

Raising Private Capital

A Management Team's Perspective

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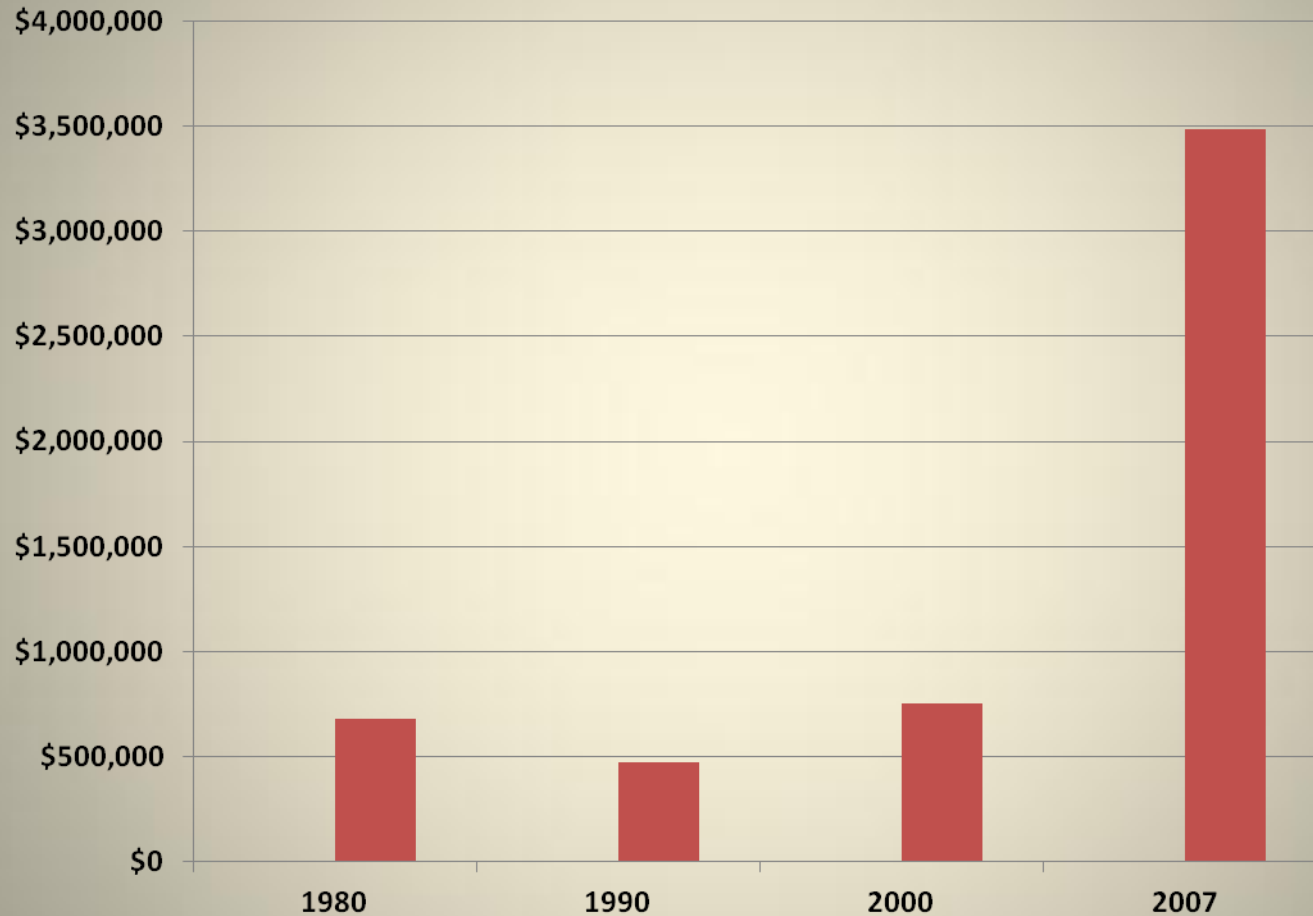


RICHARD MARSHALL, PE
VP AND COO



AVERAGE COST TO DRILL A DOMESTIC WELL

(ADJUSTED TO 2007 DOLLARS, ACCORDING TO US EIA)



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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

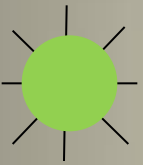
- EXPLORATION
- A & D
- ACQUIRE & DEVELOP

“What are you good at??”

➤ REFINE COMMON GOALS

- GET SPECIFIC
- WHO WILL MANAGE EACH ASPECT OF THE BUSINESS?
- COMPLIMENTARY SKILL SETS ARE A MUST

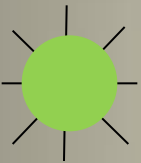
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GATHER THE CORE MANAGEMENT TEAM

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- **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?

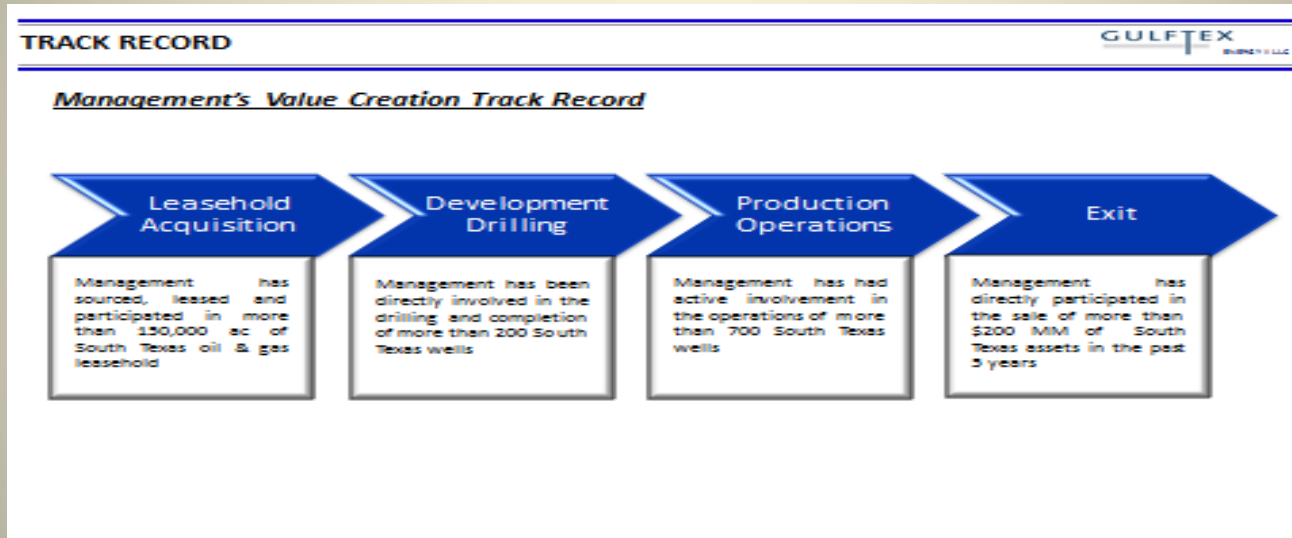


WHO WOULD SPECIFICALLY WORK YOUR PROJECT?

- 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

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Sources		Uses	
<u>Equity</u>		<u>Acquisitions</u>	
Investors	\$49,000	XYZ Acquisition	\$50,000
Management	2,000	Drilling/Development Capital	47,000
Debt Facility	<u>49,000</u>	Transaction/Other Expenses	<u>3,000</u>
	\$100,000		\$100,000

In Thousands



COMPILE BUSINESS PLAN AND INVESTOR PRESENTATION

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- **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

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- **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)

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➤ **BE PASSIONATE!!**

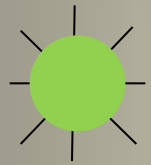
SOLID TEAM



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

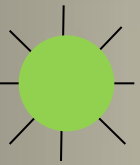
- **TRADE THE TRANCHE**
 - WHAT IS “MARKET” FOR A COMPARABLE TEAM/B-PLAN
 - HOW MUCH EQUITY WILL MANAGEMENT HAVE TO CONTRIBUTE?

NEGOTIATE FINAL TERMS & CLOSE

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- **TRADE THE TRANCHE (CONT')**
- G&A BUDGET AND SALARIES
- CONTROL MECHANISMS
 - VOTING
 - SPENDING AUTHORITY OF MANAGEMENTWHAT DECISIONS CAN YOU MAKE WITHOUT PICKING UP THE PHONE?
- **REPORTING AND AUDIT REQUIREMENTS**
- **BACKGROUND CHECKS OF MANAGEMENT TEAMS**

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Thank You!

