IPAA Conference – J.W. Marriott, Galleria, Houston, Texas

April 21, 2016

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Market Overview
2016 Market Environment

- Market conditions forcing all E&P companies to actively evaluate strategies to manage through the downturn
  - World oil is oversupplied, but oil price may be off its bottom
    - US rig count at record low
    - Near term future depends on wildcards such as OPEC / Russia production agreement, Chinese demand, Iranian production
    - Prudent to plan lower for longer with record worldwide oil storage
  - US natural gas is also oversupplied
    - Storage at 5 year maximums, new supplies being added in major plays
    - Current price below marginal cost
    - Growing demand from LNG exports, manufacturing boom, switching from coal, and exports to Mexico
  - With continuing low commodity prices, active balance sheet management and access to capital is critical
    - Financial markets are extremely cautious - equity markets open for select issuers, debt markets very tight
    - Commercial banks hard to predict, under pressure from regulators
    - Rating agencies downgrading much of the industry
    - Companies becoming more proactive in restructuring, shifting from up-tiered exchanges to pre-emptive revolver draws and pre packaged Chapter 11
    - E&P companies increasingly focused on asset sales as a source of capital to maintain liquidity / reduce leverage
  - So far, 2016 has seen a continuation of the slow A&D market we saw in 2015; second half of 2016 should be much more active
State of the Public Equity and Debt Markets

**E&P Equity Index Performance**

- **S&P Index**
- **S&P E&P Index**

**E&P Debt Index – Performance by Credit Rating**

- **A Index** includes issues from COP, EOG and OXY.
- **BBB Index** includes issues from APC, APA, XEC, CLR, DVN, ECA, EQT, MRO, MUR, NFX, NBL, PXD and SWN.
- **BB Index** includes issues from AR, CXO, EGN, QEP, RRC, SM, WLL and WPX.
- **B Index** includes issues from AREX, CRZO, DNR, FANG, EPE, EVEP, GPOR, LPI, LGCY, LINE, MTDI, MRD, NOG, OAS, PE, PDCE, RICE, RSPP, SN, SGY and UPL.
- **CCC Index** includes issues from ALTA, AEPB, ARP, BBG, BCEO, BBEP, CRC, Chaparral, CHK, CWEI, CRK, EXXI, LNREF, MMEP, MPO, REN, TPLM, VEN and WTI.

Source: CapIQ as of 3/28/16.

(1) Normalized to 7/1/2014 index value.
(2) Yield indices illustrate weighted average yield based on size of issuance.
(3) A Index includes issues from COP, EOG and OXY.
(4) BBB Index includes issues from APC, APA, XEC, CLR, DVN, ECA, EQT, MRO, MUR, NFX, NBL, PXD and SWN.
(5) BB Index includes issues from AR, CXO, EGN, QEP, RRC, SM, WLL and WPX.
(6) B Index includes issues from AREX, CRZO, DNR, FANG, EPE, EVEP, GPOR, LPI, LGCY, LINE, MTDI, MRD, NOG, OAS, PE, PDCE, RICE, RSPP, SN, SGY and UPL.
(7) CCC Index includes issues from ALTA, AEPB, ARP, BBG, BCEO, BBEP, CRC, Chaparral, CHK, CWEI, CRK, EXXI, LNREF, MMEP, MPO, REN, TPLM, VEN and WTI.
E&P Equity Performance Related to Relative Health

Stock Price as % of 52 Week High

- Market Capitalization
  - $10 B+: 65.9%
  - $5 – $10 B: 54.6%
  - $1 – $5 B: 44.6%
  - <$1 B: 15.9%

- Debt / 2016 EBITDA
  - 1.0x – 2.0x: 74.2%
  - 2.0x – 3.0x: 60.6%
  - 3.0x – 4.0x: 45.3%
  - 4.0x – 5.0x: 25.7%

Focus Area / Peer Group
- Majors: 77.3%
- Permian: 51.9%
- Appalachia: 43.4%
- Large Caps: 43.1%
- Niobrara: 39.2%
- Mid-Con: 30.4%
- Small Caps: 24.3%
- Bakken: 21.0%
- GOM: 19.1%
- MLPs: 7.6%

Source: Company filings, press releases, Wall Street research and S&P Capital IQ.
Equity Markets and Debt Markets Partially Opened

**Equity Issuances ($MM)**

- January 2015: $2.7
- February 2015: $3.0
- March 2015: $3.8
- April 2015: $0.7
- May 2015: $1.6
- June 2015: $1.3
- July 2015: $0.7
- August 2015: $0.4
- September 2015: $1.3
- October 2015: $0.5
- November 2015: $0.1
- December 2015: $0.2
- January 2016: $1.9
- February 2016: $6.5
- March 2016: $0.9

**Investment Grade Debt Issuances ($MM)**

- January 2015: $- (not issued)
- February 2015: $- (not issued)
- March 2015: $9.7
- April 2015: $- (not issued)
- May 2015: $2.5
- June 2015: $4.3
- July 2015: $- (not issued)
- August 2015: $- (not issued)
- September 2015: $- (not issued)
- October 2015: $1.0
- November 2015: $2.4
- December 2015: $- (not issued)
- January 2016: $1.0
- February 2016: $12.0
- March 2016: $8.8

**HY Debt Issuances ($MM)**

- January 2015: $- (not issued)
- February 2015: $0.4
- March 2015: $5.1
- April 2015: $- (not issued)
- May 2015: $3.1
- June 2015: $4.8
- July 2015: $0.7
- August 2015: $1.0
- September 2015: $0.2
- October 2015: $- (not issued)
- November 2015: $1.5
- December 2015: $0.9
- January 2016: $1.0
- February 2016: $- (not issued)
- March 2016: $- (not issued)

M&A Activity Down Dramatically in 2015; Will it Pick Up in 2016?

Source: Jefferies internal transactions database.

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg Asset Deal Size ($MM)</th>
<th>Deal Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$327</td>
<td>178</td>
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<tr>
<td>2011</td>
<td>$306</td>
<td>161</td>
</tr>
<tr>
<td>2012</td>
<td>$400</td>
<td>176</td>
</tr>
<tr>
<td>2013</td>
<td>$274</td>
<td>163</td>
</tr>
<tr>
<td>2014</td>
<td>$370</td>
<td>203</td>
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<tr>
<td>2015</td>
<td>$232</td>
<td>119</td>
</tr>
<tr>
<td>2016 YTD</td>
<td>$264</td>
<td>16</td>
</tr>
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</table>
A&D Market Participation by Sector – Who’s Buying?

Key Points

- Private Equity is increasingly acquisitive and is the most active participant in the A&D market today
- Publics are capital constrained and lack access to the public capital markets; well-capitalized Publics primarily focused on bolt-ons or strategic play entries
- Demand from the MLPs down sharply due to sector underperformance, ballooning leverage and lack of access to public capital markets
- Majors / Internationals struggling to execute shale plays and not as active in A&D today; primarily focused on bolt-ons in core areas
- Privates and other “non-traditional” buyers are small players in the A&D market

Source: Jefferies internal transactions database.
Note: Figures as of December 31, 2015.
<table>
<thead>
<tr>
<th>Date</th>
<th>Buyer</th>
<th>Seller</th>
<th>Amount ($MM)</th>
<th>Location</th>
<th>Commentary</th>
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<tbody>
<tr>
<td>03/21/16</td>
<td>Covey Park</td>
<td>EP Energy</td>
<td>$420</td>
<td>Haynesville</td>
<td>Denham</td>
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<td>03/01/16</td>
<td>Benefit Street</td>
<td>Rex</td>
<td>$175</td>
<td>Marcellus</td>
<td>Drilling JV with financial partner</td>
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<tr>
<td>02/24/16</td>
<td>FourPoint</td>
<td>Chesapeake</td>
<td>$385</td>
<td>W Anadarko</td>
<td>EIG and GSO</td>
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<tr>
<td>02/10/16</td>
<td>Zarvona</td>
<td>Anadarko</td>
<td>$105</td>
<td>East Texas</td>
<td>Salient Partners</td>
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<tr>
<td>02/08/16</td>
<td>Terra Energy</td>
<td>WPX Energy</td>
<td>$910</td>
<td>Piceance</td>
<td>Kayne and Warburg</td>
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<tr>
<td>01/29/16</td>
<td>Haymaker</td>
<td>Chesapeake</td>
<td>$128</td>
<td>Multiple</td>
<td>Kayne and KKR; royalty deal</td>
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<tr>
<td>01/27/16</td>
<td>Carrier</td>
<td>AWE</td>
<td>$199</td>
<td>Eagle Ford</td>
<td>Riverstone</td>
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<tr>
<td>01/22/16</td>
<td>BlueStone</td>
<td>Quicksilver</td>
<td>$245</td>
<td>Barnett</td>
<td>NGP</td>
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<td>01/19/16</td>
<td>Bayou City</td>
<td>Alta Mesa</td>
<td>$192</td>
<td>STACK</td>
<td>Drilling JV with financial partner</td>
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<tr>
<td>01/18/16</td>
<td>Silver Hill</td>
<td>Concho</td>
<td>$290</td>
<td>Delaware</td>
<td>Kayne</td>
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<tr>
<td>12/17/15</td>
<td>Laramie II</td>
<td>OXY</td>
<td>$158</td>
<td>Piceance</td>
<td>EnCap</td>
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<tr>
<td>10/15/15</td>
<td>Lime Rock</td>
<td>OXY</td>
<td>$600</td>
<td>Bakken</td>
<td>Lime Rock</td>
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</tbody>
</table>
Closing Comments

- Deal flow is expected to pick up dramatically in second half of 2016
  - Buyer demand is clearly there
  - Many companies have announced sale programs
  - Capitulation of sellers to the current market continues to build

- Certainty of financing is **THE** key aspect of being able to close deals
  - Buyers providing varying degrees of financing in hand with bids
  - Financing may consist of equity plus bank debt plus mezzanine or other financing

- Private capital will continue to play a big role in M&A and restructurings

- Liquidity is a focus for companies trying to overcome weak cash flows and limited capital budgets
  - Continuously thinking about choices of asset sales vs. public debt or equity raise vs. private capital vs. cost cutting