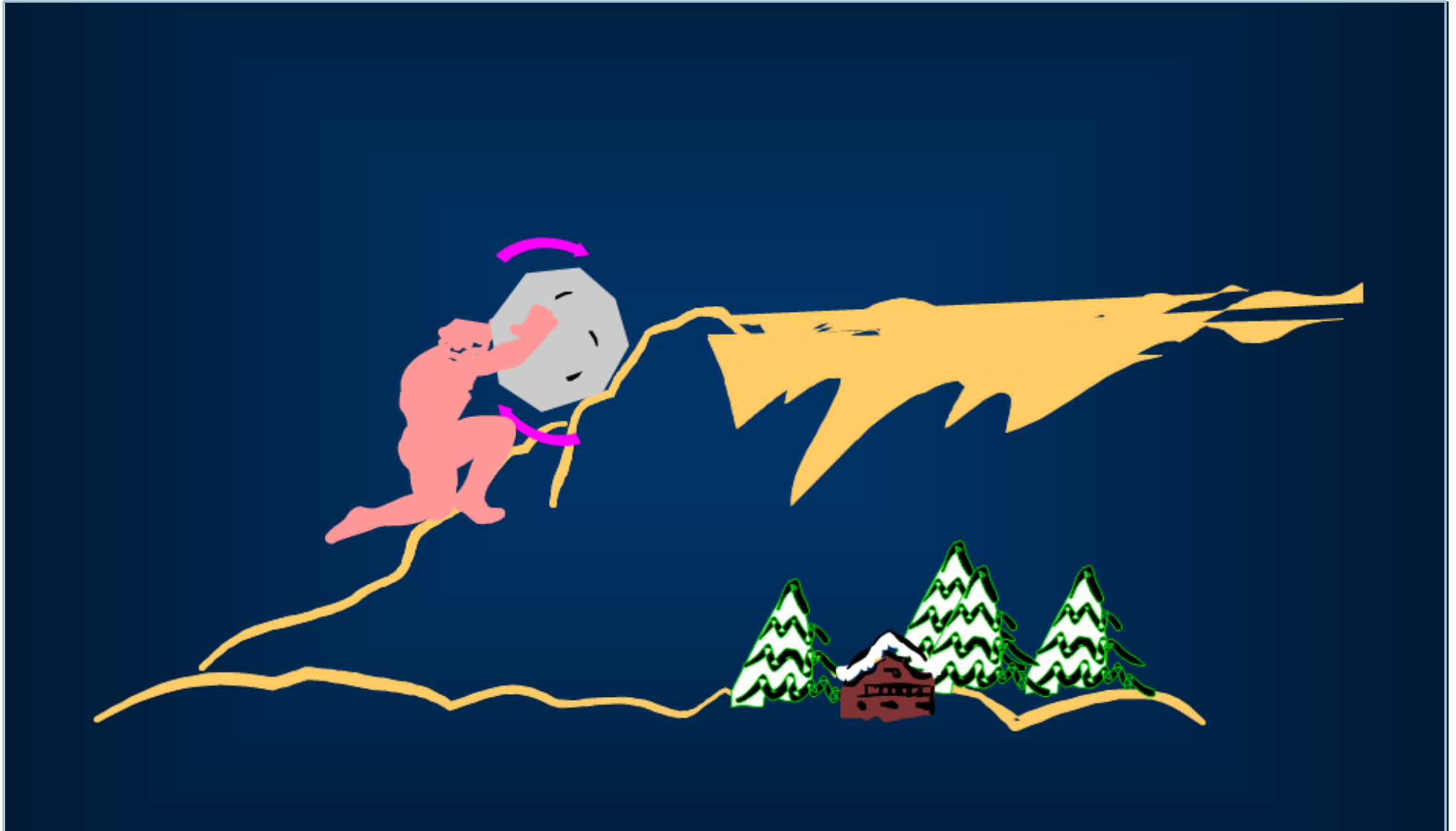




PRIVATE EQUITY – ENERGY

Bob Sinnott, President, CEO & CIO, Kayne Anderson Capital Advisors, L.P.

Too Often Investors Believe They Can Find Stable Prices Over Time



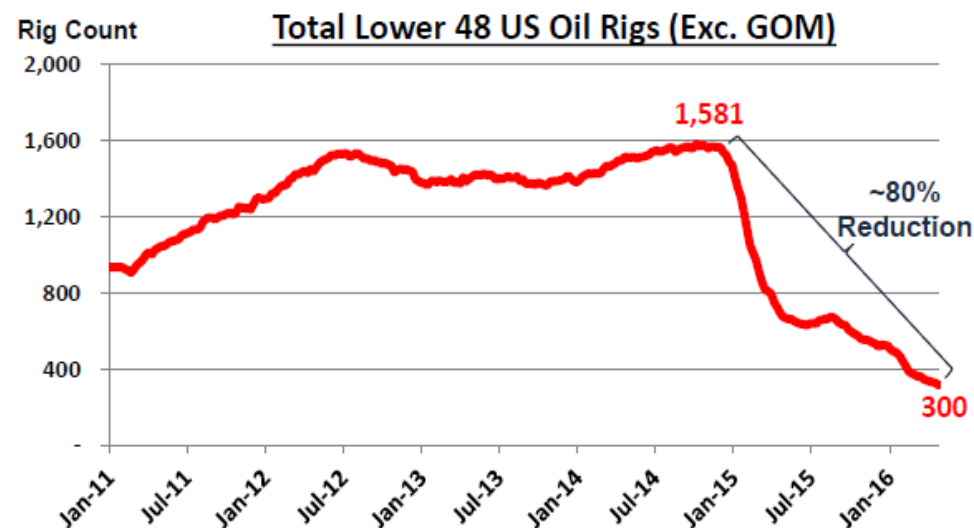
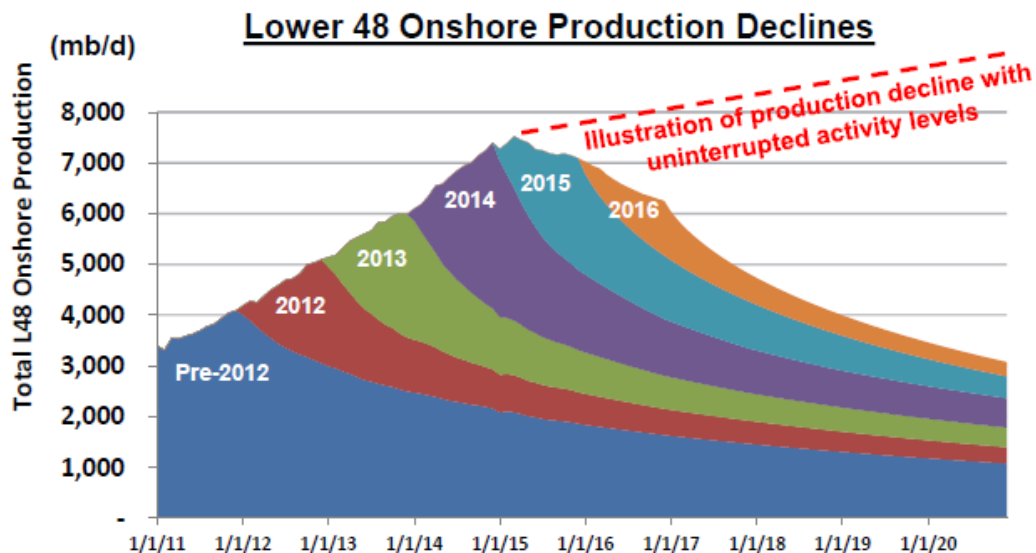
Great Investors Invest Over the Long Term and Should Not Chase Rainbows



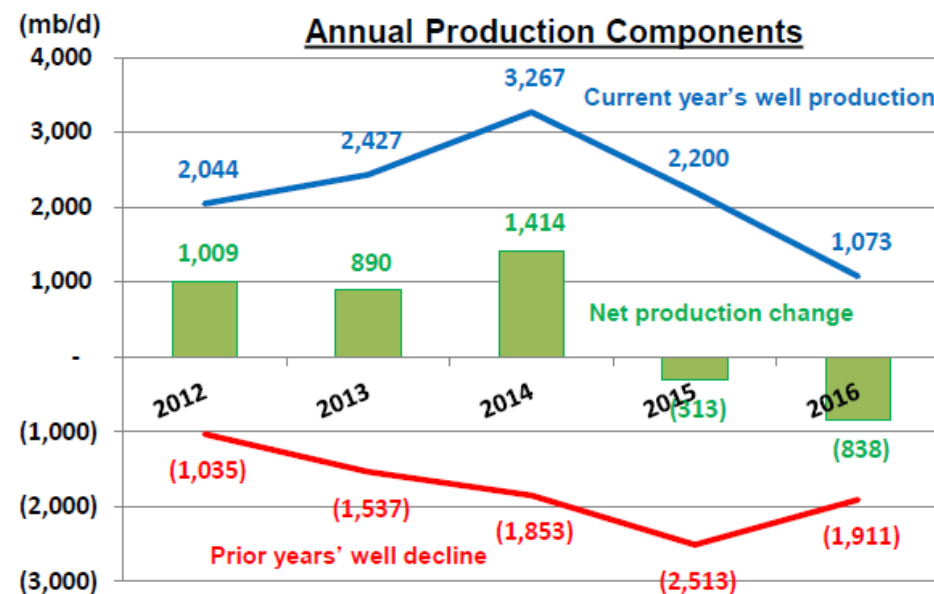
Sharp Decline Rates & Reduced Activity Impact Production

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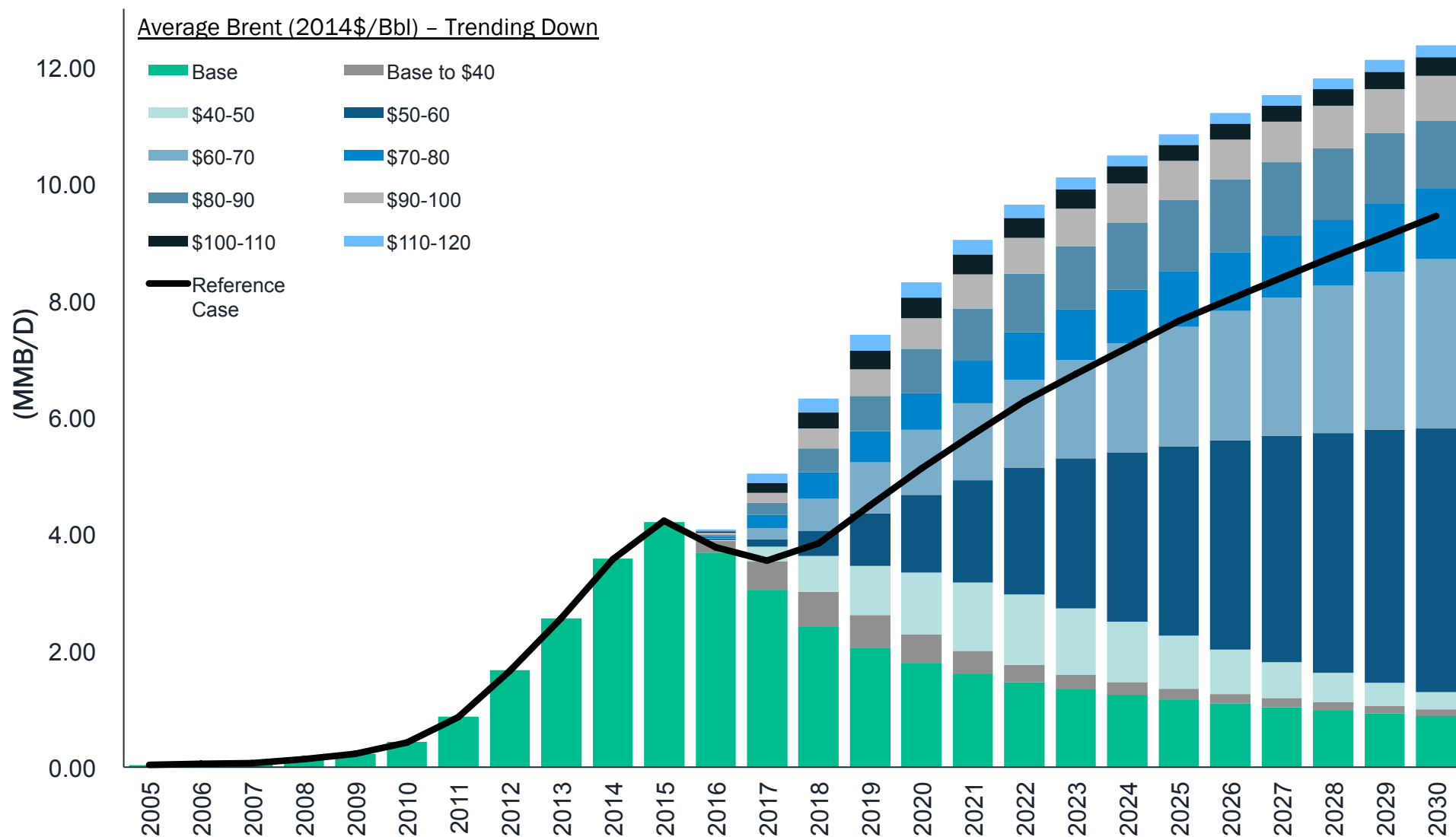
Year	BY Production (mb/d)	Underlying Decline (mb/d)	Underlying Decline %	New Production (mb/d)	Y/Y Production Growth (mb/d)	YE Production (mb/d)	Avg Rigs
2012	4,091	(1,035)	-25%	2,044	1,009	5,100	1,452
2013	5,100	(1,537)	-30%	2,427	890	5,990	1,391
2014	5,990	(1,853)	-31%	3,267	1,414	7,404	1,511
2015	7,404	(2,513)	-34%	2,200	(312)	7,092	734
2016	7,092	(1,911)	-27%	1,073	(838)	6,253	412



Increasingly higher new production volumes required to offset higher annual declines

Note: Historical rig data per Baker Hughes and includes both horizontal and vertical rigs.
Source: Plains All American Pipeline.

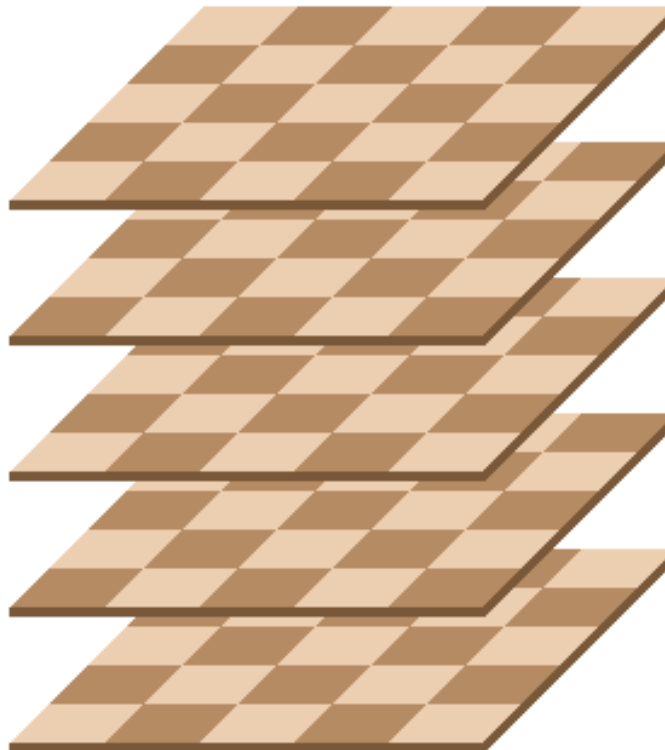
U.S. Shale Crude and Condensate Production



Source: PIRA Energy Group – not for further distribution. Slides are for the sole purpose of this presentation and are not for use in any further capacity.



*PE funds have a huge respect
for the cost of time*



*PE funds have a huge respect
for the cost of capital*

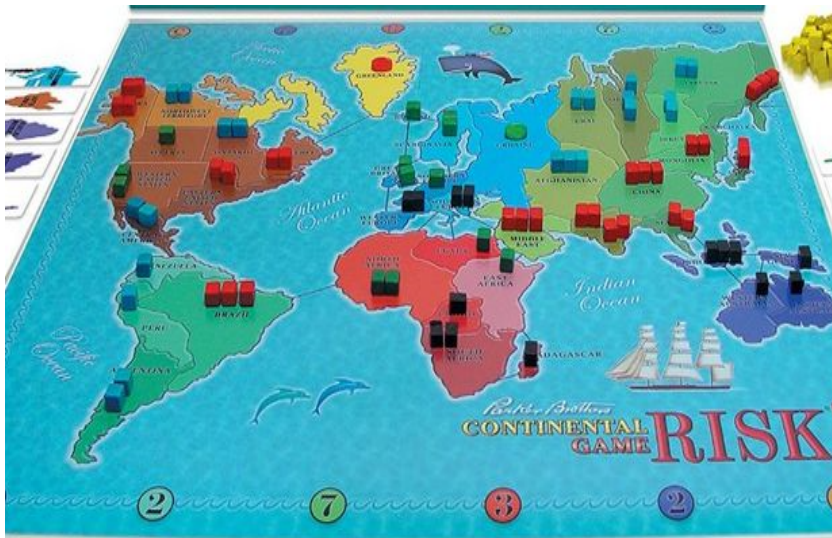


Similar to Playing Risk & Battleship at the Same Time

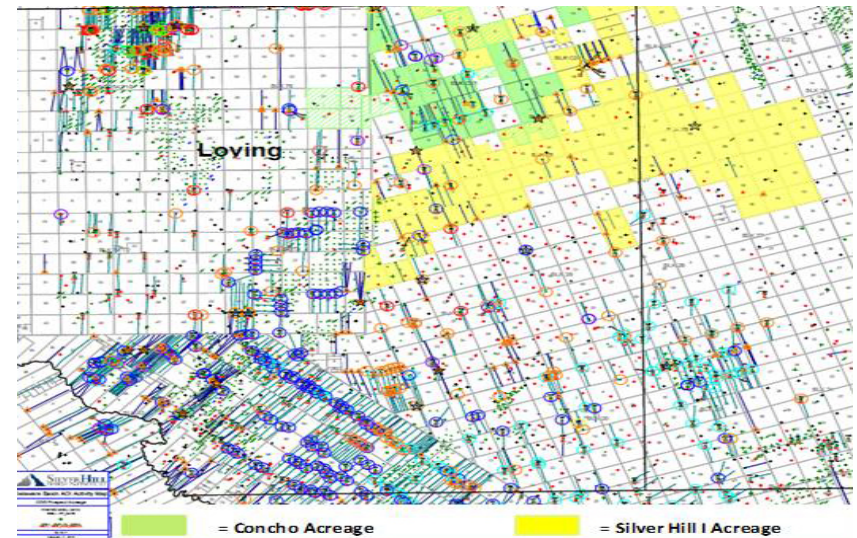
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Risk



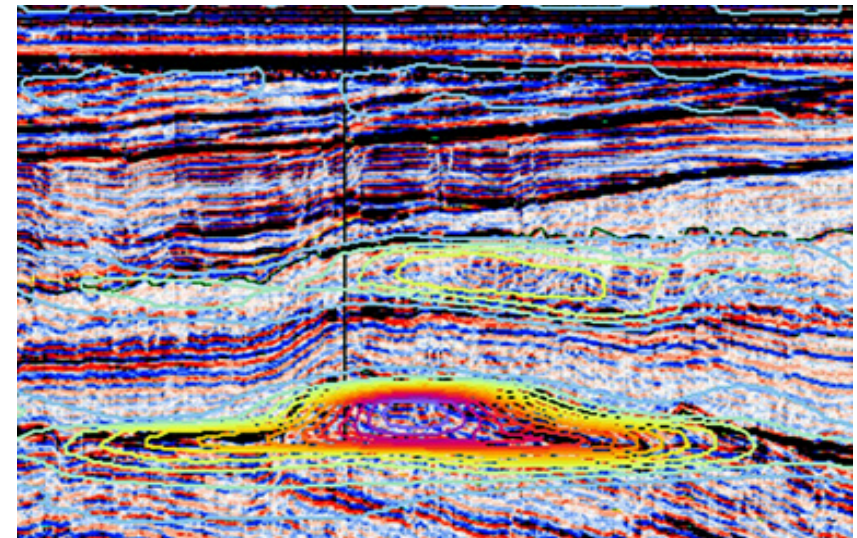
Acreage Map

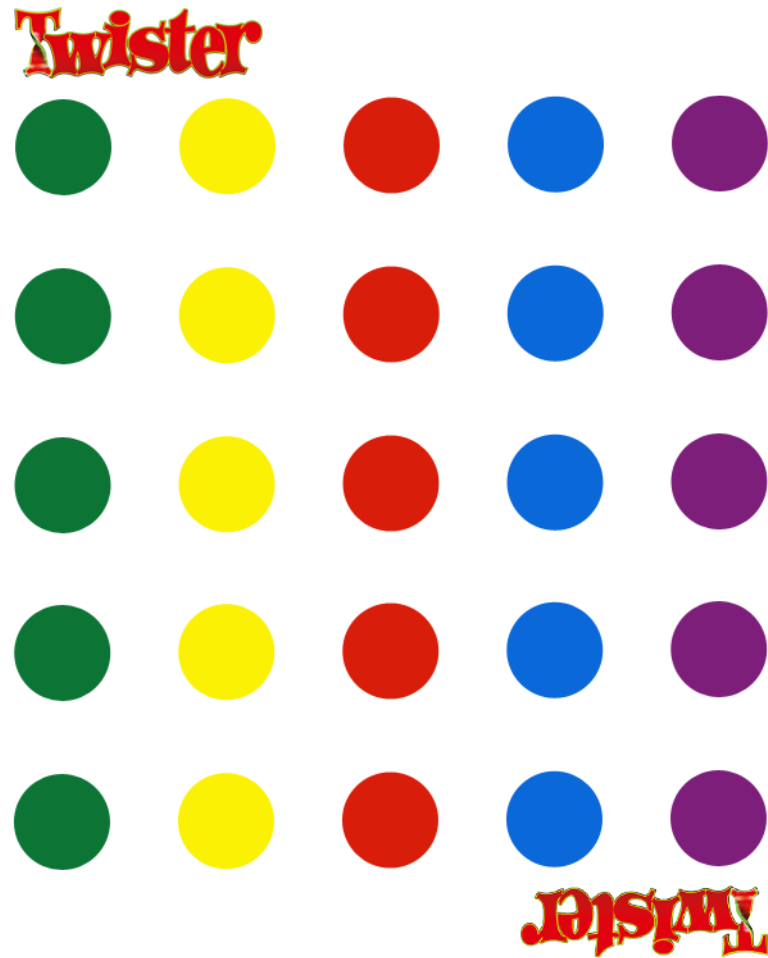


Battleship



Seismic Bright Spot





25% to 30% Cost Reductions

Kayne Anderson Energy Funds

Kayne Anderson

Capital Advisors, L.P.

Early 2014 Example Shale Well AFE

Drilling Costs:	%	\$MM
Drilling Rig	15.0%	\$1.1
Casing and Tubing	8.0%	0.6
Fluids	3.0%	0.2
Cementing	3.0%	0.2
Bits	1.0%	0.1
Total Drilling	30.0%	\$2.1

Completion Costs:		
Stimulation	40.0%	\$2.8
Technical Services	9.0%	0.6
Fluids	3.0%	0.2
Completion Rig	1.0%	0.1
Total Completion	53.0%	\$3.8

Other:		
Production Equipment	7.0%	\$0.5
Misc	4.0%	0.3
Site Development	3.0%	0.2
Site Acquisition	2.0%	0.1
Logistics	1.0%	0.1
Total Other	17.0%	\$1.2

Total Drilling and Completion Cost	\$7.1
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Late 2015 Example Shale Well AFE


Drilling Costs:	%	\$MM	
Drilling Rig	16.0%	\$0.8	(20.4%)
Casing and Tubing	10.0%	0.5	
Fluids	4.0%	0.2	
Cementing	3.0%	0.2	
Bits	1.0%	0.1	
Total Drilling	34.0%	\$1.8	

Completion Costs:			
Stimulation	34.0%	\$1.8	(36.5%)
Technical Services	9.0%	0.5	
Fluids	3.0%	0.2	
Completion Rig	2.0%	0.1	
Total Completion	48.0%	\$2.5	


Other:			
Production Equipment	7.0%	\$0.4	
Misc	4.0%	0.2	
Site Development	4.0%	0.2	
Site Acquisition	2.0%	0.1	
Logistics	1.0%	0.1	
Total Other	18.0%	\$1.0	

Total Drilling and Completion Cost	\$5.3	(25.4%)
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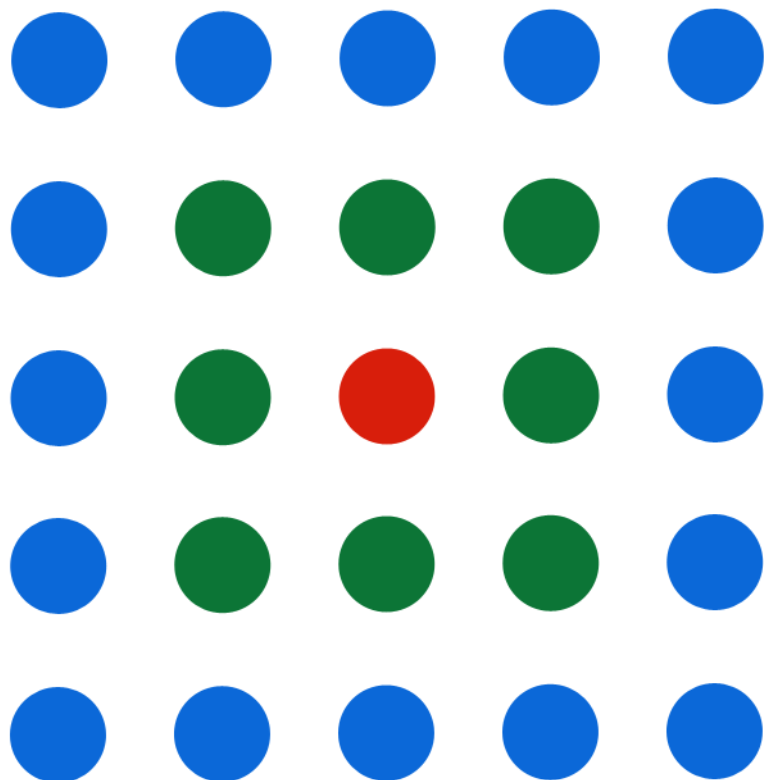
Source: Citi Research.

 \$8 million, 300 MB EUR,
30% IRR, 3 yrs

 \$7 million, 400 MB EUR,
60% IRR, 2 yrs

 \$6 million, 500 MB EUR,
100% IRR, 1 yr

Twister

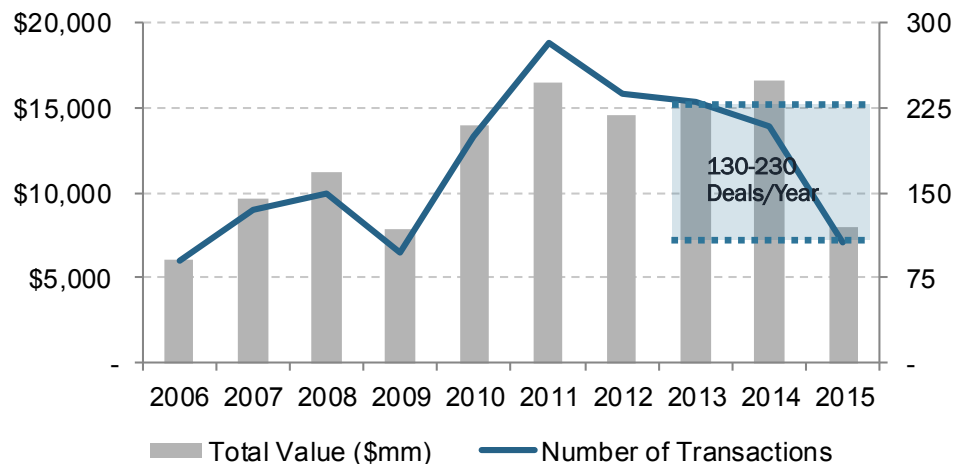


Twister

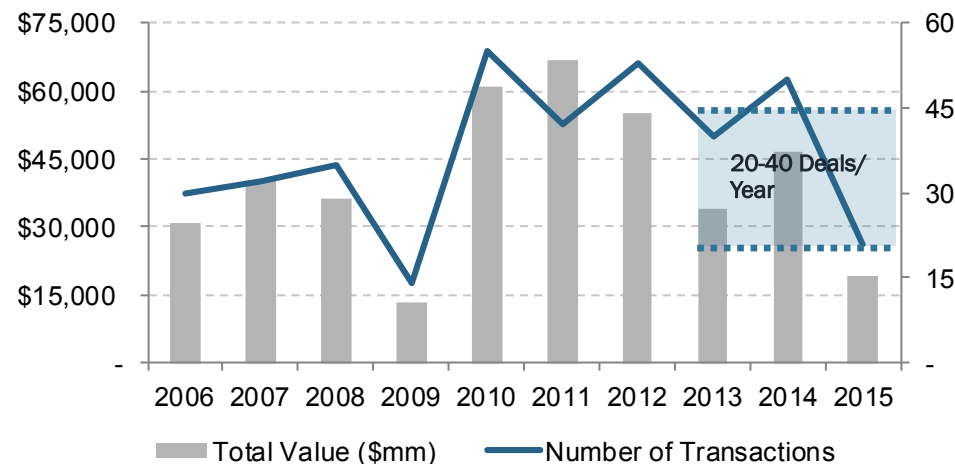
Middle Market Transactions (<\$300 million) Offer Most Attractive Opportunities – Both in Terms of Total Number of Transactions and Market Efficiency

- 84% of oil and gas transactions, based on total number of deals, announced in 2015 were below \$300 million in size
- 130-230 middle-market transactions per year as compared to 20-40 larger transactions per year
- Middle market transactions getting done at attractive prices; liquidity and certainty of closing is now higher priority than price to most sellers
- Transactions often negotiated off-market or through limited processes

Middle-Market U.S. E&P Transactions (<\$300 million)



Large U.S. E&P Transactions (>\$300 million)



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