



Drill or Acquire?

Both?

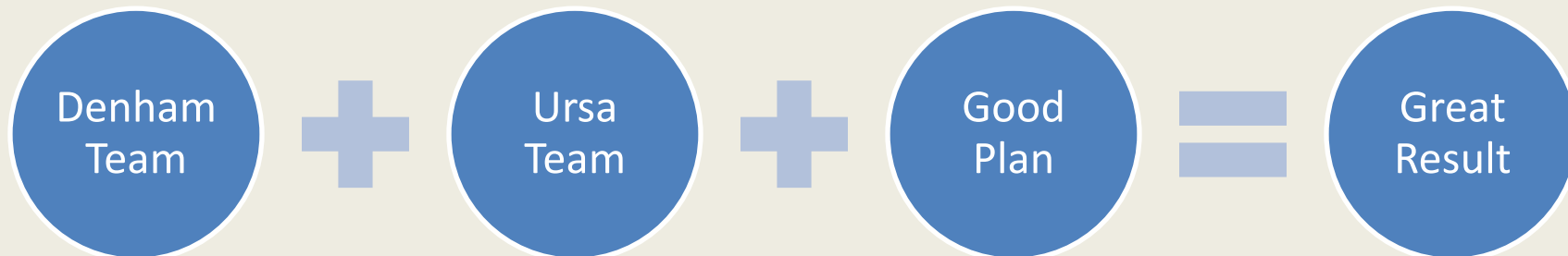
Neither?

IPAA Private Capital Conference

January 24, 2012

Ursa Background

The Ursa Bakken Story

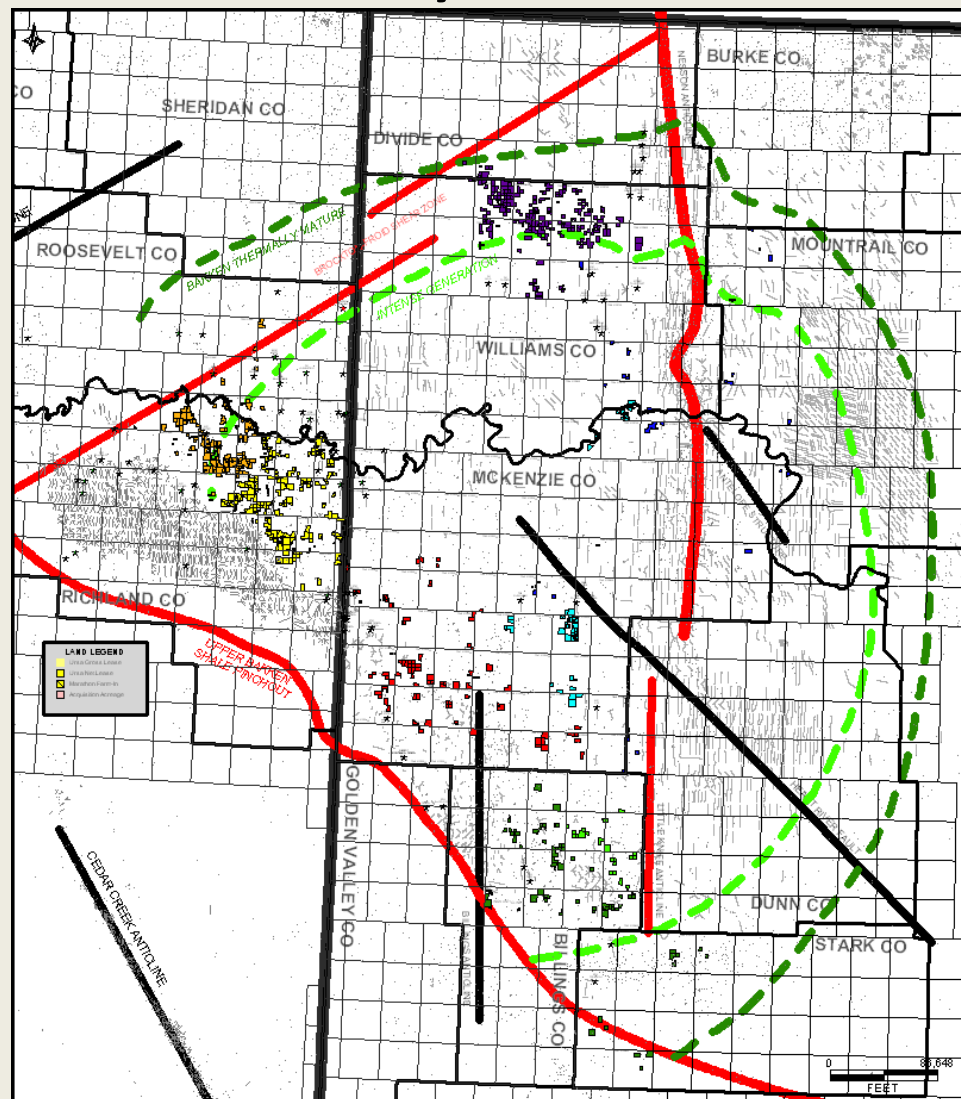


- 2008: Ursa initiates study of the Bakken petroleum system
- 2009: Ursa/Denham formulate a relationship and business plan to develop the Bakken
- 1Q 2010: Denham funds Ursa to execute the business plan
 - Assemble the play – 120,000 net mineral acres
 - Prove the resource - extensive science and 5 operated wells
 - Funded via private equity, cash flow from operations, and minor mid-cycle acreage sales
- 3Q 2011: Ursa/Denham exit the Bakken Play
- 4Q 2011: Ursa management team and Denham Capital form Ursa Resources Group II LLC

Ursa Background

Assemble The Play

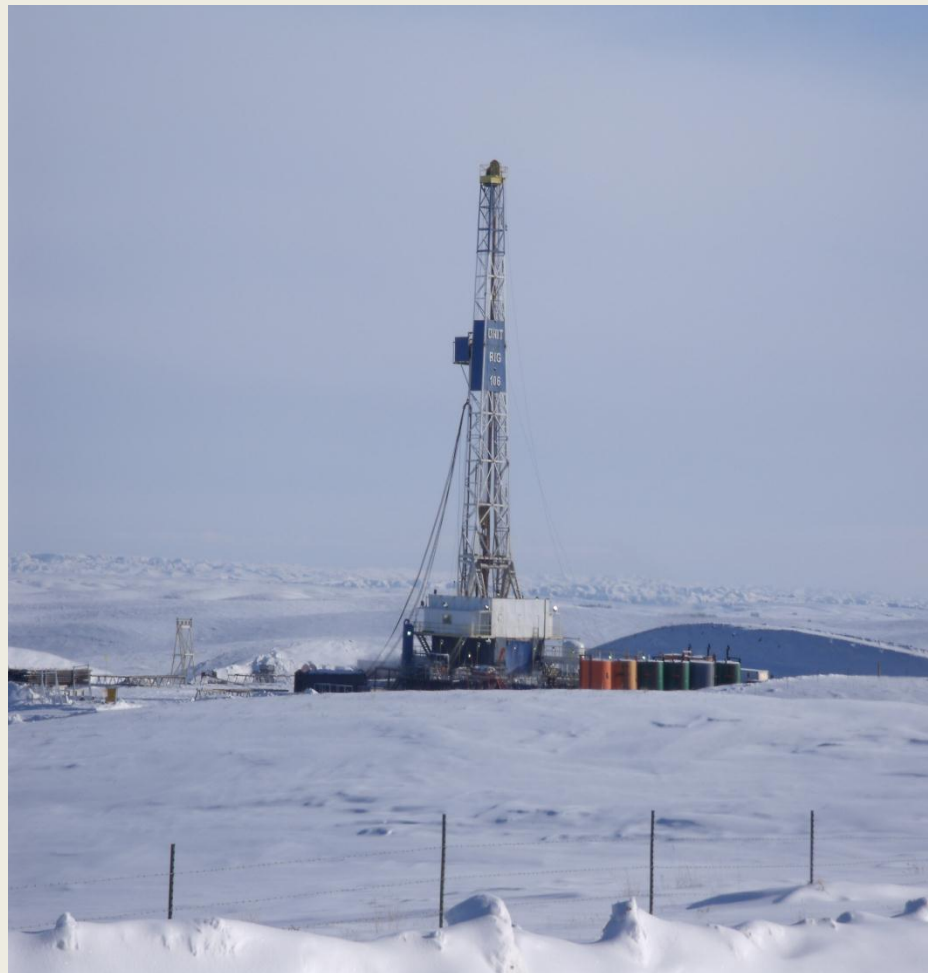
- Intense Technical Study
 - 1500 well logs with detail correlation
 - 1000 wells with full operational/mechanical and performance reviews
- Lease, Lease, Lease
 - 30 lease brokers at peak
 - Over 1000 leases taken
 - 120,000 nma acquired in less than 10 months



Ursa Background

Prove the Resource

- Continued Intense Technical Study to Integrate New Results
- Land Administration
 - Unitizations
 - Permits
 - Surface Agreements
- Drill
 - 100 MSA negotiations prior to commencement
 - 1 rig continuous drilling
 - Negotiated, designed, and custom built 2nd rig
- Operate
 - Coordinate and build facilities
 - Manage 3rd party pumpers



Ursa Background

Exit

- As of 3Q 2011, Ursa had sold substantially all of its assets in the Bakken
- Points of Interest
 - Total Duration: 18 months
 - Total Sale Transactions to Consummate Exit: 14
- Economics
 - All involved parties were pleased with the outcome



Moving Forward

Building Ursa Resources Group II LLC

Drill?

Acquire?

Both?

Let's Depend on the Wisdom of Industry Leaders—Through Their Own Words

Names Withheld to Protect the Guilty

What does the SMART MONEY say?

Let's Talk Drilling

Drill Baby Drill! But Where?

1. Deepwater GOM?
2. Shallow Water/ the Shelf?
3. Onshore Conventional?
4. Unconventional Resource Plays?

Drill Baby Drill!

Where?

1. Deep water GOM?

To give an idea of the difficulty of deepwater drilling, [Mr X] uses an analogy. “Imagine a large offshore oil rig as a matchbox,” he says. Next, imagine the matchbox on top of a two-storey building, with the upper floor filled with water and the lower floor filled with rock, sand and, in some cases, salt. Making an oil reservoir with a drill pipe is then like putting a coin at the base of the building with a strand of human hair. The penalties for getting it wrong are enormous. An industry rule of thumb puts the cost of drilling a deepwater “dry hole”—a well that does not strike oil—at around \$100m; [Company A] says it can be as high as \$200m.

- Prominent Financial Journal, March 4th 2011

SMART MONEY SAYS “NO!”
TOO EXPENSIVE

Drill Baby Drill!

Where?

2. The Shelf?

[Company A] says it decided to sell the last of its producing properties on the OCS continental shelf because they no longer muster up to [Company A] investment standards, not because of an increasing threat of hurricanes.

- Prominent Petroleum Magazine, April 30th 2006

Company A = \$140B for E&P

[Company B] added that because of rising natural production declines on the shelf and associated disruptions, conventional wisdom has suggested that the shallow Gulf is dead as quickly as

SMART MONEY SAYS "NO!"

DEAD ON ARRIVAL

Drill Baby Drill!

Where?

3. Onshore Conventional

The easy finds have been had. All those high prolific reservoirs have already been discovered. They're still producing, but on the tail end of their maturity. Is it tougher? Yeah.

- CEO of \$6.4Bln April 18th 201

SMART MONEY SAYS "NO!"
TOO DIFFICULT

Drill Baby Drill!

Where?

4. Unconventional?

We are in the fifth, sixth, maybe even seventh inning for the shales. No major gas shale play was discovered in North America in 2010, and the period of discovering any oil shales is nearly over. Portfolio opportunities are pretty much depleted now.

Head of Major Energy Investments Bank, December 20th 2010

I just think the industry has pretty much exhausted all the sedimentary basins in the U.S. and have pretty much been able to eliminate any

**SMART MONEY SAYS "NO!"
COMPLETELY PLAYED OUT**

Let's Talk Acquisition

Buy, Buy, Buy!
But What?

1. Gas Assets?
2. Oil Assets?

Buy, Buy, Buy!

What?

1. Gas Assets?

Nearly all U.S. gas assets are uneconomic.

- Head Analyst, Major Strategy Group, January 1st 2012

We're losing natural gas wells because the return on investment is not there.

Chief Analyst, Major E&P Company, October 12th 2011

[Bank X] reduced their natural gas price forecasts for this year and

SMART MONEY SAYS "NO!"

GAS IS GOING TO ZERO

Buy, Buy, Buy!

What?

2. Oil Assets?

The world could be plunged into a recession as severe or even larger than that of 2008-2009...could be expected to result in a 20% decline in energy prices.

- Biggest "Economic Shock" in the World, January 18th 2012

The [NGO X] reduced its 2012 global oil demand forecast, after consumption fell in the fourth quarter for the first time since 2009, warning it may underestimate further

for Financial Services, January 18th 2012

[Analyst Group X] said even in cases where crude oil has been a driver for

**SMART MONEY SAYS "NO!"
COMMODITY IS OVERPRICED**

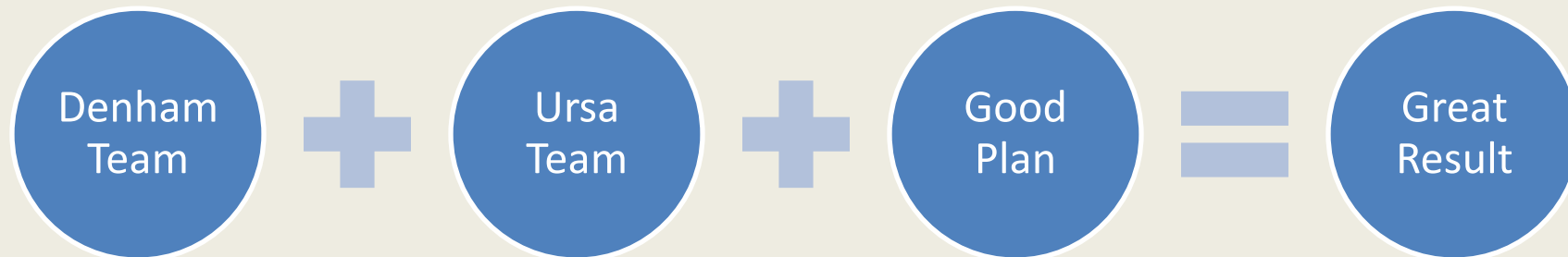
There is Hope!

SMART FOLKS HAVE BEEN PROVEN WRONG IN THE PAST: A FEW EXAMPLES

- There is little or no chance for more oil in California
 - 1886, U.S. Geological Survey
- There is little or no chance for more oil in Kansas and Texas
 - 1891, U.S. Geological Survey
- Total future production limit of 5.7 billion barrels of oil, perhaps a ten-year supply
 - 1914, U.S. Bureau of Mines
- Reserves to last only thirteen years
 - 1939, Department of the Interior
- Reserves to last thirteen years
 - 1951, Department of the Interior
- We could use up all of the proven reserves of oil in the entire world by the end of the next decade
 - 1978, President Jimmy Carter

What is Ursa's Plan?

Ursa Resources Group II LLC: A Denham Fund Company



- If it ain't broke...the basic equation remains the same
- Simple Business Plan
 - Oil is Expensive: Find it. Ursa will continue organic leasing and development of liquid rich resource plays
 - Gas is Cheap: Buy it. Given the appropriate buy-side opportunity, Ursa will acquire proved producing gas assets with volume upside

Ursa Resources Group II LLC: A Denham Fund Company

- We are well capitalized through our relationship with Denham Capital Management
- Oil Exploration and Drilling
 - Funded out of equity commitment
 - If you have a great idea, come see me after the presentation
- Gas Acquisition
 - Funded with equity + debt
 - If you have assets to sell, come see me after the presentation