

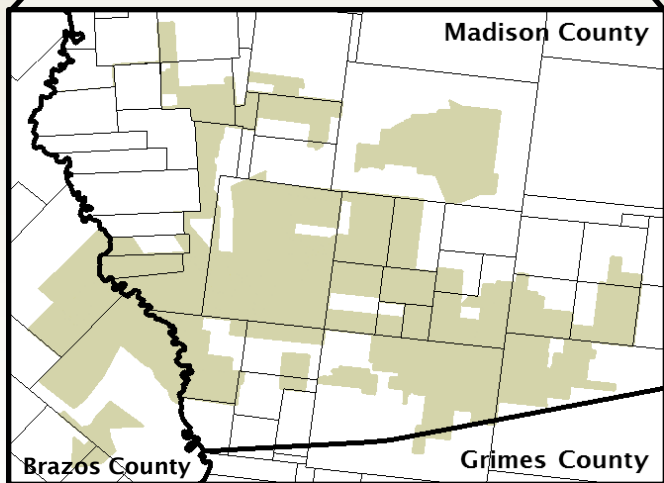
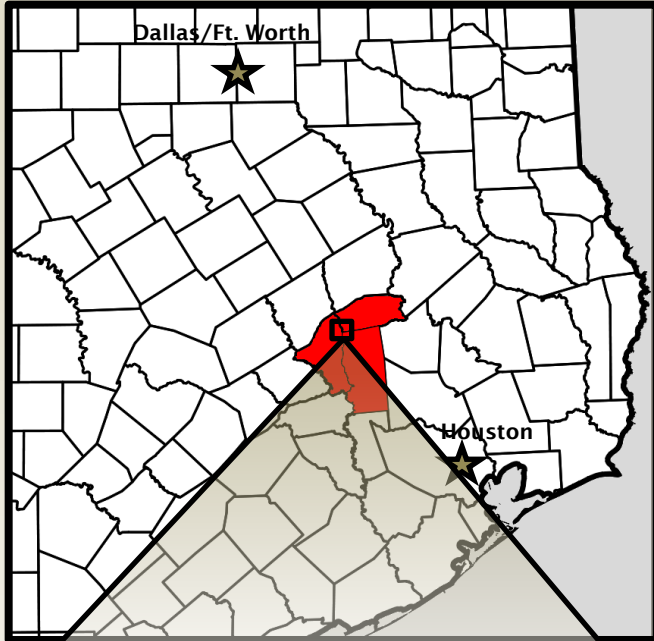
Woodbine

ACQUISITION LLC



IPAA – Private Capital Conference
January 24, 2012
Houston, Texas

Property Overview



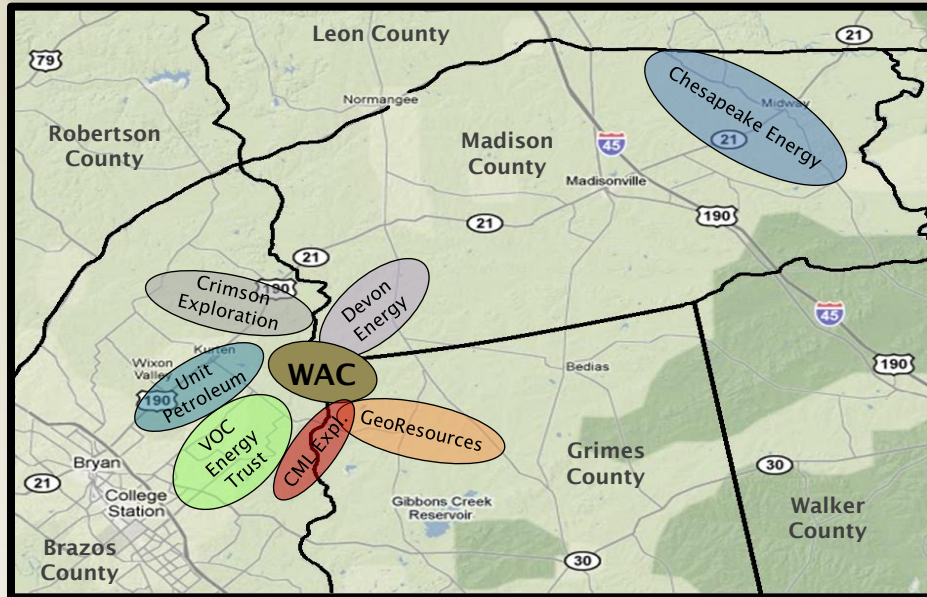
- ~ 15,500 net acres in the Woodbine located in Madison, Brazos and Grimes counties
 - Active oil sand since 1970's
 - "Blanket" nature of sand reduces geological risk of project
 - Approximately \$70 million in capital expenditures from 2009 to 2010 by sellers - "de-risked acreage"

- Drilling depth rights to Eagle Ford Shale, Buda, Austin Chalk
 - 100% drilling success rate in Woodbine properties since 2009

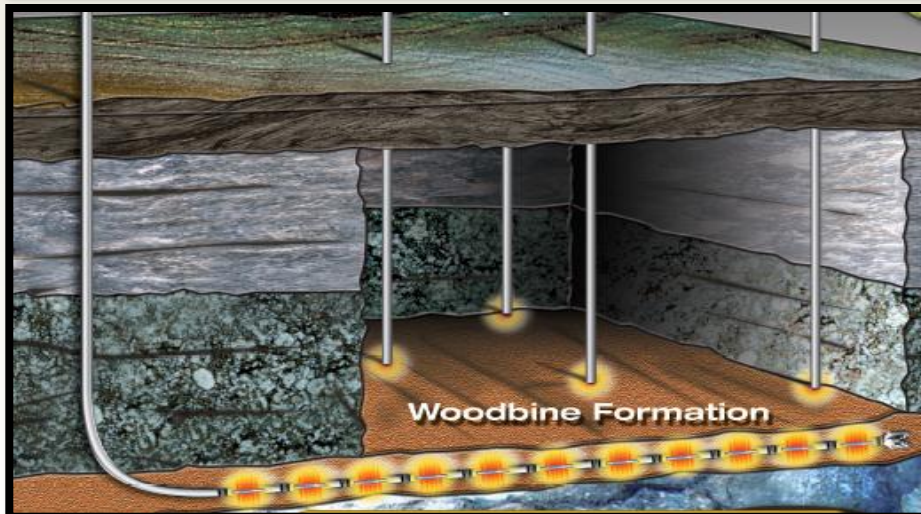
- Currently 38 producing wells
 - 24 horizontal
 - 14 vertical
 - One horizontal under completion
 - ~ 4,100 boepd, net and counting

Highly Sought After Oil Field

Prime Acreage Position



Prolific Horizontal Resource Play



- Larger companies beginning to drill into Woodbine/Eagle Ford trend
 - Chesapeake currently drilling/permitting wells along Woodbine/Eagle Ford trend
 - GeoResources purchased 39 producing wells in July 2010
 - Crimson Exploration drilling Woodbine sand

- Non-specific azimuth
 - Drill horizontally in any direction
 - Greater acreage utilization

- Vertical production history and sub-surface geology data allows for de-risking

- Substantial quantities of oil remaining in place

- Excellent fracturing stimulation barriers

- High oil-gas ratio

What did Investors Like?

Highly Sought After Oil Field

- First mover advantage in core area of Woodbine Play in East Texas
- 93% high quality oil, 7% rich natural gas
- “Blanket” formation with high oil density
- 100% drilling success rate over last two years

High Quality Reserve Base

- PV-10: \$409.7 million (SEC), \$555.9 million (NYMEX) at 12/31/2011
- Proved Reserves: 13.5 MMBoe
- Net production at closing was ~1,800 Boepd
- IP rates have increased from 400 Boepd in 2009 to ~1,400 Boepd presently

Strong Well Economics

- \$6.2 million capital expenditures generates IRR of 163% and 4.75 ROIC at \$95 oil per well
- NTM EBITDA: Over \$100 million
- Increased IRR's using 5,500'-6,500' laterals and 19-27 frac stages

Bond Deal was sold on 2012E metrics

Who are we?

- **Assembled team in late 2010**

- **Technical team consists of former Encore Acquisition Company Mid-Con Division**
 - **2 Engineers, 2 Geologist and 1 Landman**
 - **Additional technical team members hired with expanding operations**

- **Senior management consisting of a financial oriented team that has a proven track record of success in private equity backed companies and capital markets**
 - **Management dedicated to lean operations maximizing cash flows and shareholder value**

- **Evaluated several different transactions prior to pursuing the Woodbine assets**
 - **Looking to buy existing oil production with low risk upside**
 - **Participated in negotiated transactions as well as auctions**

- **Now a niche player in the Woodbine in Madison, Brazos and Grimes counties**

- **Issue \$250 million of Senior Secured Second-Lien notes to acquire properties in the Woodbine formation, with enough working capital first-lien credit facility capacity to commence a 2 rig drilling program**
 - **Global Hunter Securities LLC acted as lead arranger of Senior Secured Notes**
 - **Investment primarily from hedge funds and large alternative investment funds**
 - **Successfully closed the acquisition, Notes offering and first-lien credit facility on May 25, 2011**
 - **No sponsor equity – Company is 100% capitalized by debt**

- **Increase production and corresponding cash flow through low-risk infill drilling program**
 - **Property displayed tremendous well control**
 - **Already defined boundaries of the acreage**
 - **To date we have successfully drilled and completed 9 wells with an average IP in excess of 900 boepd**

- **Grow total reserves by down-spacing from 160 acre spacing**
 - **Field rules allows us to go to 40 acre spacing**

- **Increase operating efficiencies and drilling time**
 - **LOE per BOE of ~\$7.00**
 - **Drill time down from 40 days to an average of 21 days**

- **December 2010 : Completed auction process as highest bidder**
- **January 2011 – February 2011: Negotiated and signed PSA**
 - **Global Hunter Securities, LLC provided bridge loan for non-refundable deposit**
 - **Allowed for 70 days to complete due diligence and secure financing**
- **February 2011 – March 2011: Due diligence**
- **March 2011: Completed Preliminary Offering Memorandum for Senior Secured Notes**
- **April 2011: Roadshow presentations**
 - **126 face to face meeting across 8 cities in 12 business days – primarily met with hedge funds and alternative investment funds**
 - **Secured first-lien revolving credit facility**
- **May 2011: Received commitments from approximately 25 investors and completed final due diligence**
 - **Deal was upsized from \$225 million due to investor demand**
- **Late May 2011: Simultaneously closed Senior Secured Notes offering, revolving credit facility and acquisition**

- Netherland, Sewell & Associates, Inc. completed the reserve report and was basis for projections – “Gold Standard”
- 100% drilling success rate greatly de-risked reserves and gave significant credit to 2P reserves
- Oil rich basin extremely attractive in depressed natural gas price environment
- High yield investors can lend substantially more than combination of equity, bank, and mezzanine
 - Less concerned with valuation of acquisition as opposed to asset coverage and cash flow metrics

Credit Statistics and Projections at Closing

	Pro Forma	As of December 31,	
	At Closing	2011E	2012E
<u>Financial Data</u>			
Total Debt	\$250.0	\$250.0	\$220.3
Interest Expense	30.0	30.0	26.4
EBITDA	46.4	78.8	154.2
Capital Expenditures	50.5	54.0	85.2
<u>Reserves</u>			
PV-10	\$409.7	\$553.0	\$584.3
Total Proved Reserves (MMBoe)	13.5	14.0	14.5
Exit Rate Net Daily Production (Boepd)	2,299	4,245	6,766
<u>Credit Statistics</u>			
Total Debt / EBITDA	5.4x	3.2x	1.4x
EBITDA / Interest Expense	1.5x	2.6x	5.8x
Total Debt / Proved Reserves (\$/Boe)	\$18.57	\$17.86	\$15.19
Debt / Avg. Daily Production (\$ / MBoe/d)	\$108.72	\$58.89	\$32.56
PV-10 / Total Debt	1.6x	2.2x	2.7x

Summary of Senior Secured Notes Terms

Issue.....	\$250 million Senior Secured Notes (the “Notes”) and Warrants to purchase Common Stock.
Interest Rate.....	12%.
Maturity.....	2016 (5 Years).
Use of Proceeds.....	Acquisition of certain Woodbine properties and drilling and development capital.
Collateral.....	Second-lien on substantially all of the Company’s assets.
Optional Redemption.....	Non-Call 3.
Change of Control.....	101%.
Excess Cash Flow Offer.....	50% of Excess Cash Flow.
Warrants.....	\$0.01 warrants exercisable into ~ 64% of fully diluted common equity based upon certain criteria
Management Incentive.....	Management initially granted 20% of the fully-diluted common stock of the Company upon certain events.

Forward-looking statements and other matters

This presentation contains statements that do not directly or exclusively relate to historical facts. You can typically identify forward-looking statements by the use of forward-looking words, such as “anticipate,” “believe,” “intend,” “estimate,” “expect,” “continue,” “should,” “could,” “may,” “plan,” “project,” “will,” “potential,” “forecast,” and other similar expressions. Those statements represent our intentions, plans, expectations, assumptions and beliefs about future events. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Forward-looking statements involve risk and uncertainties that may cause actual results to differ materially from those predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement, include, but are not limited to, low and/or declining prices for oil and natural gas; oil and natural gas price volatility; risks associated with drilling, including completion risks, cost overruns and the drilling of non-economic wells or dry holes; ability to raise additional capital to fund future capital expenditures; cash flow and liquidity; ability to find, acquire, market, develop and produce new oil and natural gas properties; uncertainties in the estimation of proved reserves and in the projection of future rates of production and timing of development expenditures; geological concentration of our reserves; discovery, acquisition, development and replacement of oil and natural gas reserves; operating hazards attendant to the oil and natural gas business; down hole drilling and completion risks that are generally not recoverable from third parties or insurance; potential mechanical failure or under-performance of significant wells or pipeline mishaps; weather conditions; availability and cost of material and equipment; delays in anticipated start-up dates; actions or inactions of third-party operators of our properties; ability to find and retain skilled personnel; strength and financial resources of competitors; potential defects in title to our properties; federal and state regulatory developments and approvals; losses possible from future litigation; environmental risks; changes in interest rates; developments in oil and natural gas-producing countries; events similar to those of September 11, 2001, Hurricanes Katrina, Rita, Gustav and Ike and the Deepwater Horizon explosion; and worldwide political and economic conditions. In light of these risks, uncertainties and assumptions, the events described in forward-looking statements might not occur or might occur to a different extent or a different time than we have described. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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