CHAMBERS
ENERGY CAPITAL

IPAA Private Capital Conference

Focus on Debt

February 24, 2011

Chambers Energy Capital

A Credit Opportunities Energy Fund

Investment Strategy

- Chambers Energy Capital seeks to provide debt capital to the energy industry across multiple sectors
  - Exploration & Production
  - Gas Gathering & Processing
  - Oilfield Services
  - Refining & Marketing
- Targeted investment sizes of $15 - $35 million

Investment Team

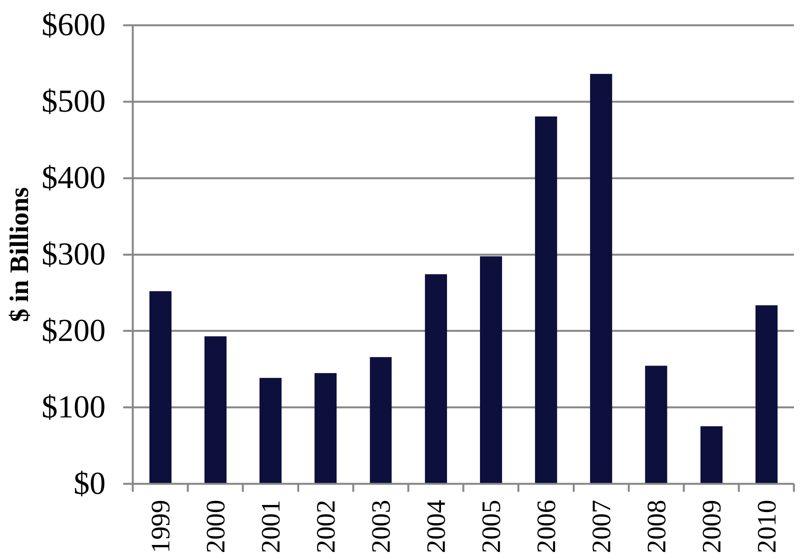
- Founders previously comprised the Investment Team of the Lehman Energy Fund, a proprietary credit-oriented energy investment portfolio of Lehman Brothers
- Invested more than $2 billion in capital over seven year period across 38 Transactions
- Cycle-tested investors focused exclusively on energy industry

Market Overview

Senior Lending Increased Materially in 2010

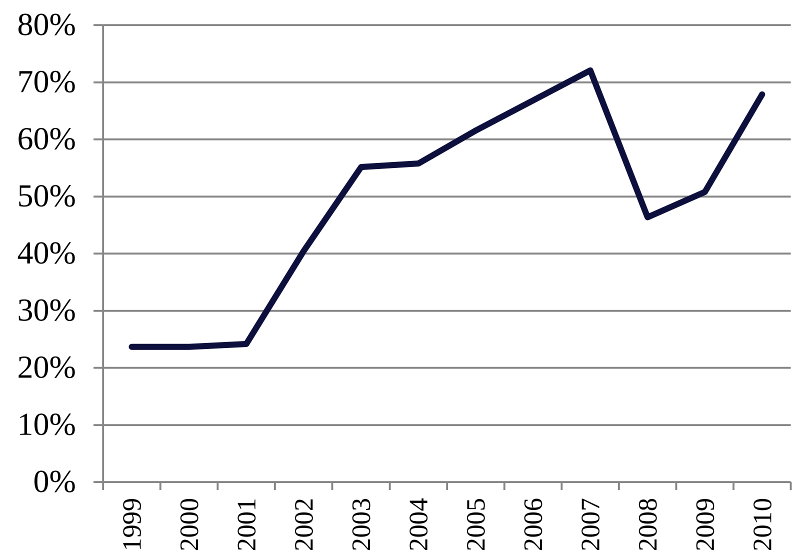
- Private lending rebounded sharply in 2010, but is still at fairly depressed levels
- Institutions (Hedge Funds, Mutual Funds, CLOs, etc.) were impacted more by the downturn than commercial banks but seem to have rebounded

Total New Senior Loans



Source: Standard & Poor's Financial Services LLC

Institutional Loans as % of New Senior Loans



Source: Standard & Poor's Financial Services LLC

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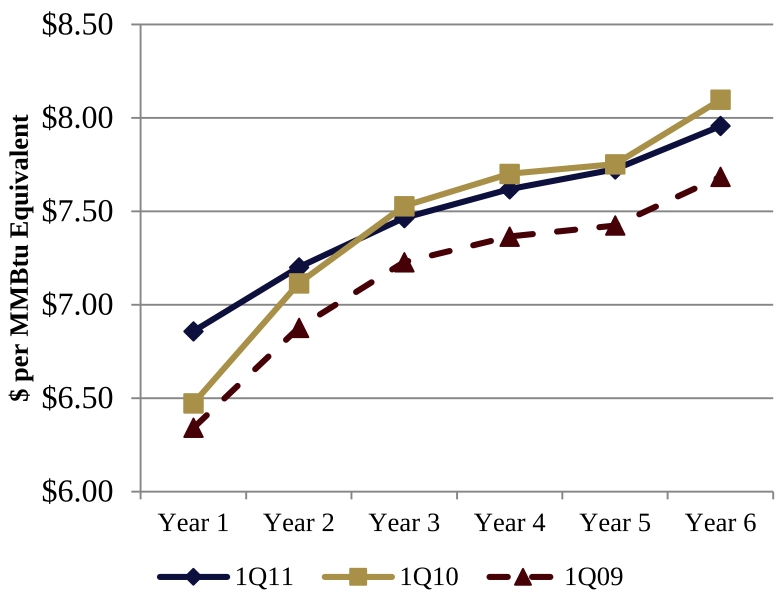
Market Overview

Energy Banks Still Using Conservative Price Decks

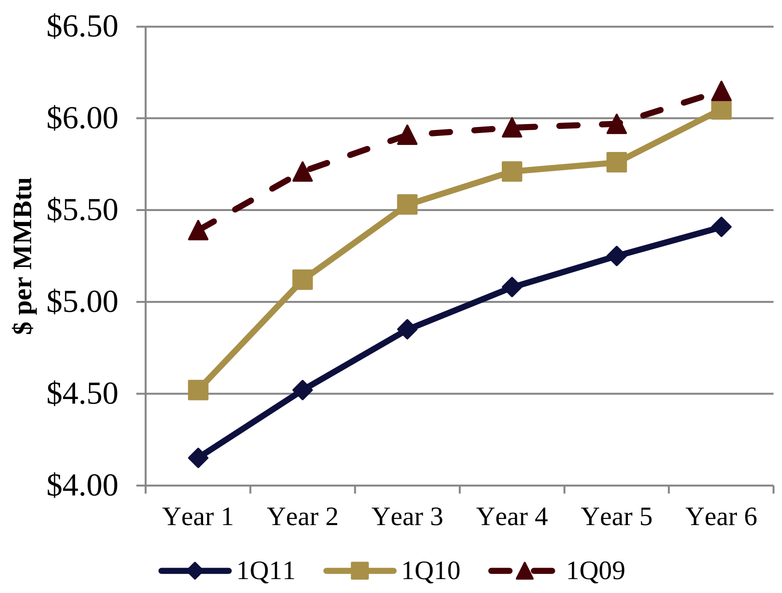
- While bank price decks have gone up on a combined oil/gas basis. . .
- . . . natural gas price forecasts have fallen considerably

Energy Lender Price Deck (60:40 Gas/Oil Ratio)



Source: Macquarie Tristone Energy Lender Price Survey

Energy Lender Gas Only Price Deck



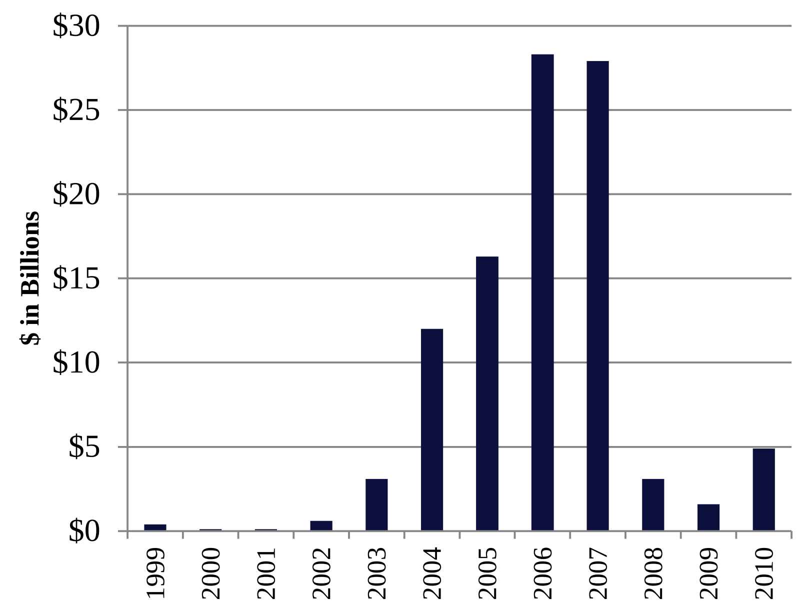
Source: Macquarie Tristone Energy Lender Price Survey

Market Overview

Junior Loan Volume is Still Week

- Second lien loan volume is up slightly but still down over 80% from the recent peak
- Commercial banks are less willing to share collateral with junior lenders
- New second lien rules-of-thumb:
  - ✓ Second lien amount cannot exceed 50% of the first lien amount
  - ✓ Caps on the amount of cash interest that can be paid to second lien lenders
  - ✓ Strict rules on when second lien lenders can exercise remedies

Total New Second Lien Loans



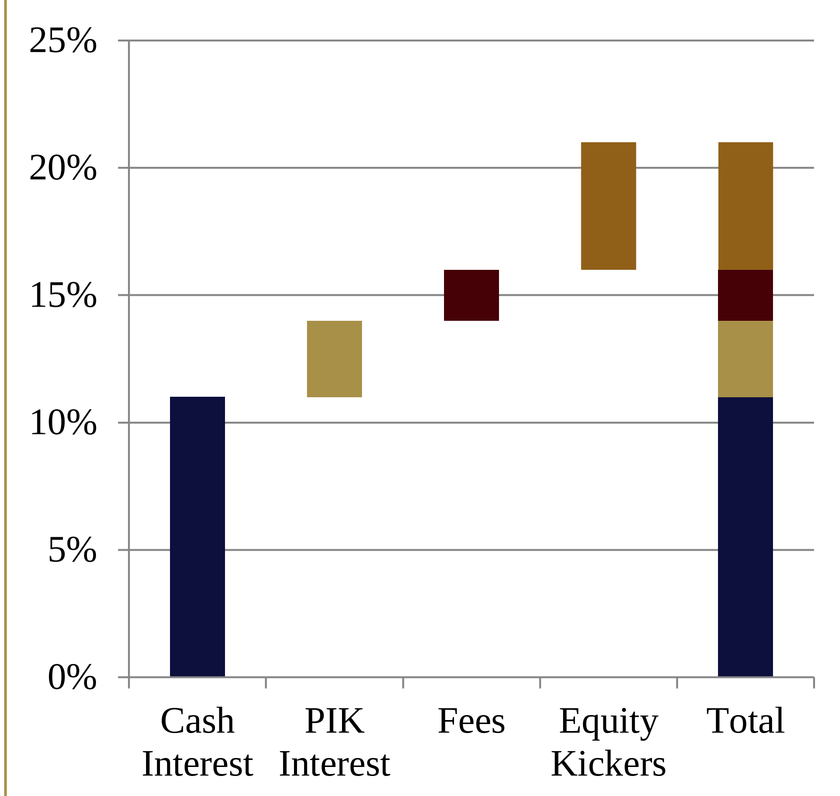
Source: Standard & Poor's Financial Services LLC

Typical Private Debt Terms

Cost of Junior Debt Remains Relatively High

- Unfavorable intercreditor terms from commercial banks
- Reduced number of second lien/mezzanine debt providers
- Increased demand for junior debt to offset lower natural gas-oriented cash flow
- Mezzanine debt occasionally includes some form of return "kicker"

Components of Mezzanine Debt Cost of Capital



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Typical Private Debt Terms

Junior Debt vs. Private Equity

- Despite the higher cost of private junior debt relative to bank debt, it can still be a competitive alternative to private equity

Private Junior Debt

- High cost for a short period of time
- "Silent Partner"
- Operational flexibility
- Rules-based funding

Vs.

Private Equity

- Permanent equity dilution
- Board Control
- "Mother may I …" management
- Partner controlled advances

Typical Private Debt Terms

Attributes Chambers Energy Capital Prefers for Junior Debt Financing

- While all transactions and sectors are different, some common attributes affect the cost and structure of junior debt capital

Criteria	Chambers Energy Capital Preference
Cash Flow	Company or project must have some demonstrated cash generation ability
Collateral Value	Collateral value must generally be at least 1.2x to 1.4x the total debt level
Earnings Predictability	Stable, predictable cash flows enhance amount of leverage allowed and reduce cost
Experienced Management	A demonstrable management track record increases the amount of structural flexibility
Geographic Location	Assets in well-known basins of the US and Canada are preferred
Risk Mitigation	Commodity price hedging or other contractual risk mitigation techniques can reduce the cost

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