

PJ SOLOMON ENERGY/RESTRUCTURING MARKET UPDATE



MAY 2020

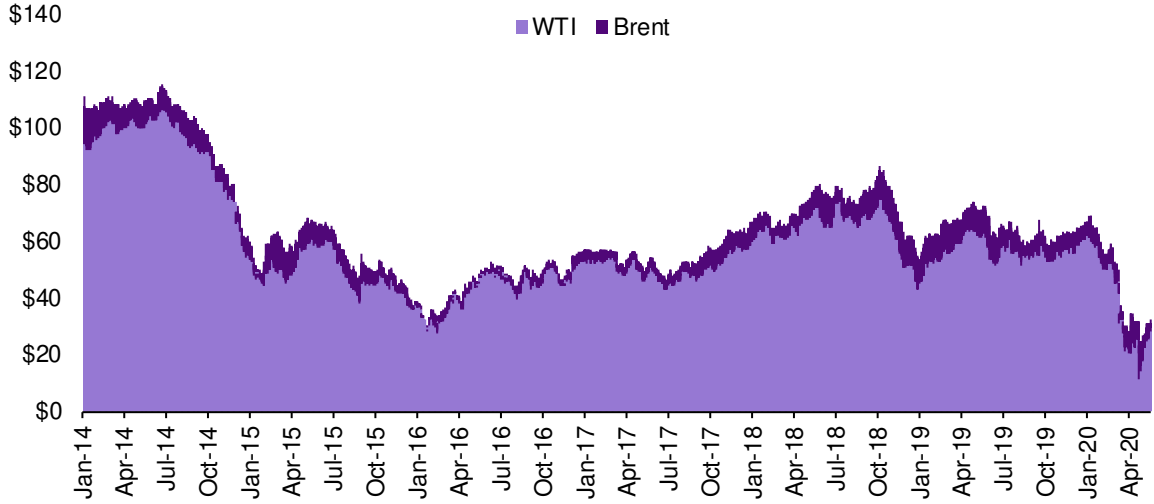
2020: Oil and Gas Market Being Reset

Surviving enterprises will need to demonstrate long term full cycle profitability with economies of scale

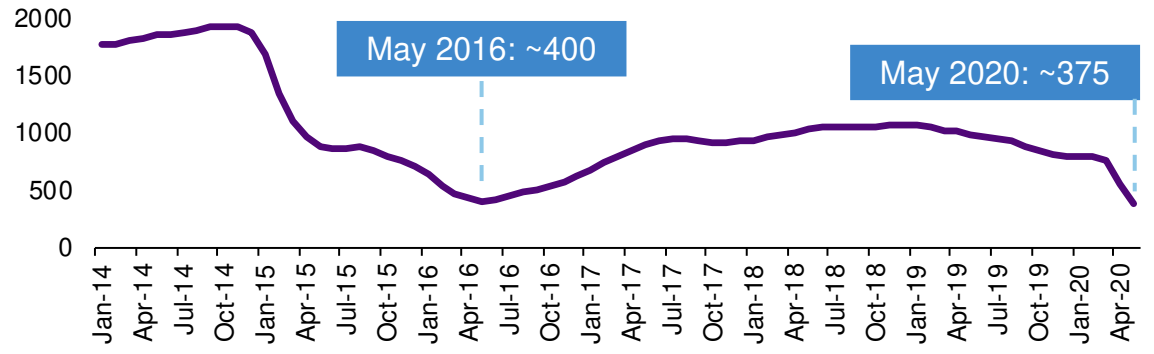
Key Commentary

- Near term oil prices have responded favorably and appeared to have hit their lows
- Additional commodity price improvement is expected more slowly
- The majority of producers are protected from the negative oil price movement in 2020 with existing production hedges
- Many of the small to midsize players will require ~\$50/Bbl. WTI futures pricing to survive alone
 - Consolidation expected to achieve operational scale and rationalize G&A
- Asset sales slowed through 2019 as the value ascribed was too low for sellers to transact
- We expect the current market dynamics to accelerate M&A activity at both the corporate and asset level as necessity narrows the bid/ask spread and capital flows to those with scale, diversity and operating efficiencies

Historical Crude Prices



Historical Rig Count



Current rig reduction has surpassed previous 2015-2016 crash

Source: Enverus, Woodmac, Baker Hughes, Public Reports.

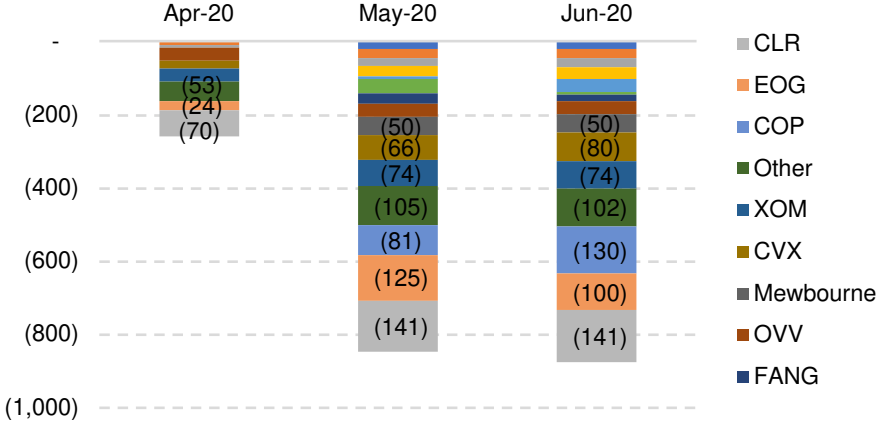
US Production Shut-In Update

Producers have responded swiftly and impactfully to try and reduce output and jumpstart price recovery

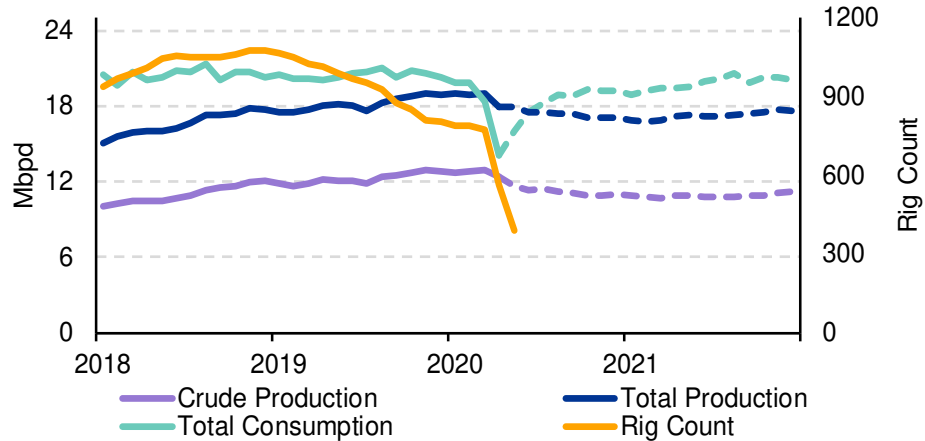
Market Snapshot: Key Commentary

- Producers responded quickly and significantly to the demand destruction
 - Reduction in capital expenditure budgets and drilling activity
 - Significant reduction in rig count and increased DUC inventory
 - Shutting in select production
 - Both newer high performing wells & older low decline base production
- Other large global players have also taken drastic steps to reduce output
 - Both agreed upon and voluntary cuts from key players including Saudi Arabia and others

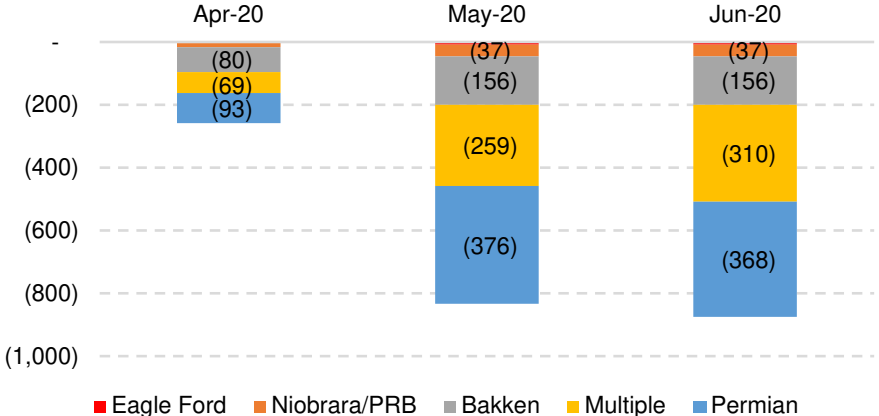
Net Production Curtailments, By Operator (Mbbpd)



US Liquid Fuels Production & Consumption/ Rig Count



Net Production Curtailments, By Focus Play (Mbbpd)



Source: EIA, Rystad Energy research and analyses dated as of May 6th, 2020.
 Note: Focus play of each operator is defined as the play that accounts for more than 50% of company's US production.

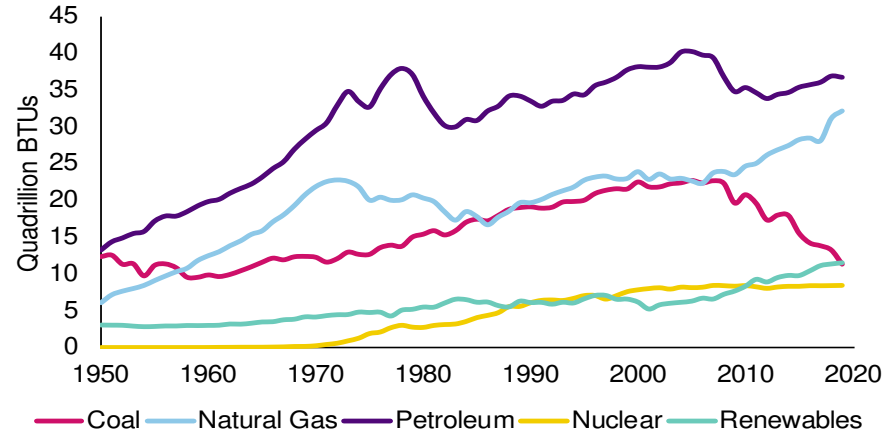
Crude Oil Crash: What this means for Natural Gas

While demand for natural gas has decreased, overall outlook not as bleak as crude production

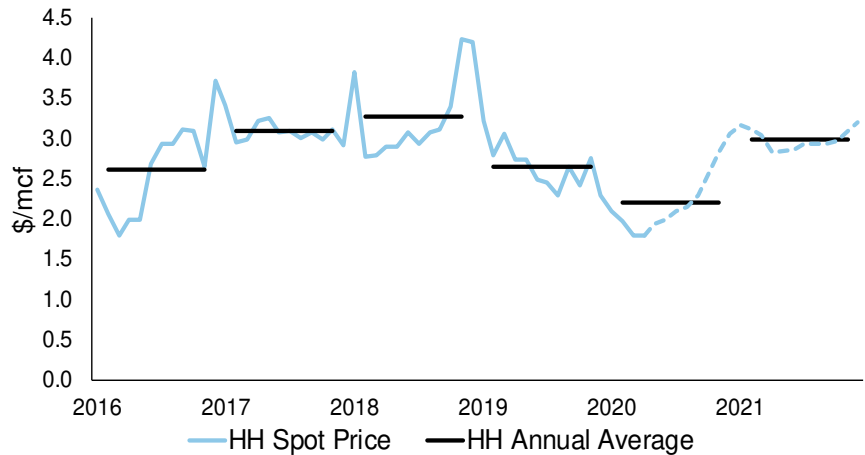
Market Snapshot: Key Commentary

- Negative crude market environment not felt as strongly by natural gas
 - Immediate reduction in oil production has decreased associated gas supporting the increase in prices seen in upcoming years
- For years natural gas has grown the sharpest among total energy consumption in both US and Global markets
- US Natural gas markets are not immune to COVID as demand has decreased but expected to rise in late 2020
 - Both residential and commercial demand down
 - Underutilized LNG also negatively impacting gas prices

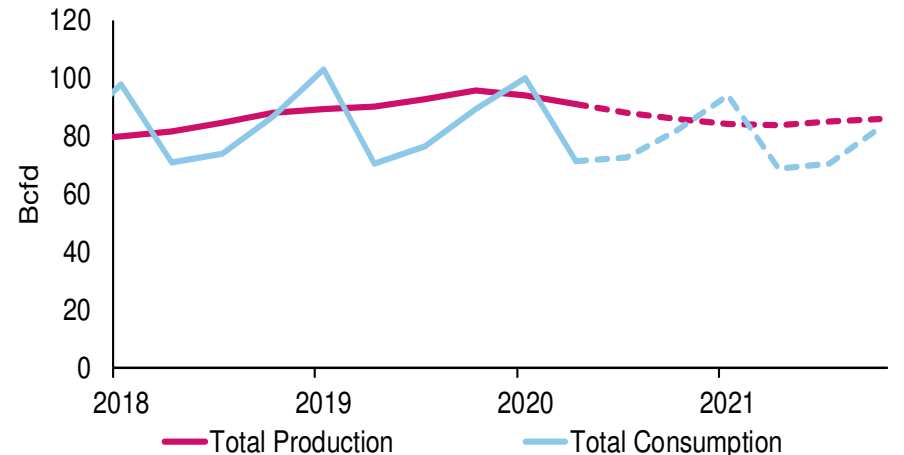
Natural Gas Leads YoY Growth in Energy Consumption



Historical Natural Gas Prices



US Total Gas Production/Consumption



Source: EIA, Rystad Energy research and analyses dated as of May 6th, 2020.
 Note: Focus play of each operator is defined as the play that accounts for more than 50% of company's US production.

Upcoming Interest Payments for Bonds of Concern

A number of companies face upcoming interest payments which they will have to navigate through as they seek to address go forward liquidity needs

Market Snapshot: Key Commentary

Lenders have tightened availability, but appear to be generally supportive of companies that are prudently managing liquidity

Optionality in full play with stakeholders (producers, lenders, counter parties, equity, etc.) seeking to weather through remainder of 2020

Upstream entities feeling more pressure from upcoming interest payments, versus others in the energy sector

Currently the only meaningful O&G bankruptcy has been Whiting Petroleum

Upcoming Interest Payments⁽¹⁾

Operator	Payment (\$MM)	Payment Date
Denbury Resources Inc.	1,848	5/1/2020
Ferrellgas Partners LP	1,832	5/1/2020
Oasis Petroleum Inc.	1,715	5/1/2020
FTS International Inc.	370	5/1/2020
W&T Offshore Inc.	625	5/1/2020
Nine Energy Services Inc.	400	5/1/2020
KLX Energy Services Holdings	250	5/1/2020
California Resources Corp.	2,053	5/15/2020
Unit Corp.	650	5/15/2020
Pride International Inc.	535	5/15/2020
SM Energy Inc.	2,477	5/15/2020
Moss Creek Resources Holding	1,200	5/15/2020
Extraction Oil & Gas Inc.	1,100	5/15/2020
Gran Tierra Energy Inc.	300	5/23/2020
Sesi LLC	1,300	6/15/2020
Calfrac Holdings LP	552	6/15/2020
American Midstream Partners	425	6/15/2020
Era Group Inc.	144	6/15/2020
Northern Oil & Gas Inc.	341	7/1/2020
Lonestar Resources America Inc.	250	7/1/2020
Chaparral Energy Inc.	300	7/15/2020
Nabors Industries	2,592	7/15/2020
Centennial Resource Production LLC	900	7/15/2020
Montage Resources Corp.	510	7/15/2020
Bruin E&P Partners LLC	600	8/1/2020
Martin Midstream Partners	374	8/15/2020
Athabasca Oil Corp.	450	8/24/2020
Great Western Petroleum LLC	300	9/30/2020
Forum Energy Technologies Inc.	400	10/1/2020

MA&D Activity Overview

Minimal MA&D year to date in 2020

Key Market Commentary

- Drastically changing competitive landscape set in motion
- Expect heightened MA&D activity late in 2020
- Near term future activity expected to be focused on core positions
- Transformation in buyer universe to new pools of available capital
- Traditional marketing approach will not work

Lessons Learned From Recent Transactions

February 2020
Confidential

 pending acquisition of certain San Juan Basin oil and gas producing properties from

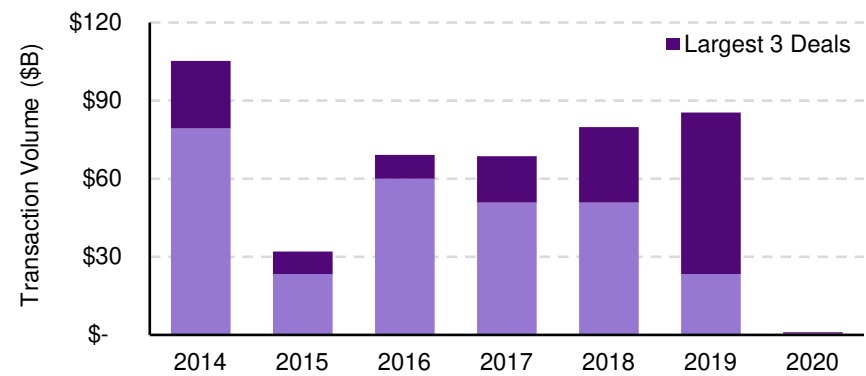
 Served as exclusive financial advisor to IKAV

December 2019
Confidential

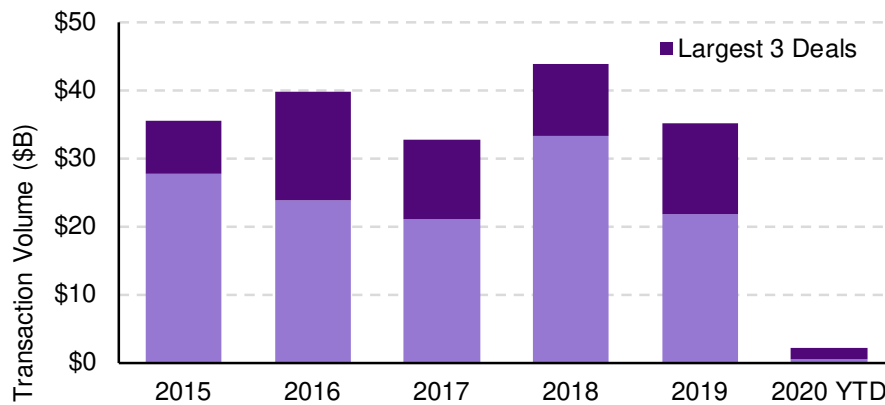
 Has divested certain Eagle Ford gas gathering assets to

 Served as exclusive financial advisor to Third Coast Midstream

2014-2020 YTD Upstream MA&D Volume

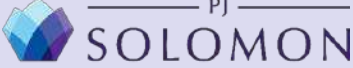


Midstream Deal Activity Slow to Begin 2020⁽¹⁾



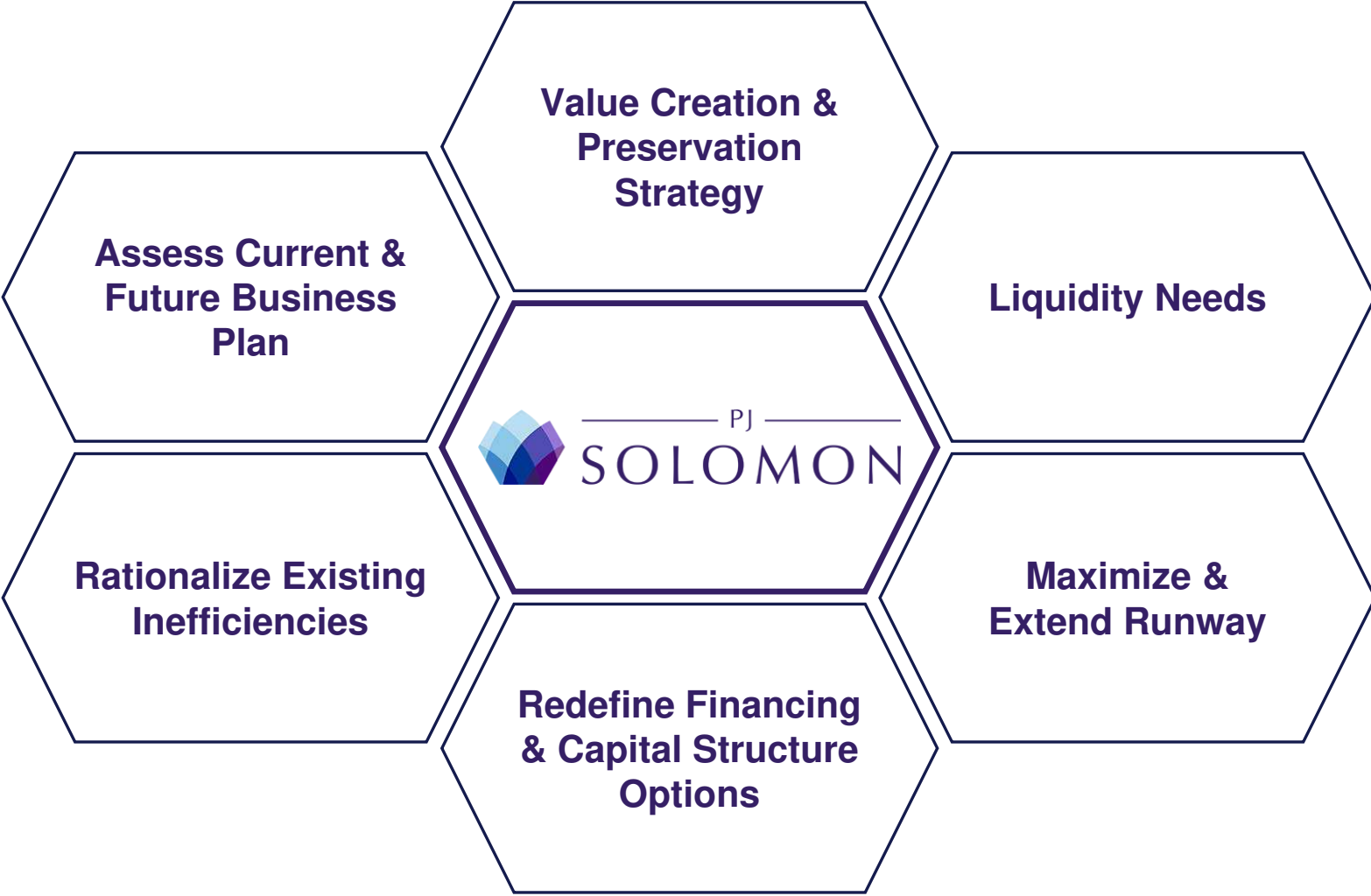
Source: DrillingInfo as of 5/11/2020, Publicly available information.
 (1) Does not include affiliated and sponsor deals.

The PJ Solomon Difference

		Operational Advisors	CRO Advisors	Other Banks
Dedicated Energy M&A Coverage Team	●	◐	◐	●
In-House Technical Expertise	●	◐	○	◐
Debt Advisory Capabilities	●	◐	○	●
Restructuring Specialists	●	●	●	○
Expert Testimony In Chapter 11	●	◐	●	◐

PJ Solomon offers a full-service energy debt advisory and restructuring platform

Important Factors To Consider In A Dynamic Market



PJ Solomon analyzes and assess the key components in order to best position our clients to generate a solution

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