A Good Time to be a Buyer and a Seller ... Seriously!

Tim Sulser
July 15, 2014
Industry Leading Investment Banking Practice

Overview

- Coverage of Midstream/MLP, OFS, Power, Upstream and Downstream sectors
- Senior execution expertise in M&A, Corporate Finance, A&D and Capital Markets
- Industry/engineering expertise integrated into IB effort across all sectors
- Three-year old team achieved >25% market share\(^{(1)}\) in 2010

### Top Energy Advisor\(^{(1)}\)

\[ \text{Source: Dealogic: United States Oil & Gas - Exploration & Development/Field Equipment & Services/Diversified/Pipeline and Utility & Energy - Gas, pending and completed M&A transactions announced 1/1/2010 to 7/6/2014.} \]

<table>
<thead>
<tr>
<th>Firm</th>
<th># Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tudor Pickering Holt &amp; Co</td>
<td>116</td>
</tr>
<tr>
<td>Barclays</td>
<td>85</td>
</tr>
<tr>
<td>Evercore Partners Inc</td>
<td>81</td>
</tr>
<tr>
<td>RBC Capital Markets</td>
<td>80</td>
</tr>
<tr>
<td>Jefferies LLC</td>
<td>77</td>
</tr>
<tr>
<td>Citi</td>
<td>69</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>59</td>
</tr>
<tr>
<td>JPMorgan</td>
<td>59</td>
</tr>
<tr>
<td>Simmons &amp; Co International</td>
<td>58</td>
</tr>
<tr>
<td>Credit Suisse</td>
<td>50</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Firm</th>
<th>Value (SMM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays</td>
<td>220,735</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>166,273</td>
</tr>
<tr>
<td>Citi</td>
<td>141,131</td>
</tr>
<tr>
<td>Credit Suisse</td>
<td>122,610</td>
</tr>
<tr>
<td>Jefferies LLC</td>
<td>115,935</td>
</tr>
<tr>
<td>Evercore Partners Inc</td>
<td>112,095</td>
</tr>
<tr>
<td>JPMorgan</td>
<td>105,578</td>
</tr>
<tr>
<td>Tudor Pickering Holt &amp; Co</td>
<td>104,907</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>83,695</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch</td>
<td>82,392</td>
</tr>
</tbody>
</table>

### Advisory

- Sell-side & Buy-side
- Joint Ventures
- Opinions
- Special Committee
- Strategic advisory
- Restructuring

### Capital Markets

- Public Equity
- Hybrids
- Fixed income
- Private placements
- QIU

### Banking Expertise

- Goldman Sachs
- JPMorgan
- Barclays
- UBS
- Deutsche Bank
- Credit Suisse
- Merrill Lynch

### Engineering Talent

- Newfield
- NSAI
- ExxonMobil
- Schlumberger
- PennWest Exploration
- bp

TPH combines banking expertise with engineering talent to deliver high quality advice to energy clients
The Right Experience to Give the Right Advice

Merger/Sell-side
- December 30, 2013: $811 million
- October 12, 2012: $2.2 billion
- August 23, 2012: $1.38 billion
- June 24, 2010: $1.15 billion

Buy-side
- March 3, 2014: $1.86 billion
- October 1, 2013: $533 million
- August 12, 2012: $1.9 billion
- March 11, 2011: $1.14 billion

Joint Ventures/Partnering
- December 22, 2011: $1 billion
- August 4, 2011: $500 million
- October 10, 2010: $1.26 billion
- June 7, 2010: $7.68 billion

Special Situations
- March 3, 2014: $1.8 billion
- May 17, 2013: $640 million
- April 4, 2013: $220 million
- January 14, 2013: $1.4 billion

IPOs
- October 22, 2012: $360 million
- October 27, 2011: $34 million
- October 8, 2011: $1 million
- October 12, 2010: $24 million

Capital Raise
- July 2013: $476 million
- October 17, 2012: $7.15 billion
- January 30, 2013: $1.7 billion
- December 6, 2012: $2.2 billion

Financing
- Debentures
- Convertible
- Debt
- Equity
- Equity

119 Offerings
Today We Will Discuss

- Commodity Price Backdrop
- 2014 Upstream Transaction Market
- Strength and Reality of the IPO Market
Commodity Backdrop
Relatively Stable View of Oil Prices...

Source: FactSet as of 7/1/2014.
However - Differential Volatility

Source: Bloomberg, TPH Estimates, 6/27/2014
Supply / Demand Starts to Matter

**2014**
- Lower power demand
- 2 Bcfd Marcellus
- 1 Bcfd Utica

**2015 “Status Quo”**
- Power demand picks up
- 3 Bcfd Marcellus/Utica

**2016 - 17**
- 2.5 Bcfd Marcellus/Utica
- Assctd. gas stems decline
- First LNG export...

**2018-20**
- Low 16-17 prices incent gas drilling to feed...
- 3 Bcfd LNG export - 2020

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**Total Supply vs Demand 2010-2020**

- **2014 YTD Price**: $4.8/mcf
- **2014**: $4.1/mcf, $4.4-$4.5+/mcf
- **2015**: $3.75/mcf, $4.0/mcf, $4.1/mcf
- **2016**: $3.5/mcf, $4.2/mcf
- **2017**: $4.4/mcf, $4.5/mcf
- **2018**: $4.6/mcf, $4.5/mcf
- **2019**: $4.5/mcf
- **2020**: $4.5/mcf

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...$4.50/mcf long term

Source: TPH Research (1) July 1, 2014
2014 Deal Market
What Hasn’t Changed Since 2013

- Still no gas contrarian
- In basin consolidation driven deals
- When it comes to resource play transactions - the Big 3 dominate
Gas Transactions Consistent for 3 Years

**Deal Count**

- **2011**
  - Gas: 37
  - Oil: 78
- **2012**
  - Gas: 29
  - Oil: 90
- **2013**
  - Gas: 38
  - Oil: 82
- **2014 YTD**
  - Gas: 24
  - Oil: 47

**Deal Volume**

- **2011**
  - Gas: 58%
  - Oil: 42%
  - Deal Volume: $72.0 B
- **2012**
  - Gas: 22%
  - Oil: 78%
  - Deal Volume: $88.2 B
- **2013**
  - Gas: 20%
  - Oil: 80%
  - Deal Volume: $46.5 B
- **2014 YTD**
  - Gas: 31%
  - Oil: 69%
  - Deal Volume: $41.8 B

Source: IHS Herold, TPH
In-Basin Buyers Most Competitive

<table>
<thead>
<tr>
<th>Year</th>
<th>Bakken</th>
<th>Eagle Ford</th>
<th>Permian</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Buyers in Basin</td>
<td>New Entrants</td>
<td>Buyers in Basin</td>
</tr>
<tr>
<td>2012</td>
<td>8</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2013</td>
<td>7</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>2014</td>
<td>4</td>
<td>1</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: TPH
The Big 3 Dominate Resource Transactions

2012: $30.7 B

2013: $24.8 B

2014 YTD: $25.1 B

- **Bakken**
- **Eagle Ford**
- **Permian**

- **Barnett**
- **Fayetteville**
- **Granite Wash**
- **Gulf Coast Shale**
- **Haynesville**
- **Marcellus**
- **MS Lime**
- **Niobrara**
- **Permian**
- **Rockies Resource**
- **Woodbine**
- **Woodford**
- **Utica**
- **Other**

Source: IHS Herold, TPH
So What is New?
What a Difference 6 Months Makes

Asset and Corporate YTD Activity

- JV’s out of favor
- Deal count and volume up
- Corporate M&A?

Source: IHS Herold, TPH
## Unique and Ever Changing Buyer/Seller Universe

<table>
<thead>
<tr>
<th>Date</th>
<th>Buyer</th>
<th>Seller(s)</th>
<th>Deal Level</th>
<th>Value ($MM)</th>
<th>Key Takeaways</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/2014</td>
<td><strong>Wyoming</strong></td>
<td><strong>Kodiak Oil &amp; Gas</strong></td>
<td>Corporate</td>
<td>$6,000</td>
<td>Acquisition of Bakken pure play creating new largest Bakken producer</td>
</tr>
<tr>
<td>1/29/2014 - 5/1/2014</td>
<td><strong>American Energy Partners</strong></td>
<td><strong>Enduring Resources</strong></td>
<td>Asset</td>
<td>$1,750, $2,500, $924</td>
<td>Renewed CEO with private backing amassing positions in premier plays</td>
</tr>
<tr>
<td>5/7/2014</td>
<td><strong>Encana</strong></td>
<td><strong>Freeport-McMoRan Oil &amp; Gas</strong></td>
<td>Asset</td>
<td>$3,100</td>
<td>New CEO affecting oil weighting strategy with low risk portfolio addition</td>
</tr>
<tr>
<td>4/8/2014</td>
<td><strong>Athlon Energy</strong></td>
<td><strong>Hibernia Resources</strong></td>
<td>Asset</td>
<td>$873</td>
<td>Premium valuation for premium assets funded with premium currency</td>
</tr>
<tr>
<td>3/31/2014</td>
<td><strong>Maverick</strong></td>
<td><strong>Encana</strong></td>
<td>Asset</td>
<td>$1,800</td>
<td>Sponsor-backed E&amp;P acquiring MLP-able assets; PE making larger bets</td>
</tr>
</tbody>
</table>
On Top of a Strong Deal Market
There Is the IPO Option...
Upstream Stories Have Been Stellar Performers

Source: FactSet as of 7/10/2014.
Upstream IPO Equity

Average Trading Performance

<table>
<thead>
<tr>
<th></th>
<th>1-Day</th>
<th>30-Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>(6.5%)</td>
<td>(5.2%)</td>
</tr>
<tr>
<td>2012</td>
<td>4.4%</td>
<td>0.7%</td>
</tr>
<tr>
<td>2013</td>
<td>16.1%</td>
<td>21.4%</td>
</tr>
<tr>
<td>2014 YTD</td>
<td>7.8%</td>
<td>14.8%</td>
</tr>
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</table>

Source: Dealogic, FactSet as of 7/11/2014.
The Last 10 IPO Commonalities

<table>
<thead>
<tr>
<th>IPO Date</th>
<th>Issuer</th>
<th>Ticker</th>
<th>Logo</th>
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</thead>
<tbody>
<tr>
<td>Jun 2014</td>
<td>Eclipse Resources Corp</td>
<td>ECR</td>
<td><img src="image" alt="Eclipse Energy" /></td>
</tr>
<tr>
<td>Jun 2014</td>
<td>Viper Energy Partners LP</td>
<td>VNOM</td>
<td><img src="image" alt="Viper Energy Partners" /></td>
</tr>
<tr>
<td>Jun 2014</td>
<td>Memorial Resources Development Company</td>
<td>MRD</td>
<td><img src="image" alt="Memorial Resource Development" /></td>
</tr>
<tr>
<td>May 2014</td>
<td>Parsley Energy Inc</td>
<td>PE</td>
<td><img src="image" alt="Parsley Energy" /></td>
</tr>
<tr>
<td>Jan 2014</td>
<td>Rice Energy Inc</td>
<td>RICE</td>
<td><img src="image" alt="Rice Energy" /></td>
</tr>
<tr>
<td>Jan 2014</td>
<td>EP Energy Corp</td>
<td>EPE</td>
<td><img src="image" alt="EP Energy" /></td>
</tr>
<tr>
<td>Jan 2014</td>
<td>RSP Permian</td>
<td>RSPP</td>
<td><img src="image" alt="RSP Permian" /></td>
</tr>
<tr>
<td>Oct 2013</td>
<td>Antero Resources Corp</td>
<td>AR</td>
<td><img src="image" alt="Antero Resources" /></td>
</tr>
<tr>
<td>Aug 2013</td>
<td>Athlon Energy Inc</td>
<td>ATHL</td>
<td><img src="image" alt="Athlon Energy" /></td>
</tr>
<tr>
<td>Jul 2013</td>
<td>Jones Energy Inc</td>
<td>JONE</td>
<td><img src="image" alt="Jones Energy" /></td>
</tr>
</tbody>
</table>

**Enterprise Value All > $1B**

![Enterprise Value Chart](chart1)

**NTM EBITDA All > $200MM**

![NTM EBITDA Chart](chart2)

Source: Dealogic, FactSet as of 7/11/2014.
Focus Has Resonated with Public Investors

1-Day Return

<table>
<thead>
<tr>
<th>0%</th>
<th>20%</th>
<th>40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATHL</td>
<td>VNOM</td>
<td>PE</td>
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</table>

Current Return

<table>
<thead>
<tr>
<th>0%</th>
<th>50%</th>
<th>100%</th>
<th>150%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATHL</td>
<td>RSPP</td>
<td>AR</td>
<td>MRD</td>
</tr>
</tbody>
</table>

Oil - Single Basin

- VIPER Energy Partners
- PARSLEY ENERGY
- RSP PERMIAN
- AE ATHLIN Energy

Gas - Single Basin

- Antero Resources
- Memorial Resource Development
- RICE ENERGY
- Eclipse Resources

Liquids Rich

- Jones Energy

Multi Basin

- EP ENERGY

Source: Dealogic, FactSet as of 7/11/2014.
(1) < 30 days of trading history.
Good to Be a Buyer and Seller

- Gas trades with willing buyer and seller
- Deal supply and deal demand
- Unique money with appetite for E&P
- IPO option for scale, transparent and high quality companies
About The Firm

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