Key Basin Deals

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NAPE 2019

Agenda

- M&A Trends in the US
- 2018 Key Basin Deals
- Evaluating An Asset

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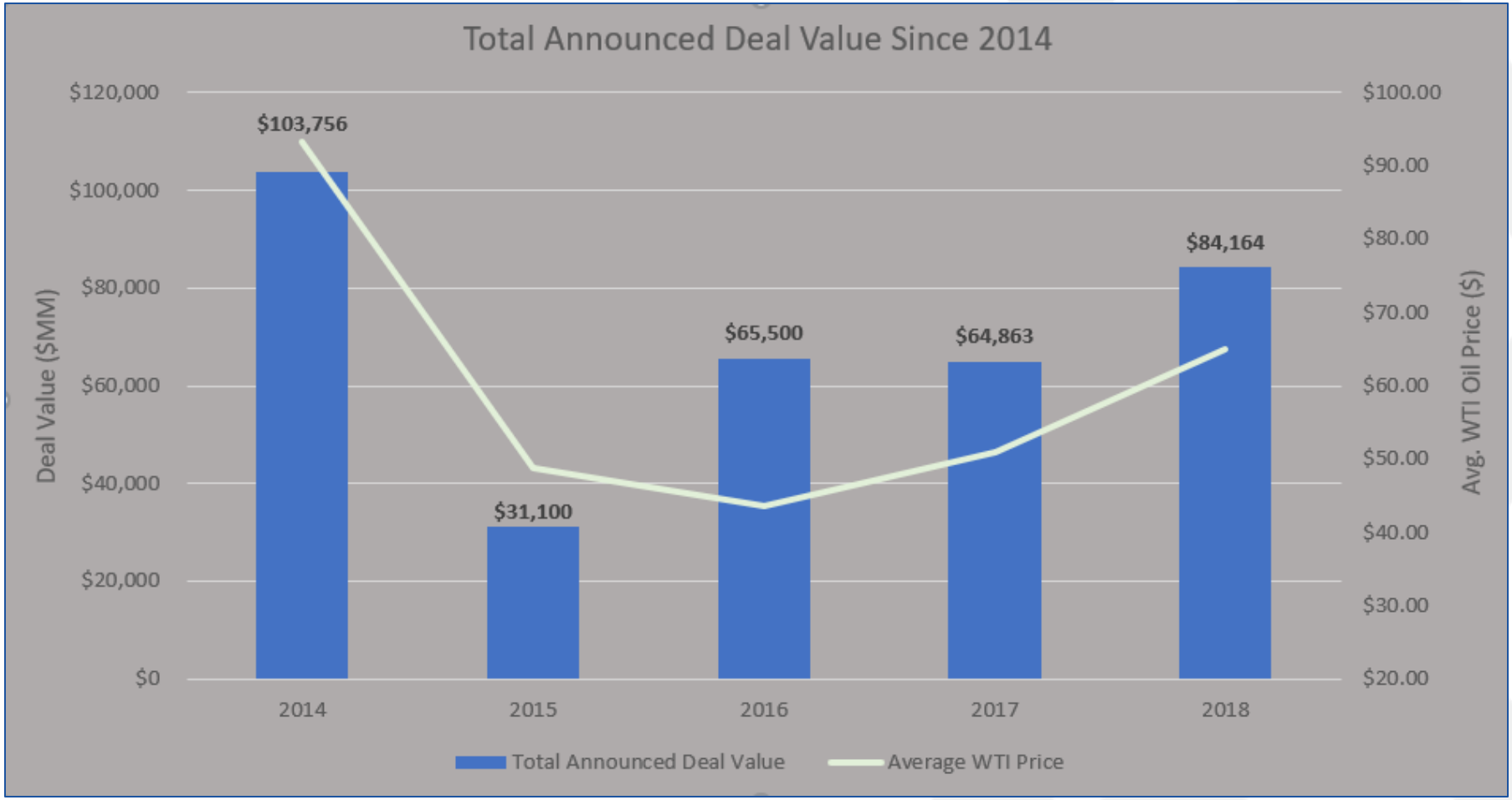
TOTAL M&A DEAL VALUE IN THE US

- M&A activity is linked to commodity price
- 2018 was best year since price crash in 2014 in terms of total deal value



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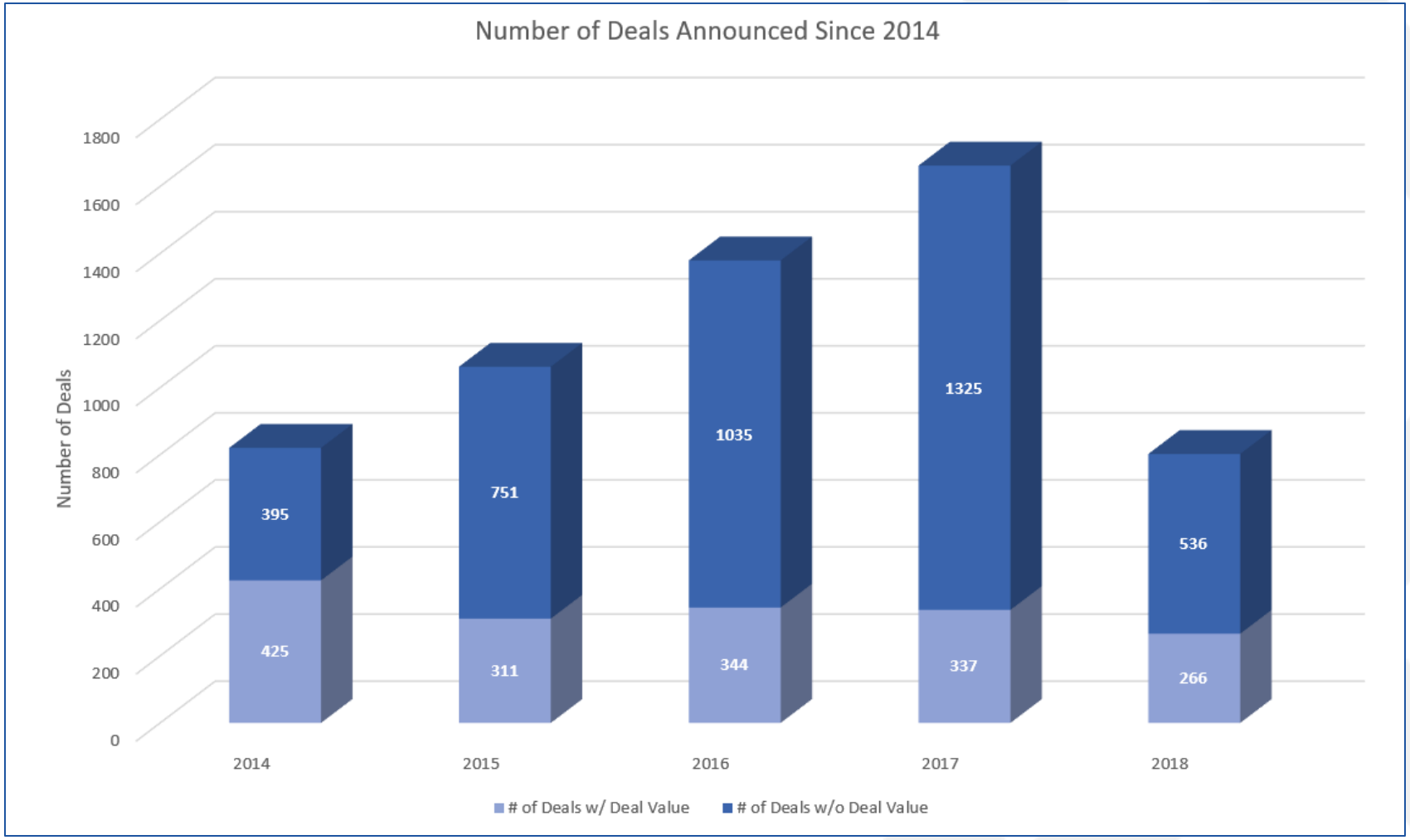
NUMBER OF DEALS

- Although we saw some record transactions in 2018, number of deals announced is down about 50%



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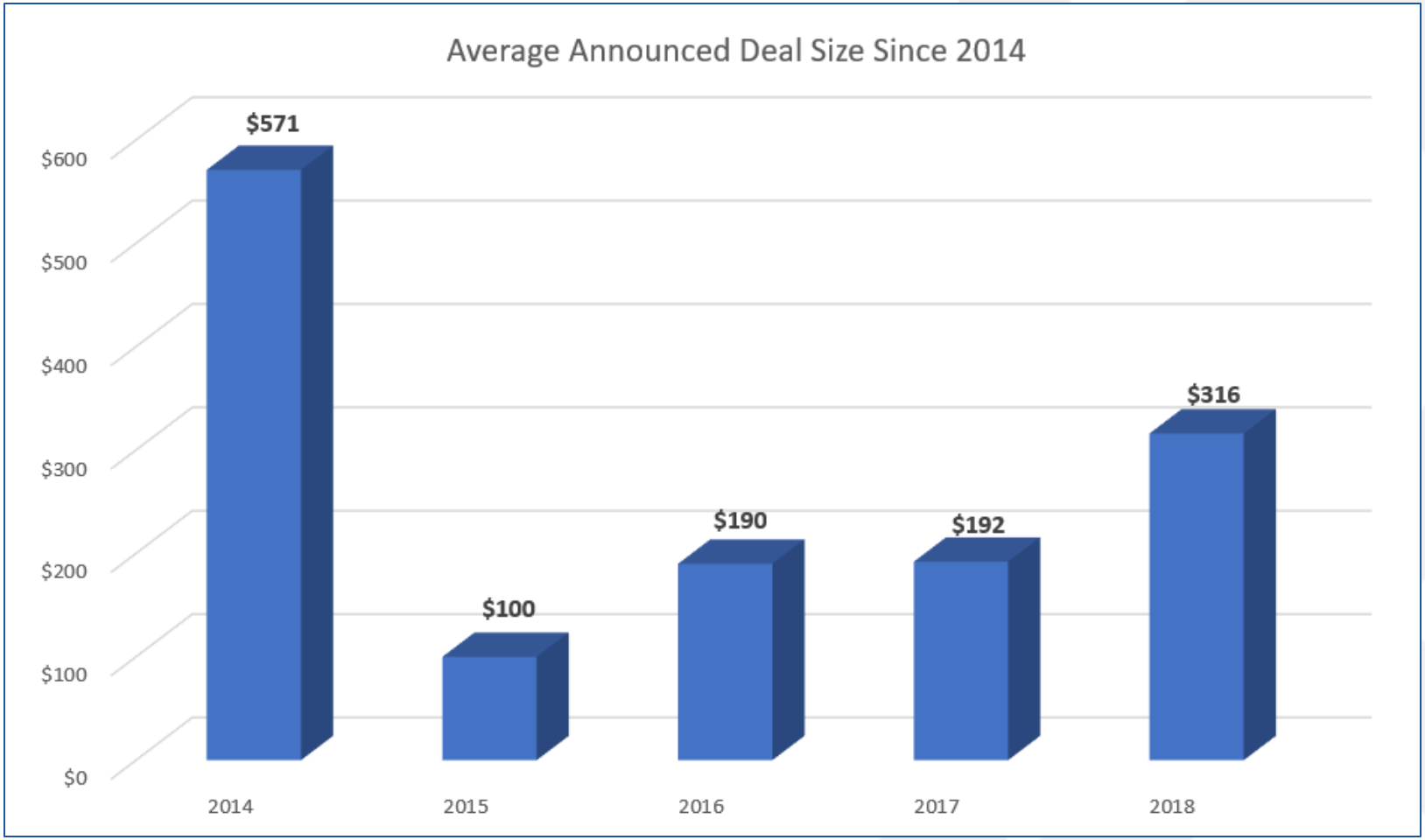
AVERAGE DEAL SIZE

- The average deal size in 2018 was 65% higher than the previous 2 years
- With higher total transaction value, but less than half as many deals, what does this mean?



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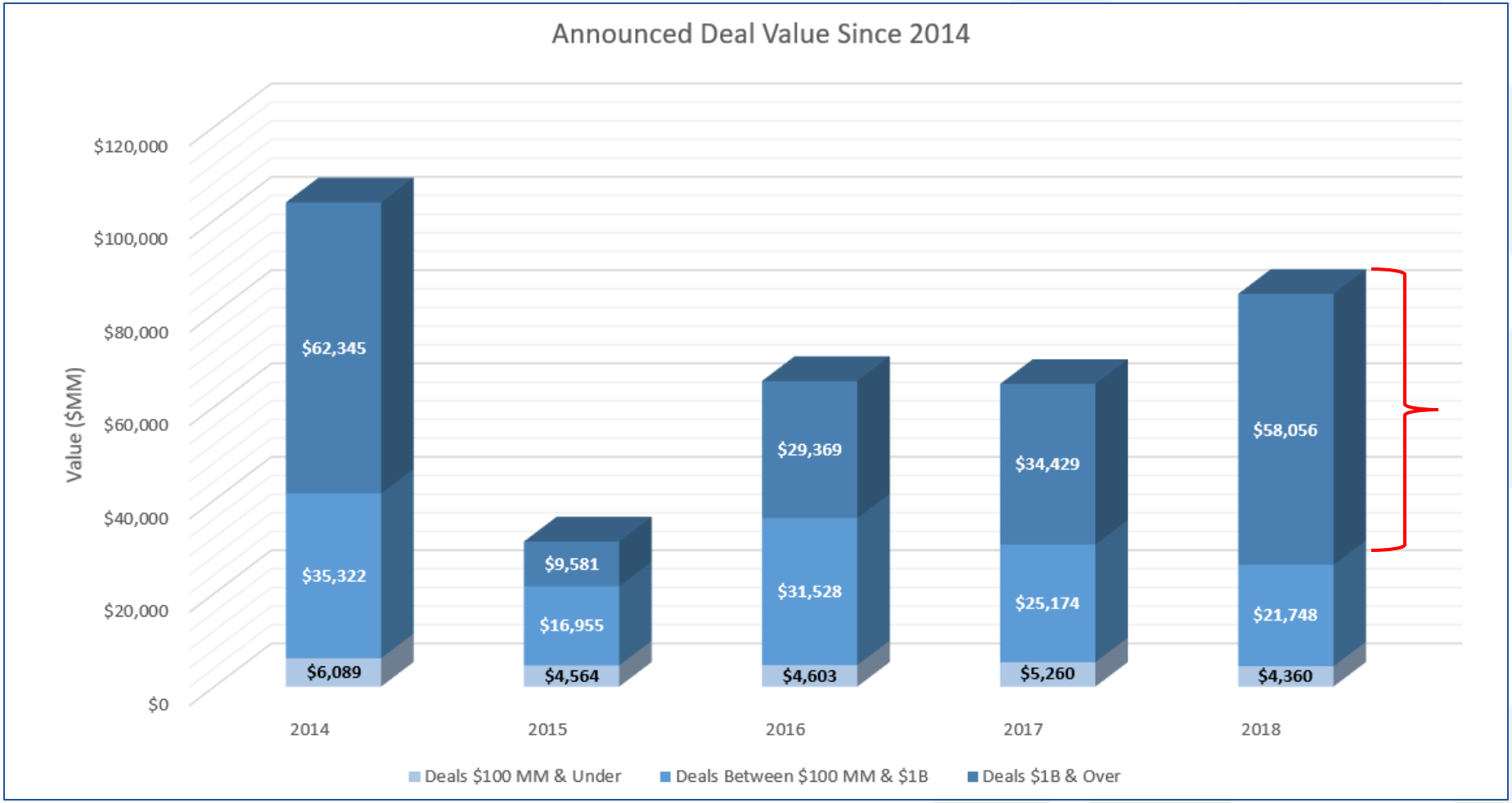
DEAL SIZE BUCKETS

- The big deals are getting bigger with record transactions in 2018
- How many more will we see in 2019? What changes to this trend can we expect?



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2018 DEALS OVER $1 BILLION

Buyer	Seller	Value ($MM)	Announce Date	US Play(s)	Net Acreage	Avg. Prod. (MBOE/d)	1P Reserves (MMBOE)	WTI Spot Price ($/bbl)
BP	BHP Billiton	$10,500	7/26/2018	Multiple	471,000	190	4,600 (Resource)	$71.34
Concho	RSP Permian	$9,500	3/28/2018	Permian	92,000	55.5	376	$64.29
Diamondback	Energen	$9,200	8/14/2018	Permian	263,000	97.4	444	$67.20
EnCana	Newfield	$7,700	11/1/2018	Multiple	1,100,000	200	678	$66.13
Chesapeake	WildHorse	$3,977	10/30/2018	Eagle Ford	420,000	46.5	383	$66.13
TPG Pace	EnerVest	$2,662	3/20/2018	Eagle Ford	360,000	40		$63.36
Encino	Chesapeake	$1,900	7/26/2018	Utica	930,000	107	480	$71.34
Flywheel	SWN Energy	$1,865	9/4/2018	Fayetteville	915,000	119	613	$69.18
Denbury	Penn Virginia	$1,716	10/28/2018	Eagle Ford	84,000	21.5	82.6	$67.53
Vantage	QEP	$1,650	11/7/2018	Williston	102,800	46	107 (PDP)	$61.64
Cimarex	Resolute	$1,616	11/19/2018	Delaware	21,100	34.8	53.4	$57.11
Ascent	CNX, Hess, Utica MD, Salt Fork	$1,500	6/29/2018	Utica	182,800	36	183.3	$73.58
Diamondback	Ajax	$1,245	8/8/2018	Midland	25,493	12.1		$66.87
Kosmos	Deep Gulf	$1,225	8/6/2018	Gulf of Mexico		25	80	$68.96

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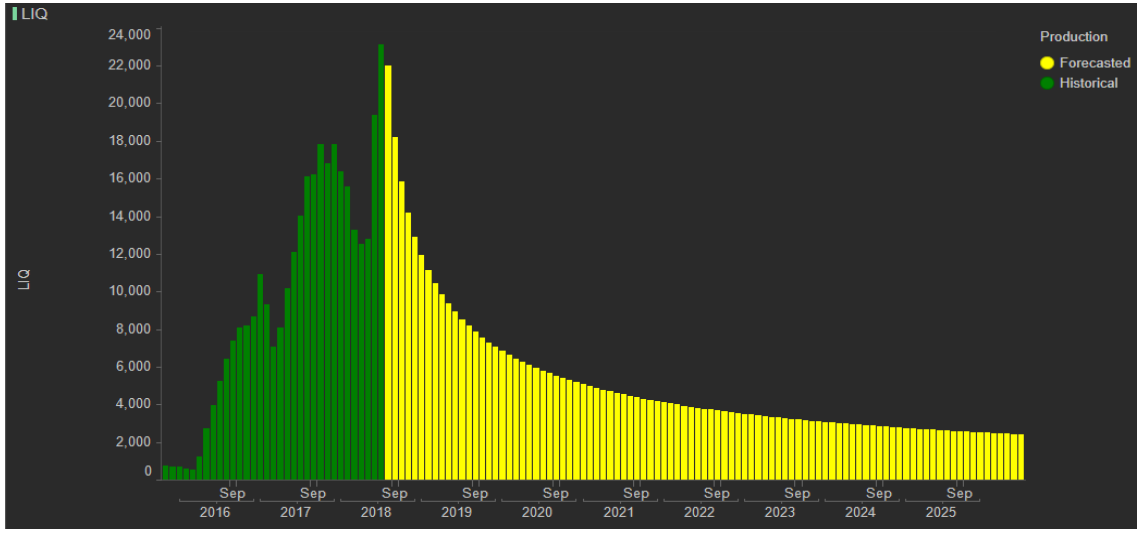
CIMAREX ACQUIRES RESOLUTE ENERGY FOR $1.62B

PDP Key Metrics

Active Wells:	91
Active Operators:	1
Avg Oil EUR (Bbl):	449,365
Avg Gas EUR (Mcf):	2,991,170
Oil Cum (Bbl):	10,558,075
Gas Cum (Mcf):	53,882,603
Avg Boe 6:1 EUR:	947,894
Avg Boe 20:1 EUR:	598,924
Boe 6:1 Cum:	19,538,509
Boe 20:1 Cum:	13,252,205
Oil Remaining Recoverable (Bbl):	30,334,158
Gas Remaining Recoverable (Mcf):	218,313,890
Boe 6:1 Remaining Recoverable:	66,719,806
Boe 20:1 Remaining Recoverable:	41,249,853
Avg Perf Interval:	6,185

IRR:	
NPV:	$663,043,407
EBITDA:	$1,349,492,833
Gas Breakeven (@ $65.00/Bbl Oil):	$0.00
Oil Breakeven (@ $3.00/Mcf Gas):	$0.00



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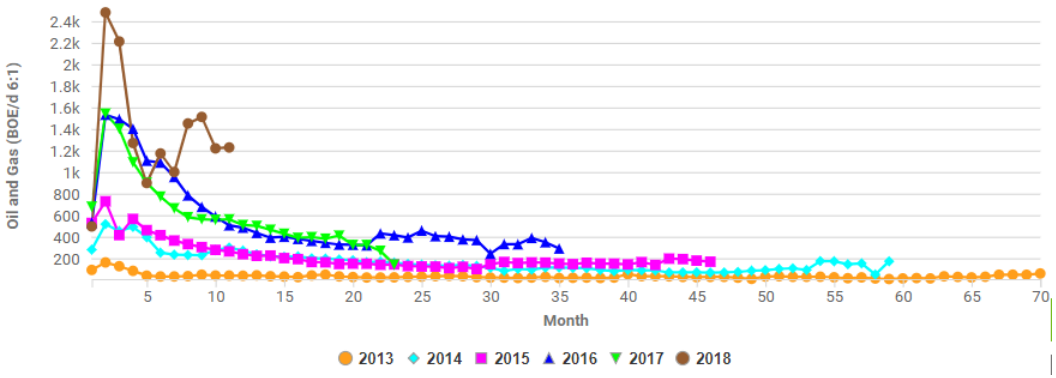
CIMAREX ACQUIRES RESOLUTE ENERGY FOR $1.62B

WTI Differential ($/Bbl):	$7.50
Henry Hub Gas Basis ($/Mcf):	$0.20
Performance	
Fixed Cost ($/mo/well): [?]	$0.00
Drilling Cost ($):	$4,000,000
Completion Cost ($):	$5,300,000
Total Well Cost ($):	$9,300,000
Royalty (%):	20.00 %
Oil Operating Cost ($/Bbl):	$6.00
Gas Operating Cost ($/Mcf):	$0.40
NGL Yield (Gal/MCF):	6.30
Shrink (%):	21.77 %
Recommended Shrink (%):	21.77 %
State & Local Taxes	
Oil Taxes (%):	4.60 %
Gas Taxes (%):	7.50 %



Completions Schedule

Scenario Type Acreage [?]

Completions/Month	1.00
Drillable Locations	68

Acreage Scenario	Value
Acre Spacing	80
Total Acres	5472
Start Date	1/1/2019

Drill 1.0 well(s) per month for 68 month(s) starting on 01/01/2019

IRR:	76.65 %
NPV:	$916,083,063
EBITDA:	$2,398,768,117
Gas Breakeven (@ $65.00/Bbl Oil):	$0.00
Oil Breakeven (@ $3.00/Mcf Gas):	$29.10

Oil EUR: 800,119 Bbl
Gas EUR: 3,841,962 Mcf
Boe (6:1) EUR: 1,440,446 Boe
Boe (20:1) EUR: 992,217 Boe
First Year Oil Decline: 73.68 %
First Year Gas Decline: 71.76 %

WCA TC

Oil EUR: 462,388 Bbl
Gas EUR: 3,317,204 Mcf
Boe (6:1) EUR: 1,015,255 Boe
Boe (20:1) EUR: 628,248 Boe
First Year Oil Decline: 75.90 %
First Year Gas Decline: 71.85 %

WCB TC

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CIMAREX ACQUIRES RESOLUTE ENERGY FOR $1.62B

Buyer	Seller	Value ($MM)	Acres (Net)	Avg. Daily Prod. (MBOE/d)	$/Acre	$/BOE/d	Date Announced
Carrizo	Devon	$215	9,600	2.5	$13,281	$35,000	8/14/2018
Callon	Cimarex	$575	28,657	6.8	$10,315	$40,000	5/24/2018
Halcon	Shell	$200	10,524	1.1	$15,346	$35,000	2/6/2018
				Average	$12,981	$36,667	
					Net Acreage	Avg. Net Production/d	
				Resolute	21,179	34,700	
					$274,917,539.33	$1,272,333,333.33	$**1,547,250,872.67**

Company	Undrawn Borrowing Base ($MM)	Cash Balance ($MM)	Stock Price ($) [11/19]	Last Purchase Over $100 MM
Conoco	$6,000.0	$3,716.0	$66.44	2/1/2018
Anadarko	$5,000.0	$1,883.0	$55.61	6/30/2018
EOG	$2,000.0	$1,274.1	$105.71	9/6/2016
Cimarex	**$997.5**	**$863.9**	**$88.03**	**5/2/2014**
Apache	$3,870.9	$593.0	$36.53	9/6/2016
WPX	$1,652.0	$36.0	$14.00	1/12/2017
Energen	$1,725.0	$17.1	$73.28	6/30/2017
Callon	$1,017.3	$12.1	$9.67	5/24/2018
PDC	$1,225.0	$1.4	$25.71	9/25/2017

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Conclusions

- **Over the past 5 years…**
  - **We've seen a dramatic shift towards bigger single-play deals with average deal size increasing significantly.**
  - **Fewer deals are being put on the market (PE firms are starting to focus on actually managing assets in the long term)**
- **Expect to see...**
  - **A continuation of large acreage consolidations and big single-play deals**
  - **Anticipate smaller fringe deals that include more conventional assets**
- **When evaluating an asset…**
  - **Look for any leasing issues like depth restrictions that might devalue the acreage**
  - **Use as many applicable sources for economic assumptions in the NPV model**
  - **Be prepared to model many different drill out scenarios to accurately capture the upside potential**
  - **Use deal metrics as a guideline, but do as much due diligence on the asset as possible**

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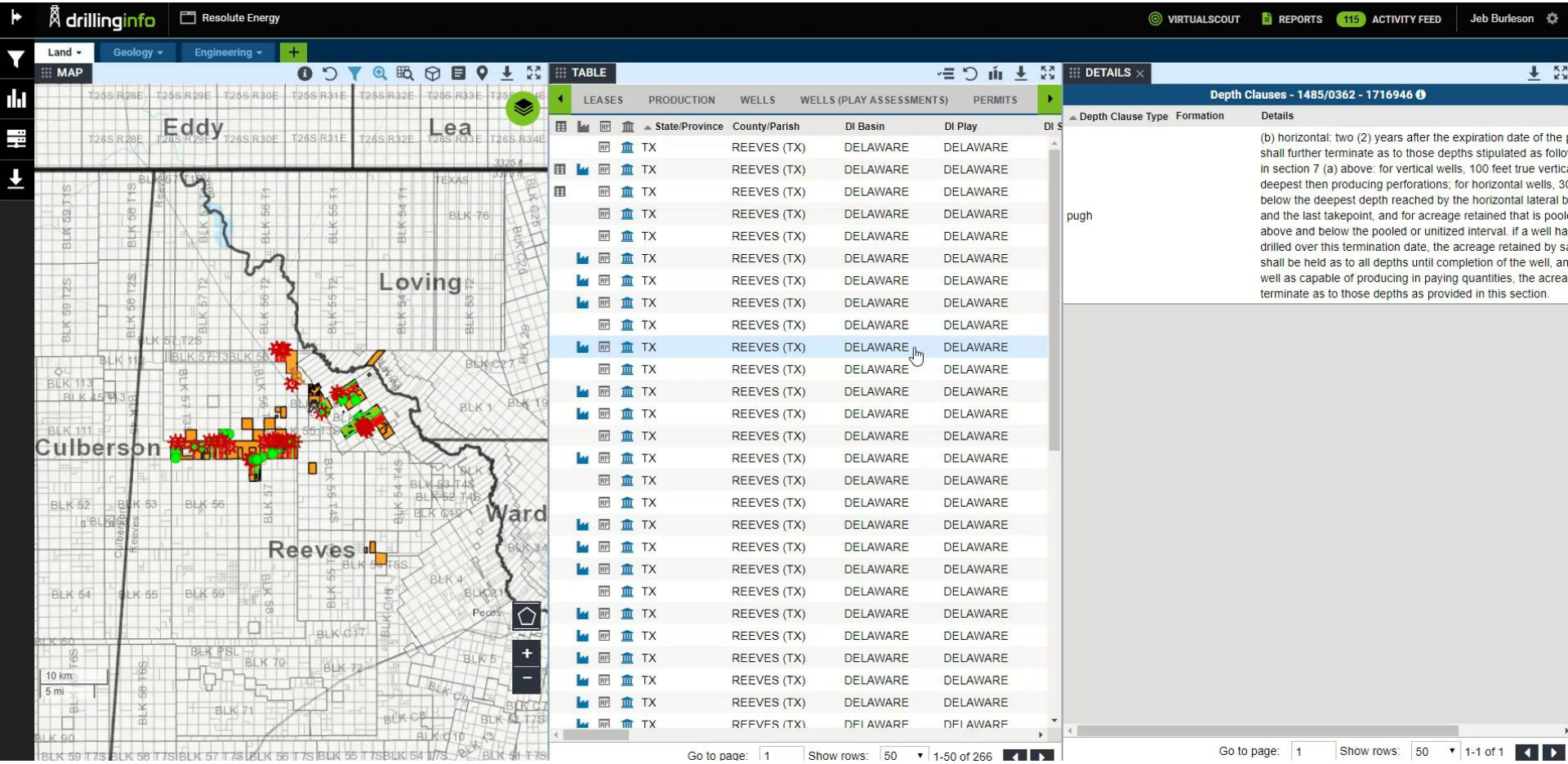

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