



IPAA Private Capital Conference

Navigating the Process

January 2012

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Macquarie Bank Ltd.
Energy Capital Group





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When a person with money meets a person with experience, the person with the experience winds up with the money and the person with the money winds up with the experience.

- Harvey MacKay

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Capital Solutions

- Senior Debt

- RBL – Reserve Base Loans (Borrowing Base)
- Senior Term Loans
- Senior Stretch or “B” Loans
- Volumetric Production Payments

- High Yield Debt

- Minimum \$100 million
- Investment Grade vs. Junk – Cost Comparisons

- Mezzanine Debt (Non-recourse Project Debt)

- Acquisition + Development
- Development Only
- Subordinated Debt

- Convertible Debt

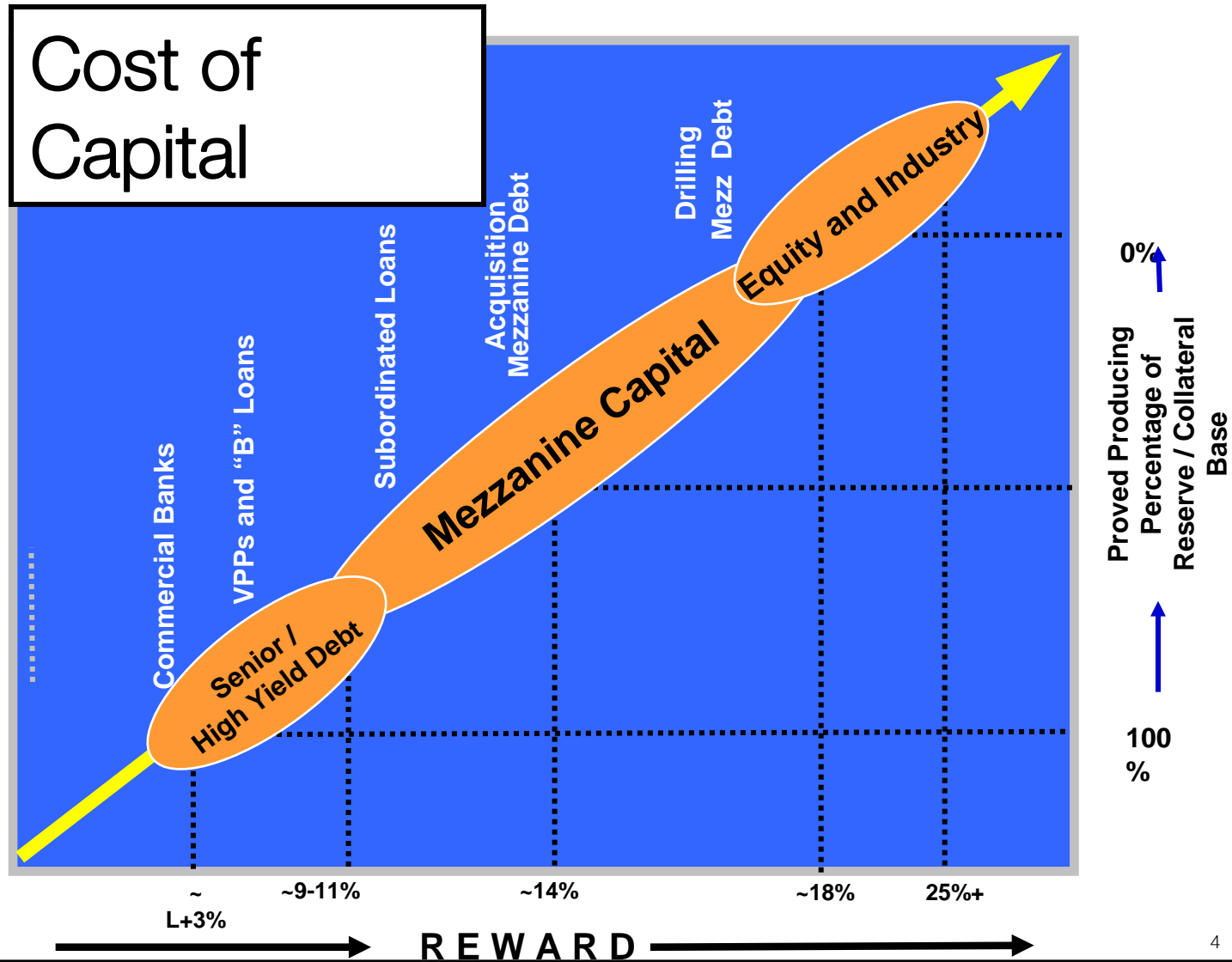
- Preferred and Common Equity

- Public vs. Private

- Industry (Farmouts and Joint Ventures)

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Structures

Senior Debt

- Revolving and Term Loan structures
 - Borrowing base availability largely based upon PDP reserves
 - Semi-annual borrowing base reviews with standard covenants structures
- Stretch senior and B-loan transactions
 - Greater short-term credit availability than traditional borrowing base loans

Mezzanine Debt

- Development funding as needed – Advance line of credit
 - Primarily Term Loan structures
- Subordinated Debt (structure to enhance interim financial flexibility)
 - Lower cost of capital by blending commercial bank and project finance monies
 - Fill-in acquisition or refinancing gaps
 - Accelerate exploration and/or development drilling program
 - High-grade non-PDP to increase bank borrowing base

Mezzanine Debt Cost Components

- Interest rate
- Yield Enhancement
 - Warrant
 - Real property interests
 - ORBI's and NPI's

Equity financing

- Often combined with debt investment
- Partnership interests
- Preferred and convertible preferred stock
- Common stock, warrants and/or options

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Matching Financing Structures to the Deal

- Initial Growth

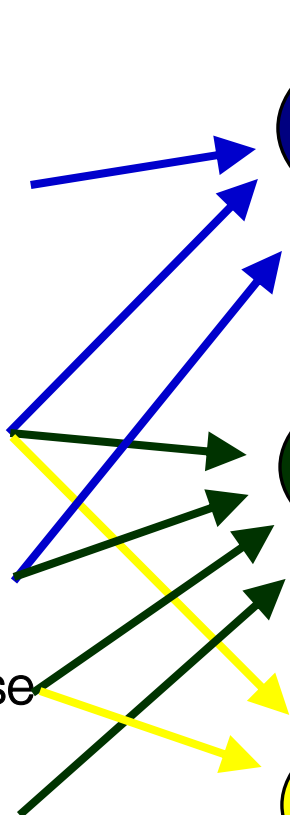
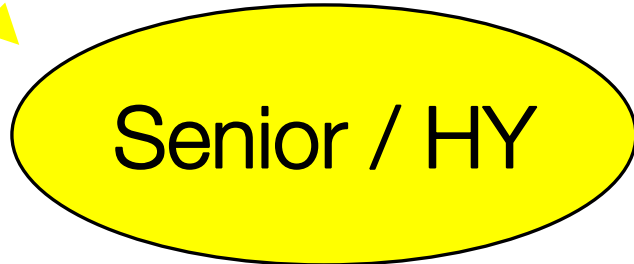
- G&A Coverage
- Acreage Purchase
- Seismic

- Acquisition with Development

- Development Only

- Large Recap or Purchase

- Distressed Recap



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Capital Sources*

Senior Banks

Amegy Bank	
Associated Bank	Macquarie Bank Ltd
Bank of America	Mutual of Omaha
Bank of Montreal	Park Cities Bank
Bank of Nova Scotia	Regions Bank
Bank of Oklahoma	Royal Bank of Canada
Bank of Texas	Royal Bank of Scotland
Bank of Scotland	Societe General
Barclays	Sterling Bank
BBVA Compass Bank	Texas Capital Bank
Beal Bank	Toronto Dominion
BNP Paribas	UBS AG
Capital One	Union Bank of California
Citibank	
Comerica Bank	US Bank
Commonwealth Bank	Wachovia Bank
Coppermark Bank	Wells Fargo
Credit Agricole	Western National Bank
Credit Suisse	Whitney Bank
DnB Nord	
Frost Bank	
GE Capital	
Iberia Bank	
ING Capital	
JP Morgan	

Mezzanine / Project Equity

Apollo
 Carlyle Group
 Chambers Capital
 Citi Capital
 D.E. Shaw
 EIG Global Energy Partners
 GE Capital
 GSO Capital Partners
 Macquarie Bank Limited
 NGP Capital Resources
 Perella Weinberg
 Wells Fargo Energy Capital

Private Equity

EnCap Investments
 Natural Gas Partners
 Quantum Energy Partners
 Quintana Energy Partners
 First Reserve Corporation
 Yorktown Energy Partners
 Arc Financial Corporation
 Kayne Anderson
 Greenhill Capital Partners
 Lime Rock Partners
 Riverstone Holdings
 Regiment
 K2
 Carlson Capital
 Wexford Capital
 Metalmark

*not all inclusive

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“To Do” List (before approaching capital sources)

• Reserve Report

- Third-party or Internal?
- Historical tie to PDP's – Production and LOE
- Differentials
- Determination Methods (e.g. G&G/Volumetrics, Performance, Analog, Material Balance, etc.)
- Price Deck
- Probable and Possible Reserves?

• Business Plan

- Uses and Sources of Cash
- Bios / Track Record
- G&A
- Exit Plan

• Hire and Advisor?

- Yes – generally always better



Macquarie Group

OVERVIEW

- Diversified provider of specialised financial and investment banking services in select global markets
- Established in 1969 as the Australian subsidiary of Hill Samuel; Australia's only independently-owned investment bank
- Approximately 15,000 employees in over 70 offices in 28 countries
- Publicly-listed on the Australian Stock Exchange in 1996

KEY FINANCIAL STATISTICS

- Market capitalisation: ~US\$15 billion
- Assets under management: over \$300 billion
- 2010 net profit: ~A\$1.05 billion, up 21% on the prior year; \$305 million in 1H 2011

OPERATING GROUPS

- Investment Banking
 - Corporate and structured finance, infrastructure and specialised funds, cross-border leasing, equity capital markets, lending and asset financing, institutional stockbroking and equity research
- Equity Markets
 - Product issuance, volatility trading, structured deals, cash trading and equity finance
- Fixed Income, Currencies, and Commodities
 - Metals and Energy Capital, commodity markets, foreign exchange, debt markets, futures, risk advisory, and capital management
- Banking and Property
 - Banking, margin lending, mortgages, securitisation, property investment management, property finance, property investment banking and golf-related real estate development
- Funds Management
 - Full-spectrum fund manager
- Financial Services
 - Stockbroking, private banking, financial planning, portfolio management and product distribution

CREDIT RATINGS

- Standard and Poor's: A (recently re-affirmed)
- Moody's: A1 (recently re-affirmed)
- Fitch Ratings: A

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Macquarie is Committed to the Energy Industry

OFFERING A FULL SUITE OF SERVICES

Deepest commitment to the global oil and gas business of any major financial institution

Energy Markets	Energy Capital	M&A and Divestments	Capital Markets	Infrastructure
<ul style="list-style-type: none"> Provider of physical and financial solutions across global energy products (nat gas, power, LNG, crude oil, refined products, NGLs, coal) Commodity linked finance capabilities include supply & off-take agreements, pre-pays & commodity restructuring 4th largest trader of physical gas in the U.S. 	<ul style="list-style-type: none"> Provider of debt and equity capital to energy and resources firms globally In the U.S. and Canada, primarily focused on E&P sector Engineering and technical strength 	<ul style="list-style-type: none"> Leveraging Tristone A&D platform Deep technical expertise Global presence and capability drives cross border activity Global #1 deal advisor in upstream sector since 2005 	<ul style="list-style-type: none"> Leading research platform Dedicated energy equity sales and capital markets teams Leading global underwriter 	<ul style="list-style-type: none"> One of the world's largest fund investors \$93bn of assets under management Active investor in U.S. energy infrastructure

Largest non-producing gas trader in the U.S.
12Bcf of physical gas traded each day

Over **\$3bn** in capital deployed to energy firms

\$26bn in Energy related M&A and A&D transactions since 2008

260 energy stocks covered in **20** markets

The **Largest** owner/manager of infrastructure globally

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Macquarie is Committed to the Energy Industry

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AT A GLANCE

1. ADVISORY

\$26b in advised energy M&A transactions since 2008

110+ professionals dedicated to the energy advisory sector

2. CAPITAL RAISING

325 transactions raising \$90bn since 2009

Top 10 bookrunner of IPOs globally in 2009-2010

3. RISK MANAGEMENT

Ability to develop facilities from **\$10m to \$1b**

Top 10 bookrunner of IPOs globally in 2009-2010

CAPABILITIES

- Mergers and Acquisitions
- Acquisitions and Divestitures
- Energy Infrastructure Advisory
- Equity Capital Markets
- Private Capital Markets
- Debt Capital Markets
- Hedging, Risk Management and Commodity Linked Finance
- Natural Gas
- LNG
- Power
- Crude Oil
- Refined Products
- NGL's
- Coal

SELECT CLIENTS & HIGHLIGHTS

Advisor to Nations Petroleum in structuring and arranging the sale of selected oil & gas properties

Deal Value
Undisclosed

Financial Advisor

2011

Strategic advisor to Legacy Oil & Gas Inc. with respect to the acquisition of CanEra Resources Inc.

Deal Value
CAD\$603.2 million

Financial Advisor

2010

Consolidated - 5 deals

Advisor to Suncor Energy Inc. in structuring and arranging the sale of selected Canadian & US oil and gas properties

Deal Value
CAD\$1.8 billion

Financial Advisor

2010

November 2010

\$210 / \$70 million
Follow-On / Convert

Joint Bookrunner /
Joint Lead Manager

Pending

In Market
Joint Bookrunner
IPO

March 2011

\$48 million
Follow-on Offering

Sole Bookrunner

TEXAS AMERICAN
RESOURCES COMPANY™

FREEPORT
LNG

Northern
Oil & Gas Inc.

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CAPABILITIES

SELECT CLIENTS & HIGHLIGHTS

4. PRINCIPAL LOANS & INVESTMENT S

\$3b+ in capital extended over the past 10 years

120+ equity and loan deals completed since 2002

- Loans and Equity Investments
- Commodity Linked Finance
- Physical Asset Management

\$129,200,000
Various Limited Term Overriding Royalty Interests
2008 – 2010

\$200,000,000
Senior First Lien Credit Facility
Sept 2007 – Sept 2011

August 2011
LA PALOMA GENERATING COMPANY
EIG ROCKLAND CAPITAL
US\$424,200,000
Senior Secured Credit Facility
Joint Bookrunner
Joint Lead Arranger

5. PHYSICAL AND FINANCIAL TRADING

12Bcf/d storage capacity and **1Bcf/d** transportation facility

Largest non-producing trader of natural gas in North America

- Physical Supply and Trading
- Transportation & Storage
- Asset Management
- Environmental Financial Products

IPO and hedging services

115,000bbls/d Crude Oil Supply and Refined Product Offtake Agreement

Prepay, financing and commodities hedging solutions to support NJ Solar project

6. SECURITIES & RESEARCH

34 energy analysts globally

~240 energy related stocks under coverage globally

- Equity Sales and Trading
- Global equity research and distribution platform¹
- Corporate Access

Exploration and Production
147 Stocks Covered

Oilfield Services, Storage and Transportation
22 Stocks Covered

Integrated Refining and Marketing
48 Stocks Covered

Coal and Consumable Fuels
24 Stocks Covered

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¹ Research platform provided by Macquarie's independent securities group.



Macquarie Energy Capital

Business unit of the Metals and Energy Capital division

- World leader in natural resource investments

Macquarie Group - Energy Capital provides a wide array of debt and equity capital for the upstream oil and gas industry

- Public and private equity capital
- Conforming senior debt
- Senior “B” loans
- Structured and project finance (“Mezzanine”)
- Subordinated debt
- Convertible debt
- Volumetric production payments (“VPPs”)
- Corporate restructurings and recapitalization

Debt Deal size: \$20-\$150 million; Equity Hold: \$5-\$20 million

International lending and equity investment capability

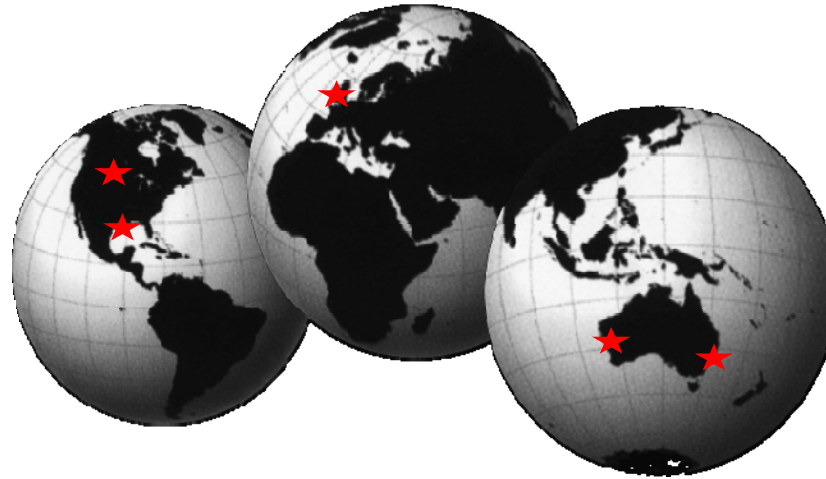
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