2017 IPAA Private Capital Conference
Tailwater Capital

• Middle market private equity focused exclusively on the energy industry

• History of creating solutions oriented, value-added partnerships

• Well-established track record, having executed more than 35 transactions representing $11 billion in value over the last 19 years

• Invest growth equity across the midstream and upstream sectors

• Currently manage $1.7 billion across four distinct funds of capital

*Growth Mindset, Partnership Oriented*
## Current Investment Funds

<table>
<thead>
<tr>
<th>Midstream</th>
<th>Upstream</th>
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<tbody>
<tr>
<td><strong>Investment Vehicle</strong></td>
<td><strong>Investment Vehicle</strong></td>
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<tr>
<td>• Tailwater Energy Fund II LP</td>
<td>• Tailwater E&amp;P Opportunity Fund II LP</td>
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<tr>
<td>• $650 million</td>
<td>• $218 million</td>
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<tr>
<td>• Seeking operated investments</td>
<td>• Seeking non-operated investments</td>
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<td><strong>Partner with Experienced Management</strong></td>
<td><strong>Partner with Best-in-Class Operators</strong></td>
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<tr>
<td>• Deep basin-specific experience</td>
<td>• Proven, low cost operator</td>
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<tr>
<td>• Entrepreneurial mindset</td>
<td>• Core acreage positions</td>
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<tr>
<td>• Strong producer relationships</td>
<td>• Delineated basins</td>
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Midstream Strategy

**Partnership Alignment**

- Most critical element of our strategy
- Focused on developing long-term, repeat partnerships
- Diversify through projects, not teams
- Recognize and trust team’s industry expertise

**Vast Midstream Industry**

- Interest/ experience across midstream industry
  - Gathering
  - Disposal
  - Treating
  - Compression
  - Processing
  - Transportation
  - Storage
  - Fractionation

**Transaction Structure Creativity**

- Interest/ experience across transaction structures
  - Anchored greenfield
  - Acquisitions
  - Joint ventures
- Flexible in terms of project size
- Differentiated upstream investing promotes midstream investing
Midstream Strategy in Practice, Midstream Fund II

- Spent lubes processing
- Baytown, TX operations
- CEO, Jim Lelio

- Solids waste disposal
- Permian and Eagle Ford
- CEO, George Wommack

- Gas gathering & processing
- East Texas, North Louisiana
- CEO, Fritz Brinkman

- Gas gathering & processing
- Permian
- CEO, Jim Bryant

- Water gathering and disposal
- Bakken, Permian
- CEO, Patrick Walker

- Refined products pipeline
- South Texas
- CEO, Phil Mezey
Upstream Strategy

Proven Operators in the Core of Proven Basins

- Emphasize operator expertise and track-record
- Delineated basins in the “core”

Basins of Interest

- Tailwater currently has positions in the following basins
  - Anadarko
  - Appalachian
  - DJ
  - Permian
  - Williston

Transaction Structure Creativity

- Interest/ experience across non-operated structures
  - Primary leasing
  - Acreage acquisitions
  - Wellbore purchases
  - Joint ventures
Upstream Strategy in Practice, E&P Funds I & II

Map showing basins in the United States:
- Williston Basin
- DJ Basin
- Anadarko Basin
- Delaware Basin
- Midland Basin
- Appalachian Basin
- Eagle Ford

Logos of companies such as XTO Energy, Cimarex, Hess, Whiting, Continental Resources, WPX Energy, EOG Resources, Anadarko Petroleum Corporation, Matador Resources Company, Statoil, and Newfield.
### Original Thesis
- Target overlooked but established basins with significant underlying reserve potential
- Purchase underutilized (but strategically located) assets cost effectively
- Leverage management’s deep commercial relationships

### Success to Date
- Recognized private upstream capital pouring into East Texas, North Louisiana (Haynesville and Cotton Valley). New upstream capital provides midstream opportunity
- Align has closed on four strategic acquisitions of underutilized assets
- Led by Fritz Brinkman, Align positioned itself with producers to utilize the purchased idle assets in advance of making the acquisitions
Acquisition #1 (Apr 2015)
Acquisition #2 (Nov 2015)
Acquisition #3 (Jan 2016)
Tailwater Opportunities Looking Forward

- Infrastructure to handle expected U.S. crude oil production growth
- Infrastructure as production flow changes from Northeast to the Gulf Coast
- Provide creative solutions to E&P companies and MLPs
  - Acquiring producer midstream assets
  - Offer liquidity / JV solutions to midstream companies
- Consolidate fragmented industries with undercapitalized participants
- Partner with E&P companies to help fund capex budgets through our non-op upstream strategy
- Participate in creative balance sheet restructuring
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Questions