

# Integrating and Aligning Your Company's Reserves and Business Strategy

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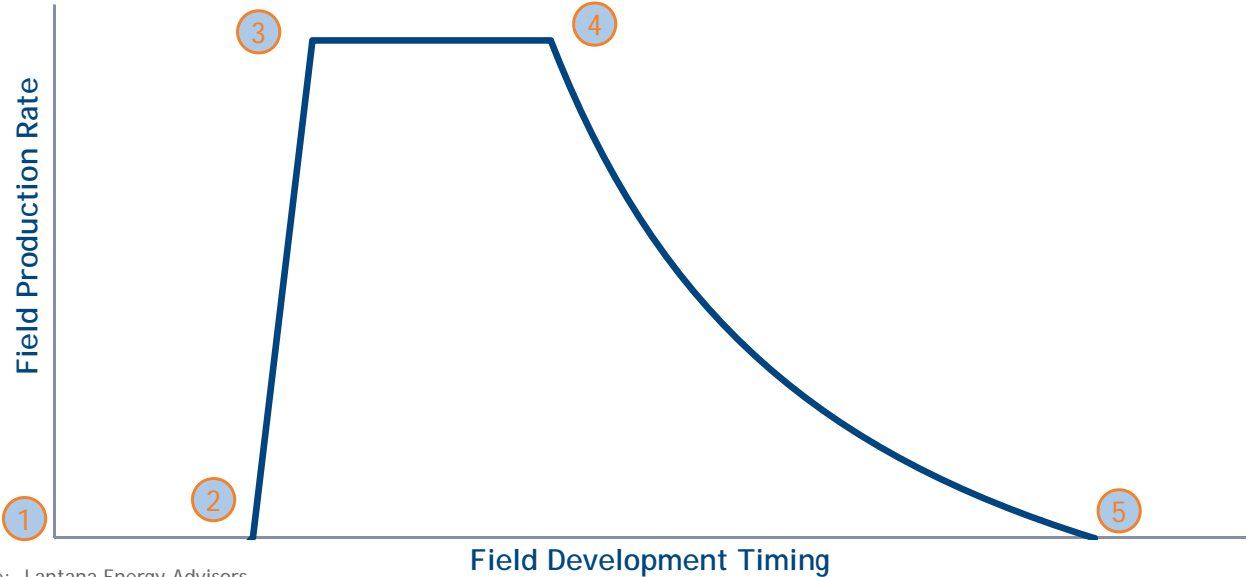
## Key Questions for All Reserves Evaluators

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1. Have you valued and ranked all development opportunities within your organization?
2. Does your company have the right mix of assets to meet your business objectives, or is there a need for asset re-alignment?
3. Are you prepared for an A&D or M&A transaction and have the ability to convert the transaction into a meaningful story for your organization?
4. What risks and impacts should be considered when contemplating A&D / M&A transaction?

# Reserves and Business Strategy

- Short and long term business strategy is driven by current reserves and expected reserve growth & maturation over subsequent years
- Utmost importance to consider reserves and resources together to ensure the company has
  - Clarity on the asset classification distribution
  - Adequate growth strategy
- Authentic and accurate assessment of full resources base will guide the direction of the company and the ability to deliver on objectives.

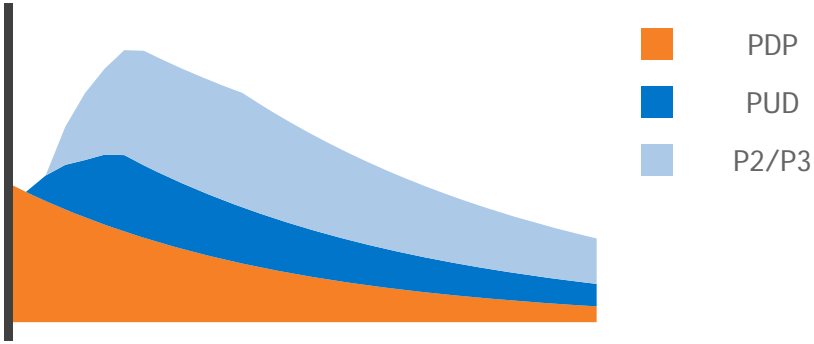


- 1 Field Discovery
- 2 First Production
- 3 Start Plateau / Peak Production
- 4 End Plateau / Start Decline
- 5 Field Economic Limit

# Long Term Projection of Reserves Vital to Planning

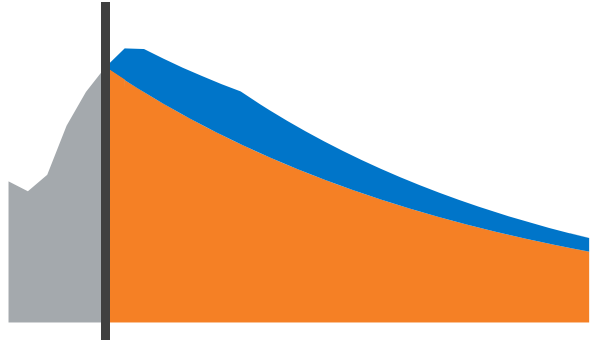
- Forecasting timing of reserves maturation is critical for determining next steps in sustaining long term growth
- As the asset matures, proven reserves continue to increase, while the overall recoverable resource volume contracts due to harvesting
- A&D / M&A strategies should be identified, prioritized and executed in advance of direct needs to align resource development timing with future growth projects, capital availability and corporate objectives
- Consideration and integration of capital structure and availability (across time) is as critical to understand capabilities of the organization with and without A&D / M&A success.

Year 1 Asset Development Profile



- Strong PDP base to fund development (Cashflow)
- Significant proved reserves growth opportunity (Cashflow Neutral)
- Public companies will be rewarded in marketplace by having strong R/P and F&D ratios in coming years

Year 5 Asset Development Profile



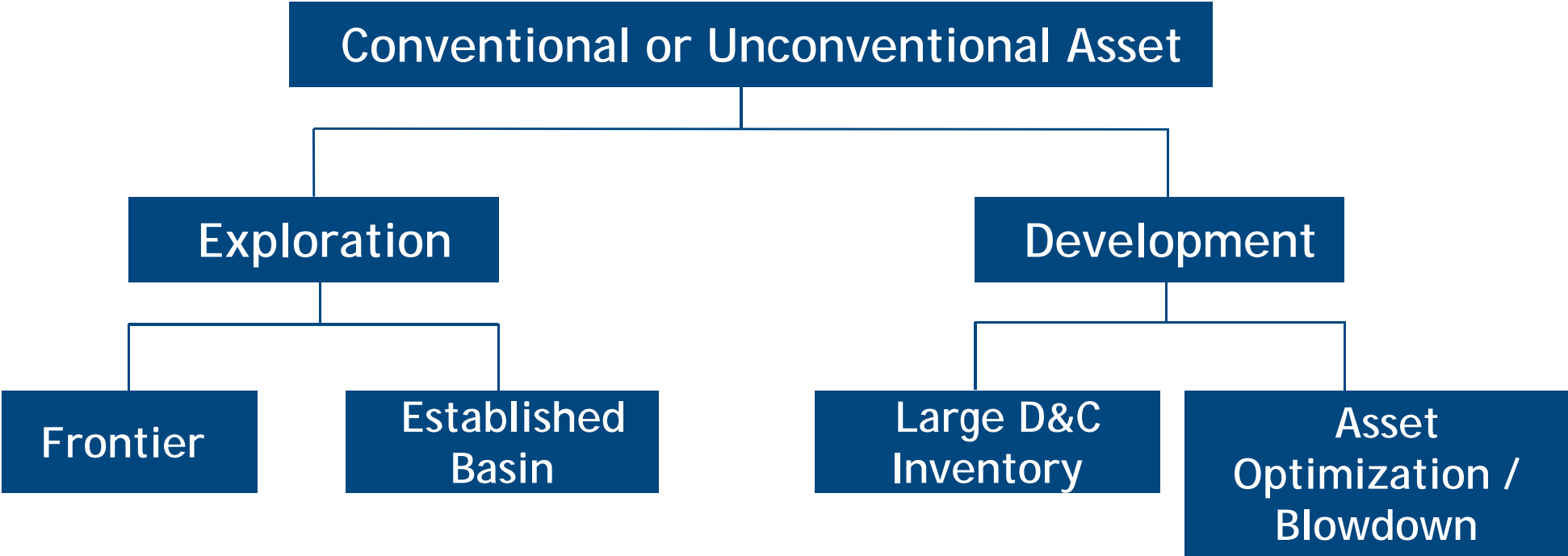
- Asset has been mostly developed, limited additional growth
- Public companies will be punished in marketplace because of low R/P, high F&D costs phases, limited line of sight to growth
- A&D / M&A should be considered to continue corporate growth

Source: Lantana Energy Advisors  
4 www.suntrustrh.com

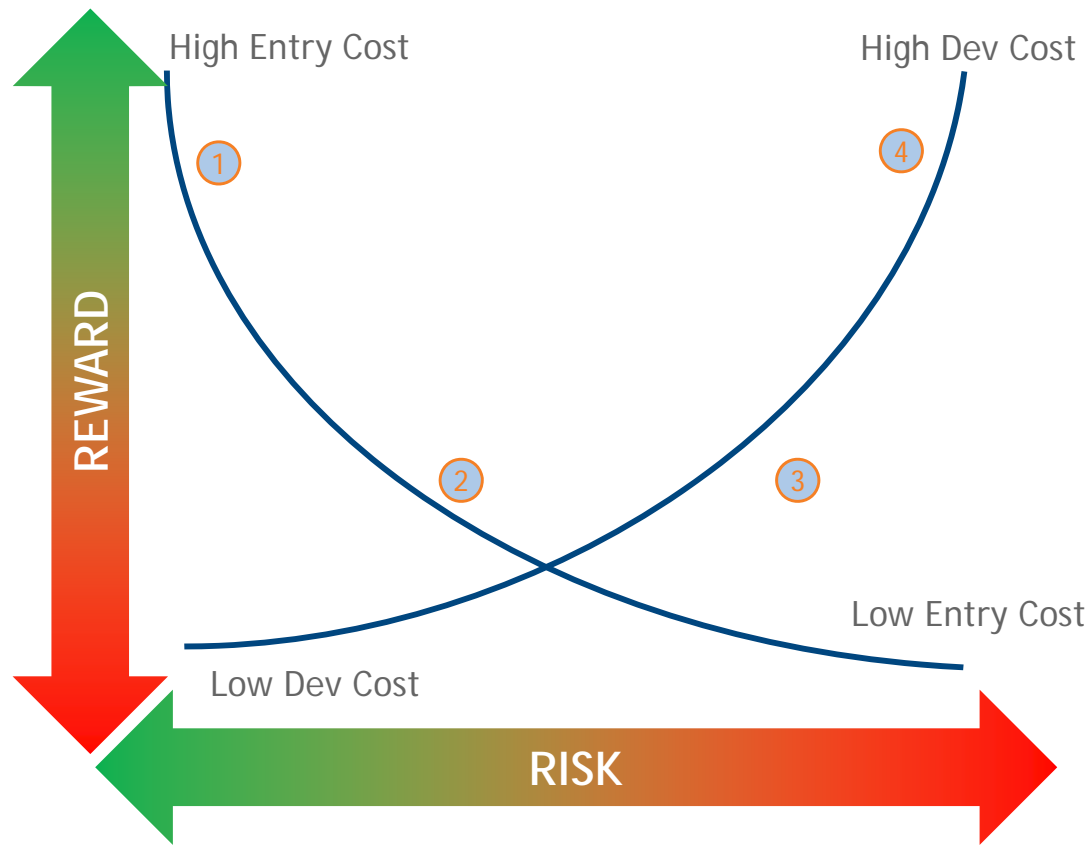
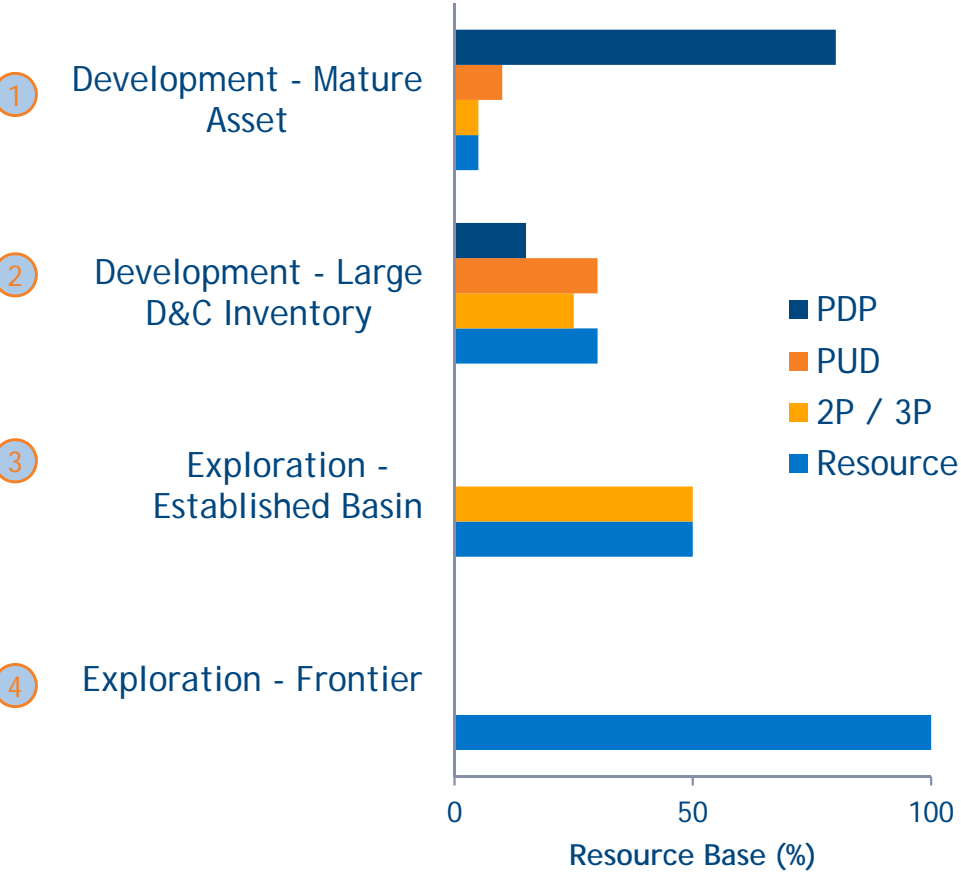


Asset Profile

Define, review, assess, refine



# Asset Profile and Chance of Success



Source: Lantana Energy Advisors  
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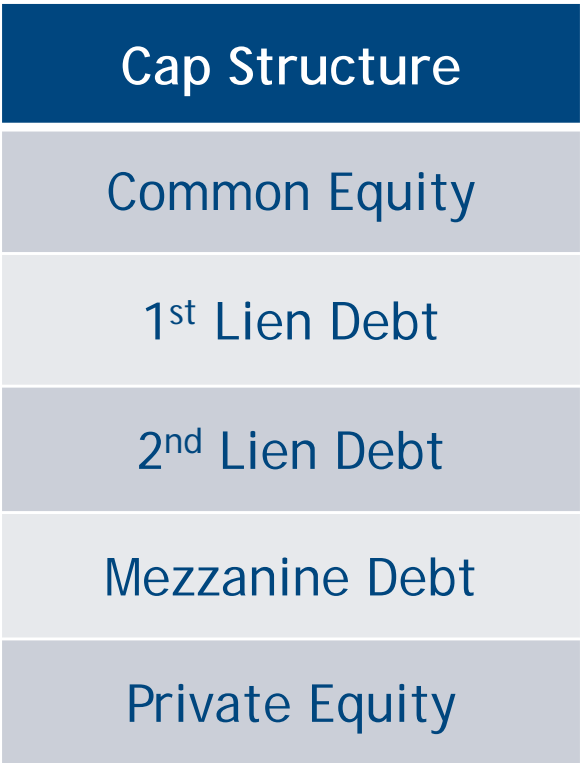
# Capital Structure Alternatives

Structure	Positives	Negatives	Other Considerations
Common Equity (Public)	No repayments of capital invested	Dilution of current owners	Public company regulations and government oversight control and influence how
1 <sup>st</sup> Lien Debt	Lowest cost debt available	Covenants to protect investment, may limit flexibility of borrower	Debt holder has first claim on assets if company becomes insolvent
2 <sup>nd</sup> Lien Debt	Additional capital source to develop asset or for acquisition purposes	Higher interest rate than 1 <sup>st</sup> lien, additional restrictions to be placed on company by debt holder(s)	Tenor can be significant period of time, aligned to payback periods of development opportunities
Mezzanine Debt	Address short term cash needs in special situations	Higher interest rates than 2 <sup>nd</sup> lien positions	May be prohibited by covenants of 1 <sup>st</sup> and or 2 <sup>nd</sup> Lien debt
Private Equity	Off-balance sheet transaction to accelerate development	May require "selling" part of asset/company. Most expensive capital	Must constantly work towards defining and delivering exit strategy

# Commercial Risk and Impact on Capital Structure

- A variety of risks can greatly impair the balance sheet if not incorporated and aligned in the overall risk profile of the company's capital structure
- A&D and M&A advisors and evaluators will integrate the effect of various commercial risks to judge the overall validity of a transaction

1. Closing/Funding transaction risks
2. Quantification of asset value and value evolution and realization
3. Execution risk (operational, financial, technical)
4. Regulatory risks (Known/mitigated and unexpected)
5. Market risks
6. Non-Technical risks (social, geologic, political)
7. Natural disaster



Source: Lantana Energy Advisors  
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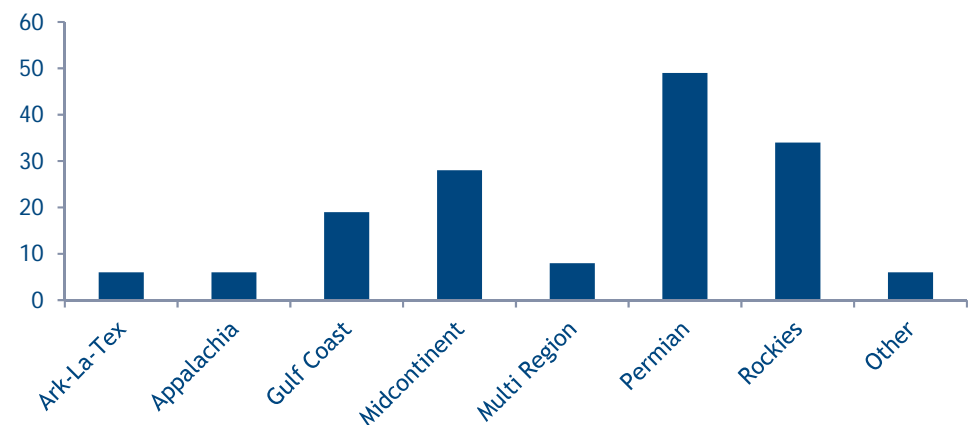




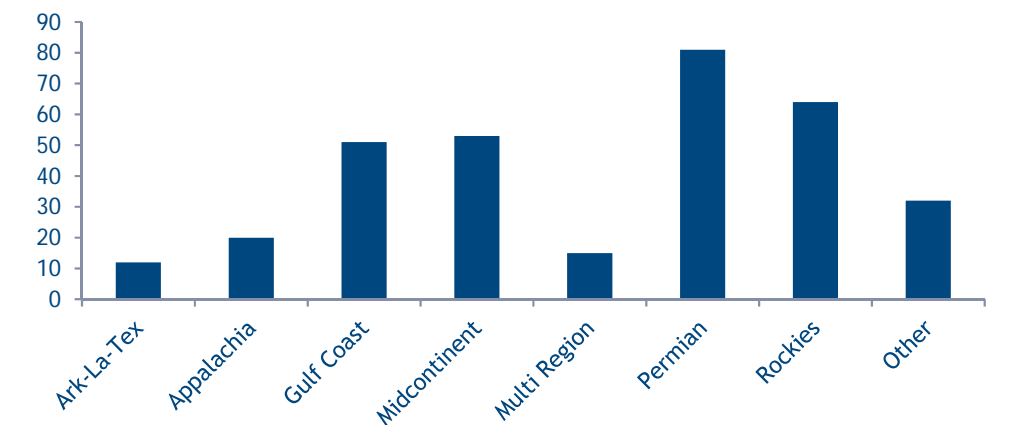
## Transaction Discussions

# 2018 Proposed and Completed Transactions

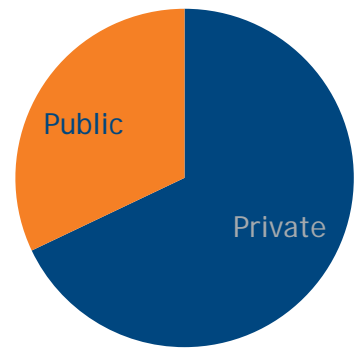
2018 Assets for Sale by Region



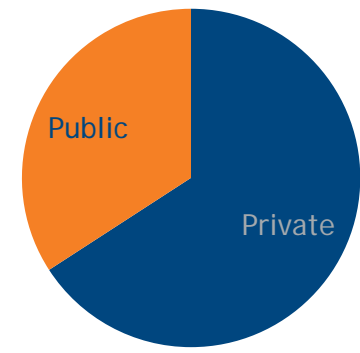
2018 YTD Assets Sold by Region



2018 Assets for Sale (Seller - Private / Public)



2018 YTD Sold (Seller - Private / Public)



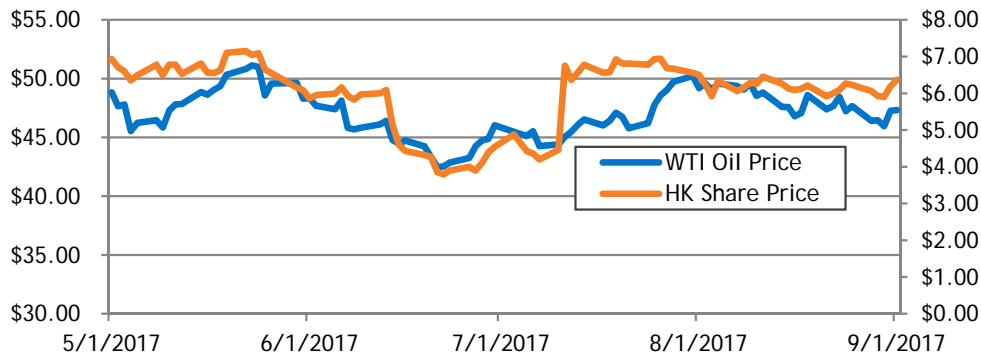
(1) Source: PLS downloaded September 11, 2018  
10 www.suntrustrh.com



# Halcón Resources Operated Williston Basin Sale to Bruin E&P Partners

## Impact on Halcón

- Allowed Halcón to transition to a Delaware pure play company
- Reduced total debt and increased available liquidity, improving company's capital structure
- Public equity markets favorably reacted to transaction as evidenced by immediate increase in share price



*"The sale of our Williston Basin operated assets transforms Halcón into a single-basin company focused on the Delaware Basin where we have more than 41,000 net acres in Ward and Pecos Counties representing decades of highly economic drilling inventory. The cash proceeds from this transaction and related debt reduction provide us with a strong balance sheet and liquidity to execute our growth plans."*

Floyd Wilson, Halcón Chairman, CEO, and President

## Impact on Bruin

- Allowed Bruin to obtain a producing asset with substantial development upside across a large acreage position.
- Production of 29,000 bbl/d provided significant immediate cash flow generation to help finance future activities

Buyer	Average 5	Bruin
Seller	Permian Trans	HK Bakken
Purchase Price	\$ 1,444	\$ 1,400
Net Acres (K)	43	104
Production (mboe/D)	4	29
Implied PDP (\$mm)	\$ 147	\$ 1,015
Implied Acreage (\$mm)	\$ 1,297	\$ 385
<b>\$/Boe/D</b>	<b>\$ 343,810</b>	<b>\$ 48,276</b>
<b>\$/Acre</b>	<b>\$ 30,153</b>	<b>\$ 3,702</b>

*"We are excited to acquire this highly attractive portfolio from Halcón. The acquisition provides an opportunity to add significant scale, acreage, inventory and production that is exceptionally complementary to Bruin's existing asset base."*

Matt Steele, Bruin CEO



# E&P - M&A & Capex Activity

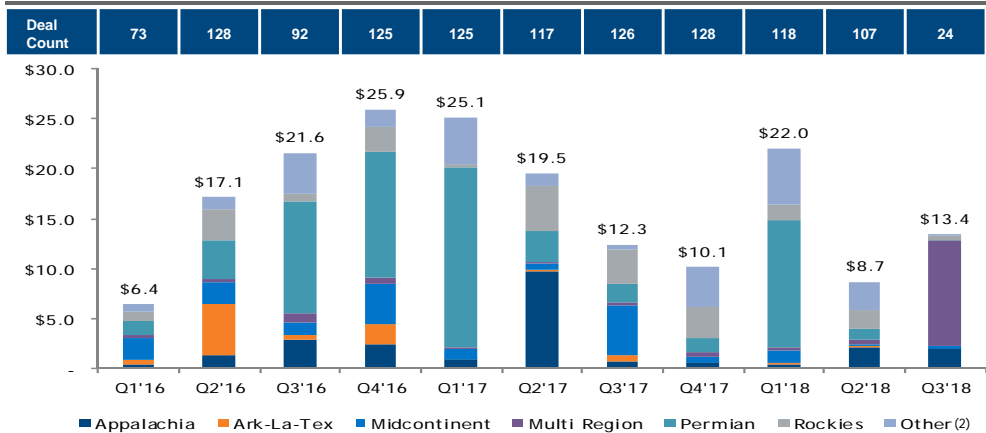
## M&A Activity

- Q3'18 activity has rebounded after a sluggish Q2'18, driven by BP's \$10.5BN acquisition of BHP's Permian, Eagle Ford and Haynesville assets
- 2Q'18 slowdown attributed to lack of public company buying driven by Wall Street's mandate for cash flow over growth
- YTD, Permian has led basin-specific deal flow with \$13.8BN in transaction value driven by Concho's \$9.0BN acquisition of RSP Permian in 1Q'18

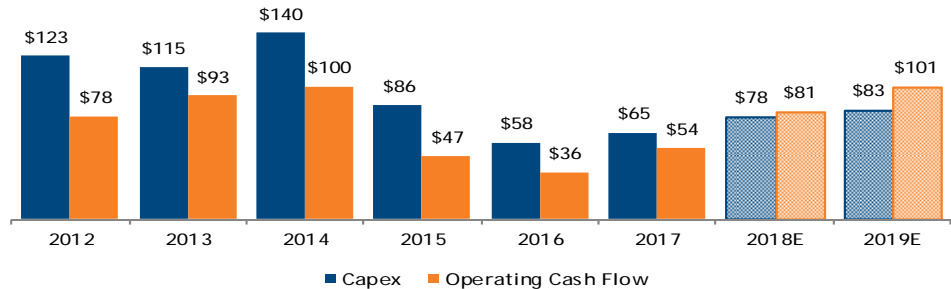
## Capex Activity

- After spending an average of ~150% of cash flow over the past 5 years, E&Ps are projected to spend ~96% of cash flow in 2018
- D&C budgets continue to grow; U.S. E&P capex is expected to be \$78BN for 2018E, up 20% from 2017

M&A Activity by Basin (\$BN) (1)



STRH Universe Capex & Cash Flow (\$BN)



(1) Volume based on transaction announcement date (2) Other includes Alaska, Gulf Coast, Gulf of Mexico, and West Coast  
 Note: M&A activity represents deals through 7/27/2018  
 Source: CapIQ, PLS, Company filings  
 12 www.suntrustrh.com

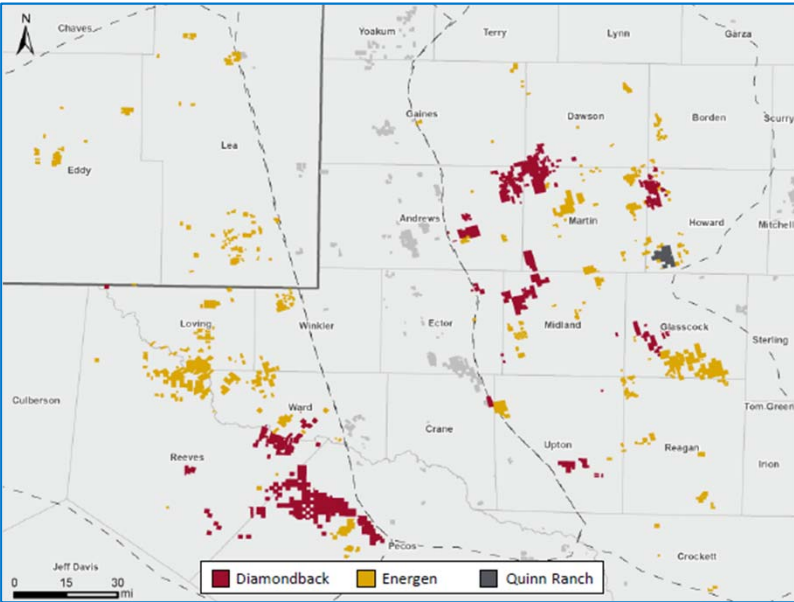


# Diamondback Transformational Combination with Energen

## Transaction Details

- Consideration: All Stock
  - 0.6442 shares of Diamondback per share of Energen
  - \$9.2bn transaction value (incl. Energen net debt of \$0.8bn)
- Accretive on All Metrics
  - 2019+ Cash Flow per share
  - 2019+ Earnings per share
  - Pro forma free cash flow generation
  - NAV, acreage
- Significant Primary and Secondary Synergies
  - Capital productivity: Midland and Delaware well costs
  - Cash costs, primarily G&A and interest expense
  - High grading pro forma acreage, adjacent acreage
  - Substantial mineral drop down opportunity
  - Complementary midstream assets

## Diamondback Pro Forma Acreage



	DIAMONDBACK Energy	ENERGEN	DIAMONDBACK Energy PF
Enterprise Value (\$bn) <sup>(1)</sup>	\$17.8	\$9.2	\$27.0
Q2 2018 Production (mboepd) <sup>(2)</sup>	124.7	90.4	215.1
Net Permian Acreage <sup>(3)</sup>	211,000	179,000	390,000
Tier One Permian Acreage <sup>(4)</sup>	170,000	89,000	259,000
Tier One Permian Acreage (incl. Quinn) <sup>(4)</sup>	170,000	96,000	266,000
Net Locations	3,170	3,901	7,072

(1) Gives effect to previously announced transaction with Ajax Resources, LLC  
 (2) Diamondback current production includes Ajax, Energen current production excludes 7 MBoe/d attributable to CBP  
 (3) Midland and Delaware only, Energen acreage includes 11,000 Quinn Ranch net acres  
 (4) IRR greater than 50% at \$60 WTI in at least one zone



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