Thought-Provoking Quotes

“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness………..

Charles Dickens, A Tale of Two Cities

“Markets can remain irrational longer than you can remain solvent.”

John Maynard Keynes, English Economist
The End of a Huge Commodity Bull Run

Abundant Resource

Technological Advances

Cheap & Abundant Capital

Lack of Financial Discipline

Strengthening US Dollar

Massive Commodity Price Correction

Result: Liquidity Crisis and/or Balance Sheet Rehab
We Now Live in a Dramatically Altered State...

- Companies are hunkering down

- Prudent operators living within cash flow

- Access to capital has dried up or is significantly reduced
  - Borrowing base squeeze accelerating
  - Capital markets closed for most E&Ps

- Foregoing growth to protect balance sheets
  - Companies striving to avoid going on decline
  - Investors are cool or fleeing the space

- Intellectual honesty as to cash flow and returns is finally occurring
  - Likely to see a shift in portfolio / investment decisions
...Leaving Us with the “Have’s” & “Have Not’s”

<table>
<thead>
<tr>
<th>Have’s – Established Players &amp; New Entrants</th>
<th>Have not’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong balance sheet / reasonable leverage ratios</td>
<td>• Over-levered with tight to busted covenants</td>
</tr>
<tr>
<td>• Access to capital</td>
<td>• Limited or no access to capital</td>
</tr>
<tr>
<td>• Built a top tier rock position</td>
<td>• Significantly under hedged</td>
</tr>
<tr>
<td>• Significant HBP acreage</td>
<td>• Expiring acreage</td>
</tr>
<tr>
<td>• PE-backed, proven teams with significant dry powder</td>
<td>• Lower tier rock / multiple basins (lack of focus)</td>
</tr>
</tbody>
</table>

Opportunistic sales or JV’s to improve B/S or extend CF

Forced to sell assets, restructure or liquidate
So, When Will the Dam Break?

The dam will break when:

- Production growth is no longer the driver of capital allocation decisions
- Focus becomes balance sheet health – regardless of being a Have or Have Not
- Banks decide that they must take action instead of kicking the can down the road
- Companies run out of creative, financially engineered “life lines”

Likely to occur in 2\textsuperscript{nd} half of 2016
# Rockcliff’s Track Record

<table>
<thead>
<tr>
<th>Role</th>
<th>Chalker Energy Partners I</th>
<th>Chalker Energy Partners II</th>
<th>Chalker Energy Partners III</th>
<th>QRF</th>
<th>QR Energy MLP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role</td>
<td>CEO</td>
<td>Chairman</td>
<td>Lead Director</td>
<td>CEO</td>
<td>CEO</td>
</tr>
<tr>
<td>Asset locations</td>
<td>East Texas</td>
<td>East Texas</td>
<td>Texas Panhandle</td>
<td>Permian, Mid-Con, Ark-La-Tex</td>
<td>Permian, Mid-Con, Ark-La-Tex</td>
</tr>
<tr>
<td>Equity Source</td>
<td>Private Equity</td>
<td>Private Equity</td>
<td>Private Equity</td>
<td>Institutional LP Equity</td>
<td>Public Equity</td>
</tr>
<tr>
<td>Strategy</td>
<td>Acquire &amp; Lease/ Drill</td>
<td>Acquire &amp; Lease/ Drill</td>
<td>Acquire &amp; Lease/ Drill</td>
<td>Private MLP</td>
<td>Public MLP</td>
</tr>
<tr>
<td>Major acquirer</td>
<td>Forest Oil</td>
<td>NFR</td>
<td>Jones Energy</td>
<td>Various</td>
<td>Breitburn</td>
</tr>
<tr>
<td>Gross transaction value ($mm)</td>
<td>$255.2</td>
<td>$461.5</td>
<td>$371.0</td>
<td>$2,376.0</td>
<td>$3,039.0</td>
</tr>
</tbody>
</table>

Proprietary and Highly Confidential
Rockcliff’s Approach

Risk Allocation

Acreage/Leasing 25%
Joint Ventures 25%
Acquisitions 50%

$650 MM in Equity Offers:
- Differentiation from most of our competitors
- Ability to pursue larger transactions
- Ability to play in 2 areas
- Opportunity to optimally develop an asset

Designed to achieve the best risk-adjusted returns

Proprietary and Highly Confidential
Rockcliff Energy LLC

Alan Smith

IPAA Private Capital Conference

January 22, 2016