Chambers Energy Capital, a Houston-based investment firm, provides flexible debt capital to small and mid-sized U.S. energy companies.

The firm seeks to partner with established energy companies to produce durable businesses for the long term.

The investment team's extensive experience in the energy industry across many commodity price cycles enables it to understand the challenges and objectives of its clients.

Experience gleaned from investing $2.5 billion across over 50 transactions in the last 10 years allows for relatively quick decisions and execution.
Development of shale resources is well suited for debt solutions given the low risk nature of drilling.

Targeted investment sizes range from $15 to $75 million.

Typical transactions include:
- Development drilling capital
- Expansion capital for energy services
- 2nd-lien acquisition financings
- Recapitalizations

With over $1 billion in assets under management, Chambers Energy Capital is one of the largest funds dedicated solely to providing private debt capital to the domestic energy industry.
Commodity Prices Drive Investment Activity

Oil: well supported, Natural gas: beginning of long recovery

- Spare capacity in oil market remains modest, as is growth
- US oil production is increasing, reversing a 40 year trend
- Global demand of 90 million barrels/day (Chevron’s reserves consumed every 72 days)
- “Tight” oil is expensive
- Natural gas prices “a desert in the oasis”…abundance crushing prices
- It will take a while for demand (industrial and power) to catch up with gas supply
- Electric power consumption of natural gas up >20% in 2012
Oil Rig Count On A Tear

Oil drilling saved the day for energy service companies

- Total rig count is near a 20 year record
- Oil rig count surpassed the gas rig count in 2011 for the first time since December 1993
- Oil accounts for 77% of drilling versus 20% from 2000-2010
- North Dakota (Bakken) increased to 189 rigs in 2012 from 35 the prior decade
- Natural gas drilling is down 73% from the peak and 45% since Jan 2012
- Energy services benefit from having both commodities driving activity
Shale Revolution

The landscape has changed dramatically

◆ Changes results from combination of horizontal drilling and multi-stage hydraulic fracturing (low quality reservoirs are now productive)

◆ Shale drilling now dominates the landscape as horizontal wells comprise 63% of all activity
  – Total rig count at 1,761 rigs is near a record
  – Horizontal rig count is 1,119 versus 50 in 2000
  – Vertical rig count is also frac intensive

◆ Well costs in most basins $5 to $10 million per well
  – Over $2 trillion of capital will be required to develop the current U.S. shale assets
  – Shale drilling is lower risk; substantial decline in dry holes (from 27% of all wells to 11%)
  – Exploration success has increased from 26% to 64%

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**Weekly U.S. Horizontal Rig Count**

![Weekly U.S. Horizontal Rig Count Chart](chart_url)

**Dry Holes (%)**

![Dry Holes Chart](chart_url)
Demand for Natural Gas

Price matters, markets respond

Industrial Demand for Natural Gas (Bcf/d)

Electric Utility Demand for Natural Gas (Bcf/d)
Summary

Natural gas is down but not out

◆ Weather is a fundamental; warm weather added insult to injury in 2012

◆ Help is on the way:
  – Power demand +32% since 2009
  – Industrial demand +15% since 2009
  – Drilling is down, depletion rates are high

◆ Consumer confidence in natural gas supplies has improved significantly

◆ Environmental pressures favor gas over coal

◆ 2012 will likely be the low point of this cycle for natural gas
Wolfberry Energy Company

Transaction Summary
- The Company had hired team, drilled 50 wells with minor working interest and desired to retain higher interest
- Success rate of 100% had provided production of approximately 100 net Boe/d as of the closing date
- Chambers Energy committed $40 million ($15 million initial funding) to a 3 year credit facility to fund drilling
- Commercial bank model assigned little value to new wells, proven undeveloped reserves or acreage
- CEC funding non-recourse to the owners
- Company retained 100% of the equity in exchange for 20% cost of capital
Wolfberry Energy Company Value Creation

As production has increased, substantial equity value has been created

- Production reached 600 net Boe/d by June
- By September 2012, the Company had converted substantial portions of its PUD and acreage value to PDP, dramatically increasing value
- Equity value increased to $90 million from less than $20 million
- Commercial bank availability increased from $5 to $40 million