

TUDORPICKERING HOLT & CO

ENERGY INVESTMENT &
MERCHANT BANKING



David Heikkinen
dheikkinen@tudorpickering.com
713-333-2975



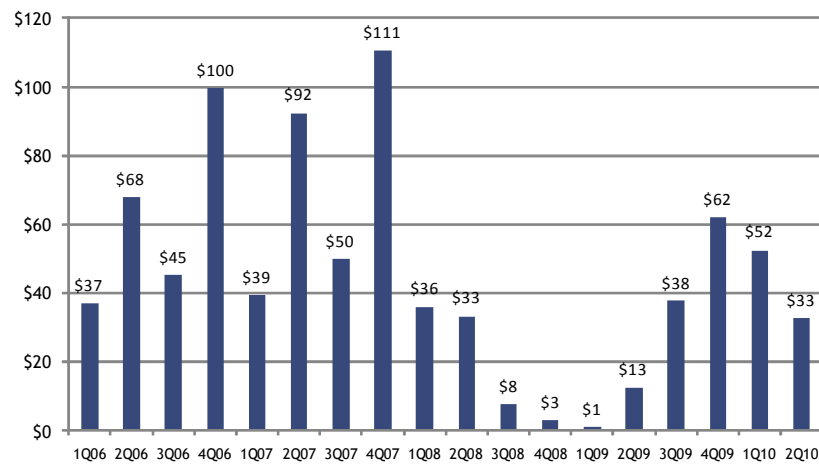
IPAA Midyear Meeting Upstream Capital Market Overview

June 18, 2010

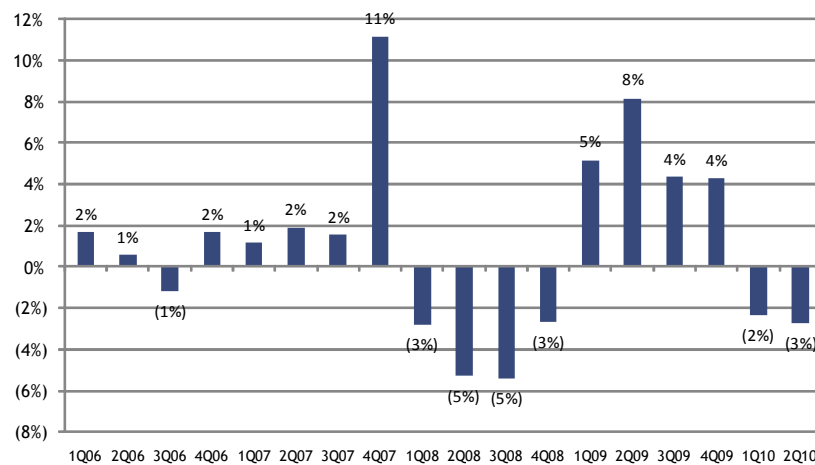
*Disclosures on page 15

Recent Global IPO Performance

Global IPO Volume (\$BB)



% Change - Price Offer to Midpoint of Filing Range⁽¹⁾



- Volume of Global IPO's is up...
- ...deals are pricing below filing range
- It is currently a buyer's market

Source: Dealogic. Global IPOs greater than \$25MM USD.

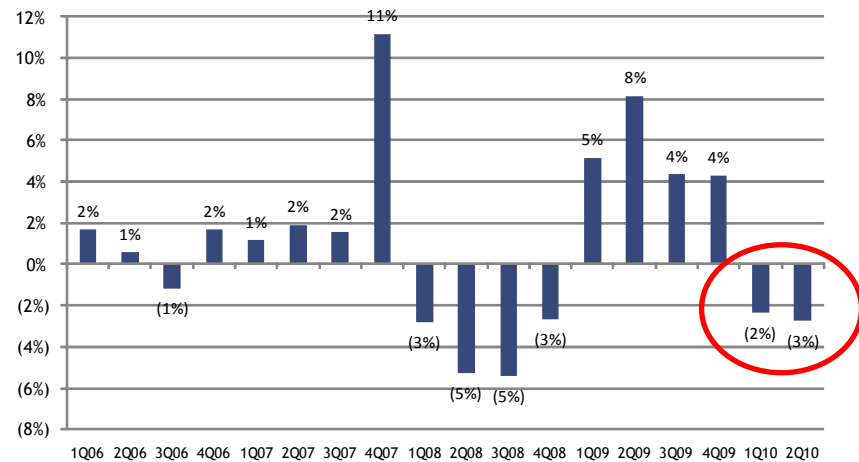
(1) Values shown are average for the quarter.

Investors Still Waiting to Make Money in IPOs

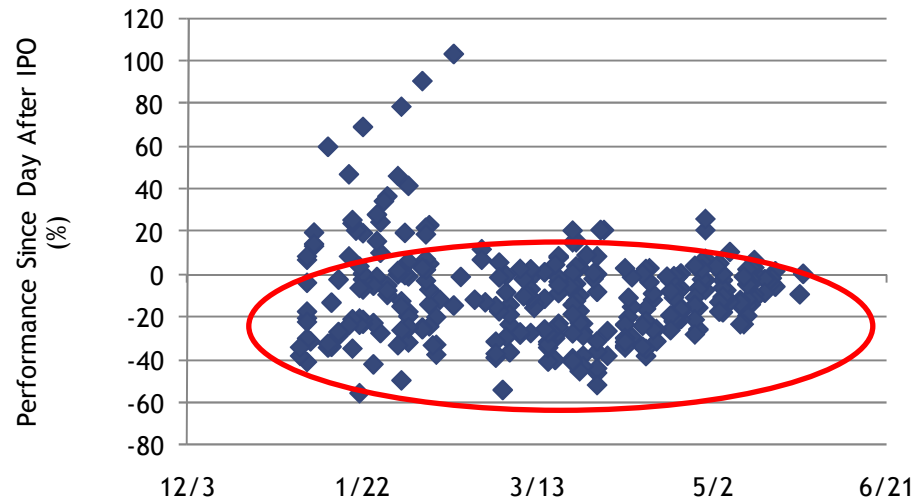
Observations

- 66% of ~350 Global IPO's are currently trading below IPO price

% Change - Price Offer to Midpoint of Filing Range⁽¹⁾



Performance Since Offering (2010 IPOs)



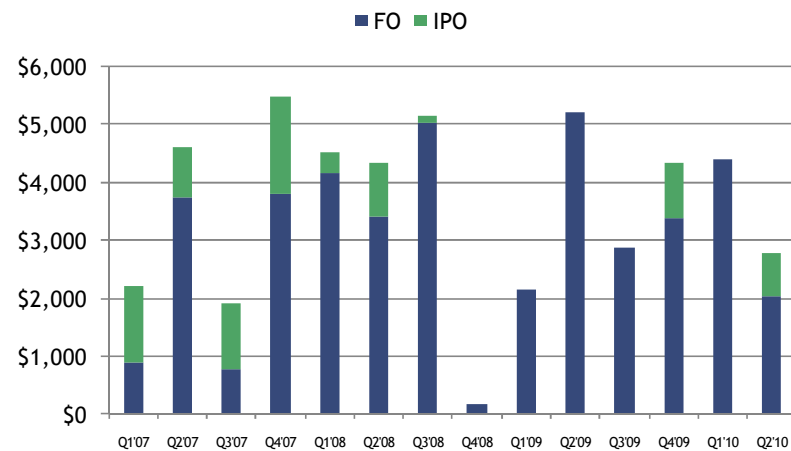
Source: Dealogic. Global IPOs greater than \$25MM USD.

(1) Values shown are average for the quarter.

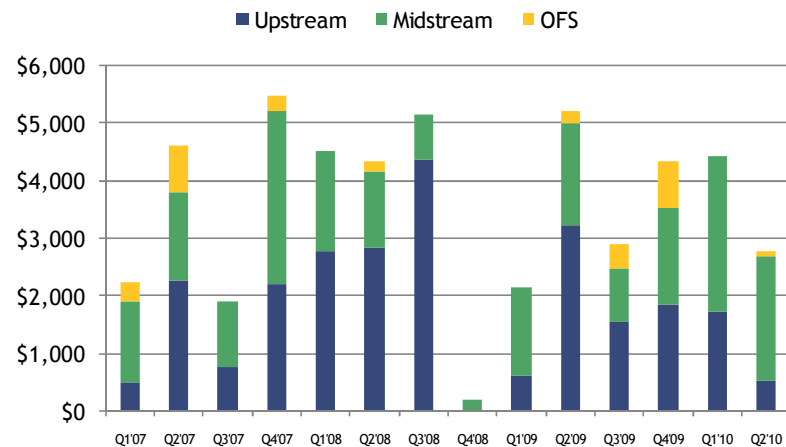
U.S. Energy Equity Market Activity

- Healthy start to 2010
- Strong IPO backlog
- Midstream/MLP dominates
 - Appetite for upstream equity also strong
 - OFS sector remains tough market for issuers
- Recent macro factors (commodities, Macondo, etc) have significantly slowed down the energy equity capital markets

Transaction Volume (\$MM)



Transaction Volume (\$MM)



Capital Markets Changed Over the Years

Spinnaker Exploration Co - IPO

September 28, 1999

8 million shares @ \$14.50 = \$116 million total proceeds

No shoe exercised, priced below range (\$16 - \$18)

Gross Spread 6.28%, Total Fees \$7 million



Lead Managers (63%)

Credit Suisse First Boston (31%),
Donaldson Lufkin & Jenrette (31%)

Co-Managers (37%)

Banc of America Securities (16%), Prudential Securities (16%),
Nesbitt Burns Securities (4%)

Cobalt International Exploration Co - IPO

December 15, 2009

71 million shares @ \$13.50 = \$958 million total proceeds

Majority of 15% shoe exercised, priced below range (\$15 - \$17)

Gross Spread 4.3%, Total Fees \$41 million



Lead Managers (80%)

Credit Suisse (32%), Goldman Sachs (32%),
JP Morgan (16%)

Co-Managers (20%)

Morgan Stanley (4%), TPH (4%), UBS (4%), Deutsche Bank (2%),
RBC (2%), Howard Weil (1%), FBR (1%), Thomas Weisel (1%),
Natixis Bleichroeder (1%), Capital One Southcoast (1%)

More Co-Managers fighting
for an even smaller pie

TPH Increasing Role and Economics

Cobalt International Exploration Co - IPO

December 15, 2009

71 million shares @ \$13.50 = \$958 million total proceeds

Majority of 15% shoe exercised, priced below range (\$15 - \$17)

Gross Spread 4.3%, Total Fees \$41 million



TPH is Gunning for the Top Right

Lead Managers (80%)

Credit Suisse (32%), Goldman Sachs (32%),

JP Morgan (16%)

Co-Managers (20%)

Morgan Stanley (4%), **TPH (4%)**, UBS (4%), Deutsche Bank (2%),

RBC (2%), Howard Weil (1%), FBR (1%), Thomas Weisel (1%),

Natixis Bleichroeder (1%), Capital One Southcoast (1%)

Global Geophysical Services - IPO

April 21, 2010

8.625 million shares @ \$12.00 = \$104 million total proceeds

100% of shoe exercised, priced below range (\$15 - \$17)

Gross Spread 7.0%, Total Fees \$7 million



Lead Managers (68%)

Credit Suisse Securities (35%),

Barclays Capital (33%)

Co-Managers (32%)

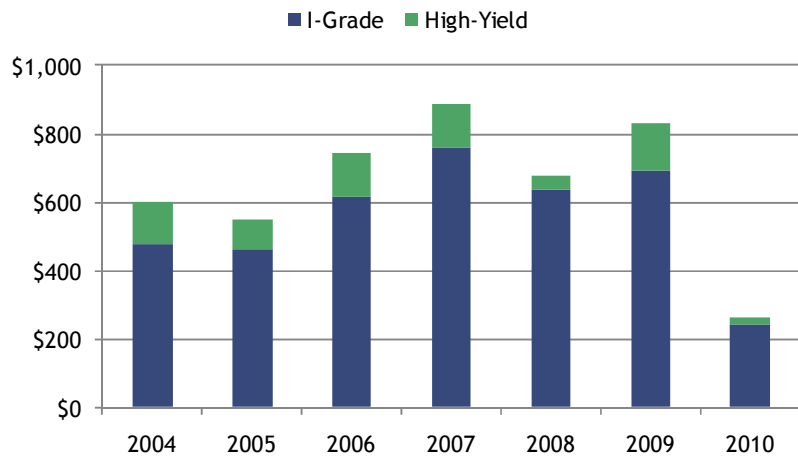
TPH (15%)

Raymond James (8.5%)

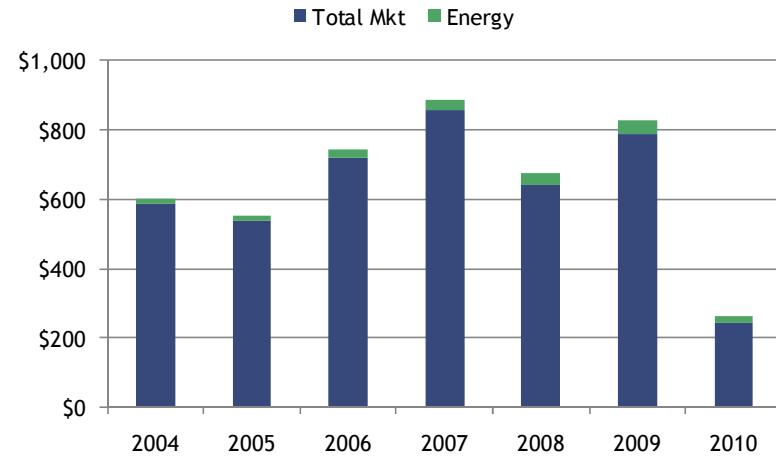
Simmons & Co. (8.5%)

U.S. Bond Market Activity

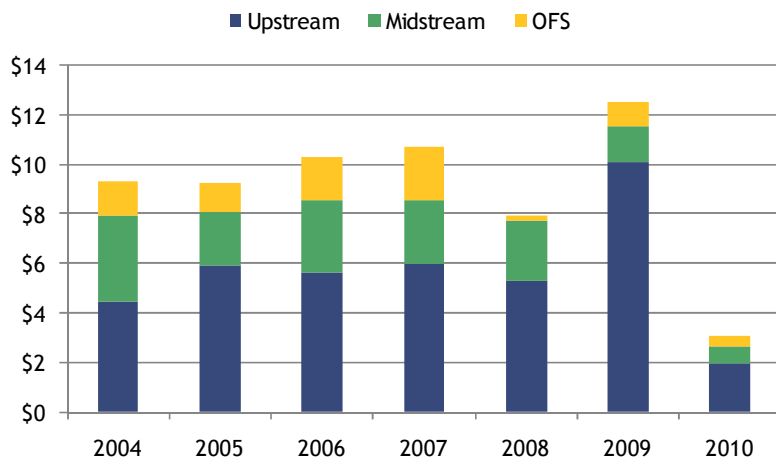
Transaction Volume (\$Bn)



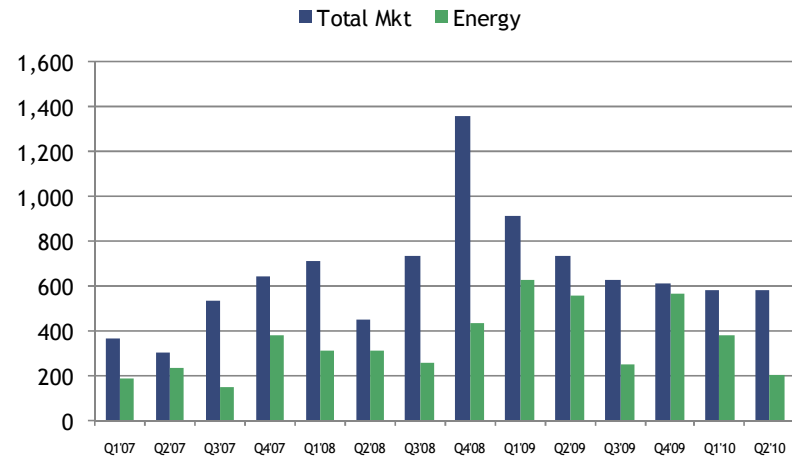
Transaction Volume (\$Bn)



Energy High-Yield Issuance (\$Bn)



Median High-Yield Spread to Benchmark (bps)

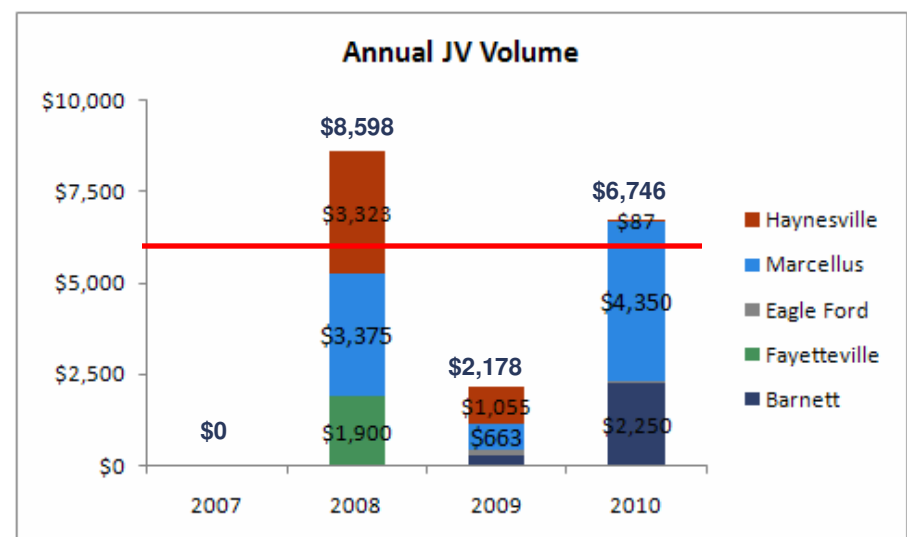
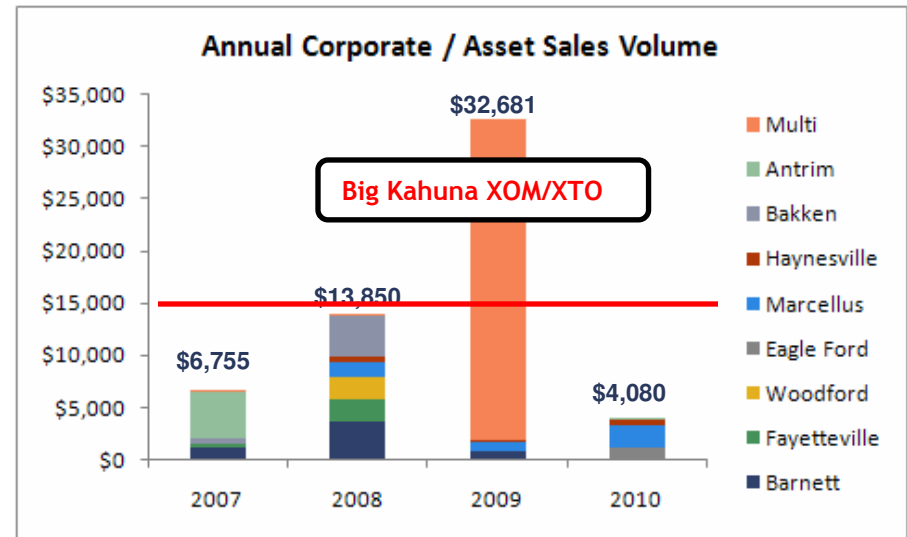


Source: Dealogic as of 6/10/10.

M&A, A&D, and now JV's

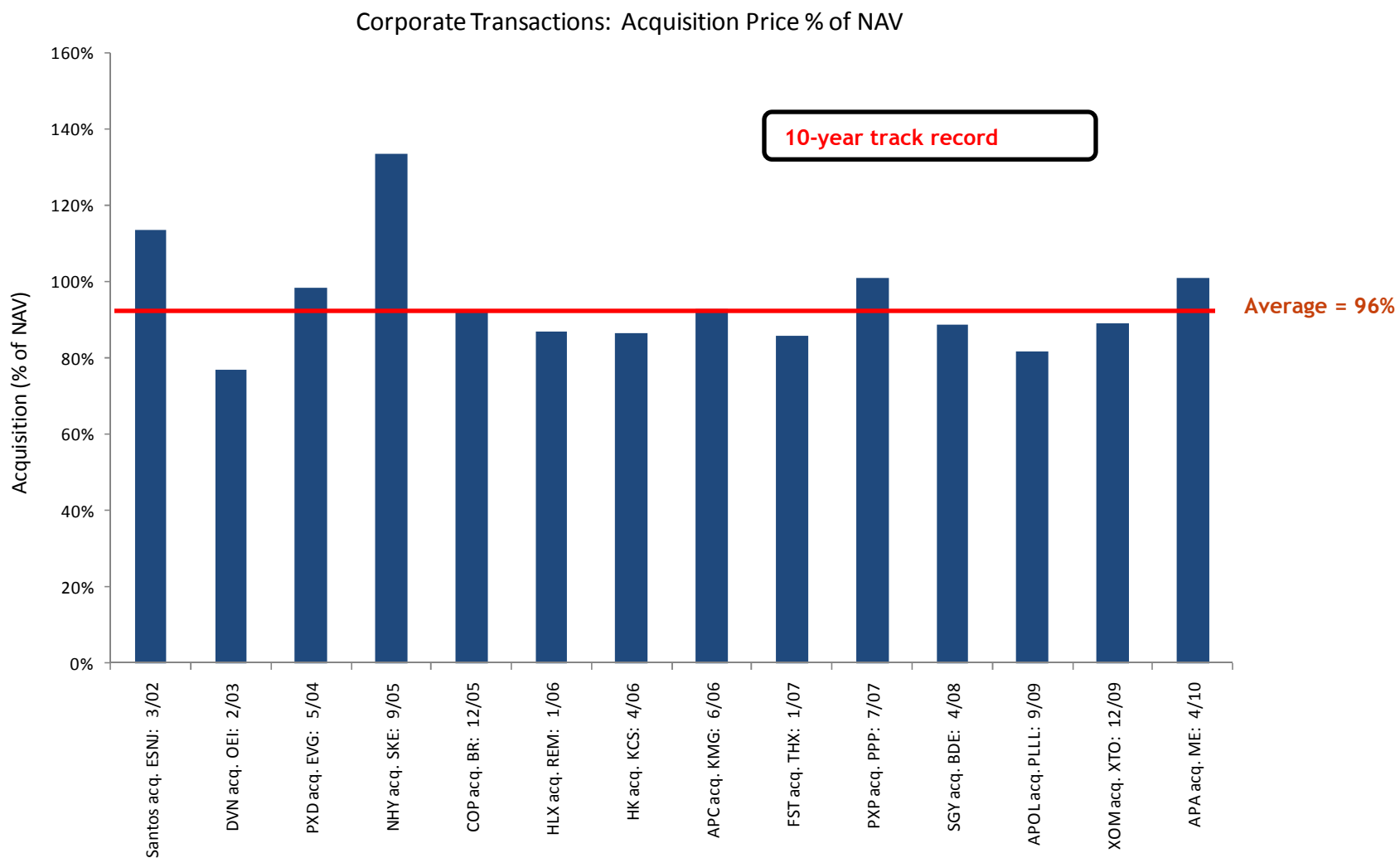
It's a Deal Making Business

- Asset/Corporate deal flow remains strong = \$14B/year
- Joint Ventures are increasingly important = \$5.8B/year



Source: JS Herold's.

Net Asset Value Works



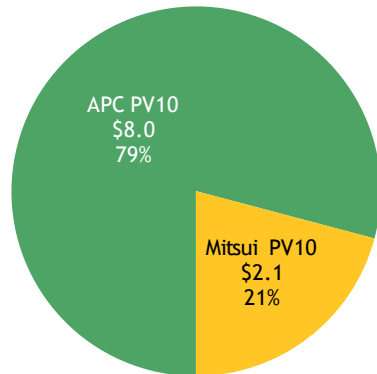
Joint Venture Analysis

APC/Mitsui JV NAV Summary⁽¹⁾

JV Terms & Assumptions

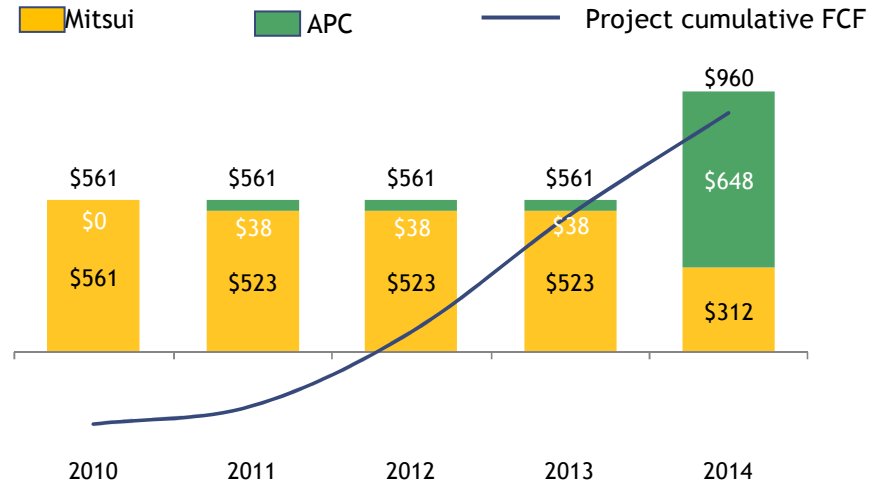
- 100% of APC Marcellus acreage (~307k net acres)
- Mitsui acquires 32.5% WI (100k net acres)
- 100% of consideration paid via Drilling Carry
 - Mitsui pays 100% of development costs in 2010
 - Mitsui pays WI share plus 90% of APC's WI share of development costs until total Drilling Carry reaches \$1.4 Bn
- Total Consideration: \$1.4 Bn
 - PV(10) of Drilling Carry: \$1.2 MM
 - Total JV PV(10)/acre: \$11.7k/acre
 - Implied total asset value: \$3.6 Bn
- Drilling Carry duration: ~4 years (12 rigs required)

JV Value Allocation

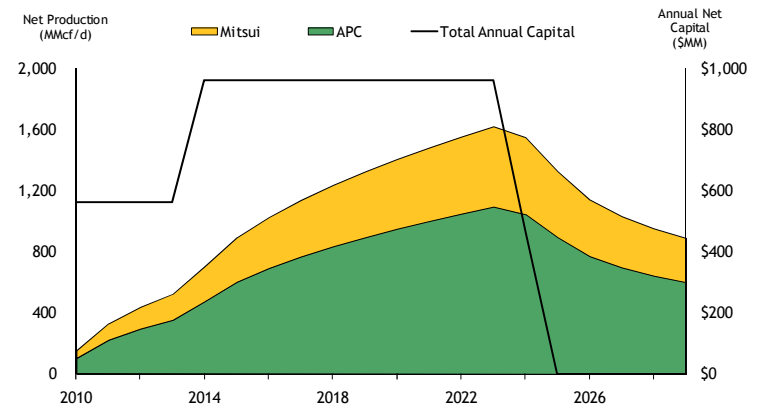


Joint Venture
 Project NAV(10): \$10.1Bn
 Mitsui IRR: 22%

Capex & Cumulative FCF (\$MM)



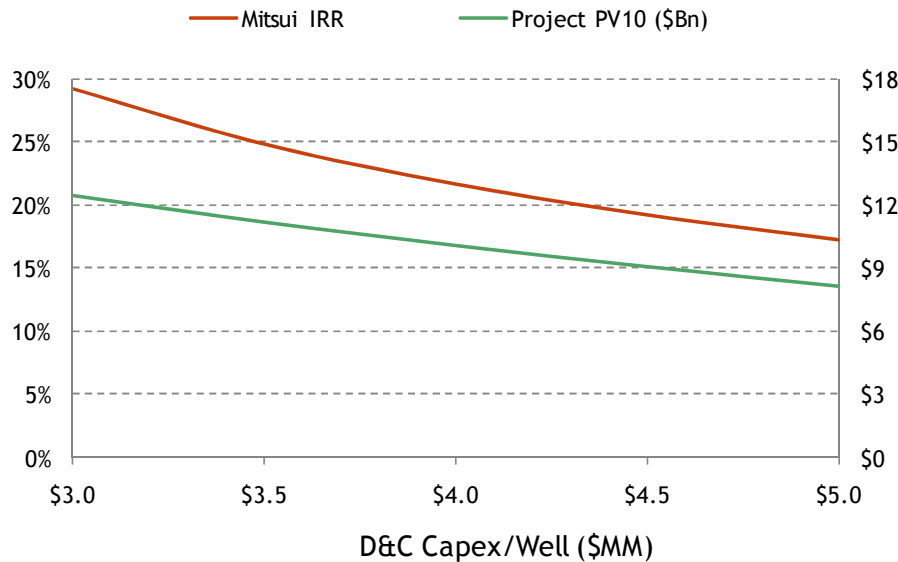
Production Profile (MMcf/d)



(1) Modeling Assumptions: \$6.50/MMBtu flat price deck, \$4.0MM D&C capex/well; 30-day D&C time per well; constant rig count during Drilling Carry phase; 20 rigs held constant during Post-Carry phase.

JV Valuation Summary⁽¹⁾

	D&C Capex / Well (\$MM)				
	\$3.0	\$3.5	\$4.0	\$4.5	\$5.0
Drilling Carry Rig #	16	13	12	10	9
Post-Carry (2x) Rig #	20	20	20	20	20
Total NAV (\$Bn)	\$12.4	\$11.2	\$10.1	\$9.1	\$8.2
APC PV10	\$9.6	\$8.7	\$8.0	\$7.3	\$6.7
Mitsui PV10	\$2.9	\$2.5	\$2.1	\$1.8	\$1.5
Mitsui IRR	29%	25%	22%	19%	17%



Conclusions

- Transaction sets new benchmark for Marcellus Shale JV valuation structure
 - 100% of consideration via Drilling Carry
 - 20–25% partner IRR
 - \$6.50/MMbtu price deck
 - 100% full development credit
 - 80-acre spacing; 20% acreage condemnation
- APC Marcellus asset valuation:
 - PV(10) of Drilling Carry: \$1.17 Bn
 - Implied JV acreage value⁽²⁾ ~ \$3.6 Bn
 - Fully developed asset PV(20)⁽³⁾ ~ \$3.5 Bn
- JV allows APC to quickly develop its assets w/ minimal capital requirements
 - APC pays ~ 5% total capex over 1st 4 years
 - APC pays ~ 56% of total project capex
 - Mitsui CF negative (cumulative) for ~ 8 yrs

(1) Modeling Assumptions: \$6.50/MMbtu flat price deck, \$4.0MM D&C capex/well; 30-day D&C time per well; constant rig count during Drilling Carry phase; 20 rigs held constant during Post-Carry phase.
 (2) \$1.17Bn for 100k acres implies \$11.7k/acre. \$11.7k x 307k acres = \$3.6Bn.
 (3) Pre-tax, pre-G&A NAV of APC's entire net Marcellus position.

Conclusions

- Capital Markets are Open, but it is a buyers market
 - Energy IPO / Follow-on Equity = ~\$15B/year
 - High Yield = ~\$10B/year
 - Converts = ~\$4.5B/year
- M&A and A&D Flow Remains Strong
 - Asset / Corporate Deals = ~\$14B/year
 - Joint Ventures = ~\$6B/year...another source of capital, but expensive

Analyst Certification:

I, David Heikkinen, do hereby certify that, to the best of my knowledge, the views and opinions in this research report accurately reflect my personal views about the company and its securities. I have not nor will not receive direct or indirect compensation in return for expressing specific recommendations or viewpoints in this report.

Important Disclosure:

The above mentioned analyst (or members of their household) have a long stock position in Chesapeake Energy, El Paso Pipeline Partners, and Petrohawk Energy.

Analysts' compensation is not based on investment banking revenue and the analysts are not compensated by the subject companies. In the past 12 months, Tudor, Pickering, Holt & Co. Securities, Inc. has received investment banking or other revenue from Berry Petroleum, Boardwalk Pipeline Partners, Brigham Exploration, Cobalt International, Concho Resources, Constellation Energy, Direct Drive Systems, El Paso Pipeline Partners, Enerplus Resources, Gastar Exploration, Legacy Reserves, Magellan GP, LLC, Magellan Midstream Partners, Mariner Energy, Newfield Exploration, NuStar Energy, ONEOK, Petrohawk Energy, Plains Exploration & Production, Range Resources, Regency Energy Partners, Rosetta Resources, SandRidge Energy, Inc., Stone Energy, Superior Well Services, Targa Resources, Western Gas Holdings, and Williams Companies. We intend to seek compensation for investment banking services from the companies we follow in the next 3 months.

Ratings: B = buy, A = accumulate, H = hold, T = trim, S = sell, NR = not rated

For detailed rating information, distribution of ratings, price charts and other important disclosures, please visit our website at www.tudorpickering.com. To request a written copy of the disclosures please call 800-507-2400 or write to Tudor, Pickering, Holt & Co. Securities, Inc. 1111 Bagby, Suite 5000, Houston, TX 77002.

Copyright 2010. Tudor, Pickering, Holt & Co. Securities, Inc (TPH). This information is confidential and is intended only for the individual named. This information may not be disclosed, copied or disseminated, in whole or in part, without the prior written permission of TPH. This communication is based on information which TPH, Inc. believes is reliable however, the firm does not represent or warrant its accuracy. The viewpoints and opinions expressed in this communication represent the views of TPH as of the date of this report. These viewpoints and opinions may be subject to change without notice and TPH will not be responsible for any consequences associated with reliance on any statement or opinion contained in this communication. This message should not be considered as an offer or solicitation to buy or sell any securities.

RESEARCH**Oil Service**

Dan Pickering
713.333.2961
dpickering@tudorpickering.com

Jeff Tillery
713.333.2964
jtillery@tudorpickering.com

Joe Hill
713.333.2963
jhill@tudorpickering.com

Max Barrett
713.333.2917
mbarrett@tudorpickering.com

E&P
David Heikkinen
713.333.2975
dheikkinen@tudorpickering.com

Brian Lively
713.333.2970
blively@tudorpickering.com

Brad Pattarozzi
713-333-2993
bpattarozzi@tudorpickering.com

Jessica Chipman
713.333.2992
jchipman@tudorpickering.com

Oliver Doolin
713-333-2989
odoolin@tudorpickering.com

Macro

Dave Pursell
713.333.2962
dpursell@tudorpickering.com

Jon Mellberg
303-300-1995
jmellberg@tudorpickering.com

Gas/Power
Brandon Blossman
713.333.2994
bblossman@tudorpickering.com

George O'Leary
713.333.2973
goleary@tudorpickering.com

SALES**Houston**

Tom Ward
713.333.7182
tward@tudorpickering.com

PK Bokach
713.333.2987
pbokach@tudorpickering.com

Mike Bradley
713.333.2968
mbradley@tudorpickering.com

Clay Coneley
713-333-2979
ccooney@tudorpickering.com

Mike Davis
713.333.2971
mdavis@tudorpickering.com

Leah MacDougal
713-333-3920
lmacdougall@tudorpickering.com

Josh Martin
713.333.2982
jmartin@tudorpickering.com

Paige Penchas
713.333.2969
ppenchas@tudorpickering.com

Denver

Chuck Howell
303.300.1902
chowell@tudorpickering.com

Jason Foxen
303.300.1960
jfoxen@tudorpickering.com

Win Oberlin
303.300.6637
woberlin@tudorpickering.com

DEBT SALES & TRADING

Clay Border
713.333.2974
cborder@tudorpickering.com

TRADING 800.507.2400

Michael du Vigneaud
mduvigneaud@tudorpickering.com

Scott McGarvey
smcgarvey@tudorpickering.com

Seth Williams
swilliams@tudorpickering.com