0x	5.0%	10.0%	1.0x	10.0%	15.0%	1.5x	5.0%
	20.0%	2.0x	10.0%	20.0%	2.0x	10.0%	20.0%	2.0x	10.0%
	35.0%	3.5x	15.0%	30.0%	3.0x	10.0%	35.0%	3.5x	15.0%
	Exit Year			Exit Year			Exit Year		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Dollar Return to Management	\$21.3	\$32.1	\$39.2	\$25.9	\$38.9	\$48.0	\$20.1	\$30.3	\$36.8
Percentage Ownership at Exit	8.9%	10.7%	10.9%	10.8%	13.0%	13.3%	8.4%	10.1%	10.2%
Dollar Return to Equity Investor	\$218.7	\$267.9	\$320.8	\$214.1	\$261.1	\$312.0	\$219.9	\$269.7	\$323.2
Percentage Ownership at Exit	91.1%	89.3%	89.1%	89.2%	87.0%	86.7%	91.6%	89.9%	89.8%

Traditional Private Equity – Waterfall Structure Comparisons

- For comparison purposes, the table below displays recent waterfall structures from term sheets Stephens has received representing management teams seeking traditional private equity capital in the last two years

Illustrative Hurdle Structure #1			
IRR	MOIC	Mgmt. Promote	Cumulative Mgmt. Promote
8.0%	1.00x	12.5%	12.5%
17.5%	2.25x	7.5%	20.0%
25.0%	3.25x	5.0%	25.0%

Illustrative Hurdle Structure #2			
IRR	MOIC	Mgmt. Promote	Cumulative Mgmt. Promote
8.0%	1.00x	15.0%	15.0%
---	2.50x	10.0%	25.0%
30.0%	3.00x	5.0%	30.0%

Illustrative Hurdle Structure #3			
IRR	MOIC	Mgmt. Promote	Cumulative Mgmt. Promote
15.0%	1.00x	15.0%	15.0%
20.0%	---	5.0%	20.0%
25.0%	---	5.0%	25.0%

Illustrative Hurdle Structure #4			
IRR	MOIC	Mgmt. Promote	Cumulative Mgmt. Promote
10.0%	1.00x	10.0%	10.0%
32.0%	---	5.0%	15.0%

Illustrative Hurdle Structure #5			
IRR	MOIC	Mgmt. Promote	Cumulative Mgmt. Promote
8.0%	1.00x	20.0%	20.0%

Illustrative Hurdle Structure #6			
IRR	MOIC	Mgmt. Promote	Cumulative Mgmt. Promote
---	1.30x	9.5%	9.5%
---	2.00x	7.5%	17.0%
---	3.00x	7.5%	24.5%

Illustrative Hurdle Structure #7			
IRR	MOIC	Mgmt. Promote	Cumulative Mgmt. Promote
10.0%	1.00x	20.0%	20.0%

Illustrative Hurdle Structure #8			
IRR	MOIC	Mgmt. Promote	Cumulative Mgmt. Promote
10.0%	1.30x	10.0%	10.0%
20.0%	2.00x	10.0%	20.0%
30.0%	3.00x	10.0%	30.0%

Market Average Hurdle Structure			
IRR	MOIC	Mgmt. Promote	Cumulative Mgmt. Promote
9.9%	1.04x	14.6%	14.6%
---	2.19x	8.8%	23.4%
---	3.06x	6.9%	30.3%

Executive Summary: Current State of E&P Private Capital Markets

Current Private Capital Themes: Private Debt Capital

- Non-bank lenders looking to finance acquisitions and refinance out traditional reserve-based loans, providing higher advance rates with less restrictive covenants at a higher cost of capital [L+ 600+]
- Lately, the unitranche structure (similar to 1st Lien / 2nd Lien structure) has seen high interest from operators seeking acquisitions or refinance out existing RBLs
- Lenders & borrowers agree these non-traditional debt products are viewed more as temporary capital that provide a vehicle for growth and time to shore up a balance sheet before returning to traditional RBLs

Unitranche Loan Overview

Commentary

Description & Overview

- Unitranche debt blends first and second lien debt financing into a single tranche structured as one term loan and priced at LIBOR plus a margin
- The increasing popularity of the unitranche loan is a byproduct of three developments that have shaped the middle market recently:
 - 1) Increased banking regulation
 - 2) Volatile bond and second lien markets
 - 3) Growth of giant private lending platforms

Covenant Flexibility & Speed of Execution

- Unitranche loans are very appealing to financial sponsors as they provide quick certainty of financing and there is no flex language to haggle over
 - Critical features when bidding against numerous buyers in a market with few LBO / acquisition opportunities
 - Unitranche loans are popular in complicated leverage situations, which in the past were appropriate for a two tranche structure: Senior + Subordinated
- Borrowers are generally willing to pay a pricing premium in exchange for additional leverage and covenant flexibility, including less restrictive dividend limitations and acquisition baskets

Recent Market Observations

- Recently, the market has seen multiple unitranche loans in the \$350M–\$400M range, significantly higher than the historical average of \$100M–\$250M
- In addition to the increase in size, leverage has also expanded for unitranche credits -- up to ~6.5x from the historical ~5.0x ceiling

Unitranche Structure Overview

TRADITIONAL⁽¹⁾

Senior Debt
2.75x-3.50x
L + 450-650

2nd lien / Sub Debt
1.00x-1.50x
~11%-14%

UNITRANCHE⁽¹⁾

3.75x-6.50x
L + 650-1000

Considerations

- ↑ Execution risk is decreased and documentation is simplified because of:
 - No syndication (reduces closing time by 2.5 - 4 weeks)
 - Single credit agreement instead of one for every tranche (also reduces legal and transaction fees), no intercreditor agreement
 - Fewer creditor negotiations over the life of the loan as no distinction is made between senior and subordinated lenders
- ↑ Cost of capital stays constant over time vs. increasing as senior debt amortizes and expensive junior debt becomes a higher percent of the total debt outstanding
- ↑ Unitranche lenders are more sophisticated, understand the flexibility needs of the business and are willing to put more capital to work
- ↑ Covenant types similar to traditional senior debt, but much less restrictive (i.e. larger cushions)
- ↓ Interest rate and OID are typically priced at a premium of 150 - 200 bps and 50 - 75 bps, respectively, over traditional senior debt

(1) For illustrative purposes only. Not intended to reflect current market leverage or pricing.

Source: Standard & Poor's LCD.

Recent E&P High Yield Offerings (B/CCC)

Issue Date	Issuer	Issue Ratings		Size	Issue Spread	Coupon	Current YTW	Maturity Date	Term	Security
		S&P	Moody's							
11/14/17	SRC Energy Inc	B+	B3	\$ 550	393 bps	6.250%	5.950%	12/1/25	8 Years	Sr. Unsecured
10/5/17	Gulfport Energy Corp	B+	B2	450	409 bps	6.375%	6.413%	1/15/26	8 Years	Sr. Unsecured
8/8/17	WPX Energy Inc	B+	B3	150	339 bps	5.250%	5.606%	9/15/24	7 Years	Sr. Unsecured
6/29/17	Carrizo Oil & Gas Inc	B+	B3	250	606 bps	8.250%	6.658%	7/15/25	8 Years	Sr. Unsecured
5/19/17	Callon Petroleum Co	B+	B3	200	344 bps	6.125%	5.617%	10/1/24	7 Years	Sr. Unsecured
2/8/17	Parsley Energy LLC	B+	B2	450	297 bps	5.250%	5.269%	8/15/25	8 Years	Sr. Unsecured
12/15/16	Gulfport Energy Corp	B+	B2	600	382 bps	6.375%	6.374%	5/5/25	8 Years	Sr. Unsecured
12/12/16	RSP Permian Inc	B+	B3	425	376 bps	5.250%	5.081%	1/15/25	8 Years	Sr. Unsecured
12/6/16	Parsley Energy LLC	B+	B3	650	304 bps	5.375%	5.289%	1/15/25	8 Years	Sr. Unsecured
10/6/16	Gulfport Energy Corp	B+	B2	650	436 bps	6.000%	6.044%	10/15/24	8 Years	Sr. Unsecured
9/15/16	Callon Petroleum Co	B+	B3	400	453 bps	6.125%	5.617%	10/1/24	8 Years	Sr. Unsecured
9/7/16	SM Energy Co	B+	B3	500	521 bps	6.750%	6.472%	9/15/26	10 Years	Sr. Unsecured
9/15/17	WildHorse Resources LLC	B	Caa1	150	511 bps	6.875%	6.526%	2/1/25	7 Years	Sr. Unsecured
4/28/17	Covey Park Energy LLC	B	B3	450	528 bps	7.500%	6.861%	5/15/25	8 Years	Sr. Unsecured
1/27/17	WildHorse Resources LLC	B	Caa1	350	458 bps	6.875%	6.526%	2/1/25	8 Years	Sr. Unsecured
12/6/16	Matador Resources Company	B	B3	175	376 bps	6.875%	5.205%	4/15/23	6 Years	Sr. Unsecured
5/9/17	Resolute Energy Corp	B-	Caa1	125	630 bps	8.500%	6.125%	5/1/20	3 Years	Sr. Unsecured
3/29/17	Ascent Resources	B-	B3	1,500	807 bps	10.000%	7.598%	4/1/22	5 Years	Sr. Unsecured
2/9/17	Halcon Resources	B-	Caa1	850	445 bps	6.750%	6.689%	2/15/25	8 Years	Sr. Unsecured
2/1/17	EP Energy Corp	B-	Caa1	1,000	559 bps	8.000%	16.010%	2/15/25	8 Years	Sr. Secured
12/2/16	Alta Mesa Holdings	B-	Caa1	500	557 bps	7.875%	5.758%	12/15/24	8 Years	Sr. Unsecured
9/12/16	PDC Energy Inc	B-	B2	400	457 bps	6.125%	5.260%	9/15/24	8 Years	Sr. Unsecured
8/16/16	Parsley Energy LLC	B-	B3	200	455 bps	6.250%	5.030%	6/1/24	8 Years	Sr. Unsecured
7/13/16	Extraction Oil & Gas LLC	B-	Caa1	550	680 bps	7.875%	5.339%	7/15/21	5 Years	Sr. Unsecured
5/24/16	Parsley Energy LLC	B-	B3	200	449 bps	6.250%	5.030%	6/1/24	10 Years	Sr. Unsecured

Summary Statistics

Mean	\$	469	471 bps	6.765%	6.334%
Median		450	453 bps	6.375%	5.950%

Issue Date	Issuer	Issue Ratings		Size	Issue Spread	Coupon	Current YTW	Maturity Date	Term	Security
		S&P	Moody's							
10/13/17	Vine Oil & Gas	CCC+	Caa2	\$ 530	701 bps	8.750%	9.685%	4/15/23	5 Years	Sr. Unsecured
4/26/17	Bill Barrett Corp	CCC+	Caa2	275	650 bps	8.750%	7.709%	6/15/25	8 Years	Sr. Unsecured
9/15/16	Great Western Petroleum	CCC+	Caa1	300	801 bps	9.000%	7.644%	9/30/21	5 Years	Sr. Unsecured
9/27/17	Chesapeake Energy Corp	CCC	Caa2	550	573 bps	8.000%	8.782%	6/15/27	9 Years	Sr. Unsecured
9/27/17	Chesapeake Energy Corp	CCC	Caa2	300	562 bps	8.000%	8.327%	1/15/25	7 Years	Sr. Unsecured

Summary Statistics

Mean	\$	391	657 bps	8.500%	8.429%
Median		300	650 bps	8.750%	8.327%

Note: Yield to worst data as of Nov. 2017.

Source: S&P Global, Advantage Data and company filings.

Recent E&P Second Lien Offerings

Launch Date	Issuer	Issue Ratings		Deal Size	Spread to LIBOR	LIBOR Floor
		S&P	Moody's			
4/29/15	W&T Offshore Inc	B+	NR	\$ 300	800 bps	100 bps
10/6/14	Magnum Hunter Resources Corp	B	B1	340	750 bps	100 bps
4/24/14	Jonah Energy LLC	B	B3	400	650 bps	100 bps
9/3/14	Templar Energy LLC	B-	B3	550	750 bps	100 bps
6/23/14	Templar Energy LLC	B-	B3	200	700 bps	100 bps
2/10/14	Fieldwood Energy LLC	B-	B2	425	713 bps	125 bps

Summary Statistics

Mean	\$	369	727 bps
Median		370	731 bps

Launch Date	Issuer	Issue Ratings		Deal Size	Spread to LIBOR	LIBOR Floor
		S&P	Moody's			
7/8/14	MD America Energy LLC	CCC+	Caa2	\$ 525	850 bps	100 bps
6/24/14	American Energy Marcellus LLC	CCC	Caa1	450	750 bps	100 bps

Summary Statistics

Mean	\$	488	800 bps
Median		488	800 bps

Launch Date	Issuer	Issue Ratings		Deal Size	Spread to LIBOR	LIBOR Floor
		S&P	Moody's			
9/21/17	Penn Virginia Corporation	NR	NR	\$ 200	700 bps	0 bps
9/17/14	Callon Petroleum Co	NR	NR	275	750 bps	100 bps
6/25/14	BlackBrush	NR	NR	300	650 bps	100 bps
4/15/14	Chief Exploration & Development LLC	NR	NR	400	650 bps	100 bps
4/9/14	Bennu Oil & Gas	NR	NR	487	750 bps	125 bps
3/14/14	Caelus Energy LLC	NR	NR	300	750 bps	125 bps

Summary Statistics

Mean	\$	327	708 bps
Median		300	725 bps

Note: W&T Offshore deal has a fixed 9.0% interest rate.
Source: S&P Global, Advantage Data and company filings.

Executive Summary: Current State of E&P Private Capital Markets (Cont'd)

Current Private Capital Themes: Representative Partnership Structures

- Representative partnerships (“DrillCo”) allow private investor(s) to invest in development programs alongside operators, bringing in equity capital that falls outside the traditional private equity / private debt investment structures
- Partnerships can focus on operated/non-op. development programs on an operator's properties, and award working interests to the private investor in an agreed-upon group of locations
- DrillCo partnerships free up operators' existing capital, allow operators to keep development drilling program on schedule, and provide opportunity to focus on developing other projects
- These structures may include options allowing operators to potentially repurchase interests, and terms regarding the exit timing of the private investor through an agreed-upon reversion of some/all interests back to the Leaseholder

DrillCos – Overview

- **What is a DrillCo?**

- **Industry participants that may face challenges investing in their own drilling inventory represent an opportunity for capital providers to own direct interest in new wells via DrillCos**
- With similarities to traditional joint ventures and farm-outs, a DrillCo is a type of transaction wherein each party – operator, private investor – each hold a working interest in certain undeveloped acreage / groups of wells
- Operator contributes undeveloped acreage, while investor provides capital and is awarded working interests alongside the operator
- Focus area can range from specific location(s) to a large acreage position, targeting high-quality, geologically de-risked areas with an existing inventory of drilling locations and proved reserves in place
- Transaction structures vary based on the needs of the parties involved, and typically allow operators to potentially regain working interests from an investor after achieving certain production goals and / or returns on investment

- **Factors Leading to Creation of DrillCos**

- Declines in oil and natural gas prices pressured some operators' balance sheets and their ability to invest the necessary capital to maximize development of drilling programs
- Less availability of traditional private equity capital for acquiring acreage + start-up mgmt. G&A within a subdued / more volatile commodity environment
- Focus on minimizing / eliminating costs within a “lower-for-longer” commodity price outlook, results in DrillCos as a creative off-balance sheet development option for operators to share some of the development costs for certain tranches of undeveloped wells in exchange for a portion of the returns over a specified time period

DrillCos – Overview (Cont'd)

• Investment Features of DrillCos

- Private investors may not be (and typically are not) required to provide up-front capital
- Potential exit options for investors include:
 - The ability to assess a potential exit at certain time intervals
 - Not achieving initial production targets
 - Inability to agree upon annual work program(s) / budget
- Reversion of interests from investors back to operator(s) based on performance of various groups of wells, IRR hurdles

• DrillCos vs. Debt Financing

- **Higher** cost of capital compared to debt (Unitranche)
- Typical IRR hurdles in the range of ~15% - 25% are **higher** vs. unitranche debt ranging from around mid-single-digits to low / mid-teens, and with unitranche debt's **lower** cost of capital holding flat over time
- Similar to Mezzanine / Junior Debt, and Stretch Senior / Second Lien Bank and Institutional Debt, provides exposure (and similar risk) to Proved Undeveloped (PUD) Reserves as well as Proved Developed Producing (PDP) and Proved Developed Non-Producing (PDNP) Reserves
 - **Higher** exploration risk profile vs. Conforming Senior Bank Financing, which focuses primarily on Proved Developed (PDP + PDNP) Reserves

• DrillCos vs. Traditional Equity Financing

- **Lower** cost of capital compared to traditional equity (preferred + common)
- Typical IRR hurdles in the range of ~15% - 25% are **lower** vs. traditional equity in the ~30% - 50%+ range
- Focused on 1P reserves / existing drilling inventory, whereas traditional equity has exposure to additional exploration and commercialization risk associated with potential development of 2P and 3P reserves

Source: Oil & Gas Investor, Latham & Watkins.

DrillCos – A Financing Alternative

- The reserve characteristics, taken together with the size and maturity of the issuer, drive the form of capital required for growth

