

**Q1/09 Overview**

We are pleased to present Tristone Capital’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 Q1/09 Survey indicates that the banks are swiftly adjusting their price forecasts as prices have declined.

This quarter’s survey includes 46 Participating Banks.

**Base Case Results**

For 2009, the Q1/09 Survey indicates an average Base Case WTI oil price forecast of \$46.61/Bbl and an average Base Case Henry Hub gas price forecast of \$5.39/MMBtu. The five-year trend shows an increasing forward price deck for both oil and gas, with average 2013 oil and gas price forecasts of \$57.64/Bbl and \$5.97/MMBtu, respectively. Modest escalation of both oil and gas prices after 2013 is common, but prices are capped at an average of \$59.13/Bbl and \$6.08/MMBtu, respectively. The average discount rate used by Participating Banks is 9%. Operating costs on average are escalated 0.5% per year.

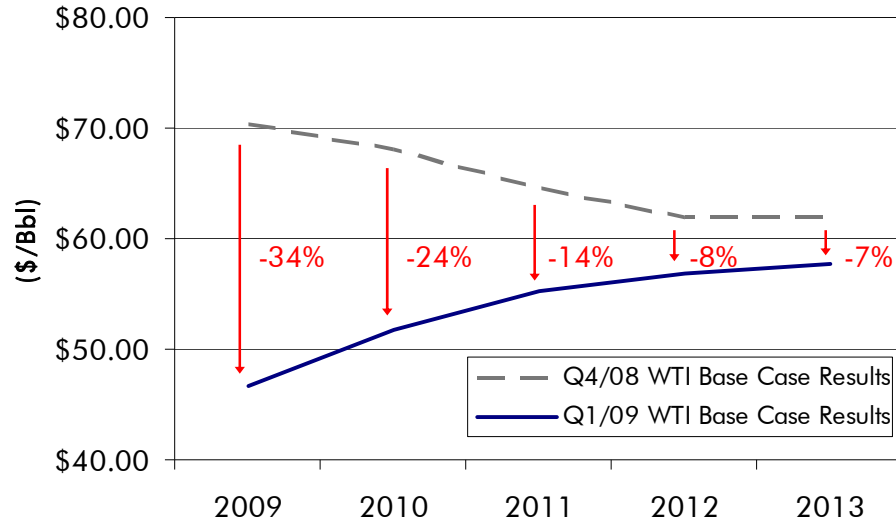
**1st Quarter 2009 Price Survey: Mean of 46 Participating Banks – Base Case**

	<b><u>Oil (\$/Bbl) - WTI</u></b>	<b><u>Gas (\$/MMBtu) - Henry Hub</u></b>
<b>2009</b>	46.61	5.39
<b>2010</b>	51.76	5.71
<b>2011</b>	55.23	5.91
<b>2012</b>	56.93	5.95
<b>2013</b>	57.64	5.97
<b>2014+</b>	0.4%	0.3%
<b>Cap</b>	59.13	6.08
<b>LOE Esc</b>	0.5%	0.5%
<b>Discount Rate</b>	9%	9%

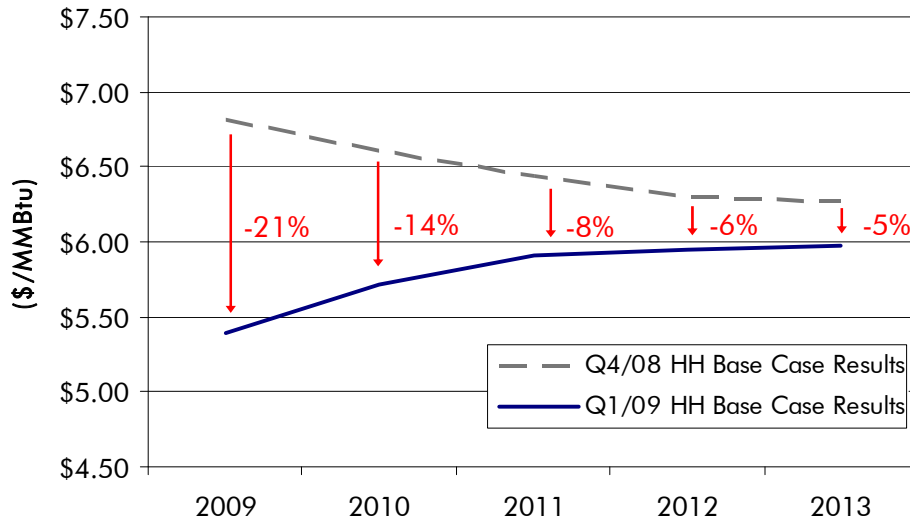
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for important disclosure  
information

This quarter's results represent a 34% and 21% decrease from Q4/08 front-year oil and gas prices, respectively, as well as a shift from backwardation to contango on both the oil and gas price forecasts.

**Decline in Front-Year Pricing from Q4/08 – WTI Crude Oil (\$/Bbl)**



**Decline in Front-Year Pricing from Q4/08 – HH Gas (\$/MMBtu)**



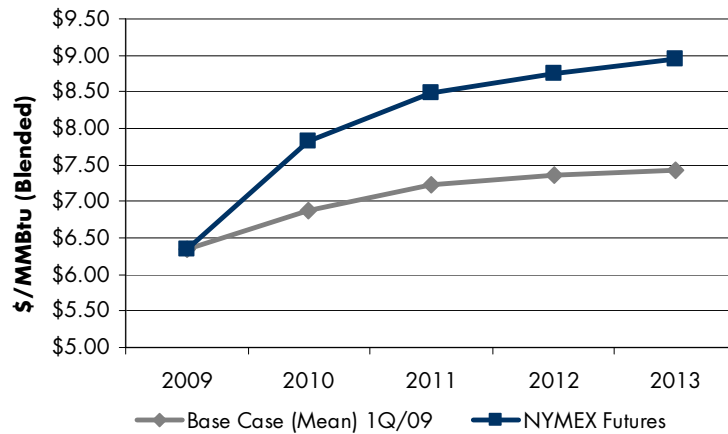
**Current Oil Pricing – Base Case (\$/Bbl)**



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



Using a 60/40 blended gas/oil weighting, we compared the average Base Case against NYMEX futures pricing as of January 28, 2009, as shown on the next page. When compared with NYMEX futures pricing, the average Base Case results were 100% of NYMEX futures in 2009, gradually trending downward to 83% by 2013. Thus, banks appear to be using an outlook that is much more conservative than what we observe in the market.

**Base Case Q1/09 vs. NYMEX as of January 28, 2009 - Blended (Gas:Oil = 60:40)****Quarter-to-Quarter Trends**

Compared to last quarter's Survey, the front-year pricing for oil and gas prices has decreased by 34% and 21%, respectively. The amount of price decrease is much lower in the later years as forecasts for oil prices in 2013 decrease by 7% and gas prices decrease by 5% versus last quarter's survey.

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

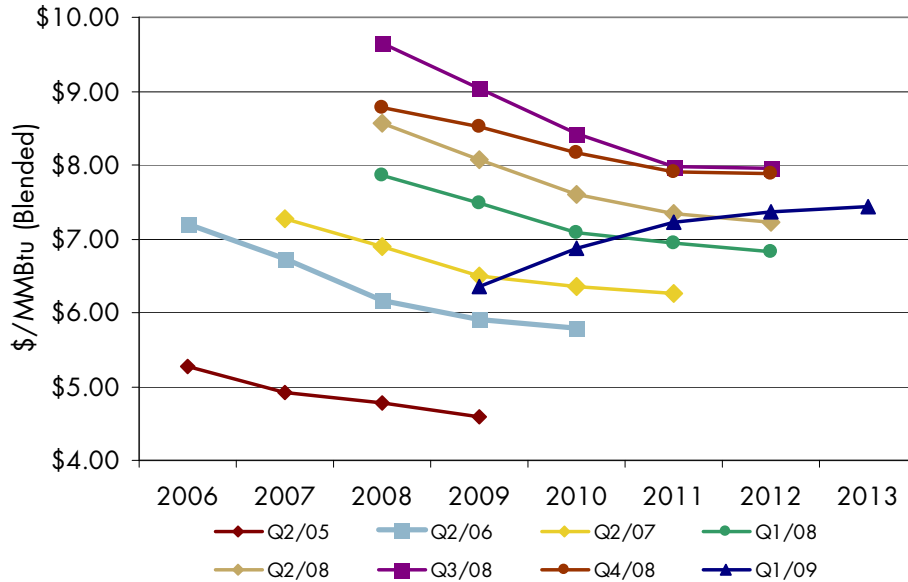
	Oil (\$/Bbl) - WTI			Gas (\$/MMBtu) - Henry Hub		
	Q4/08*	Q1/09**	% Increase/ (Decrease)	Q4/08*	Q1/09**	% Increase/ (Decrease)
<b>2009</b>	70.39	46.61	-34%	6.81	5.39	-21%
<b>2010</b>	68.10	51.76	-24%	6.61	5.71	-14%
<b>2011</b>	64.51	55.23	-14%	6.44	5.91	-8%
<b>2012</b>	61.99	56.93	-8%	6.30	5.95	-6%
<b>2013</b>	61.98	57.64	-7%	6.27	5.97	-5%
<b>2014+</b>	0.4%	0.4%	nmf	0.2%	0.3%	nmf
<b>Cap</b>	62.98	59.13	-6%	6.06	6.08	0%

\*48 Participating Banks

\*\*46 Participating Banks

Since starting the Tristone Capital 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. With Q4/08 being the first exception to this trend, Q1/09 decks continue to decrease from last quarter’s results.

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



**Sensitivity Case Results**

The Q1/09 Survey also includes a Sensitivity Case, which represents the lenders’ low or conservative price decks. Of the 46 Participating Banks, 37 banks provided a Sensitivity Case, which averaged an 18% discount to Base Case lending policies for both oil and gas for 2009.

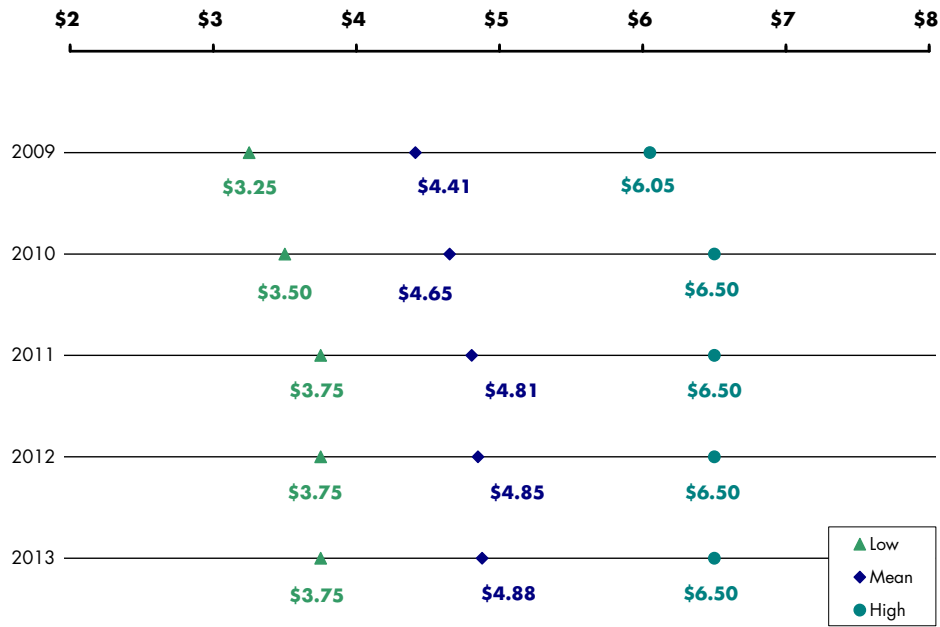
**1st Quarter 2009 Price Survey: Mean of 37 Participating Banks – Sensitivity Case**

	<u>Oil (\$/Bbl) - WTI</u>	<u>Gas (\$/MMBtu) - Henry Hub</u>
<b>2008</b>	38.29	4.41
<b>2009</b>	42.43	4.65
<b>2010</b>	45.17	4.81
<b>2011</b>	46.31	4.85
<b>2012</b>	46.78	4.88
<b>2013+</b>	0.6%	0.5%
<b>Cap</b>	47.79	4.95
<b>LOE Esc</b>	0.4%	0.4%
<b>Discount Rate</b>	9%	9%

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



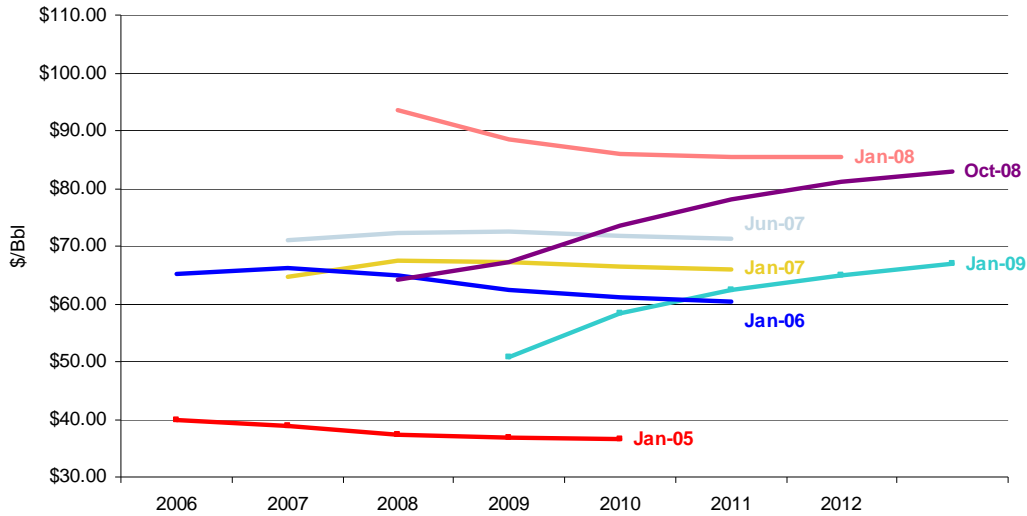
**Current Gas Pricing – Sensitivity Case (\$/MMBtu)**



## Historical Forward Strip Pricing

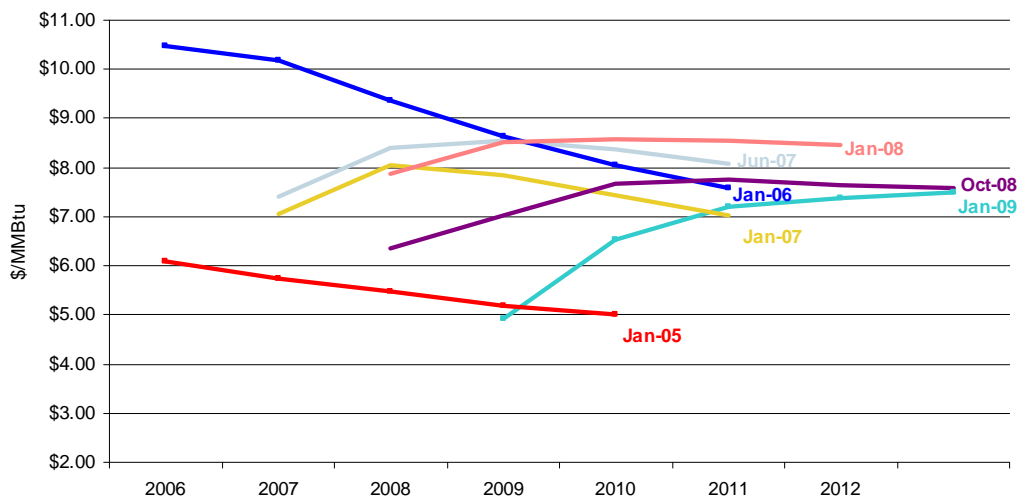
Over the last 48 months, volatile fluctuations in oil and gas prices and NYMEX futures contracts have resulted in large changes in the Energy Lenders' price expectations. The following graphs represent yearly averages for both oil and gas NYMEX futures prices. As shown below, prices for both oil and gas have varied drastically, especially within the last four quarters.

### Historical Forward Strip - Oil



Source: www.nymex.com

### Historical Forward Strip - Gas



Source: www.nymex.com

## 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 following assumptions were utilized in the model:

<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 2013 @ 1/28/2009 NYMEX Pricing

Using the assumptions above, the Base Case price decks from the Q1/09 survey were used to calculate a discounted cash flow (using PV9 from bank average). With a 60% Advance Rate and 20% upside limitation, the amount loaned to a possible acquirer would be ~\$54 MM.

### Lending Scenario – Q1/2009 Price Deck

	Lending Amount (\$M)	Advance Rate Amount (\$M) (60%)
PDP	\$77,396	
PDNP	1,121	
PUD	11,789	
<b>Total</b>	<b>\$90,306</b>	<b>\$54,183</b>

Using the same assumptions, but using the Base Case price decks from Q4/08, the amount loaned to a possible acquirer would be ~\$59 MM. The decrease in Base Case pricing from Q4/08 to Q1/09 results in a 9% decrease in Advance Rate amounts.

### Lending Scenario – Q4/2008 Price Deck

	Lending Amount (\$M)	Advance Rate Amount (\$M) (60%)
PDP	\$83,348	
PDNP	1,332	
PUD	14,006	
<b>Total</b>	<b>\$98,686</b>	<b>\$59,212</b>

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## Participating Banks

<i>Allied Irish Bank</i>	<i>Frost Bank</i>
<i>Amegy Bank</i>	<i>Guaranty Bank</i>
<i>American National Bank</i>	<i>ING Capital LLC</i>
<i>BancFirst</i>	<i>Key Bank NA</i>
<i>Bank of Scotland</i>	<i>Macquarie Bank</i>
<i>Bank of Texas</i>	<i>Mizuho Corporate Bank</i>
<i>Bank of the West</i>	<i>RBC Capital Markets</i>
<i>BMO Financial Group</i>	<i>Regions Bank</i>
<i>BNP Paribas</i>	<i>Société Générale</i>
<i>Calyon - Americas</i>	<i>Standard Bank</i>
<i>Canadian Western Bank</i>	<i>Sterling Bank</i>
<i>Capital One Bank</i>	<i>Sumitomo Mitsui Banking Corp</i>
<i>CIT Energy</i>	<i>TD Securities</i>
<i>Citibank, N.A.</i>	<i>Texas Capital Bank</i>
<i>Comerica Bank</i>	<i>The Royal Bank of Scotland</i>
<i>Commonwealth Bank of Australia</i>	<i>Unicredit Group</i>
<i>Community National Bank</i>	<i>Union Bank of California</i>
<i>Compass Bank</i>	<i>US Bank</i>
<i>Coppermark Bank</i>	<i>Wachovia Securities</i>
<i>DNB NOR</i>	<i>Wells Fargo</i>
<i>DZ Bank</i>	<i>West Texas National Bank</i>
<i>First Interstate Bank</i>	<i>Western National Bank</i>
<i>First National Bank of Midland</i>	<i>Whitney Bank</i>

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