



Midland Energy Update

July 16, 2019

SIMMONS ENERGY

A DIVISION OF PIPERJAFFRAYSM

Simmons Energy Is A Leading Advisor To The Energy Industry

Overview

- Now a part of Piper Jaffray, the core Simmons Energy team remains intact, equipped with a broader range of service offerings for our clients.
- Focus on advisory services.
- Piper Jaffray has 56 offices and 1,300 employees.
- Large energy-focused presence in Houston with additional energy professionals in Aberdeen and London.
- Recruit and retain best talent.
- Extremely broad client base with high repeat business.

Core Investment Banking Services

- Mergers, acquisitions, sales and divestitures.
- Underwriting of public offerings of equity and debt securities.
- Debt capital markets advisory.
- Equity and debt private placements.
- Takeover defense, valuations and fairness opinions.
- Restructuring advisory in stressed and distressed situations, in and out of court.
- Exchange offers, recapitalizations and joint ventures.

Research

- Leading provider of research coverage for the energy sector.
- Macro industry research as well as coverage of 100 energy companies.

Sales & Trading

- Clients include many of the largest institutional investors in energy.

40+

years as an energy advisory team

1,000+

energy transactions completed

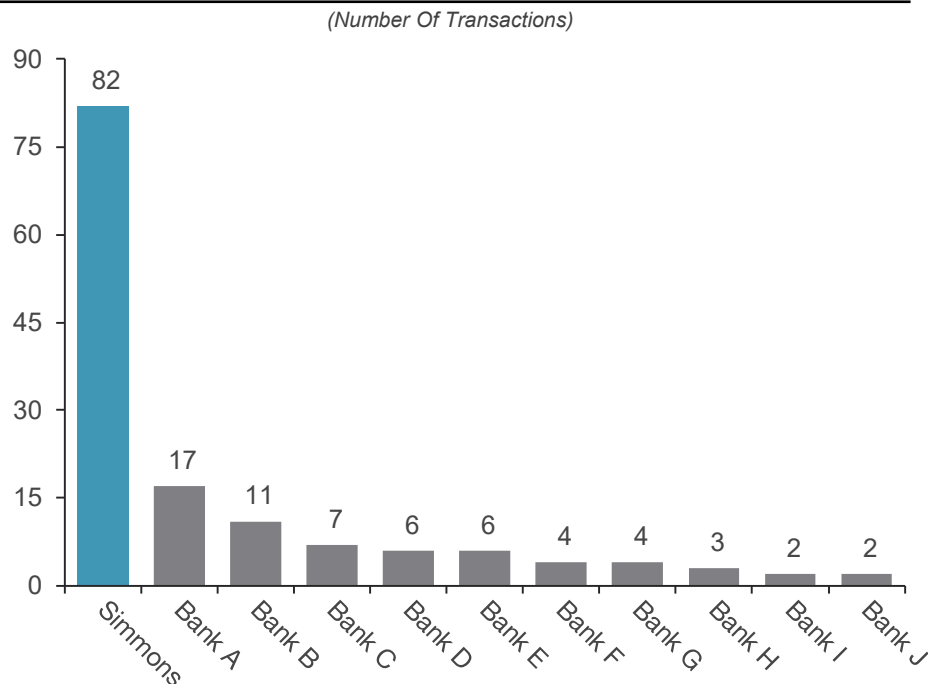
100

energy companies covered by research

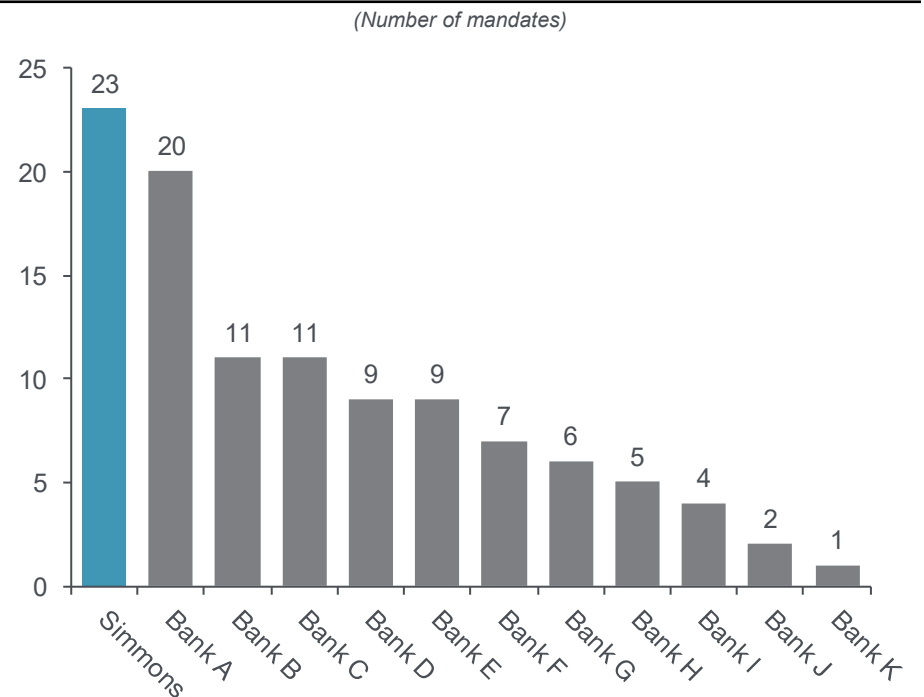
Leading M&A And IPO Advisor For Energy Services And Equipment

- Simmons Energy advised on 82 transactions since the start of 2017, more than 4.5x any competitor.
- Simmons is the only bank on all 14 U.S. OFS IPOs that have priced since the downturn. Simmons has been mandated on 23 IPOs in the oilfield services sector since the downturn.

Simmons Energy 2017 – YTD 2019 OFS M&A Activity Vs. Competitors¹



Simmons OFS IPO Mandates Since October 2016²



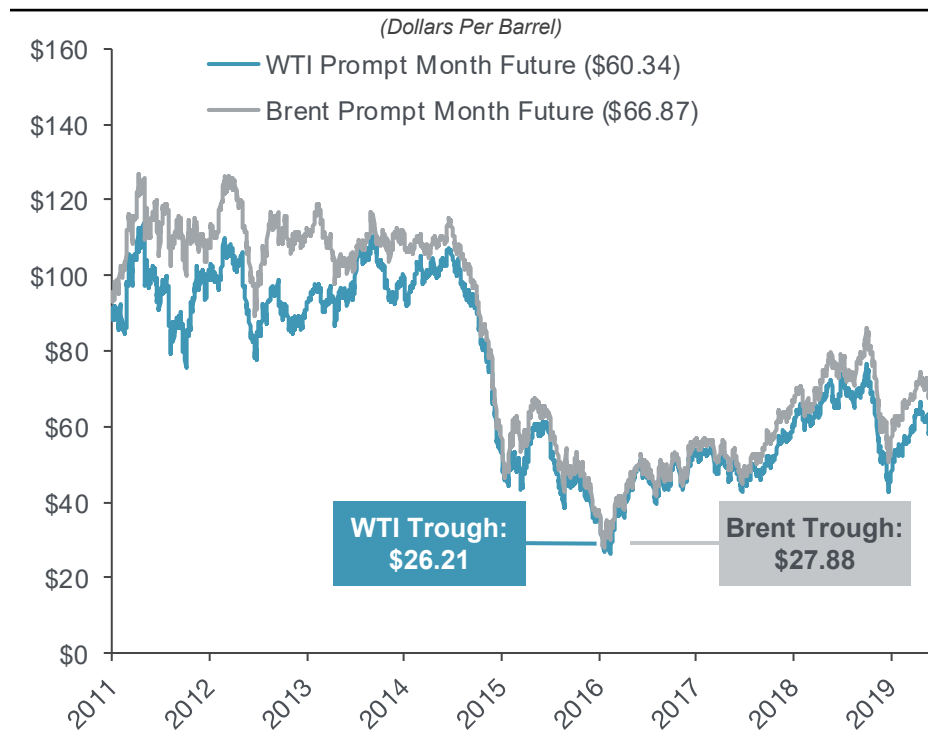
¹ Totals exclude Simmons Energy non-M&A, midstream, downstream, E&P and convergence transactions.

² Only includes underwriters with at least one active bookrun mandate.

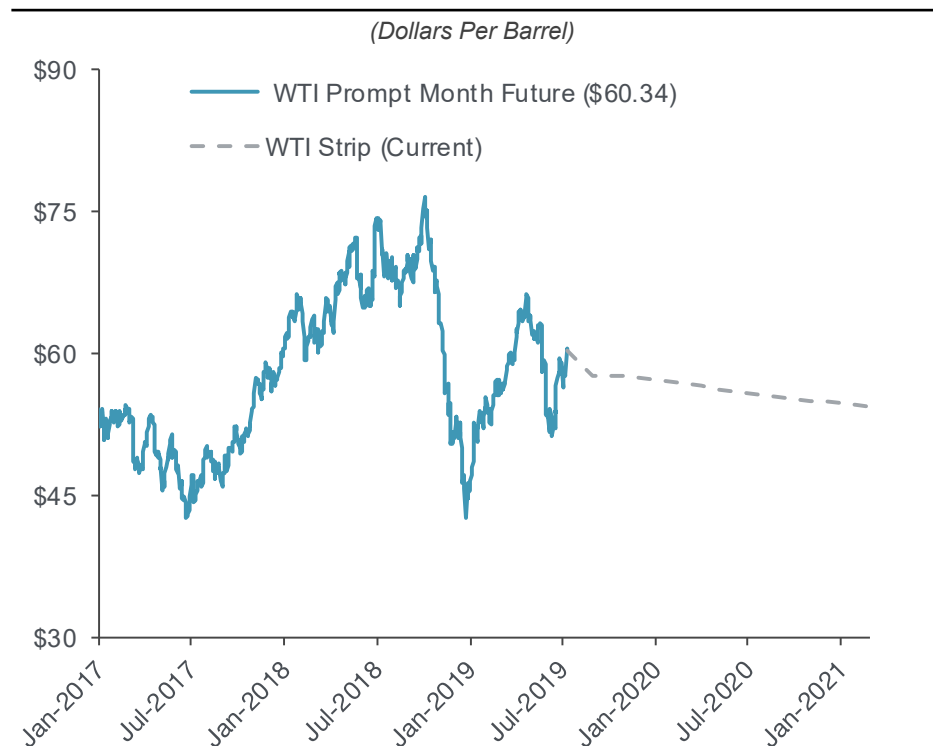
Demand Concerns Dominate The Crude Oil Story

- H2 2018 reduction in production cuts, waivers on Iran oil sanctions, trade war rhetoric and slowing economic growth led to a drop in oil prices.
- Since late 2018, OPEC has reduced production substantially (led by Saudi Arabia), driving oil price recovery in early 2019.
- Demand concerns related to the global economic slowdown and trade wars resumed in April 2019, resulting in another oil price decline.

Crude Oil Prices Since 2011¹



Crude Oil Futures¹



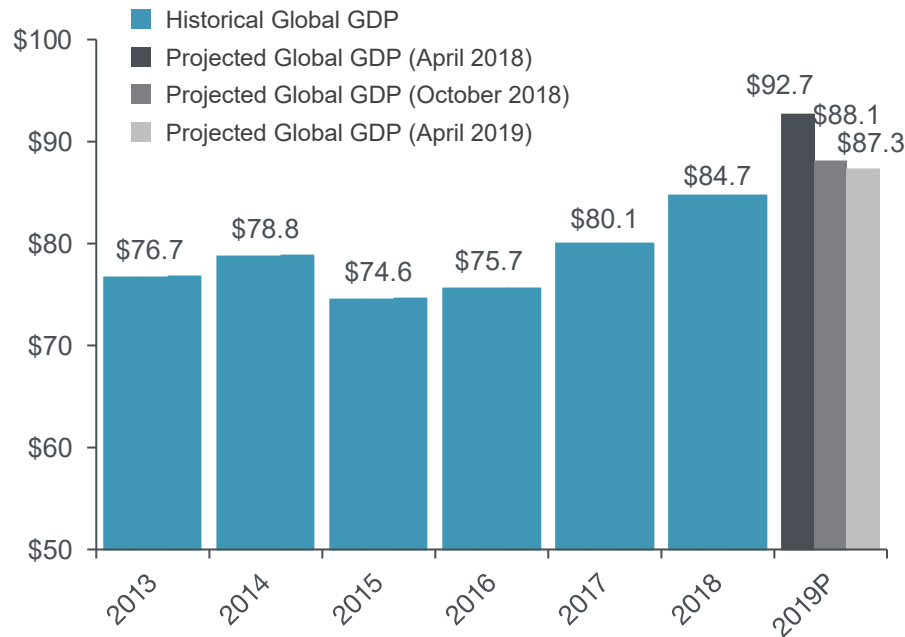
¹ Source: Bloomberg As of July 12, 2019.

Global Economic Growth Is Slowing

- Trade war concerns and slowing growth in Europe and China have contributed to downward GDP revisions.
 - Global GDP grew approximately 6.0% in 2018 and is expected to grow 3.0% in 2019P.¹
- Global manufacturing PMI which tracks world manufacturing activity, registered 49.8 in July 2019, up slightly from 49.4 in June 2019, the lowest reading since October 2012.²

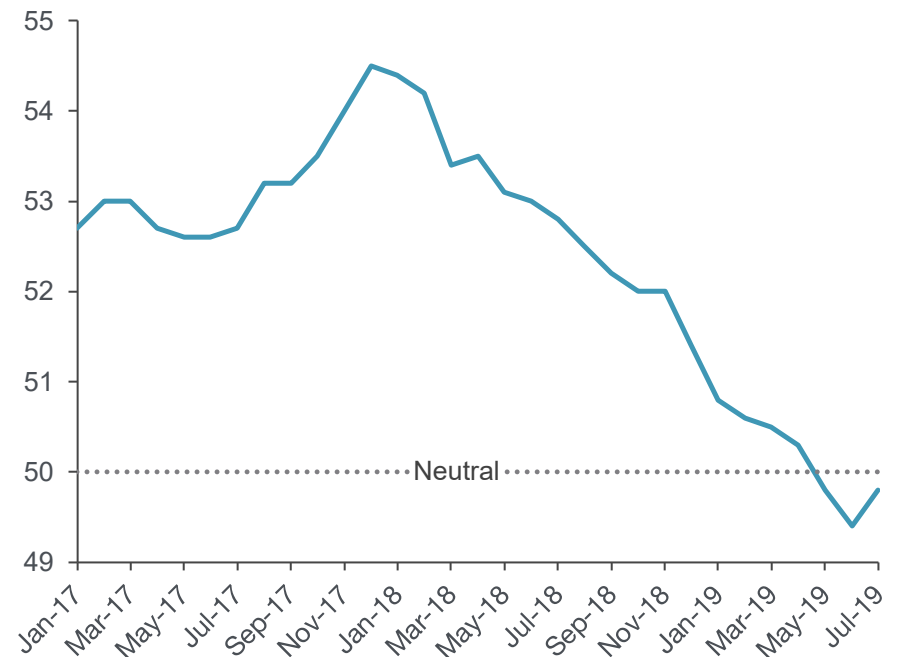
Global GDP Since 2013¹

(Dollar amounts in trillions)



Monthly Global Manufacturing PMI²

(Indexed to 50)



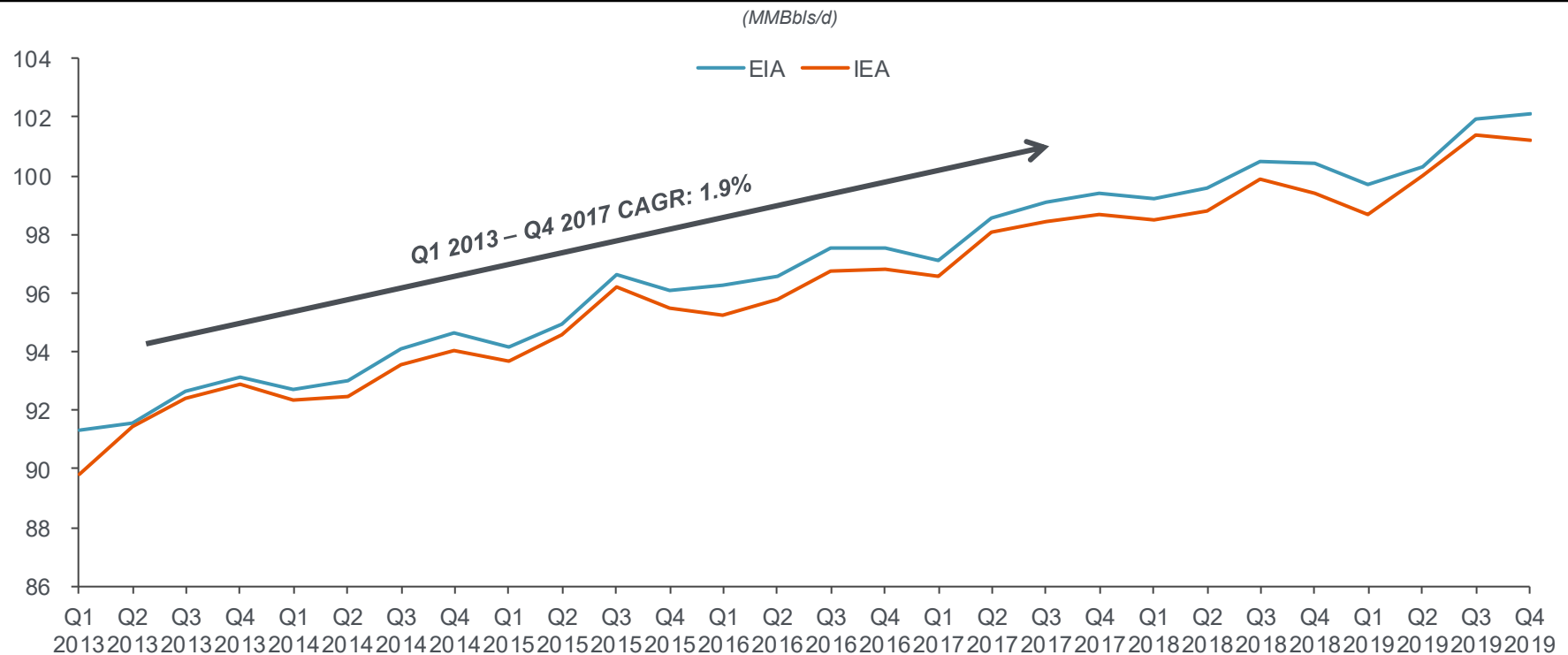
¹ Source: IMF. As of April 2019. GDP based on current prices.

² Source: Markit Economics and J.P. Morgan. As of July 1, 2019.

Oil Demand Growth Is Slowing

- Global oil demand had been growing at a CAGR of 1.9% from Q1 2013 to Q4 2017.
 - Latest IEA growth estimate for 2018 is 1.2 MMBbls/d (1.2%).
 - Latest IEA growth forecast for 2019 is 1.2 MMBbls/d (1.2%).

Global Oil Demand Since 2013¹

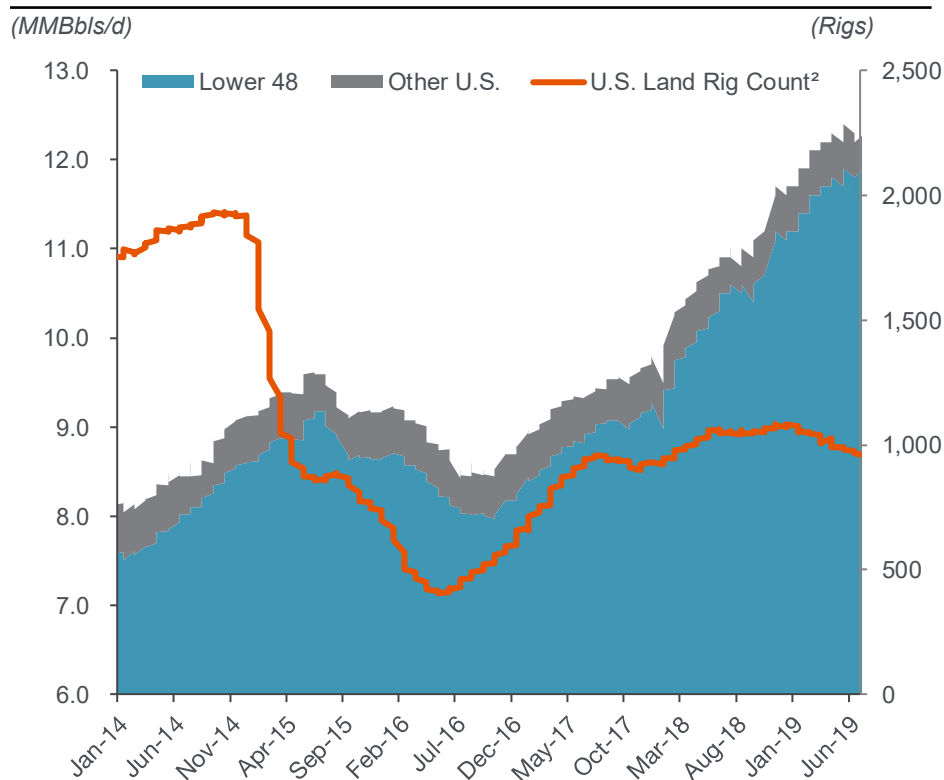


¹ Source: EIA and IEA. As of July 9, 2019 and June 14, 2019, respectively. Includes NGLs.

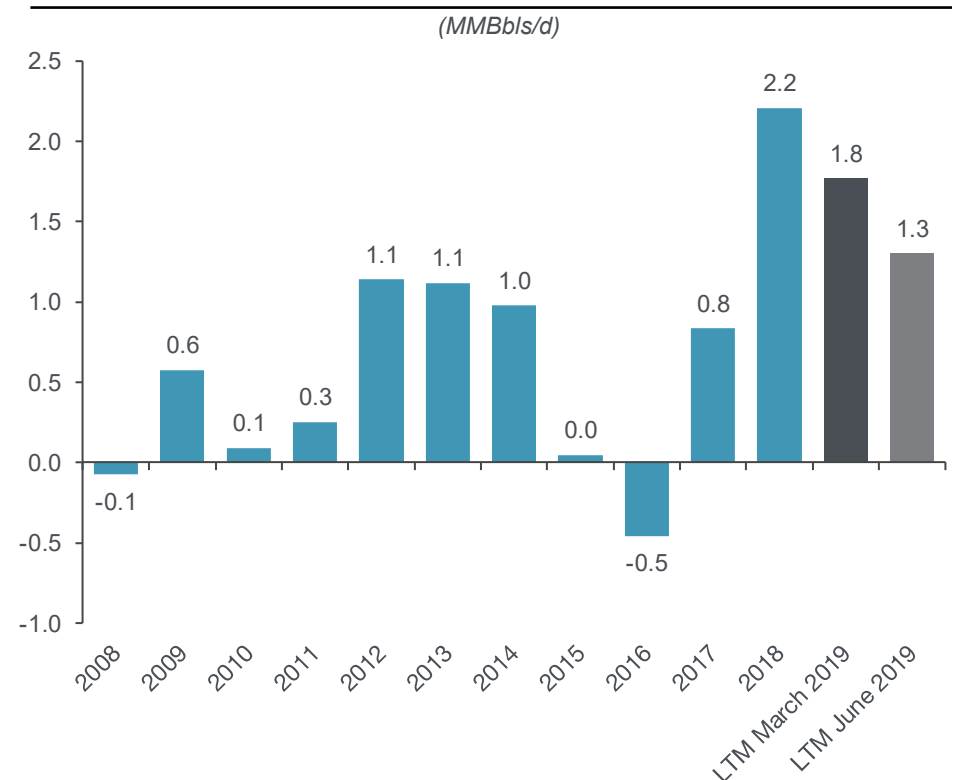
U.S. Crude Oil Production Is At An All-Time High Despite Fewer Rigs

- U.S. production peaked at 9.6 MMBbbls/d in June 2015, then troughed at 8.4 MMBbbls/d in September 2016, and has since increased to a new all-time high of 12.4 MMBbbls/d in May 2019 despite declining rig counts.¹
- U.S. production increased 2.2MMBbbls/d in 2018.
- U.S. production increased 1.3 MMBbbls/d in the 12 months to June 2019.

U.S. Crude Oil Production^{1,2}



Yearly Change In Production¹



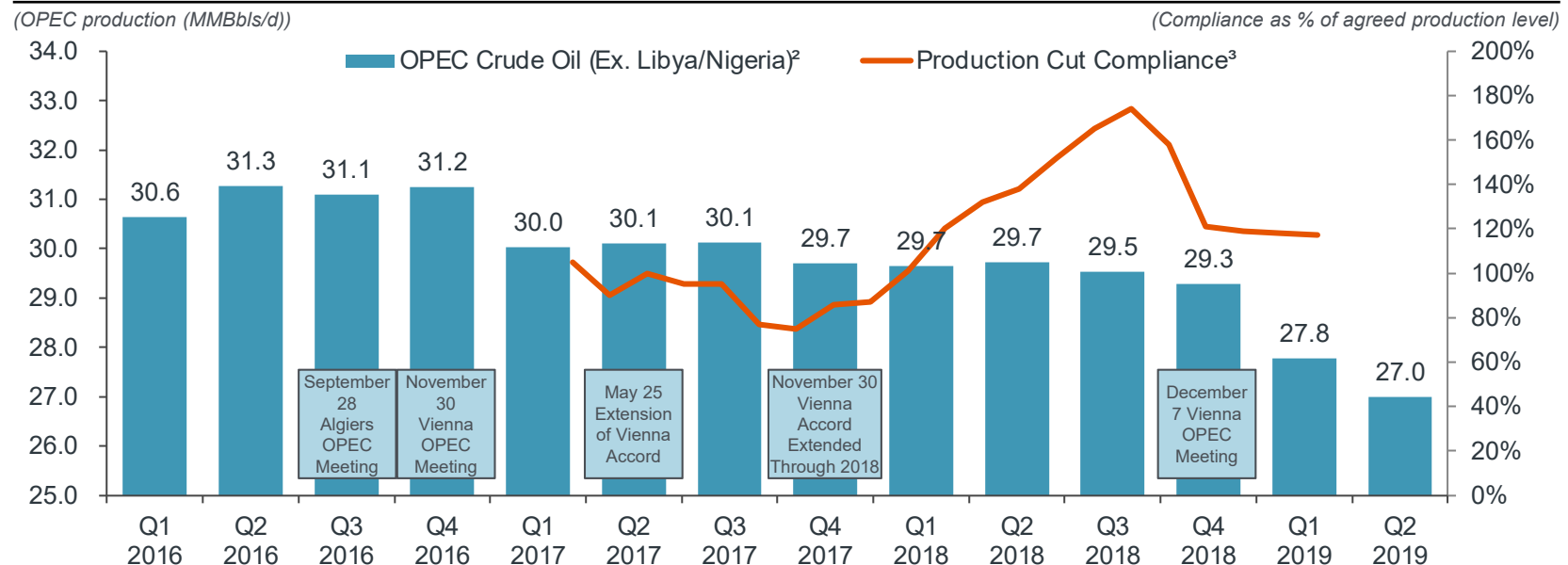
¹ Source: EIA. As of July 9, 2019.

² Source: Baker Hughes. As of July 12, 2019.

OPEC Has Been Managing Supply Since Late 2016

- After OPEC, Russia and certain others announced production cuts on November 30, 2016, compliance within OPEC remained high, exceeding targets due to additional cuts (e.g. in Saudi Arabia and Qatar) and declining production in Venezuela. Compliance among the non-OPEC group was also high.
- On June 22, 2018, OPEC+ announced a 1.0 MMBbls/d production increase in response to tightening supply.
- On December 7, 2018, OPEC+ agreed to cut 1.2 MMBbls/d to stabilize prices.
 - OPEC countries to cut 800 MBbls/d, while the allies cut 400 MBbls/d.
 - Cuts were extended for 9 months on July 1, 2019

OPEC Crude Oil Production And Compliance Levels Since 2016¹



¹ Source: IEA. As of July 12, 2019.

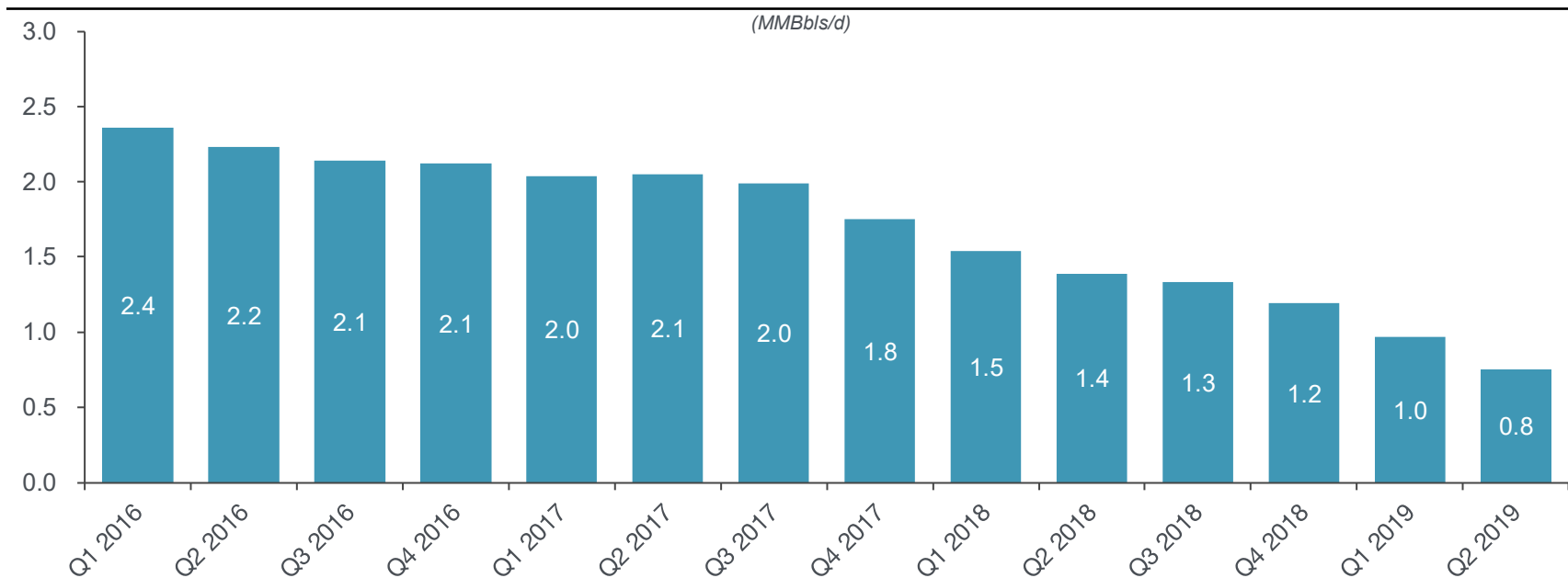
² Excludes Libya and Nigeria, which did not participate in 2016 production cuts.

³ Compliance was higher than 100% as certain member countries exceeded their production cut quota.

Venezuela's Economy Is In Chaos

- Ongoing economic decline is accelerating.
- Venezuela's oil production has declined since late 2014 to a nearly 30-year low.

Venezuela Crude Oil Production Since 2016¹

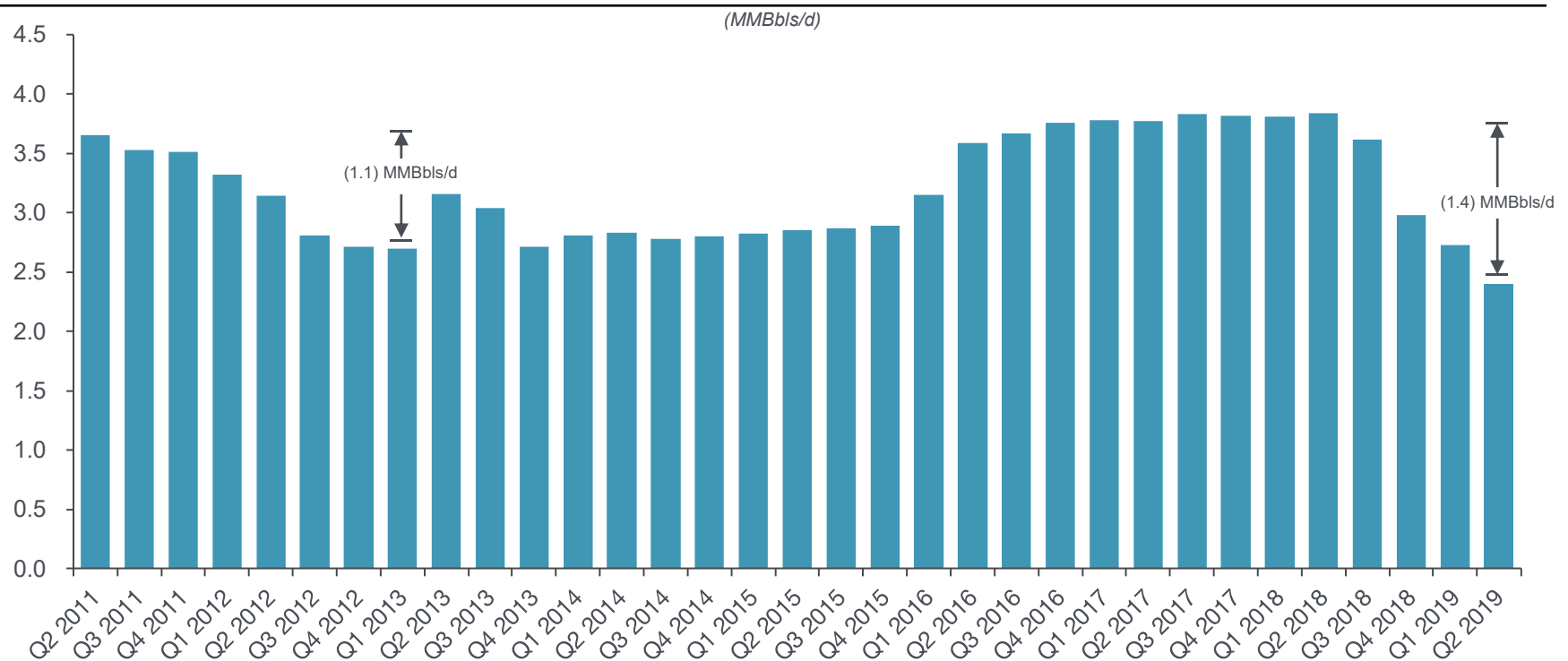


¹ Source: IEA. As of July 12, 2019.

Without Waivers, Impact Of Iran Sanctions Are Taking Full Effect

- In May 2018, the U.S. announced it would reinstate sanctions on Iran, which were re-imposed on November 5, 2018.
 - Eight countries (representing approximately 75% of Iran’s exports) were granted waivers to prevent a price spike.
- On April 22, 2019 the White House ended all sanctions waivers and announced that countries importing Iranian crude after May 2 would be subject to U.S. sanctions.

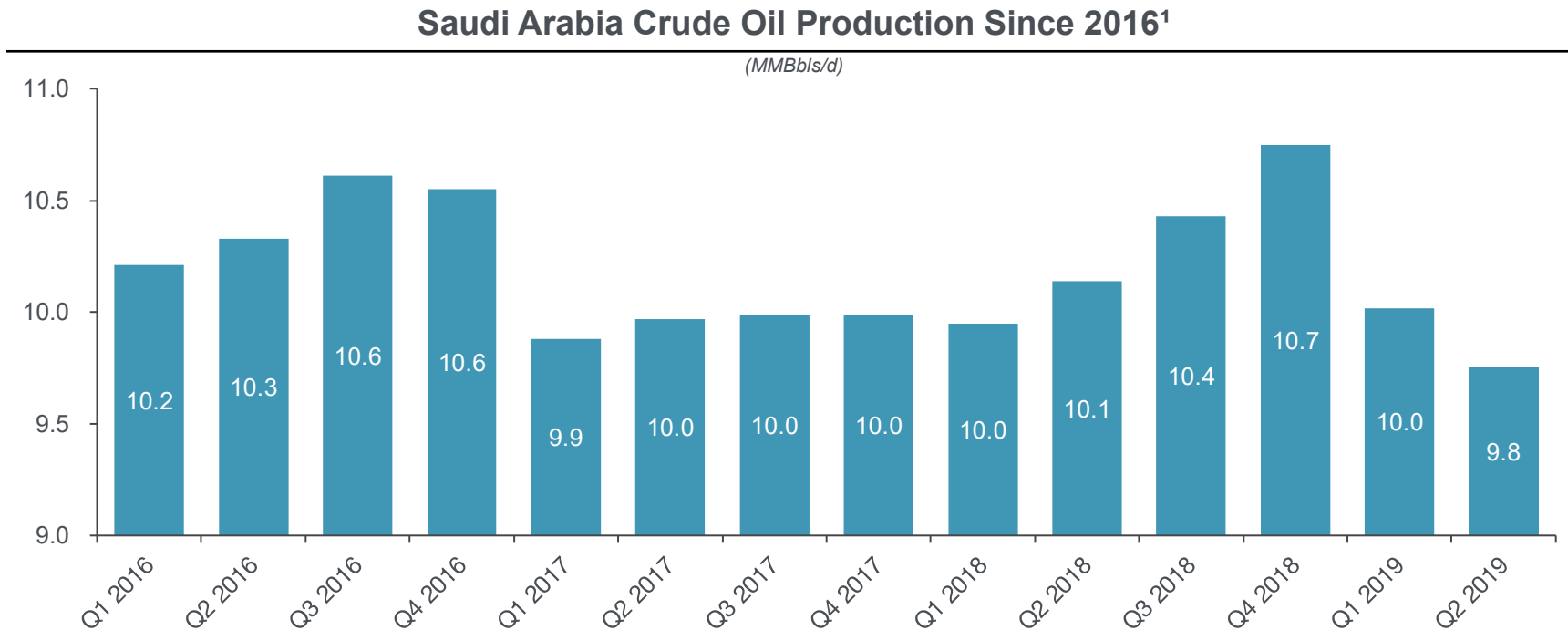
Iran Crude Oil Production¹



¹ Source: IEA. As of July 12, 2019.

Saudi Arabia Bears Burden Of Production Cuts

- Higher Q3 and Q4 2018 Saudi production level in response to tightening supply contributed to recent oil price collapse.
- At the December 2018 OPEC meeting, Saudi agreed to a 322 MBbls/d production cut. Saudi is significantly exceeding its production cut commitment.
 - On July 2, 2019, OPEC+ agreed to extend the current level of production cuts through March 2020.

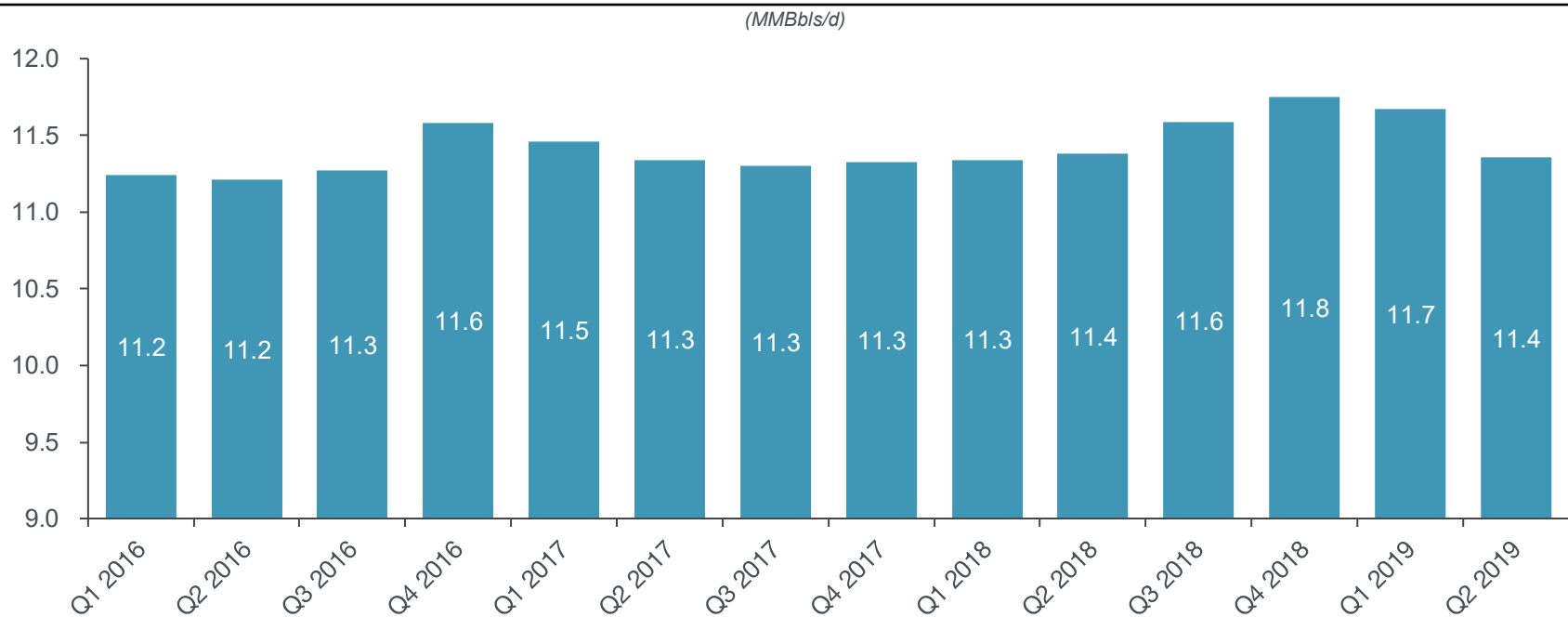


¹ Source: IEA. As of July 12, 2019.

Russia Bears The Bulk Of Agreed Non-OPEC Production Cuts

- Per the December 2018 OPEC+ agreement, Russia was to cut production by 230 MBbls/d.
 - Russia achieved its compliance target by June 2019.
- The recent OPEC+ agreement includes Russia, who agreed to maintain current production cuts through March 2020.

Russia Crude Oil Production Since 2016¹

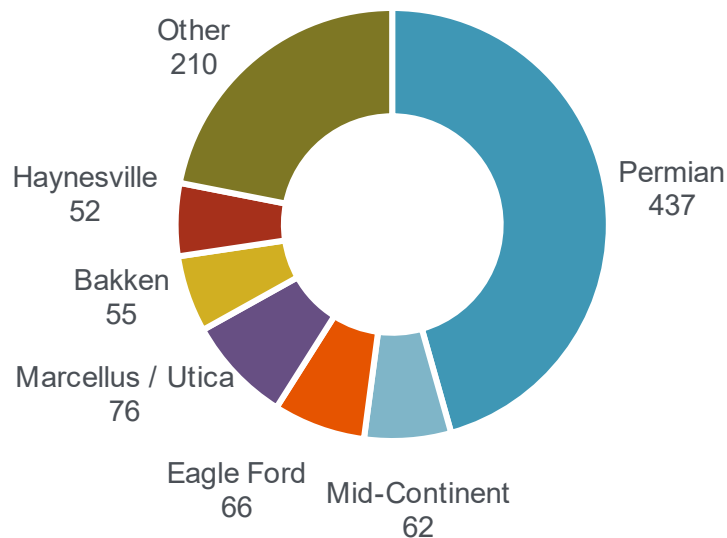


¹ Source: IEA. As of July 12, 2019.

Permian Has Lead The Industry Recovery

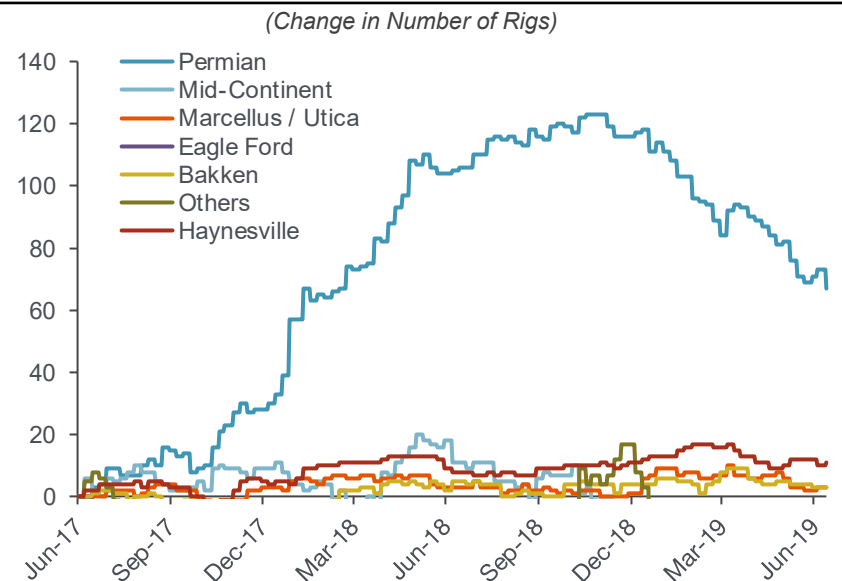
- The Permian is the country's most economic unconventional basin and alone accounts for 46% of active rigs in the U.S.
 - Since trough levels in May 2016, U.S. land rig count in the Permian basin has increased 219%, while U.S. land rig count ex-Permian basin has increased 95%.
 - Permian rig count has declined 11% since its recent peak in December 2018.
- Certain other basins are recording limited rig additions.

Current Rig Count By Basin¹



Total U.S. Land Rig Count: 958

U.S. Rig Count Change By Basin Since June 2017¹

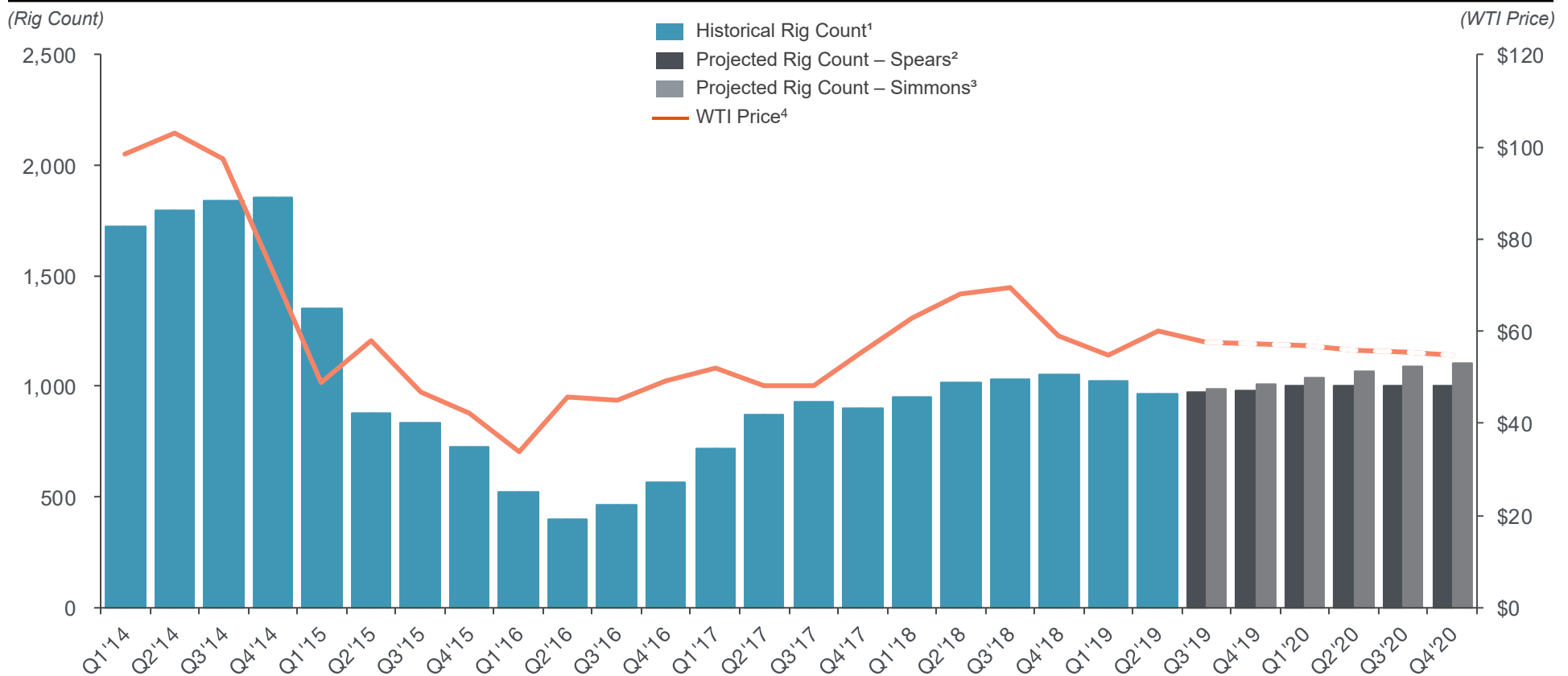


¹ Source: Baker Hughes. As of July 12, 2019.

U.S. Land Rig Recovery Has Stalled

- After declines in Q1 and Q2 2019, both Simmons and Spears & Associates are projecting a small recovery in U.S. land rig count in Q3 and Q4.
 - Independents are under pressure to generate cash returns. They account for 85% of the land rig count.
 - Majors are increasing spending, but account for only 15% of the land rig count.

Historical And Projected U.S. Land Rig Count And WTI



¹ Source: Baker Hughes. As of July 12, 2019.

² Source: Spears and Associates. As of June 2019.

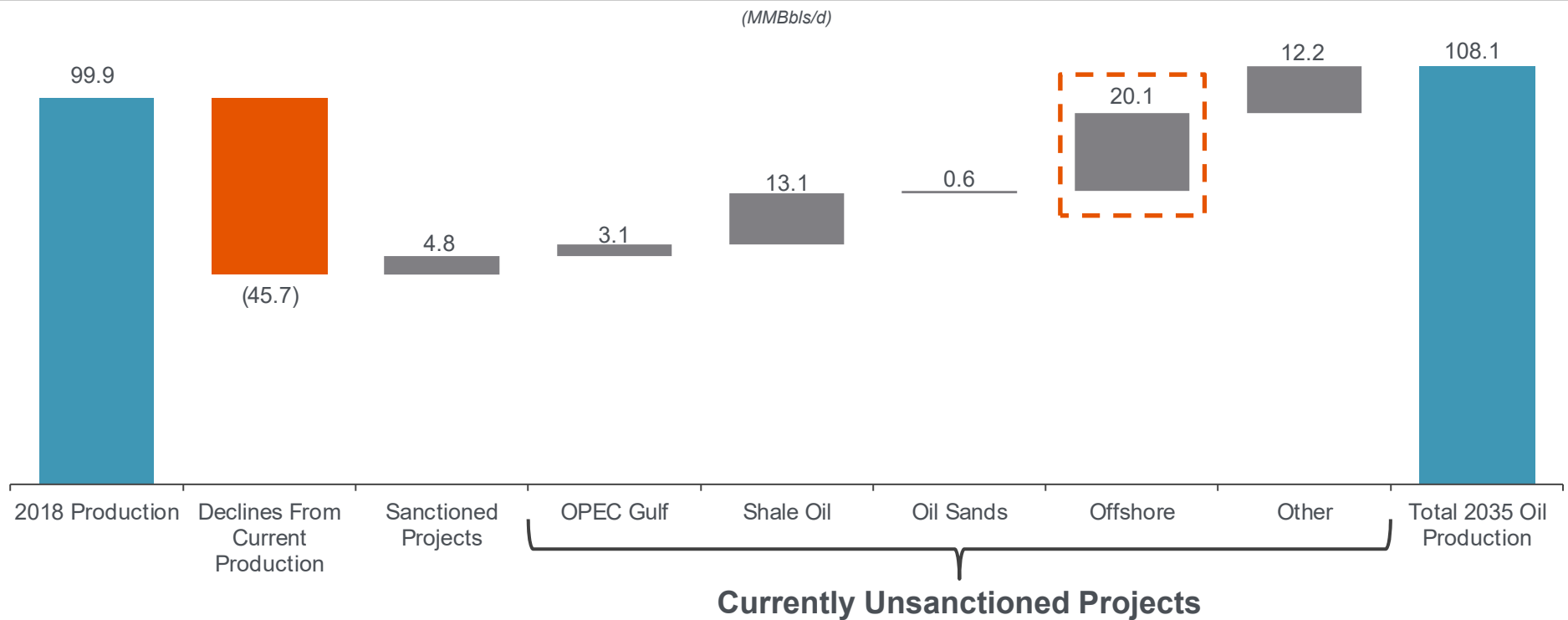
³ Source: Simmons Research. As of April 2019.

⁴ Source: Bloomberg. As of July 12, 2019. Projected period is WTI strip.

New Offshore Projects Are Necessary To Meet Global Demand

- McKinsey & Company recently published a global oil supply and demand report through 2035.
- Despite projected growth in shale oil as well as production increases from OPEC member countries, new offshore project sanctions will be necessary to satisfying long-term demand for crude oil.
- McKinsey projects that currently unsanctioned offshore projects will comprise the largest source of supply additions from 2018 to 2035 (20.1 MMBbls/d).

Global Supply And Demand Through 2035¹



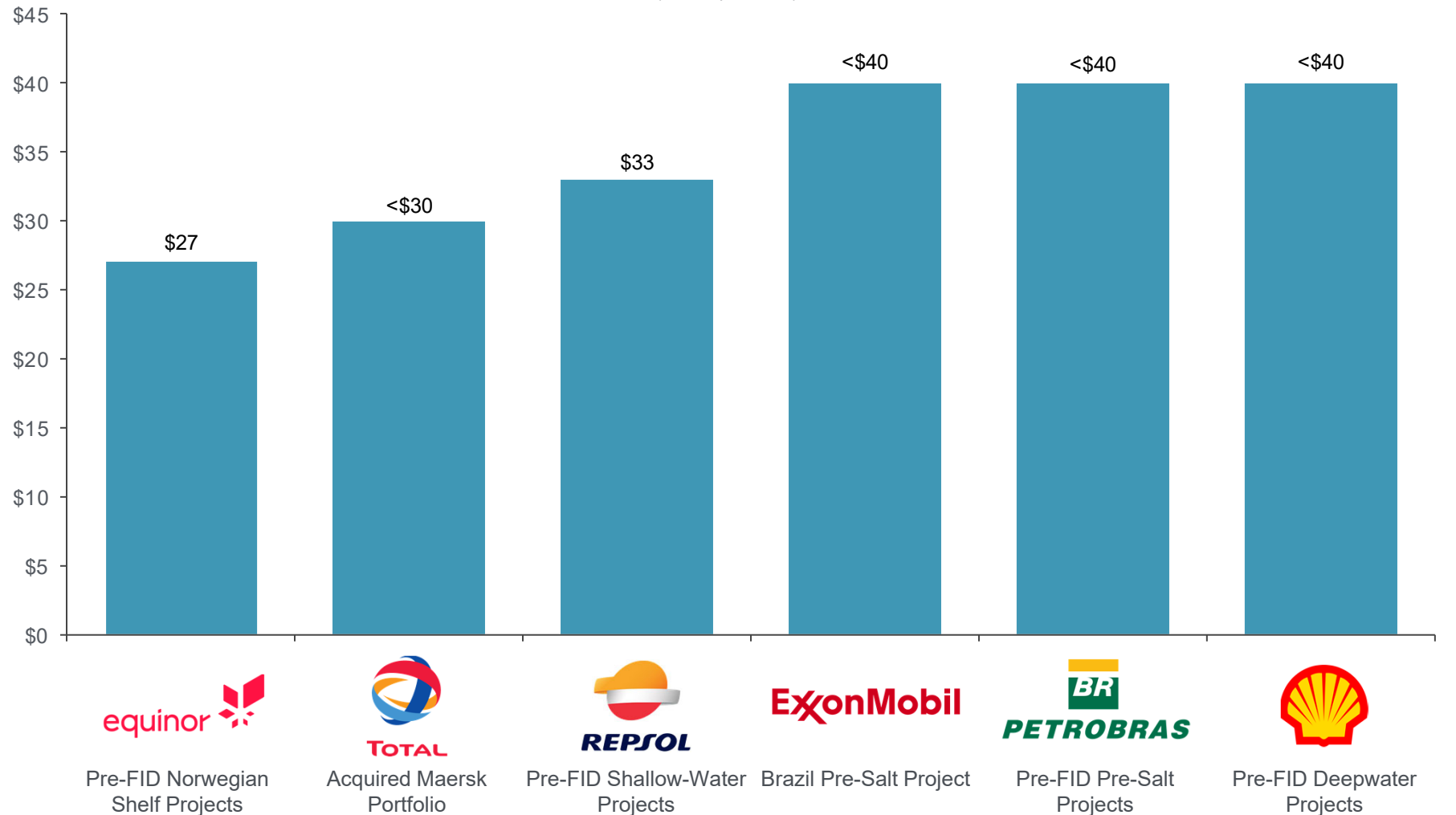
¹ Source: McKinsey Energy Insights. Includes NGLs, crude and condensate production.

Development Cost Reductions Support Higher Offshore Activity

- Many offshore projects are economic at breakeven prices far below current oil prices.

Average Offshore Breakeven Oil Prices¹

(Dollars per barrel)

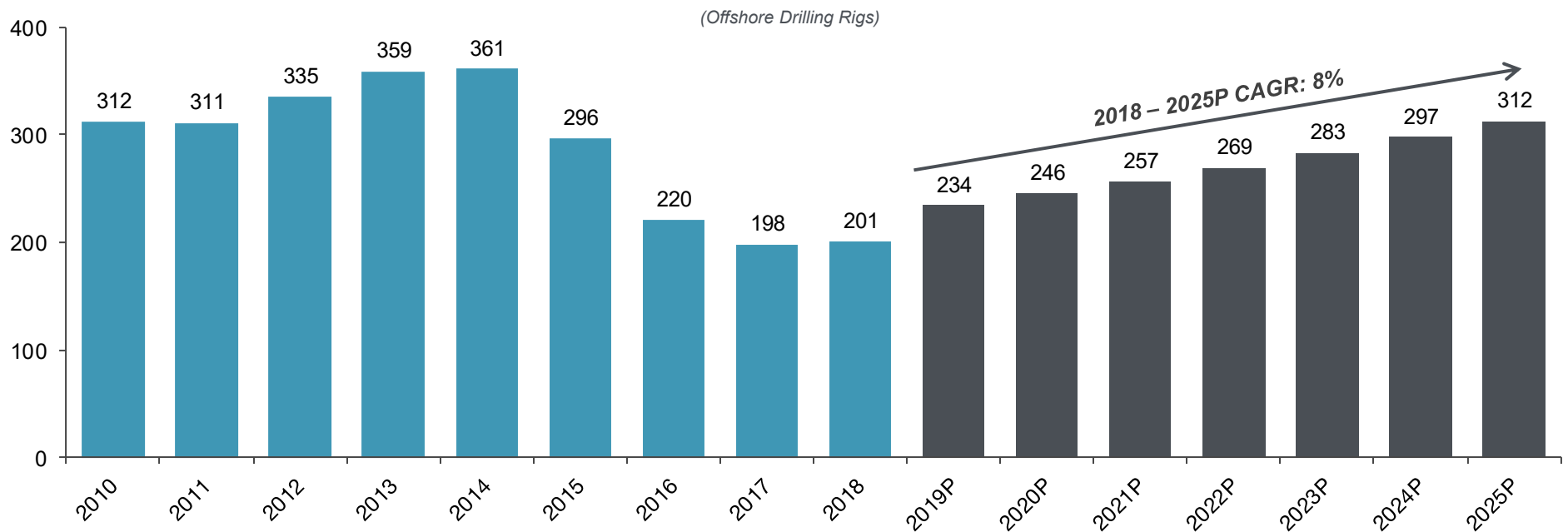


¹ Source: Company earnings calls and presentations.

Operators Are Moving Forward With New Offshore Projects

- The offshore market continues to see improvement and increased confidence, led by reduced breakevens.
- Green shoots are emerging in the Gulf of Mexico, North Sea, Brazil and other markets.
- There were 109 new ultra-deepwater rig fixtures in 2018 versus 80 in 2017.
- Operators are considering 34 MMBbls/d in FIDs in 2019 compared to 10 MMBbls/d in each of 2017 and 2018.¹

Global Offshore Drilling Rig Count²



¹ Source: Rystad Energy.

² Source: Spears & Associates. As of April 2019.

Historical And Projected EBITDA By Subsector¹

(Dollar amounts in billions)

- NAM completion-related services profitability is expected to decline in 2019P before returning to 2018 levels in 2020P.

NAM Production and Well Services – Aggregate EBITDA²



Median 2019P EBITDA Multiple: 6.2x

¹ Source: Capital IQ. As of July 12, 2019.

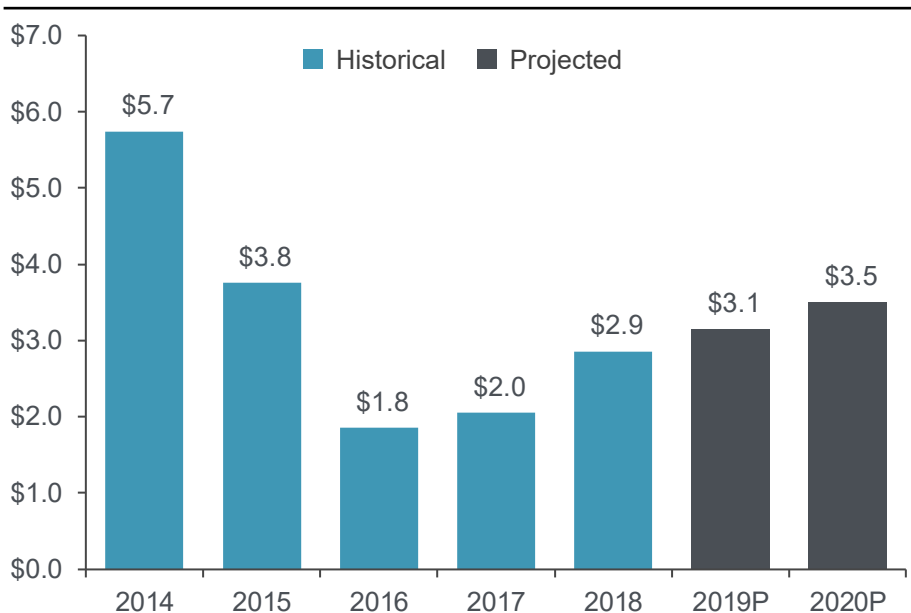
² Includes Basic, C&J, Calfrac, Essential, Frank's, Keane, Key, Mammoth, Newpark, ProPetro, Oil States, RPC, Secure, Superior, TETRA and Trican Well Service.

Historical And Projected EBITDA By Subsector (Continued)¹

(Dollar amounts in billions)

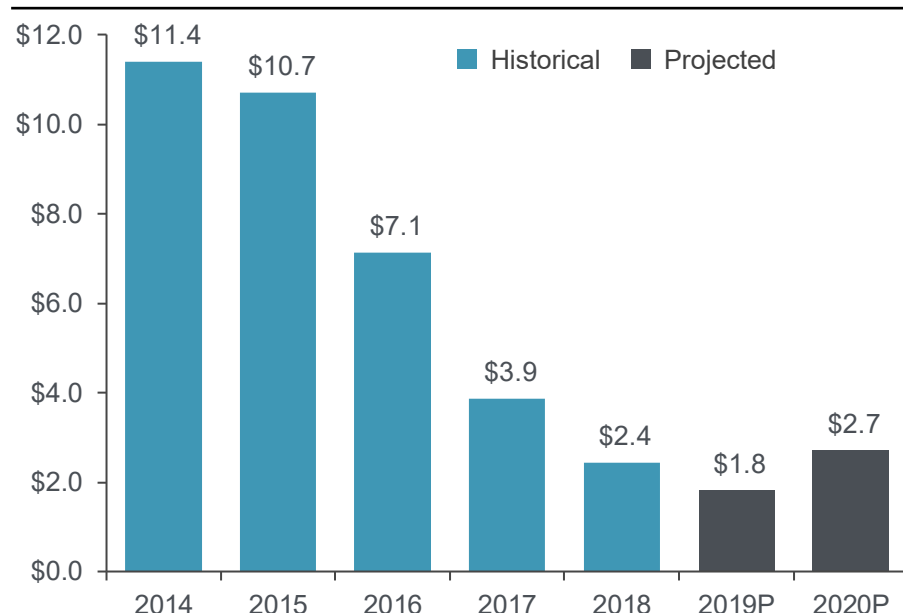
- Land driller recovery and valuation multiples reflect increasing shale activity in NAM for leading drillers with new / upgraded rigs.
- Near-term outlook for offshore drillers remains weak with a muted recovery in 2020P.
 - However, valuation multiples reflect expected future improved performance.

Land Drillers – Aggregate EBITDA²



Median 2019P EBITDA Multiple: 5.5x

Offshore Drillers – Aggregate EBITDA³



Median 2019P EBITDA Multiple: 23.5x

¹ Source: Capital IQ. As of July 12, 2019.

² Includes Ensign Energy Services, Helmerich & Payne, Independence Contract Drilling, Nabors, Patterson-UTI, Pioneer Energy Services and Precision Drilling.

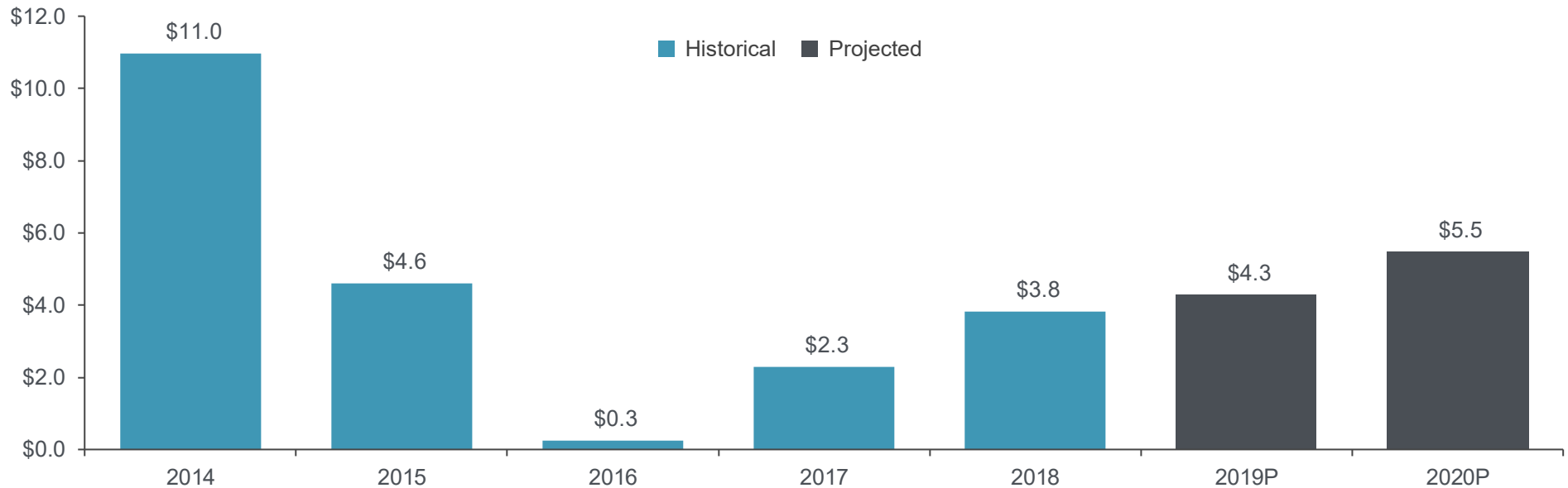
³ Includes Diamond Offshore, Ensco, Noble, Seadrill and Transocean.

Historical And Projected EBITDA By Subsector (Continued)¹

(Dollar amounts in billions)

- Recovery in equipment orders lags pickup in activity. Strong valuation multiples reflect growth expectations.

Upstream Equipment Manufacturing – Aggregate EBITDA²



Median 2019P EBITDA Multiple: 9.5x

¹ Source: Capital IQ. As of July 12, 2019.

² Includes Aker, CARBO, Chart Industries, Dril-Quip, Enerflex, Forum Energy Technologies, Hunting, MRC Global, National Oilwell Varco, Pason, Schoeller-Bleckmann, Tenaris and Vallourec.

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