IPAA Presentation – January 2018
Agenda

A  Who is ExL Petroleum?

B  Why were we successful **raising** private equity?

C  Successfully **investing** private equity – Delaware Basin

D  Successfully **investing** private equity – Midland Basin
Who is ExL Petroleum?

**Company overview**

- Midland, TX-based E&P company focused on Permian Basin unconventional resource plays
- Founded by Doug Robison, Dave Feavel, and Mike Lamonica in 2005
- Serial entrepreneurs who have sold 12 asset packages for total value in excess of $2 billion
- Partnered with Quantum Energy Partners in 2014 and built a >20,000 net acre Delaware Basin and >12,000 net acre Midland Basin asset position

**Permian Basin experts**

- **Pioneers** in the Midland Basin who combined geology, engineering, and land expertise to unlock the Wolfberry Play
- Early movers in the Delaware Basin vertical and horizontal Wolfcamp development
- Operational experts – the team has **drilled thousands of Permian Basin wells**
- Team members have focused most or all of their careers solely on the Permian Basin
Who is ExL Petroleum? (Cont’d)

ExL investment / operational strategy

• Utilize **relationships, contacts, and reputation** that ExL partners and staff had built over the last 30+ years to source opportunities

• **Highly technical** approach using innovative technology to identify and unlock oil and gas reserves across the Permian Basin

• Utilize detailed upfront geology, geophysics, petrophysics, and engineering to **identify areas with top tier rock** that have been poorly developed by previous operators

• Focus on **execution** not just buy and flip. Team built to simultaneously **run multiple rigs** in multiple basins
Why were we successful in raising private equity?

- ExL had built a reputation throughout the industry for integrity, honesty, creativity, communication, hard work, intensity, and intelligence – all primary components in the building of a thriving, successful oil company

- ExL had a 10 year track record of buying, developing, and monetizing Permian Basin properties under private equity ownership at strong ROIs and high IRRs

- Go forward business strategy targeting the Midland Basin and Delaware Basin horizontal Wolfcamp development matched our historical expertise

- Management team had a 20+ year history working together

- Management team was “complete” with all major disciplines covered: land, geoscience, engineering, finance, and legal

- We had identified several acquisition opportunities that were of scale and appeared actionable
Why did we choose Quantum as our private equity partner?

- We were seeking a true “partner” who could add value and help build ExL, not just a check book

- Investment hold period for this iteration of ExL was expected to be much longer than in ExL’s prior deals, requiring a patient partner who could invest through an industry “cycle”

- Our business plan matched Quantum’s “execution centric” investment mandate

- With the basin turning horizontal, ExL sought out a relatively large $500 million capital commitment to keep up with the rapidly rising land and well costs

- ExL wanted to partner with a sponsor who was primarily focused on the energy sector, and not an industry generalist
Delaware Basin – ExL drove value through execution...

Key points
- Uneconomic wells drilled by legacy operators condemned the entire area, but ExL saw an opportunity where poor operational practices, not rock quality, were at fault
  - Highly divided land ownership restricted development
  - Wrong landing zone
  - Ineffective stimulation/completion
- ExL approach
  - Consolidate land ownership through 10+ acquisitions and numerous trades
  - Use detailed technical work to identify most promising horizontal landing zones
  - Employ leading edge completions on long-lateral wells.
  - Aggressively drill to convert land value to reserves (ran 5 rigs at peak)

ExL Delaware Basin Position

ExL vs. Legacy Operator Well Performance

Source: DrillingInfo.
(1) Includes legacy offsetting wells from 2011-2014.
...Ahead of Exiting the Position through Two Successful Transactions

**Key points**

- In June 2017, ExL entered into an agreement to sell 80% of its Block 4 Delaware Basin assets to Carrizo for $648 million plus a potential earn out of $125 million, valuing ExL’s entire Delaware Basin position at $966 million.
- In December 2017, ExL entered into an agreement to sell its residual 20% interest in the Block 4 Delaware Basin assets to an undisclosed buyer. The transaction is expected to close in late January 2018.

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**Carrizo**

has acquired 80% of the Delaware Basin assets of **ExL Petroleum**

For a Transaction Value of $648 Million + $125 Million oil price earn out

Closed August 2017

**Undisclosed Buyer**

has acquired 20% of the Delaware Basin assets of **ExL Petroleum**

For a Transaction Value of Undisclosed

Expected to Close January 2018
Midland Basin thesis was very similar to the Delaware Basin

Key points

- Marginal wells drilled by legacy operators reduced focus around the entire area, but ExL saw an opportunity where modern operational practices could improve economics
  - Highly divided land ownership restricted development
  - Wrong landing zone
  - Ineffective stimulation/completion
- ExL approach
  - Consolidate land ownership through >15 acquisitions and numerous trades
  - Use detailed technical work to identify most promising horizontal landing zones
  - Employ leading edge completions on long-lateral wells
  - Aggressively drill to convert land value to reserves (currently running 2 rigs)

ExL vs. Legacy Operator Well Performance

<table>
<thead>
<tr>
<th>Legacy (Pre-'14)</th>
<th>Legacy ('14-'16)</th>
<th>ExL</th>
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</thead>
<tbody>
<tr>
<td>Avg. IP-30 Rate (Boe/d)</td>
<td>400</td>
<td>800</td>
</tr>
<tr>
<td>Avg. Proppant / LL' (lb/ft)</td>
<td>0</td>
<td>0</td>
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Source: DrillingInfo.
What is next for ExL

Key Points

- Recently added ~2,500 net acres through acquisitions
- Two rig Midland Basin drilling program accelerates the pace of land value to PDP conversion
- Beginning development mode horizontal drilling across six benches: Wolfcamp A, Wolfcamp B, Wolfcamp D, Middle Spraberry, Lower Spraberry (Upper and Lower)
- Gross production is expected to grow from 4.9 MBoe/d (85% oil) as of YE 2017 to 16.8 MBoe/d (79% oil) by YE 2019
- Will exit Midland Basin asset opportunistically
- Continue to look for new acquisition opportunities to leverage the ExL team’s skillset

ExL Historical and Projected Gross Production and Well Count

ExL expects to increase gross production to 16.8 Mboe/d by YE 2019