Private Capital Funding

“Scorecard for Success”

Berry Mullennix
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Do Your Homework

- Build a Team
- Establish Philosophy / Business Plan
- Capital Requirements?
Do Your Homework – Build a Team

Panther Energy Company II, LLC

Berry Mullennix
President / CEO

Roy Grossman
Chief Operating Officer

Jeff Nevins
CFO

Manager HR
Manager Acct
Accountant
Receptionist/Acct

Jerry Mullennix
Manager IT

Manager Land
Analyst IT

Jim Stone
Exec VP BD, A&D & Land

Manager Land
Manager DO
Manager EH&S

Don Burdick
VP Geology

Bill Crabtree
Manager Geo.

Steve Hiddick
Manager Geo.

Geologist
Geologist

Land Tech

Bill Martin
VP Engineering

Res Engineer
Eng. Tech

Howard Blankenship
VP Operations

Robert Eubank
Manager Mkt

Ken Fayard
Mgr Eng. Prod.

Manager Drilling

Manager Mkt
Manager Acct Analyst IT Manager Land Tech Geo Tech

Accountant Manager EH&S Geologist Receptionist/Acct

GIS Res Specialist
Establish Philosophy / Business Plan

- Acquire / Exploit vs Exploration
- Domestic vs International
- Onshore vs Offshore
- Horizontal vs Vertical or Both
- Conventional vs Unconventional
- Oil vs Gas or Both
- What Basin(s)?
Capital Requirements?

Panther Capital Commitments

Millions

- 40
- 50
- 150
- 350
- 455

Equity

Hit the Road

- Hire the right business partners (Investment Bankers, Brokers, Attorneys, etc.)
- Don’t waste time, develop a set timeline for selection and for funding
- Select financial partner firms that are consistent with philosophy and goals
Choose Wisely

- Key Deal Terms
- Management Style / Personalities
- Control
  - Number of Board Meetings, Management Reporting Requirements, etc.
- Private Equity Company Portfolio Makeup
- References (Contact as many as possible, both good and bad)
Private Equity Financing — Key Deal Terms

- Total Equity Commitment: $15MM - $1 Billion
- Term: 3 – 8 Years
- Investment by Management Team: 0% - 5%
- Baseline Annual Return: 8% - 12%

- Financial Hurdles – Cash Return Multiple and or IRR: (2x – 4x multiple or 20% - 30% IRR)
- Cash Distribution based on Financial Hurdles: (Financial Institution, 88% - 64%; Management 36%)
## Term Sheet Comparisons

| Deal Terms                  | Company "A" | Company "B" | Company "C"
|-----------------------------|-------------|-------------|-------------
| **Capital Commitments**    |             |             |             |
| PE Company                  | $ 450.0     | $ 450.0     | $ 450.0     |
| Panther                     | $ 5.0       | $ 5.0       | $ 5.0       |
| Management - (TBD)          | 1.10%       | 1.10%       | 1.10%       |
| **Investment Options**      |             |             |             |
| Common Units - Equity       | 85.0%       | 80.0%       | 80.0%       |
| Class "B" Units - Profit Sharing | 15.0%   | 20.0%       | 20.0%       |
| **Waterfall Events**        |             |             |             |
| First (PE has earned 8%)    |             |             |             |
| Common Units - Equity       | 8.0%        | 8.0%        | 8.0%        |
| Second (PE has earned up to 2.x) |         |             |             |
| Common Units - Equity       | 85.0%       | 80.0%       | 80.0%       |
| Class "B" Units - Profit Sharing | 15.0%   | 20.0%       | 20.0%       |
| Third (PE has earned 25% IRR & ">=" 2.0x) |         |             |             |
| Common Units - Equity       | 80.0%       | 80.0%       | 64.0%       |
| Class "B" Units - Profit Sharing | 20.0%   | 20.0%       | 36.0%       |
| **Vesting (per year)**      |             |             |             |
| Common Units - Equity       |             |             |             |
| Class "B" Units - Profit Sharing |         |             |             |
| 20%                         | 20%         | 20%         |
| **Number of Portfolio Companies** |         |             |             |
| Energy                      | 7           | 9           | 30          |
A Timely Exit

- Huge value creator if done correctly
- Market Conditions
- Project Metrics
- Previous Examples
## Sample Transactions

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Operations</th>
<th>Property</th>
<th>Sales Price (Millions)</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mannix Oil Company*</td>
<td>1995 - 2001</td>
<td>Arkoma Basin</td>
<td>$109.00</td>
<td>Williams</td>
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<tr>
<td>Cannon Energy Inc</td>
<td>2003 - 2005</td>
<td>Various</td>
<td>$40.00</td>
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<td>Bakken Shale</td>
<td>$39.00</td>
<td>Brigham</td>
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<td>Arkoma Basin</td>
<td>$52.00</td>
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<td>Anadarko Basin</td>
<td>$220.00</td>
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<td>Mississippi Oil Play</td>
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<td>Sandridge</td>
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<td>2005 - 2013</td>
<td>Anadarko Basin</td>
<td>$620.00</td>
<td>Midstates</td>
</tr>
</tbody>
</table>
Conclusions

Critical & Crucial to Ultimate Success Include:

- A strong team
- Partner selection and relationship
- Funding amount and deal terms
- Efficient processes and reporting

Lots of money available
Show Me The Money!!!