EnerVest, Ltd.
2015 Tulane Engineering Program
April 17, 2015
EnerVest Highlights

Strong franchise for 23 years as an operating company for institutional investors

- EnerVest’s AUM totals ~$11 billion
- Largest operating company energy GP in the United States
- Private Equity funds have ranked top quartile; last four funds oversubscribed
- EnerVest represented 5.5% of the A&D market over the last 2 years ($5.7 billion of deals)
- ~1,300 employees

Key Goals for 2015

- Capitalize on acquisition opportunities in current price environment
- Fully integrate recent acquisitions and execute business plan
- Leverage dominant basin positions while also focusing on reducing costs
- Raise Fund XIV
  - $2.5 billion equity with a $3.0 billion hard cap
  - $4.2 to $5.0 billion with leverage
  - Expect 175 institutions from U.S., Canada and Europe
  - First closing April 17th and final closing by June 30th
AUM – Oil & Gas Reserves

- 36,000 wells in 15 states (78% operated)
- 6.2 Tcfe 2P Reserves (67% gas)
- 6.0 million acres
- 1,280 employees
- 2 Corporate Offices
- 24 District Offices
- 7 asset regions

Legend
- EnerVest Offices

Production Mix
- ~970 Mmcfe/d
- (90% Unconventional)

EnerVest’s operating footprint continues to expand!
### Portfolio Philosophy

- EnerVest targets value opportunities with diversification among products
- Preference for balance of natural gas (with NGL’s) and oil

### Oil

- Global macroeconomic woes pressuring outlook
- Worldwide concerns over European and Asian oil demand growth, together with a strong U.S. Dollar and record U.S. production, has caused WTI and Brent prices to fall to their lowest point in 68 months (as of 1/5/2014)
- U.S. oil production up almost 50% in the past 3 years, at 28 year high
- U.S. oil inventory hit new record in February 2015 due to robust production
- EnerVest’s thoughts: Hedge short-term, oil at a good entry point particularly in the Permian Basin

### Gas

- Gas rig count lowest since June 1995
- Entered the 2014/2015 winter with 3.6 Tcf in storage (lowest since 2008); however, warmer than normal winter and strong production growth have put downward pressure on natural gas prices
- EnerVest’s thoughts: Hedge into 2016, awaiting gas improvement in 2016 and beyond

### NGLs

- More NGL production coming online due to the drilling in the U.S. shale plays
- Midstream companies expected to add more than 1.2 Bbbls/d of fractionation capacity over the next 3 years
- Ethane demand has been essentially flat over the past two years at 3.5 Mbbi/d
- Propane and butane exports doubled in 2013 and continuing to expand in the future
- EnerVest’s thoughts: NGL markets are oversupplied, near-term bearish, hedge 1-2 years
Commodity prices are volatile & products trade as separate asset classes.
Historical & Projected U.S. Gas Production

Shale gas represents 40% of U.S. gas production versus 17% 5 years ago & 1% 15 years ago.

Source: EIA 2014 Annual Energy Outlook
Natural Gas Demand Growth by 2020:
Exports, Power Generation, and Industrial

- LNG & Mexico Exports: 15.0 – 17.0
- Residential / Commercial: 0.5 – 1.5
- Power Generation*: 4.0 – 7.0
- Industrial / Chems: 2.0 – 4.0
- NGVs: 1.5 – 2.5

Potential (Bcf/d) by 2020: 23 – 32

* Depends on emission and CO₂ rules

Sources: EIA and EPD Fundamentals
**A&D Market Pick Up**
- Market activity light in 2013 at $42 billion, but robust at $60 billion in 2014 - slowdown in Q4
- Little activity during Q1’15, but expecting $30-40 billion market in 2015
- Activity led primarily by oil/liquids resource plays (Bakken, Permian, & Eagle Ford), but 2015 could see distressed sales throughout U.S.
- U.S. Publics and large independents selling non-core assets to develop their unconventional resource plays

**Oil Price Environment Impacting A&D**
- Oil prices are ~$45-55/bbl; industry comfort level between $75-$100/bbl
- Short-term outlook for oil is volatile based on U.S. & OPEC supply situation and geopolitical risks
- Long-term outlook for oil is strong due to worldwide demand increases in Asia and Latin America
- Long-term outlook is augmented by worldwide decline rate of oil resources at 5.5-6.0 mmbbl/d annually
- Currently, a wide Bid/Ask spread exists in the market due to the significant decline in oil prices

**Natural Gas Price Environment Impacting A&D**
- Publics shedding dry gas assets despite low valuations to fund oil/liquids resource play development, or to pay down debt
- Gas leveraged operators are outspending cash flow despite declining capex budgets
- Gas transactions still receiving primarily PV10 for PDP, with some value given to upside at current strip

**Capital Markets Constructive For A&D – Largely closed for now**
- 2015 capital programs have decreased with the fall in commodity prices, but E&Ps typically outspend cash flow to fund development
- Previously, debt capital markets were flourishing with $36 billion in 2013 and $18 billion in 1H’2014 (mainly HY $25 billion in 2013 and $13 billion during 1H’2014)
- Equity capital markets were open alongside broader market rally (total activity of $13 billion in 2013 and $10 billion during 1H’2014)

**Unprecedented Buyer Demand**
- Very strong demand for conventional oil & gas assets from Private Equity buyers
- Publics cautious as a result of recent share price volatility, balance sheets, economic/political uncertainty, etc.
Energy assets have become very liquid through a large brokerage infrastructure and transaction levels have significantly increased over the last decade. EnerVest has been a meaningful participant.
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