



Energy Lender Price Survey

Q1 2018

Q1/18 Overview

We are pleased to present Macquarie Capital's Quarterly Energy Lender Price Survey, a commodity pricing poll of energy reserve-based lenders. Our survey of energy lenders' price forecasts covers a broad spectrum of regional, U.S. national and international banks that engage in energy reserve-based lending ("Participating Banks"). This quarter's survey represents a collection of data from 31 Participating Banks during the time period from January 16th-31st.

During January 2018, oil prices hit a 3 year high from improving global demand and OPEC supply caps. WTI prices are experiencing a significant uptrend, but it remains to be seen whether the current rally will be sustained. Despite front-end increase in WTI strip prices, lenders seem skeptical of prices remaining at these levels for the long-term. Overall, lender price decks have increased and show higher average prices than in Q4 survey price decks. Please see the results of our Quarterly Energy Lender Price Survey for Q1 2018 below.

Base Case Results

For 2018, the Q1/18 Survey indicates a mean Base Case West Texas Intermediate ("WTI") oil price forecast of \$51.39/BBL and a mean Base Case Henry Hub ("HH") gas price forecast of \$2.75/MMBtu. Our survey of Brent-based oil price forecasts shows a mean Base Case Brent of \$51.67/BBL for 2018. The five-year trend shows a continued flattening forward price deck for oil and gas, with average 2022 price forecasts of \$51.79/BBL (WTI), \$53.67/BBL (Brent) and \$2.86/MMBtu (HH).

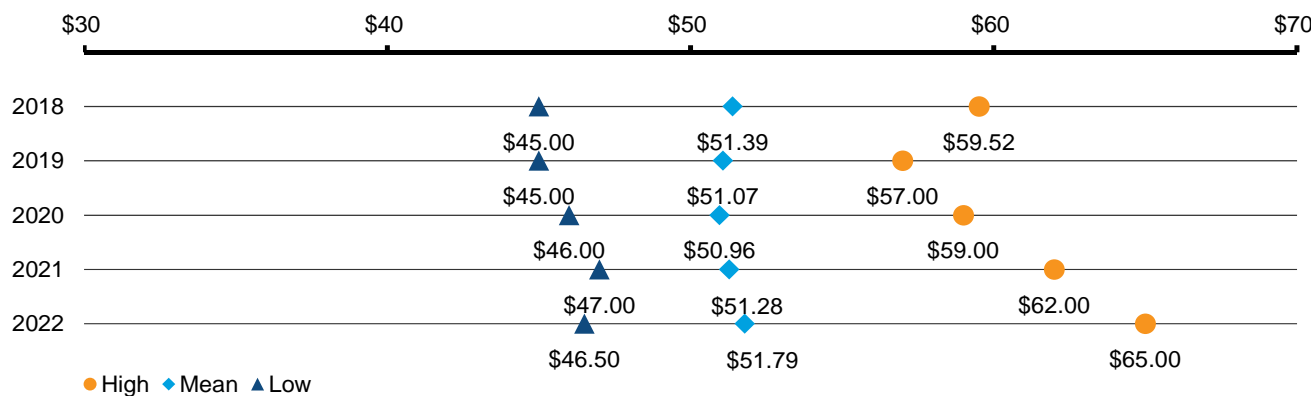
Thirty-five percent of respondents do not escalate prices past 2022 and prices are capped at means of \$57.97/BBL (WTI), \$55.33/BBL (Brent) and \$3.40/MMBtu (HH). The average discount rate used by Participating Banks is 9% for Base Case WTI, HH and for Brent. Operating costs on average are escalated 1.5% per year for WTI and HH and 2.0% for Brent, an increase from last quarter.

Participating Banks consider proved reserve categories to different extents, but lenders that only consider proved developed producing reserves average an advance rate of 58%.

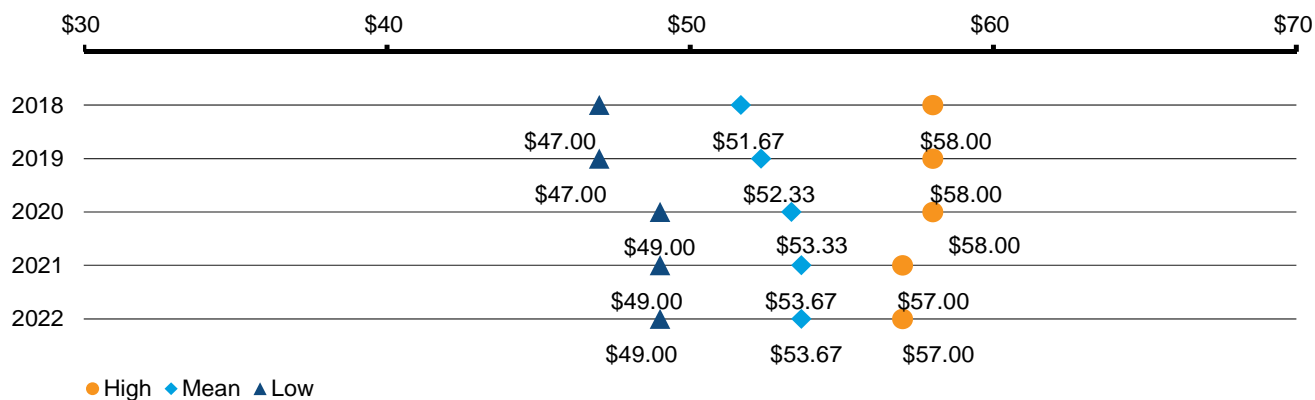
1st Quarter 2018 Price Survey: Mean of 31 Participating Banks – Base Case

| | Oil (\$/BBL) - WTI | Oil (\$/BBL) - Brent ⁽¹⁾ | Gas (\$/MMBtu) - Henry Hub |
|---------------|--------------------|-------------------------------------|----------------------------|
| 2018 | 51.39 | 51.67 | 2.75 |
| 2019 | 51.07 | 52.33 | 2.75 |
| 2020 | 50.96 | 53.33 | 2.77 |
| 2021 | 51.28 | 53.67 | 2.81 |
| 2022 | 51.79 | 53.67 | 2.86 |
| Cap | 57.97 | 55.33 | 3.40 |
| LOE Esc. | 1.5% | 2.0% | 1.5% |
| Discount Rate | 9% | 9% | 9% |

Current WTI Oil Pricing – Base Case (\$/BBL)

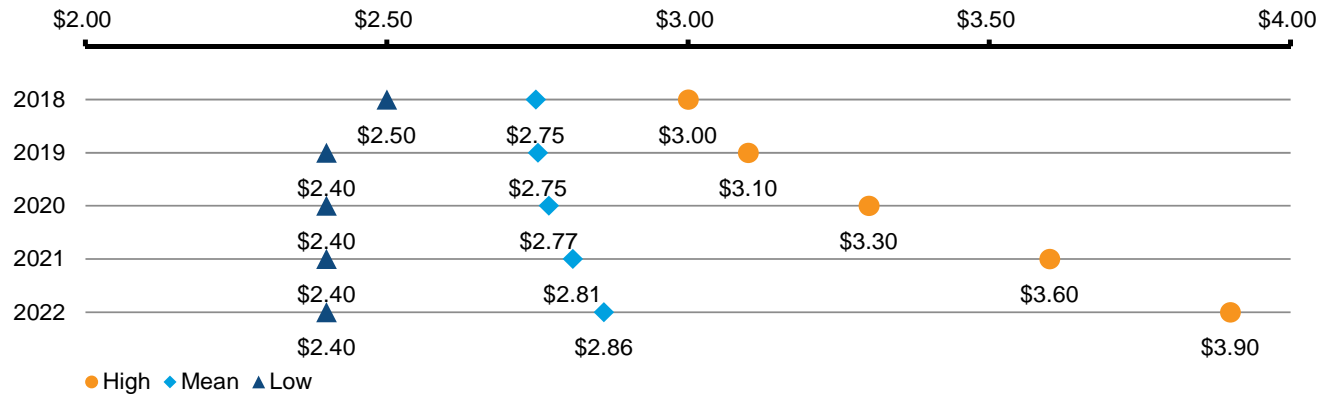


Current Brent Oil Pricing – Base Case (\$/BBL)⁽¹⁾



(1) Mean of 3 Participating Banks

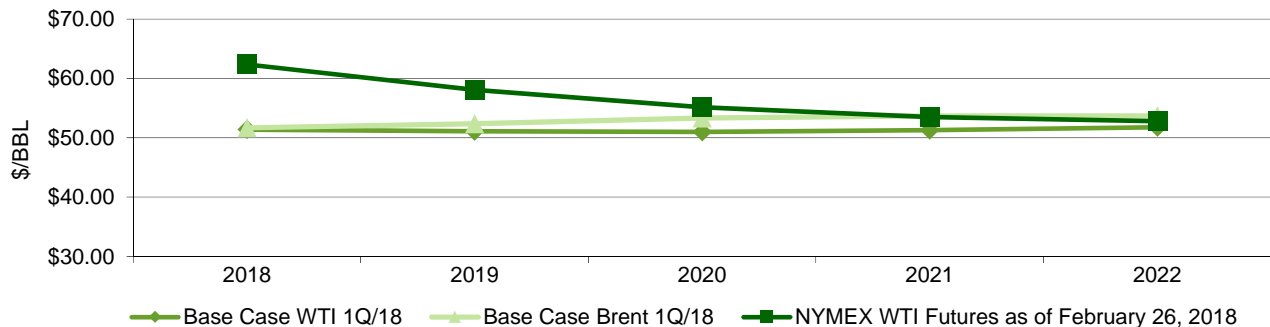
Current HH Pricing – Base Case (\$/MMBtu)



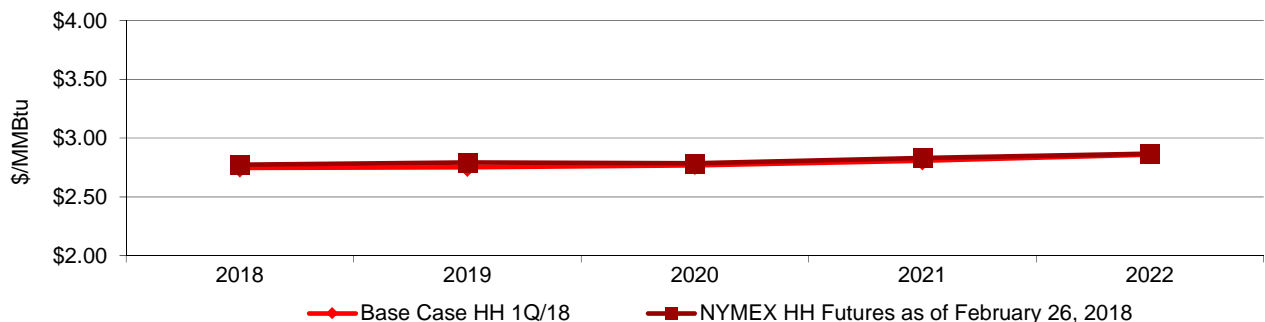
Base Case to NYMEX Trends

Base Case Q1/18 vs. NYMEX as of February 26, 2018

We compared the average Base Case against NYMEX futures pricing as of February 26, 2018, as shown below. Base Case results for WTI average 82% of NYMEX WTI futures in 2018, and Base Case results for Brent average 83% of NYMEX WTI futures in 2018. Base Case results for WTI average 91% of NYMEX WTI futures over the five-year strip from 2018-2022, and Base Case results for Brent average 94% of NYMEX WTI futures over the five-year strip from 2018-2022.



When compared with NYMEX futures pricing, the average Base Case results for gas were 99% of NYMEX HH futures in 2018 and 99% of NYMEX HH over the five-year strip from 2018-2022.



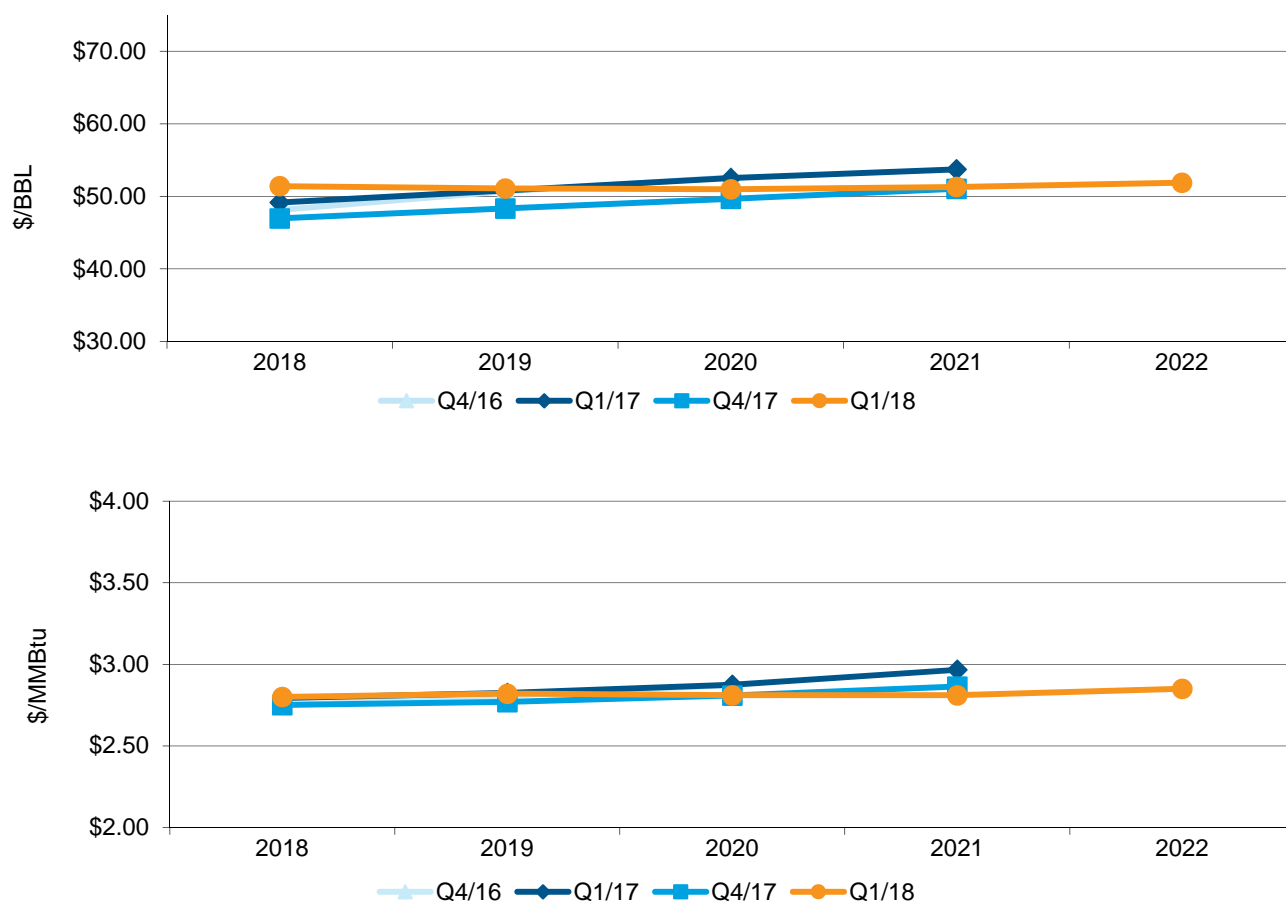
Quarter-to-Quarter Trends

Quarter-over-Quarter Pricing Trends – Base Case

Compared to last Survey, front-year pricing increased by 12.0% for WTI, increased 6.3% for Brent, and decreased 1.9% for HH. The average change in pricing for the five-year strip is up 6.2% for WTI, up 3.7% for Brent and down 1.1% for HH.

| | Oil (\$/BBL) - WTI | | | Oil (\$/BBL) - Brent ⁽¹⁾ | | | Gas (\$/MMBtu) - Henry Hub | | |
|------|--------------------|-------|------------------------|-------------------------------------|-------|------------------------|----------------------------|-------|------------------------|
| | Q4/17 | Q1/18 | % Increase/ (Decrease) | Q4/17 | Q1/18 | % Increase/ (Decrease) | Q4/17 | Q1/18 | % Increase/ (Decrease) |
| 2018 | 45.87 | 51.39 | 12.0% | 48.60 | 51.67 | 6.3% | 2.80 | 2.75 | (1.9%) |
| 2019 | 46.95 | 51.07 | 8.8% | 49.80 | 52.33 | 5.1% | 2.82 | 2.75 | (2.4%) |
| 2020 | 48.31 | 50.96 | 5.5% | 51.20 | 53.33 | 4.2% | 2.81 | 2.77 | (1.5%) |
| 2021 | 49.65 | 51.28 | 3.3% | 52.20 | 53.67 | 2.8% | 2.81 | 2.81 | (0.0%) |
| 2022 | 51.03 | 51.79 | 1.5% | 53.60 | 53.67 | 0.1% | 2.85 | 2.86 | 0.4% |
| Cap | 58.77 | 57.97 | (1.4%) | 55.80 | 55.33 | (0.8%) | 3.49 | 3.40 | (2.5%) |

Quarter-to-Quarter Base Case Oil (WTI) and Gas (HH) Pricing Trends



(1) Mean of 3 Participating Banks in 1Q/18 and 5 in 4Q/17

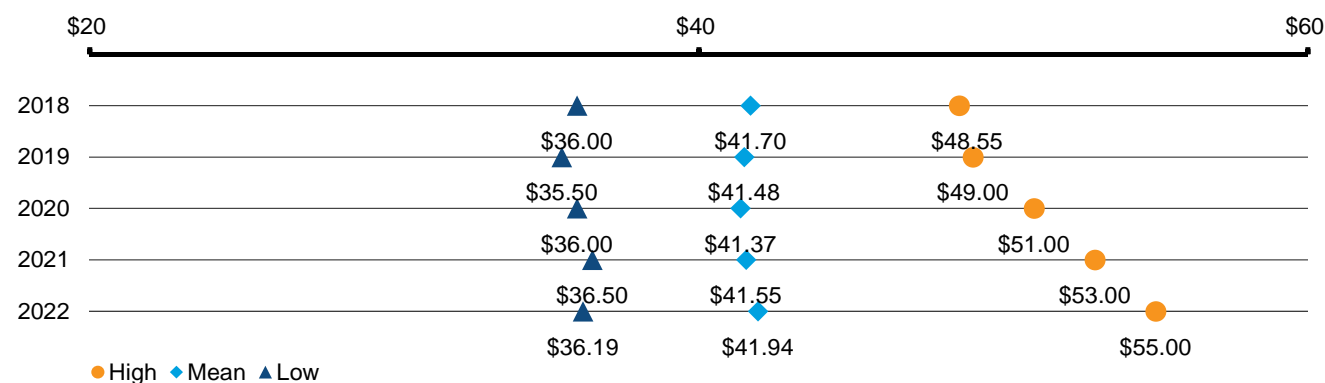
Sensitivity Case Results

The Q1/18 Survey also includes a Sensitivity Case, which represents the lenders' low or conservative price decks. The sensitivity cases averaged a 19% discount to Base Case lending policies for WTI and 19% discount to Base Case lending policies for HH over the five-year strip. Three banks provided a Sensitivity Case for Brent, which averaged an 18% discount to the Base Case pricing over the five-year strip.

1st Quarter 2018 Price Survey: Mean of Participating Banks – Sensitivity Case

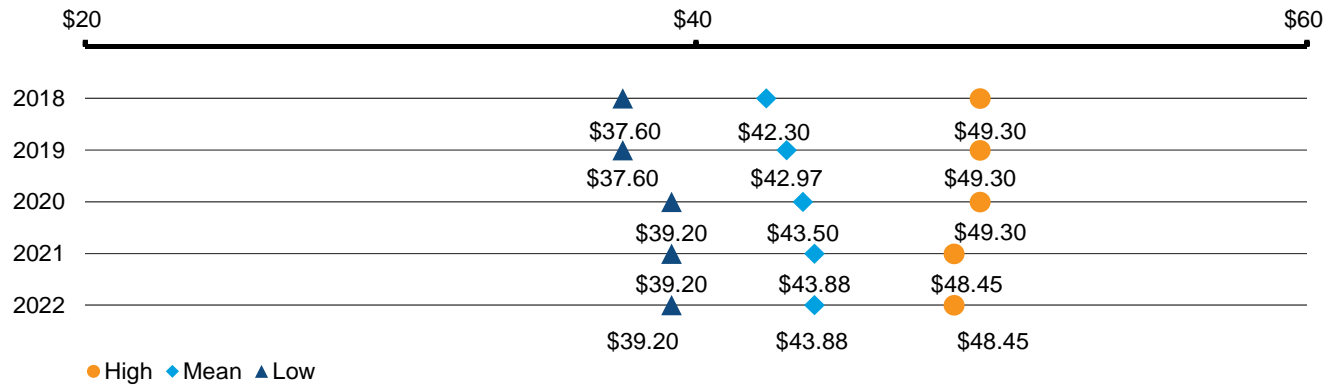
| | Oil (\$/BBL) - WTI | Oil (\$/BBL) - Brent ⁽¹⁾ | Gas (\$/MMBtu) - Henry Hub |
|---------------|--------------------|-------------------------------------|----------------------------|
| 2018 | 41.70 | 42.30 | 2.24 |
| 2019 | 41.48 | 42.97 | 2.25 |
| 2020 | 41.37 | 43.50 | 2.26 |
| 2021 | 41.55 | 43.88 | 2.29 |
| 2022 | 41.94 | 43.88 | 2.32 |
| Cap | 47.96 | 45.22 | 2.82 |
| LOE Esc. | 0.6% | 2.0% | 0.6% |
| Discount Rate | 9% | 9% | 9% |

Current Oil (WTI) Pricing – Sensitivity Case (\$/BBL)

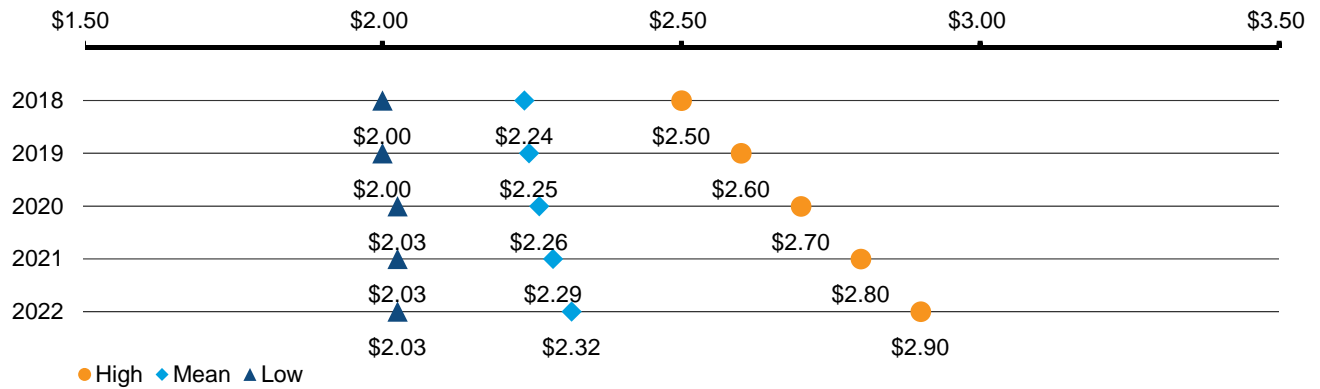


(1) Mean of 3 Participating Banks

Current Oil (Brent) Pricing – Sensitivity Case (\$/BBL)⁽¹⁾



Current Gas Pricing – Sensitivity Case (\$/MMBtu)



(1) Mean of 3 Participating Banks

Participating Banks

Macquarie Capital thanks the following banks for their participation in this quarter's survey.

| | | | |
|---------------------|----------------------------|--------------------|--------------------------|
| Amegy Bank | Citi | Independent Bank | West Texas National Bank |
| BancFirst | CNB | ING Capital | |
| Bank of Oklahoma | Comerica Bank | Mizuho Bank | |
| Bank SNB | Credit Agricole | Natixis | |
| BB&T | DNB Bank | RBC | |
| BBVA Compass | First Interstate Bank | Regions Bank | |
| BMO Capital Markets | First Tennessee Bank | Santander Bank | |
| Cadence Bank | FirstCapital Bank of Texas | SunTrust Bank | |
| Capital One | Frost Bank | Texas Capital Bank | |
| Cathay Bank | IBERIABANK | Wells Fargo | |

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