

SAMPLE REPORT

OIL AND GAS M&A REVIEW & OUTLOOK

Highlights:

- U.S. Upstream market surges 250% to \$32.0 B vs Q2 2018
- BP gets back on offense with \$10.5 B Shale buy from BHP
- Diamondback buys Energen for \$9.2 B in Delaware Basin
- \$30 B of U.S. Deals for Sale
- Drillinginfo expects continued accretive deals to drive shale consolidation
- Globally, Energy deals tally \$156 B, down slightly from Q2's \$161 B

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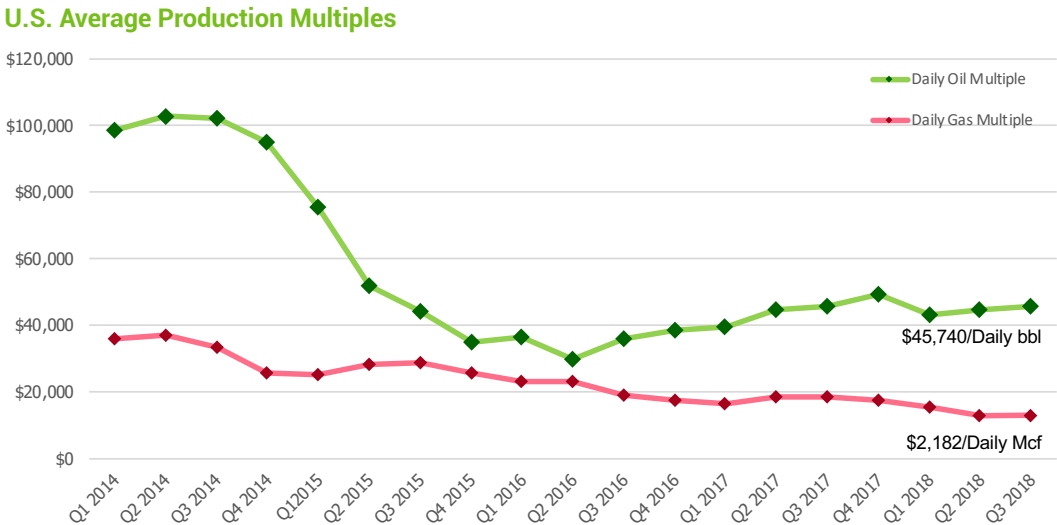
3Q18 – Top Takeaways

1. Activity catapulted to \$32.0 billion versus \$9.1 billion in Q2 and \$18.2 billion quarterly average since 2009 and is the highest quarter since Q4 2012's \$37.8 billion.
2. Interestingly, on the first trading day of Q4 2018, the near month NYMEX WTI price breached the psychologically important \$75 level, settling at \$75.30 (up \$2.05/bbl) and the first close above \$75 since November 24, 2014 (just before the latest oil price crash).
3. To punctuate current oil prices, the NYMEX futures also closed above \$70 through February 2020.
4. BP won the prized onshore shale portfolio of BHP for the largest asset level U.S. deal recorded for \$10.5 billion, reportedly beating Shell who likely remains on the hunt.
5. Diamondback Energy buys Energen Resources in a Permian-consolidation play for \$9.2 billion confirming that Q1's Concho/RSP Permian \$9.5 billion deal was not an aberration of the consolidation thesis.
6. The "show me the cash" mood of Wall Street remains intact and favors larger companies that have visibility to free cash via substantial Tier 1 acreage in focused portfolios.
7. The IPO market remains closed with Remora Royalties postponing its IPO during the quarter due to market conditions.
8. An early September land auction in the New Mexico portion of the northern Delaware Basin breaks all BLM land sale records at \$972 million with record high bids reaching \$95,001 per acre and signals increased activity for that portion of the Permian Basin.
9. While active, the M&A market remains squarely in the buyer's camp as examples of motivated sellers failing to receive minimum acceptable bids include SandRidge Energy (attempted corporate sale) and Whiting Energy (Niobrara assets in Colorado).
10. Globally, Q3 2018's \$156 billion in energy transactions across the value chain (Upstream, Midstream, Downstream, OFS, Power, Utilities, LNG) compares to \$161 billion in Q2 2018.

3Q18 – Looking Forward

1. Expect continued high pace of M&A activity in the next 6-12 months.
2. \$30 billion of U.S. deals for sale provide high quality inventory for deal activity.
3. Consolidation within shale plays likely to increase in momentum as scale and efficiency rewards larger players.
4. Sellers likely to come from small to mid-cap basin focused publics plus private equity backed companies.
5. Private capital will be leaders in de-risking fringe areas of known plays plus deploying latest technologies to new areas like the Powder River Basin, as an example.
6. Permian takeaway constraints present strategic opportunities over the next 12-18 months. In August 2018 a record number of new DUCs at 211 (~7/day) raises the DUC inventory to 3,630.
7. Within the Permian, the northern portion of the Delaware Basin in New Mexico is increasing in activity and acreage values as outstanding well results continue to drive activity.
8. Wall Street mandate for positive cash flow is favoring larger companies from an equity valuation perspective as acreage positions in Tier 1 areas provide strong visibility.
9. The energy sector of the S&P 500 remains under-represented from a historical viewpoint and upside exists driven by higher oil prices as well an inflation hedge.
10. Gas asset transactions generally restricted to de-risked and economically viable development assuming \$3.00/gas with proximity to growing Gulf Coast LNG and Petrochemical demand playing a factor.

Production valuations slightly up for oil, down for gas – Current multiples are \$45,740/bbl and \$2,182/Mcf – a 21:1 economic ratio

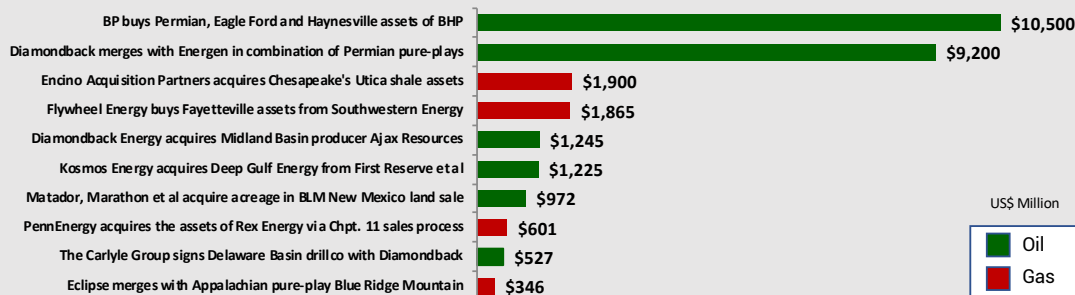


Notes:
 Quarterly oil and gas multiple benchmarks derived from market data from U.S. M&A Database.
 a. Deals >70% oil or > 70% gas.
 b. Trailing 6 months.
 c. Deal Value > \$10 million.
 d. Actual transaction analysis uses 3-stream multiples. NGL multiple adjusted quarterly based on market pricing.

Top 10 U.S. deals take 89% of the 3Q18 market – Largest property deal on record with BP’s \$10.5 billion buy from BHP

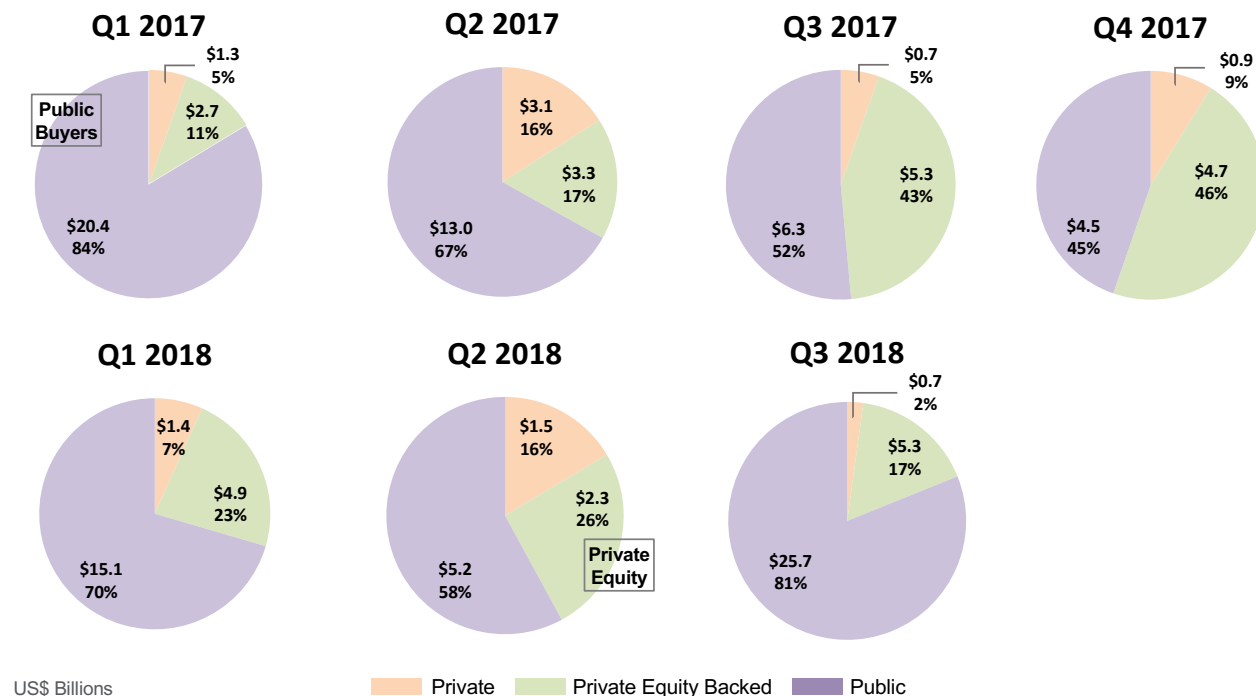
Top 10 U.S. Deals

Date	Buyers	Sellers	Value (\$MM)	Type	Play
07/26/18	BP	BHP Billiton	\$10,500	Property	Eagle Ford, Delaware, Haynesville
08/14/18	Diamondback Energy	Energen Resources	\$9,200	Corporate	Delaware, Midland
07/26/18	Encino Acquisition Partners	Chesapeake Energy	\$1,900	Property	Ohio Utica
09/04/18	Flywheel Energy	Southwestern Energy	\$1,865	Property	Fayetteville
08/08/18	Diamondback Energy	Ajax Resources	\$1,245	Corporate	Midland
08/06/18	Kosmos Energy	Deep Gulf Energy	\$1,225	Corporate	GOM Conventional
09/06/18	Matador; Marathon; Tap Rock; Ameredeve et al	Bureau of Land Management, New Mexico	\$972	Acreage	NM Delaware
08/27/18	PennEnergy	Rex Energy	\$601	Property	Marcellus, Utica
09/11/18	The Carlyle Group	Diamondback Energy	\$527	JV	Delaware
08/27/18	Eclipse Resources	Blue Ridge Mountain Resources	\$346	Corporate	Marcellus, Utica



Who's Buying: In Q3, public buying surged from \$5.2 billion to \$25.7 billion

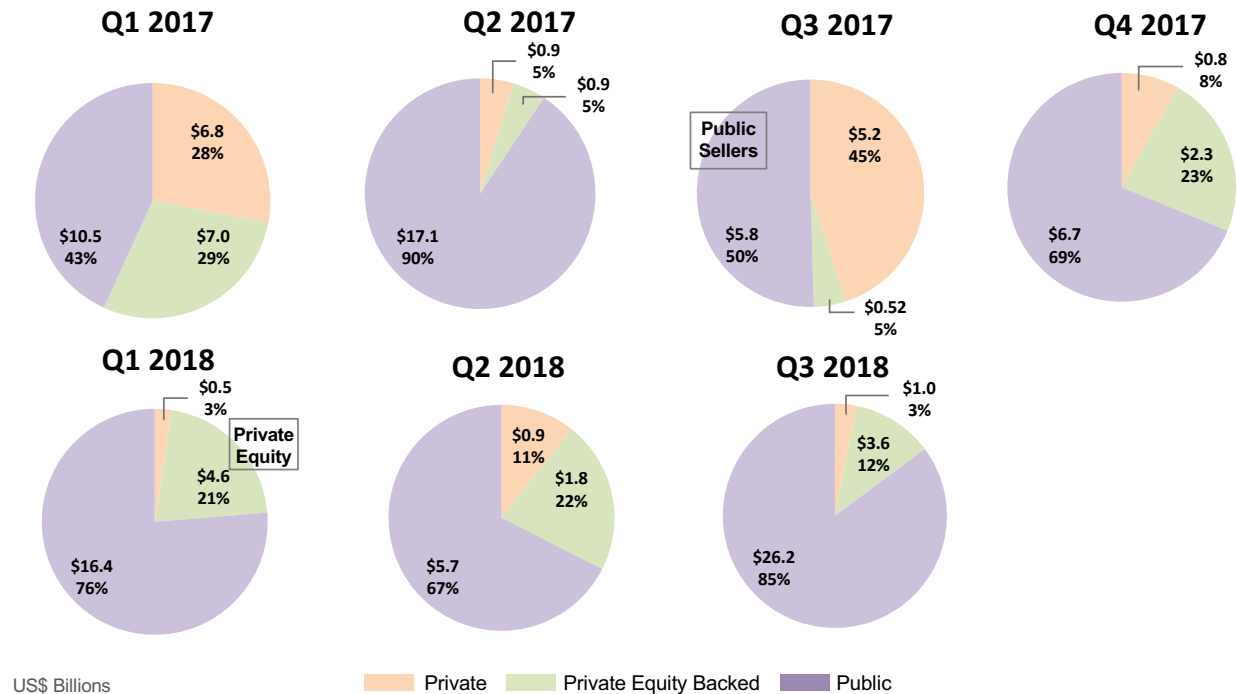
Deal Value by Buyer Type



Who's Selling:

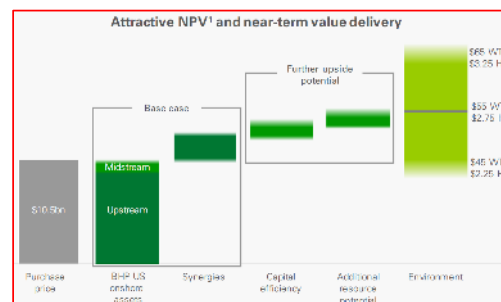
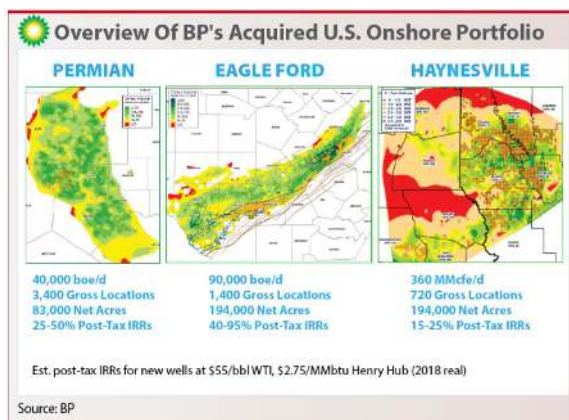
In Q3, public market selling also surged from \$5.7 billion to \$26.2 billion

Deal Value by Seller Type



Top Q3 Deal: BP buys bulk of BHP onshore shale assets

Pays \$10.5 billion in transformative deal



1. NPV = Net present value at 10% discount rate, \$55/bbl WTI, with a Midland discount of \$7/bbl near term and around \$2/bbl longer term, \$2.75 MMbtu Henry Hub (2018 real). Indicative values only.

Drillinginfo deal value allocation

Production Metric	Permian			Eagle Ford			Haynesville			Total		
	Production	Prod. Value	BOE/d Value	Production	Prod. Value	BOE/d Value	Production	Prod. Value	BOE/d Value	Production	Prod. Value	BOE/d Value
Oil/Condensate (bbl/d)	20,573	\$1,028,648,649		43,587	\$2,179,367,089		-	\$0		64,160	\$3,208,015,737	
NGL (bbl/d)	8,324	\$166,486,486		20,130	\$402,607,595		-	\$0		28,455	\$569,094,081	
Natural Gas (Mcfd)	66,616	\$149,886,486		157,694	\$354,810,759		360,000	\$810,000,000		584,310	\$1,314,697,246	
Total (boe/d)	40,000	\$1,345,021,622	\$33,626	90,000	\$2,936,785,443	\$32,631	60,000	\$810,000,000	\$13,500	190,000	\$5,091,807,065	\$26,799
	Acre	Value	Implied Value	Acre	Value	S/acre *	Acre	Value	S/acre *	Acre	Acreage Value	S/acre
	83,000	\$2,523,192,935	\$30,400	142,000	\$3,560,000,000	\$30,000	194,000	\$970,000,000	\$5,000	471,000	\$5,408,192,935	\$11,482
Total Value		\$3,868,214,557			\$4,851,785,443			\$1,780,000,000			\$10,500,000,000	

* S/acre based on comp