Wells Fargo Energy

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Wells Fargo Energy Group
Presentation Outline
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- Introduction
- Borrowing Base Methodology
- Lending Value Price Decks
- Operating Costs
- Capital Costs
- Development Plans
- Creative Thinking; Creative Solutions
- Conclusions
## Our Outstanding Reputation

<table>
<thead>
<tr>
<th><strong>FORTUNE</strong></th>
<th>World’s 22nd Most Admired Company (2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Barron’s</strong></td>
<td>World’s 11th Most Respected Company (2014)</td>
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<td><strong>Forbes</strong></td>
<td>8th Biggest Public Company in the World (2014)</td>
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<td><strong>Brand Z/Brand Finance</strong></td>
<td>Most Valuable brand in banking/in the World (2014)</td>
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<tr>
<td><strong>The Chronicle of Philanthropy</strong></td>
<td>America’s #2 Most Generous Cash Donor (2014)</td>
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<td><strong>Global Finance</strong></td>
<td>Best Mobile Solution Provider (2014)</td>
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<td><strong>Euromoney</strong></td>
<td>Best Global Bank and Best U.S. Bank (2013)</td>
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| **No. 1 in U.S.** | Oil and gas loan syndications
|                    | Best Trade Finance Bank
|                    | Mortgage servicer, *Inside Mortgage Finance, 2014*
|                    | REIT preferred stock underwriter |
| **No. 2 in U.S.** | Asset-based left lead bookrunner
|                    | Real estate loan syndications
|                    | REIT loan syndications
|                    | Utilities loan syndications |
| **No. 3 in U.S.** | Full-service retail brokerage provider based on number of Financial Advisors in 4Q14, *Company and Competitor reports*
|                    | Hotel & Gaming loan syndications
|                    | Bookrunner for BDCs (Business Development Companies)
|                    | Non-investment grade loan syndications |
| **No. 4 in U.S.** | REIT common stock underwriter
|                    | High grade loan syndications
|                    | Financial services loan syndications
|                    | Wealth management provider, assets under management of accounts greater than $5 million |

Company data as of December 31, 2014

14Q14 Thomson Reuters, LPC, 24Q14 Deal Logic, 32014 Global Trade Review, 44Q14 Company Filings, 52014 Barron’s
We are one of only a handful of strong, stable and well-capitalized banks in the world today.

Market Capitalization as of 12/31/2014

$ billions

Source: Capital IQ
Wells Fargo – strength and stability

- Wells Fargo continues to be one of the strongest and best capitalized banks, which has allowed Corporate Banking to continue to expand its relationships with clients.
- Wells Fargo Bank, N.A. is among the highest credit rated U.S. banks with AA- credit rating and $1.7 trillion in assets.
- Wells Fargo has created a financial powerhouse with a coast-to-coast footprint and an even broader array of product capabilities, allowing our clients to tap into a wealth of financial expertise.

<table>
<thead>
<tr>
<th>Market Capitalization</th>
<th>$284.4 billion</th>
<th>#1 among banks globally</th>
</tr>
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<tbody>
<tr>
<td>Total Average Deposits</td>
<td>$1.1 trillion</td>
<td>#2</td>
</tr>
<tr>
<td>Total Loans</td>
<td>$849.4 billion</td>
<td>#2</td>
</tr>
<tr>
<td>Mortgage Servicing</td>
<td>$2.3 trillion</td>
<td>#1</td>
</tr>
<tr>
<td>Retail Brokerage</td>
<td>15,187 brokers</td>
<td>3rd largest U.S. full-service brokerage based on financial advisors</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>$242,271 billion AUM</td>
<td>#3 bank-owned mutual fund family</td>
</tr>
<tr>
<td>Insurance</td>
<td>$7,254 million in revenue</td>
<td>Top 10 U.S. retail insurance broker</td>
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Largest, Most Extensive Banking Store Network Across the U.S.

Wells Fargo Retail Banking stores = 6,173  
Wells Fargo Advisor offices = 1,378  
Wells Fargo Home Mortgage stores = 584

1 As of 12/31/14; Store data as of 12/31/14  
2 Series 7 licensed as of 12/31/14  
Source: Earnings release, 10-Q, SNL Financial and WF Funds Management Group monthly letter.
Wells Fargo Energy Group Overview
The combined platform provides coordinated Corporate and Investment Banking coverage with unrivaled power to deliver a broad range of products and services.

### Wells Fargo Energy Group
- 10 offices and 250+ team members nationwide
  - Oil & Gas
  - Large Corporate Energy
  - Energy Services & Equipment
  - Power & Utilities
  - Wells Fargo Energy Capital
- More than $45B of credit committed to Clients
- Products and Services provided include:
  - Credit and capital solutions
  - Treasury management
  - Asset management
  - Risk management
  - Receivables Management
  - Corporate Services
  - Wells Fargo Energy Capital (Second Lien, Mezzanine and Equity Commitments)

### Energy & Power Investment Banking
- Full-service platform providing strategic advisory and comprehensive capital markets access
- Over 75 dedicated investment banking professionals with industry sector expertise
- Strength of a bulge bracket firm with the execution focus of a boutique
- Strong year-to-date market positions:
  - Equity Capital Markets (source: Dealogic)
    - #2 Book-runner of MLP equity (since 1/1/2014)
    - #2 Left Book-runner of MLP equity deals (since 1/01/12)
    - #2 Book-runner of all Energy equity deals (since 1/1/2014)
    - #3 Book-runner of Utility deals (since 1/01/12)
  - Investment Grade Debt Capital Markets (source: Dealogic and MarketAxes)
    - #6 Energy by deals
    - #2 Bonds MLPs by deals
    - #2 Midstream by deals
    - #2 Energy secondary trading
    - #2 Utility by number of deals
    - #2 Utility secondary trading
  - High Yield Capital markets (source: Dealogic)
    - #1 Book-runner for Energy (by number of deals)
  - Loan Syndications (source: LPC and Dealogic)
    - #1 Energy Leveraged Loan Lead Arranger
    - #3 Investment Grade Loan Lead Arranger in number of deals syndicated (LTM 4Q 2014)
    - #1 for Oil and Gas (combined Investment grade and non Investment grade) in number of deals syndicated (LTM 4Q 2014)
    - #2 for Utilities (combined Investment grade and non Investment grade syndications) in number of deals syndicated (LTM 4Q 2014)

Source: Thomson Reuters LPC, Bloomberg, Market Axess, and SDC; Notes: Rankings based on 4Q2014 transaction data
Wells Fargo Energy Group overview

Wells Fargo’s commitment to the energy sector and relationship focus allows us to build long-term strategic partnerships with our clients.

- Wells Fargo’s Energy Group is one of the largest capital providers to the energy space with $45Bn+ of credit committed to public and private companies across the upstream, midstream, downstream, and services sectors.
- Wells Fargo is a leading energy financial services provider with the capabilities to provide comprehensive debt, advisory, capital markets, and traditional banking solutions to companies of all sizes and in all stages of development. Wells Fargo has been lending to the energy industry for over 40 years.
- The Energy Group has 250+ team members located in North America and the UK and 21 in-house engineering professionals.
Wells Fargo Energy Oil & Gas overview

The Oil & Gas Division is an industry leading lender to upstream and midstream companies

- We focus on relationships with energy companies ranging in size from start-up to over $1 billion in annual revenues
  - Headquartered in Houston, with offices in Denver, Dallas, Calgary, and London
  - Industry focused group with over 70 team members including a dedicated midstream team
  - Technically focused E&P platform which includes a 20 person engineering group
  - Relationship-driven financial partner with the ability to structure around client needs
  - Ability to deliver the full suite of Wells Fargo capabilities including investment banking, commodities and interest rate derivatives, A&D/M&A advisory services, treasury management and trust services
  - Works closely with Wells Fargo Energy Capital to provide second lien, mezzanine and equity capital
Borrowing Base Structure & Methodology
Borrowing Base Weighting and Applicable Considerations

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<thead>
<tr>
<th>Category</th>
<th>Risk</th>
<th>Weighting</th>
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<tr>
<td>Proved Reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PDP</td>
<td>Low Risk</td>
<td>All PDP Reserves are included in Borrowing Base value</td>
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<tr>
<td>PDNP</td>
<td></td>
<td>PDNP and PUD Reserves limited to no more than 25%-30% of Borrowing Base value</td>
</tr>
<tr>
<td>PUD</td>
<td></td>
<td>No Borrowing Base value is assigned to probable or possible reserves</td>
</tr>
<tr>
<td>Probable</td>
<td>High Risk</td>
<td></td>
</tr>
<tr>
<td>Possible</td>
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- **Single well representing up to 15% of Borrowing Base value**
- **Wells with less than six months of production history**

**Asset Concentrations**

**“Green” Production**
Risk & Reserve Adjustment Factors

- Financial Structure and Cash Flow Analysis
- Asset Profile
- Borrowing Base Analysis
- Economic Risks
- Quality of Management
Lending Value Price Decks
Wells Fargo Lending Price Deck (Fall 2014 BBRD vs. Spring 2015 BBRD)

Oil Price Deck vs. NYMEX Strip

Natural Gas Price Deck vs. NYMEX Strip
Wells Fargo Lending Price Deck (Fall 2015 BBRD vs. Spring 2015 BBRD)

Oil Price Deck vs. NYMEX Strip

- NYMEX Forward Strip as of 03/06/2015
- NYMEX Forward Strip as of 11/06/2015

Natural Gas Price Deck vs. NYMEX Strip

- NYMEX Forward Strip as of 03/06/2015
- NYMEX Forward Strip as of 11/06/2015
Operating Costs (OPEX)
- SEC at December 31 2014
- TRUST BUT VERIFY
- SHOW AND TELL
- Are reductions permanent?
In general 5-10% cost reduction

High cost (ex. CO2 flood) properties have greater % reduction

LOE reductions were apparent in 1Q 2015 – some late 4Q 2014

- Bakken: 7-12%
- Rockies: 0-5%
- Permian: 5-10%
- Anadarko: 5%
- CA: 10-15%
- Marcellus: limited cost reduction
- Offshore: 10-15% LOE reduction
Capital Costs (CAPEX)
- PDNP and PUD
- SEC at December 31, 2014
- TRUST BUT VERIFY
- SHOW AND TELL
- Are reductions permanent?
- Our Price Decks are escalating
In general 15% cost reductions

Seeing a trend in 20-30% reductions

Drilling cost reductions were recognized early 4Q 2014

Completions cost reductions were recognized in late 2014 and early 2015

- Bakken: 20-25%
- Rockies: 15%
- Permian: 15-25%
- Anadarko: 10%
- Ark-La-Tex: 10-15%
- Marcellus: limited cost reduction
- Offshore: Rig and boat costs are down 40-50%

Expect cost escalation as prices recover
Development Plans
Development Plans

- PDNP and PUD
- SEC at December 31 2014
- 1st Quarter update
- Revised budgets
Development Plans

- Reserves and production included in the BB?
- December 31 2014 or January 1 2015 effective dates
- April 1 or May 1 2015 BBRD renewal dates
- June 30 2015 or July 1 2015 effective dates
- October 1 or November 1 2015 current BBRD review
Creative Thinking ; Creative Solutions
Creative Thinking : Creative Solutions

- Mix Reserves Engineering with Sound Business Principles
- PRMS, SEC and Business Approach Hybrid
- PDP, PDNP, PUD Fixation?
- Management: Relationship
- Equity Sponsor
- Financial and Technical/Operations Track Record?
- Doing What’s Right For The Customer?
- Staggered OPEX and CAPEX reductions related to prices
- Multi-Stage BB
Conclusions
Conclusions

- Active and frequent communication between Borrowers and Lenders

- Borrowers should engage Banks now to estimate future BB’s, liquidity needs and covenants to position for the rest of 2015 and 2016

- Banks are more willing to accommodate Borrowers that take pragmatic steps to manage in this environment

- Balance the risk

- Spring 2015 BBRD season closed

- Fall 2015 BBRD season ongoing
Thank You
Questions?
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