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THE CARLYLE GROUP

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GLOBAL ALTERNATIVE ASSET MANAGEMENT

## Energy Mezzanine Opportunities Group

January, 2012

Trade Secret and Strictly Confidential

# Overview of The Carlyle Group

- Established in Washington, D.C. in 1987
- One of the world's largest and most diversified multi-product global alternative asset management firms:
  - \$148 billion in assets under management across 89 funds and 52 fund of funds vehicles<sup>1</sup>
  - \$48 billion of equity invested in 414 Corporate Private Equity transactions
  - 31% Gross IRR on realized and partially realized Corporate Private Equity transactions
  - 2.5x gross equity returned on realized and partially realized Corporate Private Equity transactions
  - \$26 billion of equity invested in 541 Real Assets transactions
  - 30% Gross IRR on realized and partially realized Real Assets transactions
  - 2.0x gross equity returned on realized and partially realized Real Assets transactions
  - More than 1,200 employees in 33 offices in Africa, Asia, Australia, Europe, Japan, the Middle East, Latin America and North America<sup>1</sup>
  - Large diversified investor base (more than 1,400 active carry fund investors from 72 countries)
  - Achieved results without what Carlyle believes are undue financial risks to investors, and without sacrificing quality controls or integrity

Note: As of September 30, 2011, unless otherwise noted. Gross IRRs do not reflect management fees, carried interest, taxes, transactions costs and other expenses to be borne by investors in the investment funds, which will reduce returns and in the aggregate are expected to be substantial. Investments are considered partially realized when distributions are a substantial majority of invested capital.

<sup>1</sup> Includes acquisition of AlInvest Partners NV and Emerging Sovereign Group LLC on July 1, 2011.

# Broad Geographic Footprint, Well Positioned For Growth

*More than 1,200 employees in 33 offices around the world*

**U.S. fund families:**

- U.S. Buyout
- Global Financial Services Buyout
- U.S. Growth
- U.S. Equity Opportunity
- U.S. Real Estate
- Realty Credit Partners
- Global Infrastructure
- Global Energy
- Renewable Energy
- Structured Credit
- Corporate Mezzanine
- Distressed & Corporate Opportunities
- Energy Mezzanine
- Long/Short Credit Hedge Funds
- Emerging Markets Hedge Funds
- Fund of PE Funds
- Secondaries

**Europe fund families:**

- Europe Buyout
- Europe Growth/Technology
- Europe Real Estate
- Distressed & Corporate Opportunities
- Structured Credit
- Long/Short Credit Hedge Funds
- Emerging Markets Hedge Funds
- Fund of PE Funds
- Secondaries

**Asia fund families:**

- Asia Buyout
- Beijing RMB Partners
- Japan Buyout
- Asia Growth
- Asia Real Estate
- Long/Short Credit Hedge Funds
- Emerging Markets Hedge Funds
- Fund of PE Funds
- Secondaries

**Latin America fund families:**

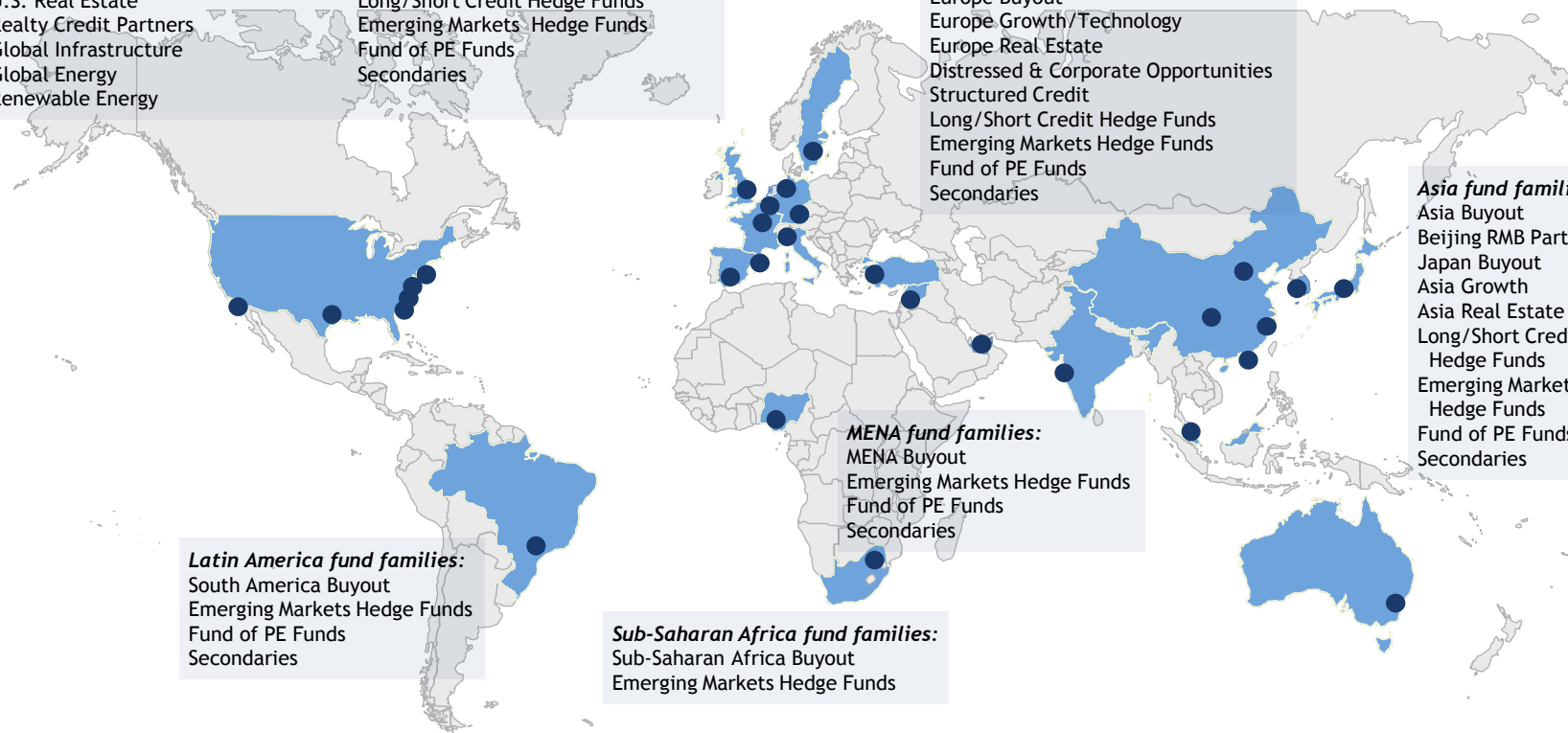
- South America Buyout
- Emerging Markets Hedge Funds
- Fund of PE Funds
- Secondaries

**MENA fund families:**

- MENA Buyout
- Emerging Markets Hedge Funds
- Fund of PE Funds
- Secondaries

**Sub-Saharan Africa fund families:**

- Sub-Saharan Africa Buyout
- Emerging Markets Hedge Funds



# Team Overview<sup>1</sup>

- Team includes five former Morgan Stanley colleagues who have a long history working together on commodity-hedged project financings
  - Mitch Petrick
  - David Albert
  - Rahul Culas
  - Tek Kaminski
  - Julie Kim
- Team also includes a petroleum engineer (David Gibson) and a power industry veteran (Daniel East)

## Investment Committee

**Bill Conway**  
Co-founder of  
The Carlyle Group

**Mitch Petrick<sup>2</sup>**  
Head of Global  
Market Strategies  
*Former Global Head of  
Institutional Sales and  
Trading at Morgan Stanley*

**David Albert**  
Co-Head of CEMOF

**Rahul Culas**  
Co-Head of CEMOF

## Senior Advisors

**Ron Harrell**  
*Former Chairman & CEO  
of Ryder Scott*

**Bobby Shackouls**  
*Former Chairman & CEO  
of Burlington Resources Inc*

**Chuck Watson**  
*Former Chairman & CEO  
of Dynegy*

## Investment Team

**David Albert**  
Managing Director  
Portfolio Manager  
Co-Head of CEMOF

**Rahul Culas**  
Managing Director  
Co-Head of CEMOF

**David Gibson**  
Vice President  
Petroleum Engineer

**Daniel East**  
Vice President

**Tek Kaminski**  
Vice President

**Justin Teltschik**  
Vice President

**Julie Kim**  
Senior Associate

**Sun-Young Chung**  
Associate

Notes:  
1. As of January 3, 2012.  
2. Chairman of the Investment Committee.

# Energy Mezzanine Opportunities Group Overview

- We invest in projects and companies across the energy value chain, primarily in the US and Canada
  - Upstream oil and gas
  - Power generation (commercially proven technologies)
  - Energy-related infrastructure and processing assets
  - Mining and related natural resource assets
- Provider of capital for acquisitions, refinancings, and development and growth
- Investment process emphasizes flexible deal structures, rapid turnarounds, and straightforward negotiations
- Team headed by former Morgan Stanley Project & Structured Finance professionals who have spent their careers focused on investing in, and financing, energy projects
  - Full time reservoir engineer on staff

# Investment Profile - Oil & Gas

*We structure creative & flexible capital solutions  
tailored for specific company needs*

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<b>Sector Focus</b>	➤ Upstream, midstream, downstream
<b>Geographic Focus</b>	➤ US and Canada
<b>Investment Size</b>	➤ Target \$20 million to \$100+ million
<b>Investment Tenor</b>	➤ 2 - 6 years
<b>Return</b>	➤ Combination of current cash pay, PIK and equity kickers (e.g. NPI, ORRI, warrants)

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# Investment Portfolio

*Since June 2011, the Carlyle Energy Mezzanine Opportunities Group has deployed \$187.5 million in senior secured financings across four transactions*

\$20,000,000



First Lien Senior Secured Notes

June 2011

\$20,500,000



BLACK RAVEN  
ENERGY, INC.

First Lien Senior Secured Notes

July 2011

\$125,000,000



First Lien Senior Secured Notes

December 2011

\$22,000,000

TexOak Energy, LLC

First Lien Senior Secured Notes

January 2012

# Benefits & Advantages of Carlyle as a Financial Partner

## Cost & Control

- Cheaper than private equity
- Allows management to retain full control
- Management friendly capital - not “loan-to-own” approach

## Flexible & Efficient Capital

- Can close quickly
- Structurally flexible
- Streamlined credit and investment approval process

## Solution Provider

- Healthy risk appetite for more challenging capital requirements
- Extensive relationships with banks and hedge counterparties
- Houston presence
- Full-time reservoir engineer on staff



# What We Look For

## Management

- Strong operating capabilities
- Proven track record
- Industry expertise

## Assets

- Focus on quality project, not long track record alone
- Leverage specific to assets / production

## Risk

- Reserves development and engineering play
  - Not pure exploration risk
  - Not price play

## Financial

- Strong cash flow that withstands downside scenario
- “Skin in the game” from owner / developer
- Total return: more than bank debt, less than equity

# What We Need

- To Get Started:
  - Overview of development opportunity
  - Financial model / historical statements
  - Meeting with management team
  - Development Plan (projects, properties, timing, funds required, schedule, forecast of outcomes)
  
- To Get to Financial Close:
  - Reserve report / Resource feasibility study
  - Meeting with technical staff / third-party consultants
  - Site visit

# Important Information

This presentation is made available on a confidential basis to sophisticated investors for the purpose of providing certain information about Carlyle Energy Mezzanine Opportunities Fund, L.P. (“CEMOF” or the “Fund”). It is not an offer to sell or solicitation of an to buy an interest in CEMOF, as a private offering of interests in the Fund will be made only pursuant to a confidential private placement memorandum (together with any supplements thereto, the “Memorandum”) and the Fund’s subscription documents, which will be furnished to qualified investors on a confidential basis at their request for their consideration in connection with such offering. Investors should pay particular attention to the section containing “Risk Factors” in this Presentation. The information contained in this Presentation will be superseded by, and is qualified in its entirety by reference to, the Memorandum, which will contain information about the investment objective, terms and conditions of an investment in the Fund and will also contain tax information and risk disclosures that are important to any investment decision regarding the Fund and which should be read carefully prior to an investment in the Fund. An investment in a Fund entails a high degree of risk and no assurance can be given that a fund’s investment objective will be achieved or that investors will receive a return of their capital.

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