Talon Oil & Gas LLC
an EnCap Investments L.P. Company
January 24, 2012
The Four T’s of Talon

Team
Tee Box
Transition
Timing
Team

“Hardly anyone gets fired because they’re not smart enough”

Talon
Grant Henderson – President – Finance
Scott Fowler – Finance – Banking
J. W. Spencer – Engineering – Business Development
Joe Callaway – Land & Legal
Michael Dusing – Geology
Chris Jackson – Operations

Encap
David Miller
Murphy Markham
Scott Smetko
Mark Welsch
Jason McMahon
**Tee Box (buy right)**

“The real money is made on the 1st Tee”

- Capital Markets collapsed last half of 2008
- Dow Jones bottomed out end 1st Qtr 2009
- Bought Barnett assets in July & Dec 2009 for $480 MM
- Acquisition Metrics were $1/mcfe & $6,500/mcfepd
**Transition (exploit right)**

6 P’s – “Proper Planning Prevents Piss Poor Performance”

- Strategic Drilling to lower risk on downspaced PROB’s
- Utilized higher density fracs to increase reserves in all categories
- Re-frac’d wells to increase PDNP’s
- Aggressively pursued artificial lift on PDP’s

**Results**

Increased proved audited reserves from 482 Bcfe to 725 Bcfe
Timing (sell right)

“Luck is what happens when preparation meets opportunity”

- Capital markets recovered
- Dow back up over 11,000
- Sold Barnett assets 12/31/2010 for $969 MM even though weighted average gas price was down about 10% from acquisition
- Sales metrics on Talon’s reserves were $1.34/mcfe & $11,000/mcfed
- Purchaser’s public reports were that they paid $0.92/mcfe (less than what we paid for them originally) as they got proved reserves on all the downspaced wells….which just proves once again, there’s always somebody smarter than you are....