Welcome (Back) To The Renaissance

October 27, 2011

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A Snapshot of Tudor, Pickering, Holt & Co.

Energy Focused

Research Sales & Trading

Investment Banking

Investment Management

Houston, Denver, NYC, London
Anything Could Happen In The Next Couple Of Years
North American Renaissance Unfolding

- Shale Gas Provides A Roadmap
- Natural Gas Unlikely To Get Worse
- Oil Is A *Global* Market
- Demand *Will* Recover
- Efficiency Will Improve
A New Sheriff in Town...Mr. Unconventional

U.S. Rig Activity by Drilling Type

- **Horizontal or Directional**
- **Vertical**

Source: Baker Hughes
Unconventional Plays Popping Up Everywhere
And The Sheriff’s Got Two Deputies
Mr. Oily and Mr. Liquids-Rich

Source: Baker Hughes
Where Are People Spending Their Capital?

Grouped Shale Rig Count
Group A: Barnett, Haynesville, Fayetteville, Woodford
Group B: Bakken, Marcellus, Eagle Ford, MS Lime, Granite Wash

Source: RigData, TPH estimates
Liquids Growth Is Going To Be Meaningful

Forecast Liquids Growth from Eagle Ford and Granite Wash

This Is Just Two Basins!

Source: TPH Estimates
It Isn’t All Wine And Roses...

US Natural Gas Production From Shales

~24 bcf/day by YE 2013

Natural Gas Production (bcf/d)

Source: HPDI, RigData, TPH Estimates
...But $4/mcf Is Not The Long-Term Price
Caveat To Prior Slide

This Is The President Of “Waiting For Gas To Get Better” Club
North American Oilpatch...A Real Industrial Business

Steve Austin Era (1985-2005)
- Mediocre Commodity Prices
- Low Prospect Inventory
- Blocking And Tackling
- Production Declines

Bionic Man Era (2005-2025+)
- Decent Commodity Prices
- High Prospect Inventory
- Low Cost Of Capital
- Production Growth

“A Man Barely Alive”

“The Six Million Dollar Man”
What Can Go (Really) Wrong?

- Macondo-Like Event(s)
- Government “Interaction”
- Technology Leapfrog/Obsolescence
- Protracted Economic Malaise
- The Next Unconventional Play
- Overproduction

Status Quo For Next Decade Would Be Just Fine
What Should We Expect?

- Decades Of Opportunity
- Ongoing Transition From Gold Rush To Development
- Increased Focus On Productivity
- International Uptake...But Slowly
- More Consolidation
- Cycles Within An Uptrend

Best Underlying *Long-Term* Oilpatch Outlook We’ve Seen In 20 Years
Time For Q&A
About The Firm and Disclosure Statement

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- You may lose all or a portion of your investment
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- Many alternative investments that include Hedge Funds are subject to substantial expenses that must be offset by trading profits and other income.
- Trading may take place on foreign exchanges that may not offer the same regulatory protection as United States exchanges.

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