Exit Strategies – Complexity Increases as Dollar Volume Grows
Who We Are --- Rio Oil and Gas II

- Second Iteration of Our Company Following the Sale of Rio I in September 2014.
- Partnered with Quantum Energy Partners.
- Located in The Woodlands and Fort Worth with 22 Employees.

Rio Oil and Gas I

- Founded in June 2013.
- Built a Very Clear Business Plan to Grow the Company.
- Through Grit, We Grew the Business (2X) and Pushed it to a Deliberate Exit.
- Exit --- Sales in Two Transactions to Public Companies for $585 MM.
- Outcome to Investors --- ~45% IRR and 3.0 ROI.

What We Do Well

- Develop and Understand Geologic Frameworks.
- Ability to Consolidate Acreage Positions and Grind through Difficult Situations.
- Operational Expertise with the Ability to Scale.
- We Understand our Capital Structure.

What We Are Doing Now

- Still Working in the Midland Basin.
- Considering Opportunities in Other Basins, i.e. Anadarko Basin, etc.
Everyone on Our Team has Worked Together Before in Some Form.
Each Member has Specific Functional Responsibilities and is Able to “Wear Multiple Hats”.
Going Forward, Our Team is Stronger Because We Have Collectively Worked Together.
Rio Oil and Gas I | *Tier I Acreage Positions In The Permian Complex*

- **A** Bone Spring Play: 4,381 Net Acres
- **B** Western Wolfcamp/L. Spraberry/Wolfberry Plays: 3,952 Net Acres
- **C** Eastern Wolfcamp/L. Spraberry/Wolfberry Plays: 9,276 Net Acres
Business Plan Execution | **Transformative Bolt-On Transactions**

**City of Midland Area | “Before and After”**

- Before: 1,096 Acres
- After: 3,952 Acres

- Identified Unleased Acreage Positions Within the City of Midland --- Engaged and Quickly Executed.
- Identified Producing Property Acquisition Targets --- Engaged and Quickly Executed.
- These Additions Were **Transformative** for our Enterprise.

**Glasscock County Area | “Before and After”**

- Before: 5,485 Acres
- After: 9,276 Acres
**Business Cycle Timeline | Building a Business and Pushing to the Exit**

**1. Start**
- Rio Oil and Gas I

**2. Acquired Permian Assets**
- 6,581 Net Acres, (Midland Basin)
- 4,381 Net Acres, (Delaware Basin)

**3. Build Period**
- Add Scale, Reconfigure Acreage, and Build Technical Confirmation

**4. Decision to Market Company**
- Saw a Path to Double Midland Basin Position to 13,000 acres
- Midland Basin acreage trading >$25,000/net acre
- “Pure-Play” Midland Basin Publics Trading at 52 week highs
- Oil Market, Capital Markets, and Debt Markets in Good Shape
- Horiz De-Risking not necessary for a Premium Valuation

**5. Chose A&D Advisor**
- January 2014

**6. Open Data Rooms**
- June 2014

**7. Exit**
- Two Transactions to Public Companies
  - $585 MM
  - ~45% IRR and 3.0 ROI
Conclusion | *Begin With the End in Mind*

**Find the Right Equity Partner**
- Understand and Align Risk Tolerance, Both Provider and Management Team.
- Understand Your Providers Time Frame...Can You Deliver?

**Business Plan**
- Build an Investment Thesis --- *Before You Invest Capital*.
- Be Honest With Yourself...What is Your Management Team Really Good at?

**Understand Your Capital Structure**
- What Will Stress or Upset the Structure?
- What Will Optimize Your Returns?

**Capital Allocation**
- Once You Establish an Asset Base that Fits Your Skill Set...Build an Execution Plan.
- Design Exit Plan...What Does Your Business Need , Then Make That Happen.
- Ensure there is a Focus on Execution at the Field Level.

**Intellectual Honesty**
- Be Transparent to Your Partners, i.e. EUR Est., DC&E Est., Time Frames, etc.
- Clearly Illustrate What You Are Comfortable With and What You Are Not.
- Have Strong Conviction on an Investment Before You Recommend to Your Investors.

**Exit Plan**
- Again, Know What Your Business Ultimately Needs to Look Like...*Make That Happen*.
- Get an A&D Advisor that is Excited to Work Your Deal.
- Don’t Let Anyone Get in the Way Once Your Plan is Established...No One...