



IPAA Presentation – January 2018

A Who is ExL Petroleum?

B Why were we successful raising private equity?

C Successfully investing private equity – Delaware Basin

D Successfully investing private equity – Midland Basin

Company overview

- Midland, TX-based E&P company focused on Permian Basin unconventional resource plays
- Founded by Doug Robison, Dave Feavel, and Mike Lamonica in 2005
- Serial entrepreneurs who have sold 12 asset packages for total value in excess of \$2 billion
- Partnered with Quantum Energy Partners in 2014 and built a >20,000 net acre Delaware Basin and >12,000 net acre Midland Basin asset position

Permian Basin experts

- **Pioneers** in the Midland Basin who combined geology, engineering, and land expertise to unlock the Wolfberry Play
- Early movers in the Delaware Basin vertical and horizontal Wolfcamp development
- Operational experts – the team has **drilled thousands of Permian Basin wells**
- Team members have focused most or all of their careers solely on the Permian Basin

ExL investment / operational strategy

- Utilize **relationships, contacts, and reputation** that ExL partners and staff had built over the last 30+ years to source opportunities
- **Highly technical** approach using innovative technology to identify and unlock oil and gas reserves across the Permian Basin
- Utilize detailed upfront geology, geophysics, petrophysics, and engineering to **identify areas with top tier rock** that have been poorly developed by previous operators
- Focus on **execution** not just buy and flip. Team built to simultaneously **run multiple rigs** in multiple basins

A large, stylized logo for ExL Petroleum. The letters "EXL" are rendered in a bold, black, sans-serif font with a white outline. Below "EXL", the word "PETROLEUM" is written in a large, bold, yellow, sans-serif font with a black outline. The entire logo is set against a white background.

Why were we successful in raising private equity?



- ExL had built a reputation throughout the industry for integrity, honesty, creativity, communication, hard work, intensity, and intelligence – all primary components in the building of a thriving, successful oil company
- ExL had a 10 year track record of buying, developing, and monetizing Permian Basin properties under private equity ownership at strong ROIs and high IRRs
- Go forward business strategy targeting the Midland Basin and Delaware Basin horizontal Wolfcamp development matched our historical expertise
- Management team had a 20+ year history working together
- Management team was “complete” with all major disciplines covered: land, geoscience, engineering, finance, and legal
- We had identified several acquisition opportunities that were of scale and appeared actionable

Why did we choose Quantum as our private equity partner?



- We were seeking a true “partner” who could add value and help build ExL, not just a check book
- Investment hold period for this iteration of ExL was expected to be much longer than in ExL’s prior deals, requiring a patient partner who could invest through an industry “cycle”
- Our business plan matched Quantum’s “execution centric” investment mandate
- With the basin turning horizontal, ExL sought out a relatively large \$500 million capital commitment to keep up with the rapidly rising land and well costs
- ExL wanted to partner with a sponsor who was primarily focused on the energy sector, and not an industry generalist

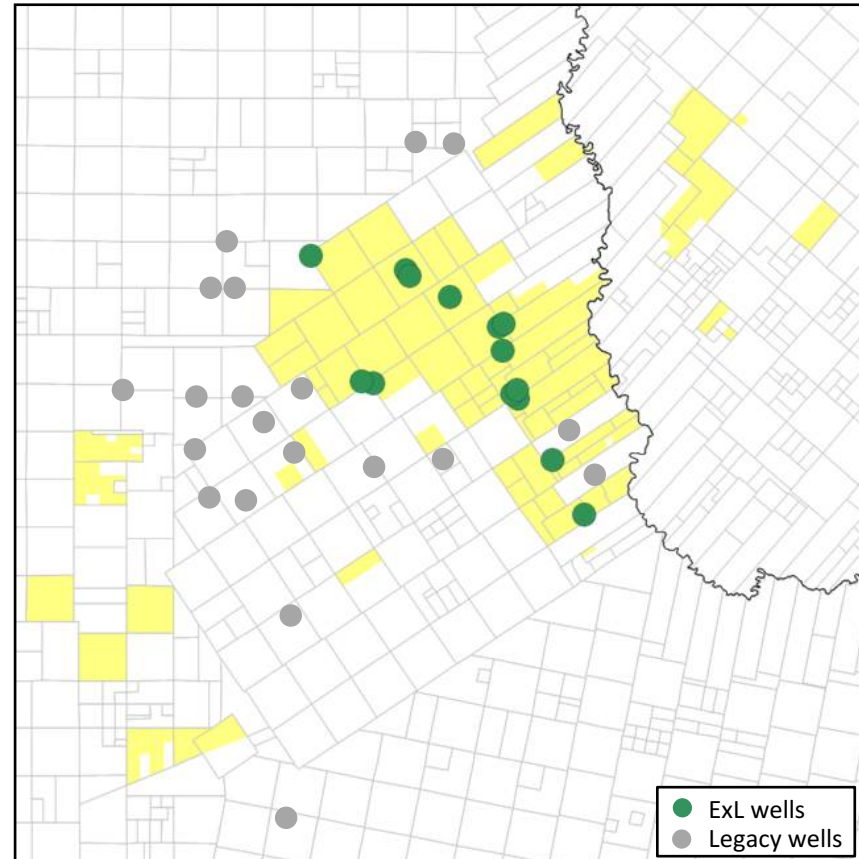
Delaware Basin – ExL drove value through execution...



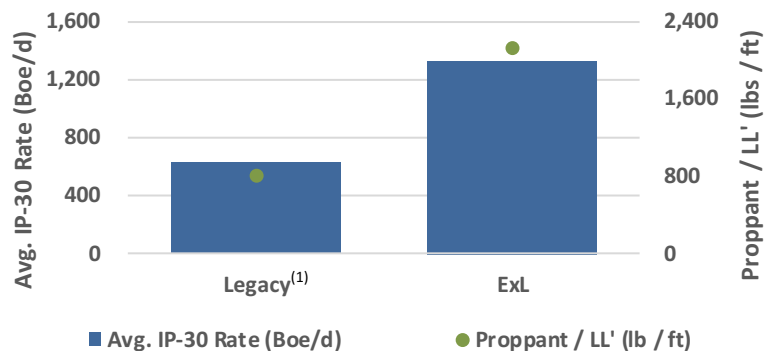
Key points

- Uneconomic wells drilled by legacy operators condemned the entire area, but ExL saw an opportunity where poor operational practices, not rock quality, were at fault
 - Highly divided land ownership restricted development
 - Wrong landing zone
 - Ineffective stimulation/completion
- ExL approach
 - Consolidate land ownership through 10+ acquisitions and numerous trades
 - Use detailed technical work to identify most promising horizontal landing zones
 - Employ leading edge completions on long-lateral wells.
 - Aggressively drill to convert land value to reserves (ran 5 rigs at peak)

ExL Delaware Basin Position



ExL vs. Legacy Operator Well Performance



Source: DrillingInfo.
 (1) Includes legacy offsetting wells from 2011-2014.

...Ahead of Exiting the Position through Two Successful Transactions



Key points

- In June 2017, ExL entered into an agreement to sell 80% of its Block 4 Delaware Basin assets to Carrizo for \$648 million plus a potential earn out of \$125 million, valuing ExL's entire Delaware Basin position at \$966 million
- In December 2017, ExL entered into an agreement to sell its residual 20% interest in the Block 4 Delaware Basin assets to an undisclosed buyer. The transaction is expected to close in late January 2018



*has acquired 80% of the
Delaware Basin assets of*



*For a Transaction Value of
\$648 Million + \$125 Million
oil price earn out*

Closed August 2017

Undisclosed Buyer

*has acquired 20% of the
Delaware Basin assets of*



*For a Transaction Value of
Undisclosed*

Expected to Close January 2018

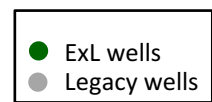
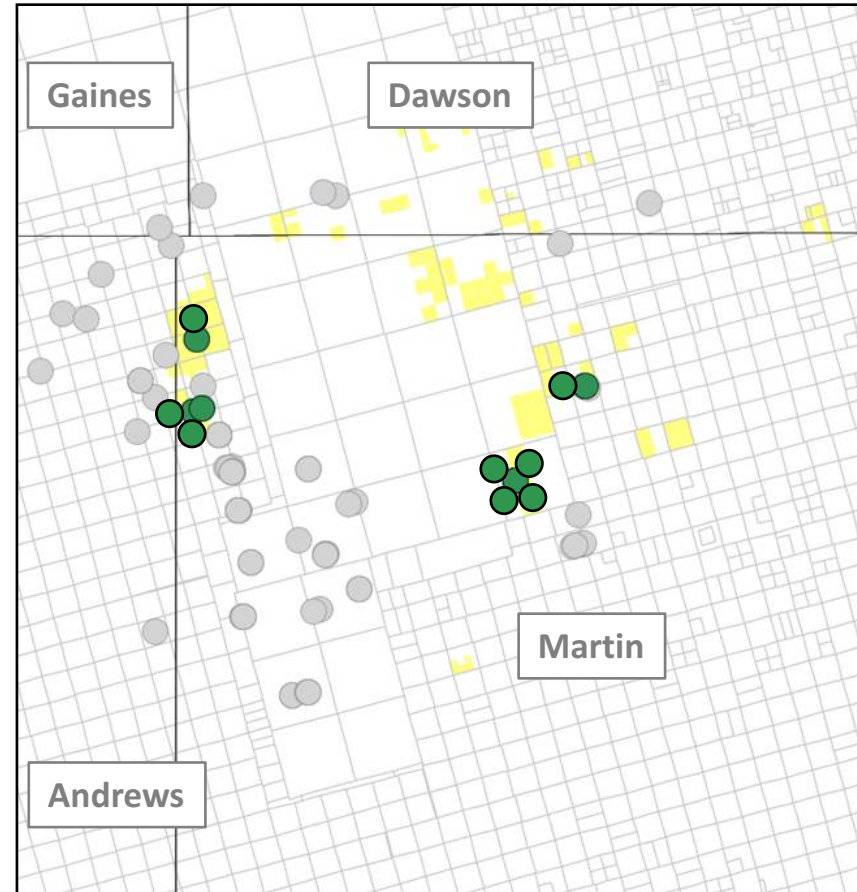
Midland Basin thesis was very similar to the Delaware



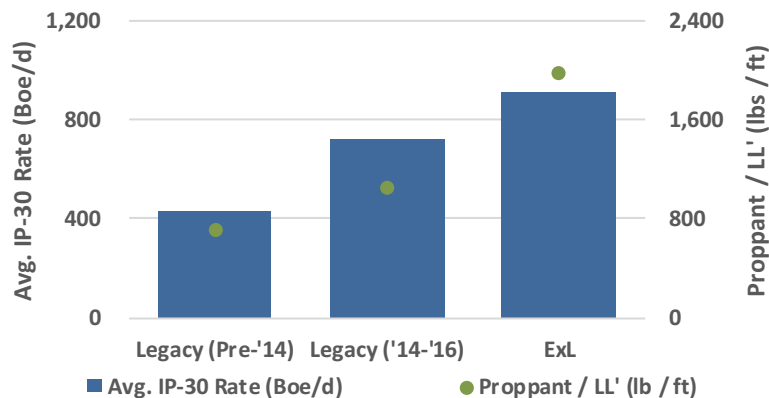
Key points

- Marginal wells drilled by legacy operators reduced focus around the entire area, but ExL saw an opportunity where modern operational practices could improve economics
 - Highly divided land ownership restricted development
 - Wrong landing zone
 - Ineffective stimulation/completion
- ExL approach
 - Consolidate land ownership through >15 acquisitions and numerous trades
 - Use detailed technical work to identify most promising horizontal landing zones
 - Employ leading edge completions on long-lateral wells
 - Aggressively drill to convert land value to reserves (currently running 2 rigs)

ExL Midland Basin Position



ExL vs. Legacy Operator Well Performance

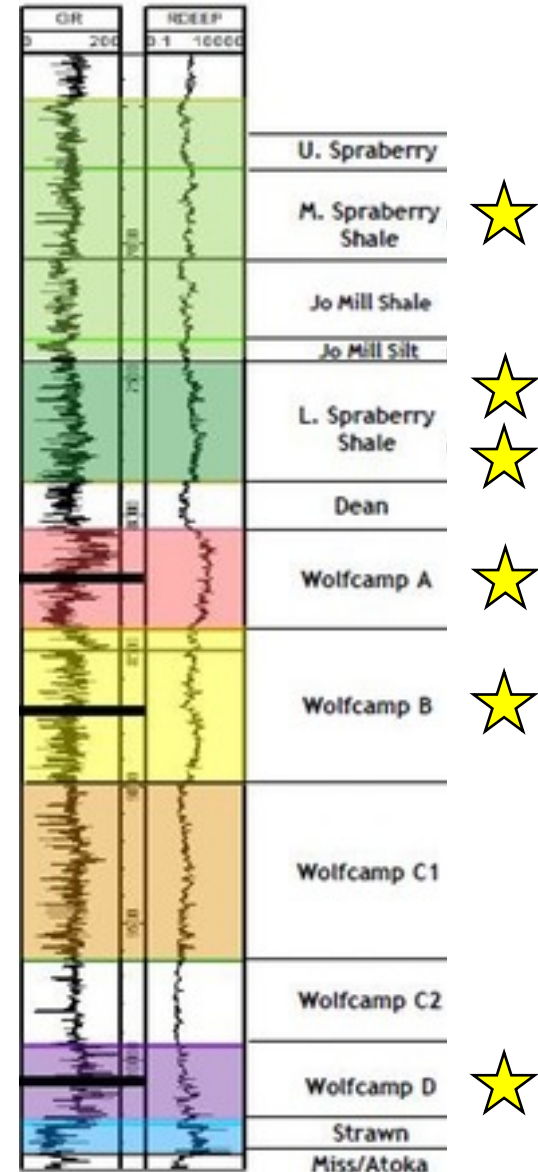


Source: DrillingInfo.

What is next for ExL

Key Points

- Recently added ~2,500 net acres through acquisitions
- Two rig Midland Basin drilling program accelerates the pace of land value to PDP conversion
- Beginning development mode horizontal drilling across six benches: Wolfcamp A, Wolfcamp B, Wolfcamp D, Middle Spraberry, Lower Spraberry (Upper and Lower)
- Gross production is expected to grow from 4.9 MBoe/d (85% oil) as of YE 2017 to 16.8 MBoe/d (79% oil) by YE 2019
- Will exit Midland Basin asset opportunistically
- Continue to look for new acquisition opportunities to leverage the ExL team's skillset



ExL Historical and Projected Gross Production and Well Count

