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## Overall E&P Screen: Results and Ranking Snapshot

Looking at the aggregate results of the E&P screen across all metrics we see the following trends:

**Lower-rated companies in top quartile unexpected:** it was not surprising to see more highly rated companies in the top quartile overall (CXO, HILCRP); however, it was surprising to see companies like Parsley (PE) and Penn Virginia (PVA) with CCC ratings there. Looking more closely at these two – they are in some of better US unconventional plays (Permian, Eagle Ford) and thus benefit from lower costs as well as having some combination of reasonable leverage and liquidity over time. The top quartile was definitely more equal opportunity across credit ratings than we expected.

**Lower-rated companies in bottom quartile as expected:** Overall, the bottom quartile with uniformly B/CCC rated companies is largely as expected in our minds. This group of companies has on a uniform basis a combination of higher leverage out of the box, burn significant cash over the next two years and operate at a lower cash margin compared to peers.

**Safety in numbers:** six out of nine E&Ps in the top quartile have large amounts of acreage in the Big Three unconventional plays (Bakken, Permian, Eagle Ford), which have the top cash margins. These types of names would work well for investors as each of these three plays have upwards of 10-15 HY E&Ps that participate in drilling there. This makes it easier for investors to monitor and understand relative performance.

**Fear of the lesser known plays:** four out of seven in the bottom quartile have core positions in lesser tested or known plays like the Miss Lime (SD, MPO) or Canadian dominant portfolios (SEVGEN, LTSCN). These companies could be generally harder for investors to follow with fewer data points observable to the market; this of course could also mean opportunity for those willing to dig in and monitor less ubiquitous data.

**Unique business models can still screen favorably:** There are two relatively unique business models as they relate to HY in the top quartile. First, we have offshore, international E&P Tullow Oil (TLW), which came up as a top name driven by its significant cash margins and solid liquidity. The second unique business model in the top quartile was Hilcorp (HILCRP), which was the only onshore conventional name in the top quartile. This name screens well due to a combination of lower leverage and higher asset coverage. Investors could look at this name and be more comfortable with lower decline rates and lower general maintenance capex, despite the company's strategy of acquiring big and small assets alike frequently.