



**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 1<sup>st</sup> Tee”

- Capital Markets collapsed last half of 2008
- Dow Jones bottomed out end 1<sup>st</sup> 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/mcfe
- 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....