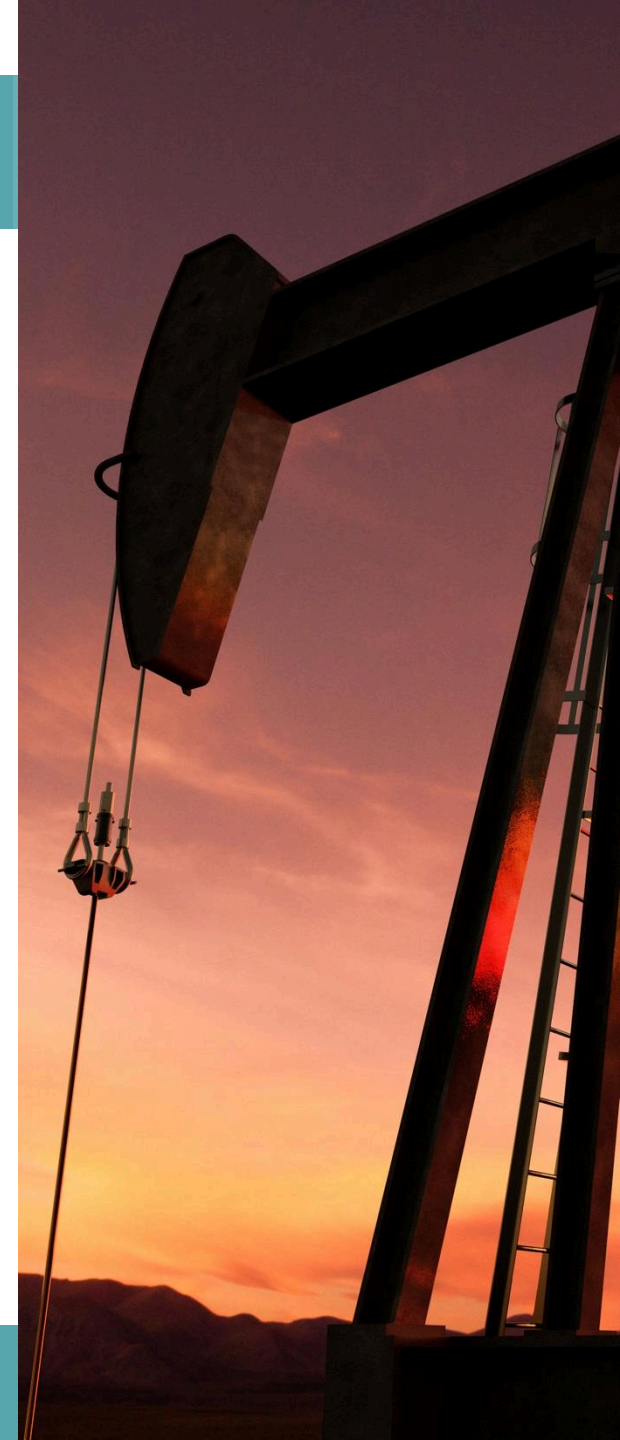


Q1 2020 Upstream M&A Review & Outlook

Key Takeaways:

- \$580MM in U.S. 1Q20 deals as market suffers historic slowdown.
- \$210MM in non-core conventional sales as E&Ps trim portfolios.
- \$332MM in deals are for producing properties & \$47MM for acreage.
- \$190MM in royalty deals led by Kimbell's \$175MM acquisition.
- \$1.3B of upstream deals outside the U.S. as slowdown is worldwide.
- \$5B of U.S. inventory currently on the market as few new deals launched.



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Key Takeaways & Outlook

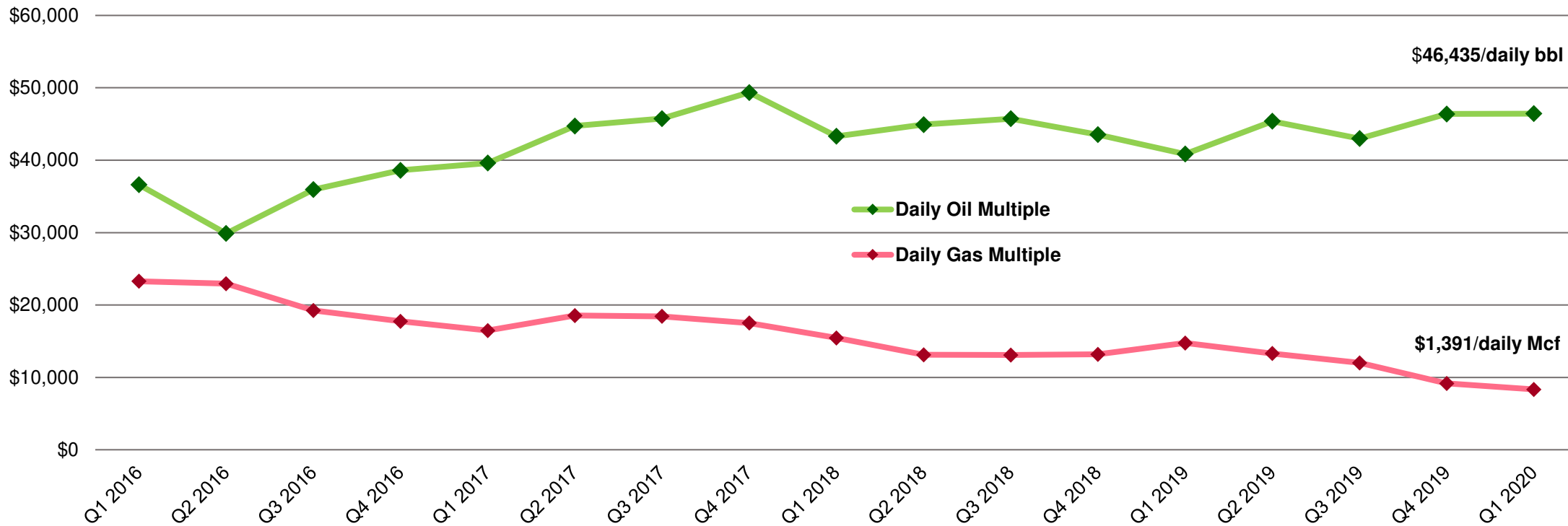
M&A collapses as effects of COVID and supply shock slam markets

- \$580 million in 1Q20 M&A is the lowest quarterly total in over a decade, beneath even the \$2.4 billion notched in 1Q19.
- The quarter was already on a slow pace before the worldwide spread of the COVID pandemic and a Saudi Arabia and Russia price war sent crude into a tailspin and equity volatility through the roof, grinding transaction markets to a virtual standstill.
- Deals for producing assets significantly led acquisitions of undeveloped acreage. As buyers slowly return to the market, they are likely to first look at acquiring PDP assets generating cash flow with a slower recovery for the undeveloped acreage market.
- There were no corporate mergers amid the low prices, uncertainty, and business challenges of working under COVID. However, the extreme pressure being placed on independent E&Ps may finally push the market into consolidation as the recovery starts.
- Additional capital from equity and debt markets or bank credit lines are likely to be limited for many E&Ps. Potential buyers in an initial recovery will likely be restricted to the most fiscally secure (majors) plus potentially private equity and foreign firms.
- Private equity looks to have halted new capital allocations to E&Ps during the downturn. It will be an interesting development to see when and if they and the other potential buyers listed above have confidence to begin spending on deals.
- Some announced deals not closed before the downturn have hit difficulties. For example, Alpine Capital's \$193 million deal with Approach was scrapped while BCE-Mach's acquisition of Alta Mesa's assets saw its deal value reduced by nearly one-third.
- There are significant deals from 2019 that still need to close. A few of the most notable are BP's ~\$10 billion in targeted asset sales (\$5.6 billion in Alaska to Hilcorp) and ~50% of Occidental's sale of legacy Anadarko Africa assets to Total for \$8.8 billion.
- Once some stability is found and a recovery starts, buyers may have opportunities to acquire high-quality inventory that may have been once viewed as too expensive whether through corporate consolidation or assets deals.
- There will likely be some Chapter 11 filings, although companies are largely better hedged and more proactive with capex cuts than in 2015. Filings will likely grow substantially if the downturn is more prolonged.

Oil & Gas Production Multiples



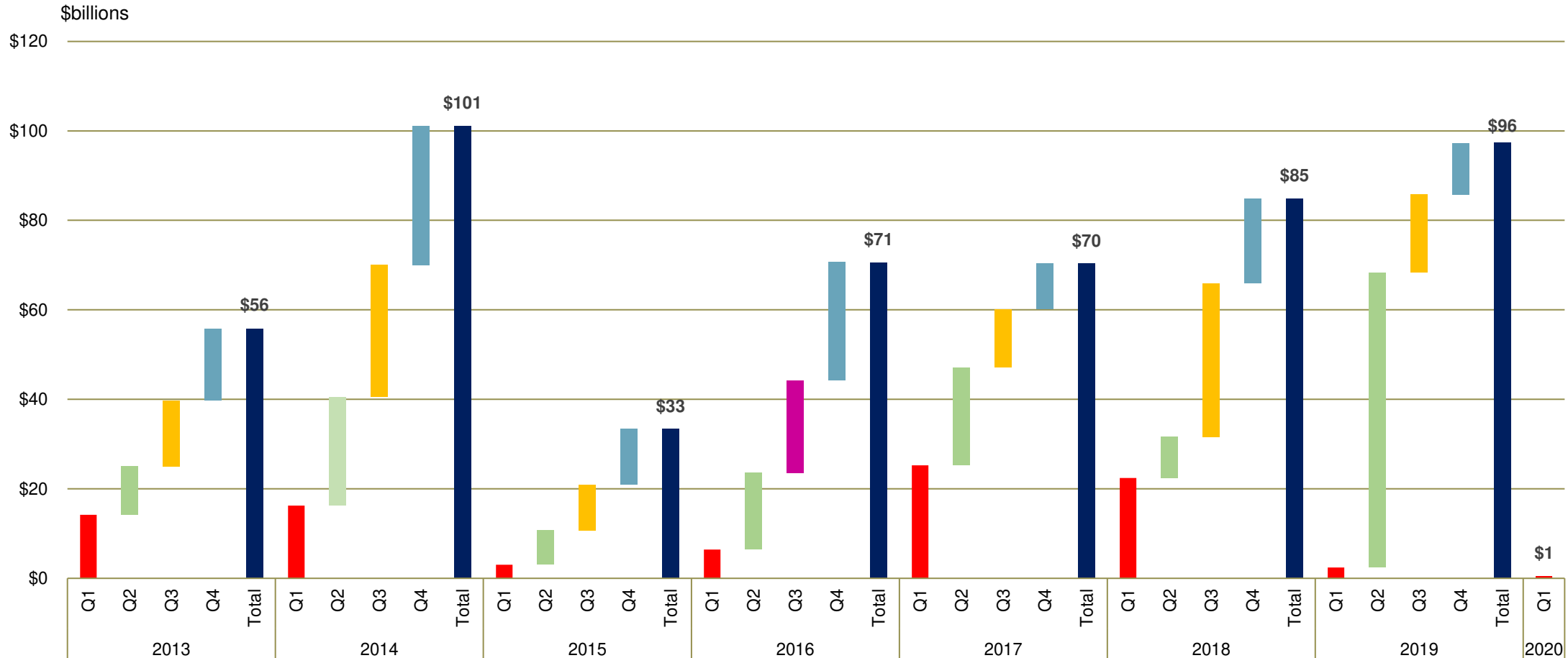
Trailing oil multiple does not yet reflect price drop due to lack of recent deals



Notes: .
 a. Deals >70% oil or > 70% gas and deal Value > \$10 million.
 b. Data points based on trailing six-to-nine-month average.
 c. Actual transaction analysis uses 3-stream multiples. NGL multiple adjusted quarterly based on market pricing.
 d. Graph scaled at 6:1 MCF to BOE. Economic ratio is currently ~30:1.

Deal Value Since 2012

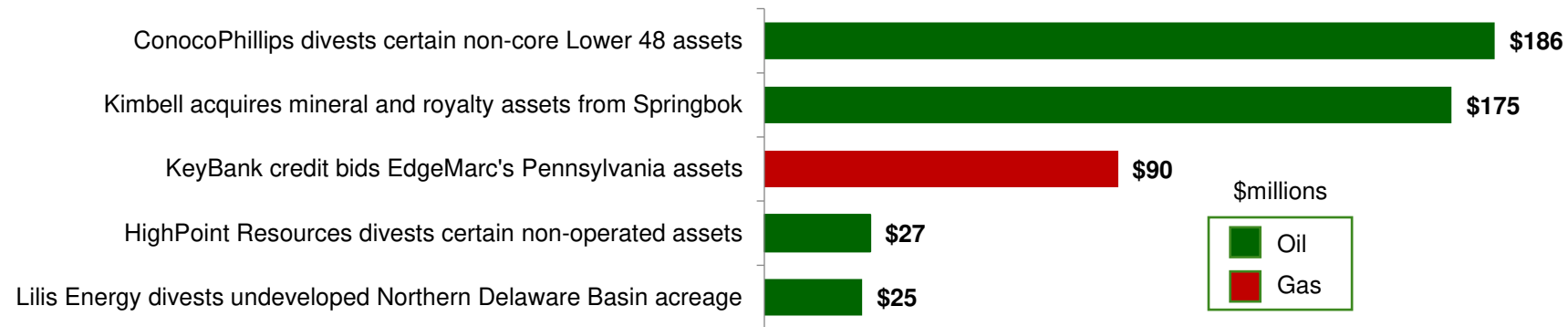
Q1 value collapses to only \$580 million, beneath even the recent low set in 1Q19



Top Five U.S. Deals of Q1 2020



Non-core divestments, royalties, and a bankruptcy sale make up Q1's largest deals



Date	Buyers	Sellers	Value (\$MM)	Type	Play/Region
01/31/20	Undisclosed	ConocoPhillips	\$186	Property	Conventional
01/09/20	Kimbell	Springbok Energy	\$175	Royalty	Multiple Unconv.
01/24/20	KeyBank	EdgeMarc	\$90	Property	Marcellus
02/26/20	Undisclosed	HighPoint Res.	\$27	Property	Multiple Unconv.
02/14/20	Undisclosed	Lilis Energy	\$25	Acreage	Delaware

U.S Deal Value by Top Plays



Conventional and multiple asset sales drive the bulk of deal value

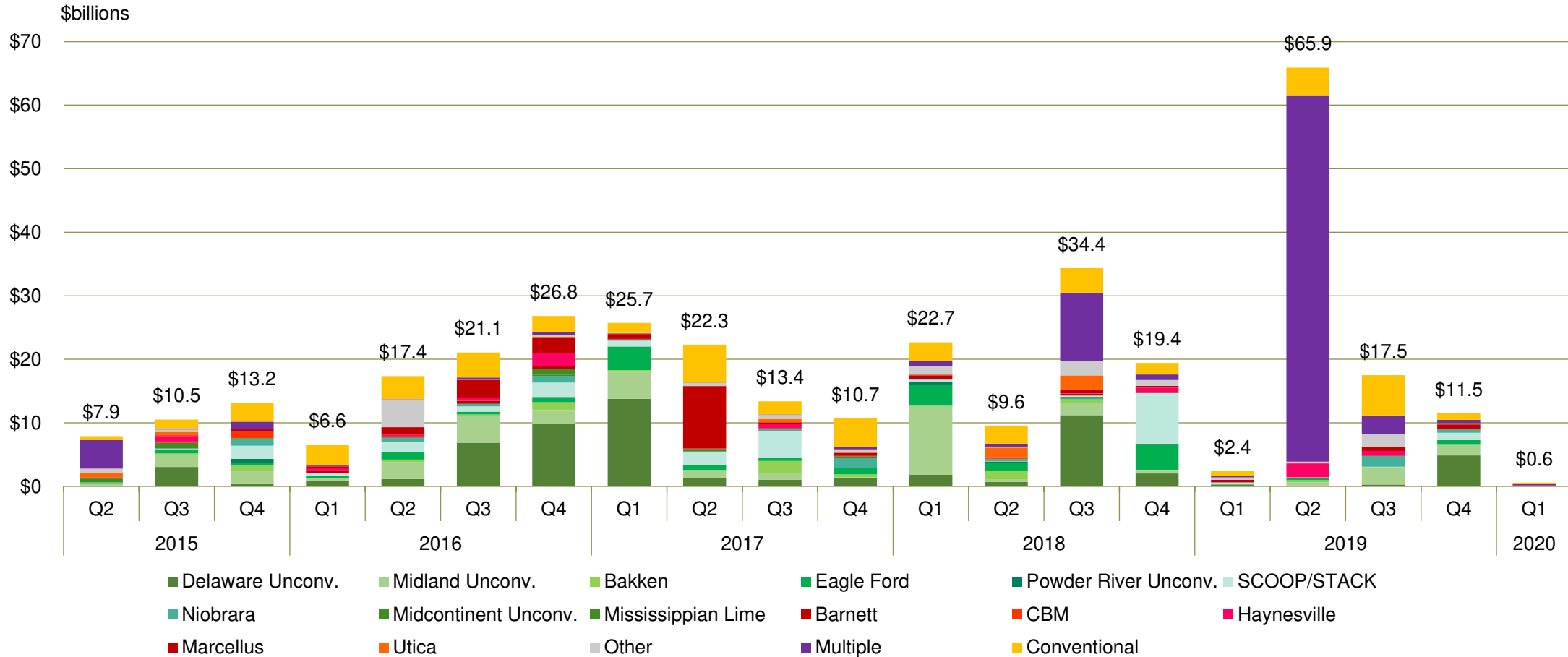
US Play	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	% of 1Q20
Conventional	\$3.0	\$2.8	\$3.8	\$1.8	\$0.7	\$4.5	\$6.3	\$1.0	\$0.2	36%
Multiple	\$0.8	\$0.5	\$10.8	\$0.9	\$0.2	\$57.5	\$3.0	\$0.5	\$0.2	35%
Marcellus	\$0.0	\$0.0	\$0.6	\$0.3	\$0.4	\$0.1	\$0.6	\$0.2	\$0.1	16%
Delaware	\$1.8	\$0.7	\$11.2	\$2.0	\$0.3	\$0.1	\$0.3	\$4.9	\$0.0	7%
Midland	\$10.8	\$0.3	\$1.9	\$0.6	\$0.0	\$0.5	\$2.6	\$1.8	\$0.0	4%
Niobrara	\$0.1	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$1.7	\$0.5	\$0.0	3%
Bakken	\$0.6	\$0.1	\$0.2	\$0.1	\$0.0	\$0.0	\$0.1	\$0.8	\$0.0	0%
Eagle Ford	\$0.0	\$1.4	\$0.6	\$0.0	\$0.0	\$0.4	\$0.1	\$0.0	\$0.0	0%
Haynesville	\$3.3	\$1.3	\$0.1	\$4.0	\$0.1	\$0.3	\$0.0	\$0.6	\$0.0	0%
Other	\$0.3	\$0.0	\$0.2	\$8.0	\$0.3	\$0.1	\$0.1	\$1.2	\$0.0	0%
SCOOP/STACK	\$2.0	\$2.1	\$4.9	\$1.8	\$0.3	\$2.4	\$2.7	\$0.0	\$0.0	0%
Total	\$22.7	\$9.6	\$34.4	\$19.4	\$2.4	\$65.9	\$17.5	\$11.5	\$0.6	100%

\$billions

U.S. Historical Deal Value by Play



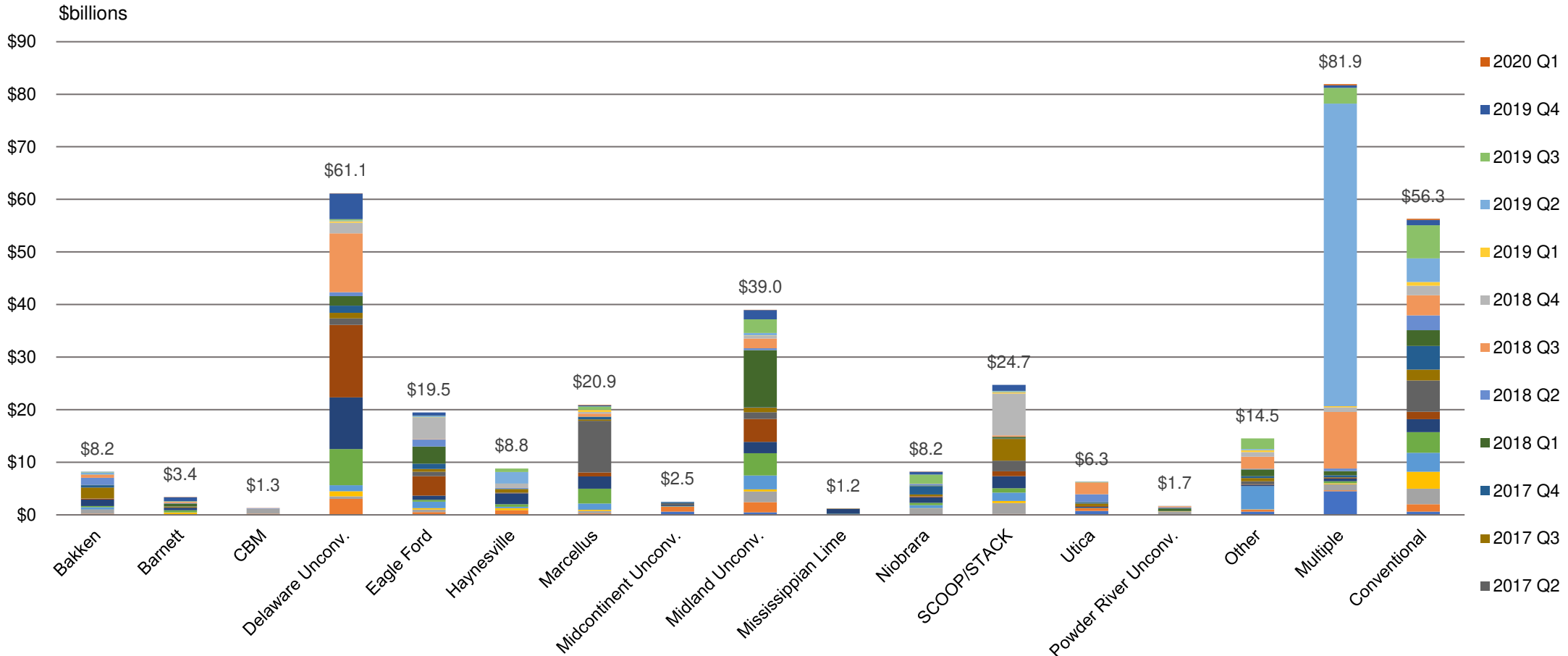
Marcellus has highest value for a single play at \$90 million from one deal



Cumulative Play Value 1Q15-1Q20



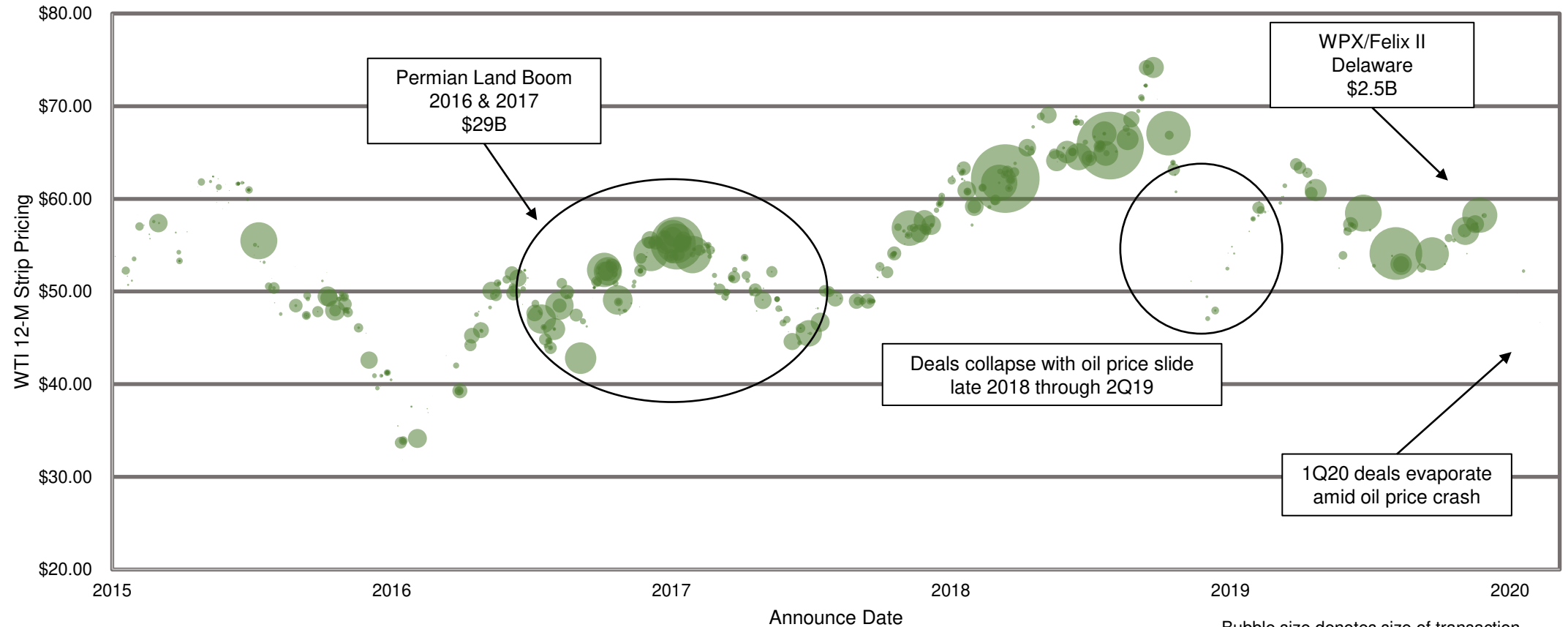
Conventional & Multiple grab largest share of tiny Q1 deal value



Oil Deals Over Time vs. WTI Price



High uncertainty and low prices combine to crater oil deal markets in 1Q20

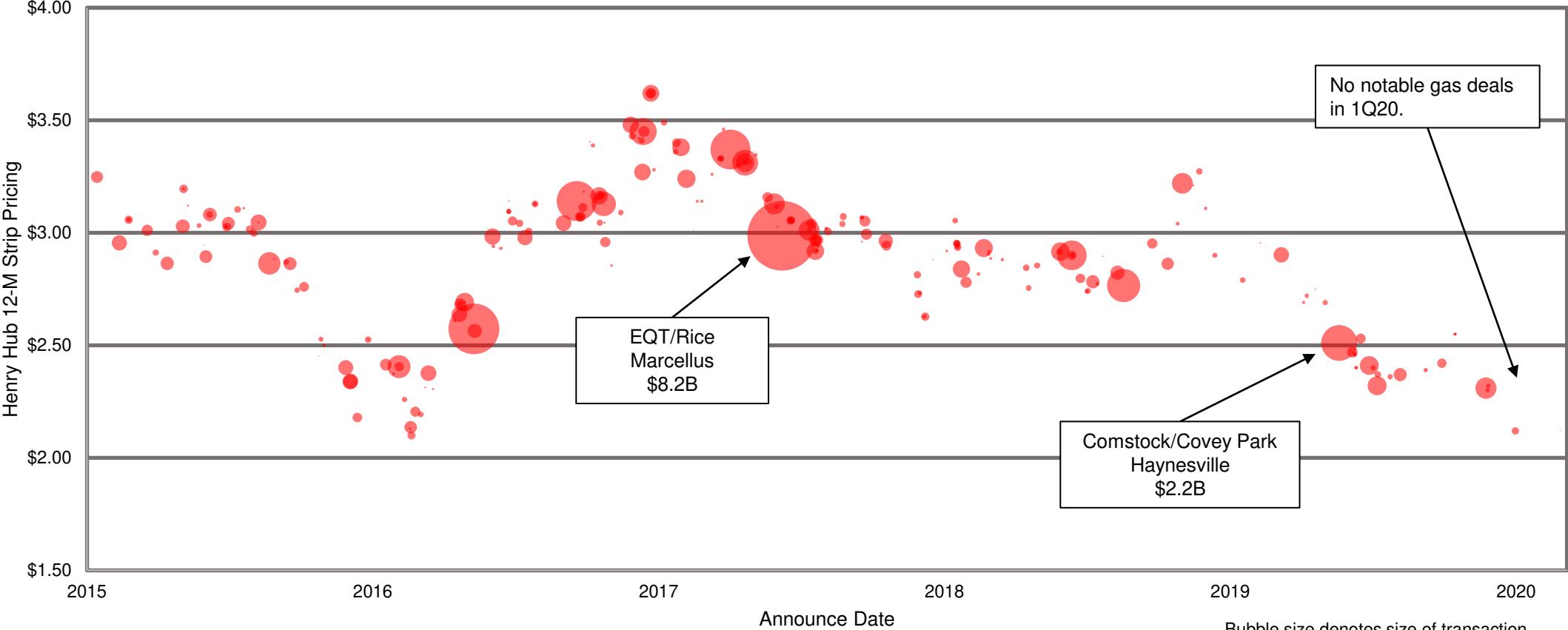


Bubble size denotes size of transaction.
Includes deals where production is > 70% oil.

Gas Deals Over Time vs. HH Price



There have been few buyers of gas amid sustained price decline

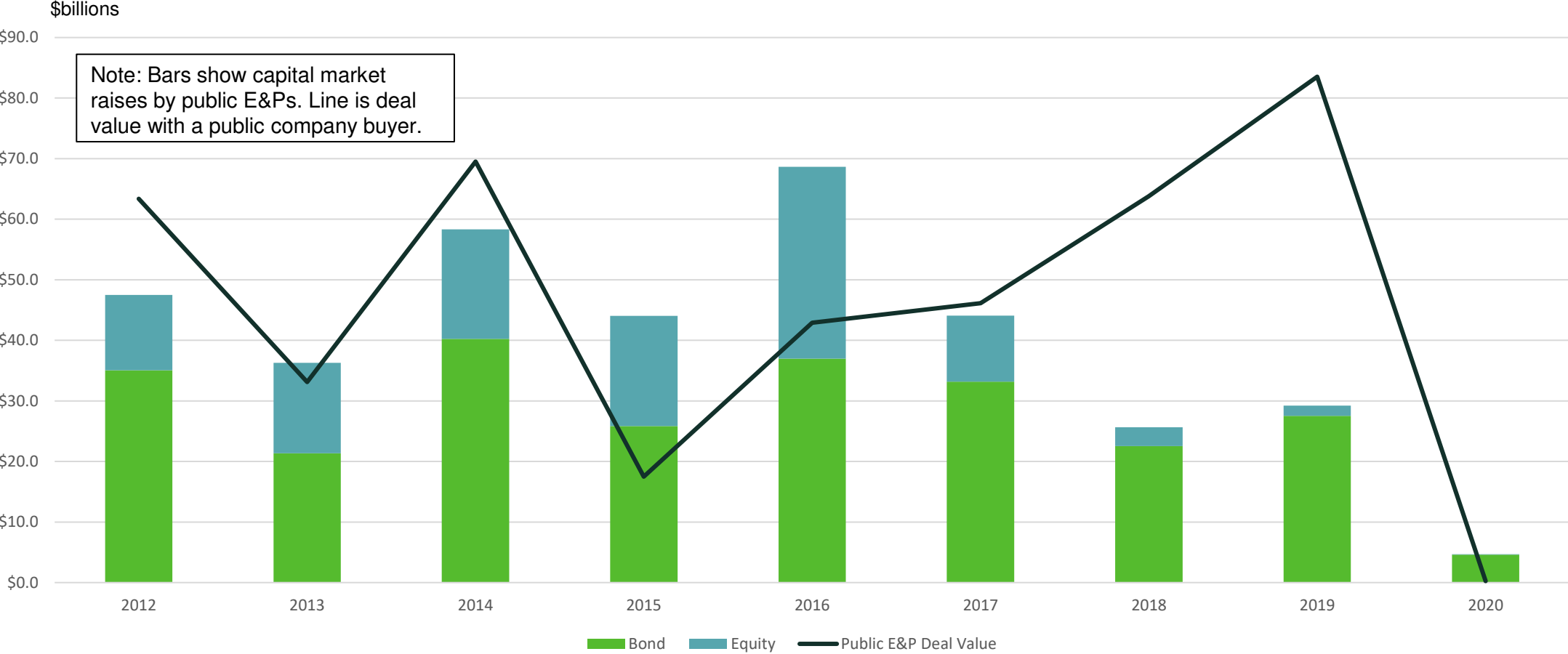


Bubble size denotes size of transaction. Includes deals where production is > 70% gas.

Public Capital Raises vs. Deals



Equity markets largely shut for E&Ps starting in 2018, but deal value grew into 2019



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