Raising Private Capital
A Management Team’s Perspective

RICHARD MARSHALL, PE
VP AND COO
Average Cost to Drill a Domestic Well
(Adjusted to 2007 dollars, According to US EIA)
Road Map To The Money

- Gather the core management team
- Hire an advisor
- Compile business plan and investor presentation
- Run the road show
- Evaluate term sheets
- Negotiate final terms & close
**Gather the Core Management Team**

- **Build the Story Around Your Track Record**
  - Exploration
  - A & D
  - Acquire & Develop
  - “What are you good at??”

- **Refine Common Goals**
  - Get specific
  - Who will manage each aspect of the business?
  - Complimentary skill sets are a must
Steve Jobs and Steve Wozniak in their garage, ca. 1975.
Photo courtesy of Apple Computer.
Gather the core management team

- **Decide Equity Splits Among Yourselves**
- **Remember it Most Often Takes Personal Capital to Play**
- **Build a Team to Achieve Your Goals**
  
  “Focus on the Exit first”
- **Earmark stock to Attract Top Grade Talent To Your Team**
Hire an Advisor

Résumé

Successful Deal History?

Relationships?

Finance Background?

Who would specifically work your project?

- Fee Structure – Everything is Negotiable
- Compatible Personalities
- Timeline Proposal
- Any Concurrent Engagements?
Compile business plan and investor presentation

➢ Document the Team’s Track Record

➢ Summarize with Combined Career Stats

➢ Annotate ROI & IRR’s of Specific Historical Projects / Deals
Compile business plan and investor presentation (con’t)

- Tie the track record to the business plan for NEWCO
- Build the plan from the exit backwards
  - “The make up of the final product determines the resources needed”
- Organizational chart
- Add detailed resumes to the appendix
## Sources & Uses of Capital

<table>
<thead>
<tr>
<th>Sources</th>
<th>Uses</th>
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<tbody>
<tr>
<td><strong>Equity</strong></td>
<td><strong>Acquisitions</strong></td>
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<td>XYZ Acquisition</td>
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<td>Debt Facility</td>
<td>Transaction/Other Expenses</td>
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*In Thousands*
Compile business plan and investor presentation

- Detail your investment strategy
- Solid prospects are a plus

Deal in hand is a major plus!

- Focus discussion on execution of the plan
  “Any business plan can sound good, but execution is key”

- Exit strategy
RUN THE ROAD SHOW

- Practice the Live Presentation
- Viewers need to hear from each core team member

- Research each firm
  - Preferred deal size and structure
  - Successful Deals / Failed Deals
  - What companies do they sponsor?
  - Do they back multiple teams in the same basin?
  - Do they have other teams working your AOI?
RUN THE ROAD SHOW (con’t)

- Does the Firm’s Personality Fit Your Team?
- How many Companies Do They Sponsor?
- How much Capital Under Management?
- Maturity of the Capital Fund – Starting Up or Winding Down?

- Timing of The Presentations
  - Give a Few at a Time and Analyze Feedback
  - Make Changes and Get Back on the Road
  - Presentations Get Better with Time!!
Run the Road Show (Con’t)

➢ Be Passionate!!

Solid Team

Solid Plan

Focused Enthusiasm
**Evaluate Term Sheets**

- **Run Waterfall Models to Determine Best Return to Management**
- **Interview References of the Firm** (current and formerly sponsored teams)
- **Will your interests be aligned?**
- **Does their capital structure fit your business plan?**
- **Are they known to be “Too Hands On”?**
- **What is their project approval process?**
- **How quickly can they fund approved projects?**
NEGOTIATE FINAL TERMS & CLOSE

- EXPERIENCED LEGAL COUNSEL IS A MUST
  - LEGAL FEES TO MANAGEMENT CAN EXCEED $200K (TO BE REIMBURSED BY PARTNERSHIP IF YOU CLOSE)
  - REVIEW AND COMPLETELY UNDERSTAND AGREEMENTS

- TRADE THE TRANCHE
  - WHAT IS “MARKET” FOR A COMPARABLE TEAM/B-PLAN
  - HOW MUCH EQUITY WILL MANAGEMENT HAVE TO CONTRIBUTE?
Negotiate Final Terms & Close

- Trade the tranche (cont’)
- G&A Budget and Salaries
- Control Mechanisms
  - Voting
  - Spending Authority of Management
- What Decisions Can You Make Without Picking Up the Phone?
- Reporting and Audit Requirements
- Background Checks of Management Teams
Thank You!