IPAA Private Capital Conference

The Exit Strategy – Monetization Through An Asset Sale

February 24, 2011

Craig Lande

craig.lande@rbccm.com

713-585-3335

www.richardsonbarr.com
RBC Richardson Barr – Selected Recent Transactions

- **Black Warrior Basin**
  - Confidential
  - 150,000+ acres
  - $483 million

- **Ark-La-Tex**
  - Confidential
  - $967 million

- **Barnett Shale**
  - Confidential
  - $185 million
  - Wolfberry
  - $105 million

- **Eagle Ford**
  - Confidential
  - $265 million
  - Bone Spring / Wolfberry
  - $185 million
  - Wolfberry
  - $900 million
  - Conv. Multi-Basin

- **Antrim Shale**
  - Confidential
  - $330 million
  - Conv. Permian
  - $330 million

- **Conventional**
  - $218 million
  - Haynesville
  - $121 million
  - Conventional
  - $265 million
  - Bone Spring / Wolfberry

- **Permian Basin**
  - Confidential
  - 50,000 acres
  - Bakken
  - 6,000 acres
  - Wolfberry

- **Rocky Mountains**
  - Confidential
  - ~11,200 acres
  - Bakken

- **Appalachia**
  - Confidential
  - 50,000 acres
  - Bakken
  - 6,000 acres
  - Wolfberry

- **Mid-Continent**
  - Confidential
  - 1,500 Boepd
  - Conv. Permian
  - 1,000 Boepd
  - Conv. Permian

- **Williston Basin**
  - Confidential
  - 150,000+ acres
  - Marcellus

- **Marcellus**
  - Confidential
  - 150,000+ acres
  - Marcellus

- **Private Seller**
  - $300 million
  - Antrim Shale

- **Glade Park Gas LP**
  - $406 million
  - Marcellus

- **Exco Resources**
  - $145 million
  - Conventional

- **Vanguard Natural Resources**
  - $380 million
  - Multi-Basin

- **Petrohawk Energy Corporation**
  - $155 million
  - Conventional

- **Samson**
  - $105 million
  - Conventional

- **SandRidge Energy**
  - $210 million
  - Conventional

- **Concho Resources**
  - $185 million
  - Wolfberry

- **Private Seller**
  - 1,500 Boepd
  - Conv. Permian

- **Private Seller**
  - 1,000 Boepd
  - Conv. Permian

- **Private Seller**
  - 150,000+ acres
  - Marcellus

- **Private Seller**
  - 50,000 acres
  - Bakken

- **Private Seller**
  - ~11,200 acres
  - Bakken

- **Private Seller**
  - 1,500 Boepd
  - Conv. Permian

- **Private Seller**
  - 1,000 Boepd
  - Conv. Permian

- **Private Seller**
  - 150,000+ acres
  - Marcellus
What Are The Exit Options for My Assets?

Different Monetization Routes for Different Asset Types

Sellers

- IPO
  - Long – Lived
  - The Four “Rs”
  - Optimal PDP %

- Private Sale
  - Royalty Trust
  - MLP
  - Bakken, Eagle Ford
  - Oil Focus
  - $500+ million

- No Exit
  - Short R / P
  - Low PDP, non-op
  - Offshore

Focus for this discussion
## Asset Sale Valuation Drivers

<table>
<thead>
<tr>
<th>Category</th>
<th>Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>Premium paid for control</td>
</tr>
<tr>
<td>Working Interest</td>
<td>Higher the better</td>
</tr>
<tr>
<td>Production / Cash Flow</td>
<td>Conventional - need more&lt;br&gt;Resource - not as important, focus on de-risking</td>
</tr>
<tr>
<td>R / P</td>
<td>10+ years optimal</td>
</tr>
<tr>
<td>Acreage</td>
<td>More is more, contiguous will get premium</td>
</tr>
<tr>
<td>Lease Expirations</td>
<td>Need good term or won’t get paid (HBP is best)</td>
</tr>
<tr>
<td>Commodity</td>
<td>Buyers bullish on oil, bearish on gas</td>
</tr>
<tr>
<td>All Rights / All Depths</td>
<td>Impacts reserve analysis and ultimately value</td>
</tr>
<tr>
<td>Overall Size</td>
<td>Bigger deals get premium over smaller deals</td>
</tr>
<tr>
<td>Capital Markets</td>
<td>When open, more money chasing deals</td>
</tr>
<tr>
<td>Deal Competition</td>
<td>Participation impacted adversely in busy market</td>
</tr>
</tbody>
</table>
Deal Competition – Q4 2010 (Crowded) vs. Q1 2011 (Quiet)

- **Bakken**
  - $4 Billion (5 deals)
  - $2 Billion (5 deals)
- **Marcellus**
  - $2 Billion (7 deals)
  - $100 Million (1 deal)
- **Bakken**
  - $1 Billion (1 deal)
- **Niobrara**
  - $1 Billion (1 deal)
  - $200 Million (3 deals)
- **Conventional Permian**
  - $2 Billion (7 deals)
  - $300 Million (2 deals)
- **Wolfberry / BS**
  - $1 Billion (9 deals)
  - $250 Million (2 deals)
- **Eagle Ford**
  - $5 Billion (12 deals)
  - $1 Billion (5 deals)
- **Q4 2010 – In Market**
  - $2 Billion (5 deals)
- **Q1 2011 – In Market**
  - $5 Billion (20 deals)

*Note: Includes $50 + MM transactions. Overall “In Market” figures reflect all regions even those not shown*
E&P Sectors Are Looking For Unique Characteristics

### MLP Buyers – High PDP; Commodity Agnostic

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Amount</th>
<th>Region</th>
<th>% Gas</th>
<th>% PDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linn</td>
<td>$330</td>
<td>Appalachia</td>
<td>99%</td>
<td>85%</td>
</tr>
<tr>
<td>Linn</td>
<td>$305</td>
<td>Permian</td>
<td>29%</td>
<td>43%</td>
</tr>
<tr>
<td>EV</td>
<td>$123</td>
<td>Mid-Continent</td>
<td>86%</td>
<td>69%</td>
</tr>
<tr>
<td>Vanguard</td>
<td>$113</td>
<td>Gulf Coast</td>
<td>4%</td>
<td>61%</td>
</tr>
<tr>
<td>Legacy</td>
<td>$105</td>
<td>Permian</td>
<td>48%</td>
<td>84%</td>
</tr>
</tbody>
</table>

- **High PDP**
- **Low Decline**

### Private Equity Buyers – Mid-PDP; Gas

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Amount</th>
<th>Region</th>
<th>% Gas</th>
<th>% PDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>EnerVest</td>
<td>$967</td>
<td>Barnett</td>
<td>71%</td>
<td>44%</td>
</tr>
<tr>
<td>Quantum</td>
<td>$900</td>
<td>Multi-Basin</td>
<td>64%</td>
<td>79%</td>
</tr>
<tr>
<td>WildHorse</td>
<td>$320</td>
<td>Ark-La-Tex</td>
<td>90%</td>
<td>35%</td>
</tr>
<tr>
<td>Three Rivers</td>
<td>$200+</td>
<td>Permian</td>
<td>65%</td>
<td>46%</td>
</tr>
<tr>
<td>Lime Rock</td>
<td>$155</td>
<td>Mid-Continent</td>
<td>63%</td>
<td>60%</td>
</tr>
</tbody>
</table>

- **Mid PDP**
- **Gas**

### Public Buyers – Low PDP; Oil

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Amount</th>
<th>Region</th>
<th>% Oil</th>
<th>% PDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energen</td>
<td>$185</td>
<td>Wolfberry</td>
<td>87%</td>
<td>9%</td>
</tr>
<tr>
<td>Apache</td>
<td>$3,100</td>
<td>Permian</td>
<td>65%</td>
<td>n/a</td>
</tr>
<tr>
<td>Concho</td>
<td>$1,650</td>
<td>Permian</td>
<td>58%</td>
<td>63%</td>
</tr>
<tr>
<td>Hess</td>
<td>$1,050</td>
<td>Bakken</td>
<td>100%</td>
<td>7%</td>
</tr>
<tr>
<td>Williams</td>
<td>$925</td>
<td>Bakken</td>
<td>90%</td>
<td>5%</td>
</tr>
</tbody>
</table>

- **Low PDP**
- **Oil**
# Top 10 Onshore Buyers – A Changing Landscape


<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Asset Acquisitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>XTO</td>
<td>$16.3 Billion</td>
</tr>
<tr>
<td>2</td>
<td>Chesapeake</td>
<td>$8.2 Billion</td>
</tr>
<tr>
<td>3</td>
<td>Oxy</td>
<td>$5.4 Billion</td>
</tr>
<tr>
<td>4</td>
<td>Exco</td>
<td>$5.2 Billion</td>
</tr>
<tr>
<td>5</td>
<td>Plains E&amp;P</td>
<td>$4.9 Billion</td>
</tr>
<tr>
<td>6</td>
<td>Loews</td>
<td>$4.0 Billion</td>
</tr>
<tr>
<td>7</td>
<td>Devon</td>
<td>$3.7 Billion</td>
</tr>
<tr>
<td>8</td>
<td>Linn</td>
<td>$3.7 Billion</td>
</tr>
<tr>
<td>9</td>
<td>BP</td>
<td>$3.7 Billion</td>
</tr>
<tr>
<td>10</td>
<td>StatOIl</td>
<td>$3.4 Billion</td>
</tr>
</tbody>
</table>

## U.S. Onshore Transactions (2010 - present)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Asset Acquisitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Royal Dutch Shell</td>
<td>$5.7 Billion</td>
</tr>
<tr>
<td>2</td>
<td>Oxy</td>
<td>$5.1 Billion</td>
</tr>
<tr>
<td>3</td>
<td>BHP Billiton</td>
<td>$4.8 Billion</td>
</tr>
<tr>
<td>4</td>
<td>ChevronTexaco</td>
<td>$4.3 Billion*</td>
</tr>
<tr>
<td>5</td>
<td>ExxonMobil</td>
<td>$4.3 Billion*</td>
</tr>
<tr>
<td>6</td>
<td>Consol Energy</td>
<td>$3.5 Billion</td>
</tr>
<tr>
<td>7</td>
<td>CNOOC</td>
<td>$3.4 Billion</td>
</tr>
<tr>
<td>8</td>
<td>Reliance Industries</td>
<td>$3.2 Billion</td>
</tr>
<tr>
<td>9</td>
<td>Apache</td>
<td>$3.1 Billion</td>
</tr>
<tr>
<td>10</td>
<td>Total</td>
<td>$2.3 Billion</td>
</tr>
</tbody>
</table>

*Chevron total includes corporate acquisition of Atlas. Exxon total includes pending shale purchase.

- U.S. Large Caps were primary buyers
- Majors / Internationals emerge
Disclaimer

This presentation was prepared exclusively for the benefit of and internal use by the recipient for the purpose of considering the transaction or transactions contemplated herein. This presentation is confidential and proprietary to RBC Capital Markets Corporation (“RBCCM”) and may not be disclosed, reproduced, distributed or used for any other purpose by the recipient without RBCCM’s express written consent.

By acceptance of these materials, and notwithstanding any other express or implied agreement, arrangement, or understanding to the contrary, RBCCM, its affiliates and the recipient agree that the recipient (and its employees, representatives, and other agents) may disclose to any and all persons, without limitation of any kind from the commencement of discussions, the tax treatment, structure or strategy of the transaction and any fact that may be relevant to understanding such treatment, structure or strategy, and all materials of any kind (including opinions or other tax analyses) that are provided to the recipient relating to such tax treatment, structure, or strategy.

The information and any analyses contained in this presentation are taken from, or based upon, information obtained from the recipient or from publicly available sources, the completeness and accuracy of which has not been independently verified, and cannot be assured by RBCCM. The information and any analyses in these materials reflect prevailing conditions and RBCCM’s views as of this date, all of which are subject to change.

To the extent projections and financial analyses are set forth herein, they may be based on estimated financial performance prepared by or in consultation with the recipient and are intended only to suggest reasonable ranges of results. The printed presentation is incomplete without reference to the oral presentation or other written materials that supplement it.

Employees of RBCCM are expressly prohibited from directly or indirectly: (a) offering any company favorable research coverage as an inducement for the receipt of investment banking business; or (b) threatening to retaliate with adverse coverage or comments if such business is not awarded. All recommendations, ratings, price targets and opinions regarding a company are determined independently by RBCCM’s Research Department.

IRS Circular 230 Disclosure: RBCCM and its affiliates do not provide tax advice and nothing contained herein should be construed as tax advice. Any discussion of U.S. tax matters contained herein (including any attachments) (i) was not intended or written to be used, and cannot be used, by you for the purpose of avoiding tax penalties; and (ii) was written in connection with the promotion or marketing of the matters addressed herein. Accordingly, you should seek advice based upon your particular circumstances from an independent tax advisor.