EnCap Flatrock Midstream

IPAA Private Capital Conference

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EnCap Flatrock Midstream

EnCap Investments L.P.
- 25 year history
- $18 billion over 17 funds
- Upstream focus

Flatrock Energy Advisors, LLC
- Midstream M&A advisors
- Midstream veterans

EnCap Flatrock Midstream
- Founded 2008
- Midstream oil & gas only
- North America focus
- EnCap business plan

EFM builds midstream companies through greenfield development or acquisitions to create profitable growth-oriented enterprises
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**EFM is a Unique Private Equity Firm**

Overview

- Platform created early 2008
- Target 2.0x and 25% IRR
- $3 billion$^{(1)}$ of commitments in two active funds

10 portfolio companies in most attractive basins

Investment staff are midstream industry veterans

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$^{(1)}$ Includes co-investments.
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The Midstream Industry Value Chain

Upstream (E&P) → Gathering Pipelines → Natural Gas → Natural Gas Pipelines → NGL Fractionation → Mixed NGL Pipelines → Crude Oil / Refined Products Storage

Gathering Pipelines → Gas Processing / Treating → Mixed NGL Pipelines

Crude Oil Transportation → Crude Oil Storage & Terminals

Crude Oil Refining (Downstream) → Regulated Pipelines

Downstream (Retail & Distribution) → NGL Storage → NGL Transportation

Natural Gas 

Ethane → Propane → Butane → Iso-Butane → NGL Fractionation

Nat. Gasoline

Crude Oil Storage & Terminals → Crude Oil / Refined Products Storage

NGL Fractionation → Natural Gas Pipelines

Regulated Pipelines
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Creating Value in Midstream

Company Formation  Business Plan Execution  Realization Event

“Right People”  “Right Place”
Midstream Service Providers  Upstream Customers

Economically Attractive Resource Plays
Avalon, Marcellus, Eagle Ford, Bakken, Woodford, Haynesville, Mississippi Lime, Etc…

Experience  Reputation  Team Chemistry

Attractive Upstream Economics  Lack of Existing Infrastructure
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EFM Portfolio Companies Target the Most Active Areas

Source: HPDI, EFM.
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Fund / Management Team Life-Cycle

**EFM follows a standard pattern for each fund / management team**

- Make equity commitments to new and repeat management teams over 1 - 3 years
  - Commit $100 to $250 million per management team
  - Maintain 10 - 15 active companies across total portfolio
- Invest growth capital over 3 - 5 years
- Monetize company within 5 - 7 years once growth platform has matured
  - Majority of sales involve well-established, publically traded MLPs
  - Specific timing of monetization dependent upon economic environment
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EFM Value to Producer Community

EFM normally does not serve as a traditional financing source for a producer owned & operated midstream venture

How EFM creates midstream value

- Provides a team of midstream veterans to accomplish the following:
  - Design a functional system to provide all required and necessary services
  - Construct and operate all plants, compression and pipelines
  - Capitalize on third party production to create an optimized and efficient system
  - Secure a “geographic franchise” through dedicated acreage or volume-based contracts to create a credible growth story

EFM portfolio companies can provide flexible solutions and work with producers to create a “win-win” situation