

# ENERGY LENDER PRICE SURVEY

Q4 2011

## Q4/11 OVERVIEW

We are pleased to present Macquarie Tristone's Quarterly Energy Lender Price Survey, a commodity pricing poll of energy reserve-based lenders. Our survey of energy lenders' price forecasts covers a broad spectrum of regional, U.S. national and international banks that engage in energy reserve-based lending. The data provided for the Q4/11 Survey indicates that the banks are adjusting their price forecasts as prices continue to fluctuate.

This quarter's survey includes 41 Participating Banks.

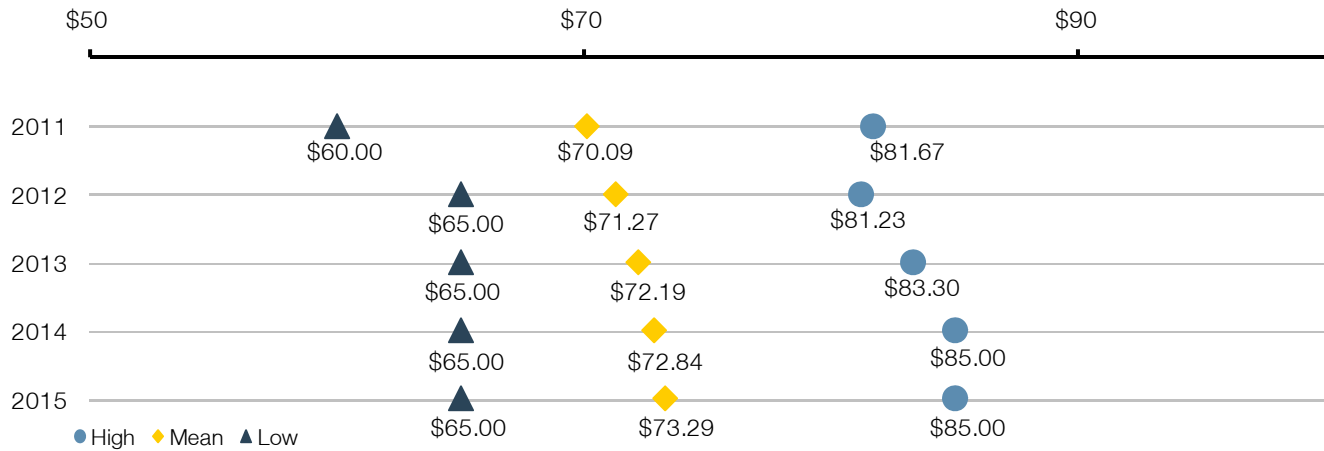
## BASE CASE RESULTS

For 2011, the Q4/11 Survey indicates a mean Base Case WTI oil price forecast of \$70.09/Bbl and a mean Base Case Henry Hub gas price forecast of \$3.89/MMBtu. The five-year trend shows an increasing forward price deck for both oil and gas, with average 2015 oil and gas price forecasts of \$73.29/Bbl and \$4.92/MMBtu, respectively. Modest escalation of both oil and gas prices after 2015 is common, but prices are capped at means of \$73.38/Bbl and \$5.30/MMBtu, respectively. The average discount rate used by Participating Banks is 9%, unchanged from last quarter's average. Operating costs on average are escalated 0.7% per year for both oil and gas.

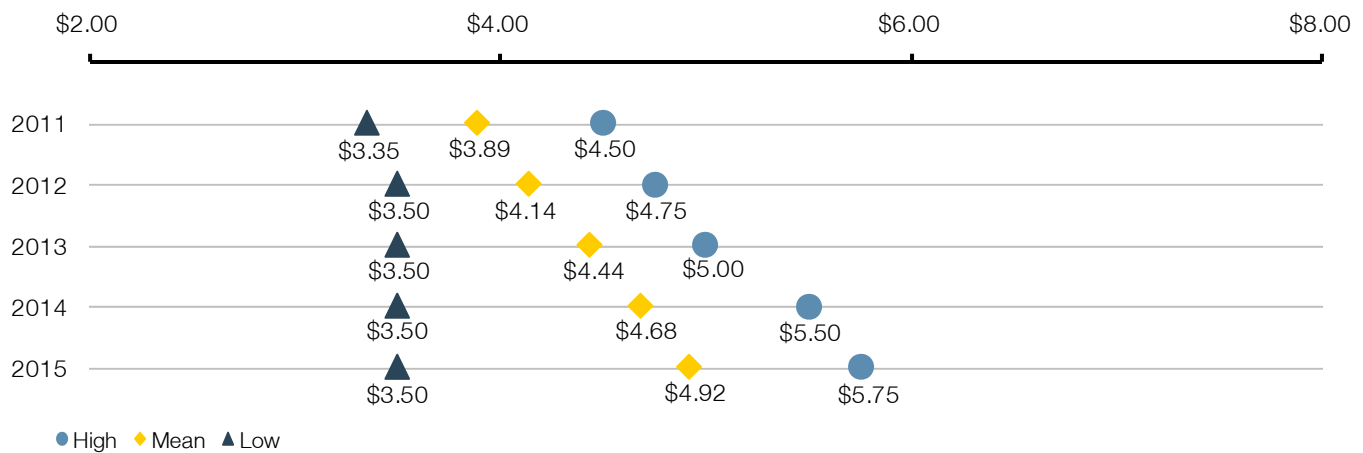
### 4<sup>th</sup> Quarter 2011 Price Survey: Mean of 41 Participating Banks – Base Case

	Oil (\$/Bbl) - WTI	Gas (\$/MMBtu) - Henry Hub
2011	70.09	3.89
2012	71.27	4.14
2013	72.19	4.44
2014	72.84	4.68
2015	73.29	4.92
2016+	0.3%	0.8%
Cap	73.38	5.30
LOE Esc	0.7%	0.7%
Discount Rate	9%	9%

## Current Oil Pricing – Base Case (\$/Bbl)

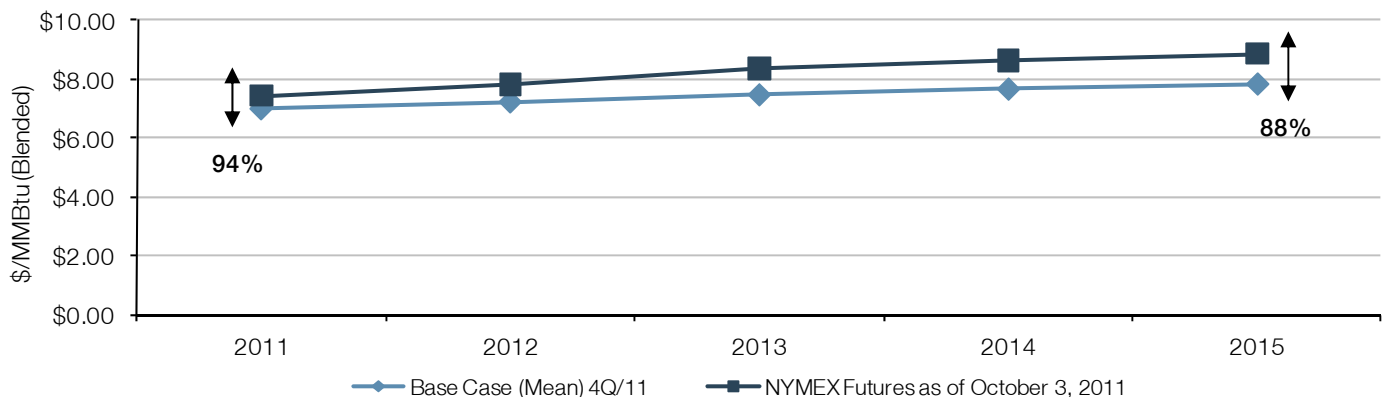


## Current Gas Pricing – Base Case (\$/MMBtu)



## Base Case Q4/11 vs. NYMEX as of October 3, 2011 - Blended (Gas:Oil = 60:40)

Using a 60/40 blended gas/oil weighting, we compared the average Base Case against NYMEX futures pricing as of October 3, 2011, as shown below. When compared with NYMEX futures pricing, the average Base Case results were 94% of NYMEX futures in 2011 and 88% in 2015. This marks a notable upward trend compared to last quarter when first-year results were 79% of NYMEX futures.



## QUARTER-TO-QUARTER TRENDS

### Quarter-over-Quarter Pricing Trends – Base Case

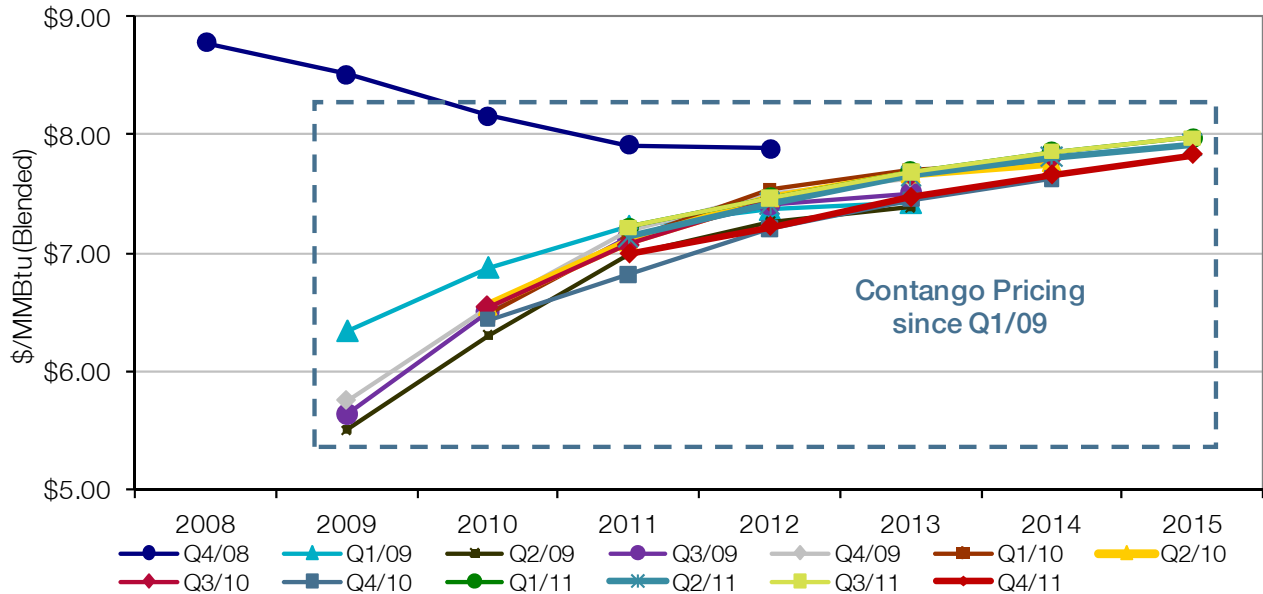
Compared to last quarter's Survey, front-year pricing has decreased by 3% for both oil and gas. In the later years, forecasts for oil prices in the fifth-year decrease by 1%, and forecasts for gas prices in the fifth-year fall by 3%.

	Oil (\$/Bbl) - WTI			Gas (\$/MMBtu) - Henry Hub		
	Q3/11*	Q4/11**	% Increase/ (Decrease)	Q3/11*	Q4/11**	% Increase/ (Decrease)
<b>Front-Year</b>	72.02	70.09	-3%	4.02	3.89	-3%
<b>Second-Year</b>	72.92	71.27	-2%	4.34	4.14	-5%
<b>Third-Year</b>	73.67	72.19	-2%	4.63	4.44	-4%
<b>Fourth-Year</b>	74.11	72.84	-2%	4.87	4.68	-4%
<b>Fifth-Year</b>	73.99	73.29	-1%	5.07	4.92	-3%
<b>Sixth-Year and Beyond</b>	0.4%	0.3%	N/A	1.2%	0.8%	N/A
<b>Cap</b>	74.65	73.38	-2%	5.51	5.30	-4%

\*39 Participating Banks

\*\*41 Participating Banks

### Quarter-to-Quarter Base Case Pricing Trends - Blended (Gas:Oil = 60:40)



Since starting the Macquarie Tristone Energy Lender Price Survey in Q2/05, the Participating Banks' oil and gas price decks have continually increased in the extended years from the previous quarter's results. Q3/08 results showed the first quarter-to-quarter decrease, and the Q1/09 results showed a shift from backwardation to contango. This quarter, the contango trend continues, but there is a notable decrease in base case pricing from Q3/11.

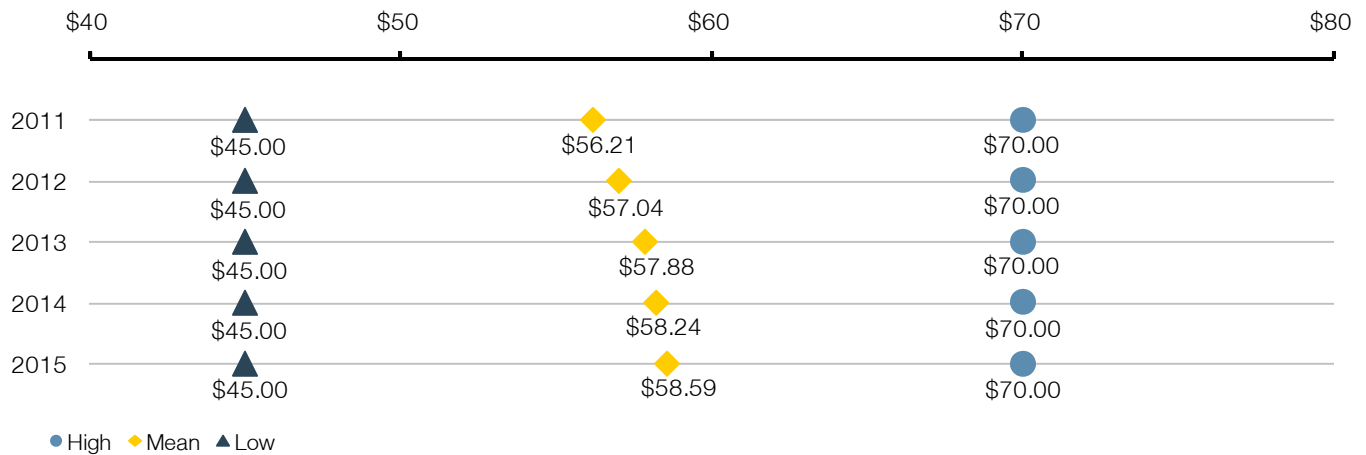
## SENSITIVITY CASE RESULTS

The Q4/11 Survey also includes a Sensitivity Case, which represents the lenders' low or conservative price decks. Of the 41 Participating Banks, 33 banks provided a Sensitivity Case, which averaged a 20% discount to Base Case lending policies for oil and a 18% discount for gas over the five-year strip.

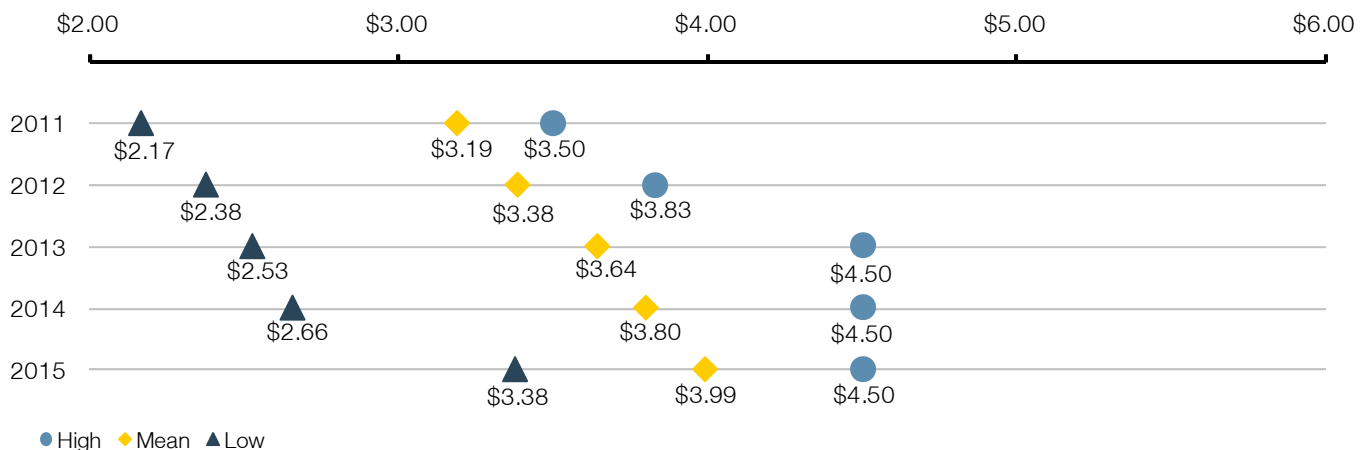
### 3<sup>rd</sup> Quarter 2011 Price Survey: Mean of 30 Participating Banks – Sensitivity Case

	Oil (\$/Bbl) - WTI	Gas (\$/MMBtu) - Henry Hub
2011	56.21	3.19
2012	57.04	3.38
2013	57.88	3.64
2014	58.24	3.80
2015	58.59	3.99
2016	0.4%	0.7%
Cap	59.81	4.33
LOE Esc	0.4%	0.4%
Discount Rate	9%	9%

### Current Oil Pricing – Sensitivity Case (\$/Bbl)



### Current Gas Pricing – Sensitivity Case (\$/MMBtu)



## RESERVE BASED LENDING SCENARIO

In order to show the impact of year-to-year changes in the Base Case price decks on Advance Rate amounts, we analyzed a discounted cash flow model for a U.S. onshore property acquisition using general assumptions. The objective is to calculate the change in the Advance Rate amounts (i.e. lending funds) using a typical acquisition project. The assumptions utilized in the model are listed in the table below.

Reserve Assumptions	Statistics
<b>Purchase Price:</b>	\$100 MM
<b>Proved Reserves:</b>	7 MMBoe (75% PDP, 2% PDNP, 13% PUD, 10% PROB)
<b>Percent Oil:</b>	60%
<b>R/P:</b>	13 years
<b>Acquisition IRR:</b>	11%
<b>Percent Hedged:</b>	80% of PDP through 2015 @ 10/3/11 NYMEX Pricing

Using the assumptions above, the Base Case price decks from the Q4/11 survey were used to calculate a discounted cash flow (using PV<sub>9</sub> from bank average). With a 60% Advance Rate and 20% upside limitation, the amount loaned to a possible acquirer would be \$68 MM.

### Lending Scenario – Q4/11 Price Deck

	PV <sub>9</sub> (\$M)	
PDP	\$97,857	Advance Rate
PDNP	1,072	Amount (\$M) (60%)
PUD	14,911	
<b>Total</b>	<b>\$113,841</b>	<b>\$68,304</b>

Using the same assumptions, but using the Base Case price decks from Q4/10, the amount loaned to a possible acquirer would be \$63 MM. The increase in Base Case pricing from Q4/10 to Q4/11 results in an 8% increase in Advance Rate amounts.

### Lending Scenario – Q4/10 Price Deck

	PV <sub>9</sub> (\$M)	
PDP	\$91,827	Advance Rate
PDNP	992	Amount (\$M) (60%)
PUD	12,964	
<b>Total</b>	<b>\$105,782</b>	<b>\$63,469</b>

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## PARTICIPATING BANKS

Macquarie Tristone thanks the following banks for their participation in this quarter's survey.

Amegy Bank NA	FirstCapital Bank of Texas, N.A.
BancFirst	Frost Bank
Bank of Texas	IBERIABANK
BB&T Capital Markets	ING Capital LLC
BBVA COMPASS BANK	Lloyds Bank
BMO Financial Group	Macquarie Bank Limited
BNP Paribas	Mizuho Corporate Bank
Business Development Bank of Canada	Natixis
Cadence Bank	RBC Capital Markets
Canadian Western Bank	Royal Bank of Scotland
Capital One, N.A.	Société Générale
Citibank	Sumitomo Mitsui Banking Corp.
Citizens Bank	SunTrust Robinson Humphrey
Comerica Bank	Texas Capital Bank
Commonwealth Bank of Australia	UniCredit
Community National Bank	Union Bank, N.A.
Coppermark Bank	US Bank
Crédit Agricole	Wells Fargo, N.A.
DnB NOR Bank ASA	West Texas National Bank
F&M Bank	Western National Bank
First Interstate Bank	

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