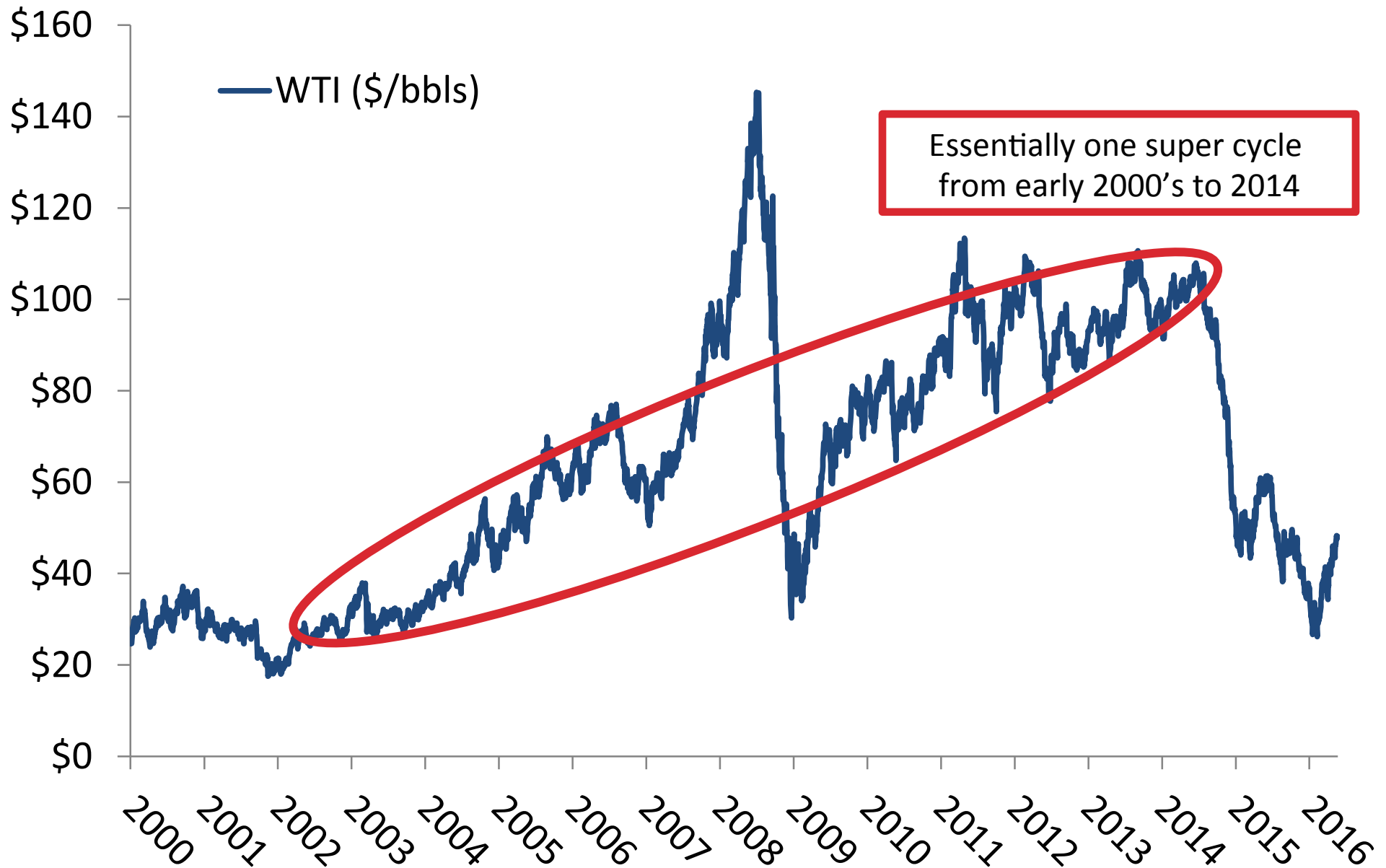




**State of the Union:
How Are PE Funds Dealing With the Stresses Of the OFS Sector?**

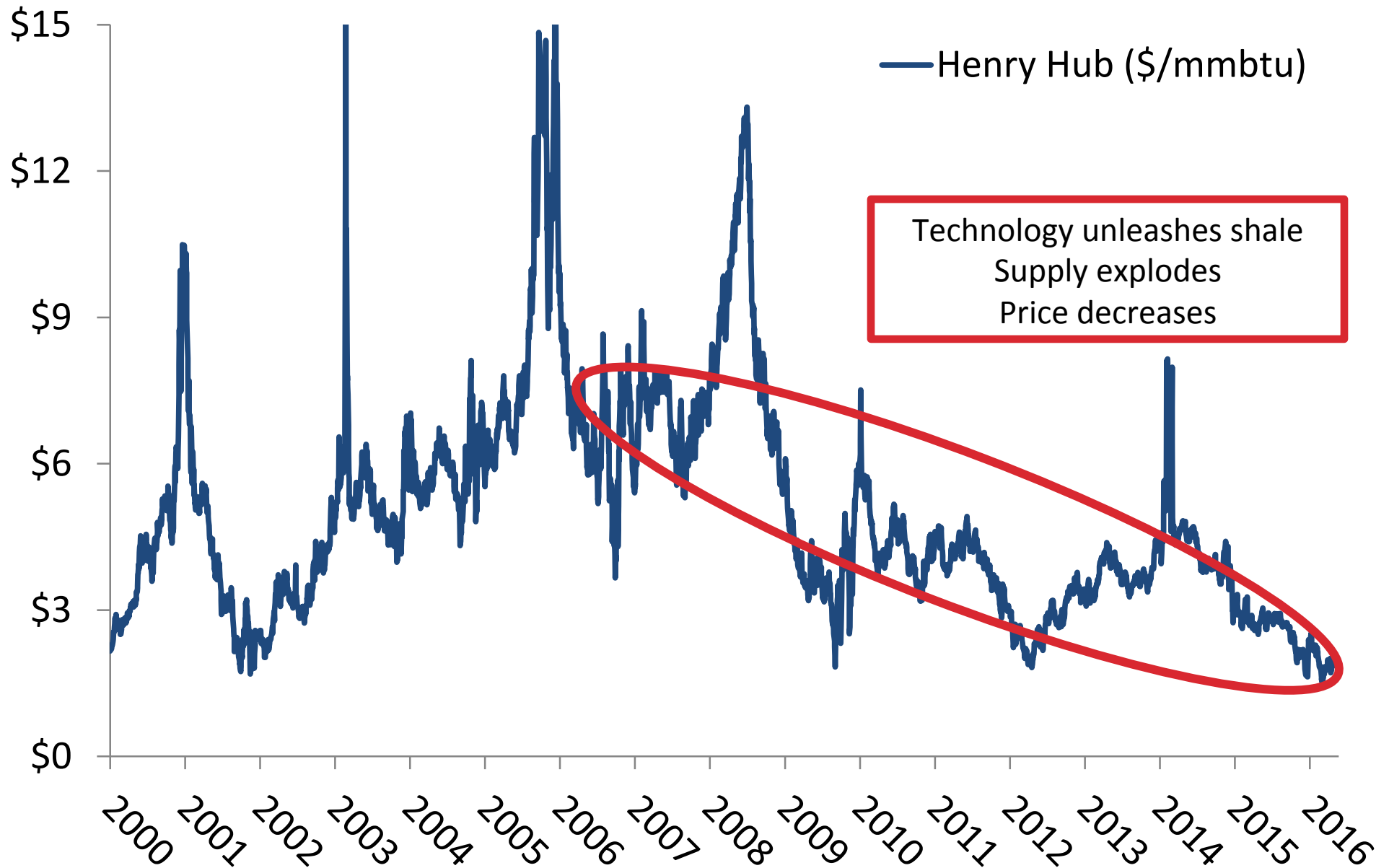
June 2016

Historical Oil Prices



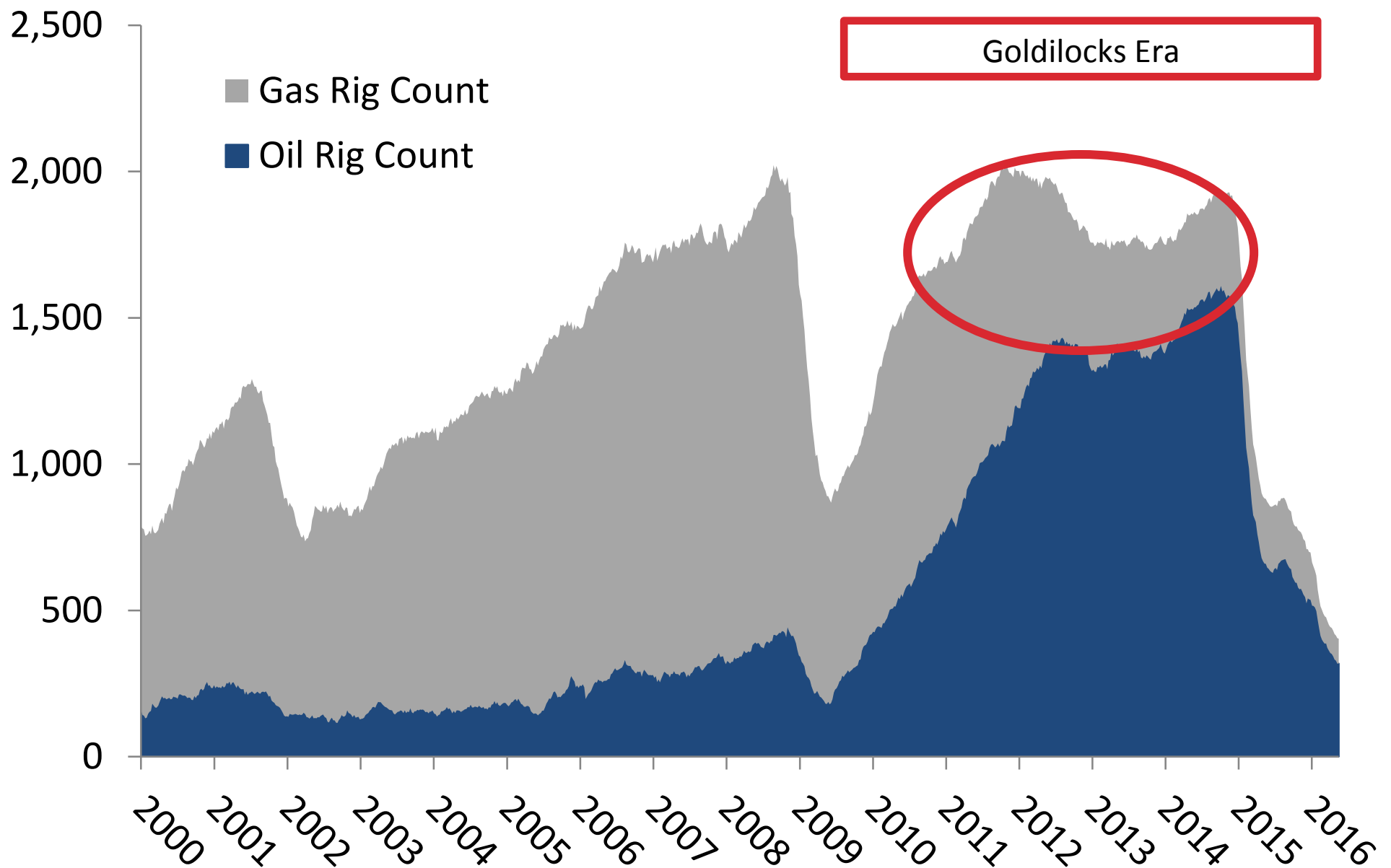
Source: Energy Information Association

Historical Gas Prices



Source: Energy Information Association

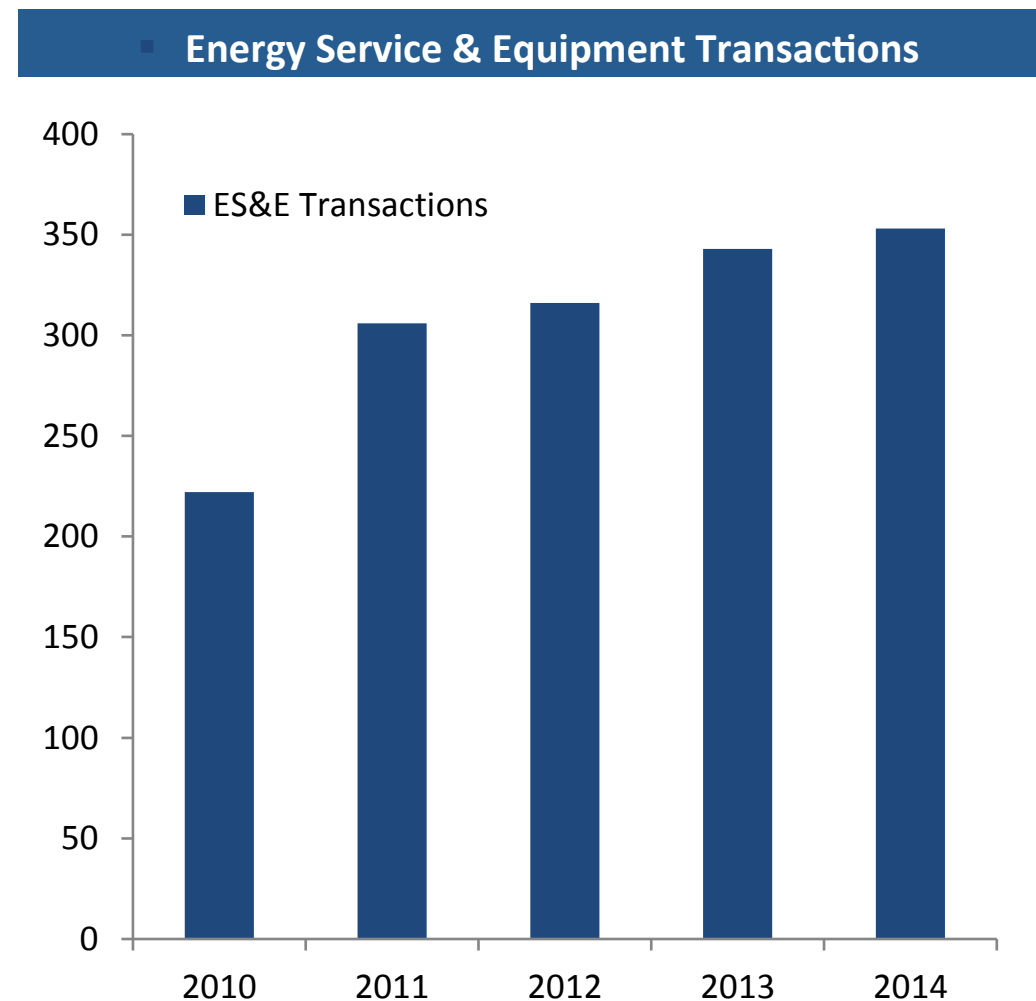
U.S. Rig Count



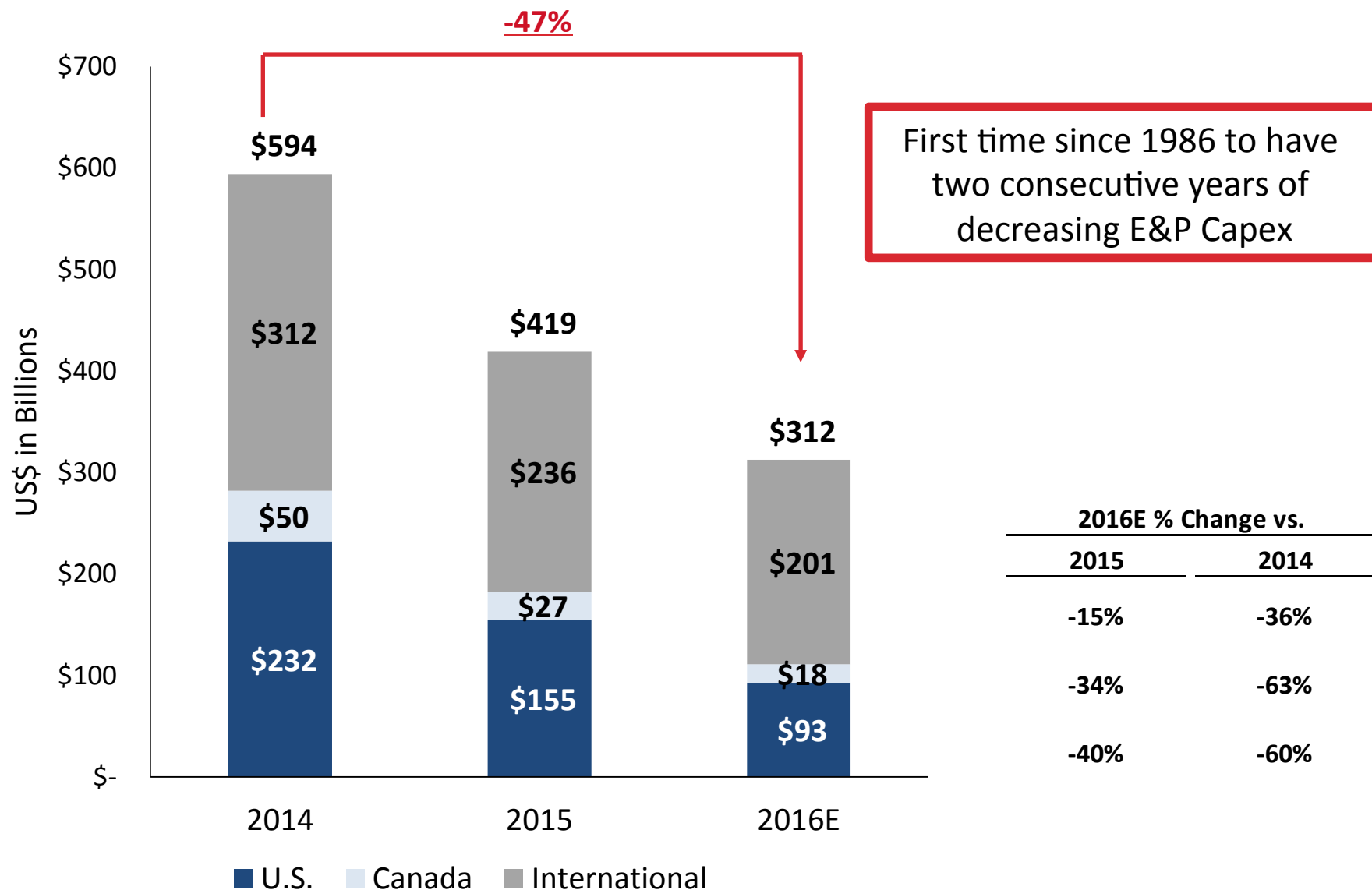
Source: Baker Hughes

2010 to 2014 Was Goldilocks Era for U.S. Oilfield Sector

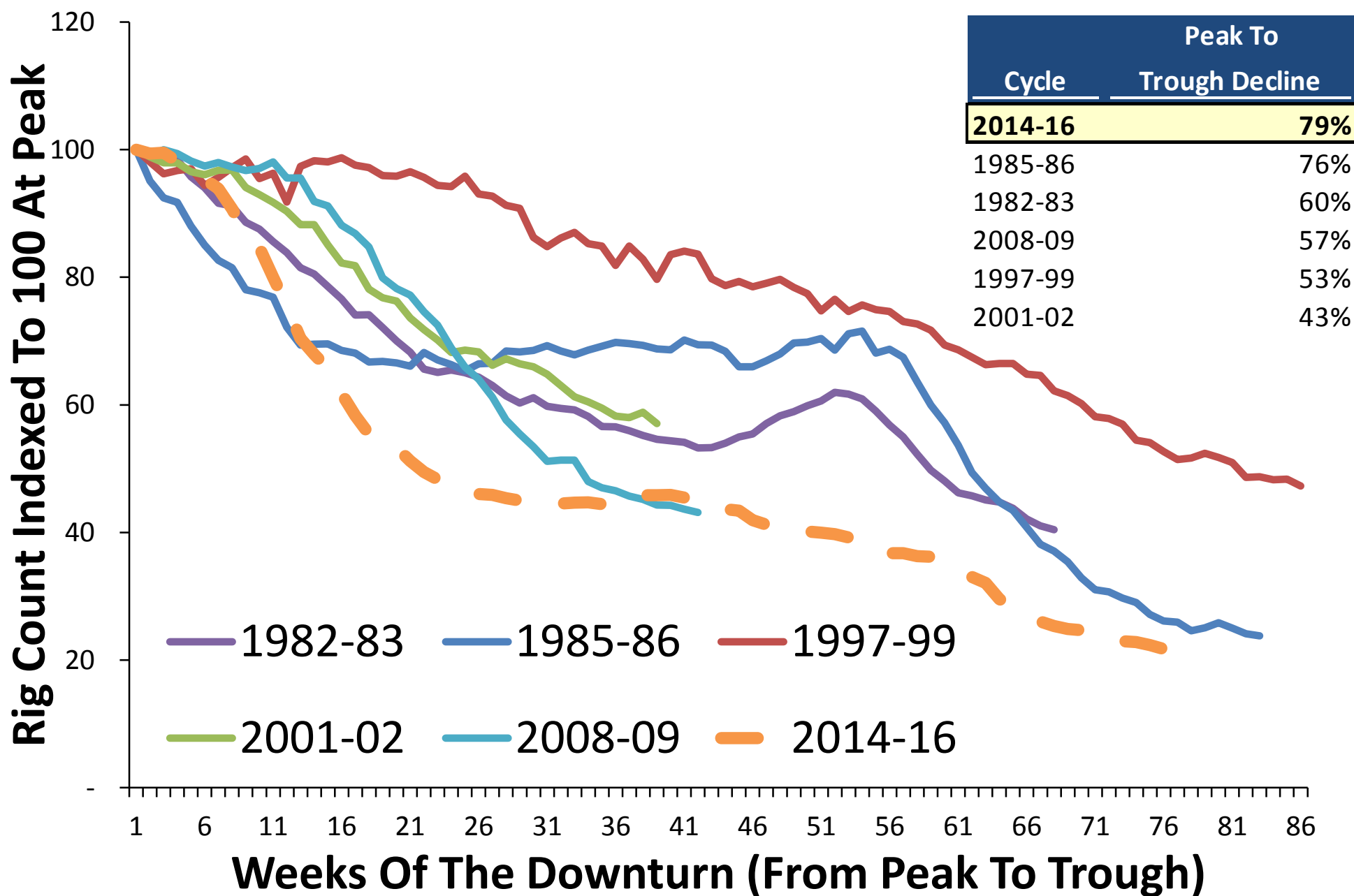
- Recovery from 2009 downturn
- Shift from gas focus to oil focus
 - New basins
- Roll-out of shale plays
 - Very service intensive
- Sustained high commodity price
- Lots of credit available



E&P Capex Spending Has Plummeted



How Does This Downturn Stack Up?



Energy Bankruptcies Since 2015

May 2016 Bankruptcies		
Date Of Bankruptcy	E&P Company	Total Debt (\$ in millions)
5/2/2016	Calera Gas	\$0.2
5/3/2016	Aurora Gas	0.3
5/9/2016	Chaparral Energy	1,791
5/11/2016	Linn Energy	5,692
5/11/2016	Berry Petroleum	1,733
5/12/2016	Penn Virginia	1,188
5/15/2016	Breitburn Operating	3,047
5/16/2016	Sandridge Energy	3,998
Total		\$17,450

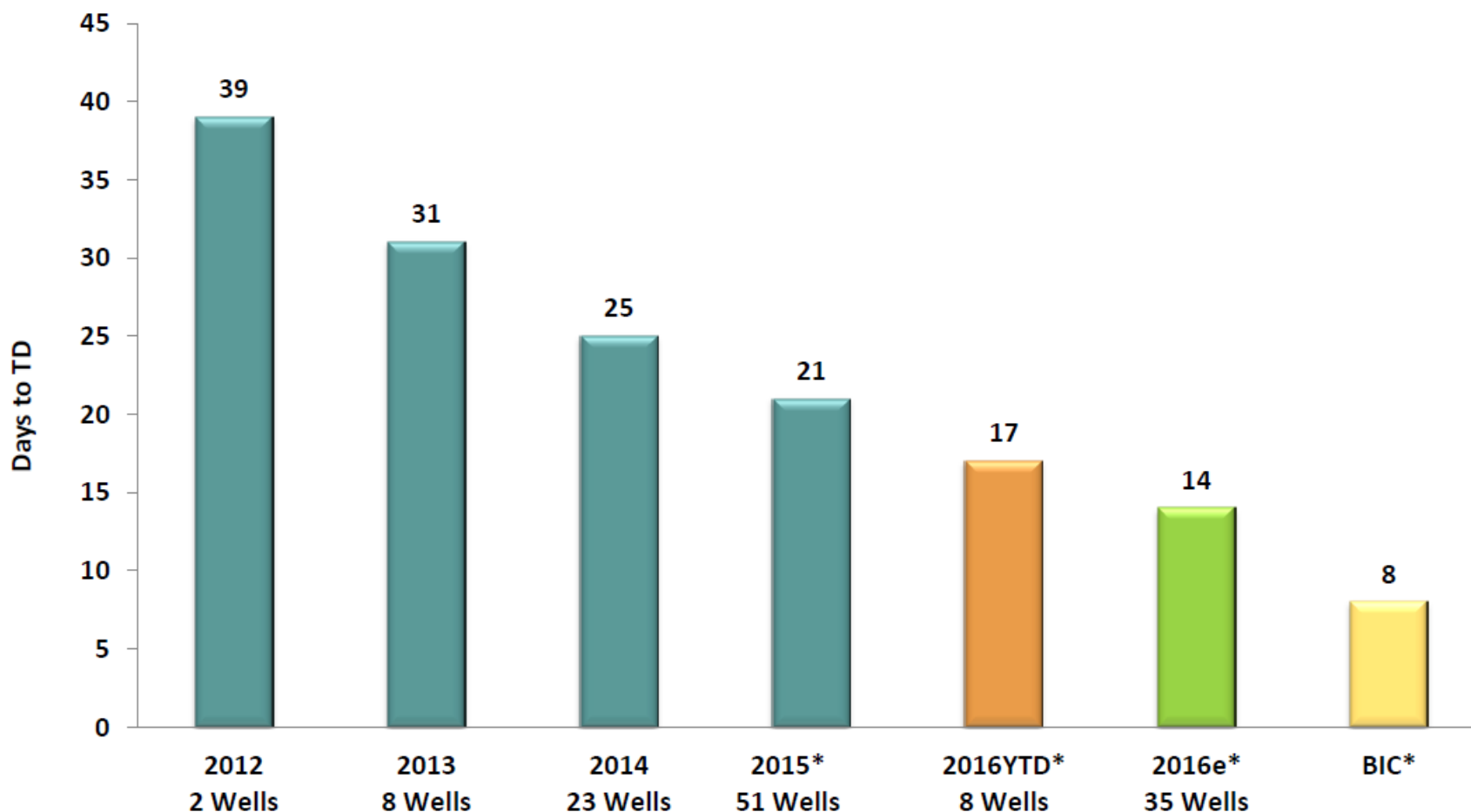
Nearly All Of OFS Is In Financial Distress

(\$ amounts in millions)

Company	Quarterly EBITDA						Q4 14 To Q1 16
	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	% Change
Key Energy	\$ 14.6	\$ (4.2)	\$ (11.9)	\$ (42.8)	\$ (65.8)	\$ (25.6)	(275.3%)
C&J Energy	81.5	31.8	11.3	(17.8)	(13.3)	(52.9)	(164.9%)
Basic Energy	85.5	27.2	1.4	(1.6)	(7.6)	(11.2)	(113.1%)
Forum	74.9	51.8	35.0	25.1	(48.6)	(9.6)	(112.8%)
NOV	1,216.0	760.0	628.0	473.0	185.0	(14.0)	(101.2%)
Weatherford	499.0	404.0	234.0	266.0	(113.0)	(3.0)	(100.6%)
Baker Hughes	1,595.0	287.0	436.0	522.0	376.0	57.0	(96.4%)
Superior Energy	300.6	184.0	115.6	57.7	40.7	24.6	(91.8%)
Oil States	124.0	64.7	41.2	38.4	38.0	11.1	(91.0%)
Halliburton	1,807.0	1,148.0	1,097.0	918.0	853.0	571.0	(68.4%)
Schlumberger	3,570.0	2,808.0	2,522.0	2,305.0	2,007.0	1,677.0	(53.0%)

E&Ps Continue to Find Efficiencies

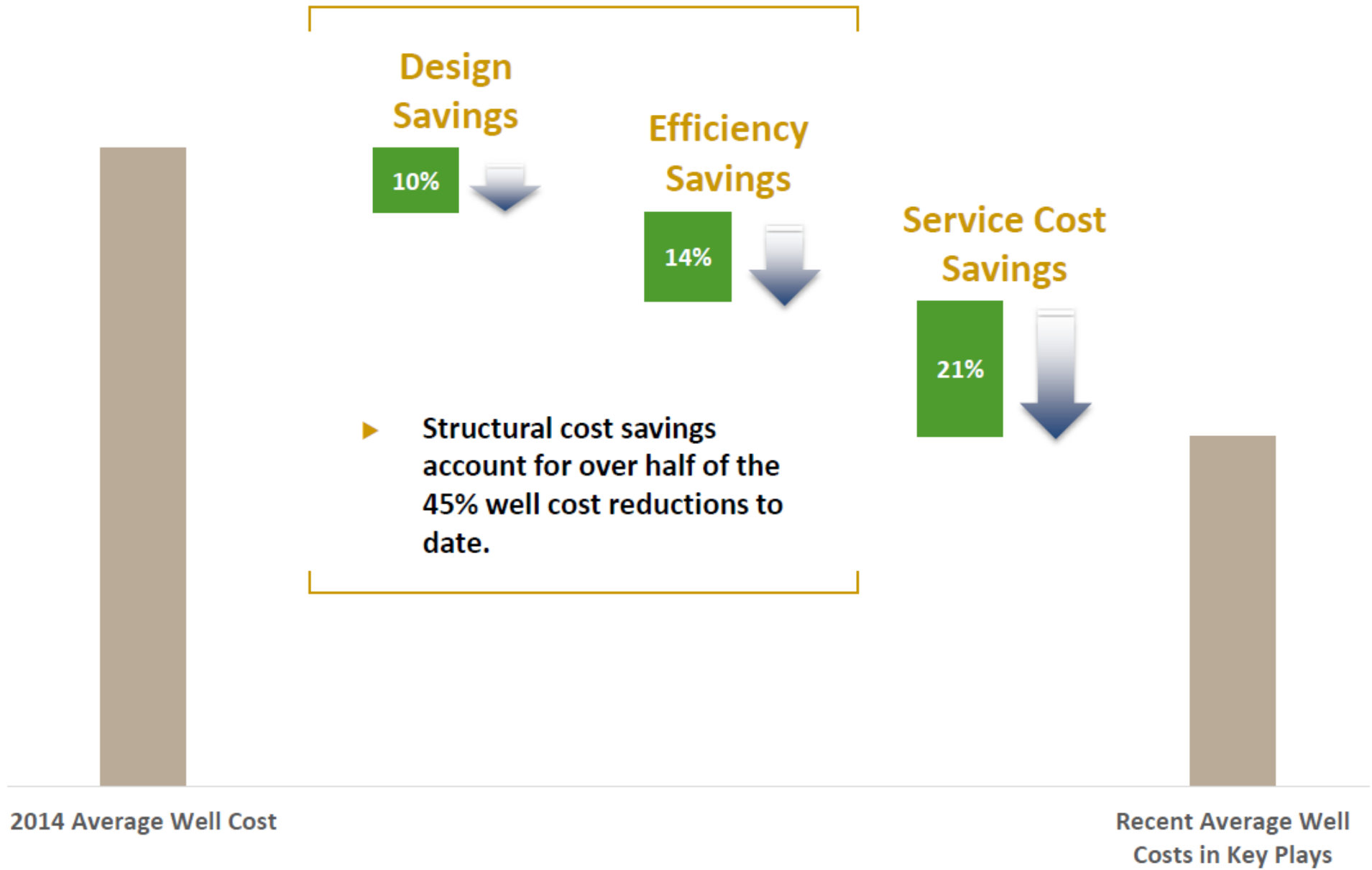
10,000' Laterals



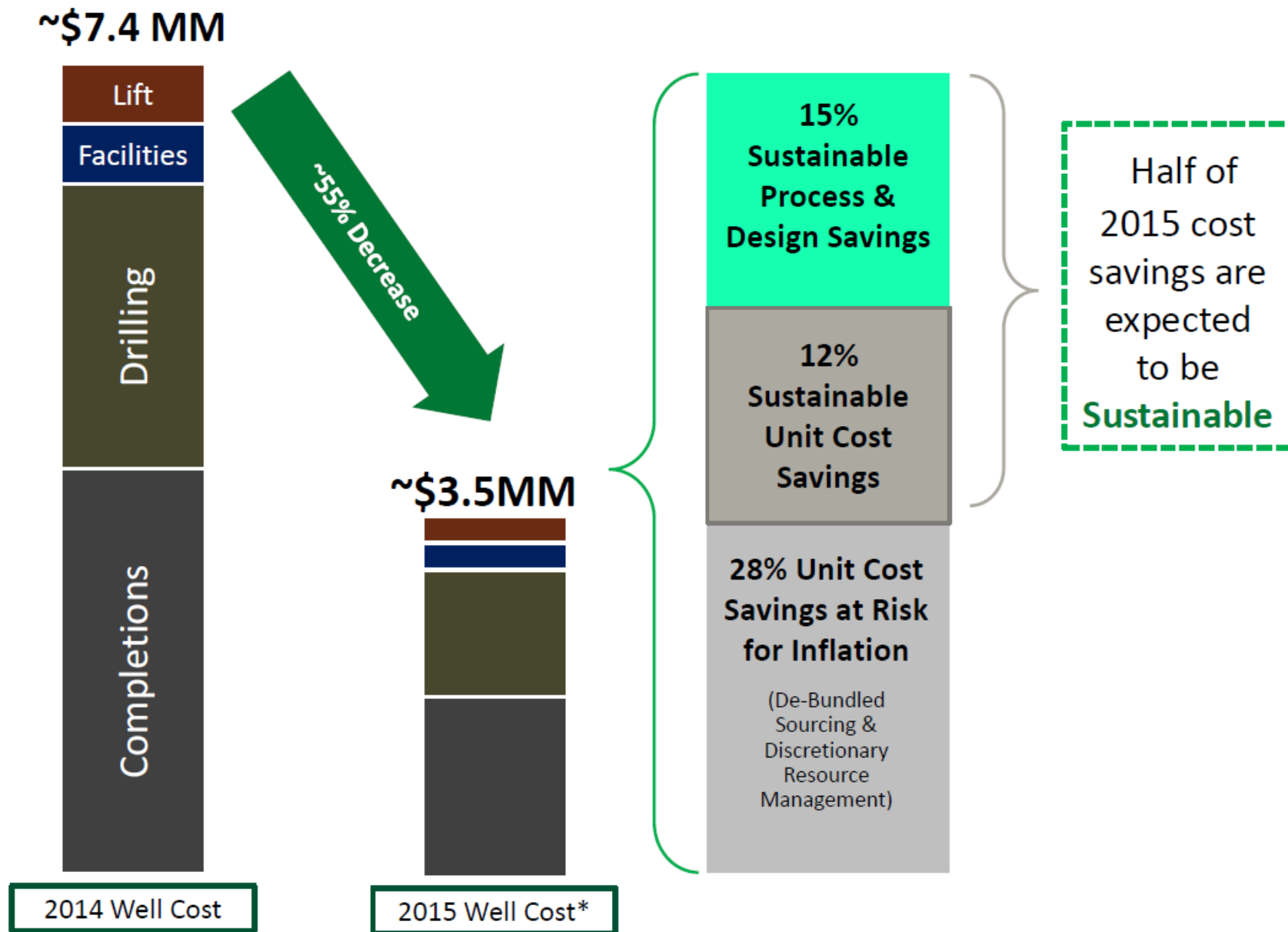
- ***Recent “best-in-class” STACK SXL well drilled in 8.3 days***
- ***2016e plan includes 35 SXL wells and 20 XL wells***

Note: *Wells drilled from mid-2015 forward are “drill out to TD” due to presetting surface casing.

E&P's Recognizing Cost Savings Are Not Sustainable



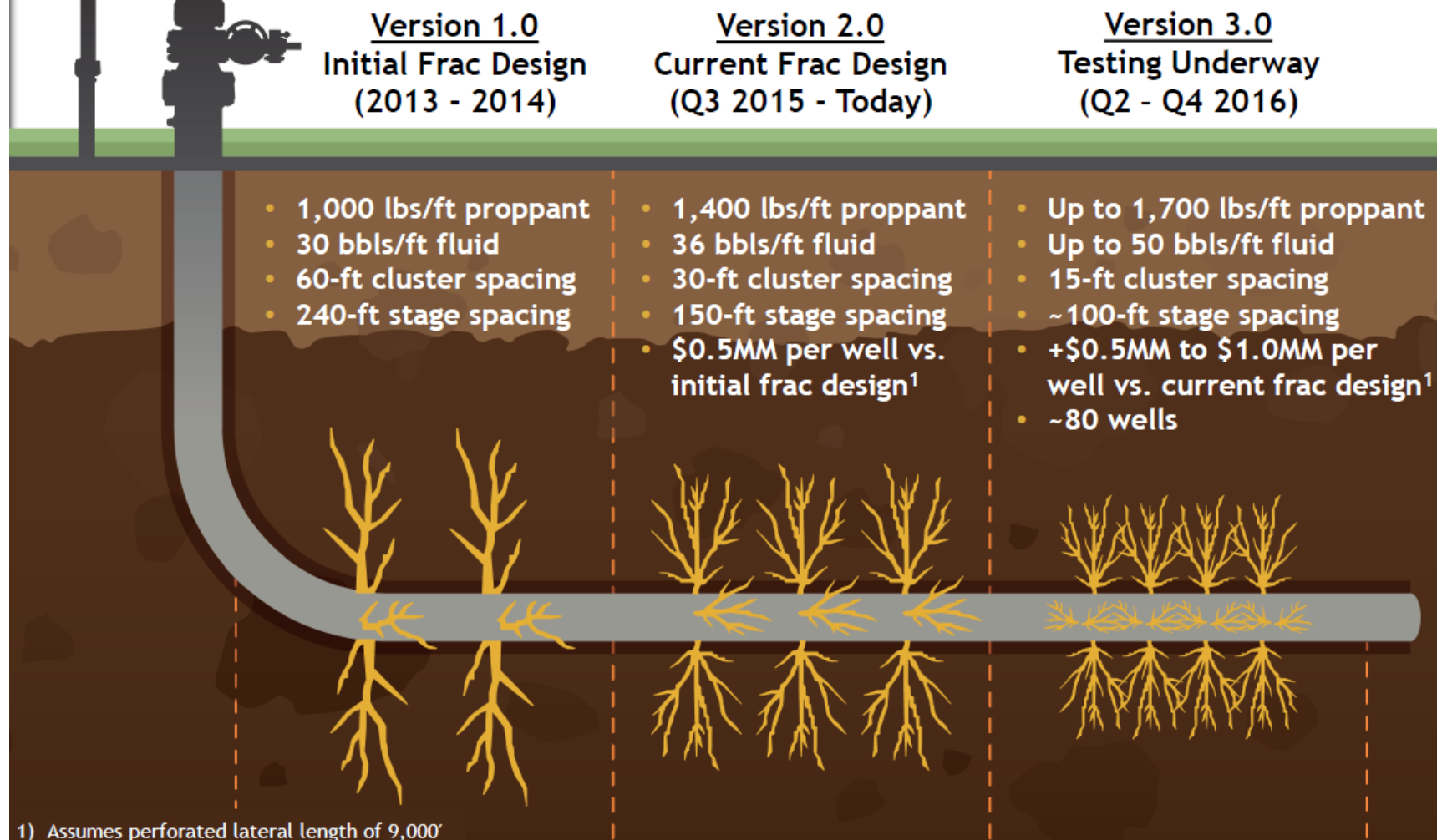
Consensus Seems Around 50% Cost Savings Sustainable



*Based on 4Q 15 average well cost; costs include well site facilities and estimated artificial lift.

Optimization of Completion Techniques Continues

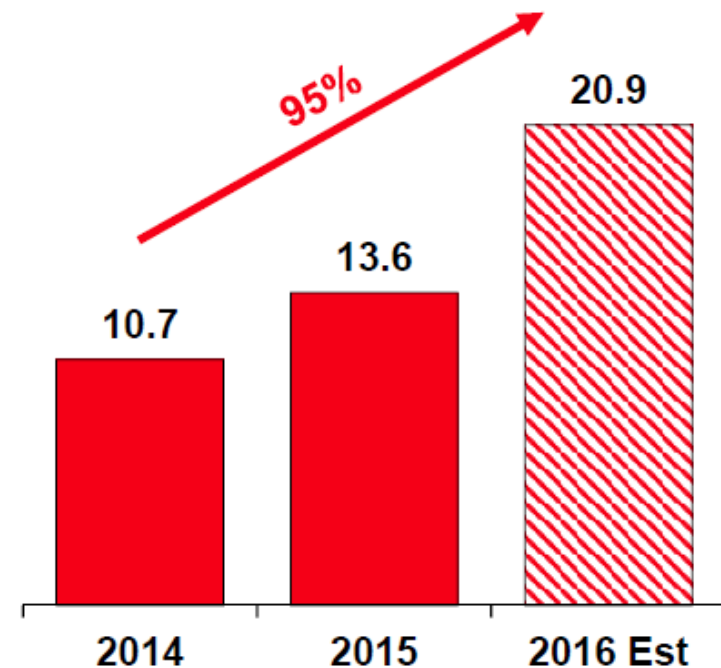
Designing completions to allow more rock to be contacted closer to the wellbore



Real Productivity Improvements

- Focus on Premium Locations
- Precision Targeting
- Advanced Completions
- Lower Costs

120-Day Cumulative Oil Production*
(Bbl Per Foot of Treated Lateral)



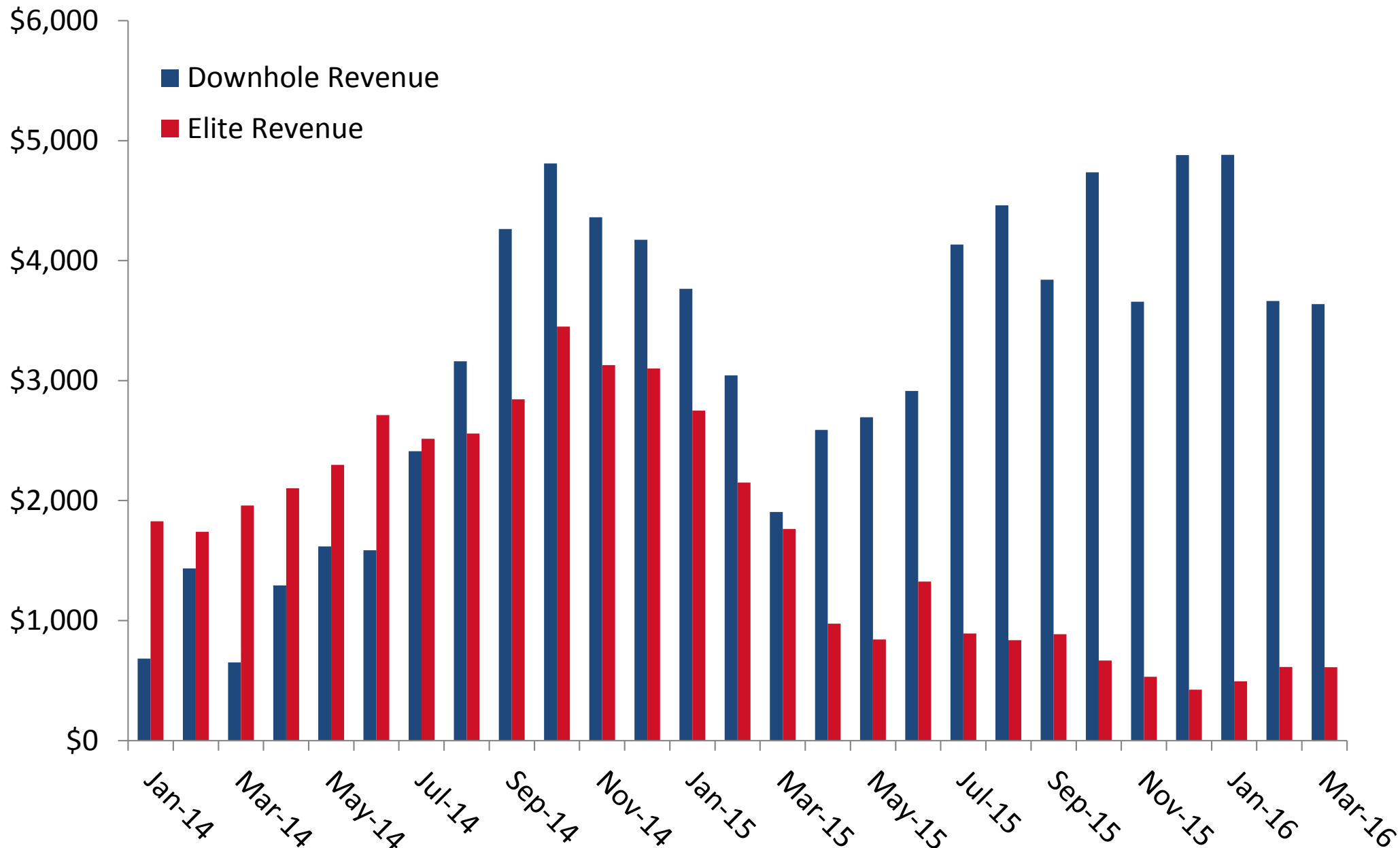
* Domestic completions, gross oil production.

What Does This Mean For OFS Investors?

- This is a cycle, this is not the end of the world
- OFS pricing will improve
- There is a structural shift at play—technology enables more output with less input
- Beware of rig count driven investments
- Best returns will be in technology enabled, differentiated product offerings

Product Differentiation Drives Sustainability

(\$ amounts in thousands)



Identifying Differentiation that Wins

- Downturns accelerate innovation
- Innovation must be customer driven
- Trial and error cycle time determines winners

OFS Investing Landscape

- Still many players limping along not wanting to realize losses
- Most deals are distressed or other non-economic catalysts
- Some consolidation happening but not large waves
- Starting to see private equity portfolio companies disaggregate—selling off business units to fend off lenders
- Deal flow will accelerate in the early phases of recovery