

VALUE FOCUS

Exploration & Production

Second Quarter 2016



REGION FOCUS
Permian Basin

2016

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Q1: Eagle Ford
Q2: Permian Basin
Q3: Bakken
Q4: Marcellus and Utica

E&P Industry Overview

After collapsing in late 2014, oil prices reached historic lows in the first quarter of 2016 but have since started to show signs of recovery. In the face of falling oil prices, E&P companies cut capital expenditures, reigned in drilling activities, and reorganized business models. Recently companies halted exploration activities and cut capital projects to drill new wells. Now that oil prices may recover, companies are looking to replace their reserves through acquisitions. M&A activity picked up in the E&P sector in the second quarter of 2016 as many companies saw growth opportunities in the Permian.

Although oil prices showed signs of improvement, the trend of bankruptcy continued in the second quarter as 75 E&P companies went bankrupt compared to 43 in the first quarter.¹ The majority filed for Chapter 11 protection hoping to reorganize. Many of the bankrupt firms were smaller companies who had less flexibility to exchange debt or draw a second-lien.

The price of crude oil is determined by market forces: supply and demand. On pages 2 and 3, world demand and supply is analyzed in order to understand the current pricing environment.

¹ Bankruptcy Data.

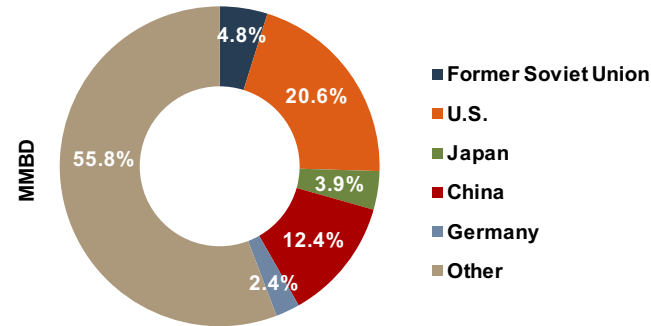
World Oil Demand

Crude Oil & Natural Gas

96.03
mboe/d

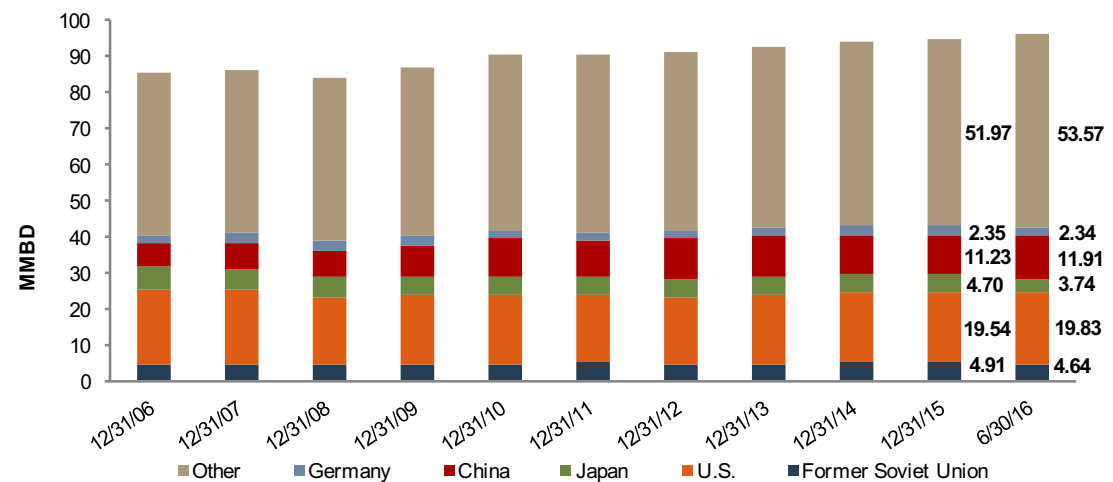
World Daily Consumption of Crude Oil and Liquid Fuels: June 2016

As of June 30, 2016, total world daily consumption equaled 96.03 million barrels per day.



Source: Bloomberg

World Daily Consumption of Crude Oil and Liquid Fuels



Source: Bloomberg

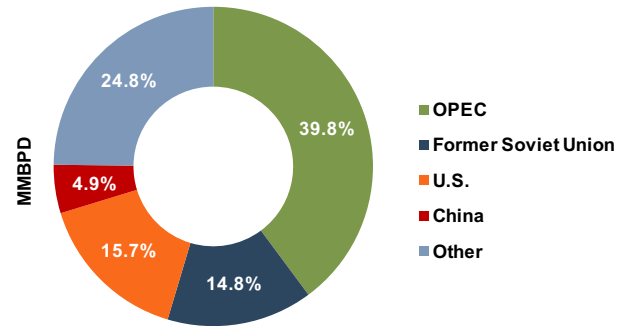
World Oil Supply

Crude Oil & Natural Gas

96.41
mboe/d

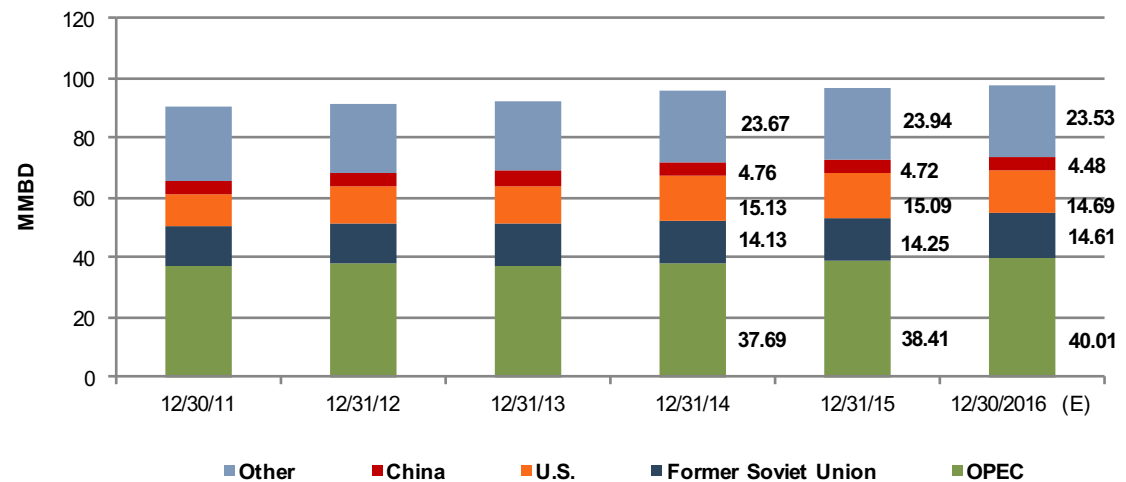
World Daily Production of Crude Oil: December 2015

As of December 31, 2015 (the most recent data available) world daily production totaled 96.41 million barrels per day.



Source: Bloomberg

World Daily Production of Crude Oil



Source: Bloomberg

Regulation Overview

The oil and gas industry is heavily regulated. The Environmental Protection Agency (EPA), the Federal Energy Regulatory Commission (FERC), Bureau of Land Management (BLM), the Department of the Interior (DOI), and more regulate operations of the oil and gas industry. Recent legislation includes the lifting of the export ban and the EPA's finalization of Amended Source Review Performance Standards to reduce methane emissions. **New legislation** to look out for this year includes the Bureau of Land Management's venting and flaring rule for oil and gas wells.

In early 2016 the crude oil export ban, which had been in place since 1975, was lifted. Industry experts thought that lifting the export ban would better align the production capabilities of U.S. refineries and U.S. producers and more evenly distribute the profits. As was the case at the end of the first quarter, the domestic oil and gas market has yet to feel the consequences of the lifting of the export ban as the Brent-WTI spread is still insignificant. Once the spread widens — and it is cheaper for other countries to buy WTI and pay transportation costs than to buy Brent — the true effect on market price will be understood.

On May 12, 2016, the EPA finalized its first-ever standards to cut down on methane emissions from the oil and gas sector. There were three final rules issued that make up the Amended Source Review Performance Standards. The standards are part of President Obama's plan to reduce methane emissions from the oil and gas industry from 2012 by 40% to 45% levels by 2025. Under the new standards, oil and gas companies will have to meet strict capture and control standards at compressors, pneumatic controllers, pumps, and processing plants. Additionally, they will have to **capture emissions** from the completion of hydraulic fractured wells. The new rules also clarify boundaries of facilities and adjacent facilities which are used to determine necessary permitting. The new rules are expected to be accompanied with high costs for the oil and gas sector.

In order to address existing sources of methane emissions, the EPA has issued **an information collection request (ICR)** in order to gather information on the existing sources of methane emissions and on the kinds of technology, and their costs, which can be used to reduce emissions. The EPA expects the ICR process to help them identify sources with high emissions and the factors that contribute to those.

Additionally, the Department of the Interior's Bureau of Land Management is expected to finalize its venting and flaring rule by August 2016. The rule is not expected to have as large of an impact on the industry as the EPA's methane regulations, but the rule would reduce venting and flaring on public land.

Permian Basin

Overview



The economics of oil and gas production varies by region. Mercer Capital focuses on trends in the Eagle Ford, Permian, Bakken, and Marcellus and Utica plays. The cost of producing oil and gas depends on the geological makeup of the reserve, depth of reserve, and cost to transport the raw crude to market. We can observe different costs in different regions depending on these factors. This quarter we take a closer look at the Permian Basin.

Although the Permian was discovered in the 1920s, the true potential of the Permian was not realized until 2007 when hydraulic fracturing techniques were used to access the tight sand layers of the play. For decades, wells have targeted conventional, permeable reservoir layers that trap oil and gas produced primarily in the shale layers. Recently developed enhanced extraction techniques have maintained these reservoirs' outputs. Since then, the Permian has been revitalized as producers have begun using unconventional drilling techniques in addition to traditional vertical wells. Because the crude in the shale layers have only recently been explored, there are still tremendous reserves left. The Permian is the largest producer of oil and the second largest producer of gas, after the Marcellus. Companies that operate in the Permian do not have to choose between oil and gas, but can diversify operations.

Because the Permian has been producing since the early 1900s, the easiest, cheapest oil and gas to extract from the basin was produced long ago so many areas are not viable at low oil prices. However, the Permian still has some of the lowest break-even prices compared to other reserves in the U.S. The Permian is a stacked play which means that multiple horizontal wells can be drilled from one main wellbore. This provides increased productivity as multilateral wells have greater drainage areas than a single wellbore. Additionally, it can reduce overall drilling risk and cost. For deep reservoirs like the Permian, a multilateral well eliminates the cost of drilling the total depth twice. Break-even prices in the Permian can vary from as low as \$25 to \$63 per barrel.²

² Bloomberg Intelligence; County Level Data Estimate.

Permian Basin

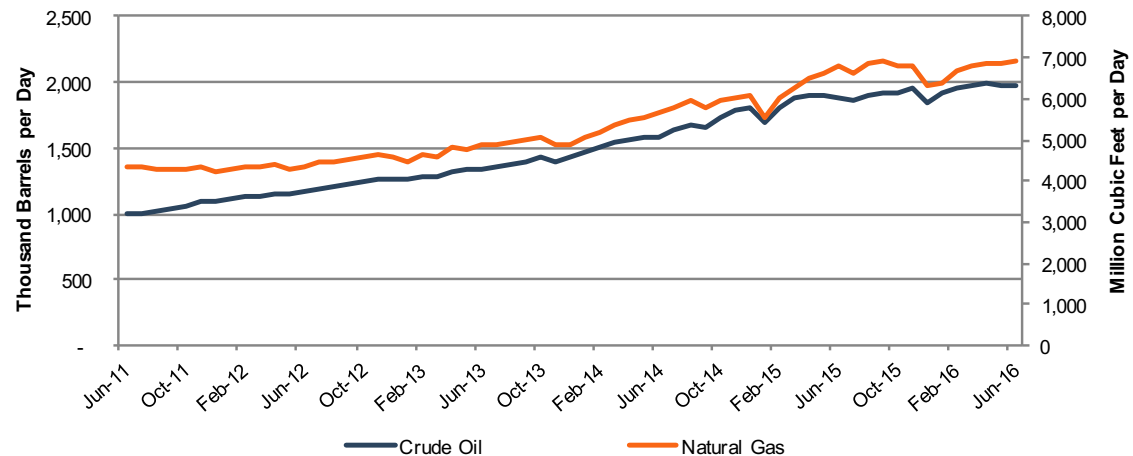
Production

The EIA estimates of total production as the sum of new production from recently drilled wells and legacy production from existing wells. Legacy production trends are dominated by depletion rates, however over the last year the change in legacy production, although negative, has decreased.

On average over the second quarter of 2016, production per rig for both oil and natural gas in the Permian lagged the Eagle Ford, Utica, and Bakken region. However, rig counts in the Permian outnumbered other regions by almost 4 times in the Eagle Ford and more than 5 times in the Bakken and Marcellus.³ The top producers in the Permian include Occidental Petroleum Corp., Pioneer Natural Resources Co., and Apache Corp.

Production in the Permian increased over the last two years by 24%. As the price of oil fell, producers moved operations to the Permian where the break-even prices were lower and they could afford to produce at such low prices. Over the same time period, regions such as the Eagle Ford, also located in Texas, saw as much as a 19% decline in production.

Total Oil and Gas Production in the Permian Basin



Source: EIA

³ EIA Drilling Report by Region.

Permian Basin

Guideline Public Company Valuation Multiples

As shown in Appendix B (pages 10-16), valuation multiples for companies focused in the Permian are higher than companies operating in other domestic plays. Many companies are moving out of other regions and relocating to the Permian which is thought to have better upside potential.

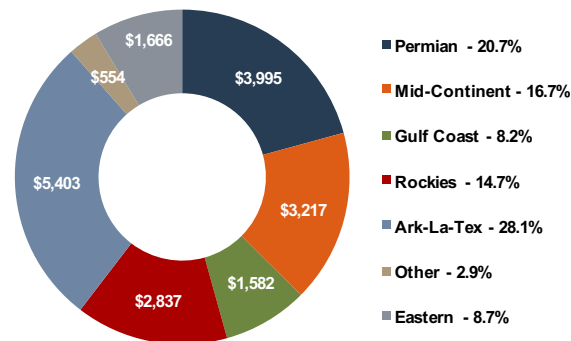
Since twelve months ago, multiples have increased as enterprise values for companies operating in the Permian, on average, increased by 16% and production of our guideline group increased slightly.

M&A Transaction Activity

M&A activity in the E&P sector has generated approximately \$19.25 billion over the past six months. Some recent transactions in the Permian are summarized on the following page.

A notable transaction in the Permian this year was QEP's acquisition of 9,400 acres in the northern Midland Basin of the Permian, where the company already had a significant footprint. The acquisition added over 430 potential horizontal drilling locations and increased QEP's Permian potential drilling locations by over 50%. QEP may have been willing to pay a premium for these assets as they are less than ten miles east of their existing operations, which provides the company with the ability to increase operational efficiency.⁴ The deal is expected to close in September.

U.S. Announced Deal Value (YTD)



Source: 1Derrick

⁴ Shale Experts.

Permian Basin Transactions

Announced Date	Buyer	Seller	Deal Value (\$MM)	\$ / Acre	\$ / Daily BOE	\$ / Barrel of Proved Reserves
6/22/16	QEP Resources, Inc.	Not Disclosed	\$600.0	\$63,829.8	\$428,571.4	\$7.9
6/20/16	Not Disclosed	Memorial Production Partners LP	\$37.4	na	\$31,166.7	\$12.1
6/15/16	Not Disclosed	Devon Energy Corp	\$423.0	na	\$19,227.3	\$9.8
6/15/16	Pioneer Natural Resources Co.	Devon Energy Corp	\$435.0	\$15,535.7	\$435,000.0	na
6/6/16	Not Disclosed	Devon Energy Corp	\$139.0	\$12,636.4	\$139,000.0	na
5/23/16	Parsley Energy Inc.	Lehm Capital Partners, Ltd & Trees Capital Partners Ltd.	\$280.5	\$53,766.5	\$1,001,785.7	na
4/30/16	Not Disclosed	Legacy Reserves LP	\$73.9	\$5,587.9	\$141,842.6	na
4/19/16	Callon Petroleum Co.	Big Star Oil & Gas LLC	\$220.0	\$15,615.0	\$113,930.6	\$53.7
4/4/16	Parsley Energy Inc.	Not Disclosed	\$215.0	\$24,681.4	\$2,150,000.0	na
4/4/16	Parsley Energy Inc.	Patriot Resources Inc	\$114.0	\$8,029.9	\$95,000.0	na
2/1/16	Callon Petroleum Co.	Not Disclosed	\$9.3	\$30,491.8	\$54,705.9	na
1/29/16	Bluestone Natural Resources li, LLC	Quicksilver Resources Inc.	\$245.0	na	na	\$0.0
1/18/16	Silver Hill Energy Partners LLC	Concho Resources, Inc.	\$290.0	\$20,714.3	\$116,000.0	\$58.0
1/18/16	Concho Resources, Inc.	Jetta Operating Co Inc	\$360.0	\$30,000.0	\$100,000.0	\$19.5
Median			\$232.5	\$20,714.3	\$116,000.0	\$12.1
Average			\$245.9	\$25,535.3	\$371,248.5	\$23.0

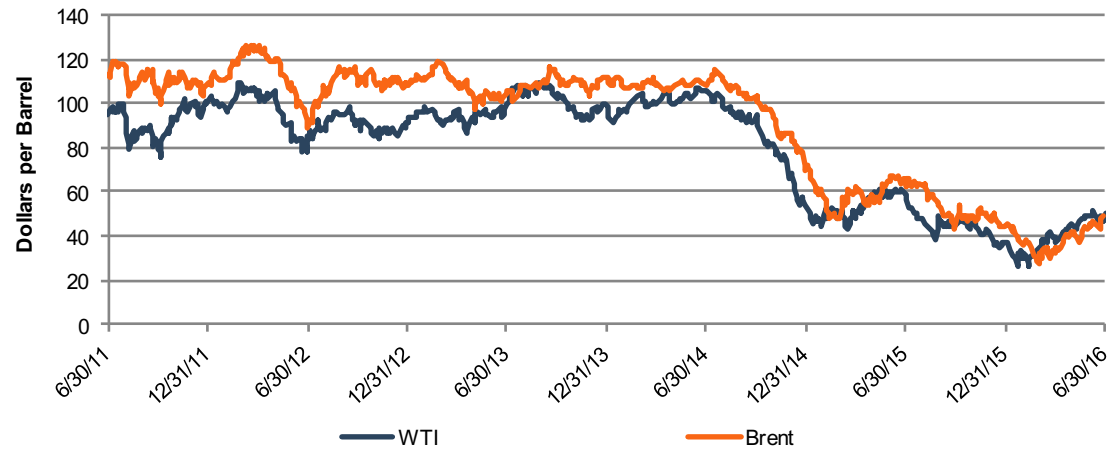
Source: Shale Experts

* Does not include all transactions in the Permian Basin for the last twelve months ended 6/30/2016

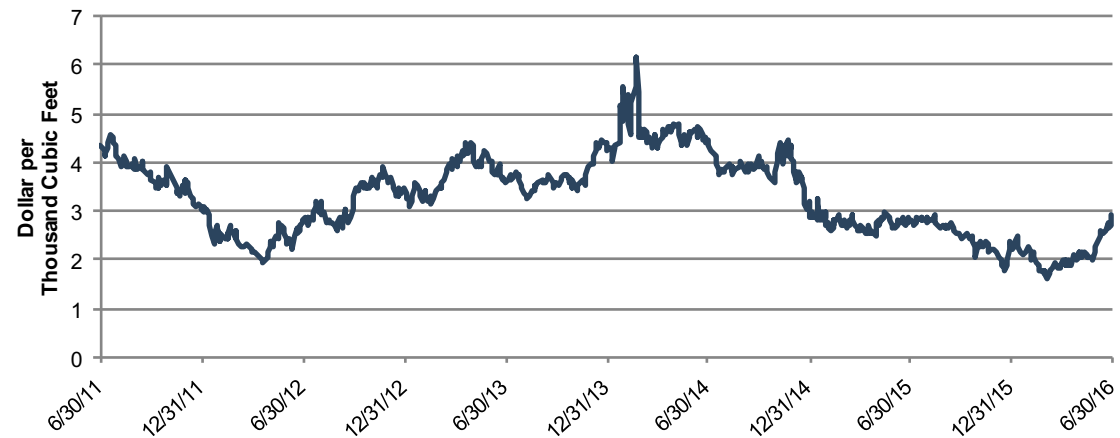
Appendix A

Commodity Prices

Crude Oil Spot Prices



Henry Hub Natural Gas Spot Price



Appendix B

Selected Public Company Information

Mercer Capital tracks the performance of Exploration and Production companies across different mineral reserves in order to understand how the current pricing environment affects operators in each region. We created an index of seven groups which we follow in order to better understand performance trends across reserves and across the industry. The current pricing multiples of each company in the Index is summarized below.

Company Name	Ticker	LTM		EBITDAX Margin	Total Production (MBOE/D)	Enterprise Value (\$MM)	YOY Change in EV	EV/ EBITDAX	EV/ Total Production
		Revenues (\$MM)	EBITDAX (\$MM)						
Global Integrated									
Exxon-XTO	XOM	205,402	26,652	13.0%	4,066	435,100	13.4%	16.3x	107,009.4x
Statoil	STO	47,362	16,117	34.0%	na	70,318	5.3%	4.4x	na
Shell	RDS/A	233,821	22,227	9.5%	3,675	299,335	44.4%	13.5x	81,451.7x
Chevron	CVX	104,742	15,219	14.5%	2,676	234,736	16.2%	15.4x	87,719.1x
Occidental Petroleum Co.	OXY	10,576	(5,965)	-56.4%	625	62,288	-4.6%	nm	99,730.4x
BP	BP	188,856	10,689	5.7%	3,290	144,408	-1.7%	13.5x	43,893.0x
Average		131,793	14,157	3.4%	2,866	207,698	12.2%	12.6x	83,960.7x
Median		146,799	15,668	11.2%	3,290	189,572	9.4%	13.5x	87,719.1x

Presented in \$000,000s, as of 6/30/2016
Source: Bloomberg L.P.

Appendix B

Selected Public Company Information

Company Name	Ticker	LTM		EBITDAX Margin	Total Production (MBOE/D)	Enterprise Value (\$MM)	YOY Change in EV	EV/ EBITDAX	EV/ Total Production
		Revenues (\$MM)	EBITDAX (\$MM)						
Global E&P									
Marathon Oil	MRO	4,343	1,354	31.2%	394	17,420	-26.7%	12.9x	44,177.0x
Hess	HES	5,342	549	10.3%	336	24,122	-0.5%	43.9x	71,719.7x
ConocoPhillips Co.	COP	24,024	3,914	16.3%	1,507	78,806	-18.9%	20.1x	52,300.0x
Anadarko Petroleum Corp.	APC	7,685	364	4.7%	769	44,778	-20.8%	123.0x	58,245.4x
Noble Energy	NBL	4,041	1,060	26.2%	411	22,157	3.2%	20.9x	53,885.3x
Apache Corp.	APA	5,176	(12,524)	-242.0%	494	30,145	-1.7%	nm	61,043.3x
Murphy Oil	MUR	2,164	(1,773)	-81.9%	177	7,544	-19.6%	nm	42,739.7x
Newfield Exploration	NFX	1,811	(2,581)	-142.5%	153	11,034	33.1%	nm	72,004.3x
Average		6,823	(1,205)	-47.2%	530	29,501	-6.5%	44.2x	57,014.3x
Median		4,760	457	7.5%	403	23,140	-10.3%	20.9x	56,065.3x

Presented in \$000,000s, as of 6/30/2016
Source: Bloomberg L.P.

Appendix B

Selected Public Company Information

Company Name	Ticker	LTM		EBITDAX Margin	Total Production (MBOE/D)	Enterprise Value (\$MM)	YOY Change in EV	EV/ EBITDAX	EV/ Total Production
		Revenues (\$MM)	EBITDAX (\$MM)						
Other North American E&P									
Legacy Reserves	LGCY	409	(242)	-59.1%	44	1,522	-15.1%	nm	34,483.8x
EXCO Resources	XCO	327	(630)	-192.4%	51	1,664	-8.1%	nm	32,841.7x
EV Energy Partners	EVEP	251	(3)	-1.2%	32	731	-26.8%	nm	22,923.4x
Encana Corp.	ECA	3,460	(2,901)	-83.8%	322	12,046	-19.2%	nm	37,447.1x
Devon	DVN	11,939	(12,617)	-105.7%	607	34,051	-14.0%	nm	56,093.9x
Atlas Resource Partners, L.P.	ARP	434	(682)	-157.1%	40	na	na	nm	na
Contango Oil & Gas	MCF	94	(247)	-263.9%	12	351	0.4%	nm	28,813.1x
US Energy Corp	USEG	9	(45)	-518.4%	na	13	-19.4%	nm	na
Stone Energy Corp	SGY	421	(753)	-178.7%	28	1,311	-19.4%	nm	47,301.2x
Vanguard Natural Resources LLC	VNR	472	(1,200)	-254.4%	69	2,417	-31.5%	nm	34,841.2x
Bill Barrett Corp	BBG	328	(362)	-110.6%	17	946	-16.6%	nm	57,322.4x
Denbury Resources Inc	DNR	1,376	(4,419)	-321.2%	65	4,338	-24.9%	nm	67,147.3x
Bonanza Creek Energy Inc	BCEI	320	(607)	-189.9%	20	996	-42.8%	nm	49,418.0x
Enerplus	ERF	705	(135)	-19.2%	90	2,099	-22.5%	nm	23,393.8x

Presented in \$000,000s, as of 6/30/2016
Source: Bloomberg L.P.

Appendix B

Selected Public Company Information

Company Name	Ticker	LTM		EBITDAX Margin	Total Production (MBOE/D)	Enterprise Value (\$MM)	YOY Change in EV	EV/ EBITDAX	EV/ Total Production
		Revenues (\$MM)	EBITDAX (\$MM)						
QEP Resources Inc	SXL	1,978	(405)	-20.5%	144	5,383	6.7%	nm	37,254.8x
Abraxas Petroleum Corp.	AXAS	60	(168)	-280.0%	6	251	-41.3%	nm	40,108.7x
Arsenal Energy Inc.	AEYIF	32	(47)	-147.4%	1	18	-78.9%	nm	14,779.7x
WPX Energy	WPX	1,635	(1,446)	-88.4%	79	5,146	22.6%	nm	65,123.1x
EQT	EQT	1,648	733	44.5%	338	17,113	5.4%	23.3x	50,705.4x
Chesapeake Energy	CHK	9,821	(8,908)	-90.7%	611	15,899	-25.3%	nm	26,027.6x
Matador Resources	MTDR	296	(515)	-174.1%	27	2,199	-11.0%	nm	82,468.9x
Comstock Resources	CRK	186	(739)	-396.8%	28	1,129	-19.8%	nm	40,060.5x
Average		1,645	(1,652)	-164.1%	125	5,220	-19.1%	23.3x	42,427.8x
Median		415	(561)	-152.3%	44	1,664	-19.4%	23.3x	38,753.8x

Presented in \$000,000s, as of 6/30/2016

Source: Bloomberg L.P.

Appendix B

Selected Public Company Information

Focused E&P Companies (>50% of Production in region)

Company Name	Ticker	LTM		EBITDAX Margin	Total Production (MBOE/D)	Enterprise Value (\$MM)	YOY Change in EV	EV/ EBITDAX	EV/ Total Production	
		Revenues (\$MM)	EBITDAX (\$MM)							
Bakken										
Continental Resources	CLR	2,246	1,365	60.8%	206	24,092	5.8%	17.7x	116,674.5x	
Whiting Petroleum Corp	WLL	1,549	(1,757)	-113.4%	130	7,284	-39.6%	nm	55,866.1x	
Halcon Resources Corp	HK	866	(1,341)	-154.9%	37	3,088	-30.4%	nm	82,785.4x	
Oasis Petro	OAS	689	317	46.1%	48	3,806	-16.3%	12.0x	79,647.7x	
Crescent Point Energy	CPG	2,876	1,827	63.5%	159	11,254	-9.5%	6.2x	70,740.9x	
Average		1,645	82	-19.6%	116	9,905	-18.0%	11.9x	81,142.9x	
Median		1,549	317	46.1%	130	7,284	-16.3%	12.0x	79,647.7x	
Marcellus & Utica										
Range Resources	RRC	1,588	(378)	-23.8%	239	9,889	-16.3%	nm	41,310.8x	
Cabot Oil and Gas	COG	1,211	432	35.7%	281	12,991	-13.5%	30.0x	46,286.2x	
Rice	RICE	831	171	20.5%	128	5,414	21.5%	31.7x	42,415.6x	
REX Energy Corp	REXX	160	(232)	-144.5%	35	865	-30.2%	nm	24,865.0x	
Antero Resources Corp	AR	2,693	1,062	39.4%	302	13,485	-9.9%	12.7x	44,722.9x	
Eclipse Resources Corp.	ECR	265	(641)	-241.5%	34	1,247	-17.5%	nm	36,498.8x	
Gulfport Energy	GPOR	550	(1,564)	-284.6%	116	4,478	-5.4%	nm	38,633.8x	
Southwestern Energy Co	SWN	2,685	(6,108)	-227.5%	363	12,679	-15.3%	nm	34,897.5x	
Average		1,248	(907)	-103.3%	187	7,631	-10.8%	24.8x	38,703.8x	
Median		1,021	(305)	-84.1%	184	7,652	-14.4%	30.0x	39,972.3x	

Presented in \$000,000s, as of 6/30/2016
Source: Bloomberg L.P.

Appendix B

Selected Public Company Information

Focused E&P Companies (>50% of Production in region)

Company Name	Ticker	LTM		EBITDAX Margin	Total Production (MBOE/D)	Enterprise Value (\$MM)	YOY Change in EV	EV/ EBITDAX	EV/ Total Production
		Revenues (\$MM)	EBITDAX (\$MM)						
Permian Basin									
Concho	CXO	2,313	114	4.9%	145	18,542	7.0%	163.4x	127,910.9x
Callon Petroleum Co	CPE	175	(190)	-108.6%	15	1,874	87.5%	nm	123,497.6x
Parsley Energy	PEIX	356	212	59.3%	36	5,661	86.5%	26.8x	158,820.3x
Diamondback Energy	FANG	507	(342)	-67.4%	38	7,043	23.5%	nm	186,870.1x
RSP Permian Inc	RSPP	338	196	58.0%	27	4,201	49.1%	21.4x	156,982.1x
Laredo Petroleum Inc.	LPI	784	(1,636)	-208.7%	45	3,710	-8.6%	nm	82,471.0x
Approach Resources Inc	AREX	132	(150)	-113.8%	12	586	-24.5%	nm	48,762.0x
Ring Energy	REI	29	(48)	-163.9%	3	361	-3.4%	nm	139,622.1x
Pioneer Natural Resources Co.	PXD	4,200	1,241	29.5%	235	25,899	11.8%	20.9x	110,081.4x
Cimarex Energy Co.	XEC	1,211	(2,222)	-183.6%	157	12,158	9.8%	nm	77,549.1x
Clayton Williams Energy Inc.	CWEI	153	(9)	-5.9%	13	1,107	-28.1%	nm	88,213.5x
Energen Corp	EGN	759	(889)	-117.0%	55	4,921	-18.9%	nm	89,604.4x
Average		913	(310)	-68.1%	65	7,172	16.0%	58.1x	115,865.4x
Median		432	(99)	-88.0%	37	4,561	8.4%	24.1x	116,789.5x

Presented in \$000,000s, as of 6/30/2016
Source: Bloomberg L.P.

Appendix B

Selected Public Company Information

Focused E&P Companies (>50% of Production in region)

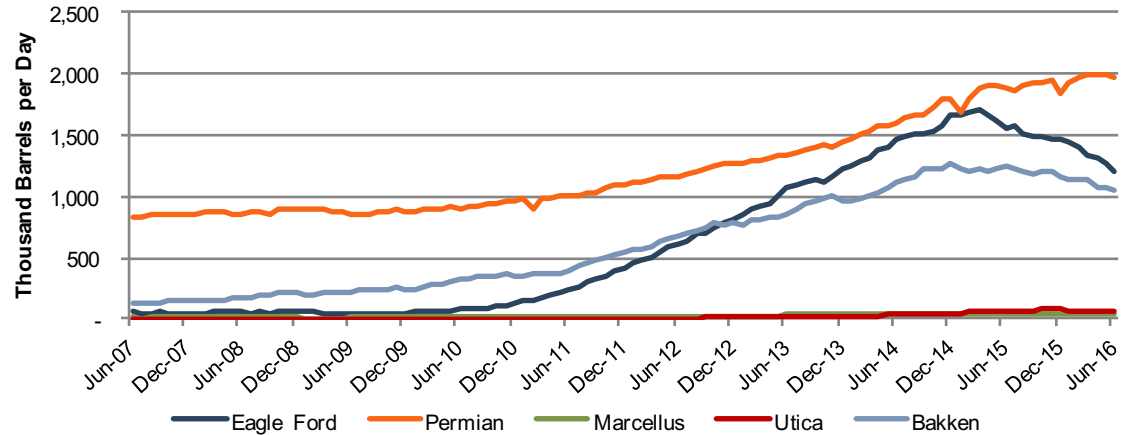
Company Name	Ticker	LTM		EBITDAX Margin	Total Production (MBOE/D)	Enterprise Value (\$MM)	YOY Change in EV	EV/ EBITDAX	EV/ Total Production
		Revenues (\$MM)	EBITDAX (\$MM)						
Eagle Ford									
Carrizo Oil & Gas Inc.	CRZO	573	(1,296)	-226.2%	39	3,403	-12.8%	nm	87,502.6x
Baytex Energy	BTE	788	(633)	-80.3%	70	2,659	-41.3%	nm	37,989.5x
Earthstone Energy, Inc.	ESTE	44	(127)	-286.1%	5	234	-1.2%	nm	47,641.8x
Sanchez Energy	SN	588	(247)	-42.0%	54	2,113	-9.8%	nm	39,395.4x
SM Energy (St. Mary Land & Exploration)	SM	1,172	(236)	-20.1%	146	4,441	-20.5%	nm	30,521.1x
EOG Resources	EOG	7,118	(4,060)	-57.0%	534	52,110	-1.8%	nm	97,604.8x
Average		1,469	(946)	-577.5%	141	9,282	-10.2%	nm	56,775.9x
Median		588	(247)	-80.3%	62	2,659	-9.8%	nm	43,518.6x
Median		609	(575)	-78.9%	52	2,004	-23.5%	6.8x	33,976.5x
Focused E&P									
Average		1,233	(537)	-180.7%	120	8,175	-1.8%	34.3x	78,915.6x
Median		772	(211)	-73.9%	55	4,460	-9.7%	21.1x	77,549.1x
E&P									
Average		2,101	(1,019)	-157.6%	176	9,955	-8.4%	36.7x	63,577.2x
Median		772	(247)	-98.2%	70	4,441	-14.0%	21.2x	50,705.4x
All									
Average		13,544	320	-143.4%	383	27,663	-6.5%	31.0x	65,169.7x
Median		848	(239)	-82.9%	90	5,146	-11.0%	20.1x	53,092.7x

Presented in \$000,000s, as of 6/30/2016
Source: Bloomberg L.P.

Appendix C

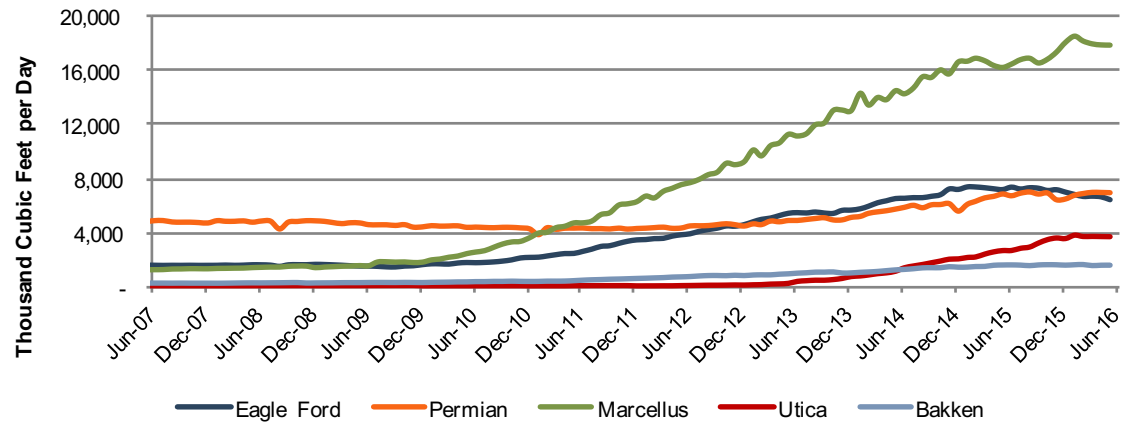
Production by Region

Crude Oil Production



Source: EIA

Natural Gas Production

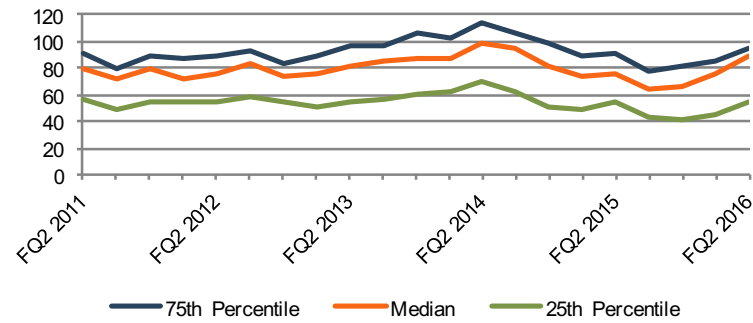


Source: EIA

Appendix D

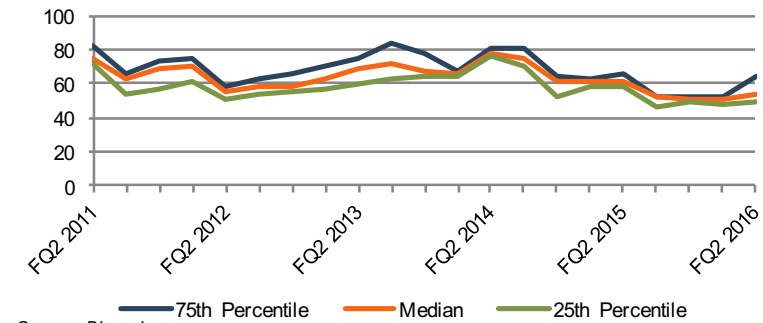
Historical Valuations

Global Integrated EV/Total Production



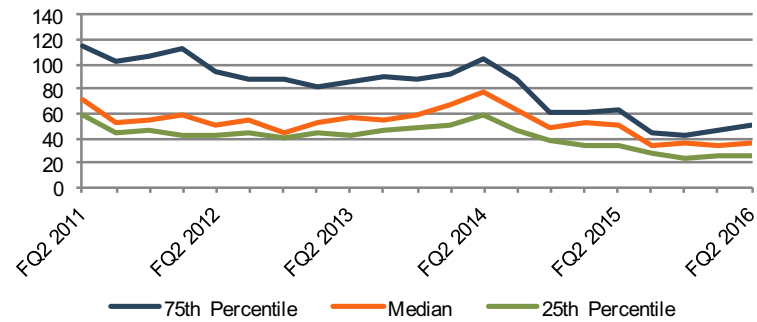
Source: Bloomberg

Global E&P EV/Total Production



Source: Bloomberg

North American E&P EV/Total Production

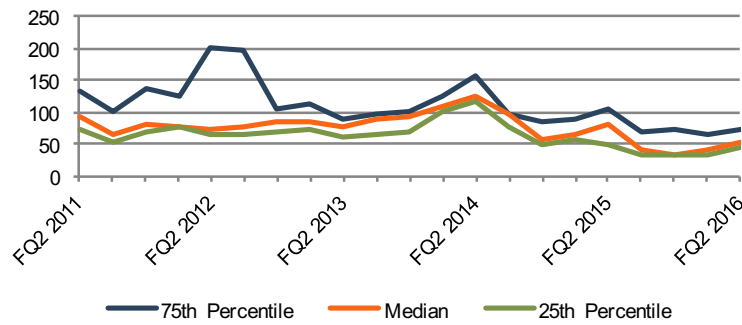


Source: Bloomberg

Appendix D

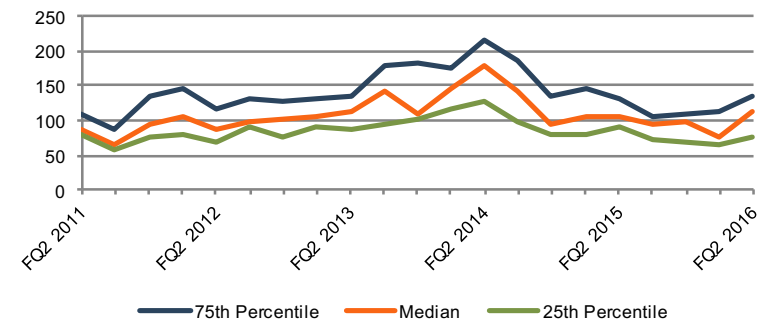
Historical Valuations

Eagle Ford EV/Total Production



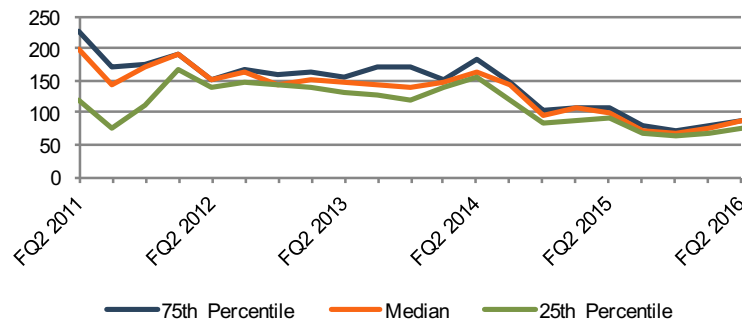
Source: Bloomberg

Permian Rig EV/Total Production



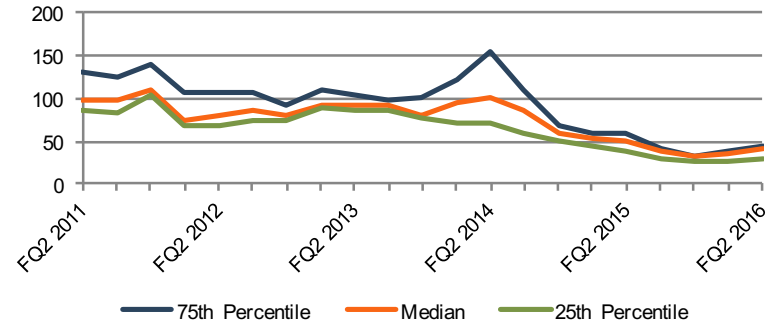
Source: Bloomberg

Bakken Rig EV/Total Production



Source: Bloomberg

Marcellus & Utica EV/Total Production

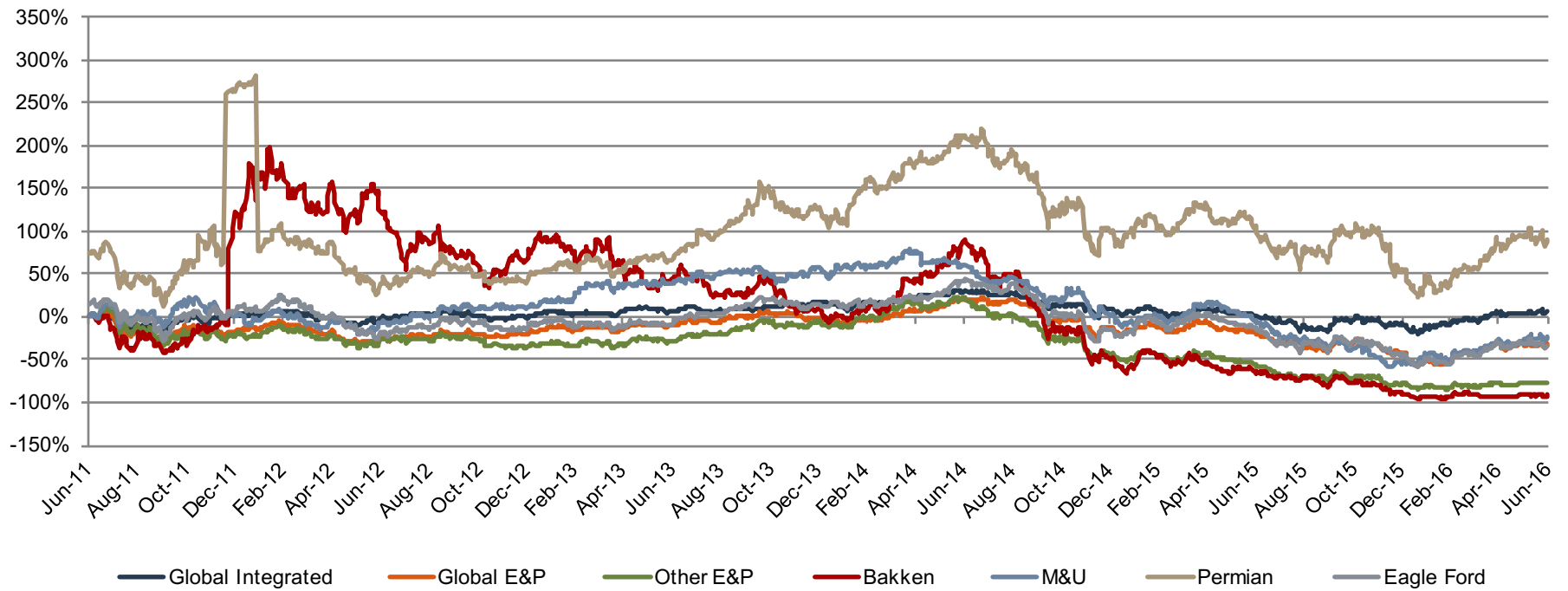


Source: Bloomberg

Appendix E

Stock Performance

Mercer Capital's Energy Indices Stock Performance



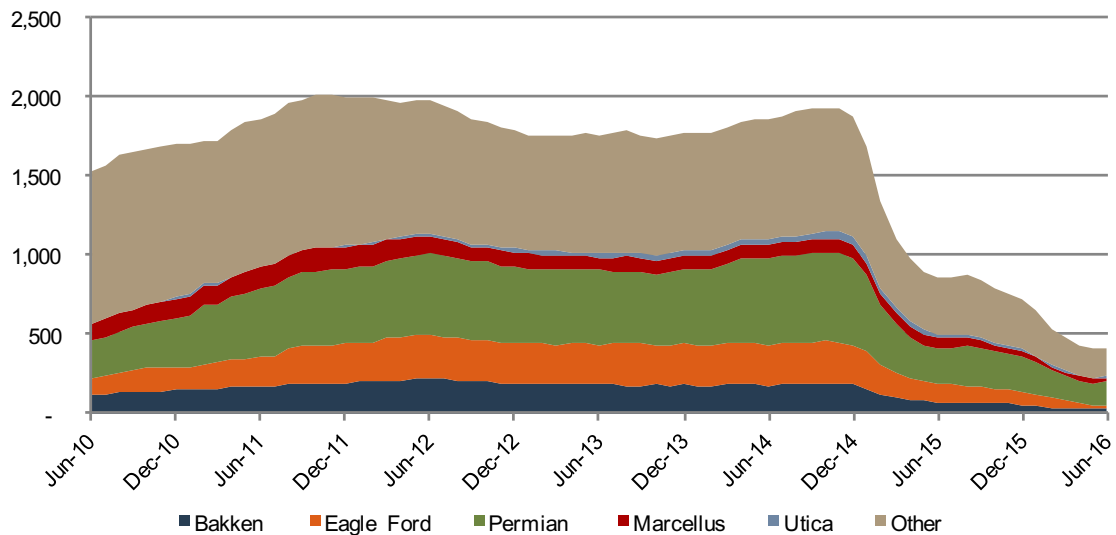
Source: Bloomberg

Appendix F Rig Count

Baker Hughes collects and publishes information regarding active drilling rigs in the United States and internationally. The number of active rigs is a key indicator of demand for oilfield services & equipment. Factors influencing rig counts include energy prices, investment climate, technological changes, regulatory activity, weather, and seasonality.

The number of active rigs in the United States as of June 30, 2016 stood at 417, representing a 52% decrease from the same period in 2015 and a 78% decrease from June 2014. The decline reflects a continued slowdown in activity due to lower oil prices, which have forced companies to cut back spending on drilling activities.⁵ The Permian remains the most active play for drilling followed by the Eagle Ford, which has less than one-fourth the active rigs in the Permian.

Rig Count by Region

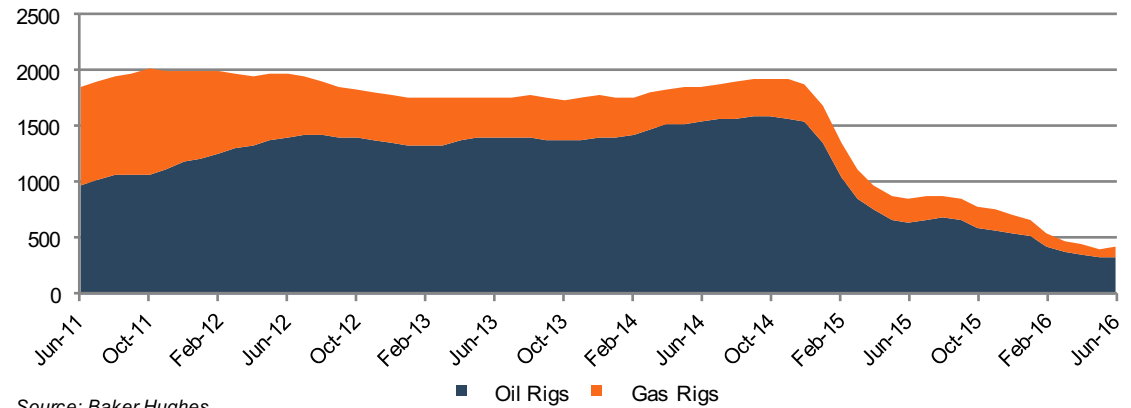


Source: Baker Hughes

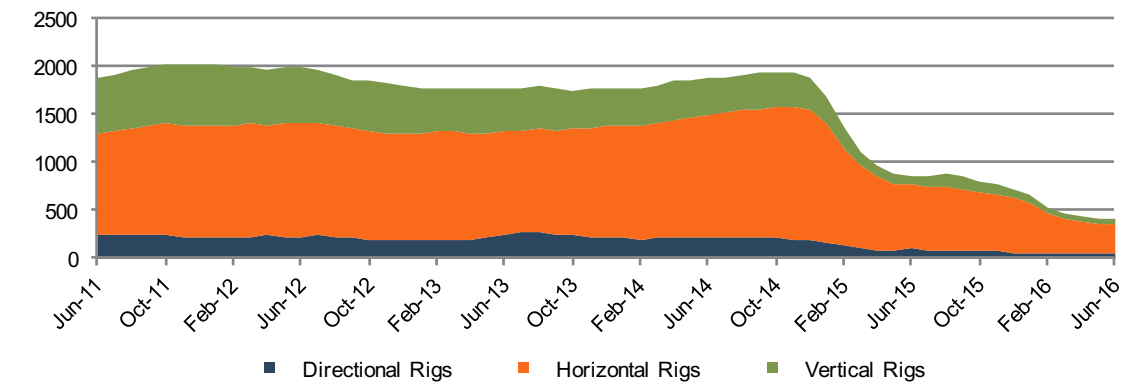
⁵ Data provided by Baker Hughes. See <http://www.bakerhughes.com/rig-count>

Appendix F Rig Count

U.S. Rig Count by Oil vs. Natural Gas



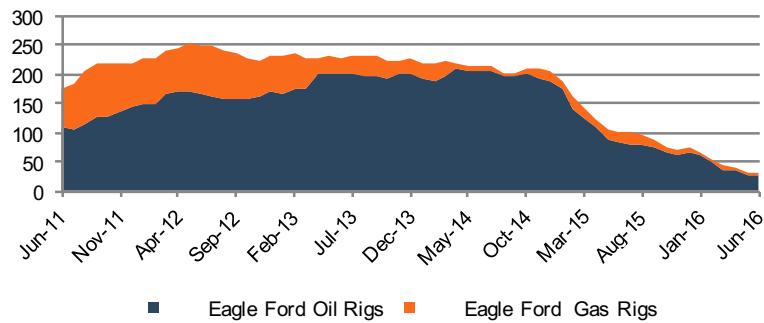
U.S. Rig Count by Trajectory



Appendix F

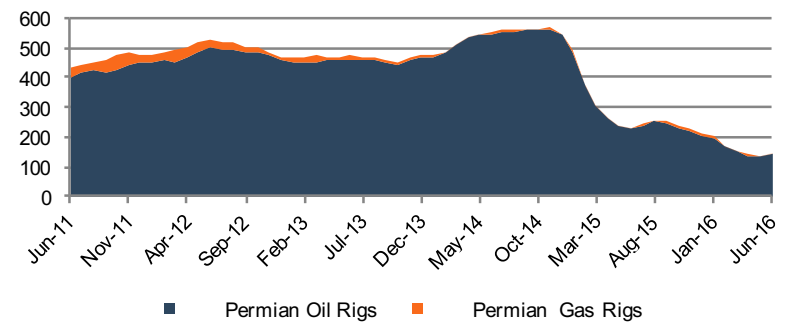
Rig Count // Oil vs. Natural Gas

Eagle Ford Rig Count by Oil vs. Natural Gas



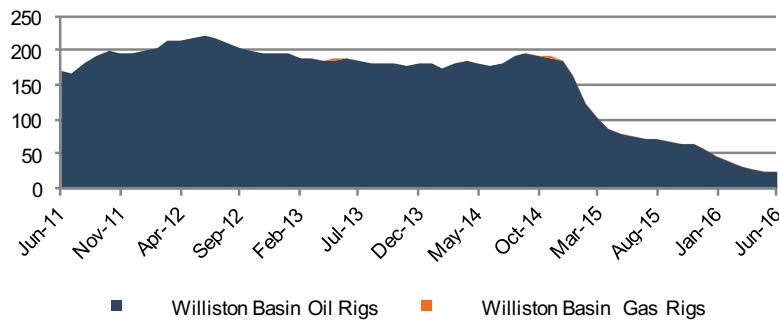
Source: Baker Hughes

Permian Rig Count by Oil vs. Natural Gas



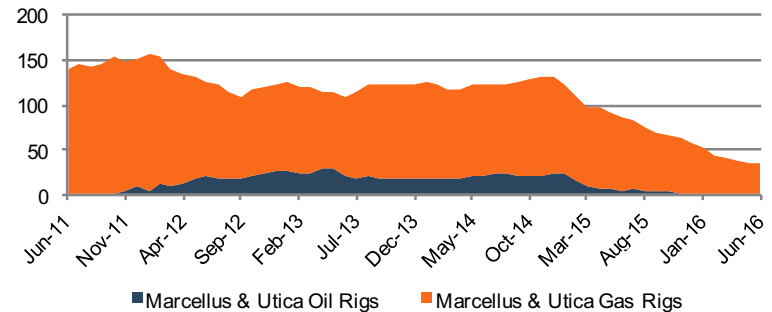
Source: Baker Hughes

Bakken Rig Count by Oil vs. Natural Gas



Source: Baker Hughes

Marcellus & Utica Rig Count by Oil vs. Natural Gas

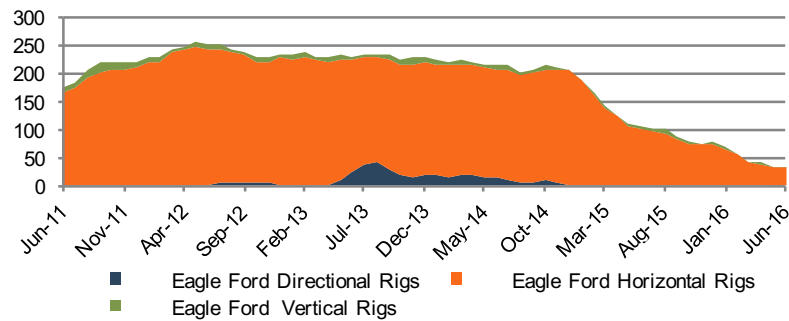


Source: Baker Hughes

Appendix F

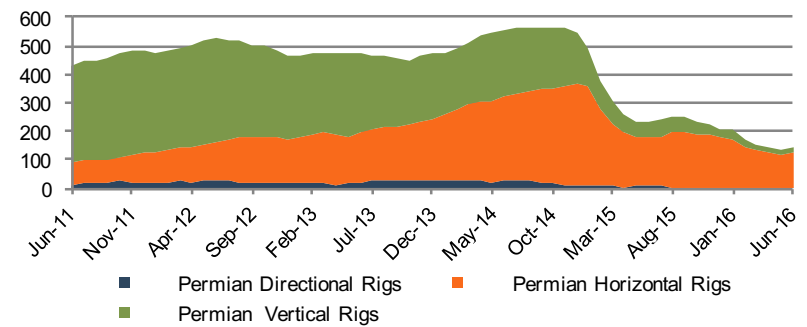
Rig Count // Trajectory

Eagle Ford Rig Count by Trajectory



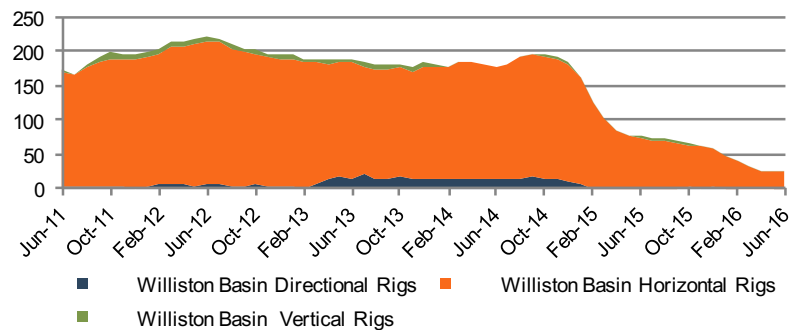
Source: Baker Hughes

Permian Rig Count by Trajectory



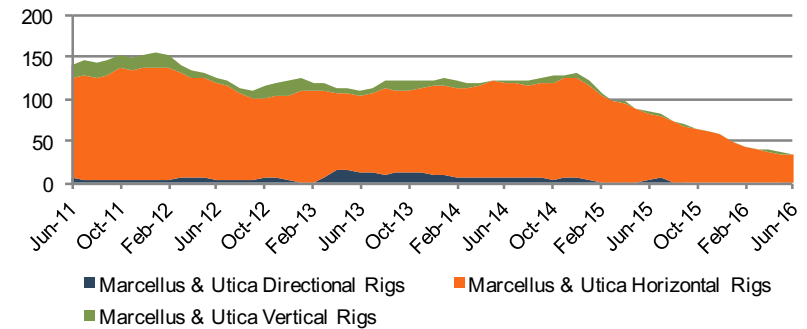
Source: Baker Hughes

Bakken Rig Count by Trajectory



Source: Baker Hughes

Marcellus & Utica Rig Count by Trajectory



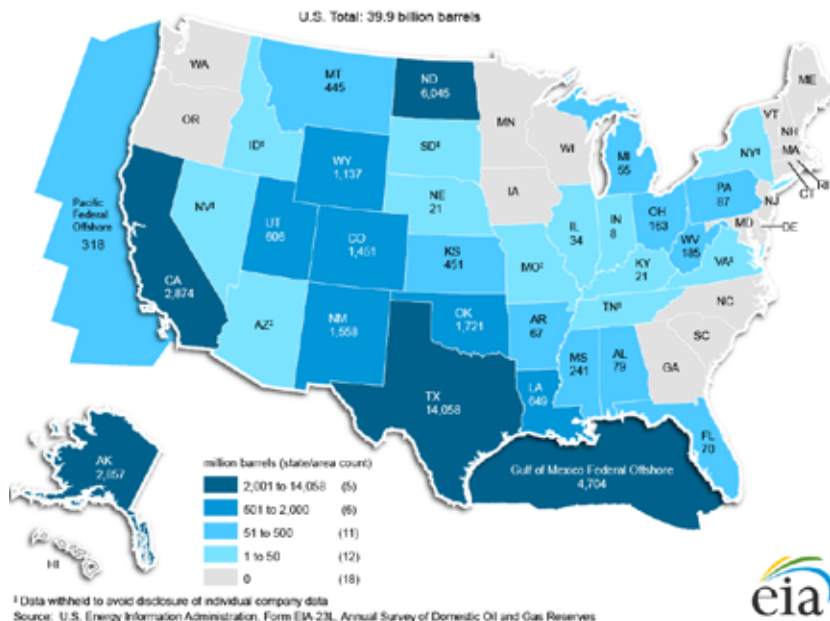
Source: Baker Hughes

Appendix G

U.S. Oil and Gas Resources

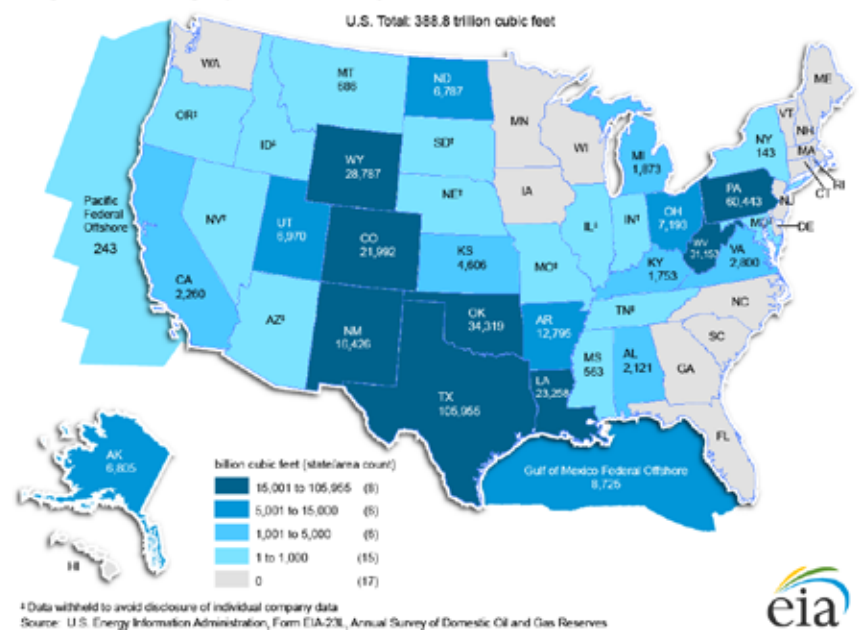
U.S. Crude Oil and Lease Condensate Proved Reserves Map

2014



U.S. Wet Natural Gas Proved Reserves Map

2014



The EIA's Annual Survey of Oil and Gas Reserves is available in November. The most recent data available was used.

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- Transaction advisory for acquisitions and divestitures
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Contact Us

Bryce Erickson, ASA, MRICS

214.468.8400

ericksonb@mercercapital.com

Grant M. Farrell, ASA, CPA, ABV, CFF

214.468.8400

farrellg@mercercapital.com

Don Erickson, ASA

214.468.8400

ericksond@mercercapital.com

Taryn E. Burgess

901.322.9757

burgessst@mercercapital.com

MERCER CAPITAL

Memphis

5100 Poplar Avenue, Suite 2600

Memphis, Tennessee 38137

901.685.2120

www.mercercapital.com

Dallas

12201 Merit Drive, Suite 480

Dallas, Texas 75251

214.468.8400

Nashville

102 Woodmont Blvd., Suite 231

Nashville, Tennessee 37205

615.345.0350