



2011 Woodford Summit

R. Jason McMahon, CFA

Partner

EnCap Investments L.P.



March 29, 2011

Overview of EnCap Investments L.P.

- Founded in 1988, EnCap is a leading provider of growth capital to the independent sector of the U.S. oil and gas industry
 - *Exceptional track record: 2.6x ROI and 58% IRR on 127 realized investments with very limited loss experience*
 - *Historically has managed aggregate capital commitments of \$11 billion across 15 funds*
- Depth, continuity and experience of investment staff is unparalleled
- Investment strategy revolves around partnering with oil and gas executives with demonstrable track records to identify and create strategic acquisition opportunities for ultimate buyers
 - *Investment philosophy calls for equal emphasis on capital preservation and value creation; does not rely heavily on leverage*
 - *Consistent approach and results over the last two decades substantially differentiate EnCap from other fund managers*
- Closed 15th institutional fund, EnCap Energy Capital Fund VIII, in January 2011 with \$3.5 billion of commitments (significantly oversubscribed)

EnCap Organizational Overview

PRINCIPALS	
David Miller	Managing Partner
Gary Petersen	Managing Partner
Marty Phillips	Managing Partner
Bob Zorich	Managing Partner

MIDSTREAM INVESTMENT STAFF	
Dennis Jaggi	Managing Partner
Billy Lemmons	Managing Partner
Bill Waldrip	Managing Partner
Dennis McCanless	Mng. Dir.
Bryan Danmier	Vice Pres.
Morriss Hurt	Vice Pres.
Karl Pfluger	Vice Pres.
Cat McMindes	Engineer
Pam Jauer	Eng. Analyst
Tommy Waldrip	Analyst
Jana Jonas	Analyst



- EnCap investment professionals differentiated by substantial direct industry operating and technical experience
- EEIF professionals focus on Midstream Fund
- Offices in Dallas, Houston, San Antonio and Oklahoma City

ADMINISTRATIVE STAFF	
Bobby Haier	CFO
Melissa Standley	Tax Manager
Donna Wright	Controller
Jason Morgan	VP – Fin Reporting
John Stricker	Sen. Acct.
Audrey White	Sen. Acct.
Katherine Jenkins	Coordinator

UPSTREAM INVESTMENT STAFF	
Jason DeLorenzo	Partner
Murphy Markham	Partner
Jason McMahon	Partner
Sean Smith	Partner
Wynne Snoots	Partner
Doug Swanson	Partner
Mark Burroughs	Director
Mitch Hovendick	Director
Brad Thielemann	Director
Mark Welsh	Director
Ryan Devlin	Vice Pres.
Kyle Kafka	Vice Pres.
Scott Smetko	Vice Pres.
Luke Brandenburg	Assoc.
Matt Crystal	Assoc.
Shane Hannabury	Assoc.
Brooks Despot	Analyst

INVESTOR RELATIONS	
Chuck Bauer	Mng. Dir.
Hallie Kim	Mng. Dir.

EnCap Growth Timeline

- EnCap closed its 15th institutional fund, EnCap Energy Capital Fund VIII, in January 2011 with commitments of \$3.5 billion
- EnCap is currently managing five active funds with cumulative commitments in excess of \$9 billion and over \$5 billion remaining to invest

EnCap Energy Capital Fund VIII
\$3.5 Billion
Private Equity

ENCAP INVESTMENTS L.P.
January 2011

EnCap Energy Infrastructure Fund
\$791,600,000
Private Equity

ENCAP INVESTMENTS L.P.
March 2010

EnCap Energy Capital Fund VII
\$2,500,000,000
Private Equity

ENCAP INVESTMENTS L.P.
December 2007

EnCap Energy Capital Fund VI
\$1,500,000,000
Private Equity

ENCAP INVESTMENTS L.P.
July 2006

EnCap Energy Capital Fund V
\$825,000,000
Private Equity

ENCAP INVESTMENTS L.P.
July 2004

EnCap Energy Capital Fund IV
\$525,000,000
Private Equity

ENCAP INVESTMENTS L.P.
November 2001

EnCap Energy Capital Fund III
\$480,000,000
Private Equity

ENCAP INVESTMENTS L.P.
August 1997

EnCap Energy Capital Fund II
\$115,000,000
Private Equity

ENCAP INVESTMENTS L.P.
June 1996

EnCap Energy Capital Fund I
\$104,000,000
Private Equity

ENCAP INVESTMENTS L.P.
April 1994

Tenneco/EnCap Gas Fund
\$100,000,000
Mezzanine Debt

ENCAP INVESTMENTS L.P.
June 1993

PMC Fund III
\$73,500,000
Reserve Acquisition

ENCAP INVESTMENTS L.P.
December 1993

EnCap Secured Investment Fund II
\$115,000,000
Mezzanine Debt

ENCAP INVESTMENTS L.P.
March 1992

PMC Fund II
\$53,300,000
Reserve Acquisition

ENCAP INVESTMENTS L.P.
December 1990

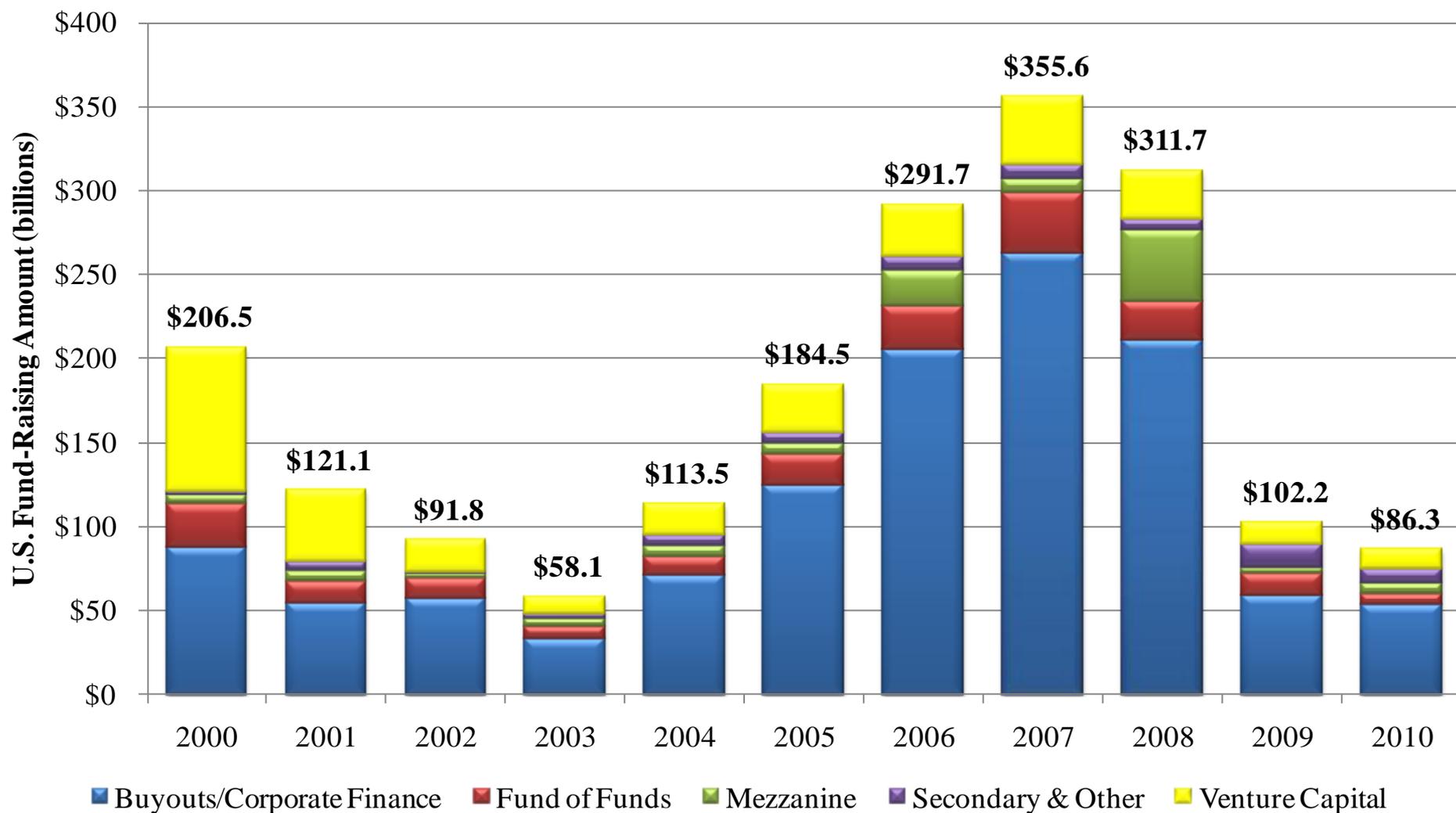
EnCap Secured Investment Fund I
\$100,000,000
Mezzanine Debt

ENCAP INVESTMENTS L.P.
June 1989

PMC Fund I
\$20,000,000
Reserve Acquisition

ENCAP INVESTMENTS L.P.
July 1988

U.S. Fund-Raising Struggled in 2010



Source: Dow Jones Private Equity Analyst – January 2011.

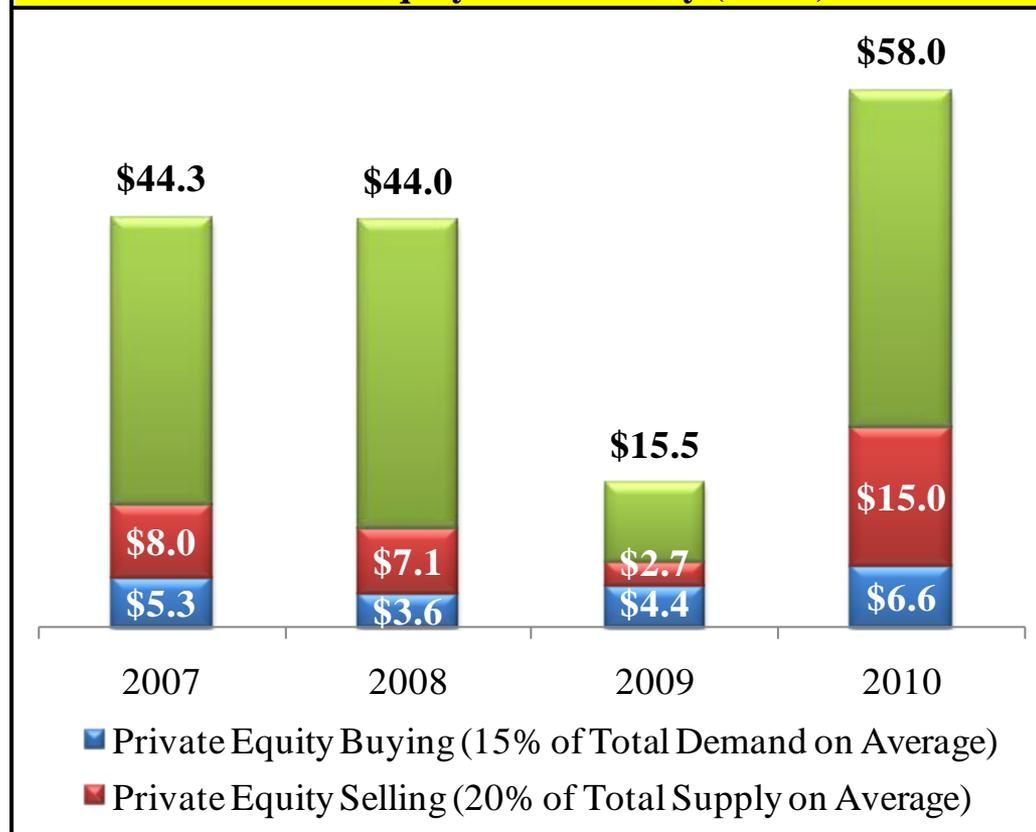
Private Equity – A Significant Player in the A&D Market

Private Equity Sponsors

Sponsor	Capital (\$MM)
Warburg	\$15,000
Apollo	14,700
Cerberus	7,500
Riverstone	6,000
EnCap	5,000
NGP	4,000
CCMP	3,400
Quantum Energy	2,500
EnerVest	2,000
KKR	1,500
TPG	1,500
Kayne Anderson	1,000
Merit	1,000
Lime Rock	500

\$65+ Billion and 150 Management Teams

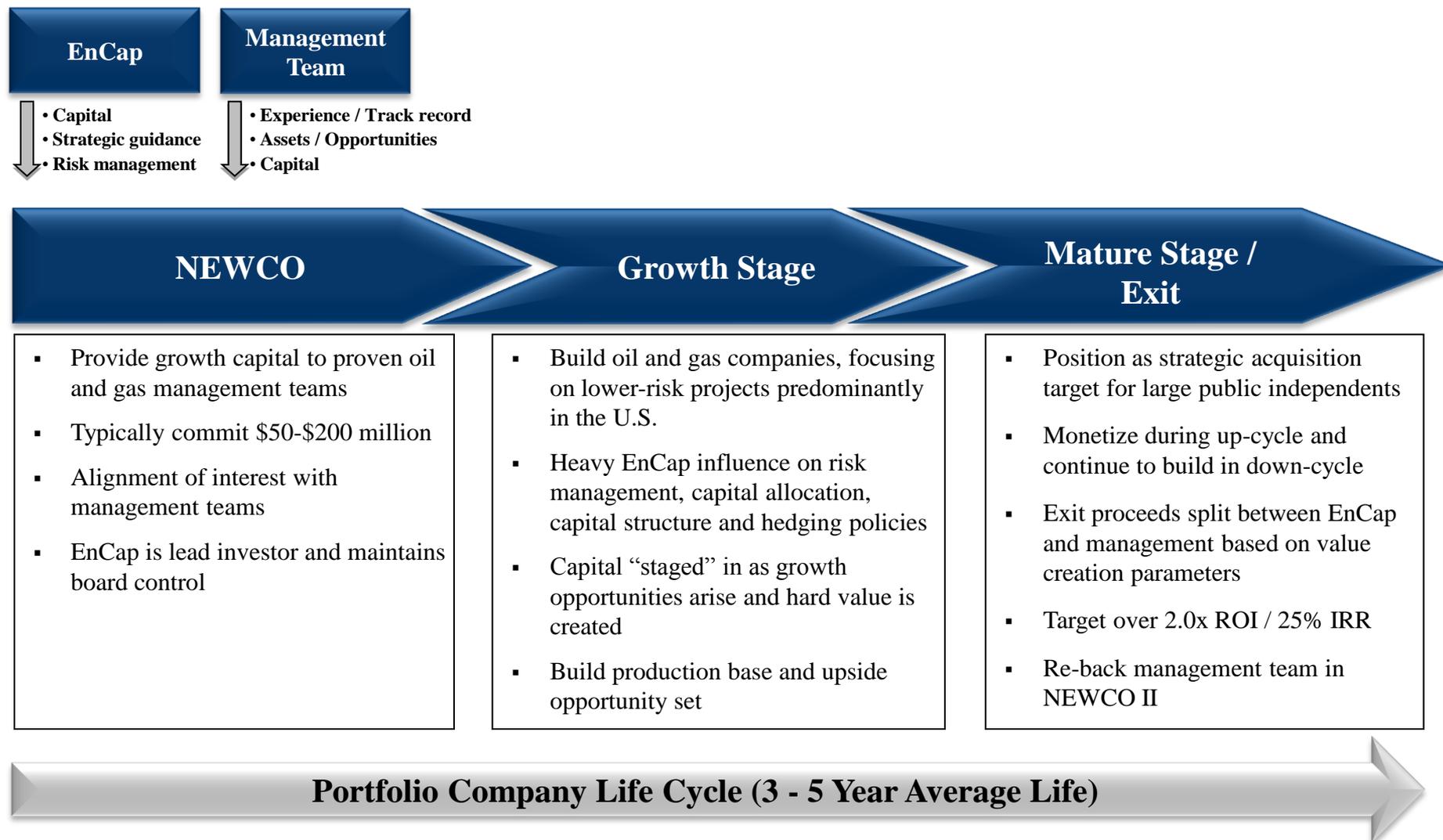
Private Equity A&D Activity (\$MM)



Private equity investment in the energy industry will continue to increase as sponsors sidelined by the financial crisis look to raise new funds

Note: Private Equity Sponsor Capital per RBC.

Portfolio Company Life Cycle



EnCap Investment Strategy/Philosophy

- Equal emphasis on capital preservation and value creation
- Back management teams that have proven track records and possess like-minded approach to risk management
- Board control in large majority of investments
- Capital generally advanced in tranches as attractive opportunities are presented and portfolio company performs consistent with plan
- Proved reserve value substantially underpins invested capital
- Dual objective:
 - Strive for returns commensurate with strategy and appetite for risk (2.0x ROI and 25% IRR target returns)
 - Build long-term relationships with proven management teams

Fund VIII Opportunities

- Consistent with our 22-year track record, Fund VIII will invest in growth strategies focused on engineerable assets in the most economic areas
 - (i) Acquisition & Exploitation
 - Purchasing proved reserves in economic areas with a focus on exploiting undeveloped reserves and operational enhancement
 - (ii) Low-Risk Drilling in Known Producing Regions
 - Establishing positions in low geologic risk areas (resource plays) and proving economic viability of drilling wells
 - (iii) Applied Technology
 - Application of advanced drilling and completion technologies to conventional and unconventional reservoirs

Portfolio Realizations from Resource Plays

(As of December 31, 2010; \$ in millions)

Realized Investment Portfolio From Resource Plays ⁽¹⁾

EnCap Company	Primary Focus Area	Buyer	EnCap Fund(s)	Date of		Total Capital Invested	Realized Proceeds	PV10 Unrealized Value	Total Realized		ROI	IRR
				Initial Investment	Date of Realization				PV10 Proceeds & Unrealized Value	PV10 Unrealized Value		
Dallas Production	Barnett Shale	Burlington Resources	III	Nov-00	Aug-02	\$ 22.3	\$ 37.3	\$ -	\$ 37.3	1.7x	60.5%	
Stroud	Barnett Shale	144A / Range Resources	IV	Jan-04	Sep-05	27.0	83.9	-	83.9	3.1x	98.4%	
Laramie	Piceance Basin	Plains E&P	IV & V	May-04	May-07	87.5	300.7	-	300.7	3.4x	95.6%	
Cordillera II	Granite Wash	Forest Oil ⁽²⁾	V	Dec-04	Sep-08	99.5	193.2	-	193.2	1.9x	30.4%	
Empresa	Haynesville Shale	Chesapeake	V	Dec-04	Jun-08	86.2	337.9	-	337.9	3.9x	98.0%	
RiverStone	Haynesville Shale	Chesapeake / Petrohawk	V & VII	May-06	Aug-08	64.4	105.5	2.7	108.2	1.7x	108.8%	
PetroEdge	Marcellus Shale	Quest	V	Aug-06	Jul-08	39.4	64.0	-	64.0	1.6x	37.5%	
Destiny ⁽³⁾	Haynesville Shale	Chesapeake	V	Jun-06	Jul-08	2.7	12.4	-	12.4	4.6x	109.0%	
Paloma Barnett	Barnett Shale	Chesapeake	VI	Feb-07	Feb-08	69.4	145.1	-	145.1	2.1x	198.3%	
Staghorn	Wolfberry	Devon	VI	May-07	Nov-08	9.5	14.4	7.0	21.4	2.3x	49.6%	
Lone Star	Bakken Shale	Enerplus	VI	Jun-07	Nov-09	19.2	71.5	4.8	76.3	4.0x	79.8%	
Common Resources	Haynesville / Eagle Ford	BG/EXCO & Talisman	VI & VII	Sep-07	May-10	86.2	230.9	26.2	257.1	3.0x	119.4%	
Marquette	Marcellus / Utica	Chesapeake	VI & VII	Sep-06	Jun-10	73.8	51.0	38.9	89.9	1.2x	9.4%	
Oasis Petroleum	Bakken Shale	IPO	VI & VII	Mar-07	Jun-10	178.5	175.3	543.9	719.2	4.0x	82.0%	
Empresa II	Eagle Ford Shale	Chesapeake	VII	Jul-09	Jun-10	20.4	86.4	-	86.4	4.2x	560.3%	
Limestone	Wolfberry	Energen	VII	Apr-08	Sep-10	36.1	129.5	2.9	132.4	3.7x	101.5%	
Talon	Barnett Shale	EnerVest	VI	Jan-07	Dec-10	135.8	368.1	2.2	370.3	2.7x	66.1%	
Enduring	Eagle Ford Shale	Statoil/Talisman	V & VII	Dec-04	Dec-10	203.9	442.9	89.9	532.8	2.6x	49.8%	
Tracker	Bakken Shale	Hess	V & VII	May-06	Dec-10	62.9	154.4	37.3	191.7	3.0x	43.0%	
Red Arrow	Bakken Shale	Hess	VI & VII	Aug-07	Dec-10	52.6	118.4	28.8	147.2	2.8x	58.5%	
Total - Realized Portfolio						\$ 1,377.3	\$ 3,122.8	\$ 784.6	\$ 3,907.4	2.8x	82.8%	

(1) Includes portfolio companies where a substantial portion of sales proceeds were related to assets located in resource plays

(2) Certain assets also sold to Merit Energy and Devon Energy

(3) Currently classified as a partially realized investment; capital investment figures represent only the portion of capital allocated toward the realized assets

Cardinal Midstream, LLC

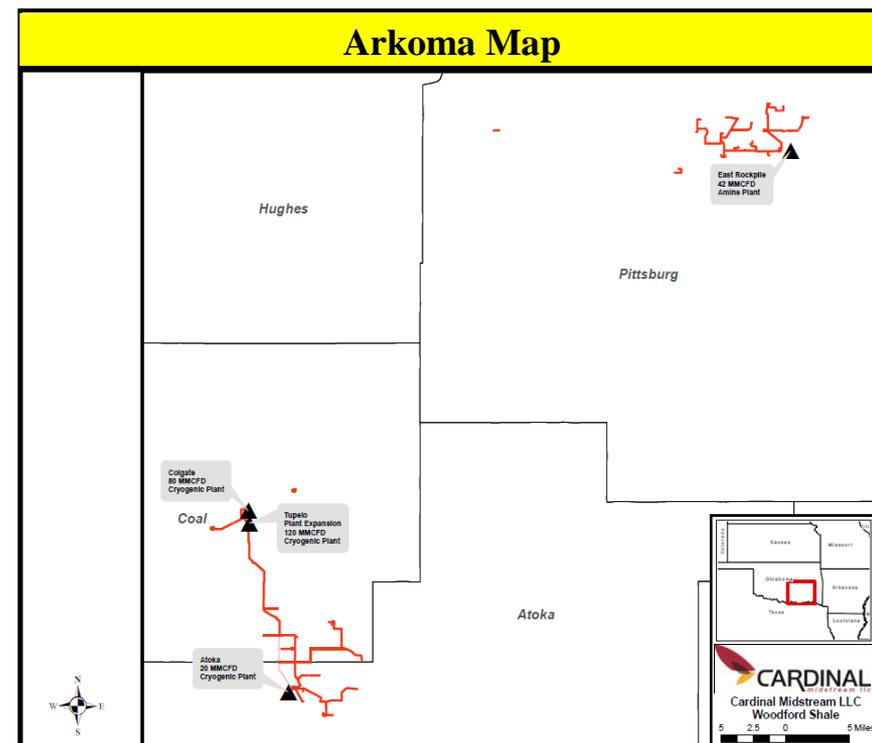
- Headquartered in Dallas, Texas, Cardinal Midstream is an EnCap portfolio company that was founded in September 2008 by Mack Lawrence, Jim Bryant, Doug Dormer and Marc Lyons.
- Cardinal is a full-service midstream company focused on natural gas gathering, transportation, processing and treating. It's two principal lines of business are:
 - Arkoma Woodford shale assets – gathering, processing, treating and compression services
 - Contract gas treating – utilizing skid-mounted amine and refrigeration plants



www.cardinalmidstream.com

Cardinal Midstream – Arkoma Woodford

- Cardinal owns and operates gathering, compression, processing and treating assets located in the Arkoma Woodford shale in southeastern Oklahoma.
- Many of the assets are strategically located in the NGL-rich, high Btu area of the play.
- With its JV partner MarkWest, Cardinal is the second largest processor of natural gas in the Arkoma Woodford.
- The processing assets are currently running at or very near capacity. To accommodate expected growth, Cardinal is constructing a new 120 MMcf/d cryogenic processing plant that will more than double overall processing capacity to 220 MMcf/d.
 - Upon completion of the expansion, Cardinal will have the most natural gas processing capacity in the Arkoma Woodford
- Cardinal also owns and operates a gathering system and associated amine treating assets for CO₂ removal in Pittsburgh county which will be expanded as volumes grow.



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