

# Review of the Upstream Transaction Market Through YTD 2011

## A&D Overview

HYBRID LIVE/  
INTERNET  
AUCTIONS



CUSTOM  
NEGOTIATED  
TRANSACTIONS

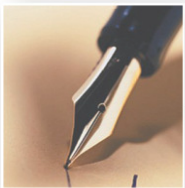


The Oil & Gas Asset  
**CLEARINGHOUSE**

A&D ADVISORY  
SERVICES



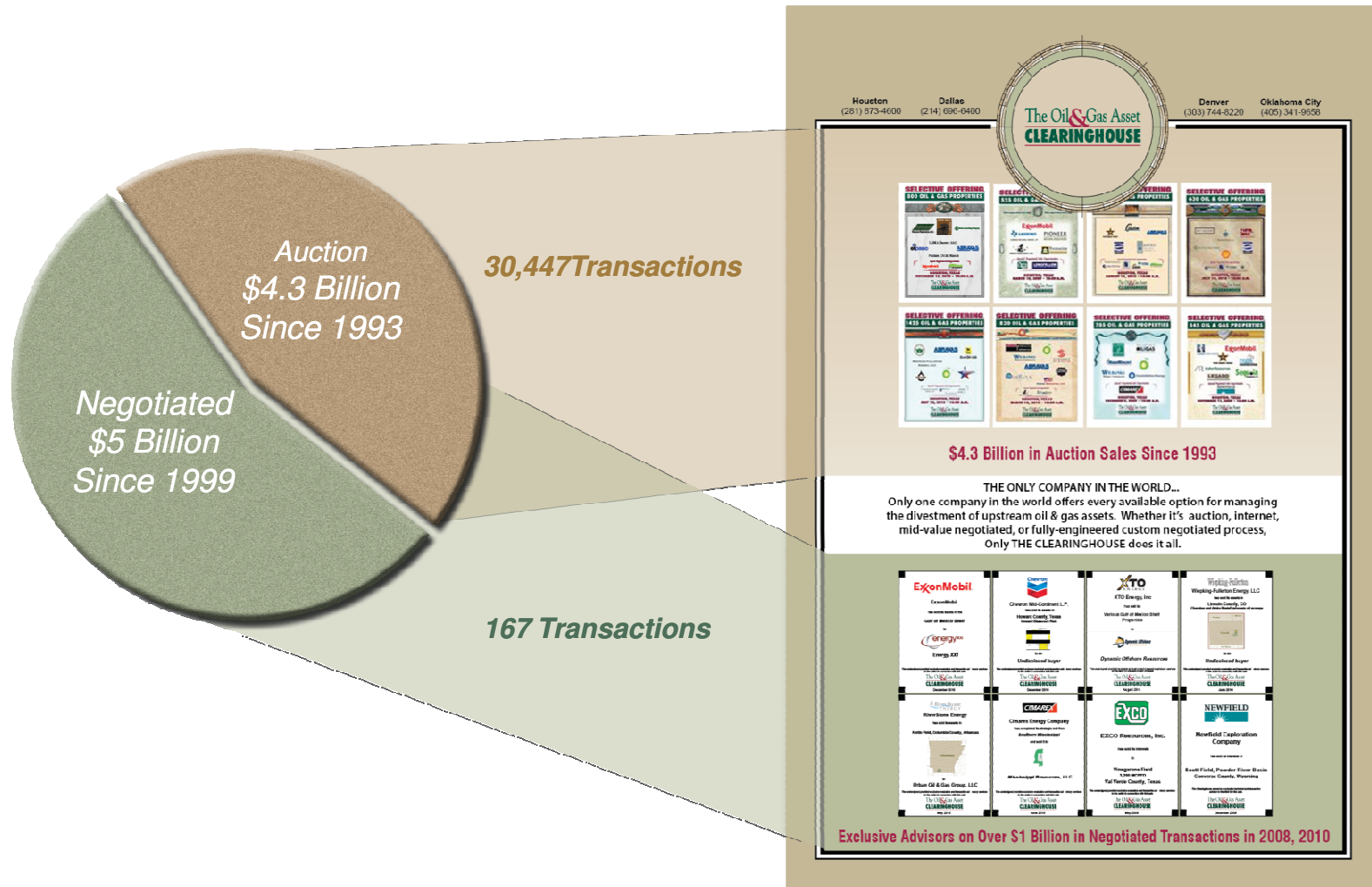
COMPREHENSIVE  
RESERVE  
EVALUATIONS



**IPAA/TIPRO**  
*Leaders in Industry  
luncheon*

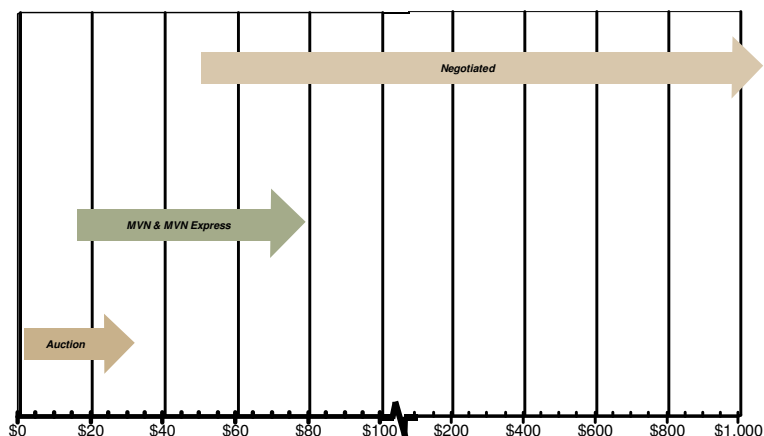
The Petroleum Club  
Houston, Texas  
February 8, 2011

# THE PERFECT VENUE



# MULTIPLE DIVESTMENT SERVICES

## The Oil & Gas Asset CLEARINGHOUSE



### Custom Negotiated Transactions

- Significant upside – Technically Complex
- Geographically consolidated
- \$40 - >\$1 Billion
- Customized process required (“story to tell”)

### Mid-Value Negotiated Transactions (MVN)

- Alternative to Auction for assets with:
  - Higher PDP/Upside Ratio
  - \$10 – 50 Million with substantial reserves
- Operated & non-operated working interests

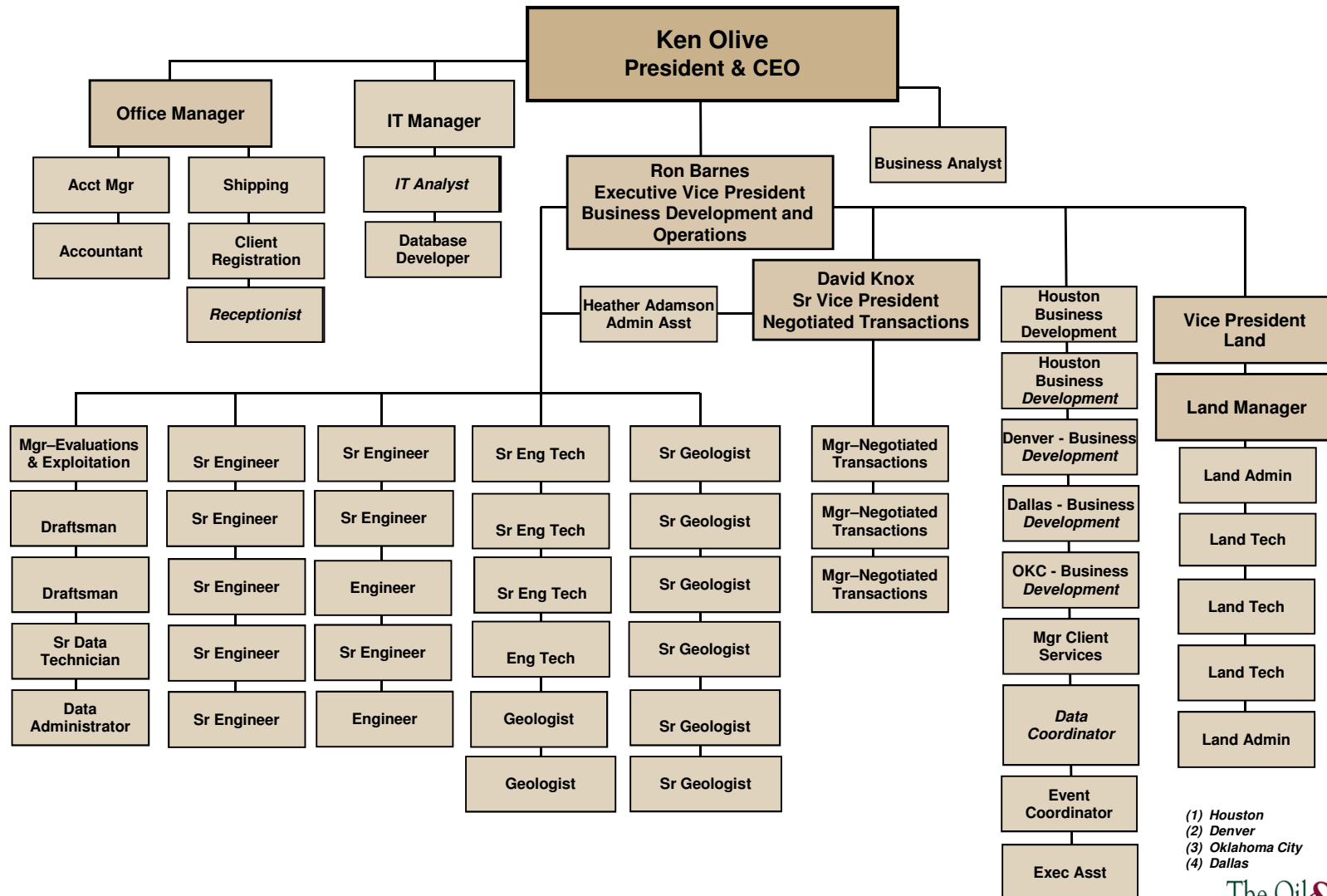
### MVN Express

- Unconventional Leasehold Marketing
- \$5 – 20 Million
- Short Cycle Marketing

### Auctions

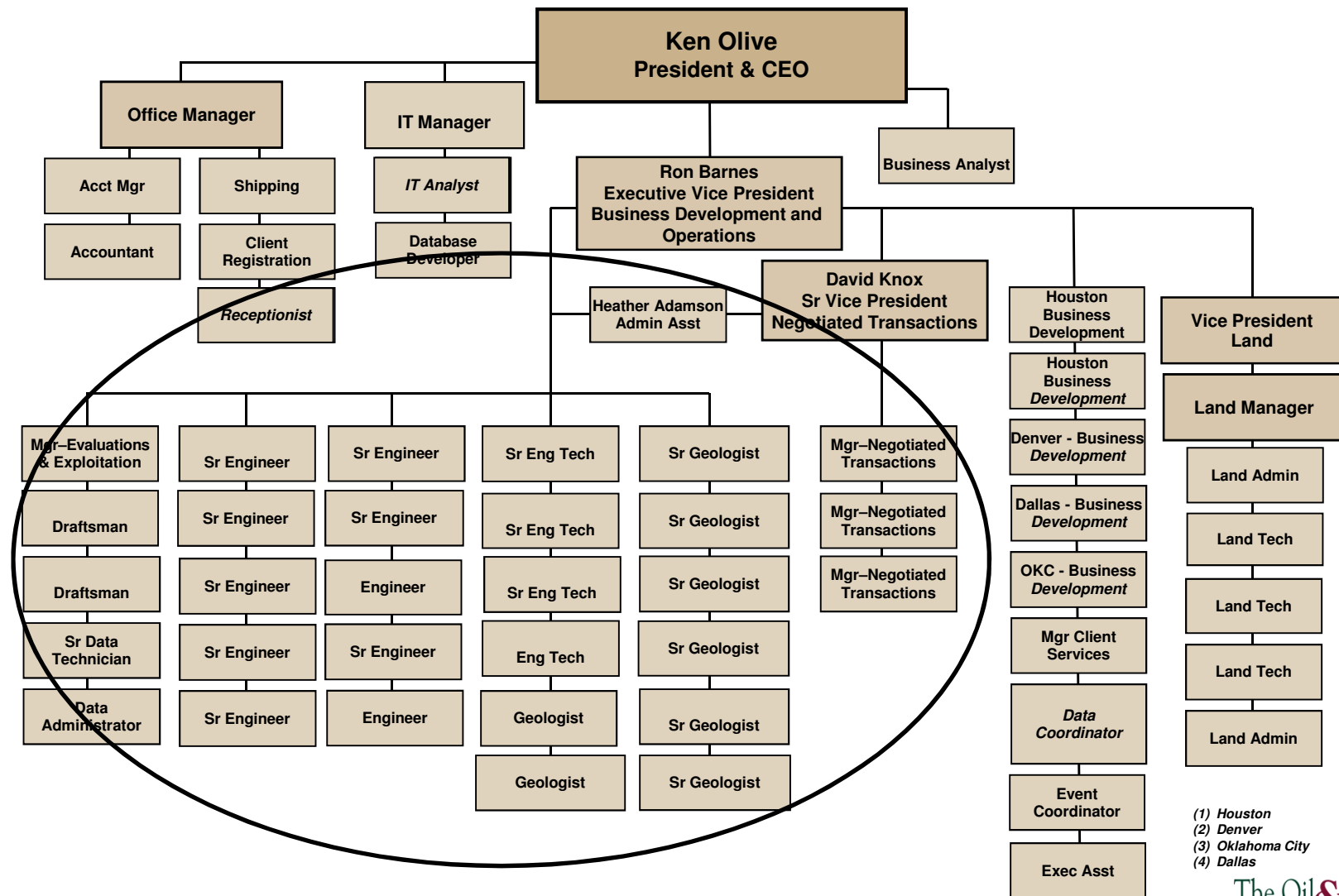
- Geographically diverse properties
- Operated & non-operated working interests
- Premiums for royalties & minerals
- Individual property values up to \$20 MM+
- Primarily PDP reserves (70%+)
- Online and Hybrid (live + online)

# THE CLEARINGHOUSE TEAM



(1) Houston  
(2) Denver  
(3) Oklahoma City  
(4) Dallas

# THE CLEARINGHOUSE TEAM



## A&D Environment

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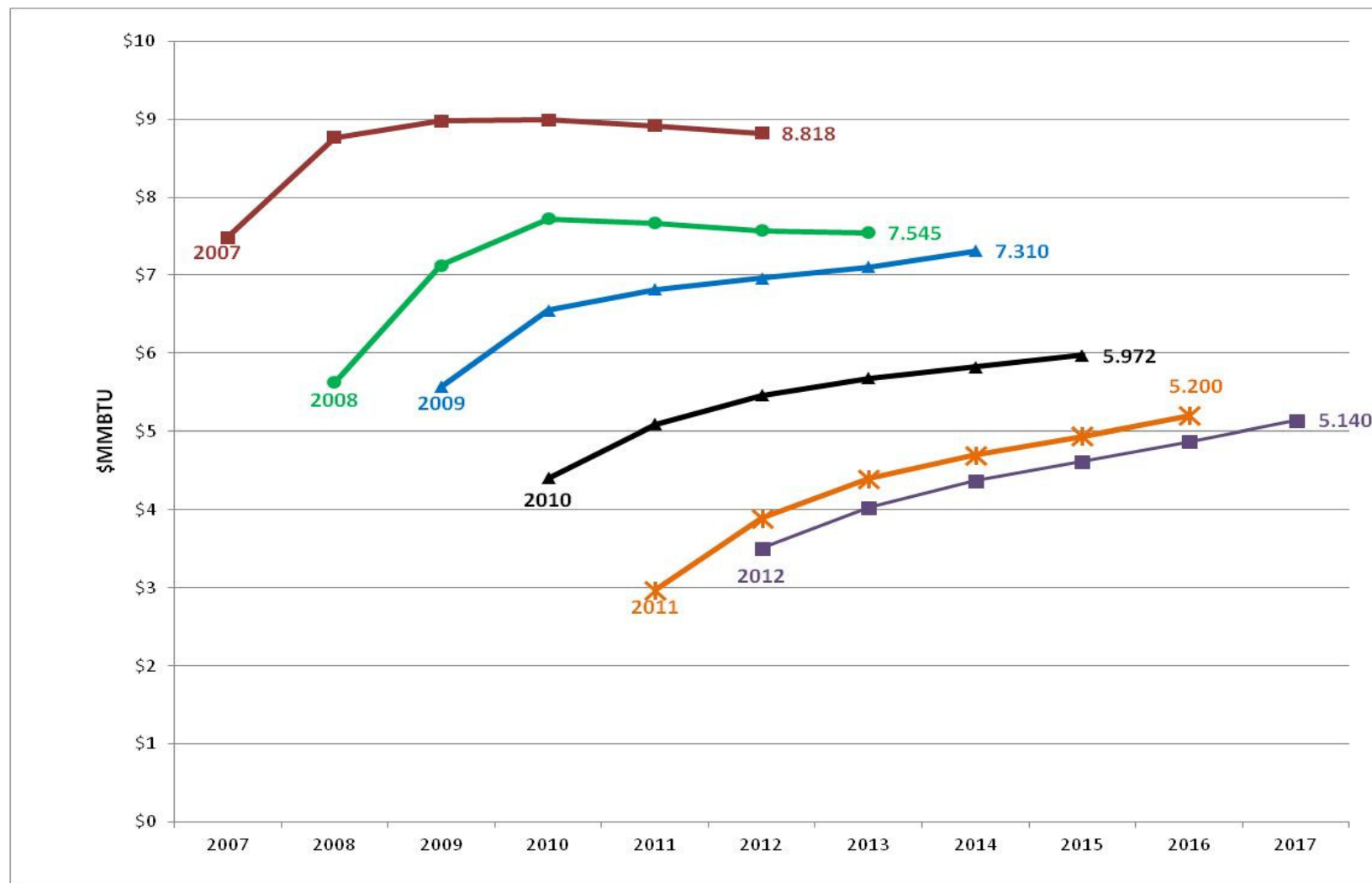
# TODAY'S A&D ENVIRONMENT

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- Industry is poised for significant asset rationalization
  - Capital demands associated with unconventional and shale play developments are significant and immediate
  - Oil/Gas price discrepancy is unprecedented and confusing the A&D marketplace
  - Income from oil production providing good cash flow stream for many
  - Starting to see some bank pressure on gas heavy producers
  
- Capital Availability – debt, equity or asset sales
  - New equity raises were active in late 2011
  - Debt is available
  - Reserve-based bank lines have grown
  - Private equity sponsor firms have ample capital to place and can be formidable buyers
  
- ▶ Attention is on liquids rich resource plays
  - Repeatable and predictable development
  - Securing leasehold positions is the priority
  - Balancing act while trying to live within cash flow
  - All-in economics can be challenging – JV arrangements are an answer



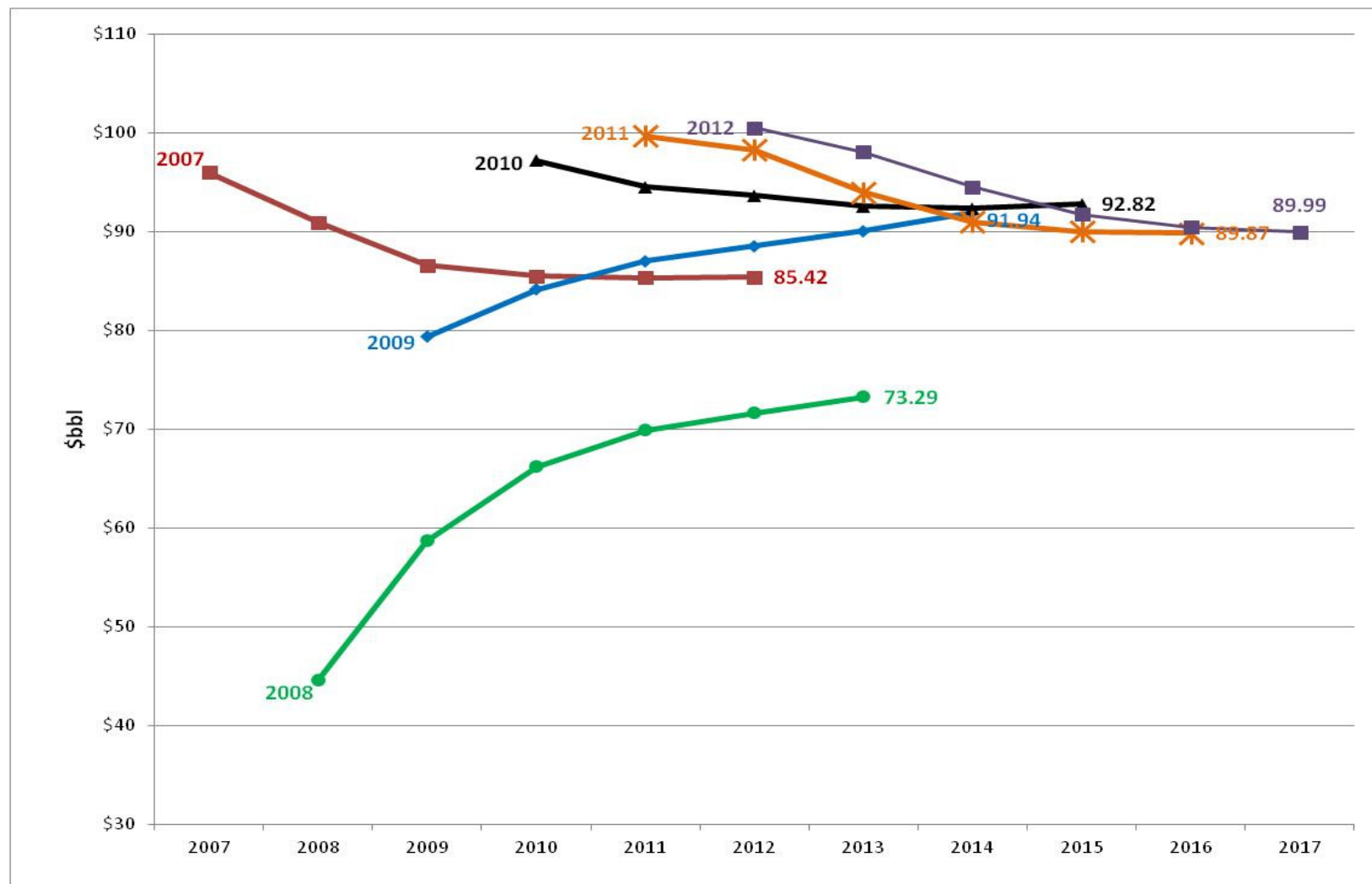
# NATURAL GAS FUTURES



Source: NYMEX

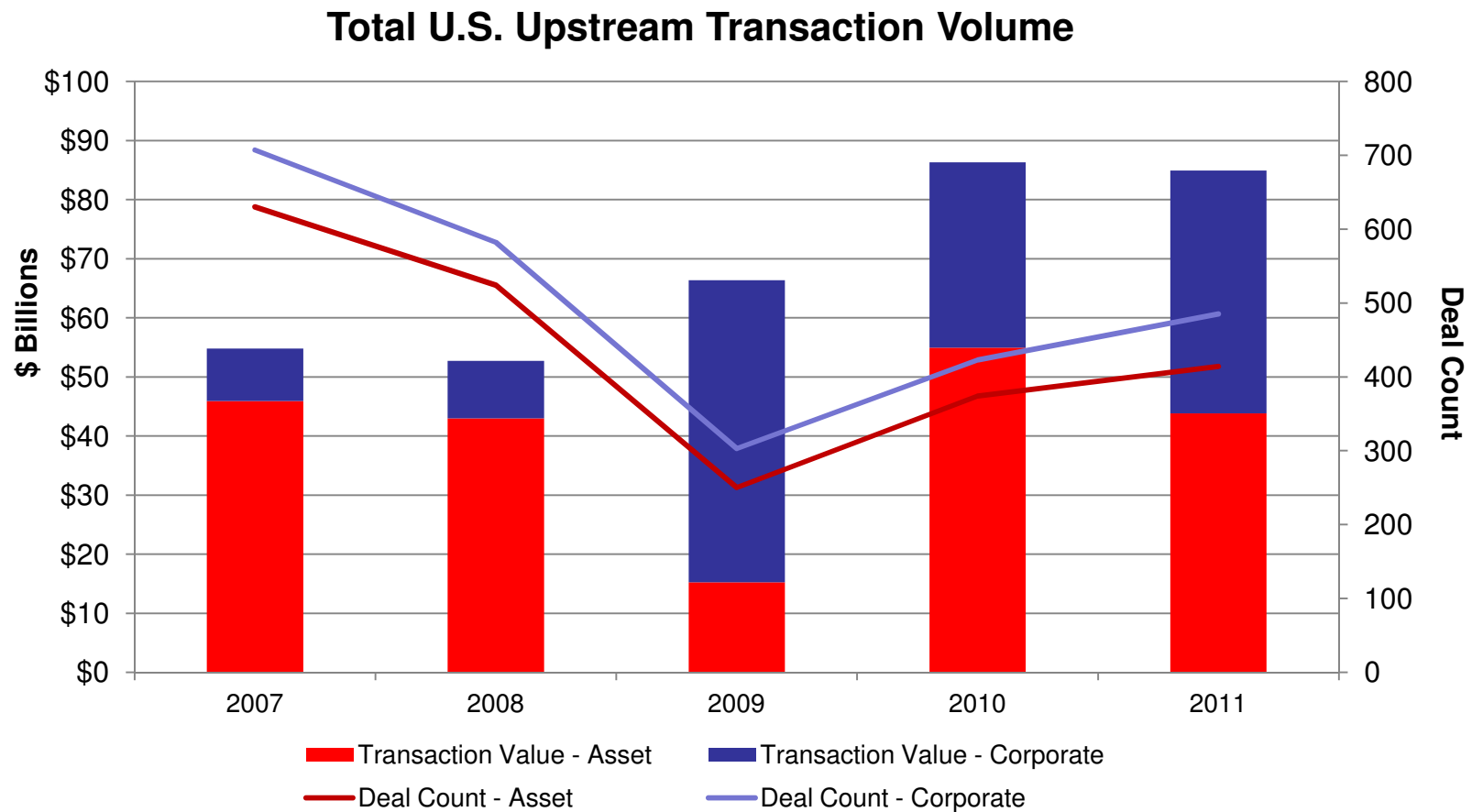


# OIL FUTURES



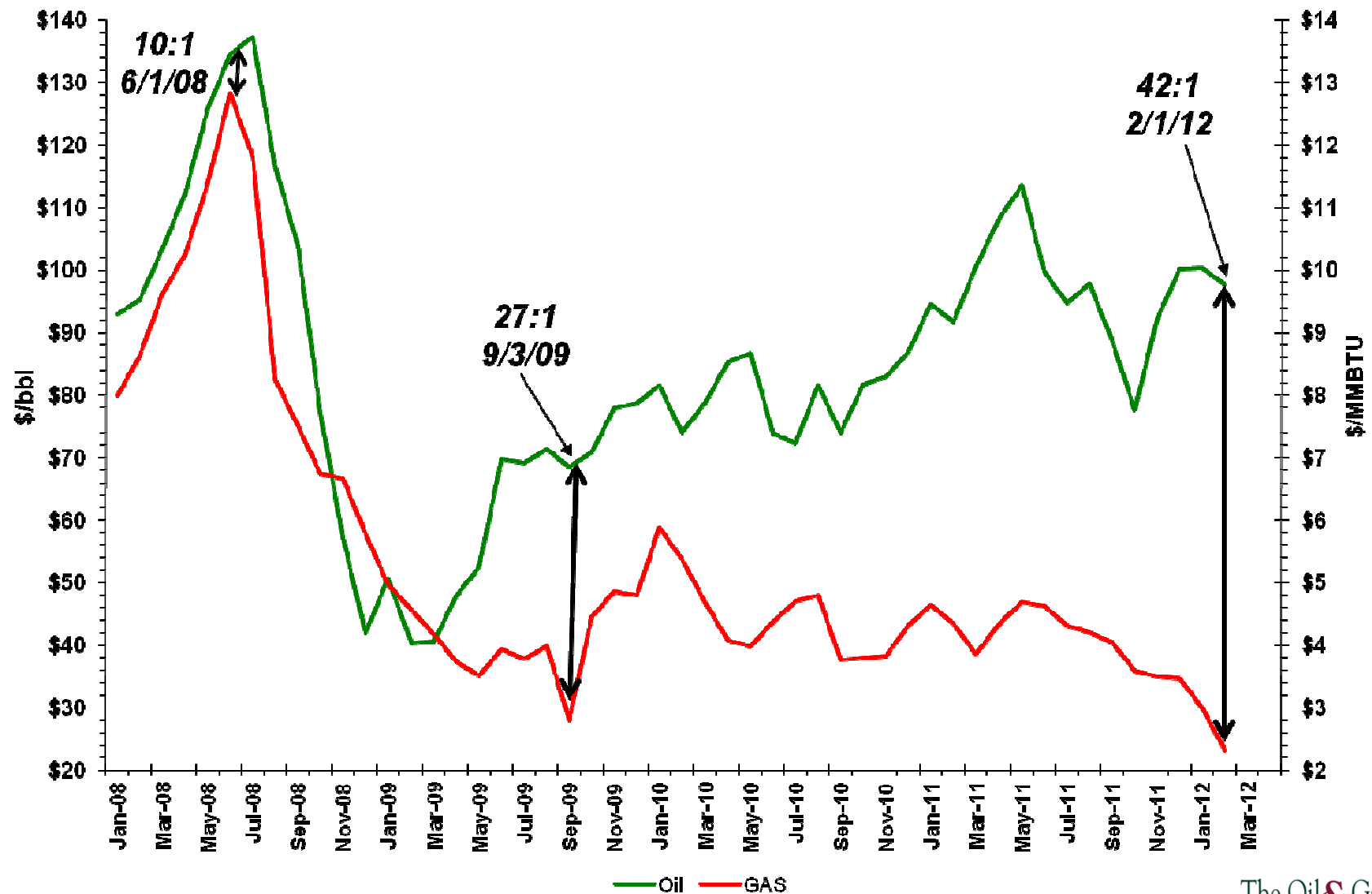
Source: NYMEX

# U.S. A&D ACTIVITY



Source: IHS Herold

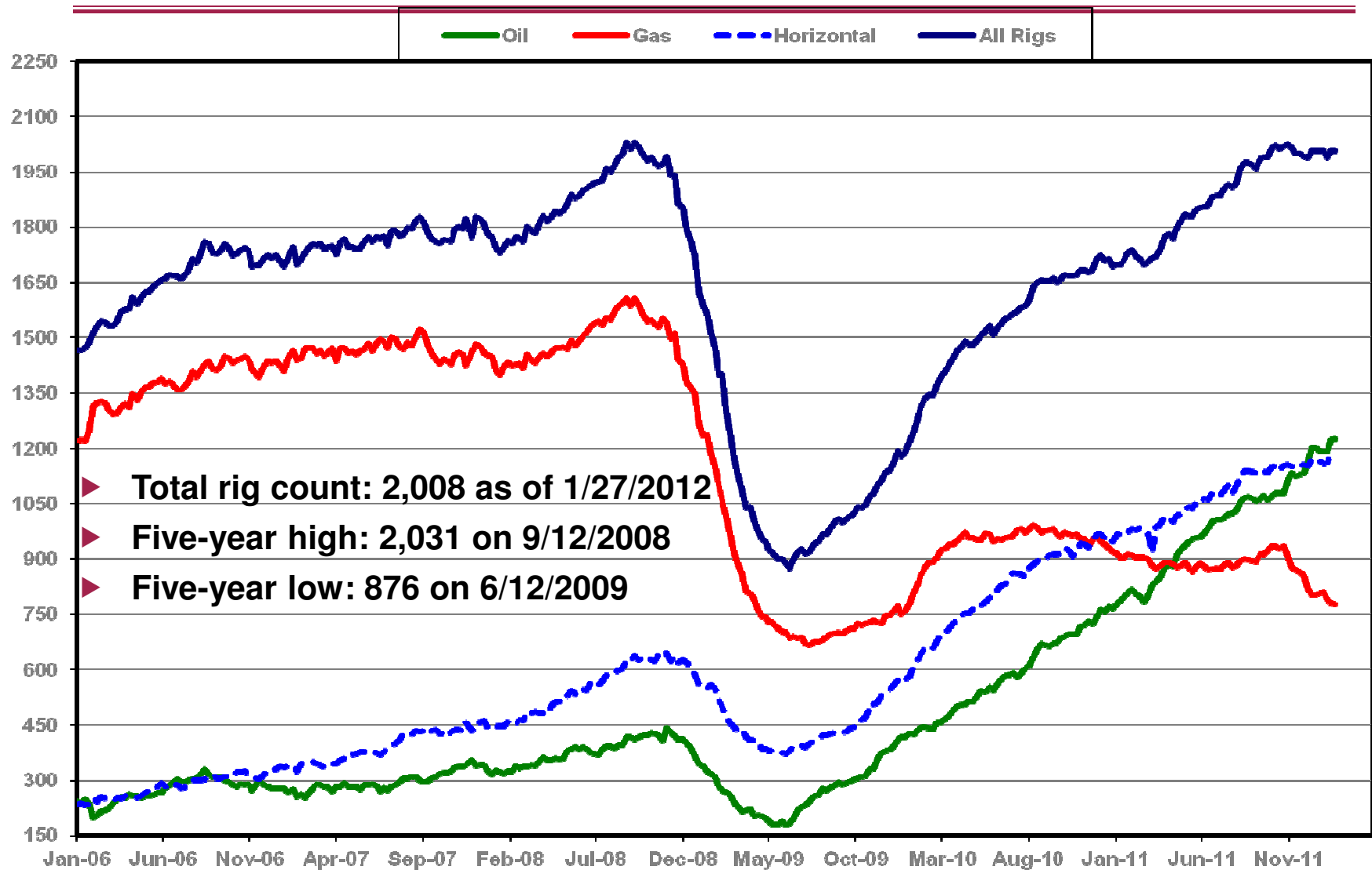
# DECOUPLING OF OIL AND GAS PRICING



Source: NYMEX

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# US RIG COUNT – OIL, GAS, HORIZONTAL and TOTAL



Source: Baker Hughes

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# ASSET VALUATIONS AND METRICS

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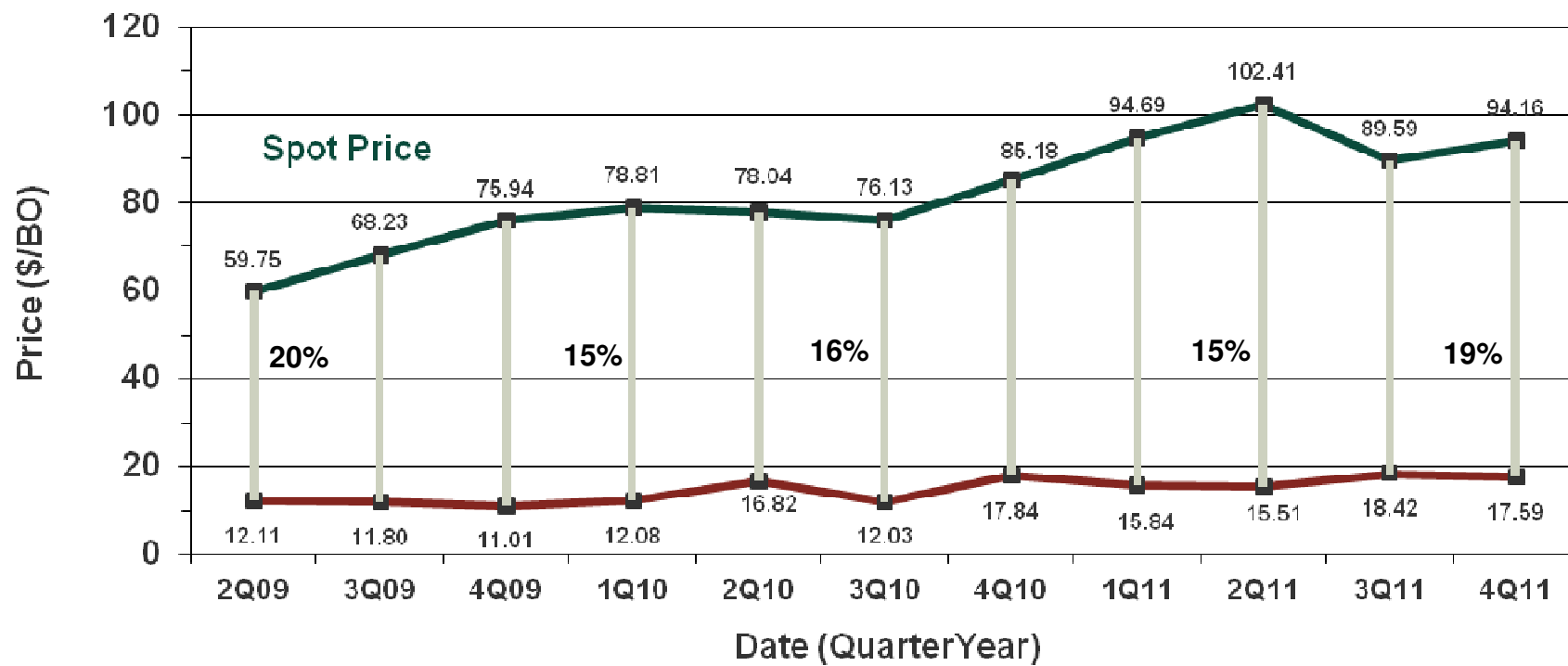


# ACQUISITION VALUATIONS TODAY

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- PDP reserves are highly sought after
- PDNP and PUD reserves are receiving value if currently economic
  - Buyers will pay for upside if drilling is economically viable at current prices
  - 2X PDP continues to be a ceiling for many buyers
    - Exceptions exist: Resource plays, infill, redrills, recompletions, etc. (strategic acquisitions)
- NYMEX strip (“hedgeable”) prices are routinely used in forecasts
  - Most bidders have accepted future strip as the standard
  - Required to be competitive in acquisitions
- Metrics determined by production profile of asset
  - Vary materially by basin
  - Still ample buyers of gas assets
  - Cash flow metric rules of thumb are unchanged
  - Any metric using a gas-to-oil conversion ratio can be deceptive (reserves or daily production)

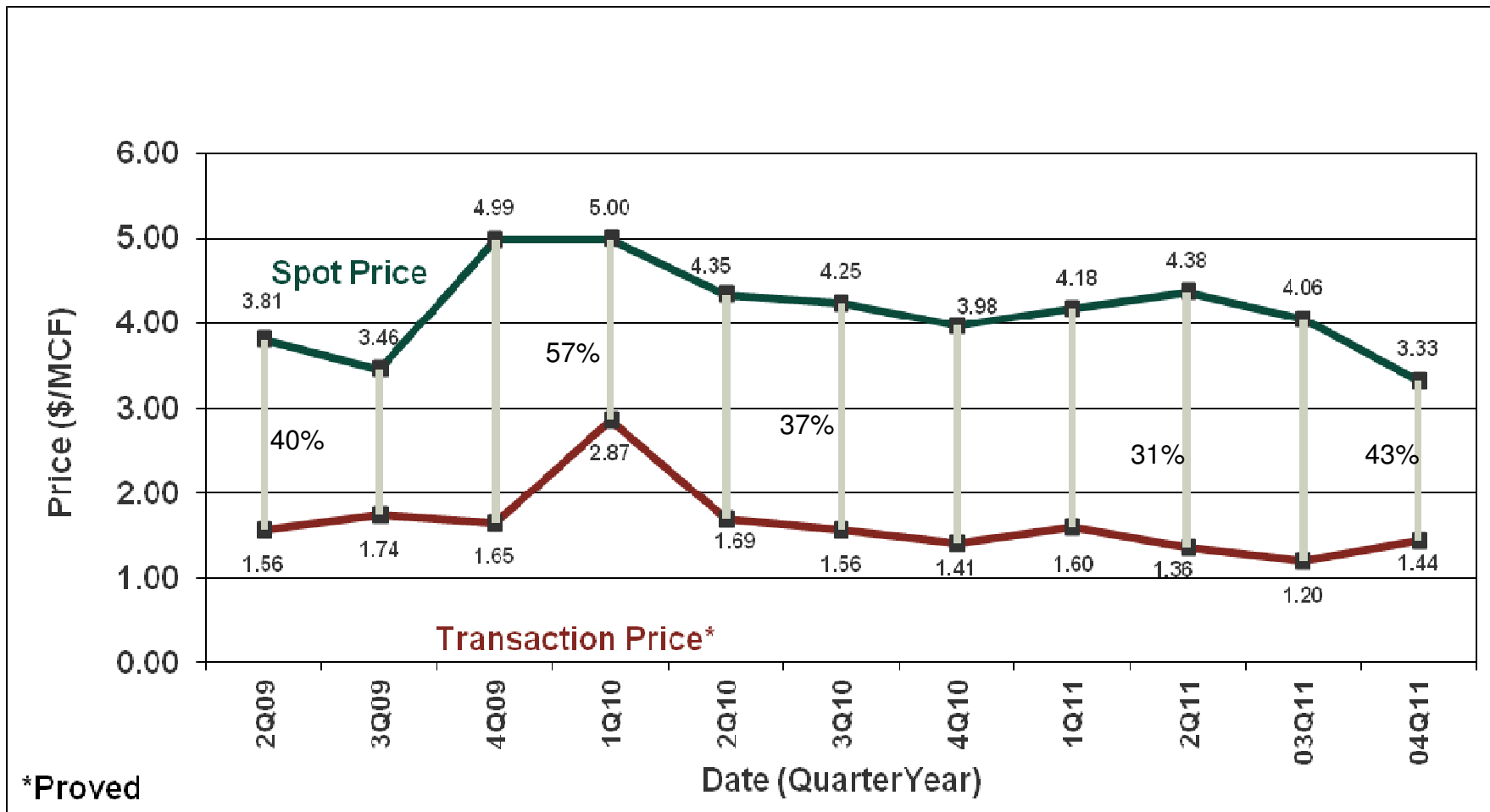
# TRANSACTION METRICS VS SPOT PRICE - OIL



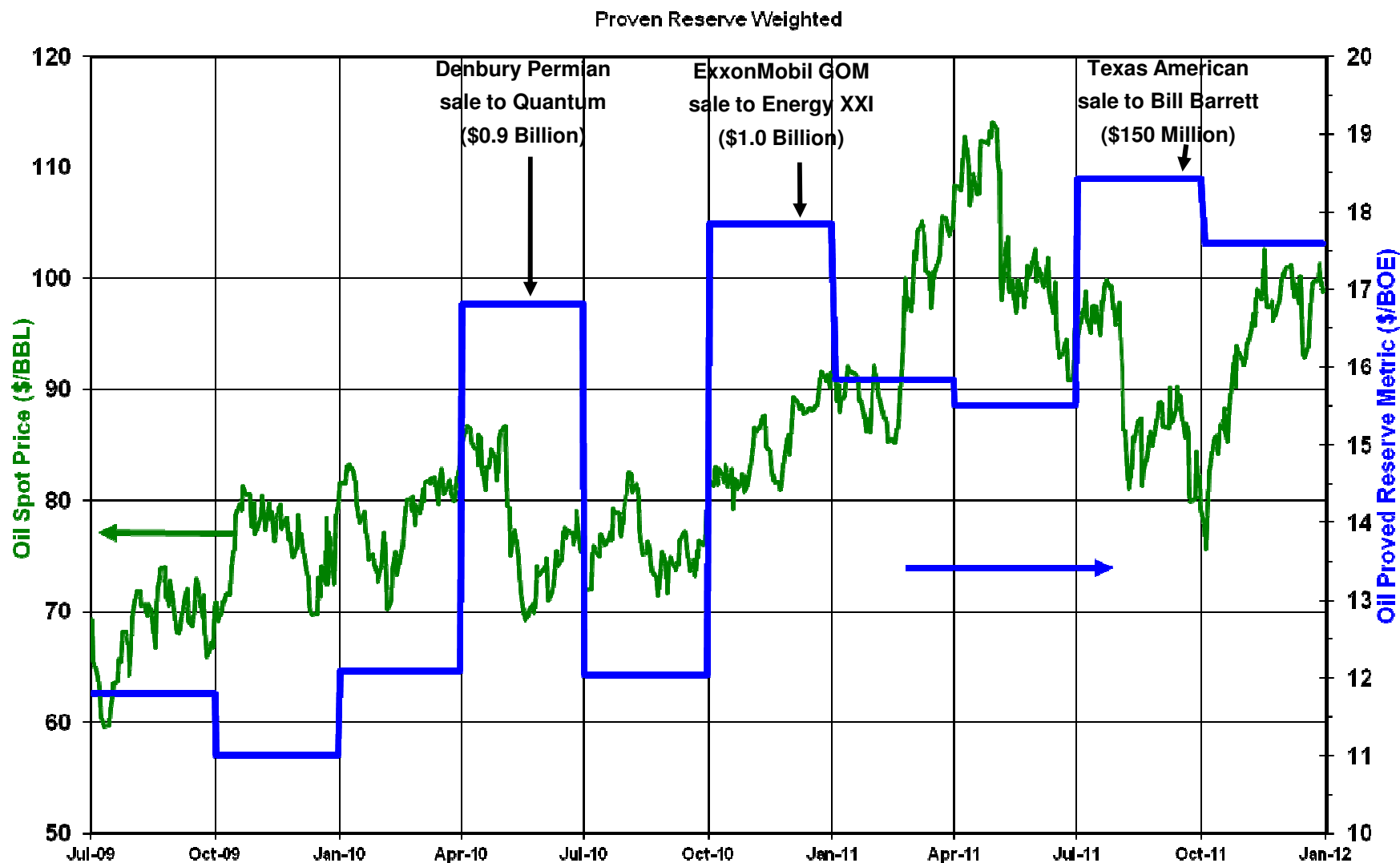
\*Proved



## TRANSACTION METRICS VS SPOT PRICE - GAS



# YTD AVERAGE OIL METRIC – ASSET TRANSACTIONS

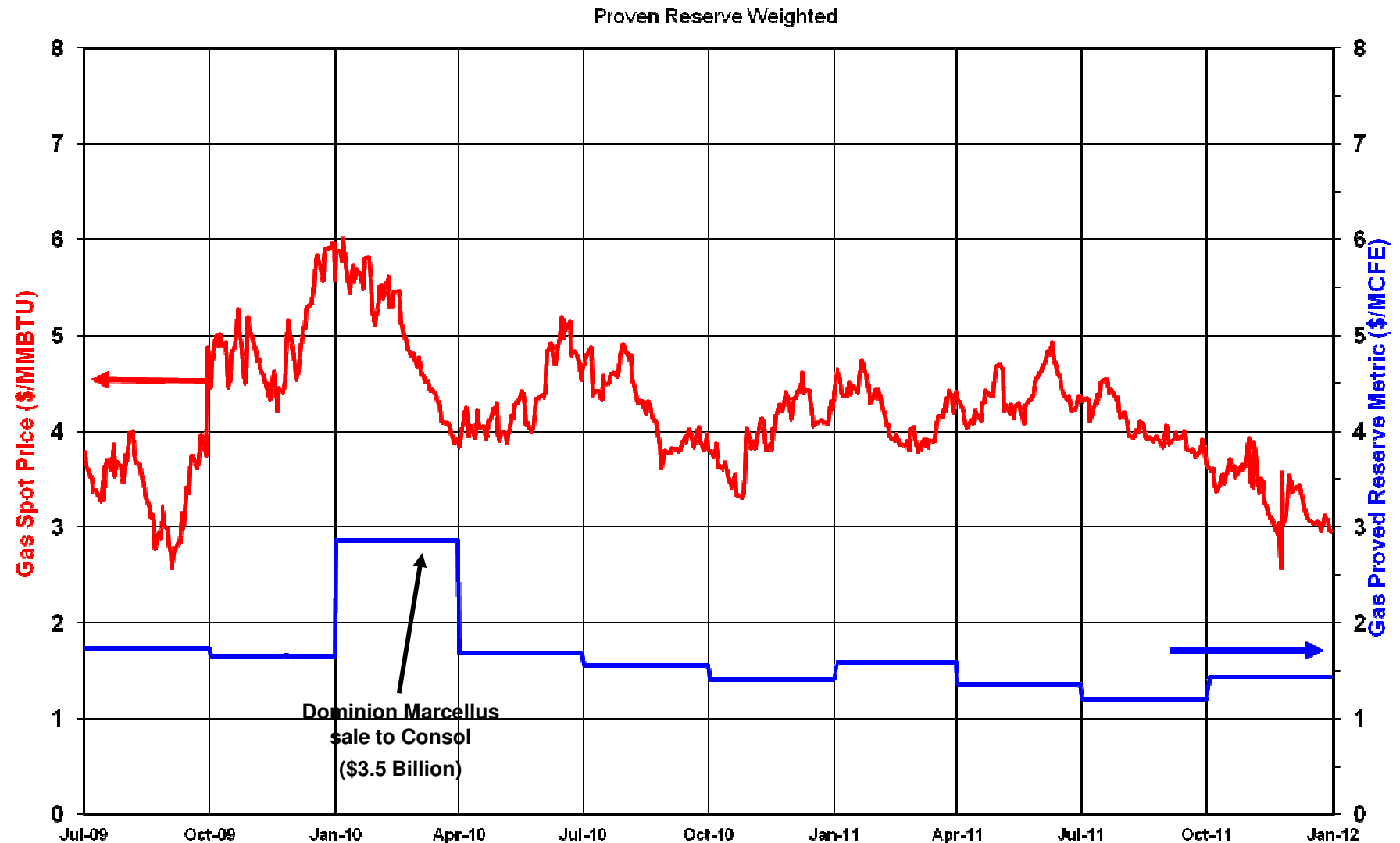


Source: IHS Herold & Harts A-D Center

Strategic Oil and Liquid Rich Deals Bring a Premium

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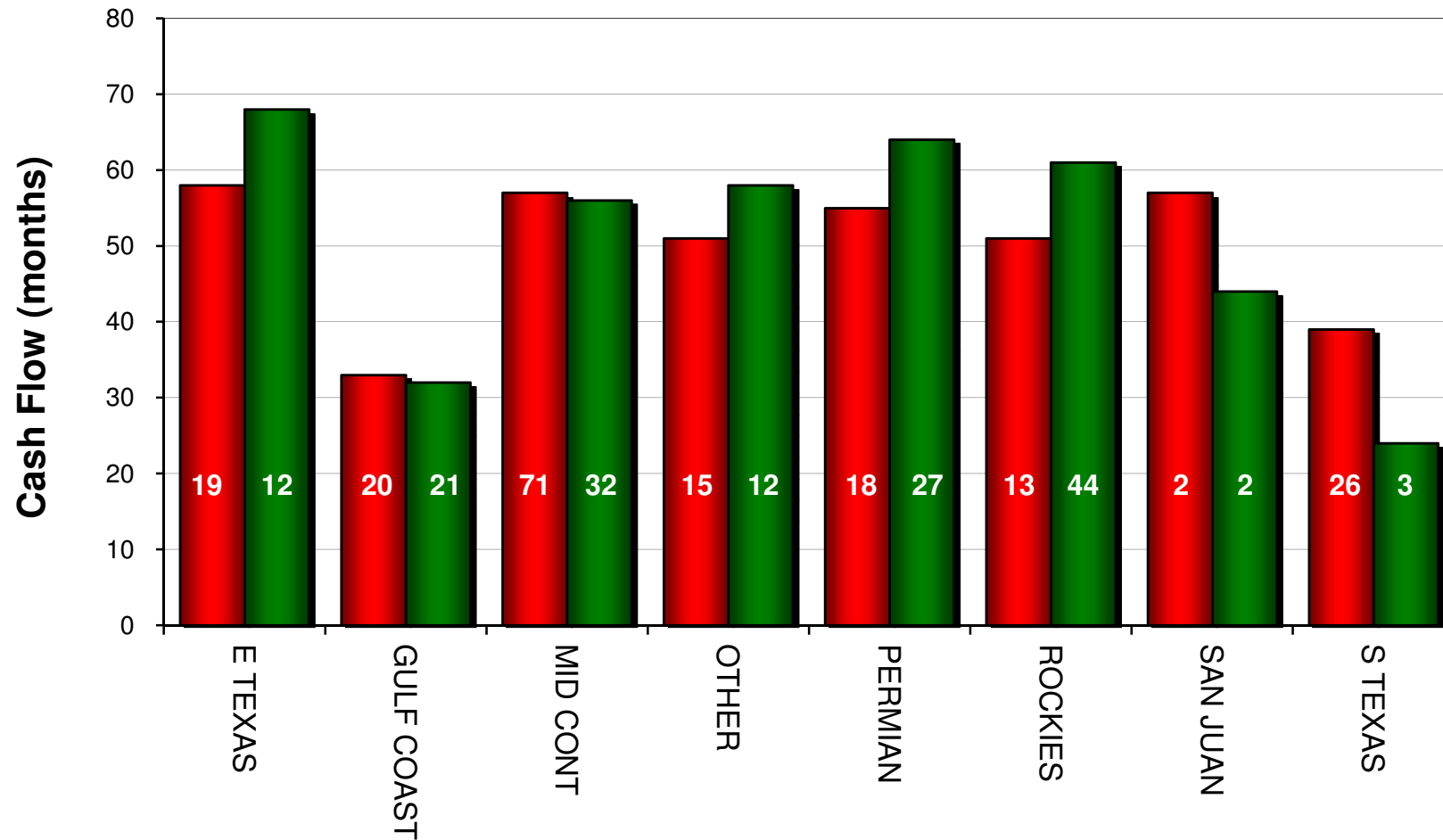
# YTD AVERAGE GAS METRIC – ASSET TRANSACTIONS



Source: IHS Herold & Harts A-D Center

# AUCTION SALES – WORKING INTERESTS – CASH FLOW

January 2010 thru December 2011



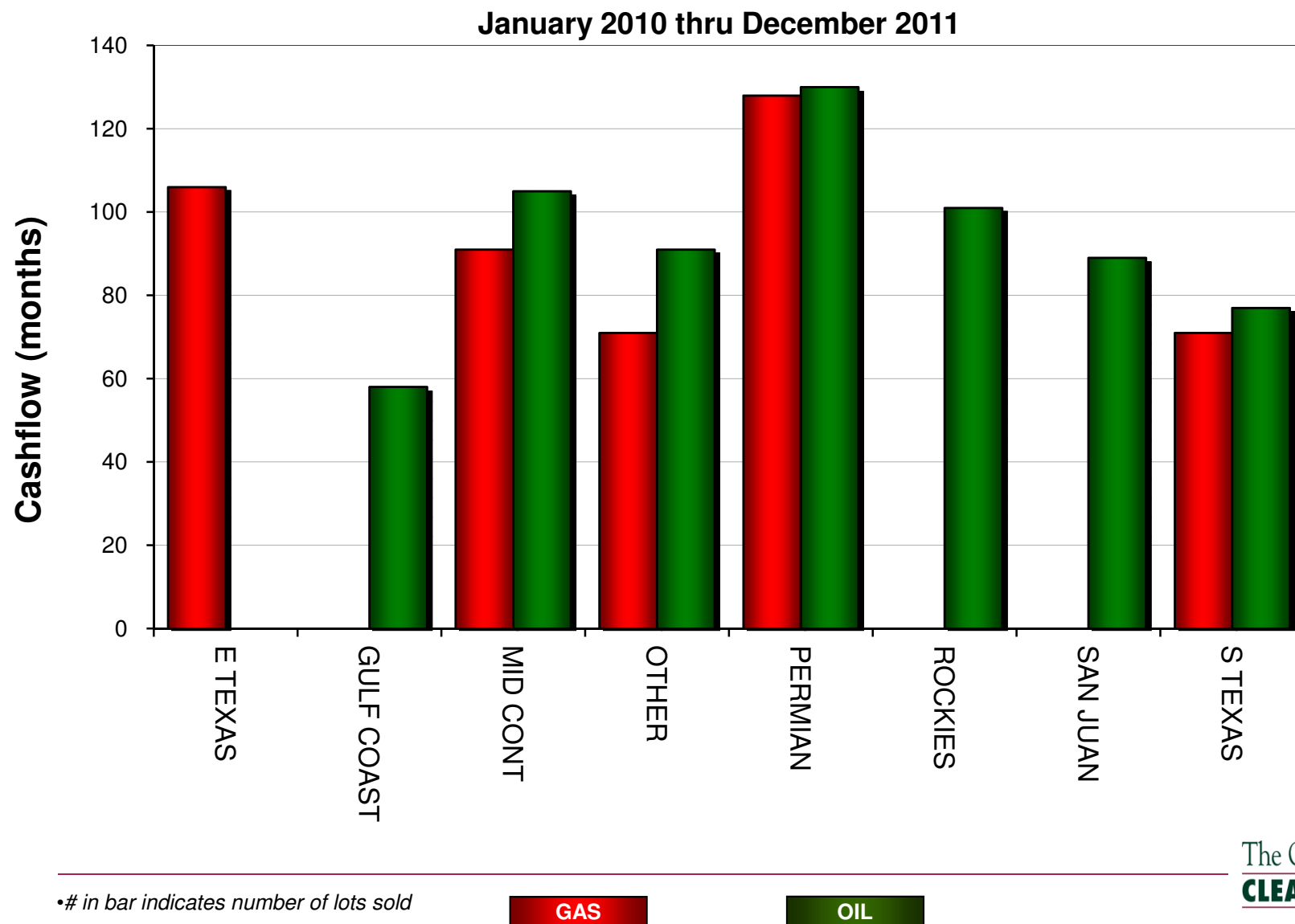
•# in bar indicates number of lots sold

GAS

OIL

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# AUCTION SALES – ROYALTY INTERESTS – CASH FLOW



# CURRENT ENGAGEMENTS

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*Custom Negotiated*



*Mid-Value Negotiated*



*Auction  
Mid-Value Negotiated*



*A subsidiary of ExxonMobil*

*Custom Negotiated*



*Custom Negotiated*

*Force 5  
Energy, LLC*

*Mid-Value Negotiated*



*Mid-Value Negotiated*



*Mid-Value Negotiated Express*



*Auction*



*Auction*

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# CONTACTS

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**[www.ogclearinghouse.com](http://www.ogclearinghouse.com)**



# CURRENT ENGAGEMENTS

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