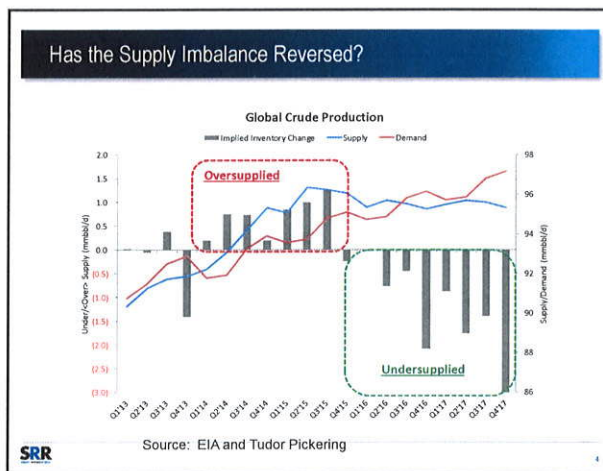
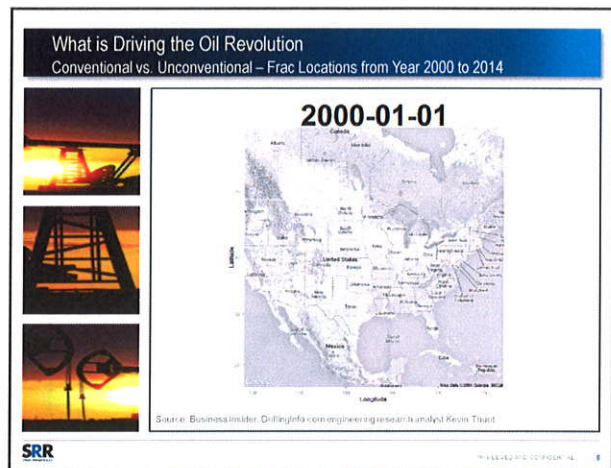
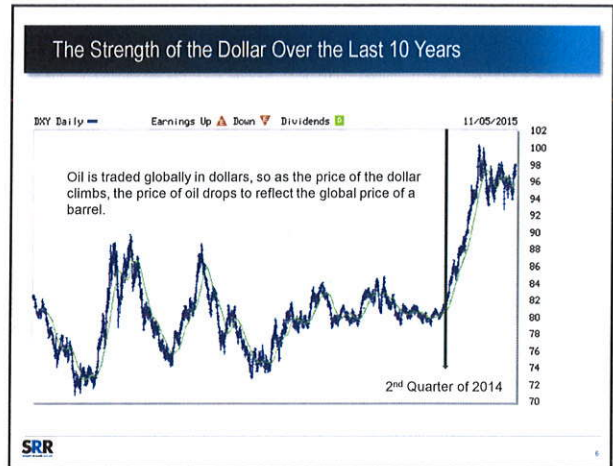
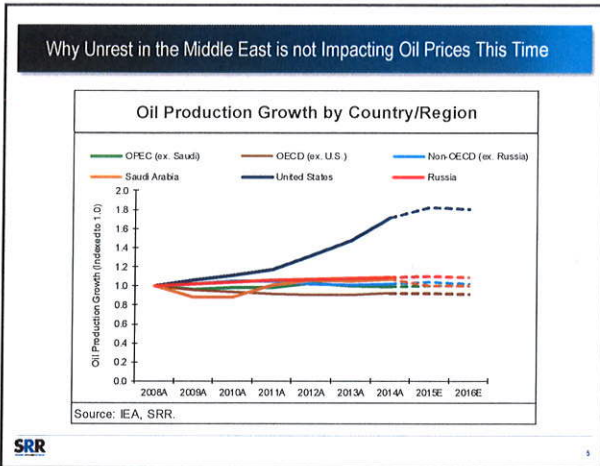


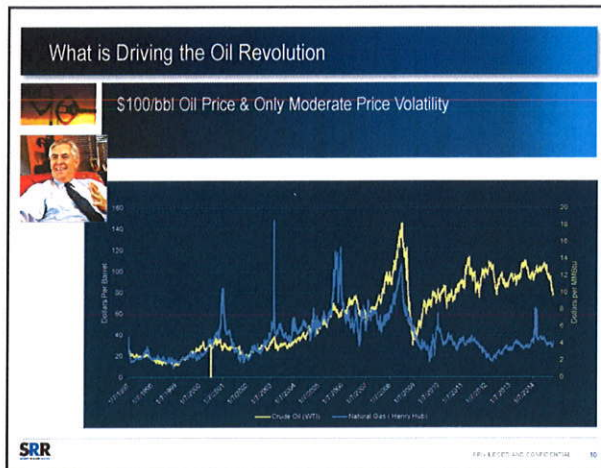
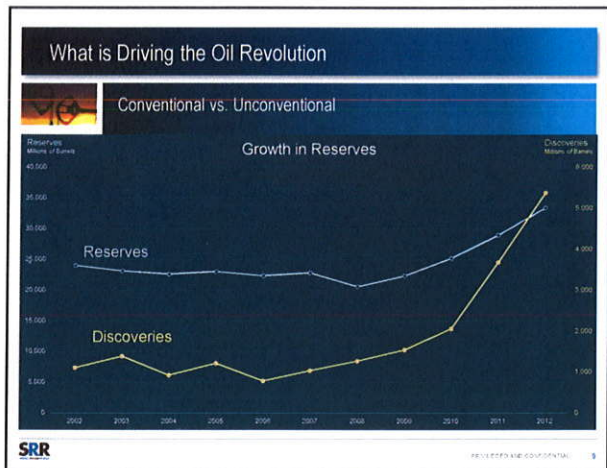
What Traditionally Impacts the Price of Oil?

- Supply and Demand
- Global Political Stability
- The Strength of the Dollar

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What is Driving the Oil Revolution

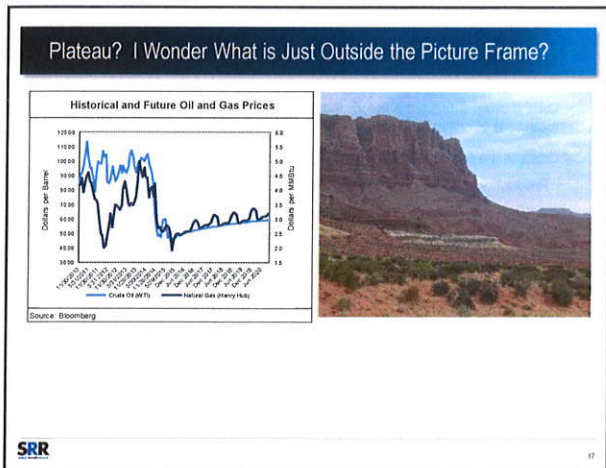
Operational Efficiency

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How Did We Get Here?

- ✓ The market rewarded participants in the Shale Plays with higher multiples
- ✓ The technology for drilling in shale improved rapidly, yielding more predictable results at lower cost
- ✓ The drilling frenzy created a dynamic that led to the over-building of oil field service companies' fleets
- ✓ This led to the repeat of the classic boom and bust we periodically see in the oil patch

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Predictions

Raymond James ... our model suggests the following: (1) oil prices should bottom in the first half (probably 1Q), and rise substantially in the back half, averaging \$50 WTI for the year but exiting the year closer to \$70

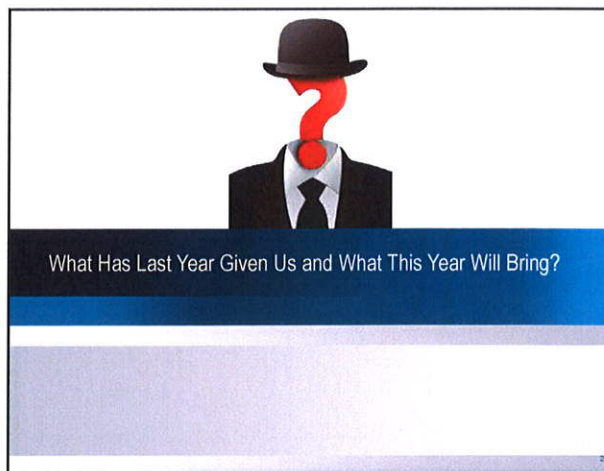
Tudor Pickering ... Tudor, Pickering, Holt & Co., talks with KHOU about his prediction of higher oil prices by the end of 2016. (Rise range is \$70 – 85)

Goldman ... is standing by its prediction of \$20 a barrel bottom—the breakeven cash cost for highly levered high-cost US shale producers.

EIA ... These levels established the lower and upper limits of the 95% confidence interval for the market's expectations of monthly average WTI prices in April 2016 at \$25/b and \$56/b, respectively. The 95% confidence interval for market expectations widens over time, with lower and upper limits of \$22/b and \$82/b for prices in December 2016.

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- ### Hey, But What About....
- ✓ Iran coming on line
 - ✓ Approving the export of crude oil
 - ✓ Liquefied natural gas exports
 - ✓ Continued unrest in the Middle East
 - ✓ Increased Russian Influence
 - ✓ Saudi Budgetary Issues
 - ✓ China weakening, China strengthening
 - ✓ Carbon emissions
 - ✓ Increased regulation
 - ✓ Etc., etc., etc....
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OPEC, the Russians and a Texan Together in the Soup Line...



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Free Market System at Work

- ✓ Drilling programs have been vetted and companies will only drill in the most cost effective locations
- ✓ Costs in the field have been reduced
 - Production Services are down about 20% to 30%; and
 - Drilling and Completion services are down about 30% to 40%
- ✓ Consolidation plays are beginning to emerge
- ✓ Money that has been sitting on the sideline beginning to engage
- ✓ As the supply imbalance is reduced, the price of oil will begin to drift up until it reaches the cost of a marginal barrel, estimated to be in the range of \$65 to \$70 per barrel

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Challenges

- ✓ Continued pressure from lenders.
- ✓ E&P development budgets are expected to be reduced even further than the already reduced 2015.
- ✓ Oil field service companies have given all they can give, so further price concessions are not likely.

So how do I survive this.....

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Keys to Success

- Have a plan! Now repeat that until it sets in. Plan, plan, plan....
- Cash is King.... Hoard it, watch it like a hawk, TTBS
- Your biggest asset may be your financial stakeholders, treat them that way
- Right size, Right size.... and on the third round.... have someone vet your business plans and challenge your cost structure
- Stay optimistic, but grounded in realism
- Know where your equipment is. Count it. Mark it. Trace it. Lock it up, spend money on security... it will grow legs
- Sell what is not core
- Competitive information is critical
- The oil patch is a relationship driven business, so consider how you can find ways to work with others

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