



## *Current Themes in Energy Private Equity*

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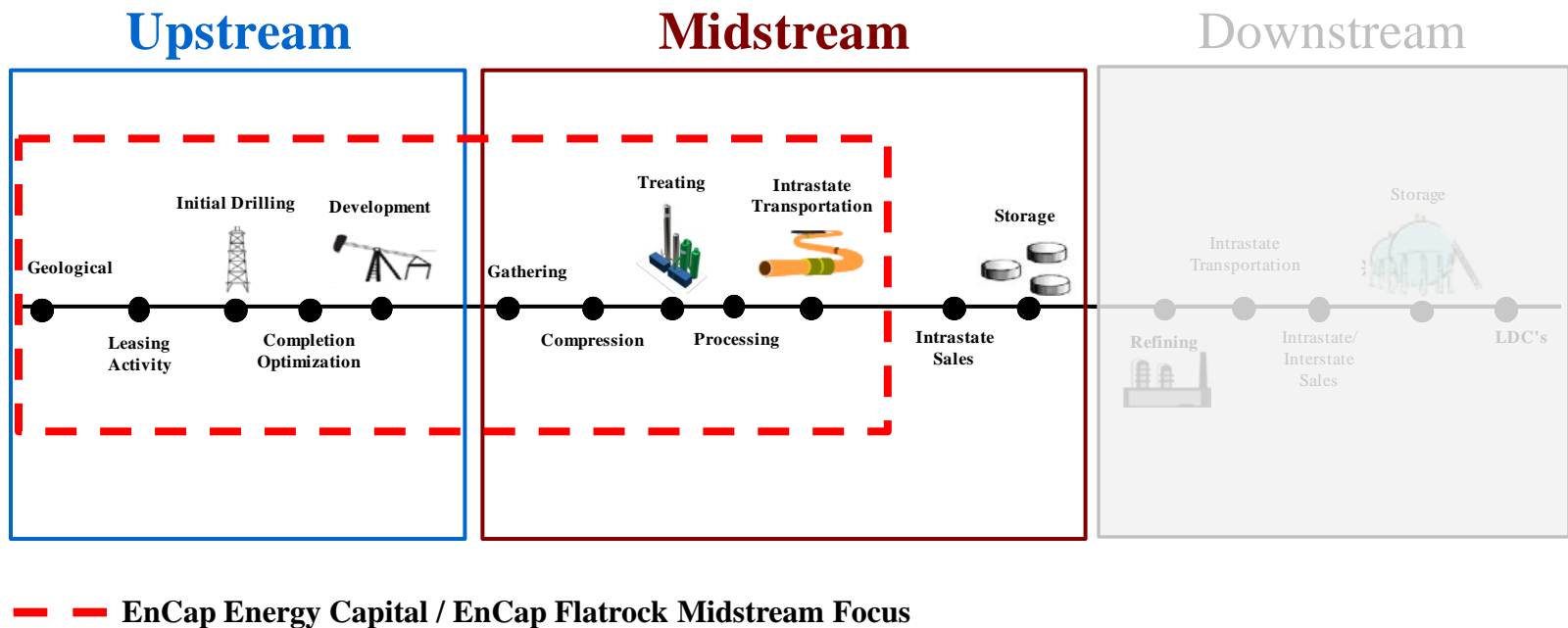
# EnCap Overview

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- Founded in 1988, EnCap is a leading provider of growth capital to the independent sector of the U.S. oil and gas industry
  - *Provided growth capital to 199 upstream and midstream companies*
  - *152 investments monetized/fully realized*
  - *Historical investment performance has substantially exceeded targeted returns across multiple hydrocarbon price cycles*
- Two investment platforms – Upstream and Midstream
  - *Raised and managed aggregate capital commitments of \$18 billion across 17 funds*
- Investment strategy revolves around providing growth capital to early stage companies led by management teams with proven track records of value creation
  - *Investment philosophy calls for equal emphasis on capital preservation and value creation; does not rely heavily on leverage*
  - *Portfolio companies focused on identifying and creating strategic acquisition opportunities for ultimate buyers*
- Investments are focused predominantly in the U.S.

# Investment Platforms

- EnCap invests in oil and gas opportunities through two separate platforms
  - EnCap Energy Capital funds focus on the upstream/E&P sector
  - EnCap Flatrock Midstream funds specifically target midstream opportunities



# Growth History

- Began in 1988 with a \$20 million reserve acquisition fund
- Just closed ninth upstream private equity fund totaling \$5 billion
- EnCap now has more than 300 institutional investors in 15 countries
- Prior funds are fully committed, and EnCap is currently seeking attractive investment opportunities for EnCap Energy Capital Fund IX and EnCap Flatrock Midstream Fund II

## EnCap Investments L.P. Private Equity Fund History

(As of December 31, 2012; \$ in millions)

	Reserve Acq. I - III	Mezz. Debt I - III	Project Equity I & II	Fund III	Fund IV	Fund V	Fund VI	Fund VII	EFMI	Fund VIII	EFM II	Fund IX
Vintage Year	'88 -'94	'89 -'93	'94 -'96	1997	2001	2004	2006	2007	2009	2010	2012	2012
Fund Size	\$146.8	\$127.8	\$218.7	\$450.0	\$528.1	\$825.0	\$1,524.0	\$2,551.0	\$791.6	\$3,608.2	\$1,786.0	\$5,154.6

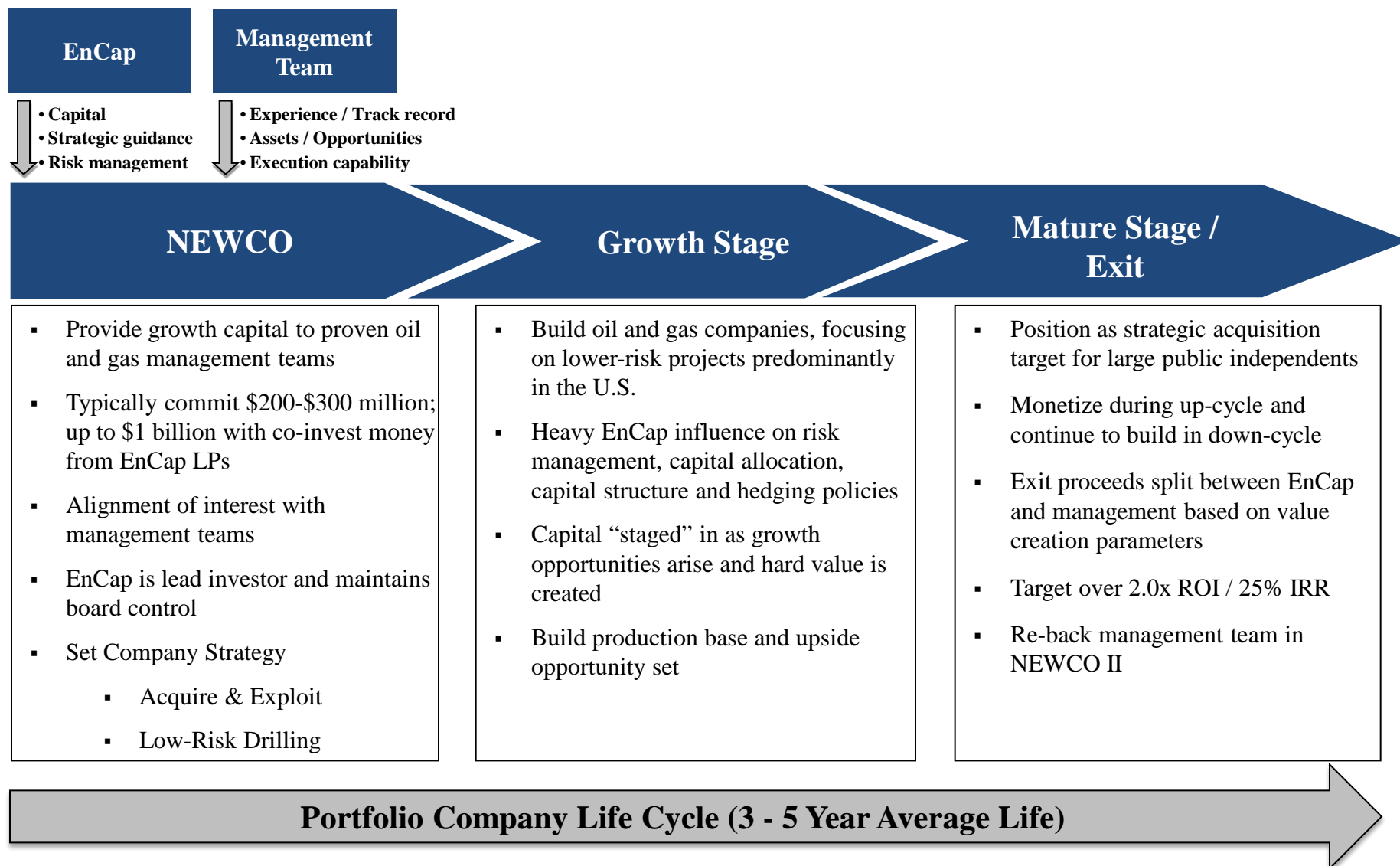
# Performance

- In Preqin's 2012 Global Private Equity Survey, EnCap ranks as one of the most consistent high performing managers overall and is the top natural resources focused manager

Firm	Location	Type	Overall Number of Funds with Quartile Ranking	Number of Funds in Top Quartile	Number of Funds in Second Quartile	Average Quartile Ranking
<b>EnCap Investments</b>	<b>US</b>	<b>Natural Resources</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>1.00</b>
Pegasus Capital Advisors	US	Distressed Private Equity	3	3	0	1.00
Small Enterprise Assistance Funds	US	Mezzanine	3	3	0	1.00
Wayzata Investment Partners	US	Distressed Private Equity	3	3	0	1.00
Energy Spectrum Capital	US	Infrastructure	5	4	1	1.20
ArcLight Capital Partners	US	Infrastructure	4	3	1	1.25
Cerberus Capital Management	US	Distressed Private Equity	4	3	1	1.25
Coller Capital	UK	Secondaries	4	3	1	1.25
KPS Capital Partners	US	Distressed Private Equity	4	3	1	1.25
CapX Partners	US	Mezzanine	3	2	1	1.33
Intermediate Capital Group	UK	Distressed Private Equity	6	4	2	1.33
Neuberger Berman	US	Co-investment	3	2	1	1.33
JOG Capital	Canada	Natural Resources	4	2	2	1.50
Lime Rock Partners	US	Natural Resources	6	4	1	1.50
SCF Partners	US	Natural Resources	6	4	1	1.50
Yorktown Energy Partners	US	Natural Resources	4	2	2	1.50

Source: Preqin 2012 Global Private Equity Report. Results include managers of "Other Fund Types" (does not include Buyout and Venture Managers) and is based on a universe of 126 firms and 627 funds in Preqin's internal database. Quartile rankings based on net-to-LP IRR and ROI results.

# Investment Model



# Investment Tenets































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- EnCap's investment decision making process is driven by the following:
  - (i) Partnering with the highest quality management teams
  - (ii) Focusing on economics
  - (iii) Assessment of underlying risk
  - (iv) Building an asset base that is attractive to the buyer universe

# Management Teams

- EnCap's portfolio company management members are largely products of public independent and private independent E&P companies
- >50% of EnCap's current portfolio companies are led by repeat management teams

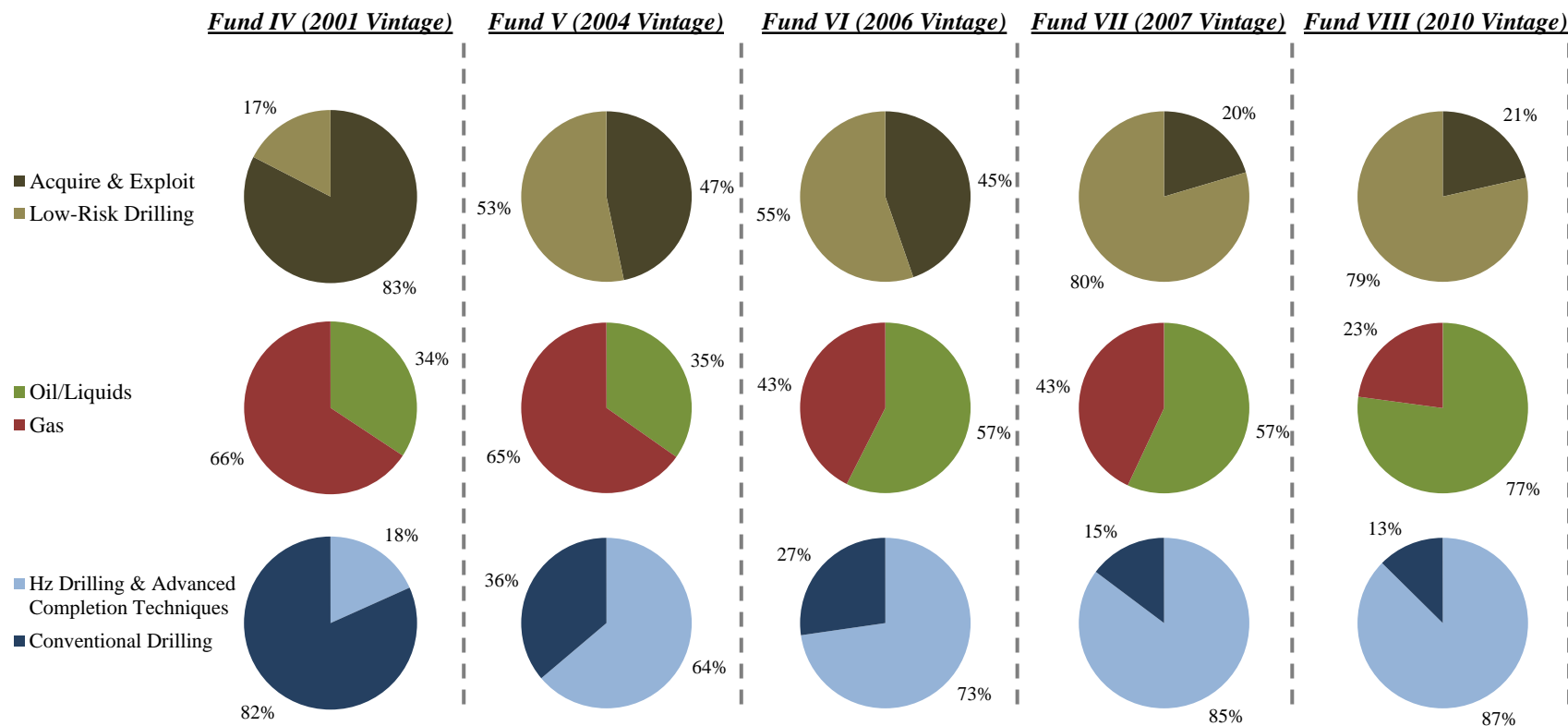
Selected Portfolio Company Management Member Backgrounds

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# Strategy

- Fundamentally, EnCap is paid by its institutional partners to identify and capture opportunities that represent the best risk/return equation
- As market dynamics change, flexibility and adaptability are key



Note: Charts are based on invested capital for realized and unrealized portfolio. Oil/Gas mix is based on proved reserve volumes and targeted acreage plays at a 20:1 MCF/BO ratio. Classification of individual deals within each fund as Horizontal/Vertical Drilling or Acquire & Exploit/Low Risk Drilling is based on where the majority of capital has been spent. Charts exclude midstream & royalty focused investments.

# Track Record of Success in Resource Plays

- EnCap continues to selectively pursue acquire & exploit strategies; however, difficult to generate equity-type returns without significant hydrocarbon price appreciation
- Application of horizontal drilling techniques and new completion technologies over the last decade has unlocked numerous low-risk, scalable, repeatable resource play opportunities
- As indicated by EnCap’s recent exits reflected below, buyers are intensely focused on building inventories of undrilled locations in economically advantaged resource plays



# Continued Focus on Economically Advantaged Plays

- EnCap currently has 54 portfolio companies operating in the most economically advantaged basins across the U.S.





## *Dialogue*





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