

Wells Fargo Energy

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Together we'll go far



Presentation Outline

- Introduction
- Borrowing Base Methodology
- Lending Value Price Decks
- Operating Costs
- Capital Costs
- Development Plans
- Creative Thinking; Creative Solutions
- Conclusions

Our Outstanding Reputation

FORTUNE

- World's 22nd Most Admired Company (2014)

Barron's

- World's 11th Most Respected Company (2014)

Forbes

- 8th Biggest Public Company in the World (2014)

Brand Z/Brand Finance

- Most Valuable brand in banking/in the World (2014)

The Chronicle of Philanthropy

- America's #2 Most Generous Cash Donor (2014)

Global Finance

- Best Mobile Solution Provider (2014)

Euromoney

- Best Global Bank and Best U.S. Bank (2013)

No. 1 in U.S.

- Oil and gas loan syndications¹
- Best Trade Finance Bank³
- Mortgage servicer, *Inside Mortgage Finance, 2014*
- REIT preferred stock underwriter⁴

No. 2 in U.S.

- Asset-based left lead bookrunner¹
- Real estate loan syndications¹
- REIT loan syndications¹
- Utilities loan syndications¹

No. 3 in U.S.

- Full-service retail brokerage provider based on number of Financial Advisors in 4Q14, *Company and Competitor reports*
- Hotel & Gaming loan syndications¹
- Bookrunner for BDCs (Business Development Companies)²
- Non-investment grade loan syndications¹

No. 4 in U.S.

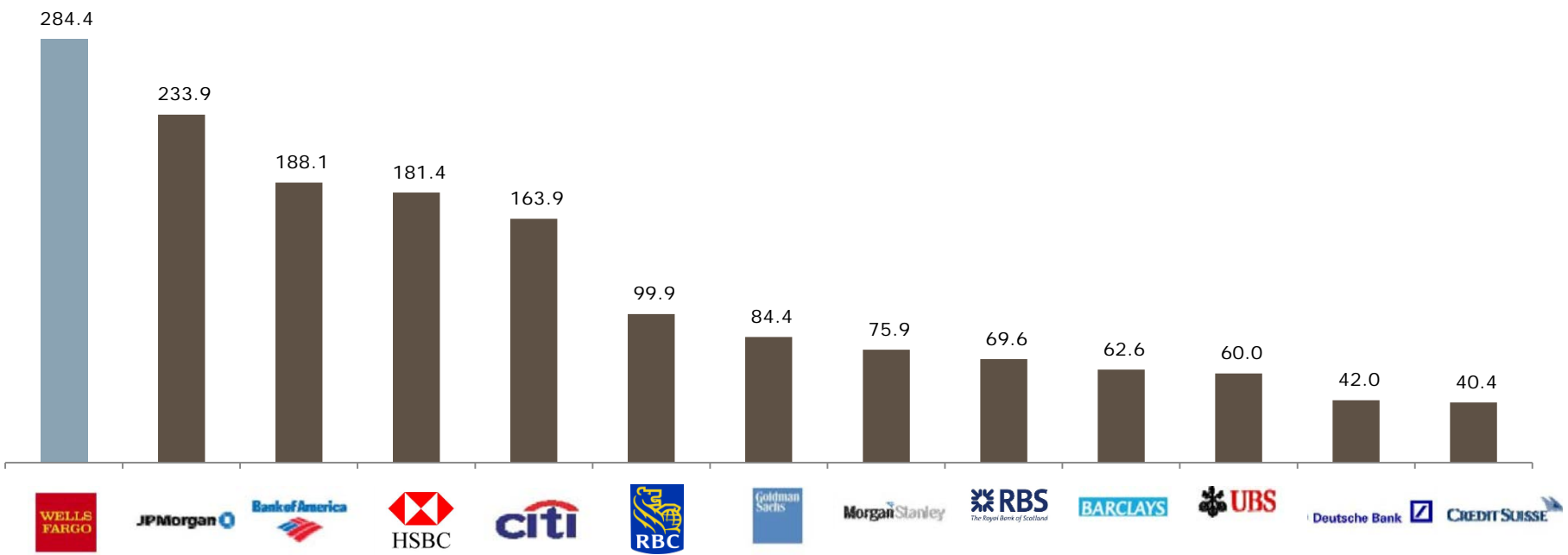
- REIT common stock underwriter²
- High grade loan syndications¹
- Financial services loan syndications¹
- Wealth management provider, assets under management of accounts greater than \$5 million⁵

Company data as of December 31, 2014

¹4Q14 Thomson Reuters, LPC, ²4Q14 Deal Logic, ³2014 Global Trade Review, ⁴4Q14 Company Filings, ⁵2014 Barron's

Market Capitalization as of 12/31/2014

We are one of only a handful of strong, stable and well-capitalized banks in the world today



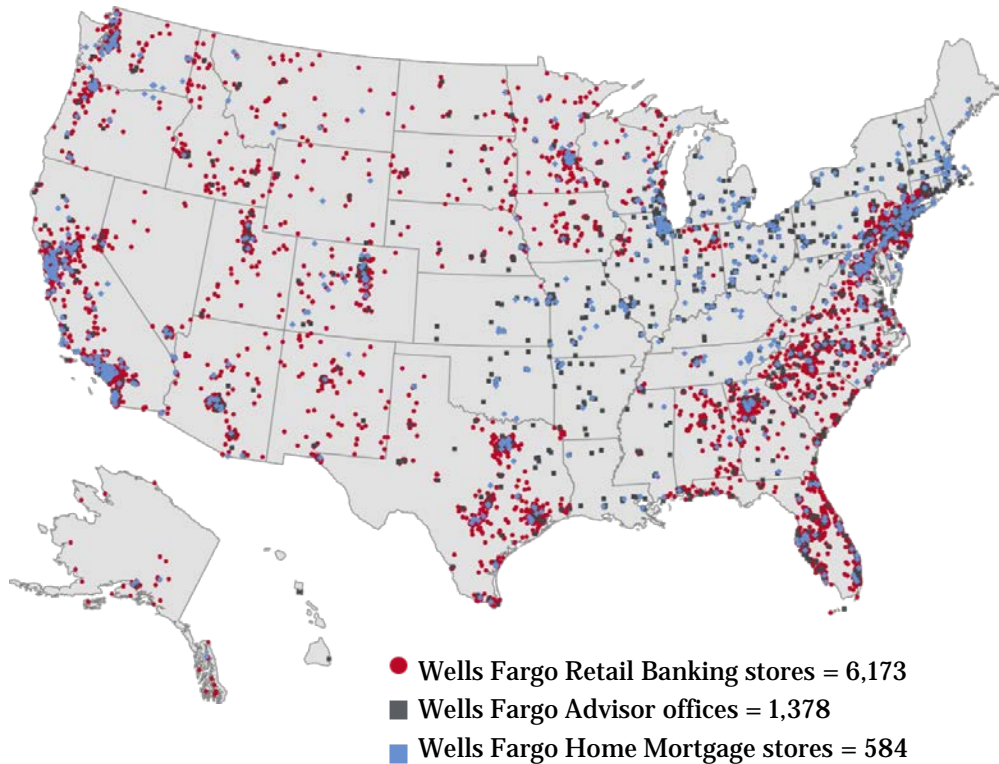
\$ billions
Source: Capital IQ

Wells Fargo – strength and stability

- Wells Fargo continues to be one of the strongest and best capitalized banks, which has allowed Corporate Banking to continue to expand its relationships with clients
- Wells Fargo Bank, N.A. is among the highest credit rated U.S. banks with AA- credit rating and \$1.7 trillion in assets
- Wells Fargo has created a financial powerhouse with a coast-to-coast footprint and an even broader array of product capabilities, allowing our clients to tap into a wealth of financial expertise

	Combined	U.S. Market Rank
Market Capitalization	\$284.4 billion	#1 among banks globally
Total Average Deposits	\$1.1 trillion	#2
Total Loans	\$849.4 billion	#2
Mortgage Servicing	\$2.3 trillion	#1
Retail Brokerage	15,187 brokers ²	3 rd largest U.S. full-service brokerage based on financial advisors
Mutual Funds	\$242,271 billion AUM	#3 bank-owned mutual fund family
Insurance	\$7,254 million in revenue ¹	Top 10 U.S. retail insurance broker

Largest, Most Extensive Banking Store Network Across the U.S.



¹ As of 12/31/14; Store data as of 12/31/14
²Series 7 licensed as of 12/31/14
 Source: Source: Earnings release, 10-Q, SNL Financial and WF Funds Management Group monthly letter

Wells Fargo Energy Group Overview

The combined platform provides coordinated Corporate and Investment Banking coverage with unrivaled power to deliver a broad range of products and services.

WELLS
FARGO

Wells Fargo Energy Group

- 10 offices and 250+ team members nationwide
 - Oil & Gas
 - Large Corporate Energy
 - Energy Services & Equipment
 - Power & Utilities
 - Wells Fargo Energy Capital
- More than \$45B of credit committed to Clients
- Products and Services provided include:
 - Credit and capital solutions
 - Treasury management
 - Asset management
 - Risk management
 - Receivables Management
 - Corporate Services
 - Wells Fargo Energy Capital (Second Lien, Mezzanine and Equity Commitments)

Source: Thomson Reuters LPC, Bloomberg, Market Axes, and SDC;
Notes: Rankings based on 4Q2014 transaction data

WELLS
FARGO

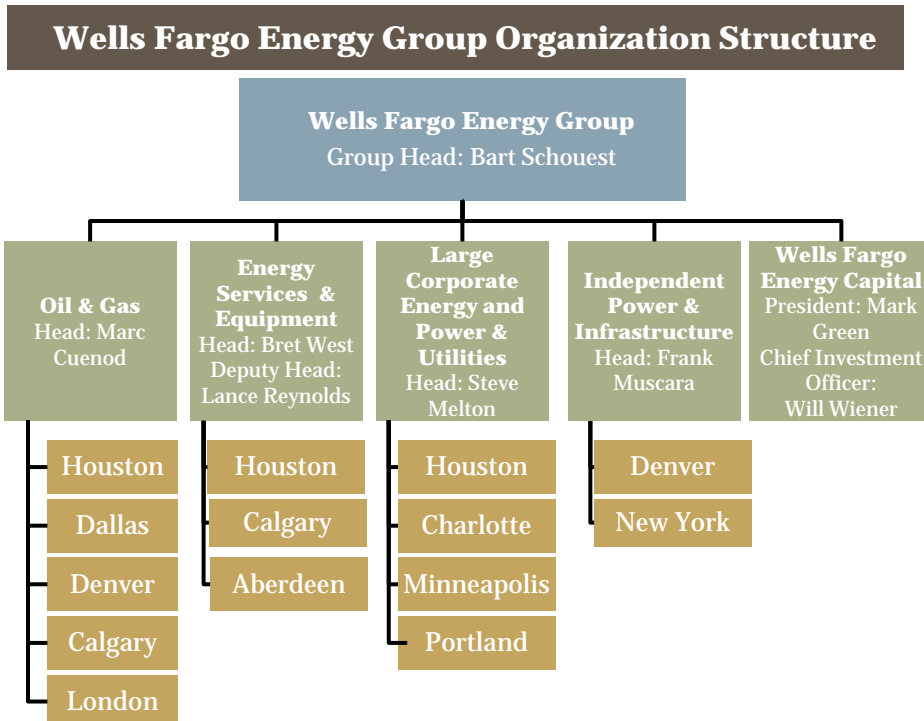
SECURITIES

Energy & Power Investment Banking

- Full-service platform providing strategic advisory and comprehensive capital markets access
- Over 75 dedicated investment banking professionals with industry sector expertise
- Strength of a bulge bracket firm with the execution focus of a boutique
- Strong year-to-date market positions:
- Equity Capital Markets (source: Dealogic)
 - #2 Book-runner of MLP equity (since 1/1/2014)
 - #2 Left Book-runner of MLP equity deals (since 1/01/12)
 - #2 Book-runner of all Energy equity deals (since 1/1/2014)
 - #3 Book-runner of Utility deals (since 1/01/12)
- Investment Grade Debt Capital Markets (source: Dealogic and MarketAxes)
 - #6 Energy by deals
 - #2 Bonds MLPs by deals
 - #2 Midstream by deals
 - #2 Energy secondary trading
 - #2 Utility by number of deals
 - #2 Utility secondary trading
- High Yield Capital markets (source: Dealogic)
 - #1 Book-runner for Energy (by number of deals)
- Loan Syndications (source: LPC and Dealogic)
 - #1 Energy Leveraged Loan Lead Arranger
 - #3 Investment Grade Loan Lead Arranger in number of deals syndicated (LTM 4Q 2014)
 - #1 for Oil and Gas (combined Investment grade and non Investment grade) in number of deals syndicated (LTM 4Q 2014)
 - #2 for Utilities (combined Investment grade and non Investment grade syndications) in number of deals syndicated (LTM 4Q 2014)

Wells Fargo’s commitment to the energy sector and relationship focus allows us to build long-term strategic partnerships with our clients.

- Wells Fargo’s Energy Group is one of the largest capital providers to the energy space with **\$45Bn+ of credit committed to public and private companies** across the upstream, midstream, downstream, and services sectors.
- Wells Fargo is a leading energy financial services provider with the capabilities to provide comprehensive debt, advisory, capital markets, and traditional banking solutions to companies of all sizes and in all stages of development. Wells Fargo has been **lending to the energy industry for over 40 years**.
- The Energy Group has **250+ team members** located in North America and the UK and **21 in-house engineering professionals**.



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The Oil & Gas Division is an industry leading lender to upstream and midstream companies

- We focus on relationships with energy companies ranging in size from start-up to over \$1 billion in annual revenues
 - Headquartered in Houston, with offices in Denver, Dallas, Calgary, and London
 - Industry focused group with over 70 team members including a dedicated midstream team
 - Technically focused E&P platform which includes a 20 person engineering group
 - Relationship-driven financial partner with the ability to structure around client needs
 - Ability to deliver the full suite of Wells Fargo capabilities including investment banking, commodities and interest rate derivatives, A&D/M&A advisory services, treasury management and trust services
 - Works closely with Wells Fargo Energy Capital to provide second lien, mezzanine and equity capital

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Borrowing Base Structure & Methodology

Borrowing Base Weighting and Applicable Considerations

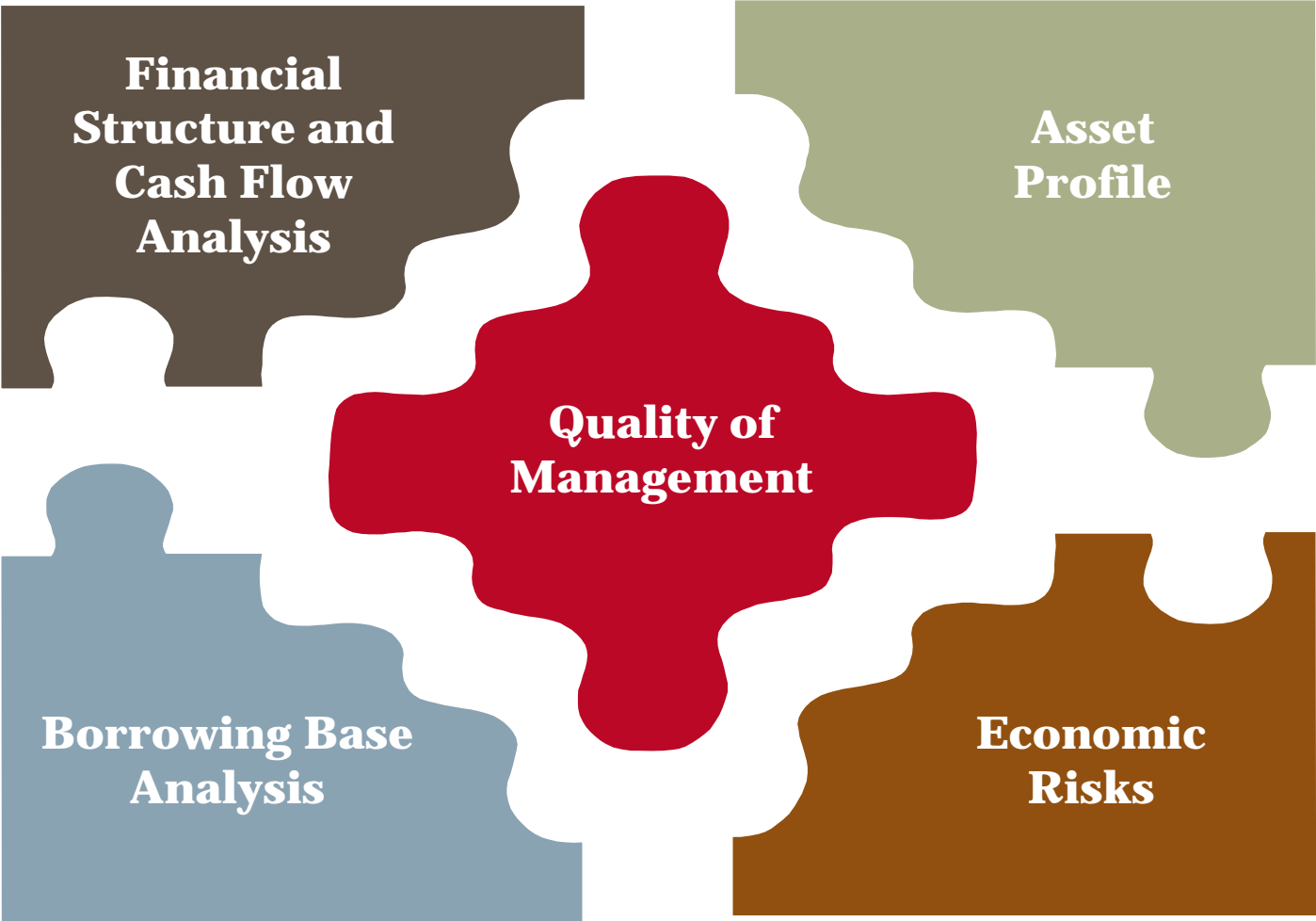
Category	Risk	Weighting
<p>Proved Reserves</p> <ul style="list-style-type: none"> PDP PDNP PUD <p>Probable</p> <p>Possible</p>		<p>All PDP Reserves are included in Borrowing Base value</p> <p>PDNP and PUD Reserves limited to no more than 25%-30% of Borrowing Base value</p> <p>No Borrowing Base value is assigned to probable or possible reserves</p>

Asset Concentrations

- Single well representing up to 15% of Borrowing Base value

“Green” Production

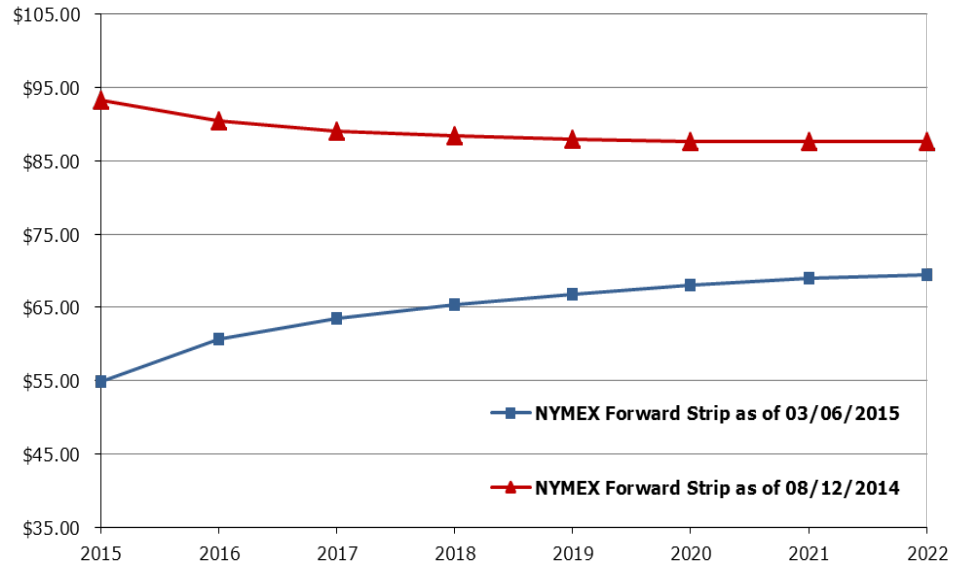
- Wells with less than six months of production history



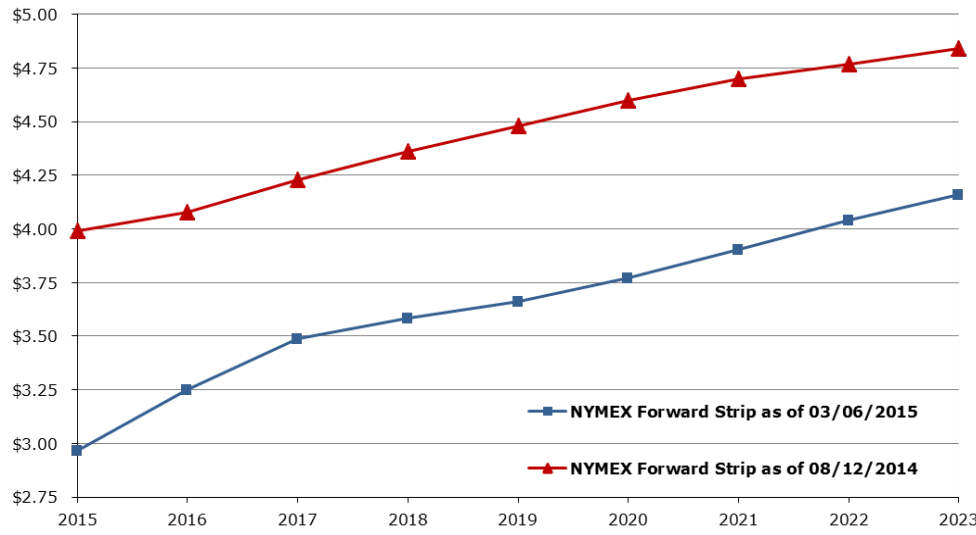
Lending Value Price Decks

Wells Fargo Lending Price Deck (Fall 2014 BBRD vs. Spring 2015 BBRD)

Oil Price Deck vs. NYMEX Strip

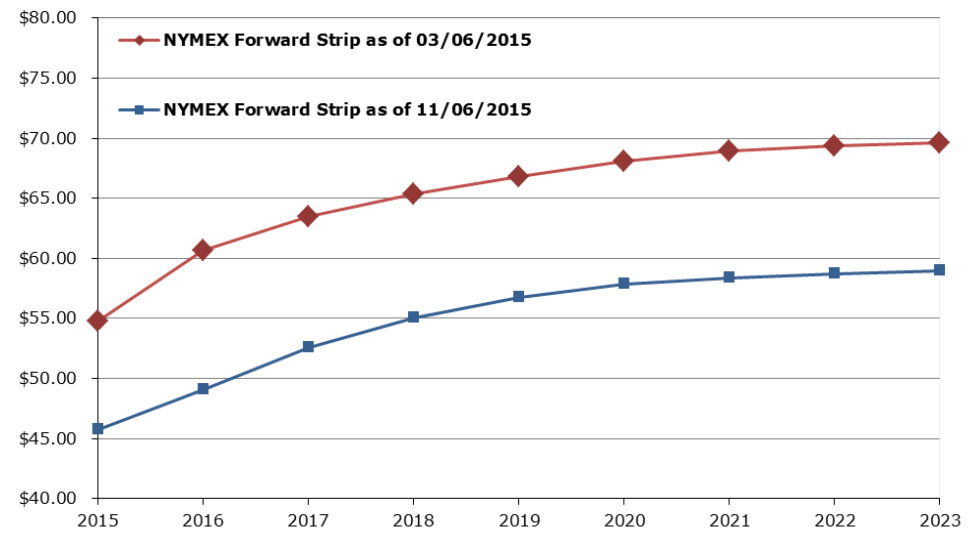


Natural Gas Price Deck vs. NYMEX Strip

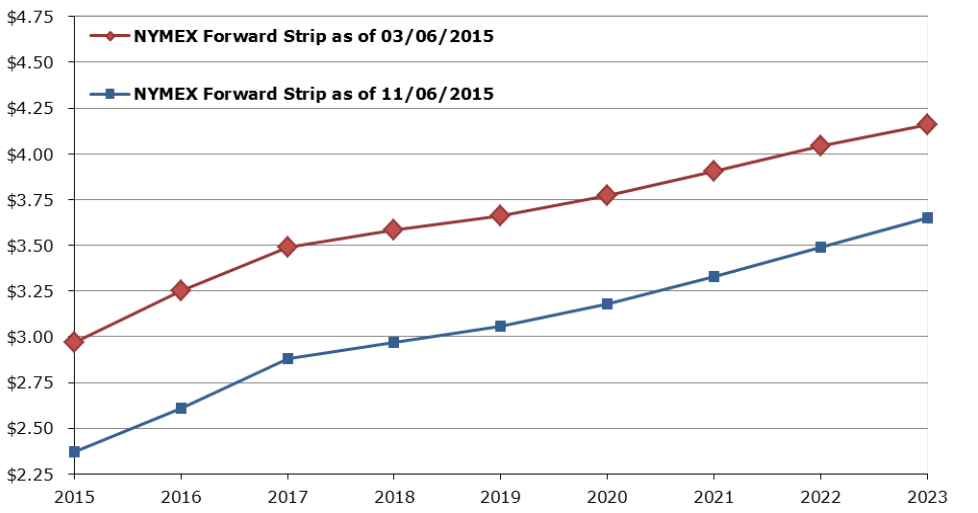


Wells Fargo Lending Price Deck (Fall 2015 BBRD vs. Spring 2015 BBRD)

Oil Price Deck vs. NYMEX Strip



Natural Gas Price Deck vs. NYMEX Strip



Operating Costs (OPEX)

- SEC at December 31 2014
- TRUST BUT VERIFY
- SHOW AND TELL
- Are reductions permanent?

- In general 5-10% cost reduction
- High cost (ex. CO2 flood) properties have greater % reduction
- LOE reductions were apparent in 1Q 2015 – some late 4Q 2014
- Bakken: 7-12%
- Rockies: 0-5%
- Permian: 5-10%
- Anadarko: 5%
- CA: 10-15%
- Marcellus: limited cost reduction
- Offshore: 10-15% LOE reduction

Capital Costs (CAPEX)

- PDNP and PUD
- SEC at December 31 2014
- TRUST BUT VERIFY
- SHOW AND TELL
- Are reductions permanent?
- Our Price Decks are escalating

- In general 15% cost reductions
- Seeing a trend in 20-30% reductions
- Drilling cost reductions were recognized early 4Q 2014
- Completions cost reductions were recognized in late 2014 and early 2015
- Bakken: 20-25%
- Rockies: 15%
- Permian: 15-25%
- Anadarko: 10%
- Ark-La-Tex: 10-15%
- Marcellus: limited cost reduction
- Offshore: Rig and boat costs are down 40-50%
- Expect cost escalation as prices recover

Development Plans

- PDNP and PUD
- SEC at December 31 2014
- 1st Quarter update
- Revised budgets

- Reserves and production included in the BB?
- December 31 2014 or January 1 2015 effective dates
- April 1 or May 1 2015 BBRD renewal dates
- June 30 2015 or July 1 2015 effective dates
- October 1 or November 1 2015 current BBRD review

Creative Thinking ; Creative Solutions

- **Mix Reserves Engineering with Sound Business Principles**
- **PRMS, SEC and Business Approach Hybrid**
- **PDP, PDNP, PUD Fixation?**
- **Management: Relationship**
- **Equity Sponsor**
- **Financial and Technical/Operations Track Record?**
- **Doing What's Right For The Customer?**
- **Staggered OPEX and CAPEX reductions related to prices**
- **Multi-Stage BB**

Conclusions

- Active and frequent communication between Borrowers and Lenders
- Borrowers should engage Banks now to estimate future BB's, liquidity needs and covenants to position for the rest of 2015 and 2016
- Banks are more willing to accommodate Borrowers that take pragmatic steps to manage in this environment
- Balance the risk
- Spring 2015 BBRD season closed
- Fall 2015 BBRD season ongoing



Thank You

Questions?



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