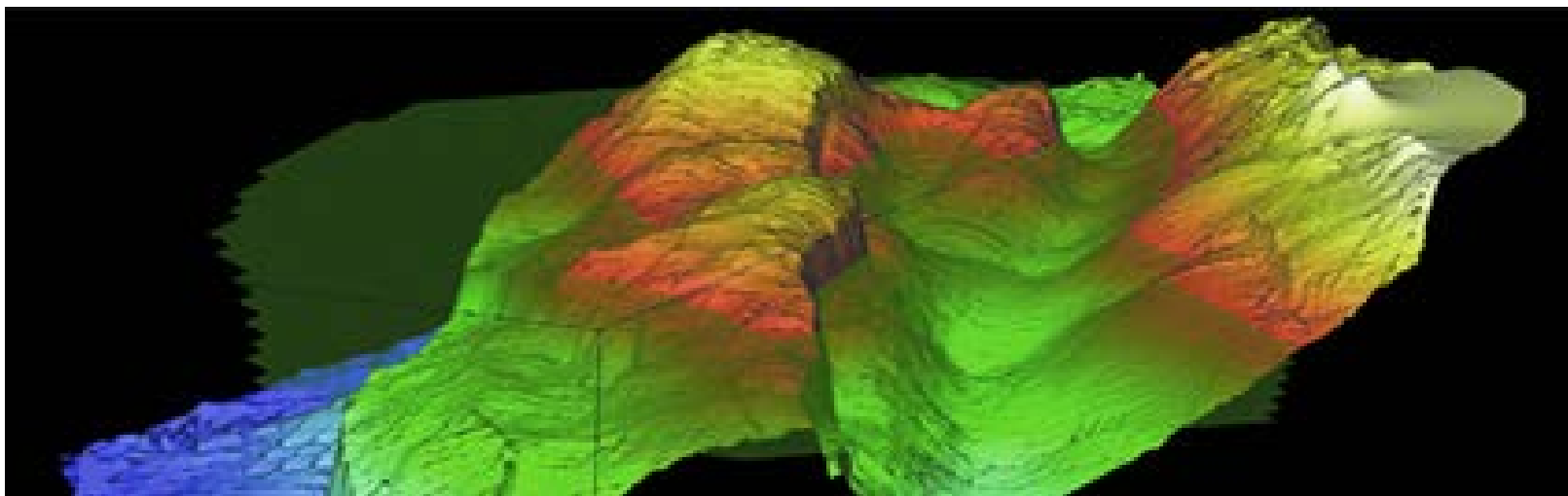





SPEE Tulsa
November 19, 2013

Building Momentum With Private Equity

***Chris Jacobsen
Premier Natural Resources***



Overview

- 1) Formation of Premier and the Early Years**
 - 2) The Deal that Changed the Direction of Our Company**
 - 3) Role of Private Equity**
 - 4) The Impact on Premier's Growth**
 - 5) Our Winning Formula**
- 
- A faint, grayscale background image of an oil pumpjack (jackhammer) and a ladder leaning against it, positioned on the right side of the slide.

Executive Management



Mr. Charles Stephenson, Jr
Chairman of the Board



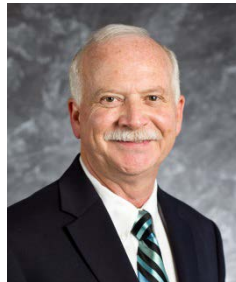
Mr. John McNabb
Board Member



Mr. Chris Jacobsen
President and CEO



Mr. Joe Bielstein
VP Business Development



Mr. Brian Wheeler
VP Engineering



Mr. Hung Nguyen
VP Exploitation



Mr. Murphy Herrington
VP Acquisitions



Mr. Robert Grisaffe
VP Finance



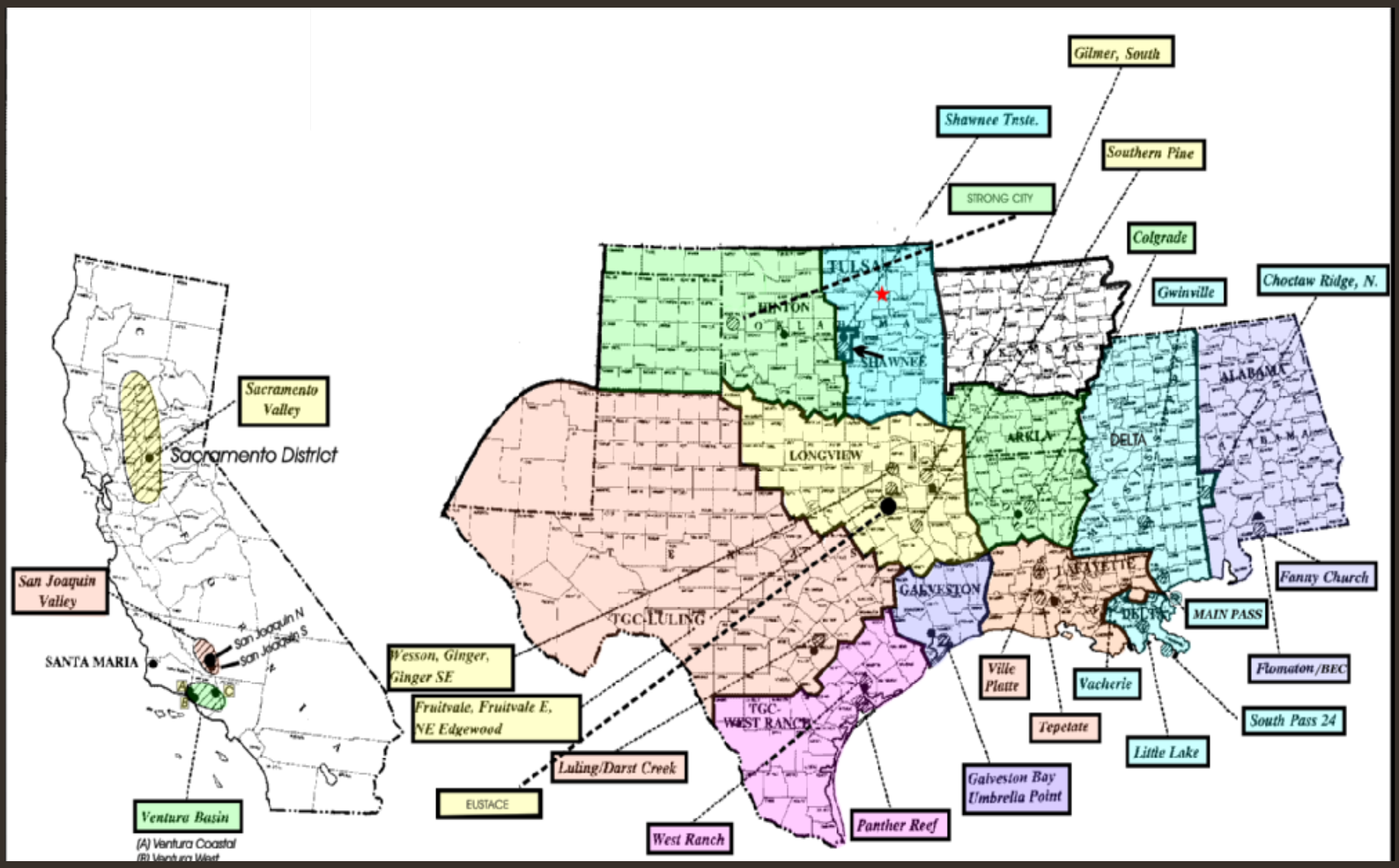
Mr. Mark Gaby
Geologic Manager

Acquisition Strategy



- **Acquire to Exploit; Exploit to Acquire**
- **Use previous company experiences to look for areas where we have existing technical and operational expertise.**
- **Work on negotiated deals in offices rather than bid deals in data rooms.**
- **Look for fields that have large oil or gas-in-place volumes, high working and net interests and operations availability.**
- **Buy production; exploit upside reserves**
- **Seek operations to control development timing, expenses and revenue enhancement activities**

Vintage Petroleum U.S. Assets





Exploitation Strategy

■ ***IDENTIFY ALL THE UPSIDE POTENTIAL***

- ❖ Field Studies: Improve recovery from large OOIP or OGIP reservoirs
- ❖ Extensional drilling and deeper pools: Work with partners having local knowledge
- ❖ Apply new technology in active programs
- ❖ Re-examine old projects with new price environment

■ ***IMPLEMENTATION OF IDENTIFIED LIST OF OPPORTUNITIES***

- ❖ Set project priorities
- ❖ Determine critical path items
- ❖ Work in parallel rather than in series
- ❖ 90 Day Analysis – did we achieve target volumes and costs?

■ ***LOOK FOR THE NEXT OPPORTUNITY IN AREA***

- ❖ Shared focus of sourcing new opportunities
- ❖ Best opportunities will be in areas where we have technical or operational expertise

Production Philosophy “FOCUS”

F

FLOW PRODUCTION THROUGH METERS

- ❖ Prioritize impact projects
- ❖ Work with a high sense of urgency
- ❖ Close working relationship with Marketing to improve product prices

O

OPTIMIZE RESERVES

- ❖ Field studies
- ❖ Identify exploitation opportunities with repeatability
- ❖ Implement new technology on old fields with higher commodity prices

C

CONTROLLING COSTS

- ❖ Begins at the field and rig level; incentives for field personnel
- ❖ Emphasis on best practices
- ❖ Benchmark against other operations and previous experiences

US

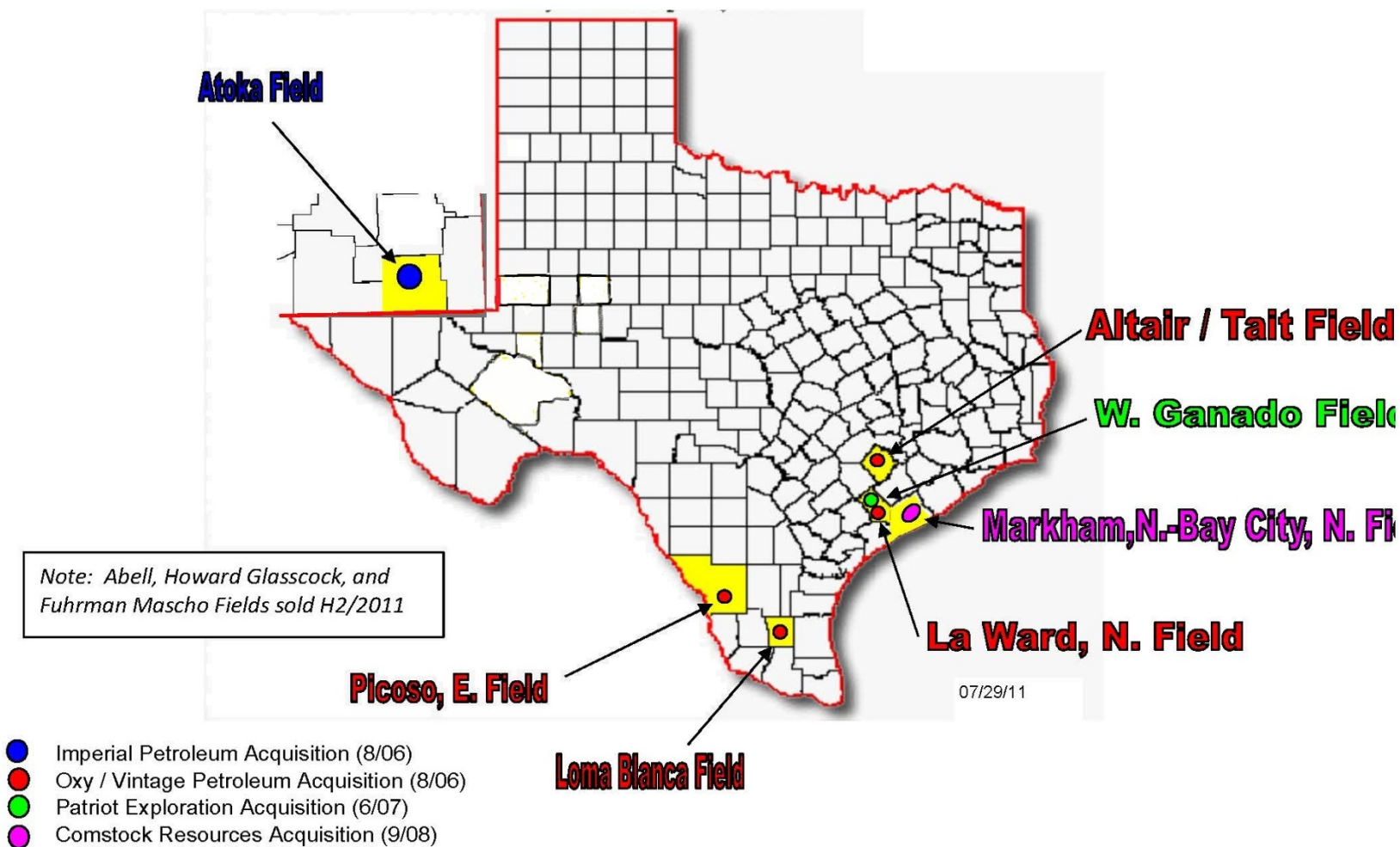
“US” CONCEPT - GOOD COMMUNICATIONS

- ❖ One team → one set of goals → one set of results
- ❖ No boundaries; communicate across discipline
- ❖ The only bad idea is the one that does not get discussed



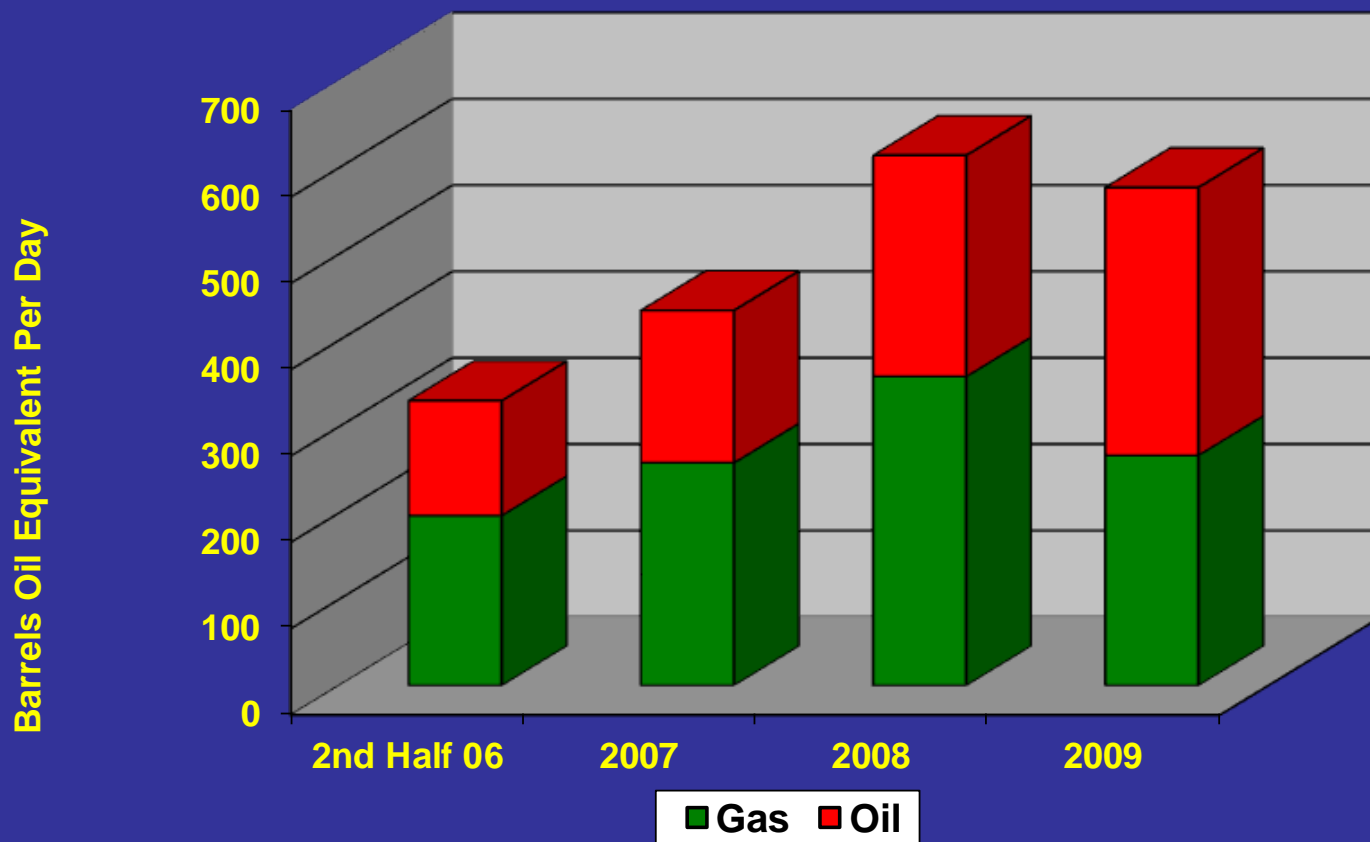
Premier Natural Resources - Property Locations

(PNR Legacy Properties)

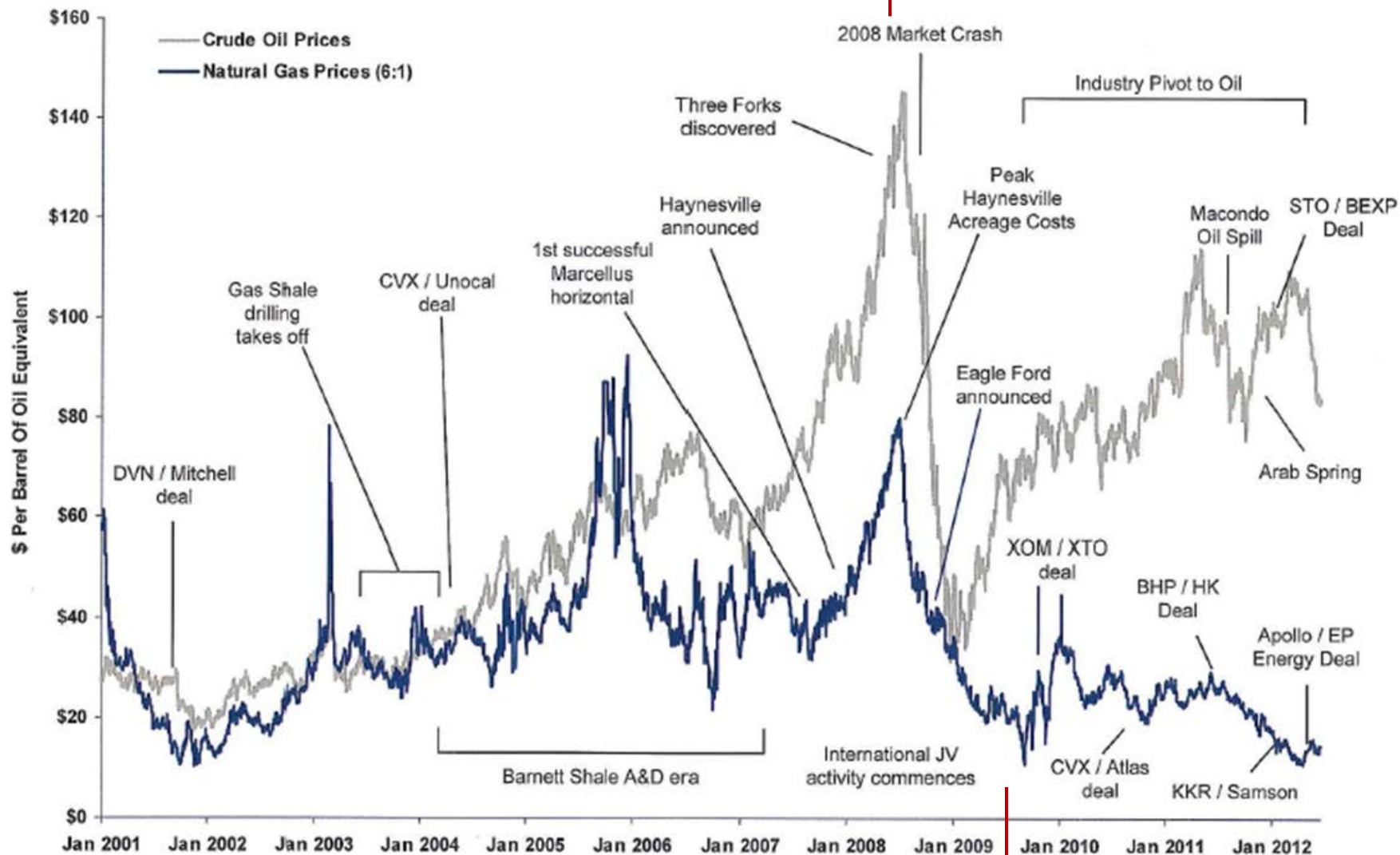


Production

Average Daily Production



10-Year Resource Play Timeline



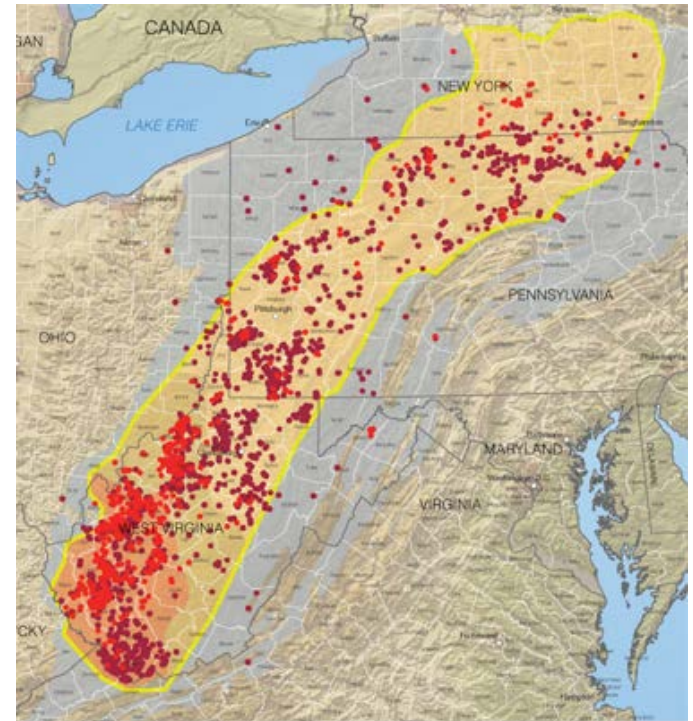
KKR Group
Bid
June 2008

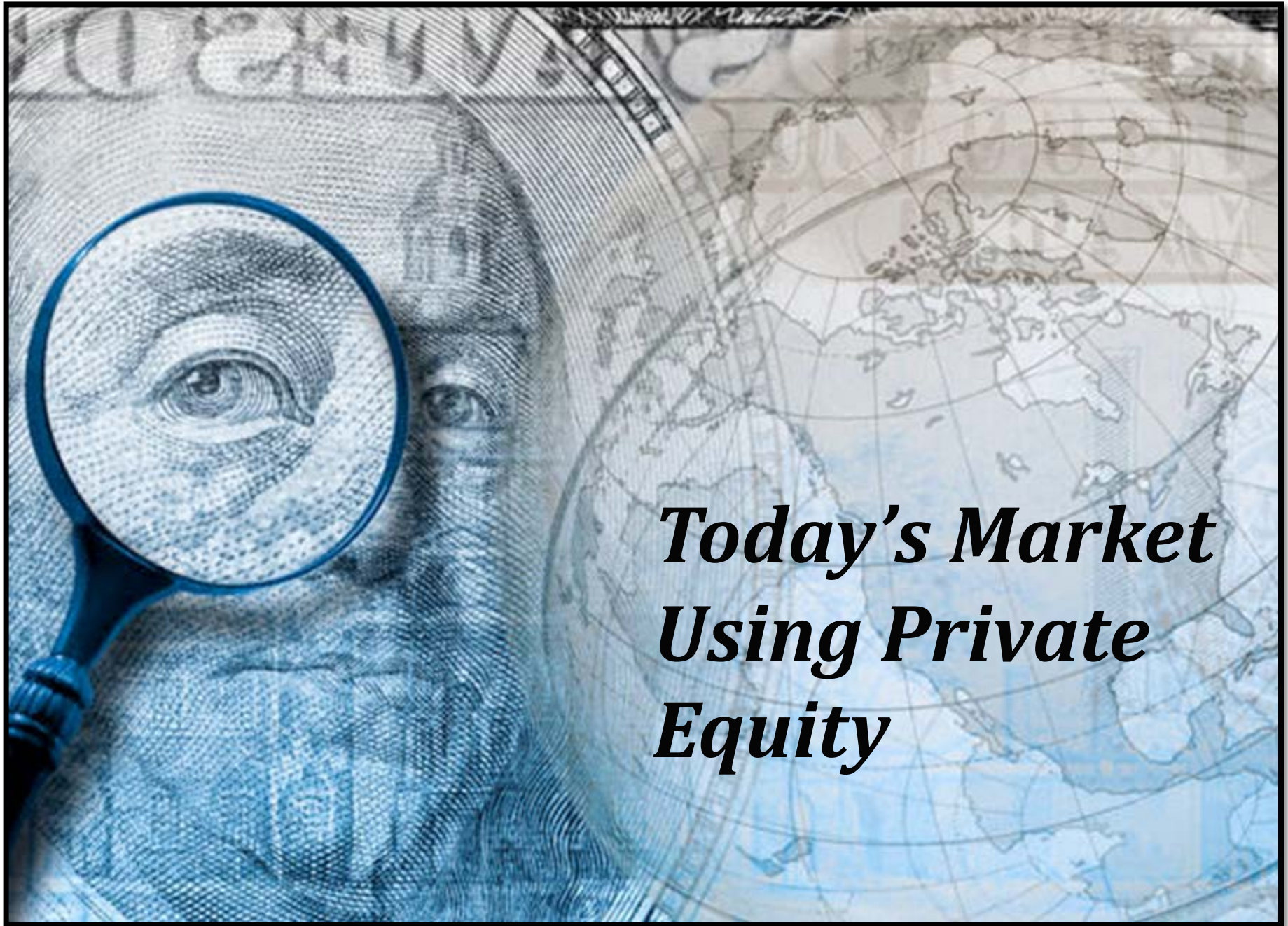
KKR
East Resources
Funding 350MM\$
June 2009

The Deal That Changed Our Direction

KKR Lead Team Placed **350MM\$** with East Resources for Marcellus Shale Play

- 650,000 acres of Tier 1 acreage in Pennsylvania and West Virginia
- Backed existing management team
- Closed in June 2009
- Sold for **4.7B\$** in July 2010





***Today's Market
Using Private
Equity***

Role of Private Equity

- Many Start-Up companies need to raise money to finance growth
- Business plans & strategies do not give opportunities to make profit in the short term; hesitates many banks from lending money
- Many start up projects have negative profits for the first few years
- Specialized private equity firms raise capital for investment purposes

Advantages of O&G Investing

Performs well...

- in period of global population growth
- in response to continued industrialization
- in period of global price inflation
- in period of U.S. dollar declines
- with introduction of different technologies

➤ **Drilling Technologies**

➤ **Fracturing Technologies**

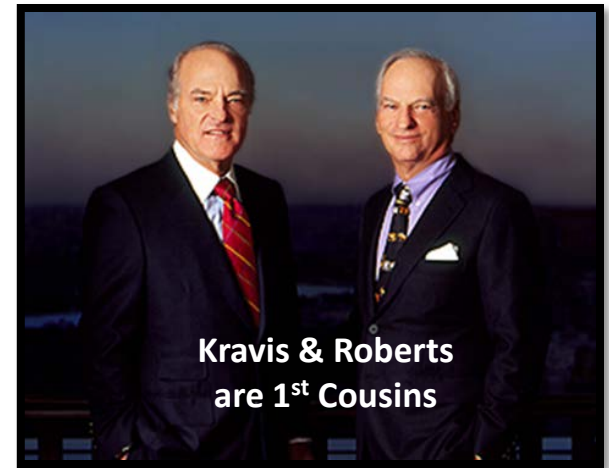
- ❖ **Shale development is being driven by improved frac technology**

➤ **Operating Efficiencies**



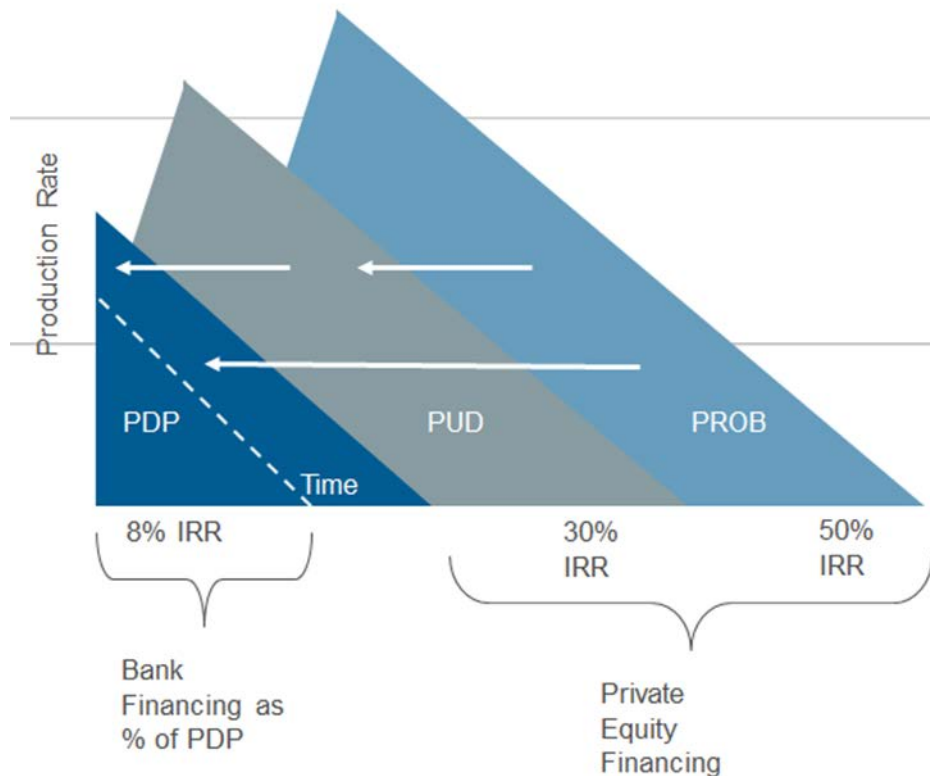
Pioneers of the Private Equity Model

- Kohlberg, Kravis & Roberts left Bear Stearns to form KKR in 1976, which did “bootstrap” buyouts of under capitalized companies by empowering the management teams
 - Mr. Henry Kravis is from Tulsa and is the son of Ray Kravis who owned the top Petroleum Engineering firm, Ray Kravis & Associates, when Tulsa was the “Oil Capital of the World”
 - Mr. George Roberts is from Houston and is the son of Louis Roberts, an Exploration Geologist
- The private equity model got its start from the oil and gas industry
- Standard oil and gas prospect drilling promote is 1/3 of the capital for 1/4 of the working interest (third for a quarter) which gives the generating company a 25% “Carried Interest” on a well-by-well basis
- Private equity firms generally get a 20-25% “Carried Interest” from their investors with a deal by deal payout



Role of Private Equity

- Private Equity is typically used to accelerate a company's reserve and production growth



PDP

Proven Developed Producing reserves, which are reserves attached to drilled wells

PUD

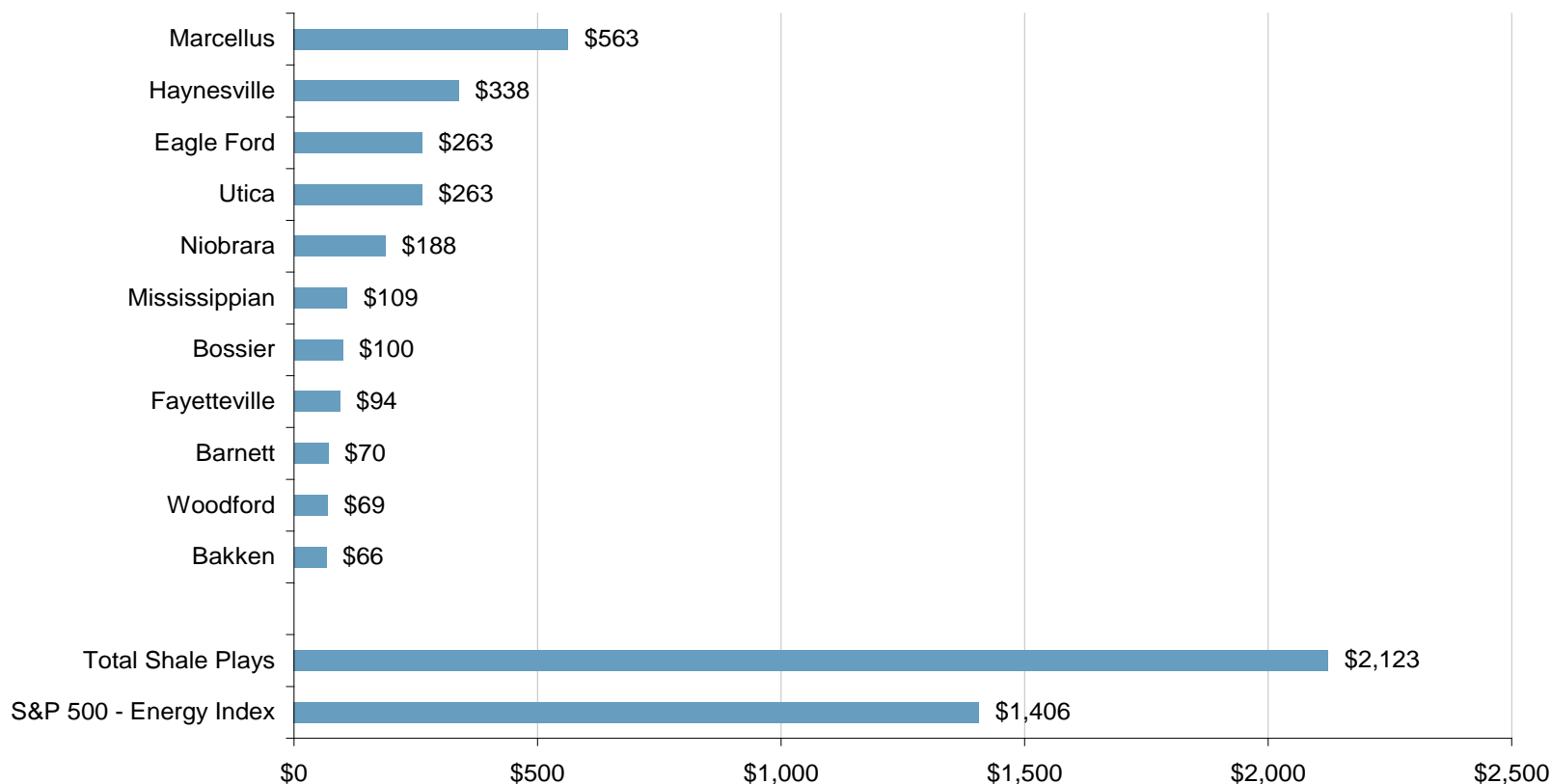
Proven Undeveloped reserves for which wells need to be drilled, greater than 90% chance of success

PROB

Probable reserves for which wells need to be drilled, greater than 50% chance of success

THE INDUSTRY WILL NEED TO INVEST ENORMOUS AMOUNTS OF CAPITAL TO FULLY DEVELOP THE RESOURCE PLAYS

ESTIMATED FUTURE CAPITAL REQUIREMENTS BY BASIN (\$BN)



Source: Jefferies.

The estimated capital to fully develop some of the largest resource plays is 50% greater than the entire market capitalization of the S&P 500 Energy Index!

U.S. Onshore Sector Buying & Selling Last 12 Months

Sector Selling



Sector Buying



Source: RBC Richardson Barr database

(1) Nucor / Encana Piceance JV has been included in asset supply; however, it is not used in the calculation of % JVs.



RBC Capital Markets[®]
RBC Richardson Barr

Conventional Asset Demand Driven By MLPs & Private Equity

Financial Buyers and E&P MLPs / Yield Vehicles

Financial Buyers



MLPs / Canadian Mutual Fund Trusts



Private Equity and Portfolio Companies

Private Equity Sponsor Overview – Number of E&P Management Teams



Private Equity Universe

Financial Sponsors w/ E&P Teams	> 45
Estimated E&P Capital *	\$50 B
Management Teams w/ U.S. focus	> 245

* RBC Richardson Barr estimate.



Partner with Management Teams

- Private equity sponsor partners with oil & gas management team to acquire and develop assets
- Private equity puts up a large majority of the capital for acquisition and development in exchange for a large percentage of near-term cash flow
- After private equity achieves certain rates of return, management team receives an increasing portion of the cash flow from the assets

Invest in Businesses

- Private equity firm invests capital in oil & gas business in exchange for common or preferred ownership in these companies
- Proceeds from PE investment used to accelerate development of the company's assets or acquire new assets, increasing the value of the Company to both existing owners and private equity sponsor
- Company typically sold subsequently for an improved valuation, for a profit to PE and management

Acquire Oil & Gas Companies

- Typical Leveraged Buyout (LBO) formula:
 - Private equity acquires an existing oil and gas business for a premium to its current valuation
 - Private equity borrows a substantial amount of money to pay for the acquisition, and contributes further capital to accelerate development of the company's assets, improving cash flow and valuation
 - Private equity sells the business within a 3-5 year timeframe, making a profit on its initial investment

Acquire & Exploit Strategy



KKR/PNR Partnership (+12 years with 1.0B\$ of Equity)

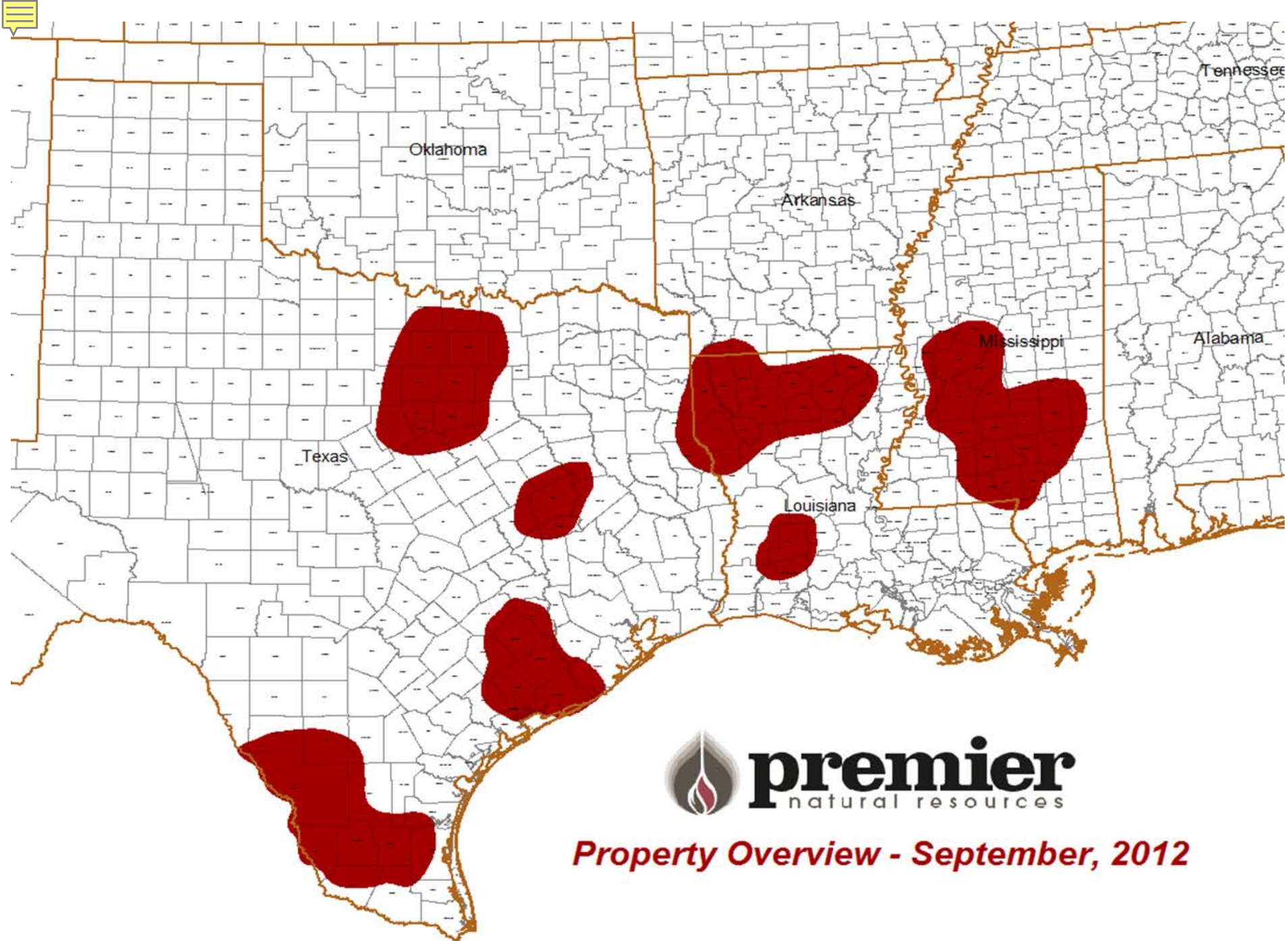
- Raised special pool of capital
- Since March 2010, have acquired ~1.0B\$ of assets in five transactions
- Access multiple pools of capital for deals with higher risk upside potential

Acquire producing properties with upside potential

- Brokered deals require significantly more technical diligence
- Speed can never replace attention to detail
- Maintain discipline in preparing bids
- Some deals are worth stretching for

Keys to Success

- Ability to source, quickly evaluate/negotiate acquisitions
- Pay for upside using lower cost capital structure
- Ability to execute on upside opportunities that add value
- Industry veterans determine competitive advantages
- Prepare acquisition look-backs to determine real economics

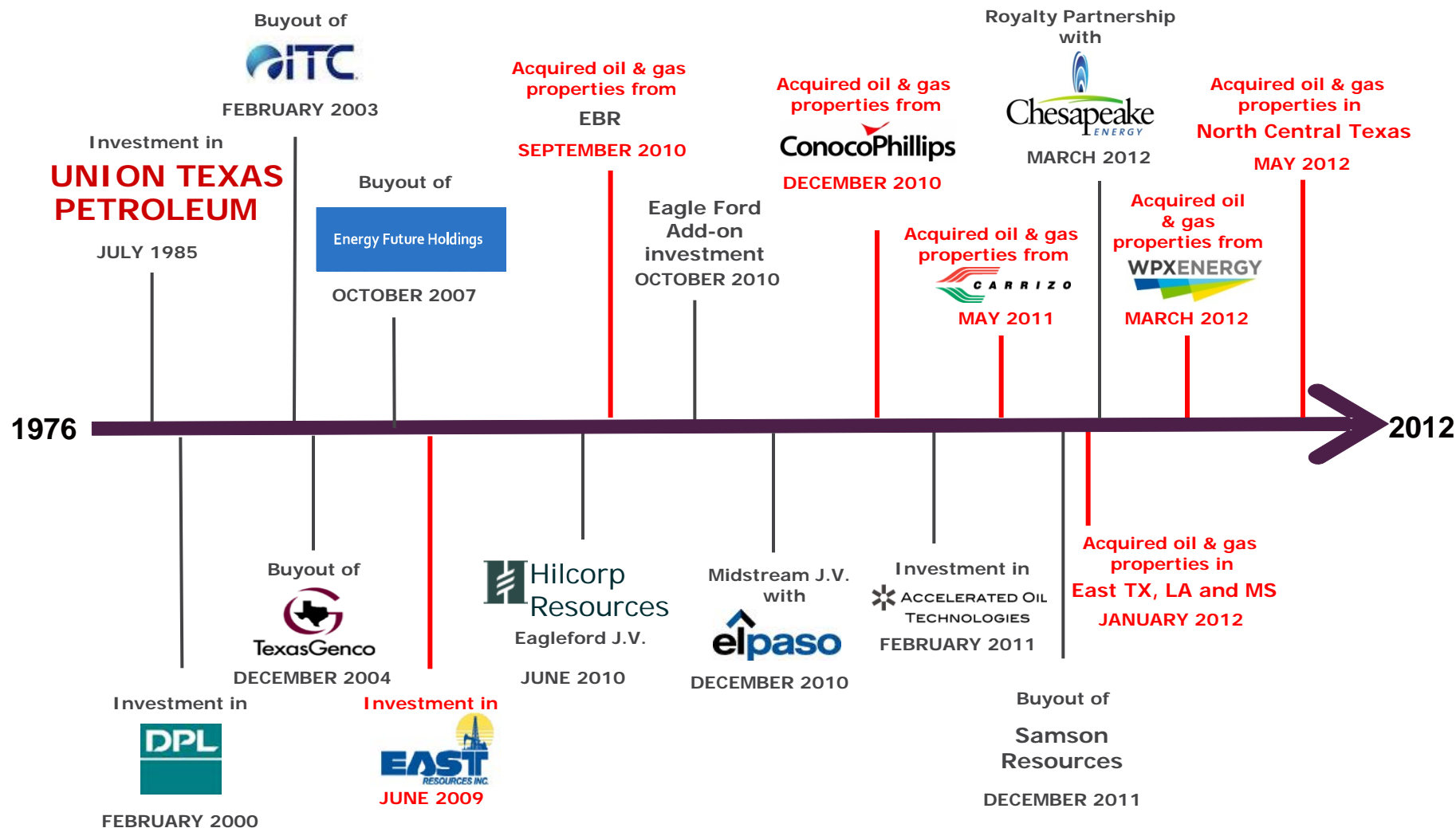


premier
natural resources

Property Overview - September, 2012

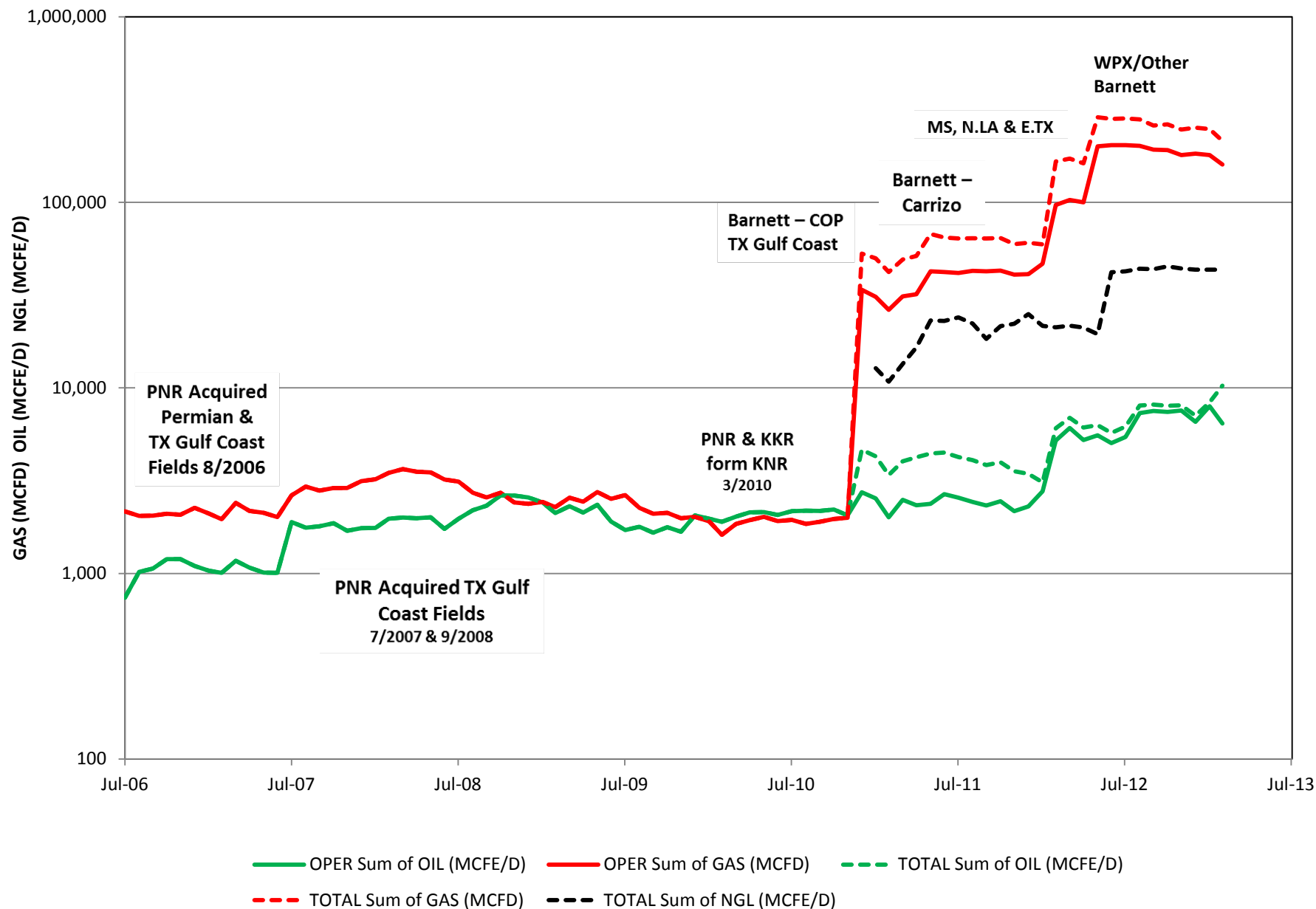
KKR Energy Investments – PNR Projects

KKR has a Long History of Investments in the Energy Sector



Note: Past performance is no guarantee of future results. This table is provided for discussion purposes only to demonstrate KKR's energy-related experience across all of KKR's private equity funds. The investments listed possess, to varying degrees, energy-related qualities as determined by the Energy team and are based on the Energy team's assessment of all investments by KKR's private equity funds. Such determination and assessment involves significant judgment and may differ from another party's review of KKR's private equity portfolio. Another party's assessment may include comparable investments not represented above, which may have lower (or negative) investment returns

PNR Legacy & KNR Partnership Properties



Winning Formula



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