EIG
GLOBAL ENERGY PARTNERS
FORMERLY TCW ENERGY

IPAA Private Capital Conference
Houston, Texas
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Presented By:
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EIG Global Energy Partners

- **TCW's former Energy Team is now EIG Global Energy Partners**
  - All energy funds previously managed by TCW are now managed by EIG
  - All energy professionals who previously worked for TCW now work for EIG
  - EIG is a new company separate and independent from TCW
- **Experience**
  - Solely focused on energy since 1982
  - Longest track record of any energy specialist investor
  - Over $11 billion invested
  - Over 260 portfolio investment made
- **Active Global Investor**
  - From 2008 – 2010 invested $4 billion in global energy opportunities
  - Have made investments in 33 countries on 6 continents

Oil & Gas Specialist

- **Houston based oil & gas team**
  - Includes 6 petroleum engineers with average industry experience of 23 years
  - Experienced in most basins and plays in the US
  - Have made E&P investments in 17 countries
- **Upstream and midstream experience**
  - Drilling
    - Conventional / Unconventional
    - Onshore / Offshore
    - Domestic / International
  - Waterfloods
  - Enhanced oil recovery
  - Gas gathering, processing, treatment, storage

Investment Approach

- Very selective
  - Only expect to do 2-3 E&P deals a year (but have no constraints on number or amount)
  - Prefer working around assets rather than business plans
  - Experienced management a must
  - Typically we don't partner with other financial institutions
- Not tied to a specific structure or place in the capital structure
  - The opportunity and need dictate where we invest
  - Prefer debt or debt-like instruments but frequently make equity investments
- Want to accelerate growth for proven teams with ready to go opportunities
  - Preferred investment size $100-250 million, will write a check up to $500 million
  - We like companies with dominate positions; differentiators
  - Management conviction backed by their co-investment

Where do we typically play in the upstream and midstream space?

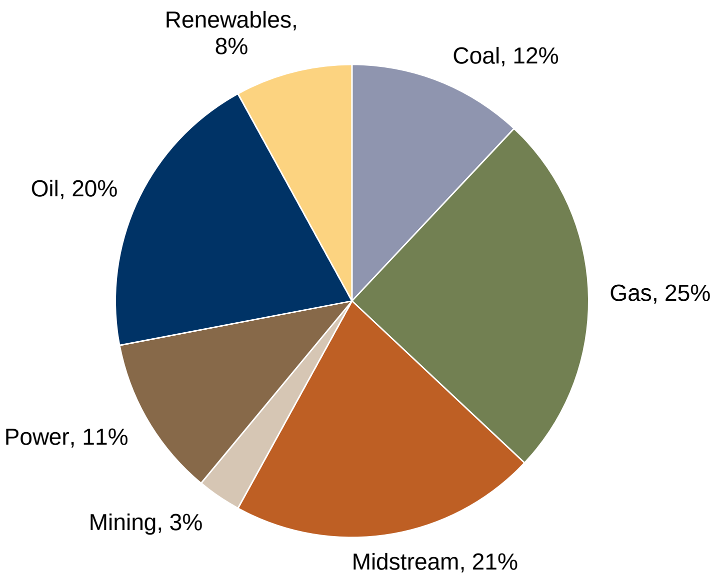
- **What we like the most**
  - Development / program-type drilling
  - Technically complicated projects - Waterfloods and Enhanced Oil Recovery
  - Construction projects - pipelines, gas plants, storage, terminals
  - Asset-backed opportunities

- **What we like the least**
  - Exploration
  - Funding technology ventures
  - Buy outs
  - Start ups
  - Asset-lite businesses (service companies)

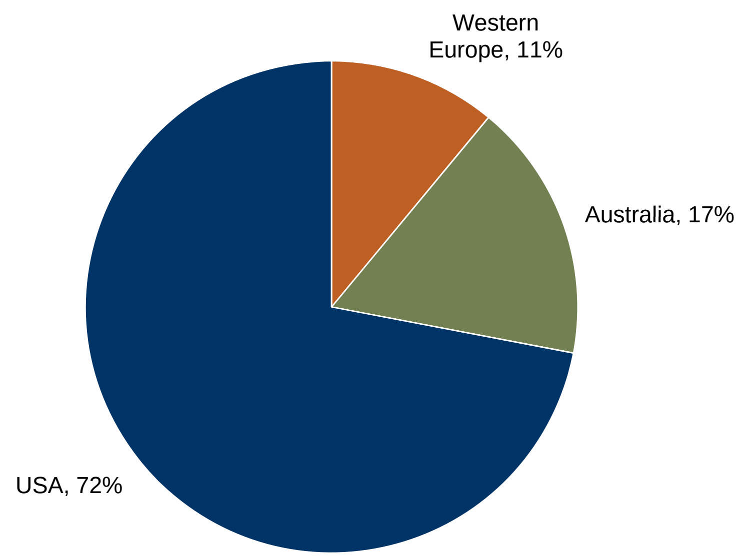
Where have we been investing recently?

Represents $4.2Billion of Committed Capital Since 2007*

Sector Diversity



Geographic Diversity



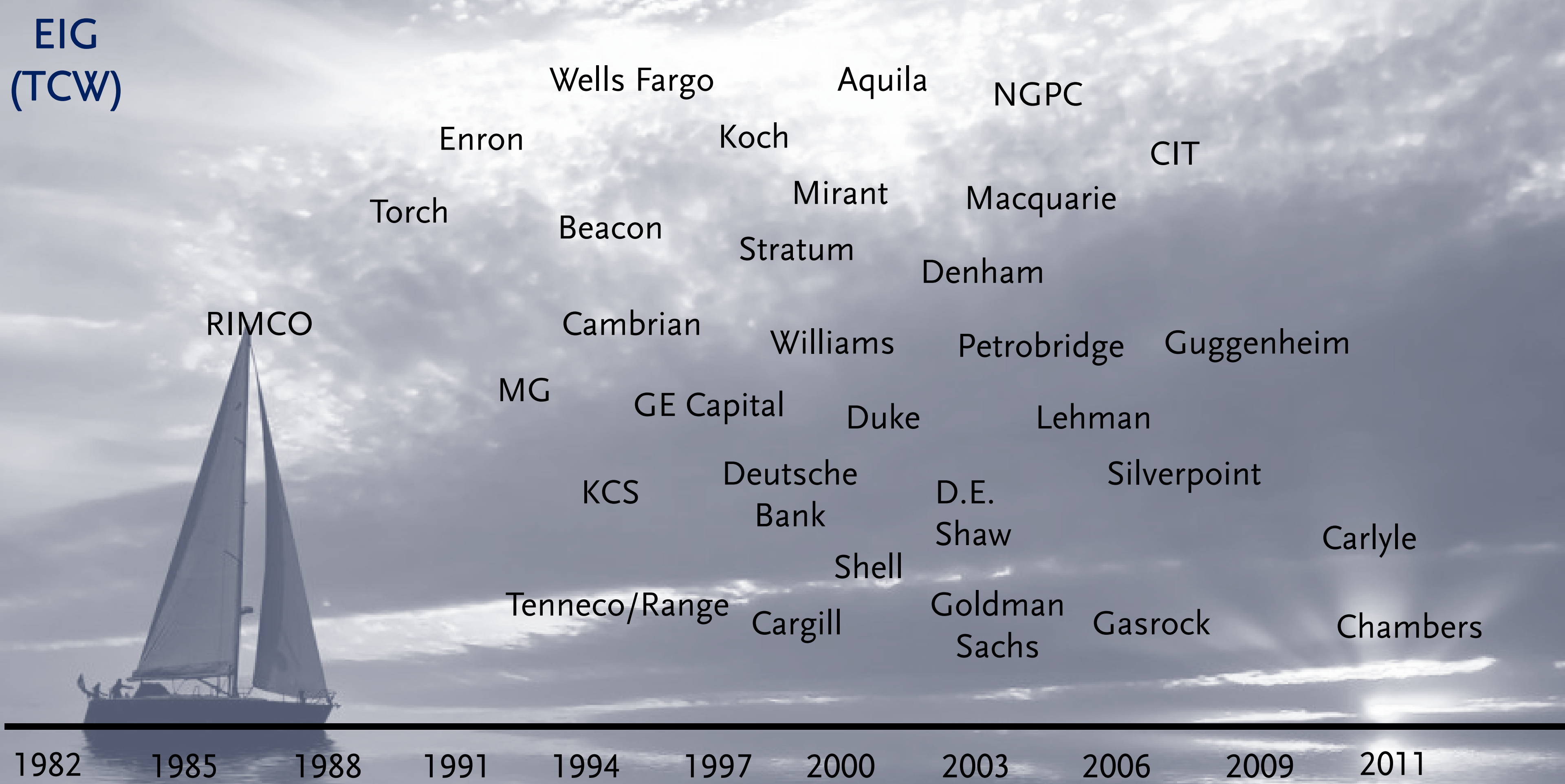
**Includes only mezzanine-like investments committed & closed, or approved by investment committee as of February 15, 2011.*

Capital Source Does Matter

- E&P is a very tough and risky business (duh!)
  - Constant need for capital
  - Depleting assets
  - Various Risk - Geologic, execution, production, environmental
  - Commodity price volatility
  - Endless competition, few barriers to entry
  - Regulatory

- Many E&P companies fail. Is it so surprising that financial players do too?
  - Terrible at pricing risk
  - Rely too heavily on third parties to assess risk – ratings agencies and independent engineers
  - Rely too heavily on funding formulas and reserve classifications
  - Too anxious to win business
  - Too quick to cut and run when things don't go according to plan
  - View the sector as a whole and loose sight of what makes individual companies / assets different

Few Debt Specialists Have Done Well In E&P



*This list is illustrative only and is not purported to be comprehensive or precise as to the dates shown

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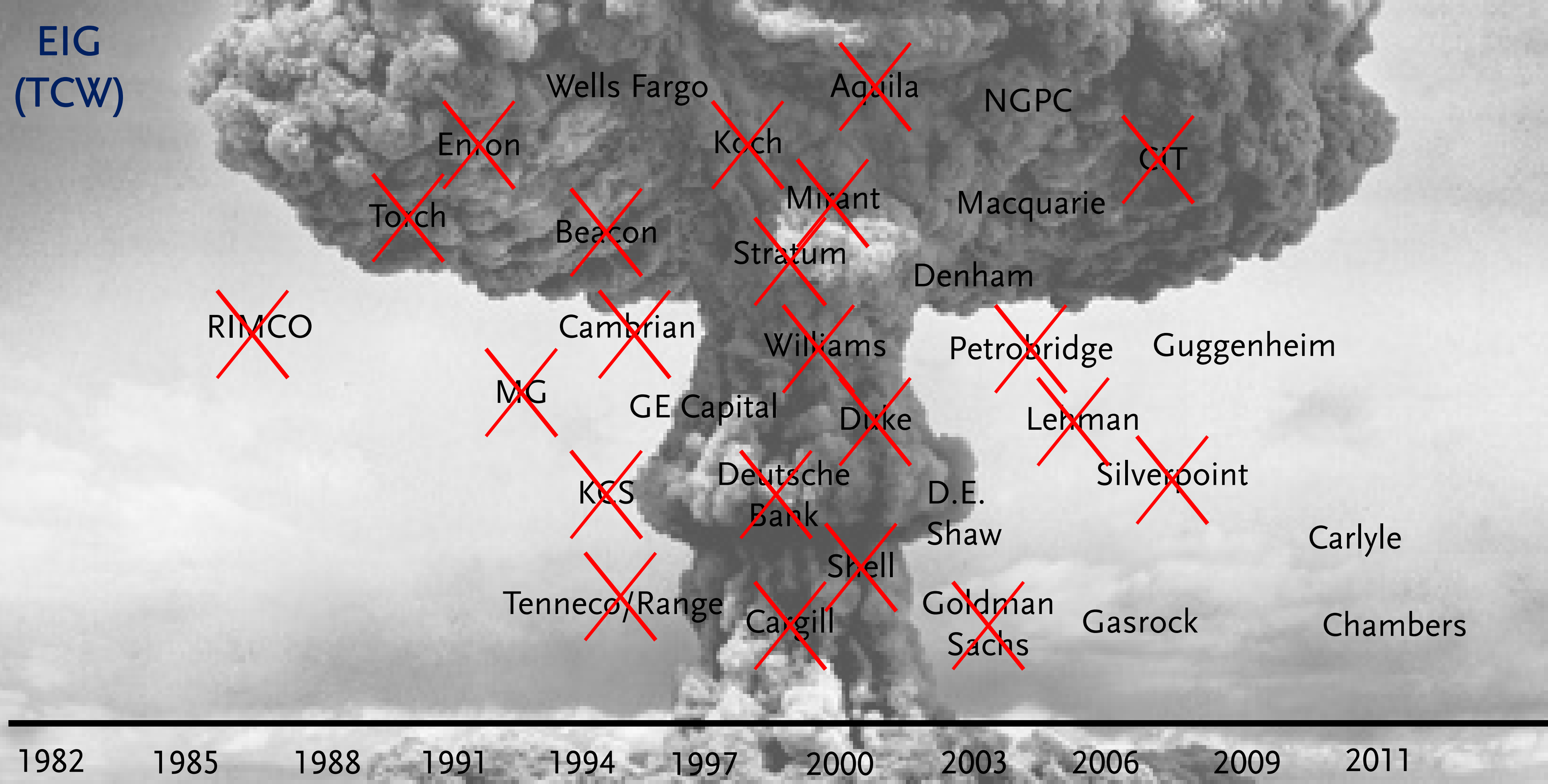

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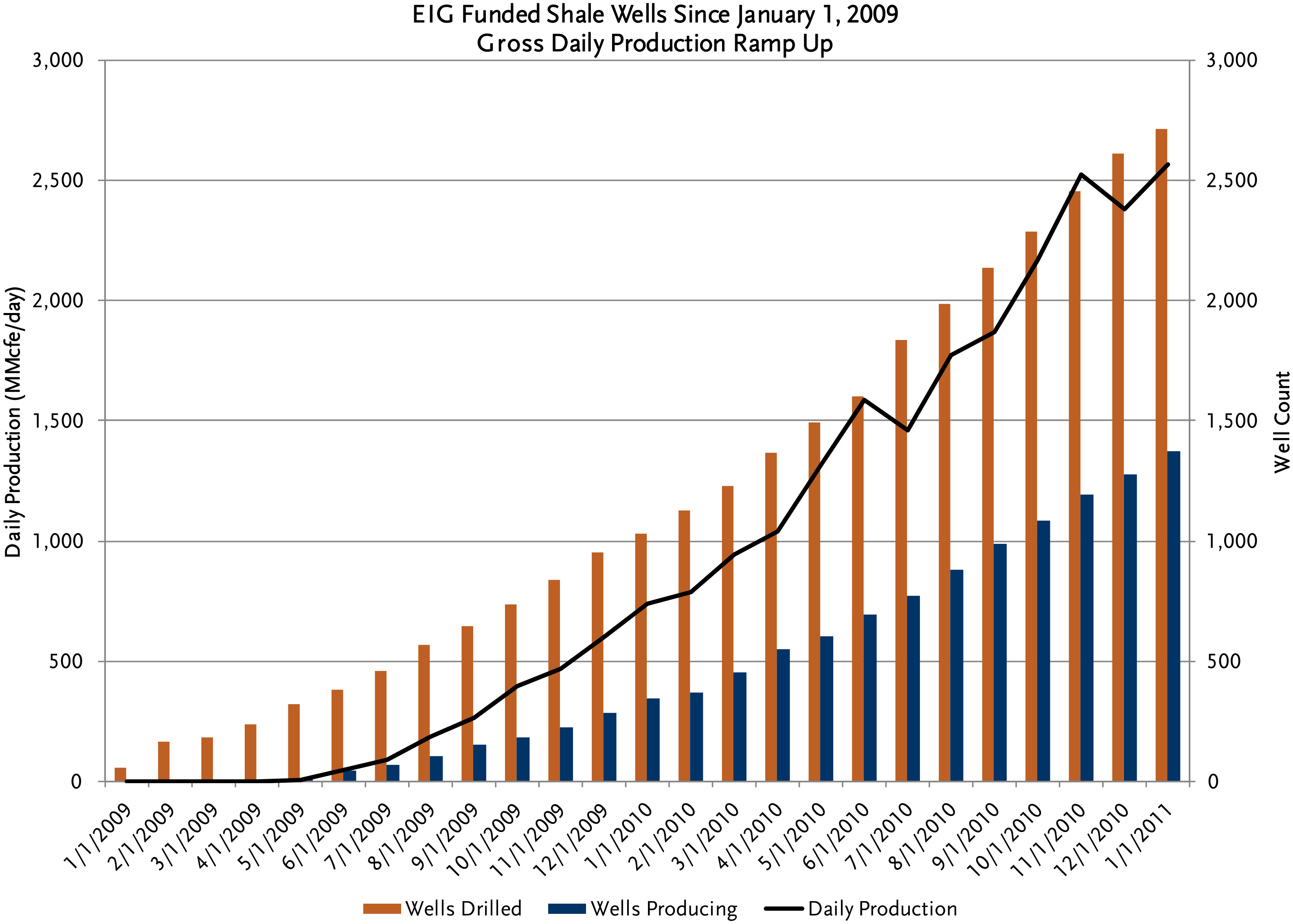
E&P Debt Markets: An abridged history of the recent past

- **During the most recent "easy credit" period (2004-2007), funny things happened in the debt markets catering to E&P companies**
  - Post Glass-Steagall, lines between investment banking and commercial banking blurred
    - Investment banks typically didn't hold much (if any) of the loans that they originated
    - I - Banks begged PE shops to allow them to underwrite these loans, often in conjunction with a buy out
  - Origination of Loans and Holding the risk were separated
    - "Covenant Lite"
    - Widely syndicated, making it difficult for lenders to act
    - 2nd lien loans dominated the market
  - Many willing buyers of these and similar type loans
    - Primarily CLOs, non-US banks
    - CLOs borrow at libor + 100, and buy loans at libor + 350-400
    - Institutions begged syndication desk for big allocations of these loans

E&P Debt Markets: An abridged history of the recent past

- **Once the financial crisis hit, paper traded at steep discounts and "distressed" investors stepped in**
  - The downside of widely syndicated debt
    - Paper traded extensively and wound up in the hands of opportunistic investors
    - Nearly impossible to amend even a healthy deal
    - Generally purchased by generalists investors with no ties, and minimal experience in E&P
    - "Relationship" had no meaning
    - "Loan to Own"
    - Lenders argued and positioned amongst themselves while borrowers died on the vine.

Why Gas Prices Aren't Going to Get Better Any Time Soon



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