



CTB Energy Finance

Deploying the Right Capital for the Job

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Deploying the Right Capital for the Job

The Form and Fit

- Driving Motives
 - Capital providers
 - Clients/End users
- Vetting

Reserve-Based Lending

- Highlight of key structure dynamics
- Portfolio management practices
- Current marketplace trends

What's Next



Deploying the Right Capital for the Job

Driving Motives

Capital providers

Things to consider:

- What drives their decision making
- How do they make a profit
- How do they consider risk
- Who makes the management decisions relevant to your relationship and by what methods/processes is it managed
- Uniqueness in fund structure, orientation, staff skills and leadership dynamics
- Depth of involvement with client
- Is there additional relationship benefit that should be considered



Deploying the Right Capital for the Job

Driving Motives

Clients/End User

Things to consider:

- Intended financing uses and purpose- does this change over time?
- Financing character to key stakeholder's preferences and structure
- Timing of need
- Staff capacity
- Connectivity
- Expansion to current and future opportunity
- The end game
- Up or down cycle- there will be another side of cycle
- More to gain in the relationship than dollars



Deploying the Right Capital for the Job

Vetting

Capital Hierarchy

Scale

- Capital sources
 - How do they fundraise?
 - Banks funding (Money Center, Regional and Community Banks)
- Relevant to regional basis
- Reputation

Portfolio Consistency

- Gauge consistency to policies
- Are there diverse holdings or is there assets and team uniformity
- Products



Deploying the Right Capital for the Job

Vetting

Competitiveness

- How do they identify transactions?
- Capital costs and returns
- New entry, alternatives and exits
- Originations versus syndications

Pros and Cons

- At first glance
- Term sheets- the unstated elements
- Structure of credit is well-suited to project
- Worksheets



Deploying the Right Capital for the Job

Reserve-Based Lending

- Highlight of key structure dynamics
- Portfolio management practices
- Current marketplace trends



Reserve-Based Lending

Highlight of key structure dynamics

- Is more conservative structure
- Relationship oriented therefore tend to have a longer ramp up time
- Guided by policies
- Collateral evaluation and advances
 - Engineering requirements
 - Price deck determination and uses
 - Risk factors
 - Cash flow model and half-life of revenues
- Geared more to existing production (PDP) and a track record
- Affirmative and financial covenants are more onerous
- Credit enhancements usually sought



Reserve-Based Lending

Portfolio Management Practices

- Reporting
- Covenants
- Analysis- profitability
- Risk monitoring
- Distributions- Quintile management and metrics measured
- Derivative/Hedging guidance



Reserve-Based Lending

Current Marketplace Trends

- **Capital competition persist**
- **Stress testing and audit**
- **Interviewing**
- **Proactive management**
 - **Credit enhancements**
 - **Right sizing expectations**
- **Some tucked-in tails**
- **Terms will narrow**
 - **Maturities**
 - **Fees and rate spread increasing in near term**



What's Next

2015 Trends to Follow

- Interest rate opportunities
- Project IRR and ROE expectations will not materially diminish
- Downgrades of companies and credit facilities will increase mid-year
- High utilization of credit lines for first half of 2015 then decreasing
- Commodity price anticipations:
 - NYMEX/WTI volatility rises then flattens 4Q14
 - “Basis” winners and losers
- 3Q15 M&A activity acceleration
 - Consolidation, joint ventures and drilling programs
 - Private equity backed debt deals will be favored
 - Liquidity premium will expand



Our Team

Energy Team Highlights

Energy Team Focus

Lending Primarily to
Exploration and Production Firms

Offers senior debt facilities to Exploration and Production, Midstream, Royalties, and select Energy Services firms for purposes of acquisition, drilling, and working capital. We are principally focused on relationship banking for firms seeking \$2.5 million to \$100 million in a revolver or term facility secured by oil and gas assets.

The CTB Energy Lending platform includes a NYMEX based price deck, competitive pricing and loan terms along with lending limits supportive of client's long-term growth.

Trust in the Bank that's Committed to E&P Financing.



CTB Energy Finance Group | Expertise • Integrity • Passion

If you are looking for energy bankers with integrity, passion for the industry and the know-how to be valuable to you, then look no further.

Our CTB Energy Finance Group is made up of bankers that are oil and gas people first. We focus on meeting your objectives rather than running your business. We combine our knowledge of the industry with attentive service and an entrepreneurial drive to provide innovative and "right-fit" financing solutions.

CTB is an over 100 year old financial institution that shares the independent spirit driving the energy industry. Let us earn your business and your respect.

Highlights

The CTB Energy Finance Group offers senior debt facilities to Exploration and Production, Midstream, Royalties, and select Energy Services firms for purposes of acquisition, drilling, and working capital. We are principally focused on relationship banking for firms seeking \$2.5 million to \$100 million in a revolver or term facility secured by oil and gas assets. The CTB Energy Lending platform includes a NYMEX based price deck, competitive pricing and loan terms along with lending limits supportive of client's long-term growth.



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