

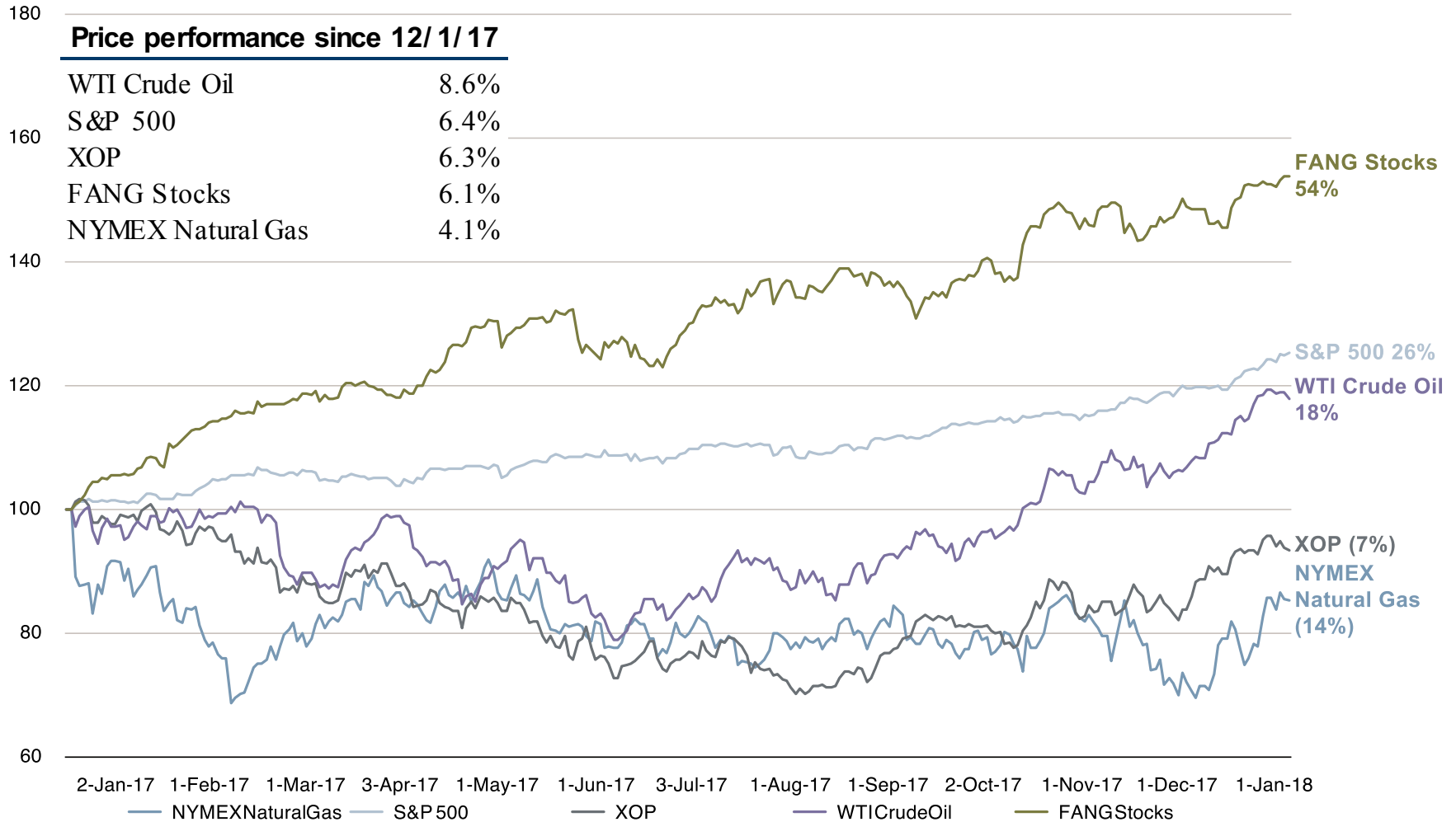
# IPAA Private Capital Conference

**Confidential**  
January 25, 2018

PRELIMINARY | SUBJECT TO FURTHER REVIEW AND EVALUATION

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# The generalists have moved towards tech... but they are beginning to return...

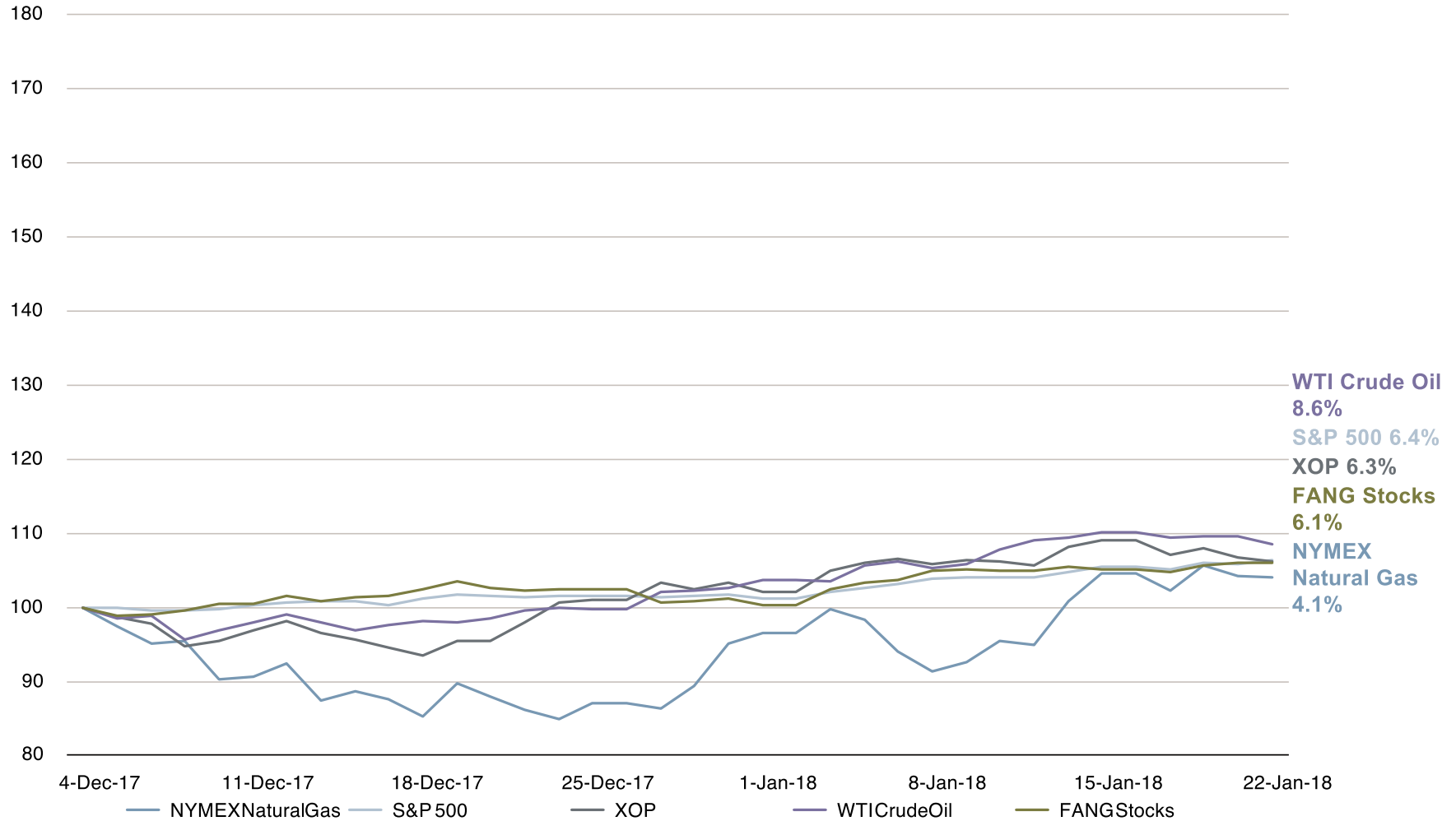


Source: Factset as of 1/21/18.

Note: FANG stocks defined as Facebook, Apple, Netflix and Google.

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# Strong performance across markets over the past year

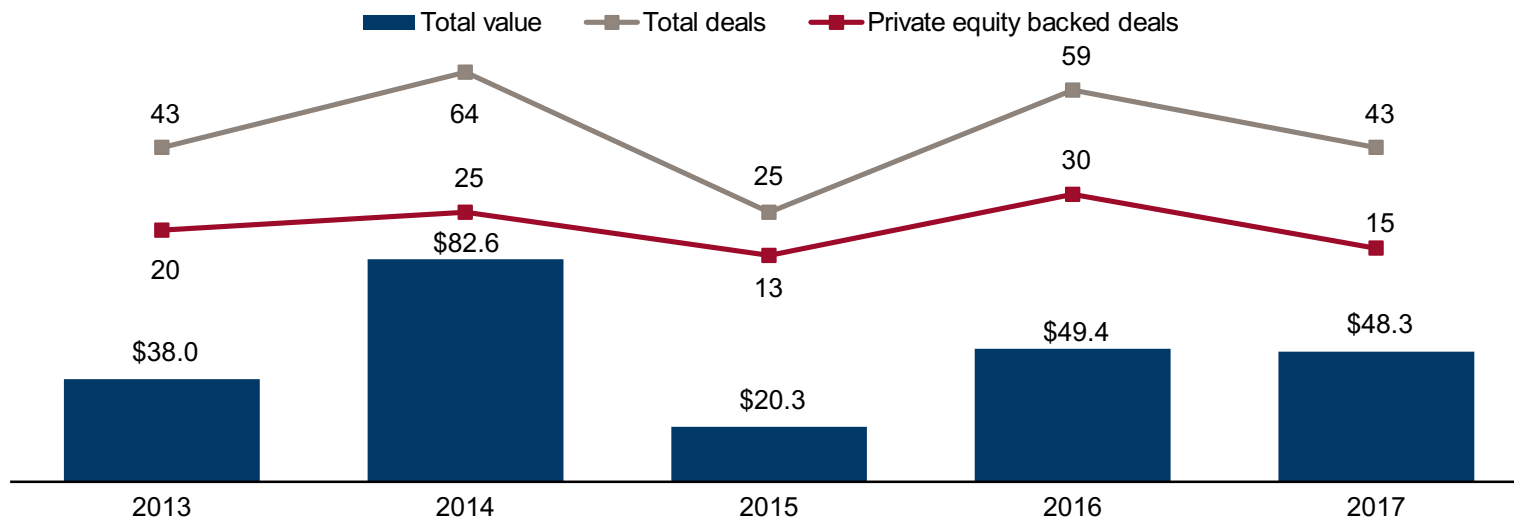


Source: Factset as of 1/21/18.

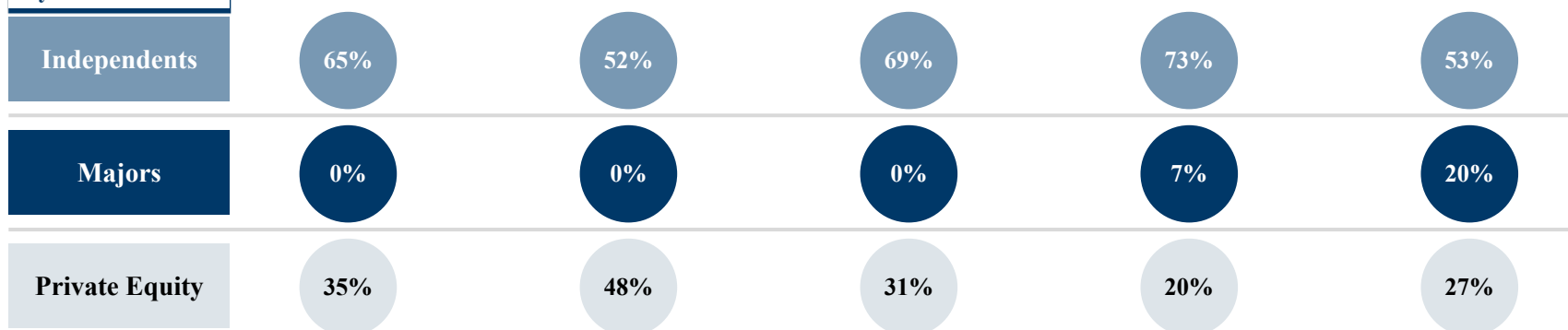
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# US Independents are the drivers of A&D acquisitions

Value of U.S. E&P asset transactions since 2013 (\$ in billions)



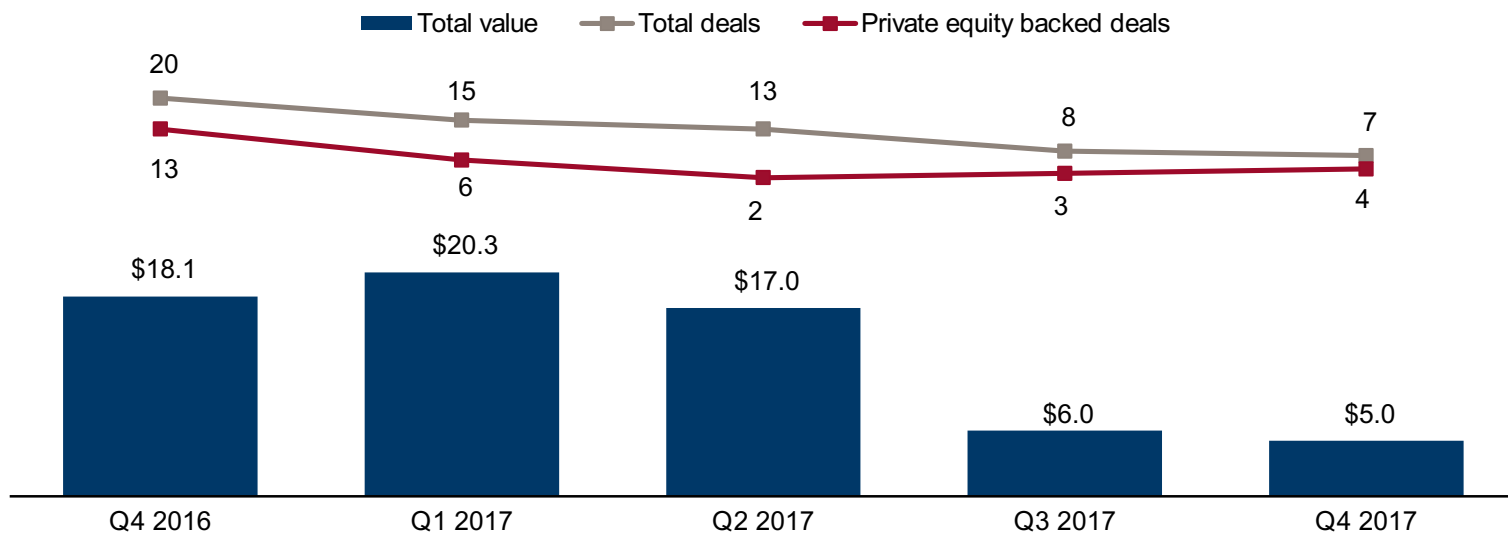
## Buyers of PE deals



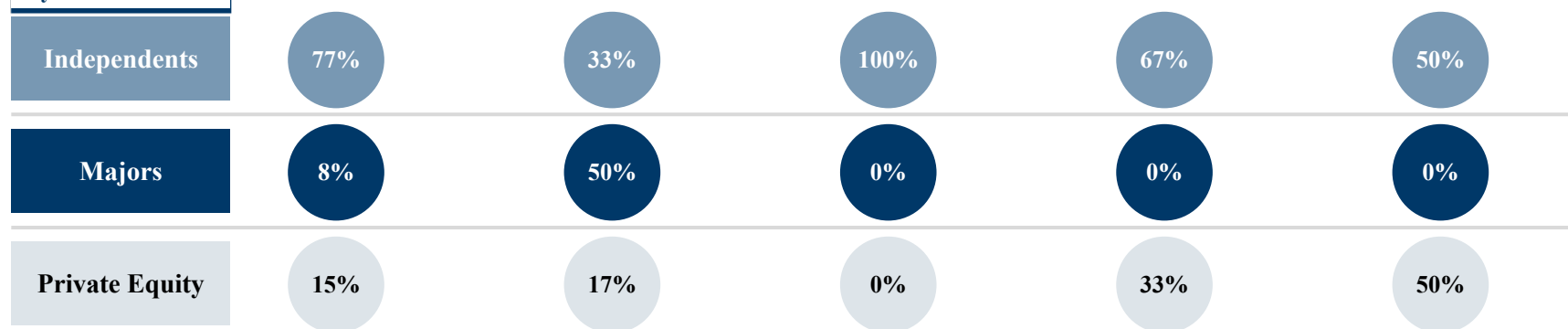
Source: PLS, I Derrick and IHS.

# A&D market has recently slowed

Value of U.S. E&P asset transactions since Q4 2016 (\$ in billions)



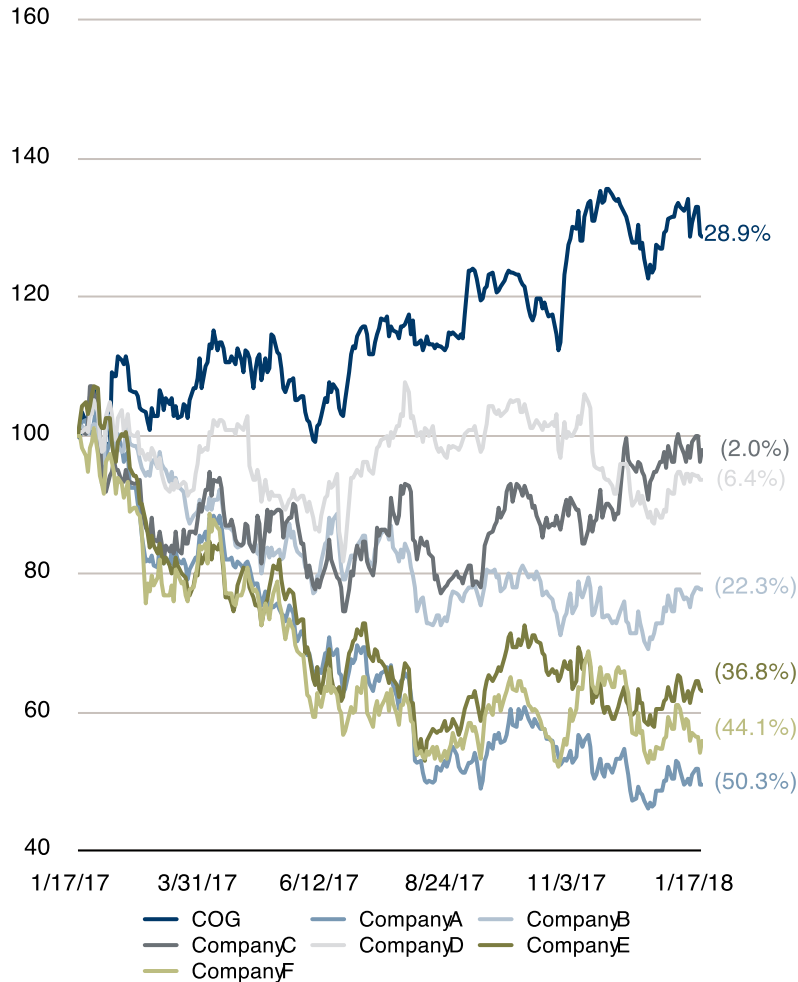
## Buyers of PE deals



Source: PLS, I Derrick and IHS.

# Returns focus wins the day in stock performance

## 1 year stock price performance



Source: Company filings and FactSet as of 1/17/18.

## COG Research perspectives

“A doubling, or tripling of the dividend (it tripled last year) to \$0.48-\$0.72/year would leave ~\$1.2-\$1.5 billion available for a combination of debt reduction / share repurchase.”

*Barclays - January 2018*

“FCF yield supports upside.”

*BMO - December 2017*

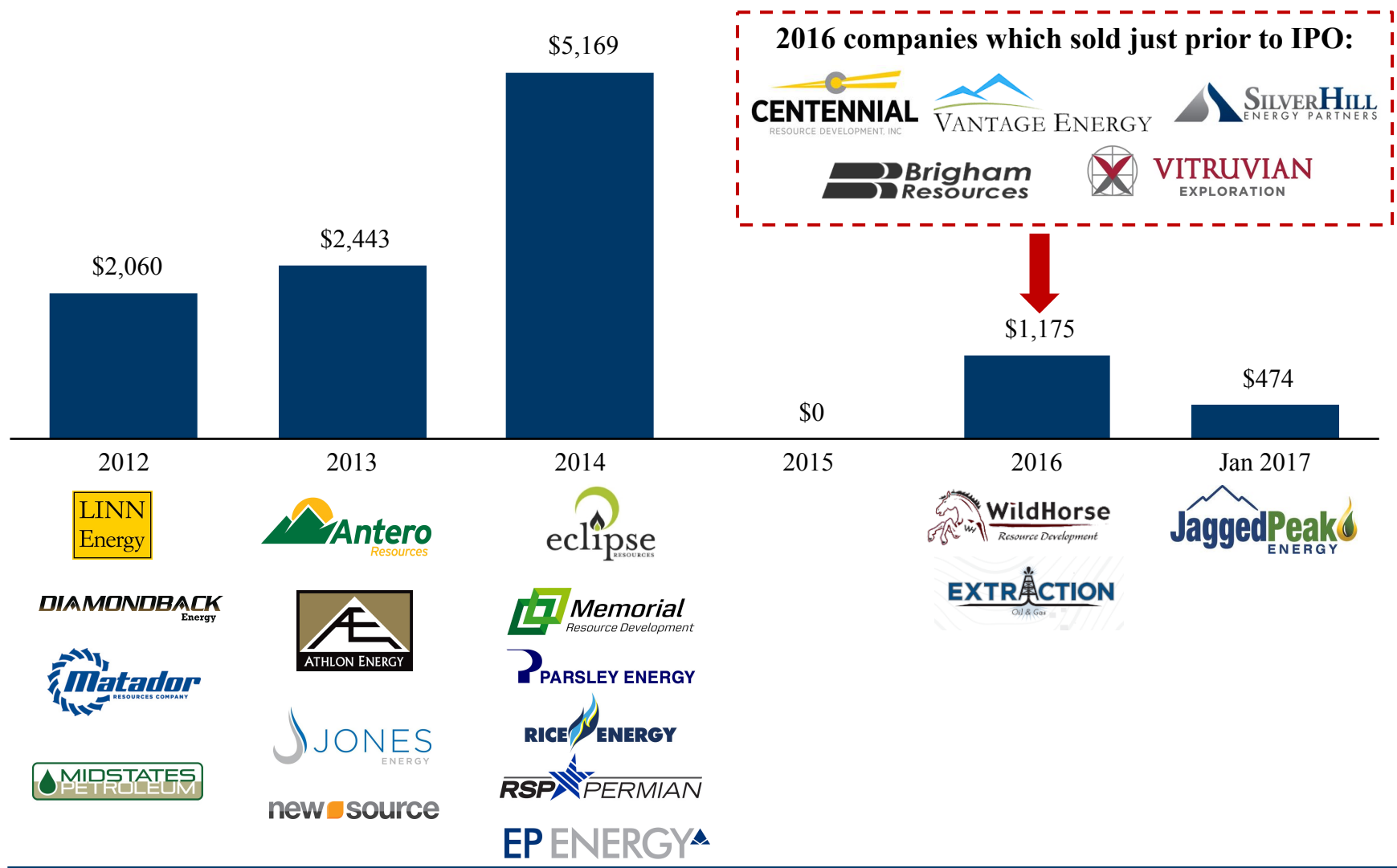
“With significant free cash years on the way in 2019 and 2020, we believe \$900mm in cash on the balance sheet at YE18 (after paying down a tranche of debt) is too much cash to carry given the company’s FCF yield, and thus would expect to see a more active buyback program in 2018.”

*JP Morgan - December 2017*

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# Most IPO candidates have sold prior to IPO

Historical E&P IPO Deal size (\$ in millions)



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# A record IPO backlog for a recovering market

## IPO backlog

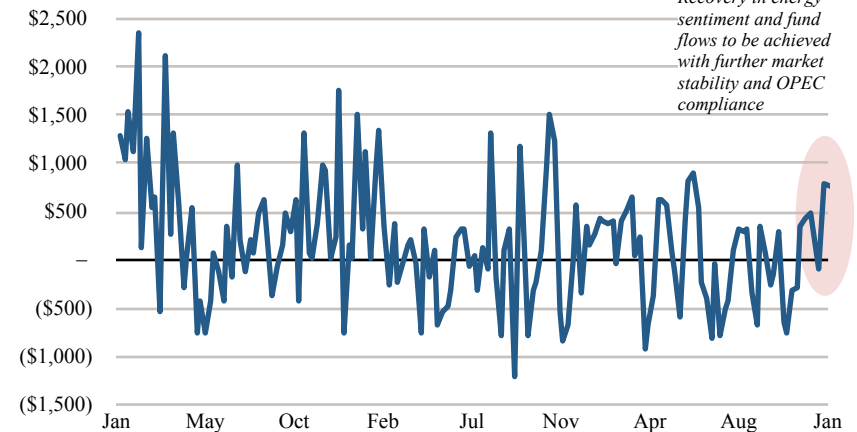
Company	Approx. / File Size (\$MM)	Expected Pricing Date
<b><u>Exploration &amp; Production</u></b>		
Vine Oil & Gas	\$500	1 H 2018
Tapstone Energy	\$100	2018
Company A	\$150	2018
Company B	\$250	2018
Company C	\$250	2018
Company D	\$300-\$400	2018
Company E	\$350-\$500	2018
Company F	\$500	2018
Company G	\$250	2018
Company H	\$500	2018
Company I	\$300-\$400	2018
Company J	\$100	2018
Company K	\$300	2018
Company L	\$250	2018
Company M	\$350	2018
<b><u>Oil Field Services</u></b>		
FTS International	\$100	1 H 2018
Preferred Sand	\$100	1 H 2018
Quintana Energy Services	\$100	1 H 2018
BJ Services	\$100	1 H 2018
Cactus	\$100	1 H 2018
Vista	\$200	1 H 2018
Company A	\$250	2018
Company B	\$200	2018
Company C	\$200	2018
Company D	\$250	2018
Company E	\$200	2018

## Recent Energy C-corp IPOs

Pricing date	Issuer	Base size	% mkt val. sold	% Second.	File/ offer	Offer/ 1-day	Offer/ current
01/18/18	Nine Energy Service Inc	\$161	30.0%	-	7.0%	13.5%	13.5%
01/11/18	Liberty Oilfield Services LLC	\$216	10.8%	-	13.3%	27.9%	32.8%
08/10/17	Ranger Energy Services LLC	\$85	39.2%	-	(14.7%)	(1.9%)	(29.2%)
05/11/17	Solaris Oilfield Infrastructure Inc	\$121	24.2%	23.0%	(27.3%)	(3.8%)	74.2%
04/27/17	NCS Multistage Holdings Inc	\$162	21.0%	-	3.0%	17.7%	8.4%
04/25/17	STEP Energy Services Ltd	\$74	16.6%	-	(33.3%)	(0.3%)	15.6%
04/20/17	Select Energy Services Inc	\$122	16.5%	-	(15.2%)	0.1%	54.7%
04/07/17	Source Energy Services Ltd	\$130	35.7%	-	(43.2%)	(5.7%)	(14.3%)
03/16/17	ProPetro Holding Corp	\$350	30.1%	47.0%	(20.0%)	3.6%	52.4%
01/26/17	Jagged Peak Energy	\$474	14.8%	10.0%	(11.8%)	(4.5%)	(4.9%)
<b>Average</b>		<b>\$190</b>	<b>23.9%</b>	<b>8.0%</b>	<b>(14.2%)</b>	<b>4.7%</b>	<b>20.3%</b>
<b>Median</b>		<b>\$146</b>	<b>22.6%</b>	<b>-</b>	<b>(14.9%)</b>	<b>(0.1%)</b>	<b>14.5%</b>

## Net Energy fund flows

Weekly global energy equity funds flows - \$bn since 2015



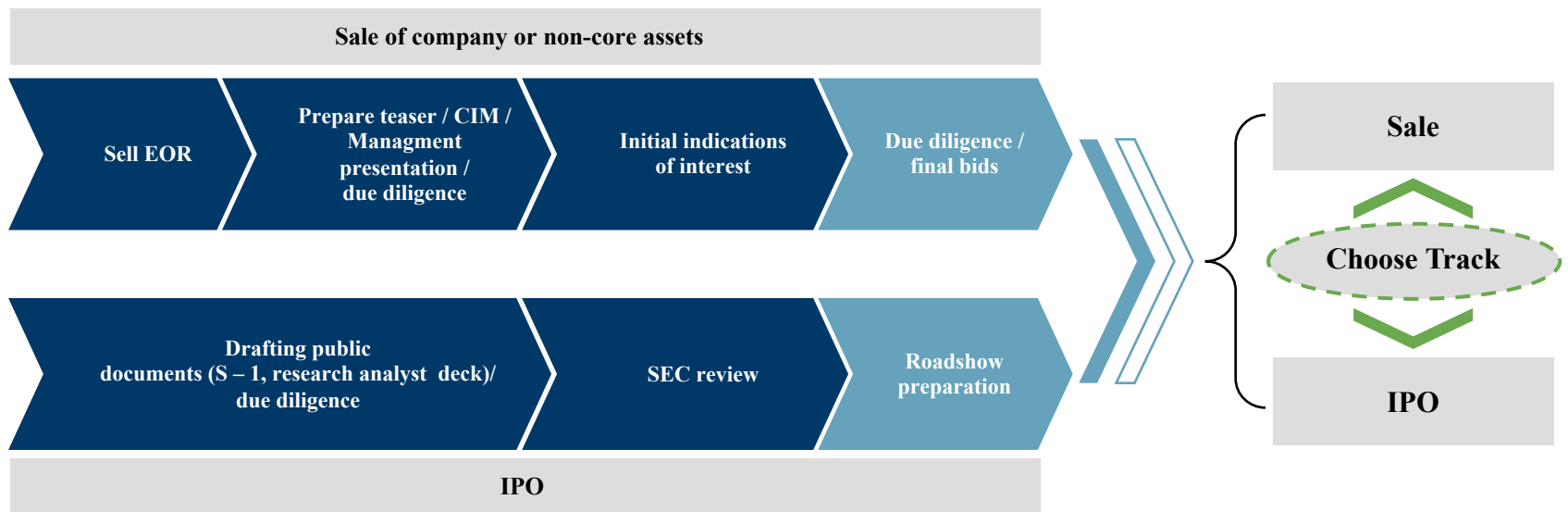
Source: FactSet, EIA, EPFR as of 01/19/18.

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# Dual-track technique

- ✓ Create increased competitive tension
- ✓ Particularly attractive in a weak A&D market and good IPO environment
- ✓ Run parallel to IPO track, full sale process
- ✓ Creates a sense of urgency for buyers to act before its too late



# Private company's strategic combination with public company

## All stock "Merger of Equals"

### Transaction summary

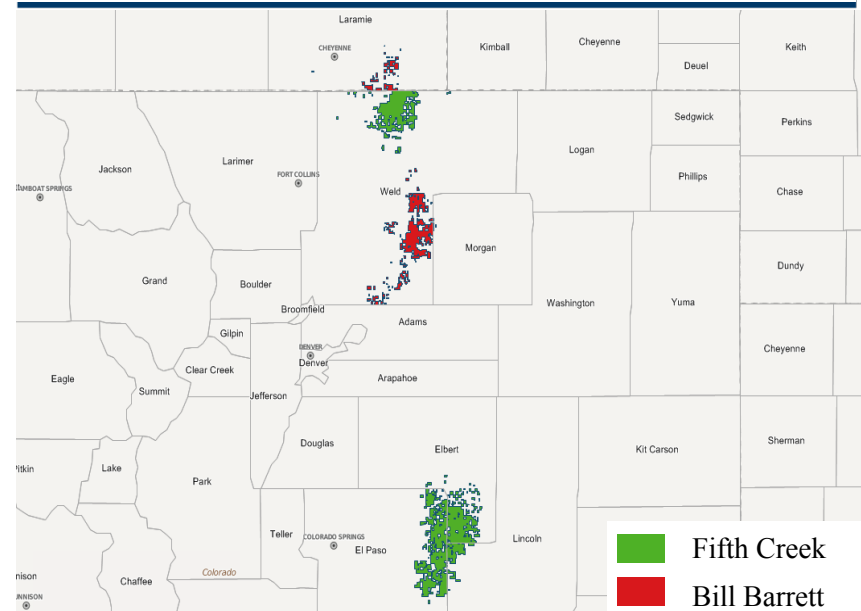
- On December 5, 2017, Bill Barrett Corporation "BBG" agreed to a strategic combination with Fifth Creek Energy Company, LLC ("Fifth Creek"), a portfolio company of NGP
- Assumes a total transaction value of ~\$649 million
- Concurrently with the merger, BBG raised \$105 million of gross proceeds through a common stock offering

### Consolidation benefits

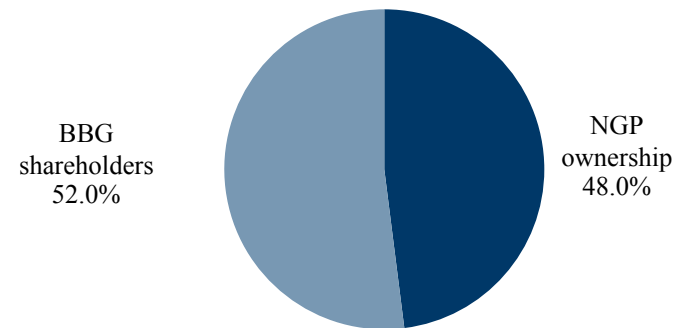
#### Strategic rationale

- Focus on high-quality, low-risk oil-weighted properties in the DJ Basin
- Dramatically expands scale with 70% increase in gross undeveloped drilling locations
- Combined acreage position of 151,100 net acres in the DJ

### Pro forma acreage dedications



### Pro forma ownership



Source: Company filings, Wall street research, FactSet as of 12/12/17.

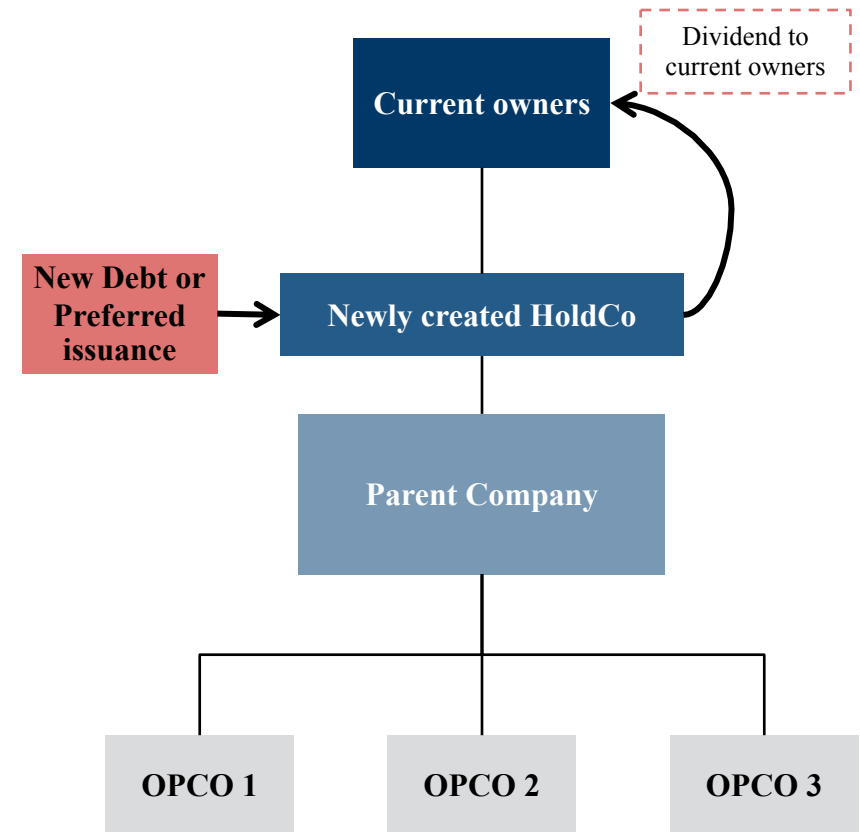
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# HoldCo dividend recapitalization overview

## Strategic rationale

- A HoldCo dividend provides monetization to current owners without reducing their ownership stake
  - HoldCo dividends can be structured through preferred stock or a variety of debt instruments
  - Substantial structuring optionality given most transactions are privately negotiated
    - PIK vs cash options allows for reasonable liquidity at OPCOs
    - Equity clawback constructs that allow for HoldCo extinguishment in IPO or CoC scenarios
- Many companies can service debt costs through RP baskets at parent company level
- A HoldCo dividend can capitalize on current investor interest in the HY or preferred market while giving current owners a monetization event

## HoldCo dividend recapitalization schematic



# CrownRock's dividend recapitalization

## Preferred stock and HY notes issuance



### Company highlights

- CrownRock, L.P. is an independent oil and natural gas exploration and production company based in Midland, TX
- Holds a substantial acreage position in the core of the Permian Basin of West Texas, which is highly prospective for several Wolfcamp zones in addition to the Spraberry

### Perpetual preferred transaction highlights

- Magnetar Capital and EIG Global Energy Partners made a \$475 million perpetual preferred equity investment in a newly created HoldCo (CrownRock Holdings, L.P.)
  - The formation of a new holding company at CrownRock did not have any impact on the existing ownership and voting structures at CrownRock, L.P.
- Perpetual preferred transaction allows for monetization event for current owners without dilution or incremental debt

### HY Notes transaction highlights

- Credit Suisse successfully reintroduced the CrownRock “vertical-to-horizontal” story to the high yield market after a two-year hiatus from primary issuance
- CS built a robust, highly diversified investor base with distribution to over 100 accounts
  - The drive-by transaction was multiple times oversubscribed
  - Benchmark size offering allows for Barclay S&P index inclusion
- The benefits of the transaction include the following:
  - Supports the Company’s plan to continue to elongate the average duration of its debt
  - New covenants enable the Company to distribute cash and place / service a future HoldCo financing

# Summary of observations

- Market is in recovery mode
  - Fundamentals have improved significantly through improved pricing while maintaining control over capital
  - Focus on returns and production growth within cash flow
- A&D market has weakened as the demand for inventory has reduced in a slower growth environment
- An all stock “Merger of Equals” of a private company with an existing public company can expand exit options
- IPO market has been slow but could rise considerably as generalists return to an undervalued sector
- Dual track process can be an effective technique to drive competition in a less active M&A market
- A “HoldCo” dividend transaction is an effective method to return capital to private shareholders while avoiding a full exit strategy
- Let’s talk about your options!

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