



2018 University Lands Partner Forum: Hunt Oil's UL Development in the Southern Midland Basin

April 25, 2018



Agenda

- Hunt Oil's Permian Basin Position
- DrillCo Overview
- Hunt Oil's University Lands Development
 - Upton County
 - Reagan County

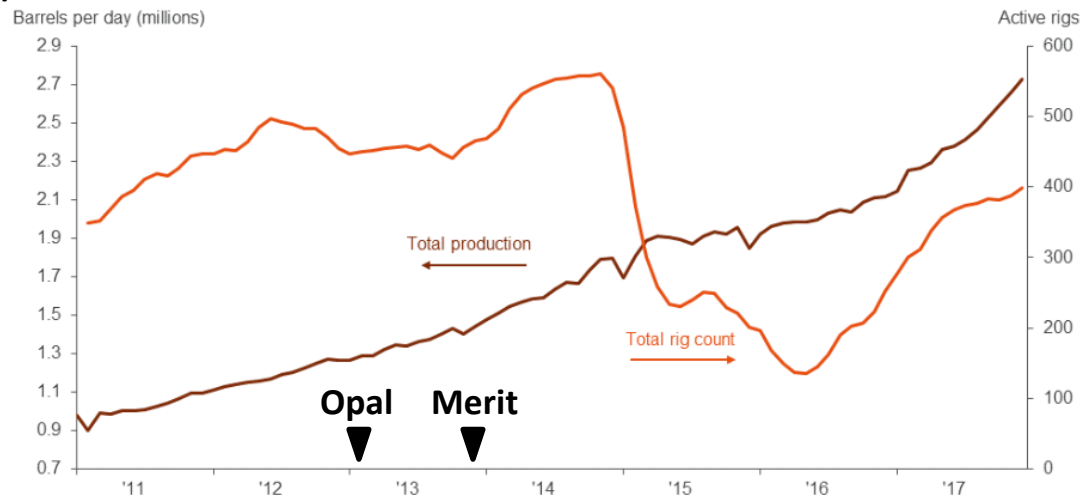


PERMIAN ACREAGE POSITION



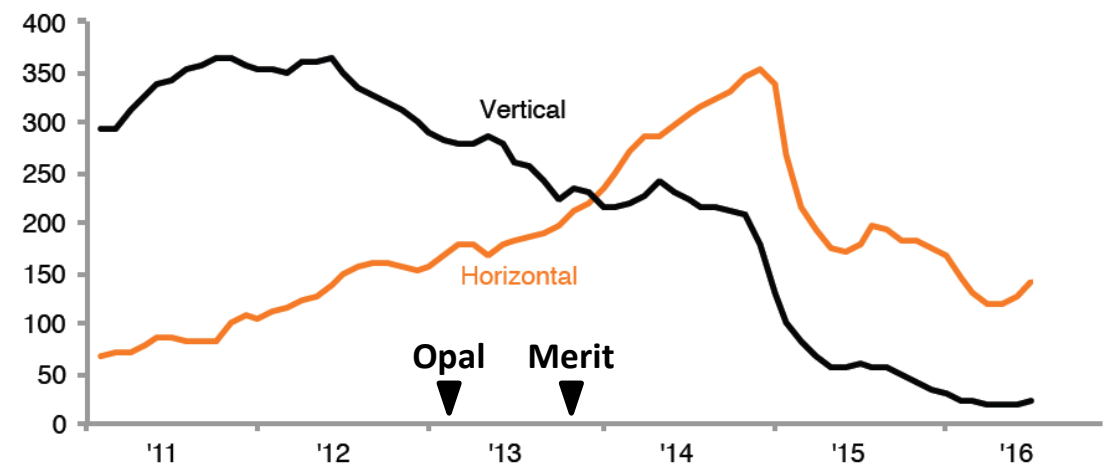
Key Permian Acquisitions

(1) Oil Production and Rig Count



SOURCES: Energy Information Administration; Baker Hughes.

(2) Active Rigs



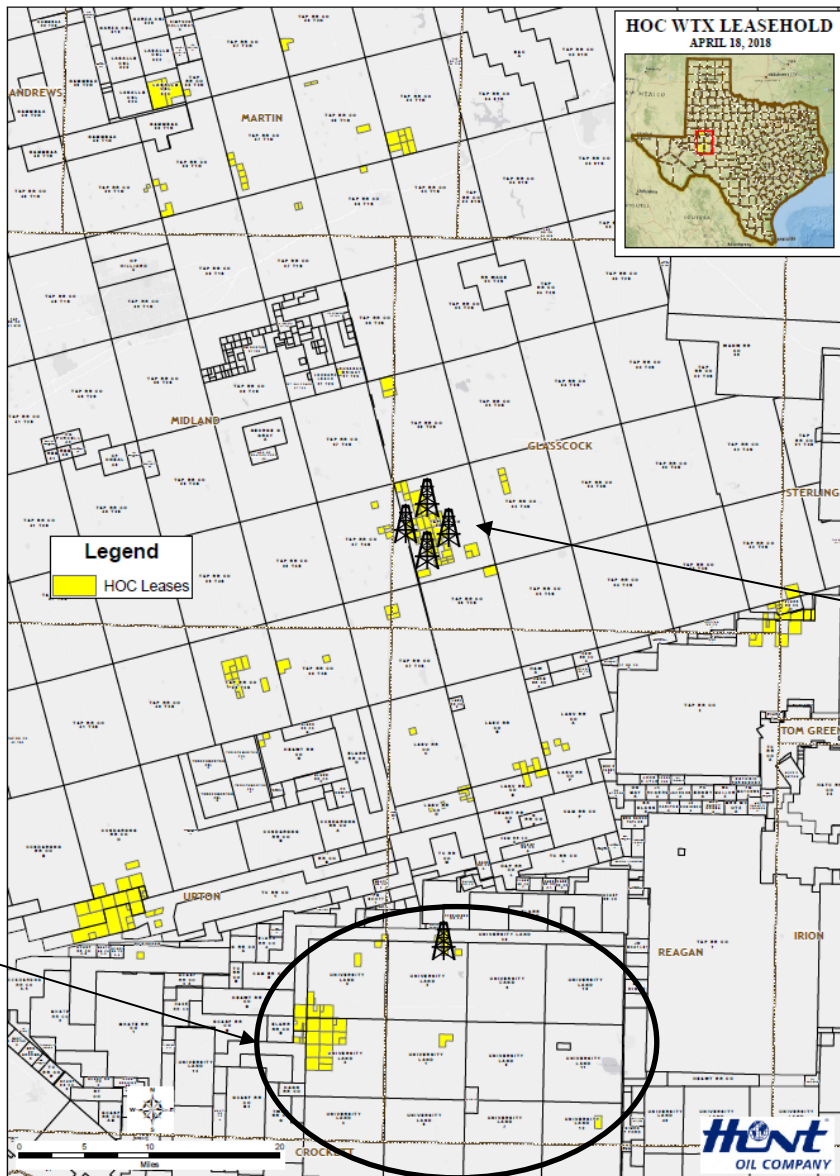
SOURCE: Baker Hughes Inc.





Hunt Oil – Midland Basin Acreage

~55,000 Gross Acres



HOC Active Rig

HOC University
Lands acreage





DRILLCO AGREEMENT



What is a “DrillCo”?

Joint venture between an E&P operator and a capital provider

Terms vary, but typically involve:

- Operator contributes raw, undeveloped acreage
- Capital provider provides capital to help develop acreage
 - Receives working interest (WI) in new wells
 - Generally provides operator with a carry
- Once the capital provider receives a stated economic return (e.g., IRR, ROI), some or all of capital provider’s WI reverts to the operator



DrillCo Example – Linn Energy-GSO

July 2015

GSO committed \$500 million to Linn Energy for period of 5 years

- GSO to fund 100% of new wells
- GSO to receive 85% WI in new wells
 - Linn to receive carried 15% WI
- Upon GSO achieving 15% IRR:
 - GSO's WI reduces to 5%
 - Linn's WI increases to 95%



DrillCo Examples

Operator	Investor	Date	Assets	Investment (\$MM)	Investor CAPEX	Investor WI	Carry	Reversion Threshold	Investor Post-reversion WI
Linn Energy	GSO	Jul-15		\$500	100%	85%	15%	15% IRR	5%
Legacy Reserves	TPG	Jul-15	Permian	\$150	95%	87.5%	7.5%	1.0X ROI then 15% IRR	63% then 15%
Alta Mesa	Bayou City	Jan-16	STACK	\$128	100%	80%	20%	15% IRR then 25% IRR	20% then 7.5%
EP Energy	Apollo	Jan-17	Permian	\$450	60%	50%	10%	12% IRR	15%
California Resources	BSP	Feb-17	California	\$250					
California Resources	Macquarie	Apr-17	California	\$160	100%	90%	10%		25%
Endeavor Energy	Ares/DCR	Apr-17	Permian	\$300					
EOG Resources	Carlyle	May-17	Marmaton	\$400					
Chaparral Energy	Bayou City	Sep-17	STACK	\$100	100%	85%	15%	14% IRR	25%
Eclipse Resources	Sequel	Dec-17	Utica	\$290	65%	50%	15%		

Low Value  High Value





Hunt Oil DrillCo

June 2016

Hunt Oil Company and TPG Sixth Street Partners (TSSP) Announce Agreement to Jointly Develop Midland Basin Acreage

- *Under the announced agreement, TSSP committed up to \$400 million to fund the development*



<http://www.macrotrends.net/2516/wti-crude-oil-prices-10-year-daily-chart>, April 20, 2018



Why?

Benefits to Operator

- Access to significant amounts of capital
- WI carry
- Off-balance sheet financing

Benefits to Capital Provider

- Access to operator expertise
- Access to direct investment in premier acreage
 - Investment not subordinated in case of bankruptcy
- Opportunity for significant capital deployment
- Familiar ROI/IRR thresholds



UNIVERSITY LANDS DEVELOPMENT

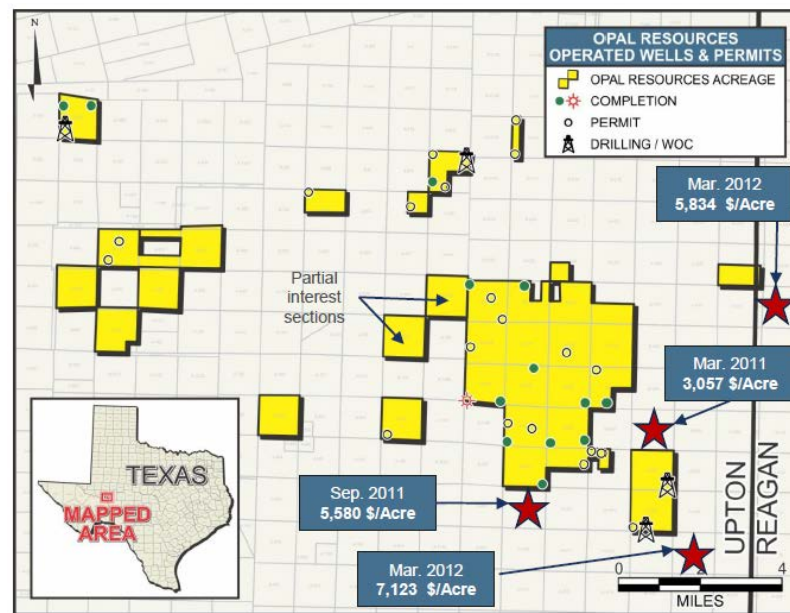
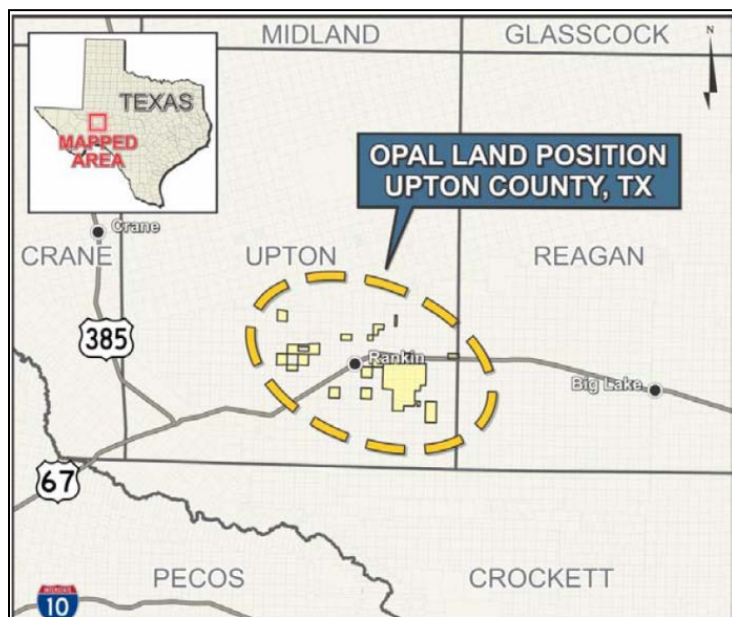




Asset Acquisition

Step 1 – Acquired Opal Resources' Upton Co. assets in Q1 2013 at an attractive valuation

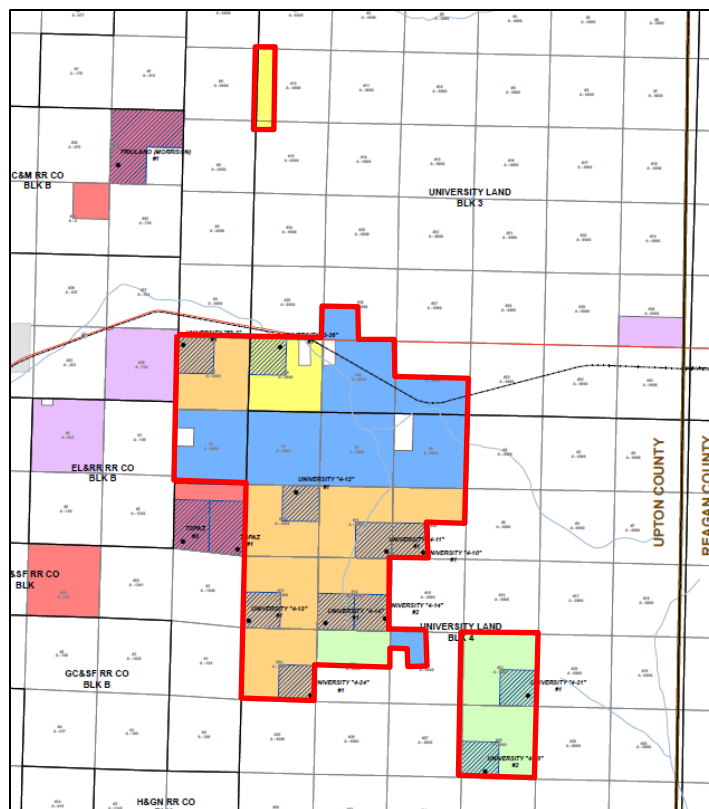
- Included large contiguous acreage position on University Lands (UL) leases





Lease Consolidation

Step 2 – Consolidated individual UL leases into a single Drilling and Development Unit (DDU), enabling more disciplined and strategic development

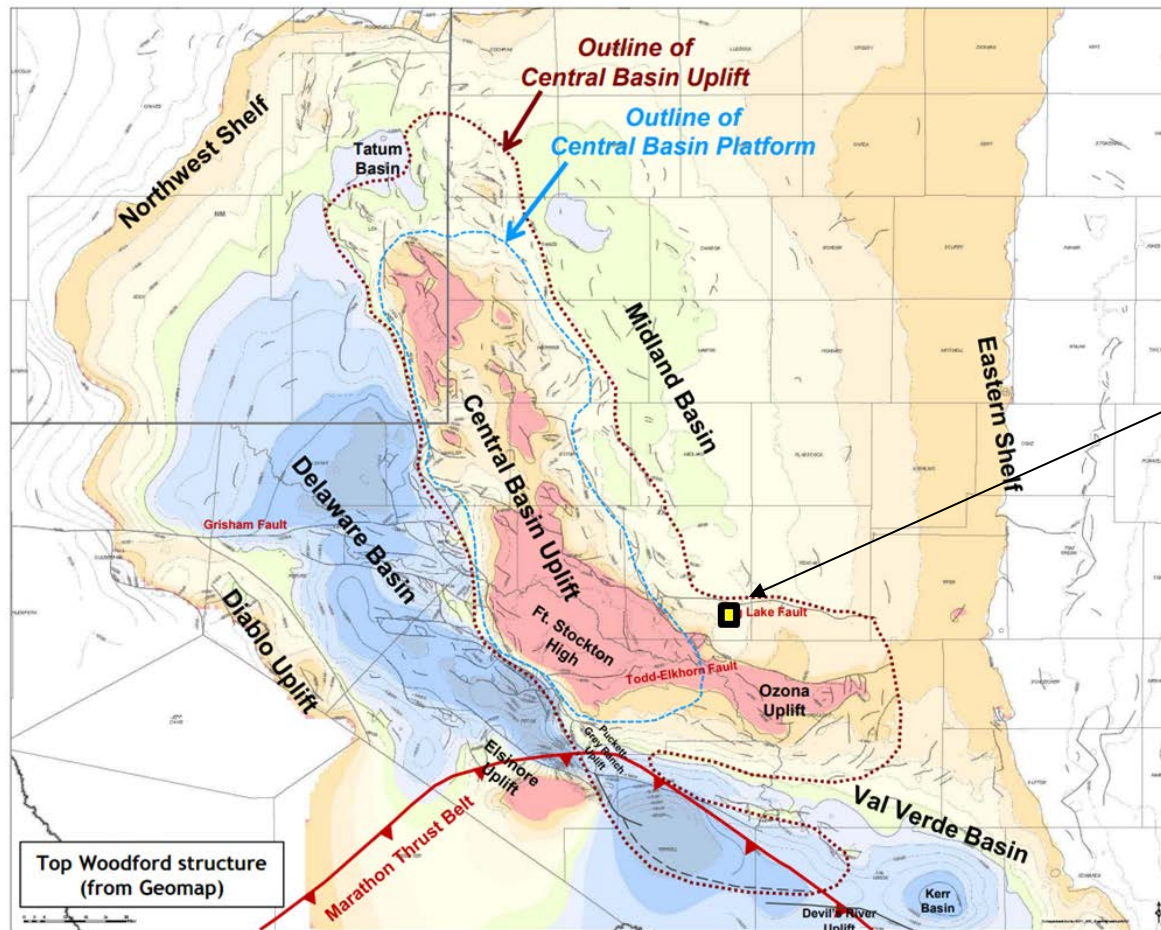




Initial Development

Step 3 – Between 2013-2015, drilled 5 horizontal wells on UL acreage

- Suspended drilling program in 2015

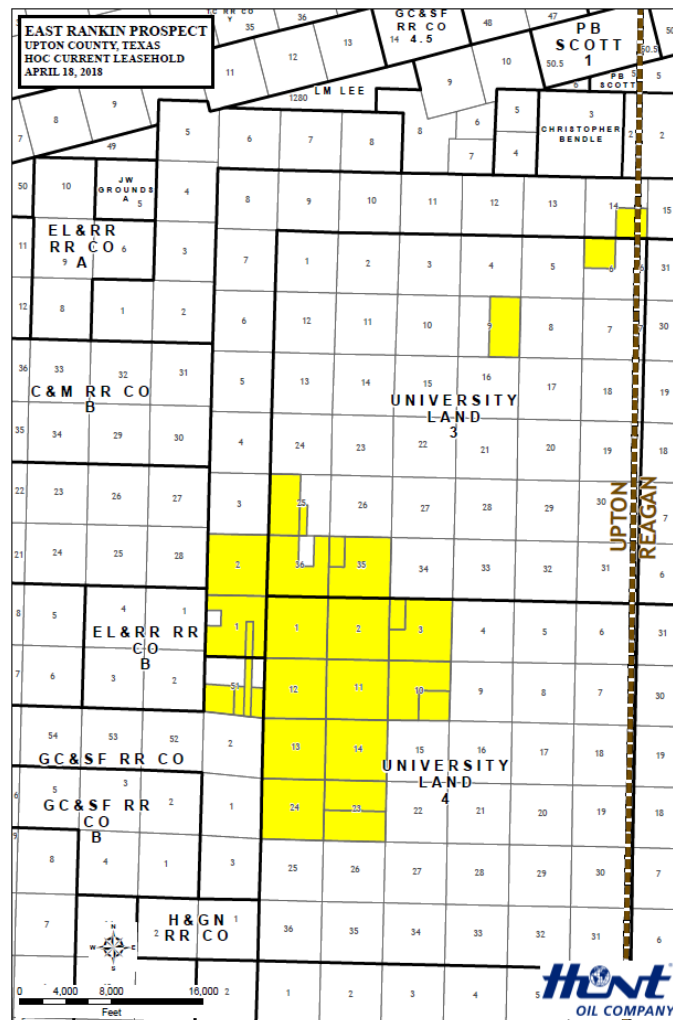
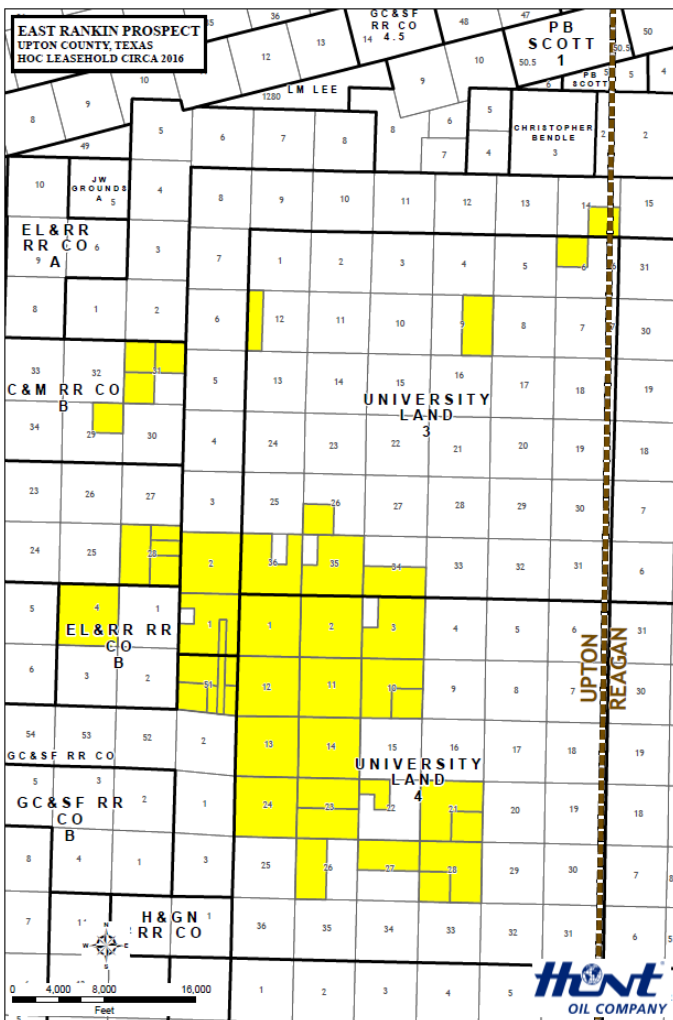


**Hunt Oil
UL DDU
(approximate location)**



Asset Rationalization

Step 4 – Optimized position through strategic acquisitions, divestitures, and trades





Lease Renegotiation

Step 5 – Renegotiated UL Drilling and Development Unit Agreement in 2016-2017 to include a sliding-scale royalty to enhance returns in lower price environment and encourage development

EP Energy Example:

Royalty associated with sliding scale framework:

- 12.5% <= \$50 WTI
- 18.75% <= \$60 WTI
- 25% <= \$80 WTI
- 28% > \$80 WTI

Wolfcamp: UL Amendment Drives Increased Development

- ▶ Executed UL development amendment in May
- ▶ Key benefits
 - ▶ Provides flexibility to extend leasehold timeframe to EOY 2021
 - ▶ Improves well returns in the current price environment
- ▶ Key terms
 - ▶ Annual well completion requirements
 - ▶ Sliding scale royalty framework

Catalyst for capital shift to Wolfcamp

EP ENERGY | 9

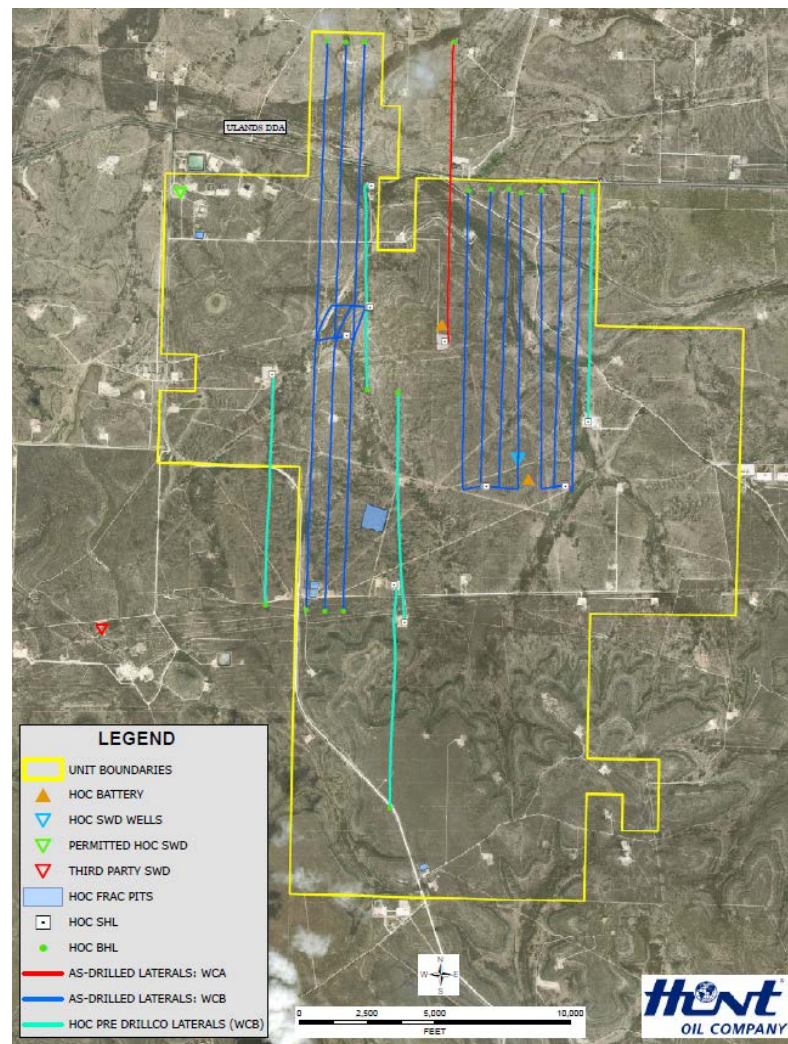


Development Optimization

Step 6 – Applied Basin-level technical learnings to UL development in order to improve performance

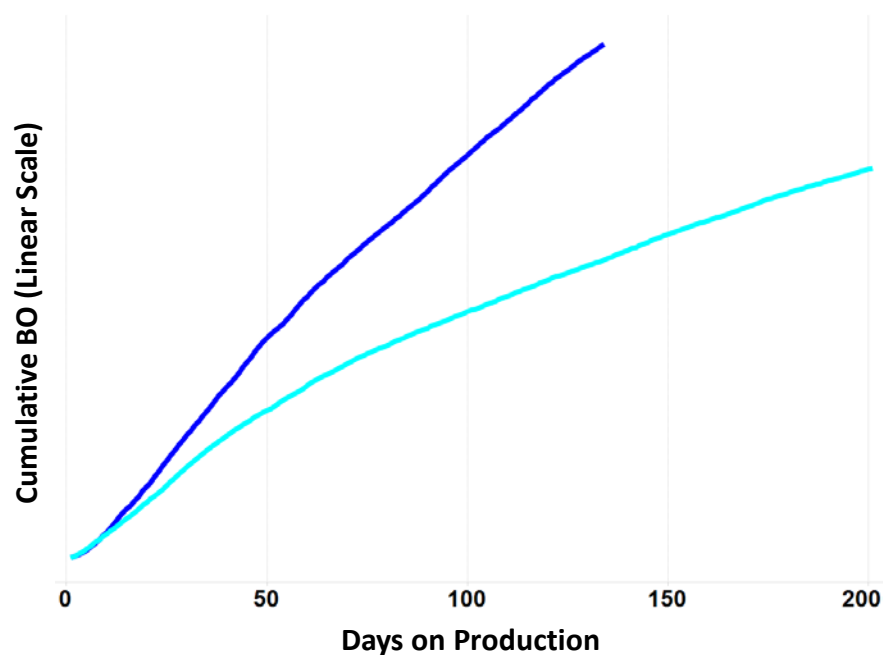
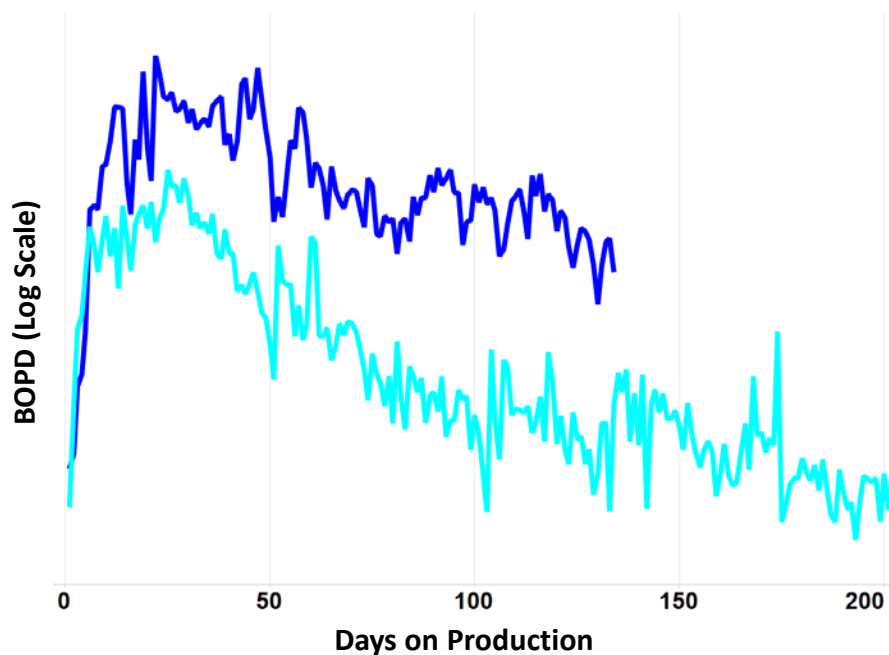
Restarted operated drilling program in 2017

- Drilled & Completed 13 new Wolfcamp B horizontals on UL DDU
 - 7 wells online Q4 2017
 - 6 wells online Q2 2018
- Plan to spud next pad in Q2 2018





Improved Production Performance



- Historical Average (5 wells)
- Current Average (7 wells)

Design Changes:

Historical (2013-2015): 7,500' , 25 stages (300' stg spacing) , 1,000 lbs/ft

Current (2017): 10,000' , 53 stages (190' stg spacing) , 1,500 lbs/ft

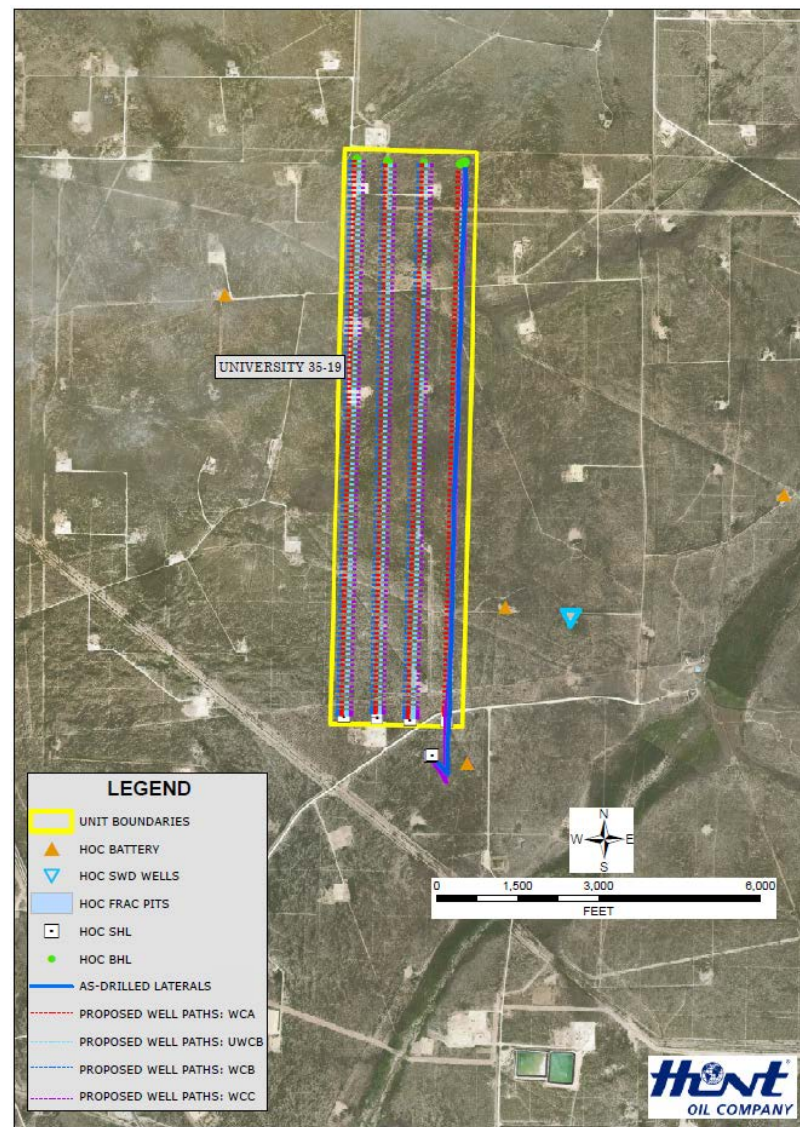
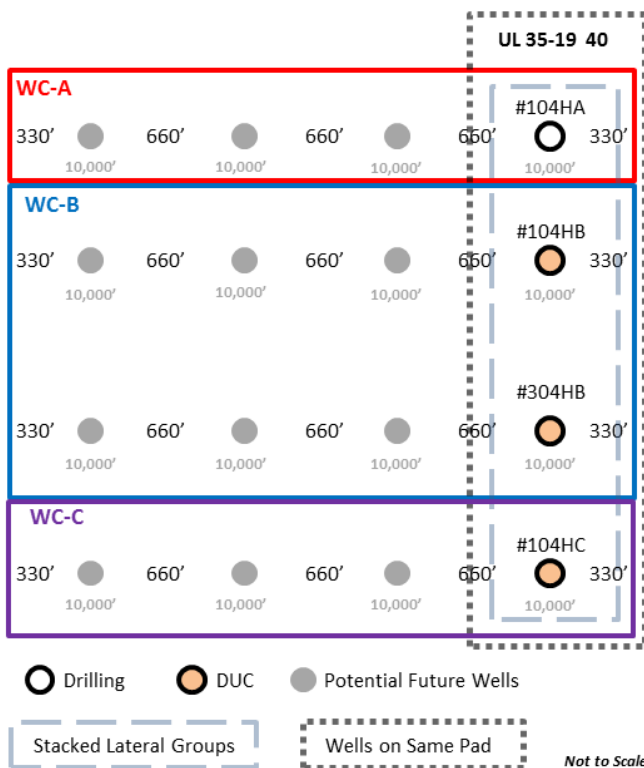




Reagan County – University 35-19 Development

Currently drilling 4 horizontals targeting:

- Wolfcamp A
- Upper Wolfcamp B
- Lower Wolfcamp B
- Wolfcamp C





QUESTIONS?

