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IN JUST OVER TWO YEARS...

**Macro Volatility**
- Oil has been over $100 and below $30 per barrel
- Gas has ranged between $3.50 and $1.50 per mmbtu
  - Spot Marcellus as low as $0.25 at one sale point
- OPEC’s influence has waned
- Industry has been blamed for:
  - Earthquakes, water contamination, road destruction, pollution and global warming, etc.
- Industry focus on Permian and STACK/SCOOP, others are largely out of favor

**Capital Scarcity**
- 100+ bankruptcies
- Many commercial bank lenders have exited the business
  - 60+ names active in 2014
  - <30 active today
- OCC has re-written the “pass” rules
  - Total Funded Debt/EBITDAX ≤3.5x
  - Total Funded Debt/CAPITAL ≤50%
  - Additional (new) requirements on debt coverage/repayment
- Upstream MLPs have collapsed
- Fewer hedging counterparties in number/depth
HOPE ABOUND

- Market conditions have been steadily improving since Q1 2016
  - Public equity markets are wide open for attractive stories
    - >$23 billion raised YTD
  - Private capital is plentiful
    - Estimated $100 billion available from private equity, institutions, pension funds, endowments, and sovereign wealth funds
  - Sellers are capitulating to sell in the current market and most are reasonably happy with the future price outlook
  - Buyers are being cautiously aggressive, “leaning into” strip of the day
- With >$50 billion in E&P M&A YTD, sellers continue to come to market with additional asset sales:
  - To sell non-core assets to clean portfolios
  - To take advantage of buyer demand
  - Acknowledgment that under capitalized assets are more valuable to others
  - To maintain liquidity and pay down debt
HOPE ABOUNDS

- Deal flow strength expected to continue throughout 2016 and into 2017
  - The market is somewhat starved for asset supply
  - “Normal” deal flow is $50-75 billion per year and it’s been half that recently
  - Majors are in the early days of asset sales programs (XOM/XTO, Shell, CVX)
  - With improved cost structures and application of new technology, companies are redefining what is core and non-core to their portfolio

- Classes of strong buyers continue to grow

- Drilling, completion, and cost efficiencies continue to surprise
COMMODITY PRICE SPREADS FROM JANUARY TO NOW

Futures NYMEX Oil Prices ($ / Bbl)

Priced 10/3/2016
$59.75

Priced 1/21/2016
$47.53

Futures NYMEX Natural Gas Prices ($ / MMBtu)

Priced 10/3/2016
$4.48

Priced 1/21/2016
$4.33

Source: Jefferies LLC
CAPITAL MARKETS ENVIRONMENT IS IMPROVING

E&P Equity Index Performance

<table>
<thead>
<tr>
<th>Index</th>
<th>LTM Performance</th>
<th>Performance Since 02/15/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Index</td>
<td>156%</td>
<td>46%</td>
</tr>
<tr>
<td>BBB Index</td>
<td>103%</td>
<td>46%</td>
</tr>
<tr>
<td>BB Index</td>
<td>76%</td>
<td>9%</td>
</tr>
<tr>
<td>B Index</td>
<td>83%</td>
<td>(10)%</td>
</tr>
<tr>
<td>CCC Index</td>
<td>68%</td>
<td>(18)%</td>
</tr>
<tr>
<td>LTM Performance</td>
<td>52%</td>
<td>(15)%</td>
</tr>
<tr>
<td>Performance Since 02/15/16</td>
<td>24%</td>
<td>18%</td>
</tr>
<tr>
<td>GOM</td>
<td>(9)%</td>
<td>(56)%</td>
</tr>
<tr>
<td>Mid-Con</td>
<td>(30)%</td>
<td>(58)%</td>
</tr>
<tr>
<td>Appalachia</td>
<td>46%</td>
<td>46%</td>
</tr>
<tr>
<td>Small Caps</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Permian</td>
<td>(10)%</td>
<td>(18)%</td>
</tr>
<tr>
<td>Large Caps</td>
<td>(15)%</td>
<td>(56)%</td>
</tr>
<tr>
<td>Bakken</td>
<td>24%</td>
<td>18%</td>
</tr>
<tr>
<td>Majors</td>
<td>19%</td>
<td>(9)%</td>
</tr>
<tr>
<td>MLPs</td>
<td>(30)%</td>
<td>(58)%</td>
</tr>
</tbody>
</table>

E&P Debt Performance

<table>
<thead>
<tr>
<th>Index</th>
<th>Peak Yield %</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Index</td>
<td>55.3%</td>
</tr>
<tr>
<td>BBB Index</td>
<td>23.5%</td>
</tr>
<tr>
<td>BB Index</td>
<td>12.9%</td>
</tr>
<tr>
<td>B Index</td>
<td>4.0%</td>
</tr>
<tr>
<td>CCC Index</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

Source: Jefferies LLC

Note:
(1) Yield indices illustrate weighted average yield based on size of issuance.
(2) A Index includes issues from COP and OXY.
(3) BBB Index includes issues from APA, APC, DVN, ECA, EQT, HES, MRO, NBL, PXD and XEC.
(4) BB Index includes issues from the following: AR, CNO, CR, EFO, FLY, NFX, PDCE, QEP and SWN.
(5) B Index includes issues from the following: CRZO, GCA, LPI, MRD, MTDR, OAS, RICE, RSP, SM, SN, WLL and WPX.
(6) CCC Index includes issues from the following: ALTA, AREX, BBG, CRC, CWEI, DNR, EVEP, LGCY, LNR and NOG.

Source: CapIQ as of 10/3/16.
SELECTED FINANCING ALTERNATIVES

- Public and private equity
- 2nd Lien
- Private Unsecured Notes
- DrillAdvance / DrillCo
- Convertible Preferred
  - Mandatory
  - Perpetual
3 TYPES OF PEOPLE IN THIS WORLD
3 TYPES OF PEOPLE

Don’t need money

- Core-of-core asset base
- Clean balance sheet
- Funding from cash flow
- Access to equity markets
- Well hedged
- Experienced, well-respected management
3 TYPES OF PEOPLE

**Don’t need money**
- Core-of-core asset base
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**Can’t get money**
- Assets uneconomic at current prices
- Over-levered
- Out of compliance
- Little or no hedge protection
3 TYPES OF PEOPLE

Don’t need money

- Core-of-core asset base
- Clean balance sheet
- Funding from cash flow
- Access to equity markets
- Well hedged
- Experienced, well-respected management

Everyone else

- Project(s) that generate 30%+IRR at wellbore and current cost/strip
- Decent balance sheet
- Limited expansion capital
- Need to replace production/reserves
- Need to preserve acreage
- Would like to keep team together

Can’t get money

- Assets uneconomic at current prices
- Over-levered
- Out of compliance
- Little or no hedge protection
ALTERNATIVES FOR “EVERYONE ELSE”

- Sell something (whoops, only my best stuff is saleable)
- Get Private Equity financing
- Add additional debt
- Joint Venture Financing
  - Industry Partner
  - IOG
- Wait it out
- Considerations:
  - Everyone is different
    - Balance sheet
    - Management experience
    - Asset quality
  - Operators deserve custom solution
    - Sometimes there is no solution
ON THE HORIZON:

- New and increased focus on ROI vs. IRR
- Less debt and more equity
- Less acreage acquisition and more producing assets/development
- Integrated/Major companies scaling back or restructuring U.S. shale operations
- MLPs (upstream) disappear
- Oil supply/demand balances in 3-5 years
- Gas remains cost sensitive – oversupply for ? Years
- Service costs will increase as prices improve
Q&A