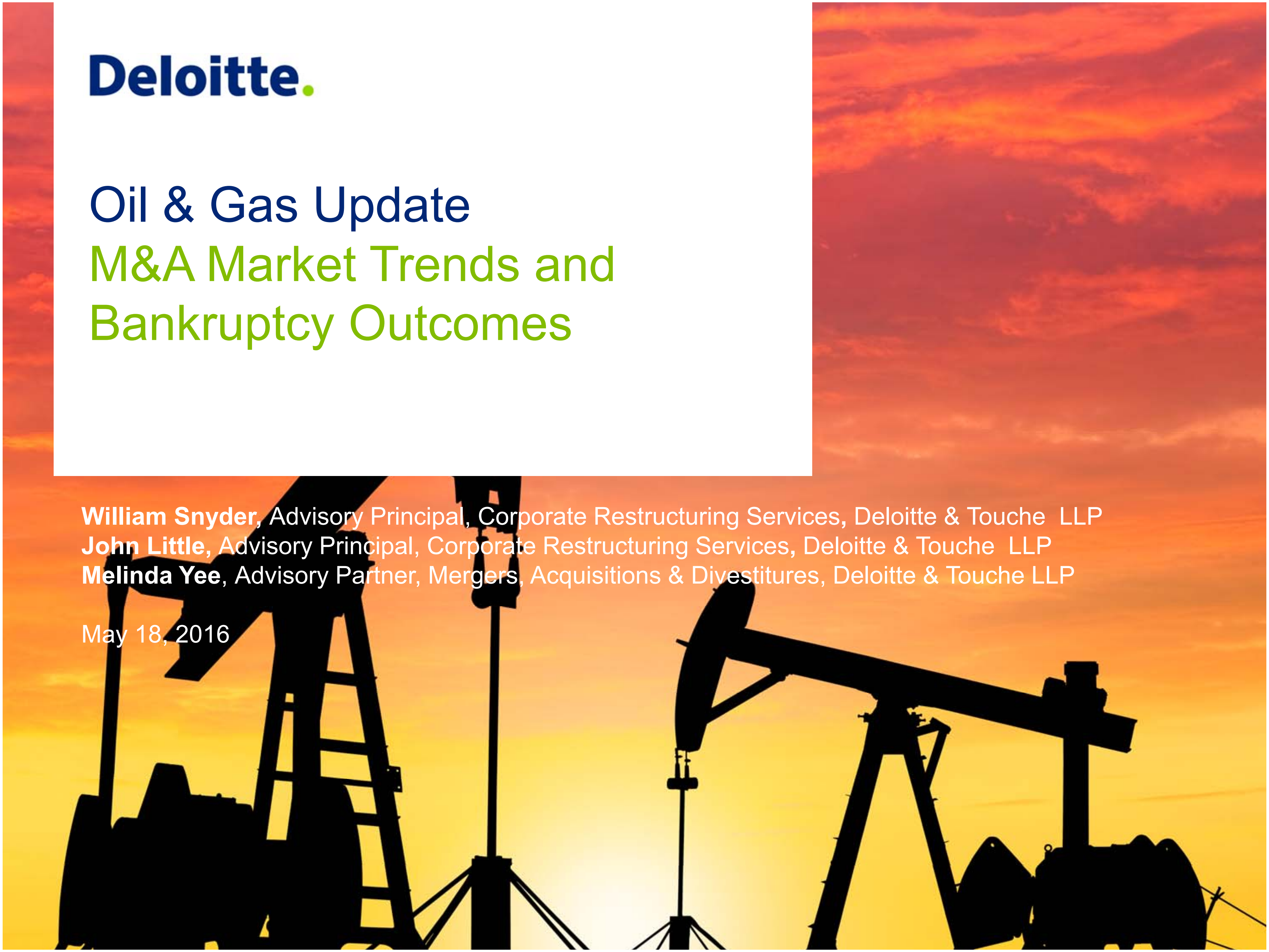

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Oil & Gas Update
M&A Market Trends and Bankruptcy Outcomes

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May 18, 2016

Agenda

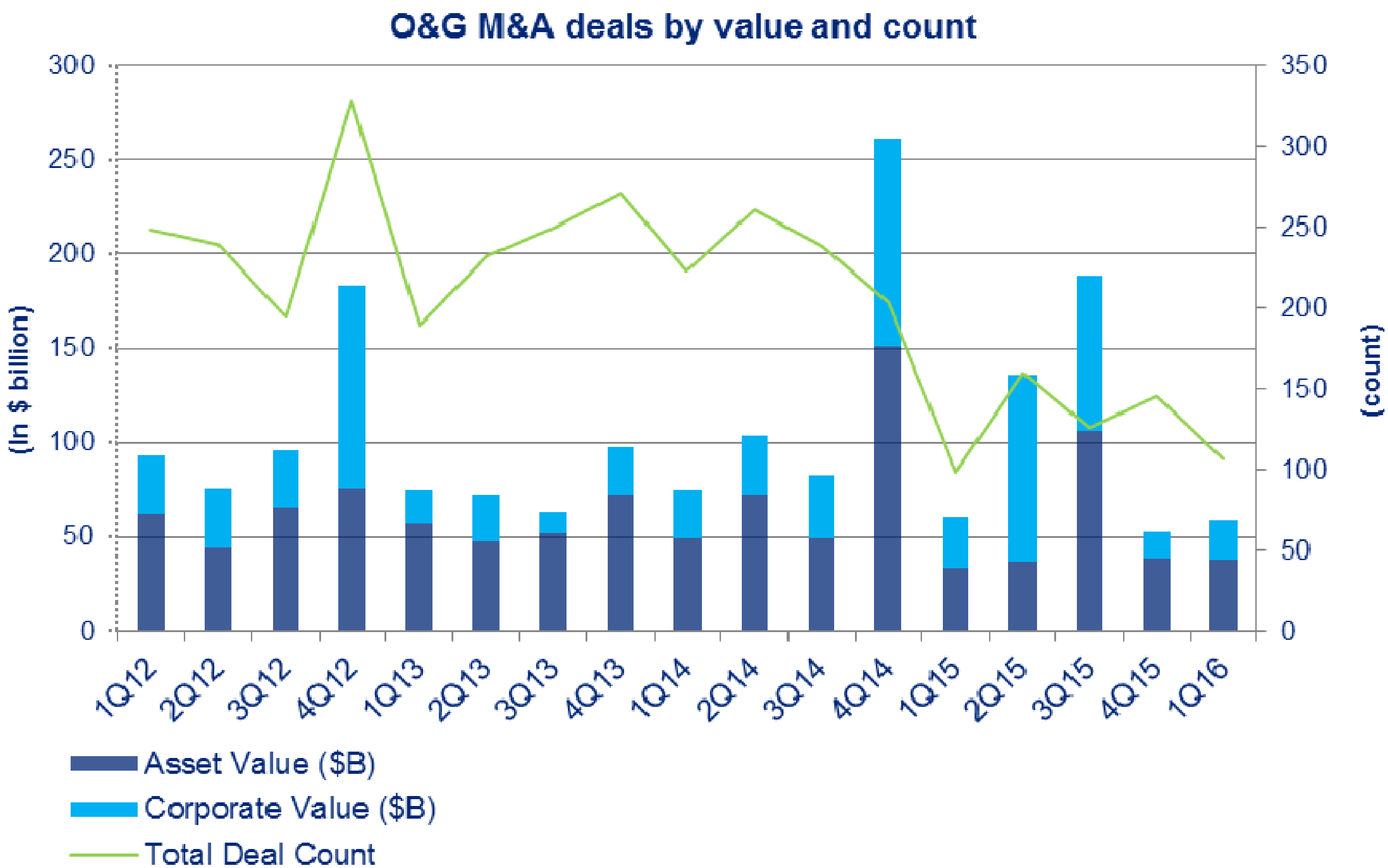
M&A trends

Bankruptcy outcomes

Question & answer

M&A trends

Mergers & Acquisitions (M&A): Fewer but larger deals set tone in a lower-for-longer environment

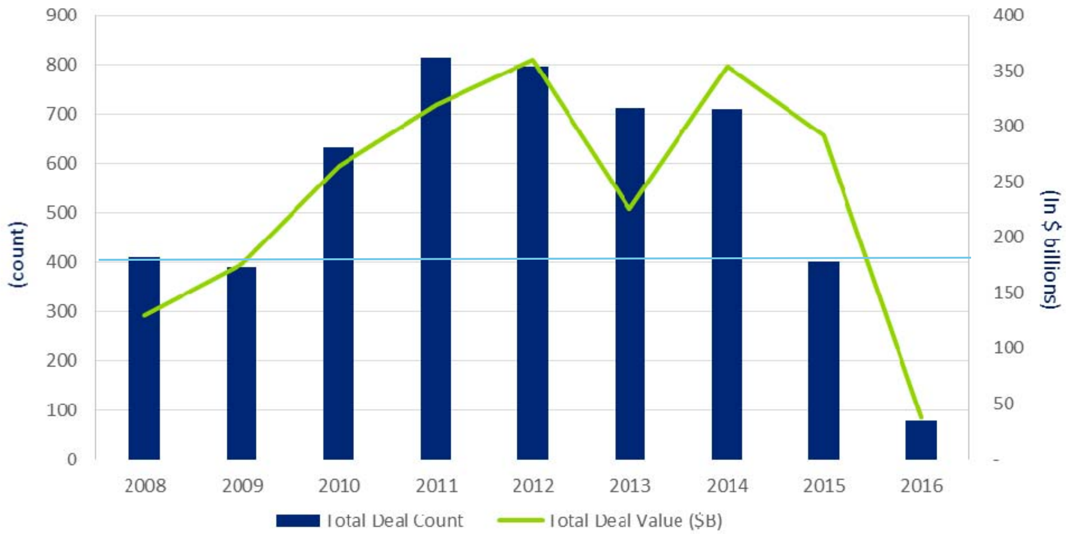


Source: PLS Inc. and Derrick Petroleum Services Global Mergers & Acquisitions Database as of April 18, 2016.

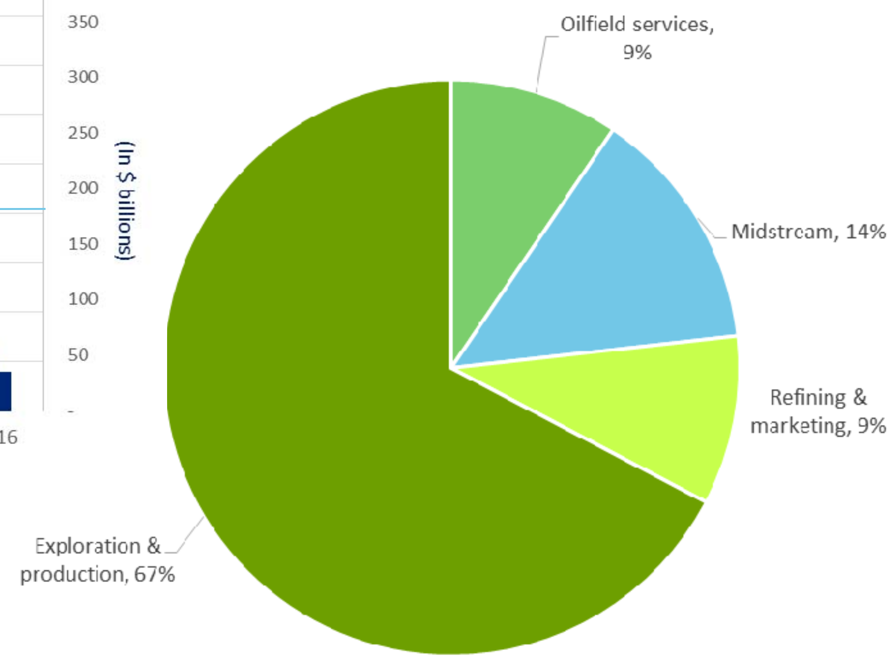
2015 oil and gas M&A sector overview

Deal volume lowest since great recession

Industry M&A activity remained centered on E&P, constituting 67 percent of total oil and gas transactions last year. Deal activity in the E&P sector declined 48 percent from 709 in 2014 to 379 in 2015.



Source: PLS Inc. and Derrick Petroleum Services Global Mergers & Acquisitions Database as of April 18, 2016.



A combination of factors has created value disparity among parties and inhibited deal activity

Inhibiting factors

- **Hedge positions have protected** cash flow
- **Expectations** that the downturn would be of **short duration**
- Cost-cutting and drilling portfolio focus has **reduced break-even levels**
- **Financial institutions** have been willing to **maintain borrowing capacity**
- **Additional equity capital raised** in a “wait and see” mode
- A **valuation gap** between potential buyers and potential sellers

But these factors are all weakening

Inhibiting factors	Weakening indicator
Hedge positions have protected cash flows	Many hedged positions protecting cash flows are rolling off and new positions for 2016 have much lower values
Expectations that the downturn would be of **short duration**	Price expectations are downgraded through the first part of 2017[1]
Cost-cutting and drilling portfolio focus has **reduced break-even levels**	Cost reduction efforts have already tackled low-hanging fruit (more challenging opportunities will take longer)
Many financial **institutions** have been willing to **maintain borrowing capacity**	Increasing pressure on balance sheets, combined with asset impairments and reserve write-downs may lead to debt redetermination and more distress sales
Additional equity capital raised in 2015 in a "wait and see" mode	Uncertainty for equity investors to return to industry given price expectations and continued cash drain
A **valuation gap** between potential buyers and potential sellers	Valuation gaps may close as highly leveraged companies are driven to shed assets

[1]Source: EIA, "Short Term Energy Outlook," January 2016

Oil and gas M&A outlook

Signposts for 2016

Business Environment

- Impact of oil prices
- Access to capital
- Alternatives to M&A

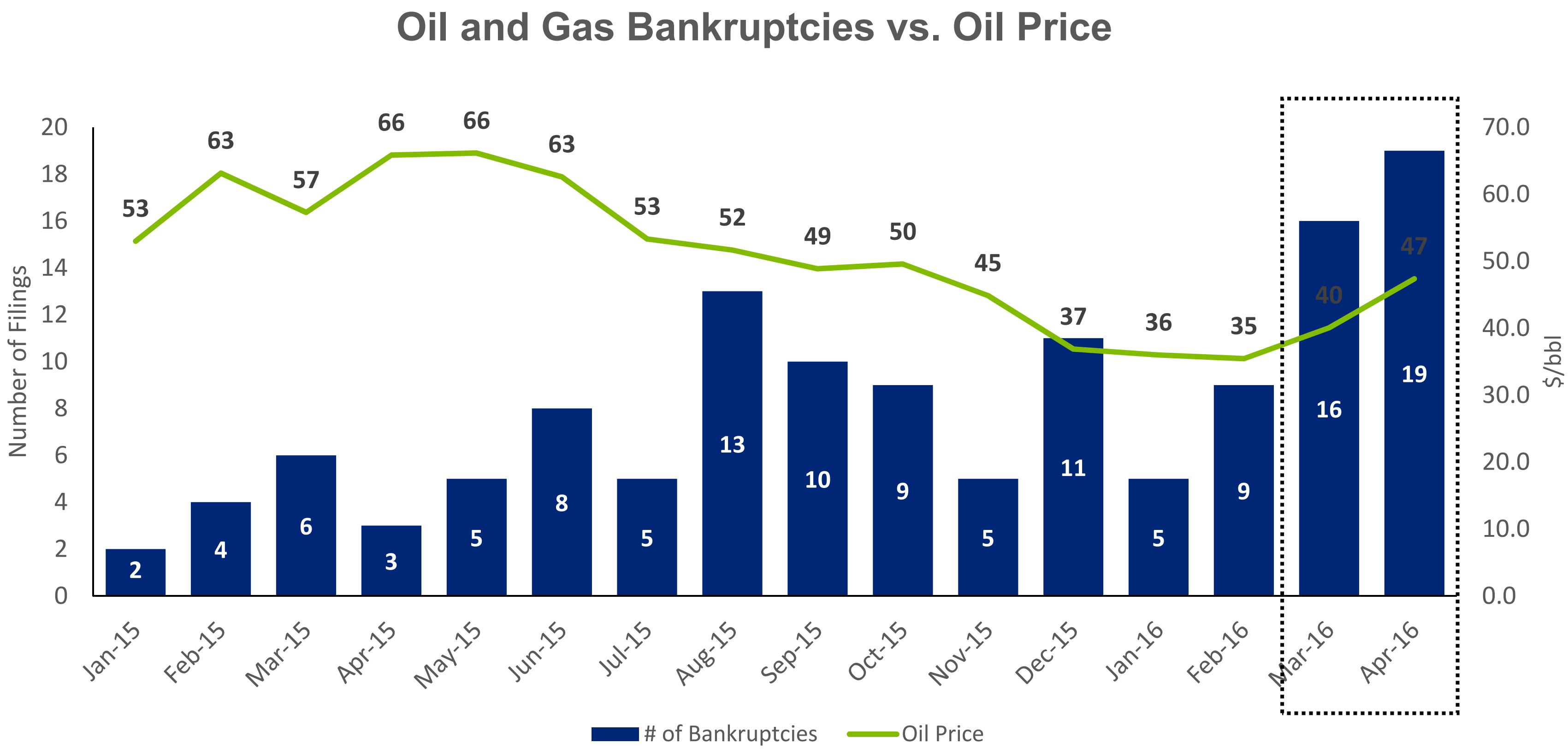
Oil and gas M&A summary

- In the short-term, deal activity may be paused as price expectations vary
- All sectors are being impacted by the lower-for-longer environment
  - Oilfield services has been hit the hardest, followed by E&P, but midstream is starting to feel the impact
  - Refining margins have had positive contributions to the bottom line of the integrated companies. Will that continue?
- Distress is growing in the industry
  - The lower-for-longer environment may force companies to make tough decisions that could lead to dispositions of core assets

Bankruptcy outcomes

Bankruptcy filings vs. oil price environment: recent increases in both crude price and bankruptcy filings.

Companies are feeling the pressure of the continued low price environment as indicated by the highest monthly volume of bankruptcy filings in consecutive months for March and April 2016.



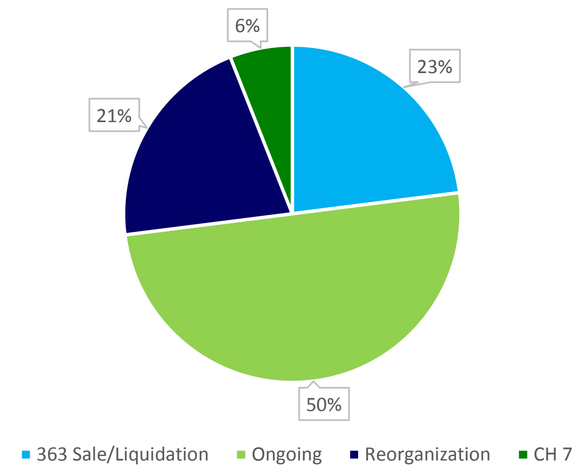
Source: Haynes & Boone, LLP Bankruptcy Monitor

Bankruptcy outcomes

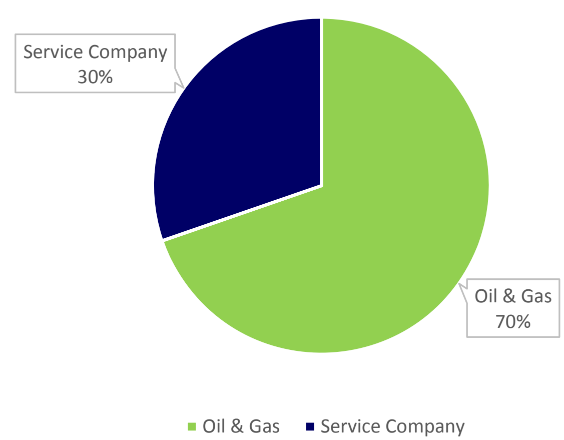
The industry landscape is dramatically changing in the current downturn. As of the April 30, 2016 filings, the expected outcomes indicate 28 companies will no longer exist at the end of each respective bankruptcy process.

- Population represents 100 of the 130 oil and gas companies or related services which filed for bankruptcy in the US and Canada between January 1, 2015 and April 30, 2016.
- There are 21 Reorganization and 23 363 Sale / Liquidation outcomes over the period. Note, not all reorganization plans have been confirmed nor have all sale processes finalized. Actual outcomes may differ from current expectation.
- Chapter 7 accounted for six outcomes, three of which originally filed for Chapter 11 but were converted to Chapter 7.
- 50% of the bankruptcy filings are ongoing or had inadequate information available to determine the expected case outcome.
- Of the filings, 69 pertain to oil & gas companies as compared with 30 oil field service companies.

Bankruptcy Outcomes



Filing Company: Oil & Gas vs. Service Company



Sources:
Company filings
Debtor restructuring websites

Observations

What we have seen

- Chapter 11 **conversion to Chapter 7** (ex. Republic Resources, Craig Energy)
- Sale process brings varied returns on sale proceeds as percentage of total debt (<20% to c. 80%)
- Sale process may not materialize (ex. ERG Resources)
- Debt-for-equity swap prevalent in reorganizations
- Duration of filing date to confirmation date ranges from 15 days to greater than one year
- Consensual deals with stakeholders exist

Question and answer

Team Biographies

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- Retail
- Telecommunications
- Transportation and Logistics

Education:

B.S., Texas A&M University

William Snyder

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With executive and entrepreneurial experience spanning more than 30 years, William Snyder has restructured, managed, and guided a multitude of companies in a wide variety of industries. He is the leader of the Deloitte Corporate Restructuring Group (CRG) service line for Deloitte Financial Advisory Services LLP (Deloitte FAS).

As a broadly experienced interim executive and advisor who has participated in the restructuring of more than 70 companies, Mr. Snyder brings a results-driven leadership style to complex and crisis situations.

His recent interim-management engagements include:

- Court-appointed chief restructuring officer (CRO) of the Texas Rangers baseball team
- Court-appointed examiner of Mirant, a $6.5 billion merchant energy company
- CRO of Pilgrim's Pride Corporation, a $8.5 billion integrated poultry company
- CRO of a $250 million fire engine and chassis manufacturer
- Chief operating officer (COO) of a $200 million furnishing retailer
- Chief executive officer (CEO) of a $210 million mattress retailer
- Chief financial officer (CFO) of a $250 million building products manufacturer
- CFO of a $250 million computer manufacturer
- Chief information officer (CIO) of an $800 million health care company
- Primary advisor to a $500 million staffing company, a $1.4 billion logistics company and a $2 billion construction contractor

Previously, Mr. Snyder was president of his own financial consulting company, The Snyder Company, where he managed family investments that included operating companies, limited partnerships and securities. Additionally, he has been principal in a variety of different companies and held positions in increasing responsibility for global bottling companies in the United States. Mr. Snyder has served as an interim-Officer/Examiner/Trustee in more than 20 bankruptcies and is a frequent speaker and presenter on a wide range of turnaround topics.

Mr. Snyder is a Certified Turnaround Professional and has received numerous distinctions over the years, including being named to Turnarounds & Workouts' 2007 People to Watch list, an honor he shares with 11 professionals nationwide. He was recently selected to join the American College of Bankruptcy as a Fifth Circuit Fellow.

Additionally, Mr. Snyder is originally from Peru and fluent in Spanish.

This biography may refer to client engagements performed prior to joining Deloitte Transactions and Business Analytics LLP ("DTBA") in the Deloitte Corporate Restructuring Group ("Deloitte CRG").

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Education:

B.S., Wake Forest University

M.B.A., University of Texas at Arlington

John Little

US Advisory Leader & Principal | Deloitte CRG
Deloitte Transactions and Business Analytics LLP

John Little has more than 25 years of management and leadership experience, and specializes in financial restructuring services both out of and in Chapter 11. He has led such assignments for troubled companies, secured lenders, unsecured creditors, and equity investors. These engagements involved services including working capital management, debt capacity, business plan analysis and development, performance improvement, plan feasibility, vendor and business partner diligence, pension funding, financing, plans of reorganization, leasehold and real estate related matters, cash flow modeling, break-even analysis, store closure analysis, accounting issues, as well as many other troubled company issues. He has also valued companies in bankruptcy and coauthored an article on this topic, in addition to testifying in Federal Bankruptcy Court. Mr. Little's other valuation engagements include mergers and acquisitions, purchase price allocation, financing, gift and estate tax planning, litigation support, and other special projects. In addition to restructuring services, he also provides settlement services, including capacity to pay analysis, and has coauthored articles on this topic as well.

A few notable engagements include:

- Bankruptcy consultant to a $20+ billion international airline
- Advisor to global oil company regarding capacity to pay of several of its global counterparties
- Financial advisor to a $275 million global manufacturer and supplier of copper tubing and fabricated products
- Financial advisor to a $5+ billion global specialty retailer
- Restructuring advisor to a $500 million manufacturer of residential windows and patio doors
- Financial advisor to a lender for a $30 million restaurant operator
- Financial advisor to $500 million gas turbine services company
- Financial advisor to $100 million debt bank syndicate in global logistics company restructuring

Mr. Little holds the Chartered Financial Analyst (CFA) designation and a Certificate in Distressed Business Valuation (CDBV) from the AIRA. He also has the Certified Turnaround Professional (CTP) designation and Certified Insolvency and Restructuring Advisor (CIRA). Prior to joining Deloitte, Mr. Little served as an active duty officer in U.S. Army Engineer and Special Forces (Green Beret) units, and retired from the Army Reserves as a Major.

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