



United States

HY Corporate Credit
Energy

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HY E&P Sector Update & 2015 Outlook

Quarterly Updates for E&Ps under coverage including:

In-Depth Relative Value
Forecasts
Sector Benchmarking
Scenario Analysis

E&P Universe Credit and Operational Metric Screen across 30 credits including:

Results and Ranking Snapshot
Scatter Plots by Metric
Liquidity Analysis
Scenario Analysis
Historical Financial Summaries

Selected Recommendations:

BUY EXCO Resources (XCO)
BUY Cimarex (XEC)
BUY Halcon Resources (HK)
BUY Hilcorp Energy I (HILCRP)
BUY Newfield (NFX)
BUY Range Resources (RRC)
SELL Denbury Resources (DNR)

Recommendation Changes:

HOLD Chesapeake Energy (CHK) from BUY
SELL Forest Oil/Sabine (FSTO) from HOLD
SELL QEP Resources (QEP) from HOLD
SELL SandRidge (SD) from HOLD
SELL Samson Resources (SAIVST) from BUY

E&P Screening and Analysis for the following E&Ps:

American Energy Permian (AEPB)	Newfield (NFX)
Antero Resources (AR)	Oasis Petroleum (OAS)
Bonanza Creek (BCEI)	Parsley Energy (PE)
Chesapeake (CHK)	Penn Virginia (PVA)
Cimarex (XEC)	QEP Resources (QEP)
Concho Resources (CXO)	Range Resources (RRC)
Denbury Resources (DNR)	Rosetta Resources (ROSE)
Diamond Back Energy (FANG)	Samson Resources (SAIVST)
EP Energy (EPE)	Sanchez Energy (SN)
Exco Resources (XCO)	SandRidge (SD)
Forest Oil/Sabine (FSTO)	SM Energy (SM)
Halcon Resources (HK)	Triangle Petroleum (TLW)
Hilcorp Energy (HILCRP)	Tullow Oil (TLW)
Magnum Hunter Resources (MHR)	WPX Energy (WPX)
Midstates Petroleum (MPO)	



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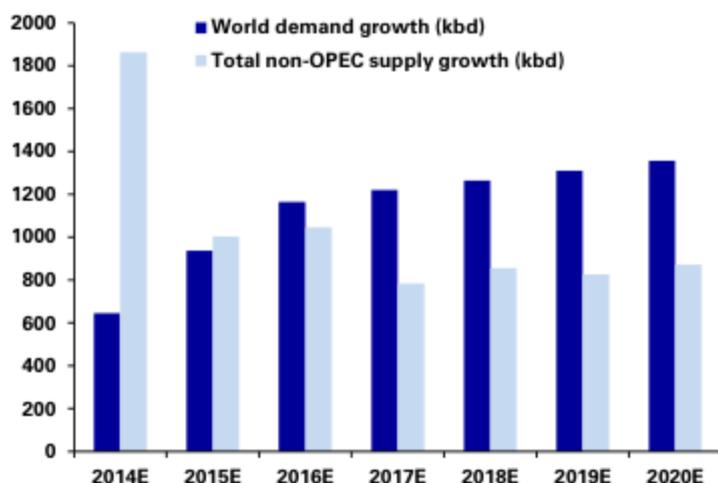
HY E&P Sector: Sifting through the carnage

Oil price collapse – how did we get here?

Looking back, oil fundamentals at the recent peak in the June/July 2014 timeframe were seemingly decent. Despite some volatility, discussions with E&P management teams were bullish in the face of increasing service costs, and capex budgets looked to be rising as higher than anticipated oil prices drove greater than expected cash flow. On the geopolitical side, we had rising tensions in the Middle East posing a headwind for OPEC supply (driver of a majority of future OPEC supply growth). Further, M&A chatter was relatively strong after the Whiting (WLL)/Kodiak (KOG) acquisition announcement. In summary, there were few reasons the market had to be concerned about the sector. Fast forward six months and the world has changed, leaving investors to ask the question, “how did we get here?”

Looking through the wreckage now, it does seem that there were missed signs that when taken to together pretty clearly mark how we reached our current oil destination (WTI trading at less than \$50). From 2002 to 2012, global demand growth averaged over 1.1 million b/d while non-OPEC supply growth averaged only 560 Kb/d; this excess demand supported a generally increasing oil price. That trend reversed itself starting in 2013 as average global demand fell below 1.0mmb/d at the same time non-OPEC supply growth accelerated to an average of 1.6 million b/d. Specifically and more dramatically in 2014, the difference between incremental annual world demand growth and non-OPEC supply growth gapped out to an oversupply of 1.2 million b/d – a differential not witnessed in decades (Figure 1). This was the backdrop as OPEC met on November 27th and decided to maintain its ceiling production level of 30.0 million b/d.

Figure 1: World Oil Demand and Non-Opex Supply Growth



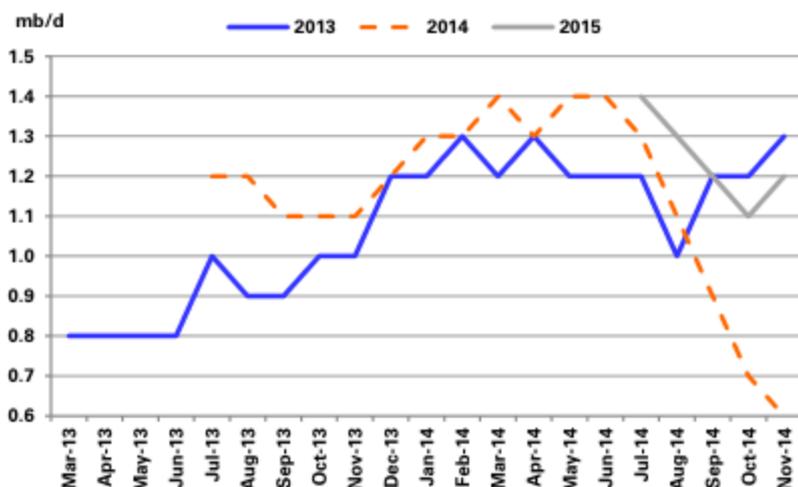
Source: EIA, IEA, DB Commodities

Looking at the individual pieces of this story, the current outcome now seems like a reasonable one. Anecdotally, North American E&Ps had seen a relatively steady pattern of hitting production guidance if not beating – and raising – through the Q2 14 earnings season and eventually the Q3 reporting season. This came despite some tough weather to start off the year. Looking at the



demand side of the equation, there was a key difference in expected demand momentum as we moved through 2014 versus 2013 (Figure 2). While in 2013 there was a relatively slow but largely steady improvement in expected demand through the year, 2014 started strong but saw a marked deterioration in expected demand that started in August but declined precipitously as we moved through year-end. These two factors left a bit of a perfect storm for oil in and around the time of the OPEC meeting. While analysts were somewhat split on the expected specific outcome, a majority expected an OPEC production cut of some sort to help stem oil oversupply (9 out of 13 street analysts polled by Reuters). All of this led to a dramatic move in oil when OPEC decided to maintain the current 30.0 million b/d ceiling production without even a minor cut, which was seemingly the market's last chance to stabilize oil prices. Worse, all of this played out against an actual OPEC average production level 30.2 million b/d YTD through November 2014; the whisper production for December is 30.7 million b/d – and that includes lower Libyan production.

Figure 2: Global Demand Growth Expectations Over Time



Source: IEA, DB Equity Research

Oil looking forward – Are we there yet?

The simple answer is no. Despite the significant amount of pain inflicted already, unfortunately, we believe there is likely more to come in 2015. Excluding the 2008/2009 (which was even more extreme), the average sell-off in an oil bear market reached its nadir with an average decline of 50% from the peak over a 15-month period (Figure 3). Currently, we have observed ~60% decline in oil prices from the peak; however, we are only 7 months into this episode. Interestingly, of the four episodes shown, the one where oil reached its low point in the shortest amount of time was in 1986 – the historical data point that sets up the most like current scenario; in that case, OPEC too played a significant role in the 1986 oil bear market. However, at that time, it was other OPEC producers that were squeezing out marginal Saudi Arabian barrels. This time the US is playing the role of Saudi/OPEC spoiler by growing its unconventional production base and squeezing out OPEC barrels. In any case, despite a significant decline in oil prices so far, we don't see any expected changes to the major drivers of oil price in the near term.



Figure 3: Prior Bear Markets in Industrial Commodities

Commodity	Start	End	Duration, mo	Drawdown, %
Oil	11/22/1985	07/25/1986	8	-56
Oil	10/18/1992	12/17/1993	14	-37
Oil	01/10/1997	12/11/1998	23	-58
Oil	11/24/2000	01/18/2002	14	-48
Nat Gas	10/24/1997	08/28/1998	10	-52
Nat Gas	04/06/2001	01/25/2002	10	-61
Nat Gas	06/10/2011	04/13/2012	10	-60
Aluminum	08/26/1988	02/02/1990	18	-45
Aluminum	08/18/1995	03/12/1999	43	-38
Copper	08/21/1992	10/22/1993	14	-37
Copper	08/21/1995	02/22/1999	43	-54
Iron Ore	08/26/2011	09/07/2012	13	-50
Avg for oil			15	-50
Avg for all			18	-50
Current episode				
Oil	06/20/2014	01/10/2015	7	-54
Aluminum	04/29/2011	01/10/2015	45	-36
Copper	07/29/2011	01/10/2015	42	-35
Iron Ore	12/06/2013	01/10/2015	13	-49

Source: DB Credit Strategy

While recent oil downturns have had a relatively quick “V” shaped recovery, we do not believe that this will be the case this time. We believe recent more episodes (97/98, 08/09) were reflective of more general market improvements and a return to functioning capital markets (post the Russian default and post the financial crisis, respectively). These overall market recoveries, while important to oil, particularly the demand side, were somewhat outside direct, physical oil markets. Where this bear oil market is concerned, we don’t see a quick macro event outside of physical oil markets as the panacea or quick fix.

Rather, we are looking for a more “U” or “L” shaped recovery for oil. In 1986, again, oil priced quickly raced to the bottom over an 8-month period, but then, excluding the first Iraq war, took about 14 years to recover. To be clear, we are not making that extended recovery call here because we do believe that there were anomalies to the 1986 case. One anomaly being the 1986 Tax Reform Act and its net effect on overall US GDP, which according to the World Trade Organization, would normally have seen a greater positive effect from lower oil.

However, even looking at the more “normalized” oil recoveries listed (excluding 1986 and 2009), it took oil anywhere from 11 to 26 months to return to its previous peak, leading to an average 17-month oil “recovery” time. Importantly, we acknowledge that markets are forward looking, and therefore believe that a change in sentiment itself could likely precede the actual improvement in oil, and also energy-related securities. We focus here on those data points that could improve the market mentality around oil. Note: we discuss the expected recovery cycle for high yield energy bonds specifically later in this outlook.



Figure 4: Oil Supply-Demand Forecast

	2013	2014e	Nov-14	2015e	2016e	2014/13	2015/14	2016/15	2015/Nov-14	Considerations
OECD	46.1	45.6		45.6	45.5	-0.5	0.0	-0.1		US vs Europe GDP outlook
Non-OECD	45.7	46.8		47.8	49.3	1.1	1.0	1.4		How resilient is China demand?
Oil Demand	91.7	92.4		93.4	94.8	0.7	0.9	1.3		Will lower oil price prompt upgrades?
US	10.2	11.7		12.7	13.3	1.5	1.0	0.7		Pace & magnitude of supply response
Other non-OPEC	44.4	44.8		45.1	45.5	0.4	0.3	0.6		Risk of delays, disruption & capex cuts
Non-OPEC Supply	54.6	56.5		57.8	58.8	1.9	1.3	1.3		
OPEC NGLs	6.3	6.4		6.7	6.8	0.1	0.3	0.1		
Libya	0.9	0.4	0.7	0.7	0.9	-0.5	0.3	0.0	0.0	Is there further downside supply?
Iran	2.7	2.8	2.8	2.8	2.8	0.1	0	0.0	0.0	Possibility of mid-15 nuclear deal
Iraq	3.1	3.3	3.4	3.4	3.3	0.2	0.1	0.0	0.0	
Other	24.2	23.2	23.4	22.0	22.5	-1.0	-1.2	-0.3	-1.4	Will Saudi add supply if non-OPEC falls?
Call on OPEC	30.9	29.5	30.3	28.9	29.2	-1.4	-0.6	-0.3	-1.4	1.4mb/d reduction needed vs Nov-14

Source: DB Equity Research

Looking at this simplified supply and demand outlook for oil sums up our thoughts on a longer term recovery. Given no expectation for a call on OPEC in 2015, we believe oil prices will persist at lower levels through 2015, especially in 1H 15 as the market is currently 1.4 million b/d oversupplied. The basic levers that could improve the supply and demand dynamics in the next year are the following in our minds: (i) better than expected economic growth (ie demand), (ii) more volatile seasonal weather patterns, (iii) faster than expected Non-OPEC production declines, (iv) a sooner-than-scheduled OPEC meeting (June currently), (iv) a sooner than scheduled OPEC meeting (June currently), or (v) unexpected geopolitically-related production declines.

Figure 5: GDP Forecast & Revision (% yoy)

	Forecast level			Forecast change since		
	Dec' 14 WO			Sep' 14 WO*		
	2014F	2015F	2016F	2014F	2015F	2016F
G7	1.8	2.5	2.4	-0.1	0.0	0.0
US	2.4	3.5	3.1	0.1	0.1	-0.1
Japan	0.5	1.4	1.6	-0.6	0.1	0.2
Euro area	0.8	1.0	1.3	0.0	-0.1	-0.1
Asia (ex-Japan)	6.0	6.2	6.1	-0.3	-0.7	-0.7
China	7.3	7.0	6.7	-0.5	-1.0	-1.3
India	5.5	6.5	6.5	0.0	0.0	0.0
EEMEA	2.3	1.9	2.5	0.4	-0.8	-0.4
Russia	0.5	-0.9	-0.4	0.0	-1.9	-1.8
Latin America	0.8	1.5	2.9	-0.2	-0.6	-0.1
Brazil	0.1	0.7	1.9	-0.2	-0.5	0.0
Advanced economies	1.7	2.4	2.3	0.0	0.0	0.0
EM economies	4.4	4.5	4.9	-0.2	-0.7	-0.6
Global	3.2	3.6	3.8	0.0	-0.3	-0.2

Source: Deutsche Bank Economics

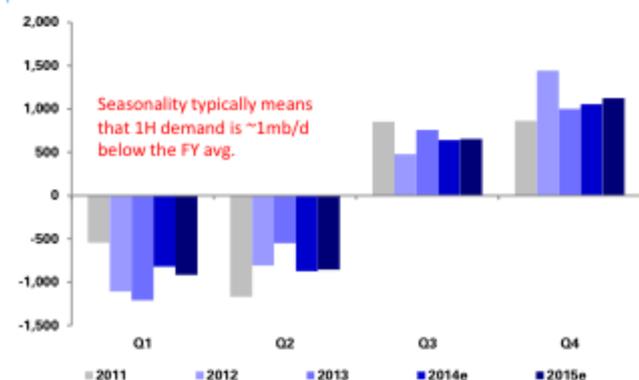
Note: *September World Outlook forecasts have been recalculated using IMF October WEO PPP weights



First, we look at the demand side. Looking at what our economics team is expecting for 2015, it is clear that despite the drop in oil prices (and its positive follow-on effects for certain economies), expected global growth trends have seen a notable decline over the last quarter of 2014. This is evidenced by the deceleration of expected growth reflected in our estimates, especially in Asia. The main drivers of the downgrades are driven “entirely by markdowns to emerging market growth prospects, which were reduced by more than 1/2 percentage points over the next two years. These downgrades were broad-based across regions, with three of the BRICs, Russia, China, and Brazil (in that order) recording the largest and most important downward revisions. Most important is the downward revision to China, where we now see increased negative spillover from past overinvestment in property and the government focused on a more sustainable 7% rate of growth. Global growth is expected to bottom at a relatively subdued rate of 3.2% in 2014 and rise slowly over the next two years.” We see little possible upside here, and in fact, believe there could be further downside to global demand.

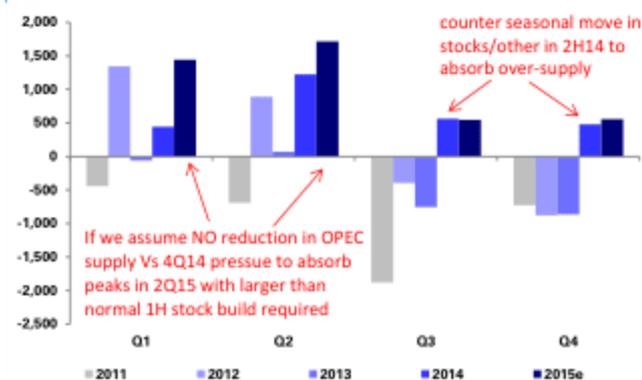
Next, we look at the seasonality of oil and the possibility for more volatile seasonal weather patterns. Historical and expected oil demand seasonality is reflected in Figure 6 on the left. In the chart on the right, we overlay DB’s quarterly demand/non-OPEC supply projections holding OPEC production flat at the October 2014 level (30.6 million b/d). Looking at Figure 7, one can see that the magnitude of the expected level of oversupply (1.5 million b/d in 1H 15) is well above historical averages. While many would look to Libya as the inevitable OPEC producer most likely to decrease production given recent unrest, even assuming no production from Libya, DB estimated excess oil supply in 1H 15 would still be 0.7 million b/d. This would leave the market needing a significant and unlikely change in weather to absorb excess supply in 1H 15. For example, last year a colder-than-normal winter increased seasonal demand by ~250-300K b/d. On the margin, we see the seasonal demand effects of oil as well as marginal economics (discussed below) as a key reason for sub-\$50/bbl oil at least through 1H 15.

Figure 6: 1H Global Crude Demand Typically 1 Million b/d less than FY



Source: IEA, DB Economics

Figure 7: 2015 Will Require Market to Absorb >Normal Seasonal Excess



Source: IEA, DB Economics

Moving onto supply, we look at Non-OPEC production. For purposes of this discussion, we are talking largely about US production growth as markets (and OPEC) are now looking towards the US for a supply response (i.e. significant reduction in annual oil growth). However, we do not think that supply response will be one readily observed in 2015 largely due to (i) a significant inventory of drilled but uncompleted wells (up to 6 months of inventory per producer), (ii) a relatively high level of hedging in 2015 (less so in 2016), (iii) the ability to high grade to the most economic plays, (iv) recently achieved drilling



efficiency, and (v) decreasing non-productive capital spending (test wells, seismic, infrastructure, etc).

As we consider 2016, our equity counterparts have looked at the issue of US growth and asked the question: "What would we need to see from the industry to normalize production growth from 2016 forward at a level more consistent with demand expectations? (i.e. reduce US YoY supply growth to 500-600 Mb/d)." They estimate "that at minimum, the industry would need to drop ~160+ horizontal rigs from the "Big Three" plays (Bakken, Permian, Eagle Ford) – or ~25% of the near 700 rigs currently operating in these plays. The implications for the overall oil rig count (~1,600) is much more severe, as vertical rigs and marginal plays would likely fall off first, implying a total rig count of 500+." If this scenario plays out as expected, it suggests that US YoY supply growth would be reduced from 0.90-1.0 million boepd now to about 500-600K boepd, or a reduction of 300-400K boepd. We believe markets would view this move as significant.

Looking at Figure 8, the good news is that we have seen some solid progress towards decreasing horizontal rigs by that ~160 figure. Since the OPEC meeting in late November, horizontal rig count in the Big Three plays has decreased by 40 rigs or about 25% of the DB required cut - and the biggest step down came in this past week. In that same span, total US rig count has decreased by 167 rigs or about 33% of the DB required cut - again, with the best step down coming this past week. Not surprisingly, the necessary decline in less efficient rigs (both vertical rigs and rigs in marginal plays) is happening faster than for the core three plays, where rigs are most efficient.

Figure 8: US Drilling Rig Score Card Since November OPEC Meeting

Total Rigs Across All Basins	Directional	Horizontal	Vertical	Total
Rigs working as of OPEC Meeting	194	1,371	352	1,917
12/5/2014 WoW change	4	(3)	2	3
12/12/2014 WoW change	(2)	(1)	(24)	(27)
12/19/2014 WoW change	(1)	(11)	(6)	(18)
12/26/2014 WoW change	(14)	(6)	(15)	(35)
1/2/2015 WoW change	(6)	(14)	(9)	(29)
1/9/2015 WoW change	(14)	(35)	(12)	(61)
Rigs working as Week 1/9	161	1,301	288	1,750
Total Rig Decline since OPEC Meeting (11/27)	(33)	(70)	(64)	(167)
Total Rig Decline since Relative Oil Peak (6/20)	(67)	51	(92)	(108)
Horizontal Rig Decline in the Big 3 Plays	Eagle Ford	Permian	Bakken	Total
Rigs working as of OPEC Meeting	207	363	189	759
12/5/2014 WoW change	(3)	4	(3)	(2)
12/12/2014 WoW change	(2)	(7)	(1)	(10)
12/19/2014 WoW change	2	4	(7)	(1)
12/26/2014 WoW change	(2)	3	(2)	(1)
1/2/2015 WoW change	(5)	0	0	(5)
1/9/2015 WoW change	(3)	(10)	(8)	(21)
Rigs working as Week 1/9	194	357	168	719
Big 3 Rig Decline since OPEC Meeting (11/27)	(13)	(6)	(21)	(40)
Big 3 Rig Decline since Relative Oil Peak (6/20)	10	(34)	7	(17)

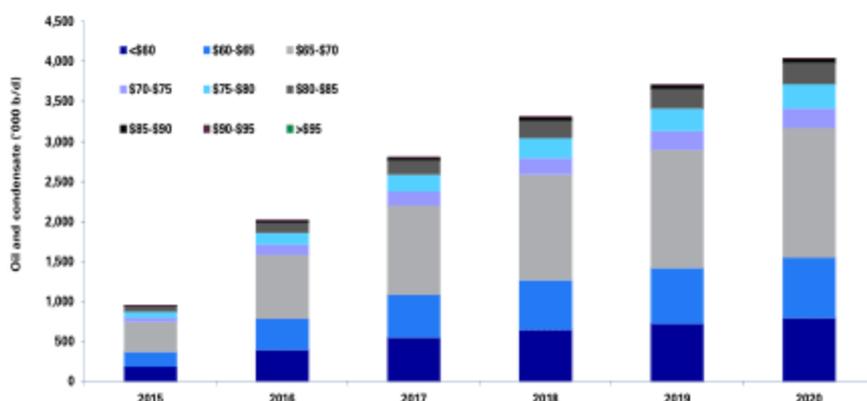
Source: Baker Hughes



Beyond these initially positive data points on lower rig count, there are upside supply risks in the form of high grading and drilling innovation. The natural gas playbook has shown us that producers across the board have proven to be innovative during price dislocations like the one we are currently experiencing. Over the past several years, the path of continued drilling improvement has been the norm for producers. While some plays are further along the innovation road (Bakken, Eagle Ford) than others, we believe the current environment will only incentivize producers to push for further process improvements; we should continue to see more production with less capital. That said, as producers narrow their focus and look to high grade to only the top plays (Permian), other relatively less attractive plays like the Bakken and Eagle Ford will see drilling dollars move out. One can see this above where Permian horizontal rig count has gone down by just 6 rigs since the OPEC meeting, and Bakken and Eagle Ford horizontal rig count has declined by 21 and 13 rigs, respectively. The offset to the high grading and efficiency points would be an inability to regain momentum. Producers have also done an excellent job maintaining momentum over the past several years by securing low cost capital, protecting cash flows with hedges and innovating operationally; prolonged, depressed oil prices will eliminate two of those levers for a time, limiting how and where E&Ps can allocate spending dollars most efficiently to generate an acceptable return.

Moving on to OPEC, when looking at the recent non-action with our energy hat on, it clearly shows OPEC, and really Saudi Arabia's, intention to maintain market share in the long term. It plainly had two decisions – either let higher cost, Non-OPEC oil growth continue to encroach and likely accelerate over time, or take a stand to undermine Non-OPEC supply now before it became a bigger threat. The OPEC decision does indeed make sense on a stand-alone basis, but there are a couple other “ancillary” benefits to OPEC/Saudi Arabia including inflicting pain directly on both Iran and Russia through lower export revenues. Pressuring Russia further benefits Saudi Arabia as Russia will be a weaker supporter of Iran, its most significant rival in the region. Given that Saudi Arabia has about twice the level of government assets Russia does (on an annual basis: government assets divided by budget deficit), it can afford to withstand a low-price oil environment for longer to protect its long-term market share.

Figure 9: US Onshore Oil Breakeven Economics



Source: Wood Mackenzie, DB Equity Research

Wood Mackenzie has done analysis to show the medium to long term breakeven economics of US unconventional crude supply (above). It clearly shows that a majority of US unconventional plays break even in the \$65-70/bbl



area. It is important to keep those levels in mind when considering OPEC's next move. In order to inflict maximum damage to base US production, oil prices need to stay below long term breakeven levels for a sustained period of time. On the flip side, US E&Ps will do what they can in the short term to sidestep a permanent momentum shift in their core plays. As we have seen, oil prices are slowly converging on this short-term, US unconventional "marginal" cost (\$15-30/bbl range, discussed later). Taking all this together, we do think OPEC is prepared to maintain current supply at this level to maintain share in the long term. If it stopped short of its intended goal of slowing US supply, why embark on this path in the first place?

Lastly we consider the possibility geopolitically-related and other production decreases or increases. Libya comes to mind first as recent unrest shutdown its El Sharara field, which was producing 270K b/d. This decreased November production down to 638K b/d from its previous peak of 883K b/d. As lower oil prices continue to pressure Venezuela and its stability, that will be another country to watch. Rounding out the areas of interest are West African deepwater projects and Russian Arctic projects – both of which are on the high-end of the breakeven cost spectrum. Beyond these specific areas to watch, we would point out Non-OPEC related growth does tend to underwhelm, and it would need to outperform on a larger scale in 2015 to offer any meaningful upside surprise large enough to affect oil prices. The last wild card we would point out here is China and its Strategic Petroleum Reserve (SPR). China's SPR purchases averaged ~500K b/d for most of 2014. Now, Chinese SPR-related imports are thought to have peaked in December as the country took advantage of depressed oil prices with upwards of 700K b/d in estimated purchases. Despite brisk Chinese demand last month, most expect this specific demand level to moderate moving forward as the country is apparently close to filling existing reserve capacity.

The combination of all of the previous five factors, seasonality in particular, is clearly reflected in investors current thinking on oil prices. DB recently surveyed equity investors with a majority of those surveyed (70%) of the belief that oil will bottom by the end of 1H 15. In particular, that same set of investors overwhelmingly believes that North American crude supply is the biggest driver of oil prices (50% ranked it the top factor). We would tend to agree more with the second observation and believe that the signs of slowing North American production are key to the recovery in oil prices after 1H 15 seasonality plays through; we believe improving oil price will require some positive oil supply data points (e.g. inventory draws coming in 2H 15, continued progress on decreasing horizontal rigs in the Big Three oil plays) to give that psychological boost needed to change oil market momentum, even if those positive data points don't immediately translate to lower observed supply growth. In the near term (1H 15), we would expect to see sub-\$50 oil persist as the market continues to be oversupplied by 1.4 million b/d. Also, to put current trading levels into perspective, WTI prices would need to fall to \$45 to surpass the 58% collapse in the oil price during the Jan 97/Dec 98 episode; it seems appropriate to compare recent price action to that episode since during the first half of this year global oil supply will be growing in excess of global oil demand by its largest margin since 1998. Specifically, we think this 97/98 case also speaks to the possibility of 2015 being a lost year, and thus, investors focus on 2016 as the next meaningful point in time for price recovery.

[Given we are approaching what could be the lows in oil, where we with HY E&P in the credit cycle now?](#)

While we have seen many episodes where oil prices have declined over 50%, none of those were prolonged enough to coincide with a restructuring of the entire E&P sector during a time when we had a fully developed and functioning HY market. For example, the 1986 episode did illustrate a



prolonged bear market in oil, but there is no reliable data for that period. What this table and particular analysis shows us is that we are at and beyond the average decline for an oil cycle, which is a 50% decline. That said, while finding the bottom for oil is important, the recovery story is equally important.

Figure 10: Cumulative cyclical peak default rates in HY and IRRs on energy bonds from current levels

	Year 1	Year 2	Year 3	Coupon	Price	To:	Year 1	Year 2	Year 3		
Cyclical Peak Cumulative Default Rates						Surviving Par					
BBB	0.5	1.1	1.8	5.5	106.0	BBB	100	100	99	99	
BB	1.7	6.6	10.1	6.0	95.8	BB	100	99	96	94	
B	5.7	18.2	25.1	7.4	81.9	B	100	97	91	87	
CCC	19.9	42.3	51.6	8.4	59.2	CCC	100	94	86	83	
All HY	5.7	16.7	22.9	6.8	85.5	HY	100	97	91	88	
Single-Bs/CCCs			32.4								
						Coupon					
BBB							5.5	5.5	5.4		
BB							5.9	5.8	5.7		
B							7.3	6.9	6.6		
CCC							8.1	7.6	7.1		
HY							6.7	6.4	6.1		
						Percent Downgraded					
BBB							20	10	5		
BB							25	13	6		
B							--	--	--		
CCC							--	--	--		
						Dollar Prices, Adjusted for Downgrades					
BBB							106	102	101	100	
BB							96	89	87	86	
B							82	82	82	82	
CCC							59	59	59	59	
HY							86	82	81	81	
						Market Value (Credit Loss + Coupon + Downgrades)				IRR	
BBB							106	107	106	105	-1.2
BB							96	94	90	87	-9.4
B							82	87	81	78	-4.8
CCC							59	64	59	56	-4.7
HY							86	87	82	79	-7.3

Source: Deutsche Bank Credit Strategy

While we don't have a specific example of an energy sector restructuring, our counterparts in credit strategy have done work on cumulative cycle peak default rates in the overall HY sector. In Figure 10, they show average cumulative default rates in HY over the last three credit cycles (measured in 1989-1991, 2000-2002, and 2008-2010 by Moody's issuer-weighted rates). According to this data, we are looking at an average cumulative default rate of 22.9% for the whole HY spectrum and 51.6% for CCCs only. Looking at the bottom section, titled Market Value, \$59 invested in an average CCC energy bond today should return \$56 at the end of year 3 yielding a -4.7% IRR. Percent changes on the right are calculated between these two values, non-annualized. So how do we interpret these numbers? The good news here is that using a relatively negative set of assumptions – cyclical peak default and downgrade rates (based on broad market historical stats) and unchanged dollar prices on the exit from year three – are resulting in only single-digit negative returns from here, implying that to a good extent, the bad news has been priced in. An important bullish assumption that we are purposefully not including here – that a surviving CCC could be worth more than \$59 at the end



of year 3 – could single-handedly result in positive IRRs. Consider: only three months after the end previous two credit cycles in 2002 and 2009, an average CCC jumped in price from low 50-ies to low 70-ies (measured in June 2003 and June 2009). If we were to plug in a \$70 year 3 price assumption for surviving CCCs in Figure 10, non-annualized IRR jumps to +10%. For a more detailed explanation of assumptions to reach these conclusions, please see DB's US Credit Strategy: What is Priced in Energy Bonds Here? (December 18, 2014).

Despite a dearth of examples around a crisis in HY energy, or more specifically the E&P sub-sector, we do have some examples of where other distressed HY sectors traded at crisis levels (right). If these restructured sectors hold any weight, it seems by this metric, we still have downside on a spread-basis before we reach the bottom for HY E&P bonds. Despite somewhat conflicting answers from the above two analyses, we think the takeaway for HY credit is that we are getting there but not be at the optimal entry point for bonds. Further, investors need to consider time horizons as they relate to various investing strategies and whether or not funds are locked-in. Lastly, with a significant level of default (blended rate of 30% for B/CCC), there will be clear winners and losers, outcomes will be very binary outside of buying a diversified basket of lower-quality HY E&P credits.

Figure 11: Widest Levels of Each Crisis

		BBs	Bs	CCCs	
Real Estate	12/31/2008	1,573	2,006	4,702	
Media	11/30/2008	1,128	2,029	3,508	
Autos	12/31/2008	1,546	2,036	2,473	
Telecoms	07/31/2002	1,398	1,014	3,966	
Gaming	11/30/2008	1,895	1,870	2,485	
Average		1,508	1,791	3,427	
Energy	01/08/2015	465	960	1,896	
		% of other crisis levels	30.9%	53.6%	55.3%

Source: Deutsche Bank

What can we expect in terms default rates and recovery should there be a full-scale restructuring of energy names?

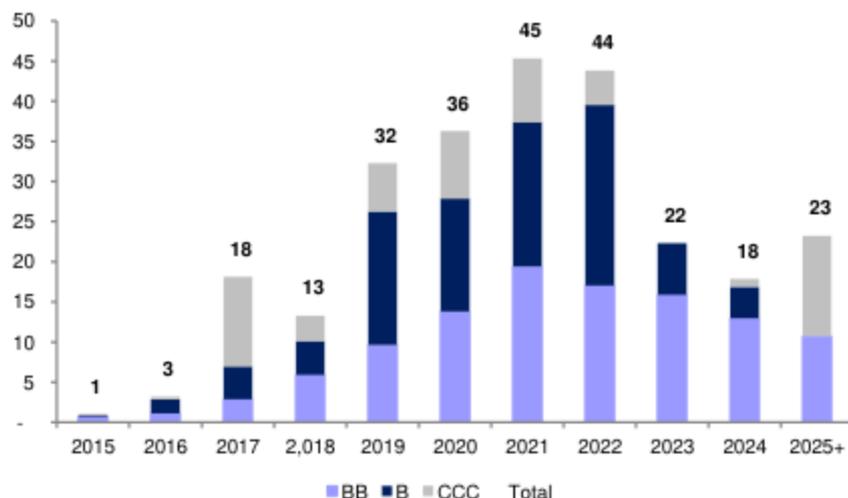
As we have not seen a full scale restructuring of the sector is hard to pinpoint exact figures here. Moodys reported that during the last two credit cycles for E&Ps (1998-1999, 2001-2002), a majority of unsecured creditors received a range of 35-50% recoveries with an average recovery of 40%. This is better than the average industrial recovery of 29%. Fitch has reported similar numbers. From 2000-2013, the average recovery rate for energy was 45%; compared to a 37% for the total market. However, the spread on recoveries in any given year was relatively wide with a low of 8% in 2001 and a high of 76% in 2011 looking at the Fitch data. Important to note that per Fitch, the comparative default rates for energy have been relatively mild at 2.0% from 1980-2012, this compares to a 4.6% default rate for the overall market during the same period.

What other major catalysts need to play out to trigger defaults for HY E&Ps?

As we look at maturities due in HY energy over the next couple of years (Figure 12), it is clear that most energy companies including E&Ps have termed out debt. This is not surprising given the historically low rates issuers have achieved in the HY market over the last several years. One can see that there is a little less than \$4 billion in overall energy HY bonds coming due in the next two years. In Figure 13, we lay out the specific energy bonds that are coming due in 2015 and 2016. After those years, we see a relatively larger maturity wall of \$18 billion in 2017.



Figure 12: North American HY Energy Debt Maturities Ex-Coal



Source: Deutsche Bank, Bloomberg Finance LP

Figure 13: Specific 2015/2016 Debt Maturities

Issuer	Ticker	Maturity	Notional	Currency	Country	Energy Sub-Sector	Moody's	S&P	ISIN
Vermillion Energy	VETCN	2016-02-10	\$199	CAD	CA	Oil Comp-Explor&Prodn	NR	BB-	CA923725AA31
Black Elk Energy	BLELK	2015-12-01	\$139	USD	US	Oil Comp-Explor&Prodn	NR	B-	US09203YAC57
Boardwalk Pipelines LP	BWP	2016-11-15	\$250	USD	US	Pipelines/Energy Storage	Baa3	BB+	US096630AA61
Chesapeake Energy	CHK	2016-03-15	\$500	USD	US	Nat Gas Exploration	Ba1	BB+	US165167CJ49
QEP Resources	QEP	2016-09-01	\$177	USD	US	Nat Gas Exploration	Ba1	BB+	US74836JAD54
Quicksilver Resources	KWK	2016-04-01	\$350	USD	US	Nat Gas Exploration	Ca	C	US74837RAC88
RAAM Global Energy	RAMGEN	2015-10-01	\$243	USD	US	Oil Comp-Explor&Prodn	Caa3	CCC+	US74920AAC36
Rockies Express Pipeline	ROCKIE	2015-04-15	\$450	USD	US	Pipelines/Energy Storage	Ba2	BB	US77340RAH03
Sabine Pass LNG LP	CQP	2016-11-30	\$1,482	USD	US	Pipelines/Energy Storage	B1	BB+	US785583AF20
			\$3,790						

Source: Deutsche Bank, Company Data

We really see further default triggers coming down to borrowing base redeterminations. While ostensibly there is not a significant amount of debt coming due in the next two years, what simply looking at the maturity schedule misses is the way HY issuers have traditionally used their reserve based lending facilities ("RBLs"). In a nut shell, E&Ps, especially those with lower credit ratings, use these facilities as a way to fund near term drilling plans with intention of terming out these draw downs with HY bonds. Looking at Figure 14, many E&P currently have 50% or more availability on their revolvers. Looking forward two years in different oil price scenarios (\$50/\$60/\$70 oil & \$3.75 nat gas) and assuming some increases in borrowing bases as E&Ps increase PV-10, then about 15-35% of high yield E&P issuers in the broad universe we are screening have less than 50% RBL availability at FYE 16. Looking at a more conservative case, where the screened universe is afforded no borrowing base increases, then more like 20-50% of HY issuers have less than 50% RBL availability at FYE 16. Looking more closely at the figures, there are certain issuers that would actually have negative availability. In other words, they would need to raise more capital in addition to their current borrowing base as the scenario analysis shows these companies running out of cash. Further, there is a possibility that banks do in fact decrease the borrowing base of some of these E&P causing an even more draconian scenario.

Figure 14: HY E&P Liquidity Overview

Ticker	\$ millions Company Name	Caa1/CCC+	Borrowing		Resulting Availability	All Current Availability (2)	% Available as of 9/30/14 (2)	RBL (Overdrawn)/Available in 2 years as % of starting Availability Selective Borrowing Base Increases (3)			RBL (Overdrawn)/Available in 2 years as % of starting Availability Borrowing Base Unchanged (3)		
			Base	Commitment				\$70/\$3.75 at FYE 16	\$60/\$3.75 at FYE 16	\$50/\$3.75 at FYE 16	\$70/\$3.75 at FYE 16	\$60/\$3.75 at FYE 16	\$50/\$3.75 at FYE 16
AEPB	American Permian	Caa1/CCC+	\$650	\$1,000	\$650	\$550	85%	-5%	-21%	-36%	-54%	-77%	-100%
MPO	Midstates Petroleum	B-(Stable)/Caa1(Stable)	\$525	\$750	\$525	\$154	29%	38%	16%	-6%	-71%	-133%	-195%
SAIVST	Samson Investment	Caa1(Neg W)/CCC(Neg W)	\$1,000	\$2,250	\$1,000	\$431	43%	21%	10%	-1%	-70%	-95%	-119%
SEVGEN	Seven Generations	B3(Pos)/CCC+(Stable)	\$480	\$480	\$480	\$480	100%	35%	20%	5%	-36%	-66%	-97%
WPX	WPX Energy	Ba1(Stable)/BB+(Neg)	NA	\$1,500	\$1,500	\$614	41%	77%	37%	19%	70%	24%	2%
MHR	Magnum Hunter	B3(Stable)/CCC(Neg)	\$325	\$750	\$325	\$175	54%	43%	33%	24%	-49%	-73%	-99%
HIL	Hilcorp Energy	Ba3 /BB+	\$1,400	\$1,250	\$1,250	\$1,249	100%	63%	44%	26%	58%	38%	17%
SD	SandRidge Energy	B2(Stable)/B-(Stable)	\$1,200	\$900	\$900	\$746	83%	63%	46%	29%	42%	15%	-12%
ROSE	Rosetta Resources	B1(Stable)/BB-(Stable)	\$950	\$800	\$800	\$690	86%	94%	73%	53%	93%	69%	46%
XEC	Cimarex Energy	Ba1(Positive)/BB+(Positive)	\$2,500	\$1,000	\$1,000	\$998	100%	122%	89%	55%	124%	87%	51%
CXO	Concho Resources	Ba3(Pos)/BB+(Stable)	\$3,250	\$2,500	\$2,500	\$2,500	100%	71%	64%	57%	65%	57%	48%
SM	SM Energy	Ba2(Stable)/BB(Pos)	\$2,400	\$1,500	\$1,500	\$1,499	100%	84%	71%	58%	73%	50%	27%
RRC	Range Resources	Ba2(Pos)/BB+(Stable)	\$3,000	\$2,000	\$2,000	\$1,247	62%	86%	73%	60%	83%	67%	52%
PVA	Penn Virginia	Caa1(Stable)/B-(Stable)	\$438	\$450	\$438	\$498	114%	81%	72%	64%	75%	63%	52%
XCO	EXCO Resources	B3(Stable)/CCC+(Stable)	\$900	NA	\$900	\$789	88%	71%	68%	64%	66%	62%	58%
BCEI	Bonanza Creek Energy	B3(Stable)/B-(Stable)	\$450	\$400	\$400	\$426	107%	109%	88%	65%	111%	85%	57%
AR	Antero Resources	B1(stable)/BB (stable)	\$4,000	\$3,000	\$3,000	\$2,506	84%	85%	76%	68%	79%	67%	55%
TPLM	Triangle Petroleum	Caa1/CCC+	\$415	\$500	\$415	\$430	104%	79%	76%	73%	60%	54%	49%
PE	Parsely	Caa1/CCC+(Stable)	\$328	\$750	\$328	\$327	100%	109%	97%	77%	111%	96%	72%
TLW	Tullow Oil	B2/B+	NA	\$4,750	\$4,750	\$2,300	48%	92%	85%	78%	92%	85%	78%
FANG	Diamondback Energy	B3(Pos)/B-(Pos)	\$350	\$600	\$350	\$320	91%	127%	103%	80%	145%	106%	66%
LTSCN	Lightstream Resources	Caa2(Neg)/CCC+(Neg)	NA	\$1,150	\$1,150	\$606	53%	121%	103%	85%	121%	103%	85%
OAS	Oasis Petroleum	B2(Stable)/B+(Stable)	\$2,000	\$1,500	\$1,500	\$1,145	76%	112%	101%	90%	114%	102%	89%
DNR	Denbury Resources	B1(Stable)/BB (Stable)	\$1,600	\$1,600	\$1,600	\$1,178	74%	142%	120%	93%	142%	120%	93%
EPE	EP Energy	B2/B	\$2,500	\$2,500	\$2,500	\$1,849	74%	99%	97%	95%	99%	95%	92%
HK	Halcon Resources	Caa1(Stable)/CCC+(Stable)	\$1,050	\$1,500	\$1,050	\$704	67%	108%	102%	97%	113%	104%	95%
NFX	Newfield Exploration	Ba1(Stable)/BBB-(Stable)	NA	\$1,400	\$1,400	\$1,377	98%	126%	127%	99%	126%	127%	99%
SN	Sanchez Energy	B3(Pos)/B-(Pos)	\$650	\$300	\$300	\$300	100%	169%	147%	126%	238%	195%	151%
QEP	QEP Resources	Ba1(Stable)/BB+(Stable)	NA	\$1,800	\$1,800	\$1,796	100%	161%	146%	131%	161%	146%	131%
CHK	Chesapeake Energy	Ba1 (Positive)/BB+ (Positive)	\$4,000	\$4,000	\$4,000	\$3,937	98%	188%	162%	137%	188%	162%	137%

Source: Deutsche Bank

(1) Arranged in order of least liquidity in the \$50/\$3.75 case where there is no increase in the borrowing base through 2016. (2) Includes availability across RBLs and any additional facilities in aggregate. Additional facilities can lead to greater than 100% availability at 9/30 period. (3) An increase in % available means FCF was generated during the 2-year period. A decrease means FCF was used during the 2-year period.





In the past what has caused the banks to decrease RBLs for HY issuers?

Overall, since the mid-1990s (start of reliable data), lenders have seen par recovery on RBL facilities in all distressed and bankruptcy situations according to S&P. There are two main reasons why this is the case. First, reserve engineers at the major lending banks use a lower price deck than the actual commodity strip price as a base case. And beyond that, the banks run a further sensitivity (aka downside case) that they generally rely on to give them confidence during commodity market dislocations like this one. The second reason banks haven't taken losses on these RBLs is that internal reserve engineers also take an additional discount to the already discounted (9-10%) expected cash flows coming from an E&P's proved reserves. Generally, Proved Developed Producing reserves are discounted at 25%; Proved Developed Non-Producing are discounted at 50%; Proved Undeveloped (PUDs) are discounted at 75%. This is in addition to subtracting out the expected cash flow for the next 6 months of planned production out of the RBL borrowing base. This borrowing base calculation does however give producers the benefit of hedges.

Given a lack of material losses in the types of products banks are generally reluctant to materially reduce the RBLs of E&P especially during dislocations like the one we are seeing in oil right now. The general philosophy of the lending banks has been to be more conservative in both directions. When commodities (oil, nat gas) are rallying, banks are slow to move the price deck up; however, the same is true on the way down, which benefits E&Ps in today's bear oil market. That said, borrowing bases were reduced in 08/09, although these reductions were very minor compared to the over 70% decline in oil prices. There have been situations where the banks will reduce borrowing bases more meaningfully. This can happen when an E&P with an already weak financial profile enters a bear commodity market, or an E&P experiences a sudden change in its reserves or production profile (dramatic and unexpected cost increase, reserve write downs, unexpected decline in current production).

Can E&Ps raise more money in the HY market today?

If necessary BB-rated E&Ps can come to market to issue given average spreads in the 450-470 bps range; looking at our previous liquidity overview, one can see that most of these E&P are in good shape and don't need to issue. Moving down the credit spectrum, lower-rated single-B and triple-C companies are the ones more likely to need the capital. Given that the spreads for energy single-B and triple-C companies are currently 950-970bps and 1,880-1,900bps, respectively, we don't see more traditional unsecured HY deals as feasible today. This highlights the cost of capital problem that lower rated E&P companies now face – these are the real “have nots” in our minds.

With traditional HY avenues not open to them we believe two trends will emerge. First, we will see more bilateral deals between E&Ps and providers of capital (private equity, recently-launched energy funds, special situations funds). We have already seen one recent example of this between Linn Energy (LINE) and GSO/ Blackstone (BX). LINE now has a five-year \$500 million agreement whereby GSO will earn up to a 15% RoR on wells drilled by LINE in exchange for providing 100% of the upfront drilling costs. EXCO Resources (XCO) led the way on transactions like this; it struck a similar agreement with KKR & Co (KKR) in July 2013 in the Eagle Ford. Rightly so, we believe investors would rather invest in a company and make survival a self-fulfilling prophecy rather than try to build sizable positions through the secondary market where ownership brings no incremental certainty around survival. The second trend will be second lien deals. E&P bond indentures are written with relatively open language around the way credit facilities are defined and the

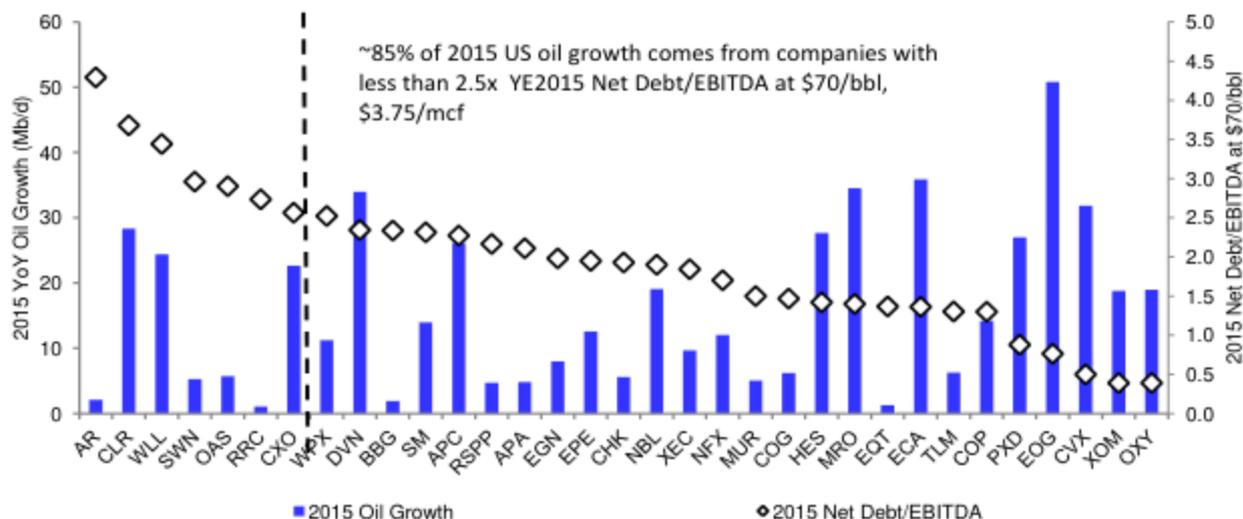


around liens incurred under debt incurrence tests. We have not seen anything on this front yet, but it's only a matter of time especially with RBLs more likely to shrink in size. This is a clear negative for unsecured debt due to layering. The longer the bear oil market lasts, the more likely second lien deals will come.

Will defaults help us move the overall market closer to equilibrium?

Unfortunately, we believe many HY E&P companies, particularly single-B and triple-C credits, will be collateral damage rather than contributing meaningfully towards balancing global crude markets. Our equity counterparts have stress tested 2015 US supply growth; the results show that nearly 85% of crude supply growth remains manageable as those producers will remain under 2.5x net debt to EBITDA at FYE 2015 at \$70/bbl WTI and \$3.75/mcf gas (below). While we are well below that crude price now, it is important to note that about 50% of the 2015 US crude volumes are hedged. This ratio will decline in 2016, but the bottom line is that the larger, more highly-rated producers need to slow production in order to start to see changes to global balances – not the smaller HY players.

Figure 15: Funding constraints will eventually have a material impact on supply growth, but nearly 85% of crude supply growth remains manageable at \$70/bbl crude through the end of 2015



Source: Deutsche Bank, Company data

What is the market currently pricing in for HY energy bonds? Given this, when should investors look to take positions in HY energy bonds?

The preceding indicates that where HY and energy are concerned, we are in uncharted territory. As we mentioned before, there is no good set of energy-specific data to get an idea of an exact entry point for investors. Despite signals of being close to the bottom, there is little clarity on whether this is a “U” or “L” shaped commodity (and there HY bond) recovery, which will make a significant difference in how investors with different strategies and timelines look to enter trades. Even if we had seen a significant set of restructurings in HY before, there can be vastly different triggers for those restructurings. Most likely, we see (i) weak balance sheets upon entry into the crisis, (ii) reduced liquidity, and (iii) concentrations in relatively higher cost plays as being the biggest driver of defaults in B/CCC credits –which we believe will be a more clear signal of the eventual entry point.



[Then, who is best positioned to withstand this downturn should it be a three-year cycle?](#)

In the HY credit markets, liquidity will be a top driver of performance combined with assets in the best marginal costs plays. This will be further enhanced by better clarity of through cycle leverage. Companies starting off with reasonable leverage, moderate FCF burn, and good hedging are already ahead of the game. In addition, companies that recently termed out RBLs and are working with a high % of current availability will also be well positioned. Lastly, E&Ps that were able to execute on asset sales at pre-crisis valuations are also positioned well where liquidity is concerned. Some HY companies trying to see assets will see those plans put on hold, while others who recently bought will now look like they overpaid.

[If we want to invest in HY E&P today, how do we sift through the more fragment E&P credits to identify outliers?](#)

To answer this question, we developed a screen to apply across a universe of approximately 30 high yield credits – some of which we have a rating on (ie covered companies) and some of which we do not. In order to include non-covered companies in this analysis, we have used Bloomberg consensus estimates to develop sensitivity analysis. Please see the following section called “E&P Universe Screening Methodology” for the full details on our methodology for screening the HY E&P universe and creating sensitivity analysis across all 30 credits.



E&P Credit Screens and Analysis

E&P Credit & Operational Metric Screen

When looking at trying to help investors wade through the extremely fragmented E&P sector in US HY, we looked across six main credit and operational metrics including 2016 net leverage, current PV-10 to 2016 net debt, 2016 liquidity assuming a flat borrowing base, 2015 hedges, 2016 adjusted cash margin per unit, and 2016 production mix. We felt this range of metrics would give a wide and varied insight into the path that certain E&Ps might take over the medium term commodity cycle (three years). We first lay out all six of the metrics, which we have ranked into quartiles, and go through the results of the analysis. We then walk through each of the metrics and why they were chosen.

E&P Universe Screening Methodology

2015: For covered companies, in our analysis, we used our updated estimates. For non-covered companies, if 2015 guidance has been provided since Q3 14 earnings, we use that. Otherwise, we used the street consensus with adjustments to both capex and production based on credit rating. With that in mind, in 2015, we assume all BB-rated credits follow the consensus estimates as given; street consensus for BBs is generally +/- 10% YoY capex growth with corresponding production growth rates in the 20-30% YoY area. For B-rated credits, we assume a decrease in capex of 25% YoY with a 5 percentage point decline in the corresponding expected consensus production growth. For CCC-rated credits, we again assume a decrease in capex of 25% YoY but this time with a 15 percentage point decline in the corresponding expected consensus production growth. The difference in the production declines in B vs CCC reflects trends we have seen between the two groups so far from companies that had provided actual 2015 guidance. If bonds are split rated, we assume the lower rating of the two ratings. For example, Midstates Petroleum (MPO) bonds are rated Caa1/B-; we therefore applied our assumption for a CCC credit.

2016: For covered companies, in our analysis, we used our newly initiated 2016 estimates. For non-covered companies, we use a similar methodology to what we did in 2015. We assume all BB-rated credits follow the consensus estimates as given. For B-rated credits, we assume a decrease in capex of 50% YoY with no production growth (ie so-called maintenance capex). For CCC-rated credits, we assume a decrease in capex of 35% YoY with no production growth (ie again maintenance capex). The difference in the expected capex declines needed to reach flat production growth YoY in 2016 favors B-rated assets that are assumed to have a relatively better asset base than CCC-rated companies, and would therefore need less capital to simply maintain production.



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.

Figure 16: E&P Credit & Operational Metrics Screen: Results and Ranking Snapshot

	'16 Net Leverage	'16 PV-10 to Net Debt	'16 Liquidity flat BB 50/3.75	'15 Hedging	'16 Adj. Cash Margin	'16 Mix	Top to Bottom Overall Ranking
Top Quartile	QEP FANG XEC AR NFX HIL PE CXO	DNR QEP HIL XEC FANG NFX RRC OAS	DNR LTSCN NFX QEP OAS TLW CHK EPE	EPE DNR NFX HK PVA HIL XCO MPO	TLW TPLM FANG CXO PE EPE BCEI PVA	DNR HK OAS TPLM FANG TLW AEPB PE	NFX EPE HIL DNR TLW PE CXO PVA FANG
Bottom Quartile	LTSCN HK MPO XCO SD SAIVST AEPB MHR	AEPB TPLM HK XCO SAIVST SEVGEN MHR	HIL WPX SD SEVGEN MHR SAIVST AEPB MPO	SM AEPB SEVGEN CHK QEP MHR LTSCN XEC	SEVGEN CHK LTSCN SD MPO RRC XCO SAIVST MHR	QEP WPX RRC CHK SAIVST MHR AR XCO	SD LTSCN MPO SAIVST SEVGEN AEPB MHR
Methodology Comments	Through cycle leverage is key for credit investors. Of particular importance: where each credit started the cycle.	Given PV-10s use in RBL borrowing base decisions, another big data point for credit investors. The addition of the asset coverage aspect vs. debt adds another important dimension.	Given an expected ~30% default rate across B/CCC HY energy, liquidity gives us a reasonable measure of distance to default.	Hedges are short term in nature and most important in 2015. To the extent hedges preserve liquidity and operating momentum over the next year for E&Ps, they remain an important tool.	Locational differences in major plays drive realization per unit. Cost incorporates relative costs given play type, maturity of an overall portfolio (efficiency gains), corporate costs (G&A), & capital structure (interest burden).	Despite bear oil market, oil mix will drive higher per unit cash margin for oilier E&Ps.	Not surprising to see more highly rated companies in top quartile overall but companies like Parsley (PE) and Penn Virginia (PVA) with CCC ratings are more surprising.
Methodology Observations	Newer E&Ps in ramp mode clearly less favored than more mature E&Ps here.	Favors E&Ps with more mature assets and a higher % of PDP assets.	Positive for E&P companies that most recently termed out RBL balances ahead of the downturn or completed asset sales.	Top quartile is significantly more oily (65%) and defensive about protecting against oil downside. Bottom quartile is about ~55% gas where there was less to protect in the way of cash flows.	Our "adjusted" cash margin skews some otherwise basic insight re: lowest cost producers. Relative interest burden could be improved with possible restructurings. Note: no decreased service costs assumed.	E&Ps with long-dated and core natural gas reserves screen poorly here despite clear long term viability.	Bottom quartile with uniformly B/CCC rated companies is largely as expected in our minds.

Source: Deutsche Bank, company data, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SM, SEVGEN, SM, TPLM, TLW and WPX



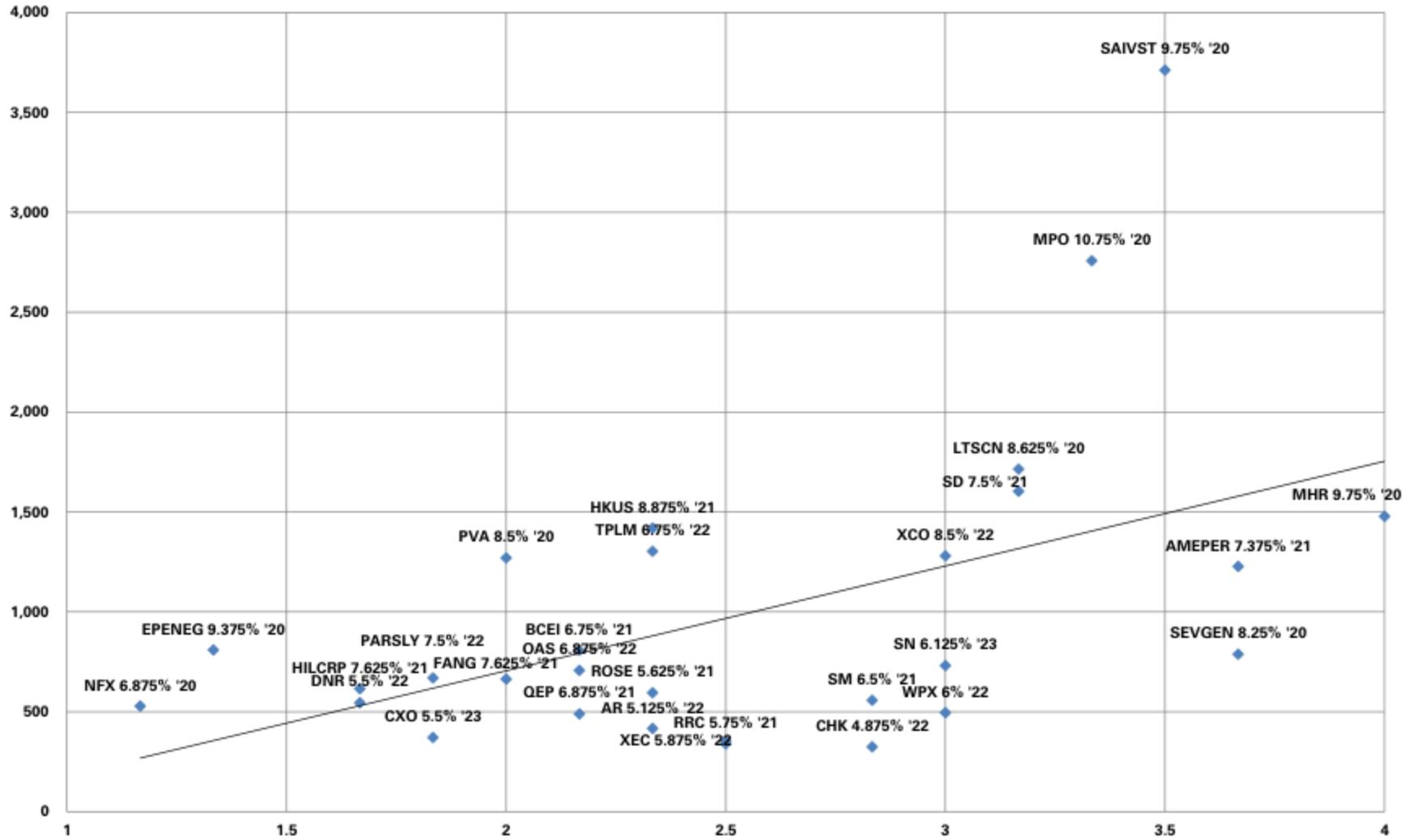


Figure 17: E&P Credit & Operational Metric Screen: Results and Ranking by Quartile

Company	Credit Rating	Ticker	'16 Net Leverage	'16 PV-10 to Net Debt	'16 Liquidity			'16 Adj. Cash Margin	'16 Mix	Top to Bottom Overall Ranking
					flat BB 50/3.75	'15 Hedging				
Newfield	Ba1(Stable)/BBB-(Stable)	NFX	1	1	1	1	2	1	1.17	
EP Energy	B2/B	EPE	2	2	1	1	1	1	1.33	
Hilcorp Energy	Ba3 /BB+	HIL	1	1	4	1	2	1	1.67	
Denbury Resources	B1(Stable) /BB (Stable)	DNR	3	1	1	1	2	2	1.67	
Tullow Oil	B2/B+	TLW	3	NA	1	2	1	2	1.80	
Parsley Energy	Caa1/CCC+(Stable)	PE	1	3	2	3	1	1	1.83	
Concho Resources	Ba3(Pos)/BB+(Stable)	CXO	1	2	2	3	1	2	1.83	
Penn Virginia	Caa1(Stable)/B-(Stable)	PVA	2	3	3	1	1	2	2.00	
Diamond Back Energy	B3(Pos)/B-(Pos)	FANG	1	1	3	3	1	3	2.00	
Bonanza Creek	B3(Stable)/B-(Stable)	BCEI	2	3	2	3	1	2	2.17	
QEP Resources	Ba1(Stable)/BB+(Stable)	QEP	1	1	1	4	3	3	2.17	
Oasis Petroleum	B2(Stable)/B+(Stable)	OAS	3	1	1	2	2	4	2.17	
Traingle Petroleum	Caa1/CCC+	TPLM	3	4	3	2	1	1	2.33	
Halcon Resources	Caa1(Stable)/CCC+(Stable)	HK	4	4	2	1	2	1	2.33	
Antero Resources	B1(stable)/BB (stable)	AR	1	3	3	3	3	1	2.33	
Rosetta Resources	B1(Stable)/BB-(Stable)	ROSE	3	2	2	2	3	2	2.33	
Cimarex Energy	Ba1(Positive)/BB+(Positive)	XEC	1	1	3	4	2	4	2.50	
Range Resources	Ba2(Pos)/BB+(Stable)	RRC	2	1	2	3	4	3	2.50	
Chesapeake Energy	Ba1 (Positive)/BB+ (Positive)	CHK	2	2	1	4	4	4	2.83	
SM Energy	Ba2(Stable)/BB(Pos)	SM	2	2	3	4	3	3	2.83	
Exco Resources Inc.	B3(Stable)/CCC+(Stable)	XCO	4	4	2	1	4	3	3.00	
Sanchez Energy	B3(Pos)/B-(Pos)	SN	3	3	3	2	3	4	3.00	
WPX Energy	Ba1(Stable)/BB+(Neg)	WPX	3	2	4	2	3	4	3.00	
SandRidge Energy	B2(Stable)/B-(Stable)	SD	4	3	4	2	4	2	3.17	
Lightstream Resources	Caa2(Neg)/CCC+(Neg)	LTSCN	4	2	1	4	4	4	3.17	
Midstates Petroleum	B-(Stable)/Caa1(Stable)	MPO	4	3	4	1	4	4	3.33	
Samson Resources	Caa1(Neg W)/CCC(Neg W)	SAIVST	4	4	4	3	4	2	3.50	
Seven Generations	B3(Pos)/CCC+(Stable)	SEVGEN	2	4	4	4	4	4	3.67	
American Permian	Caa1/CCC+	AEPB	4	4	4	4	2	4	3.67	
Magnum Hunter	B3(Stable)/CCC(Neg)	MHR	4	4	4	4	4	4	4.00	

Source: Deutsche Bank, company data, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only:
AMEPE,AR,BCEI,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX

Figure 18: E&P Bond STW Versus Operational Screen Quartile Ranking



Source: Deutsche Bank, company data, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX

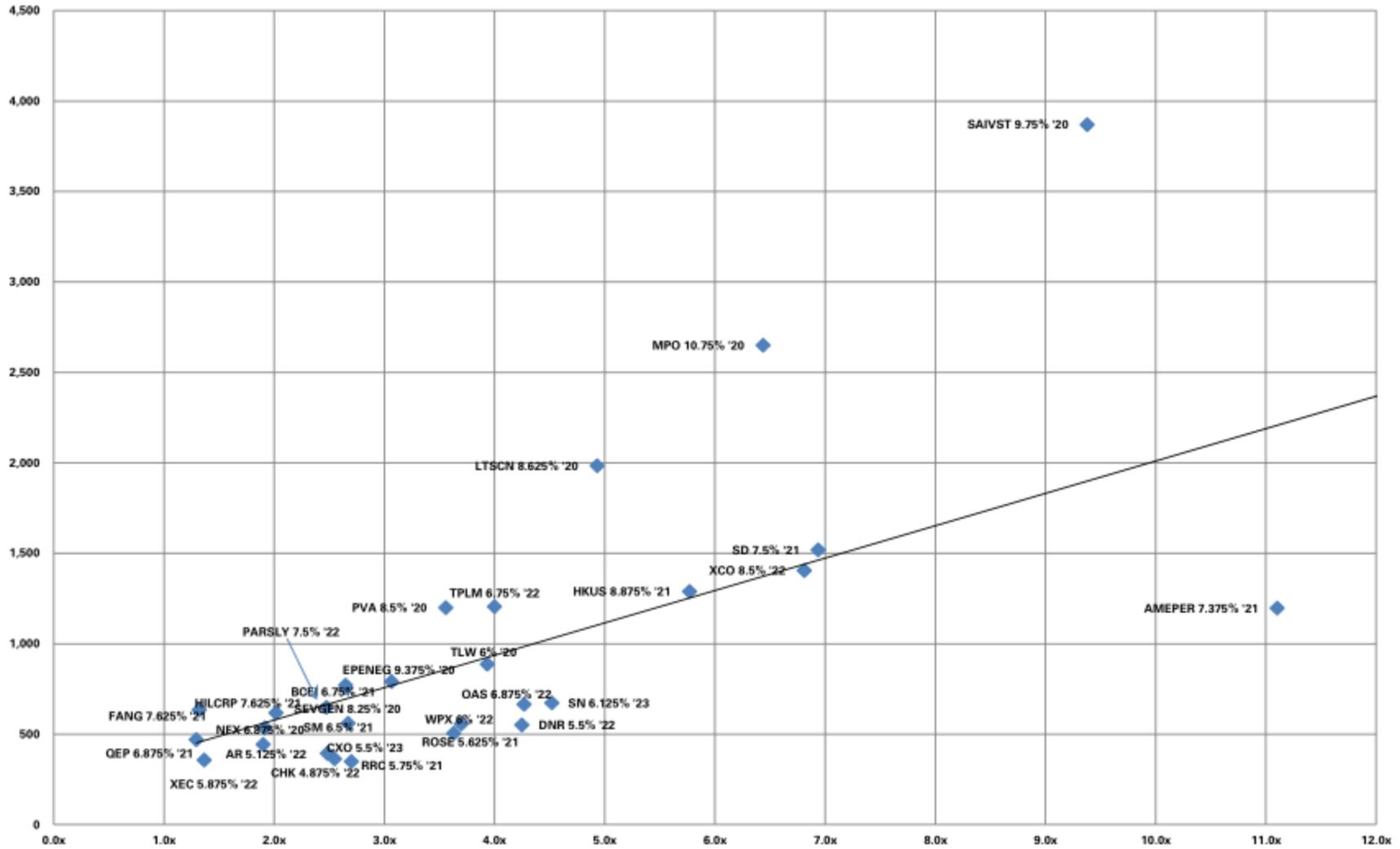




Leverage Screen

We chose 2016 net leverage to give investors an idea of possible through cycle leverage. This is a key data point for credit investors looking at the type of analysis discussed earlier where the default cycle takes three years to play out. The trajectory of leverage over time will be important for possible entry into a credit either before or after a credit event. Looking at the top quartile names, two stick out as being CCC rated - Parsley Energy (PE) and Diamondback Energy (FANG). These two credits have core positions in the Permian, which is presently the lowest cost play in US. This fact comes through in the leverage the longer term leverage numbers of those two producers besides aside from relatively low credit ratings. Looking across the entire top quartile, 50% of the eight E&Ps in that bucket are concentrated in the Permian (PE, FANG, XEC, CXO). Now, looking at the bottom quartile it is important to note where each credit started the cycle; seven out of eight of these companies started the cycle with 3x or greater net leverage, which is relatively high for an E&P. Drilling down further we have a combination of relatively newer E&P companies that were looking to grow into current cap structures post-ramp (AEPB, HKUS, MHR) and more mature companies that had become over-levered and were actively pursuing delivering (XCO, SAIVST, SD).

Figure 19: E&P Bond STW Versus 2016E Net Leverage



Source: Deutsche Bank, company data, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX



Figure 20: Commodity Sensitivity Analysis - \$70/\$60/\$50 Oil - \$ millions

	Rating	EBITDA Forecasts						Current Leverage	Leverage Forecasts						FCF Forecasts						
		FY 15			FY 16				FY 15			FY 16			FY 15			FY 16			
		\$50/3.75	\$60/3.75	\$70/3.75	\$50/3.75	\$60/3.75	\$70/3.75		\$50/3.75	\$60/3.75	\$70/3.75	\$50/3.75	\$60/3.75	\$70/3.75	\$50/3.75	\$60/3.75	\$70/3.75	\$50/3.75	\$60/3.75	\$70/3.75	
BB-Rated																					
CHK	Chesapeake Energy	Ba1/BB+	3,874	4,278	4,683	3,440	4,060	4,679	1.5x	2.5x	2.2x	1.9x	3.2x	2.6x	2.1x	(1,602)	(1,219)	(837)	(1,972)	(1,343)	(714)
XEC	Cimarex Energy	Ba1/BB+	939	1,143	1,347	1,036	1,261	1,485	0.6x	1.8x	1.4x	1.0x	1.8x	1.3x	1.0x	(526)	(377)	(229)	(531)	(312)	(93)
CXO	Concho Resources	Ba3/BB+	1,723	1,836	1,948	1,681	1,886	2,090	1.7x	2.4x	2.2x	2.1x	3.1x	2.6x	2.3x	(447)	(378)	(309)	(946)	(807)	(667)
HILCRP	Hilcorp Energy	Ba3/BB+	1,023	1,135	1,246	948	1,118	1,288	0.9x	2.1x	1.8x	1.6x	2.6x	2.2x	1.7x	(974)	(872)	(771)	(403)	(244)	(85)
NFX	Newfield Exploration	Ba1/BBB-	1,107	1,286	1,466	1,063	1,290	1,517	2.0x	2.3x	1.9x	1.6x	2.9x	2.1x	1.5x	122	280	437	(527)	(302)	(78)
QEP	QEP Resources	Ba1/BB+	1,140	1,246	1,351	905	1,112	1,320	0.9x	1.2x	1.0x	0.9x	2.1x	1.4x	1.0x	(319)	(233)	(147)	(529)	(348)	(166)
RRC	Range Resources	Ba2/BB+	1,088	1,165	1,241	1,075	1,205	1,335	2.7x	3.1x	2.9x	2.6x	3.4x	2.9x	2.4x	(306)	(237)	(169)	(291)	(169)	(47)
SM	SM Energy	Ba2/BB	1,173	1,318	1,463	801	1,038	1,274	1.2x	2.4x	2.1x	1.8x	4.3x	3.0x	2.2x	(685)	(563)	(441)	(600)	(381)	(163)
WPX	WPX Energy	Ba1/BB+	891	955	1,019	556	714	873	1.8x	1.7x	1.5x	1.4x	4.4x	3.1x	2.3x	(615)	(553)	(492)	(911)	(768)	(626)
B/CCC-Split Rated																					
AMEPER	American Permian	Caa1/CCC+	291	346	402	193	263	333	NA	9.1x	7.5x	6.3x	17.4x	12.3x	9.3x	(474)	(419)	(364)	(674)	(604)	(534)
AR	Antero Resources	B1/BB	1,446	1,578	1,711	2,021	2,216	2,412	3.1x	2.1x	1.9x	1.7x	2.0x	1.9x	1.7x	(1,046)	(925)	(803)	(349)	(166)	17
BCEI	Bonanza Creek Energy	B3/B-	319	377	431	251	323	394	1.9x	3.2x	2.6x	2.2x	4.2x	2.9x	2.1x	(222)	(174)	(130)	(54)	16	86
DNR	Denbury Resources	B1/BB	856	997	1,090	435	661	872	2.7x	4.0x	3.4x	3.0x	8.3x	5.0x	3.5x	102	206	274	(198)	10	198
FANG	Diamondback Energy	B3/B-	286	352	417	269	339	408	1.4x	2.1x	1.5x	1.2x	1.9x	1.2x	0.7x	(140)	(82)	(23)	(10)	59	128
EPE	EP Energy	B2/B	1,600	1,613	1,626	1,368	1,426	1,484	3.0x	3.0x	2.9x	2.9x	3.3x	3.1x	3.0x	(362)	(345)	(328)	195	244	293
XCO	EXCO Resources	B3/CCC+	299	313	327	235	257	279	3.2x	5.6x	5.3x	5.0x	7.9x	7.1x	6.4x	(248)	(236)	(224)	(148)	(127)	(105)
FSTO	Forest Oil	Caa1/CCC	348	361	374	203	234	265	4.9x	7.3x	7.0x	6.7x	14.0x	11.9x	10.4x	(174)	(169)	(164)	(311)	(279)	(247)
HKUS	Halcon Resources	Caa1/CCC+	641	665	689	576	630	683	4.8x	5.8x	5.5x	5.3x	6.7x	6.0x	5.5x	20	35	50	(150)	(103)	(56)
LTSCN	Lightstream Resources	Caa2/B-	263	309	354	187	258	328	2.3x	5.9x	4.9x	4.1x	8.3x	5.8x	4.4x	(49)	(7)	35	(44)	24	92
MHR	Magnum Hunter	CCC	103	125	146	105	126	148	5.8x	14.1x	11.5x	9.6x	16.8x	13.6x	11.3x	(306)	(282)	(262)	(254)	(232)	(211)
MPO	Midstates Petroleum	Caa1/B-	289	334	379	241	297	354	3.6x	7.0x	5.9x	5.1x	9.1x	7.0x	5.7x	(302)	(261)	(220)	(180)	(125)	(71)
OAS	Oasis Petroleum	B2/B+	766	809	853	429	558	687	2.7x	3.6x	3.4x	3.2x	6.6x	4.8x	3.7x	(105)	(78)	(51)	(86)	29	143
PARSLY	Parseley	Caa1/CCC+	216	263	291	222	269	307	2.1x	3.3x	2.6x	2.3x	3.5x	2.6x	2.1x	(152)	(120)	(102)	(74)	(26)	6
PVA	Penn Virginia	Caa1/B-	682	697	712	344	399	455	2.8x	2.1x	2.0x	1.9x	4.6x	3.8x	3.2x	(201)	(189)	(176)	(161)	(117)	(74)
ROSE	Roseita Resources	B1/BB-	481	560	639	422	514	606	2.7x	4.6x	3.8x	3.2x	5.3x	4.0x	3.1x	(341)	(268)	(196)	(58)	32	123
SAIVST	Samson Investment	Caa1/CCC	445	496	544	396	462	529	6.0x	9.5x	8.4x	7.6x	12.0x	10.1x	8.6x	(403)	(362)	(322)	(543)	(479)	(416)
SN	Sanchez	B3/B-	387	447	507	272	347	422	1.6x	4.6x	3.9x	3.3x	6.9x	5.0x	3.8x	(376)	(319)	(262)	(66)	7	80
SD	SandRidge Energy	B2/B-	646	729	811	387	523	660	3.5x	5.5x	4.8x	4.2x	10.0x	7.2x	5.6x	(640)	(574)	(508)	(784)	(649)	(514)
VII	Seven Generations	B3/CCC+	463	504	545	506	617	728	NM	2.4x	2.1x	1.9x	4.2x	3.0x	2.3x	(1,123)	(1,084)	(1,046)	(908)	(800)	(691)
TPLM	Triangle Petroleum	Caa1/CCC+	214	225	237	200	217	235	2.5x	4.0x	3.8x	3.6x	4.6x	4.2x	3.8x	(202)	(192)	(182)	(70)	(57)	(45)
TLW	Tullos Oil ⁽¹⁾	B2/B+	1,193	1,273	1,354	877	1,014	1,151	1.6x	3.7x	3.4x	3.2x	5.0x	4.2x	3.6x	(802)	(748)	(694)	(105)	(3)	99

Source: Deutsche Bank, company data, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVEN, SM, TPLM, TLW and WPX

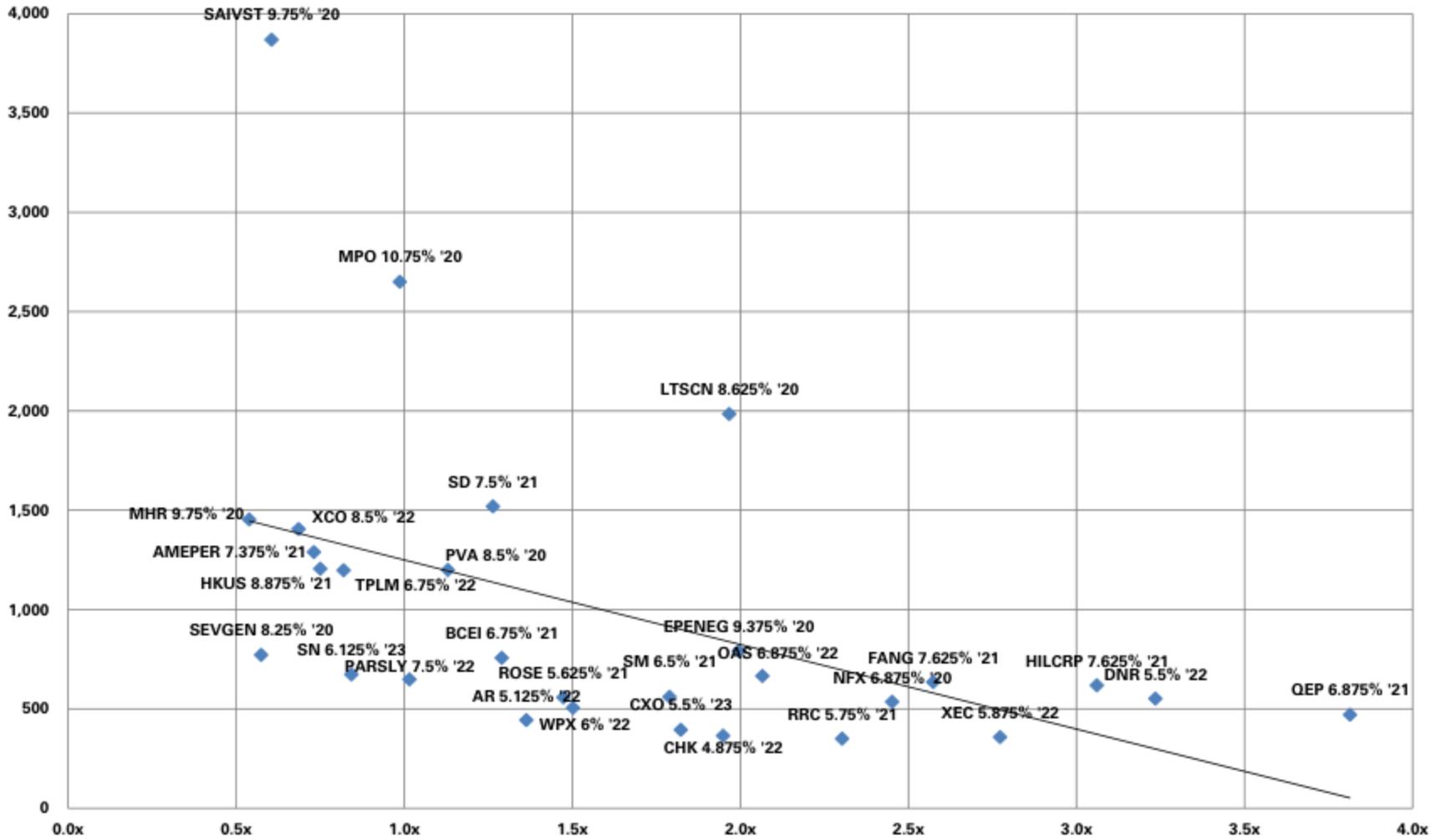




Current PV-10 to 2016 Debt Screen

Given that derivations of PV-10s are used by the banks to determine the ultimate level of commitment or borrowing base for E&Ps, measuring PV-10 is a relevant data point as it relates to credit investors. Taking it one step forward to compare PV-10 to debt essentially shows investors asset coverage on the current face value of expected debt in 2016. Overall, an analysis like this will favor E&Ps with more mature assets and a higher percentage of PDP assets (higher PV-10); the top quartile reserves average 59% PD while the bottom quartile are just 44% PD. Also, looking at the debt portion of this equation, in the bottom quartile, five out of the seven credits were also in the bottom quartile for our leverage screen illustrating the difficulty of attaining reasonable asset coverage with a levered balance sheet.

Figure 21: E&P Bond STW Versus Current PV-10 to 2016E Debt (Asset Coverage)



Source: Deutsche Bank, company data, Bloomberg Finance LP
 For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





Liquidity Screen

Given an expected ~30% default rate across B/CCC HY energy per DB's strategist, liquidity gives us a reasonable measure of distance to default. Looking at 2016, allows for a reasonable analysis of how credits would perform FCF-wise though roughly 2/3 of the cycle. This analysis clearly favors E&Ps that have recently termed out RBL balances ahead of the oil downturn or have cash on the balance sheet from recently completed asset sales. Looking at the top quartile, three out of seven top ranking E&Ps in the liquidity screen have recently completed asset sales, namely Chesapeake (CHK), Newfield (NFX) and QEP Resources (QEP). Interestingly, looking at the bottom quartile, there are several credits that have recently completed liquidity enhancing activities relatively recently like asset sales (SD, MHR, SAIVST), IPOs (SEVGEN) and capital raises (MHR). Despite this, these companies remain in the lower quartile on a liquidity-basis due to significant FCF burn over the next two years at current crude prices (\$50-60/bbl cases).

Figure 22: Liquidity and Borrowing Base Analysis at \$70 Oil & \$3.75 Natural Gas - \$ millions

Ticker	Company Name	Ratings	Current Borrowing Capacity			Financing Surplus/Shortfall over 2015/2016 Including Additions to Borrowing Base					Financing Surplus/Shortfall over 2015/2016 No Additions to Borrowing Base					
			Borrowing Base	Commitment	Avail.	All Current Availability (1)	Cash	Incremental BB Earned	FCF Sum 15/16	FYE 16 Net Liquidity	FYE 2016 Liquidity % Starting	Incremental BB as % of Total Liquidity	FYE 16 Net Liquidity ex-BB increase	FYE 2016 Liquidity % of Starting	Some BB increase	no BB increase
AEFB	American Permian	Caa1/CCC+	\$650	\$1,000	\$650	\$550	\$50	\$255	(\$898)	(\$43)	-5%					
SEVGEN	Seven Generations	B3(Pos)/CCC+(Stable)	\$480	\$480	\$480	\$480	\$1,065	\$520	(\$1,737)	\$348	17%	25%	(\$172)	-8%	35%	
SAVST	Samson Invest Company	Caa1(Neg Watch)/CCC(Neg Watch)	\$1,000	\$2,250	\$1,000	\$431	\$2	\$900	(\$738)	\$166	21%	54%	(\$304)	-33%	21%	
MHR	Magnum Hunter Res.	B3(Stable)/CCC(Neg)	\$325	\$750	\$325	\$175	\$232	\$280	(\$472)	\$104	29%	42%	(\$86)	-13%	43%	
WPX	WPX Energy	Ba1(Stable)/BB-(Neg)	NA	\$1,500	\$1,500	\$614	\$933	\$200	(\$1,237)	\$628	36%	11%	\$428	25%	77%	
MPO	Midstates Petroleum	B-(Stable)/Caa1(Stable)	\$525	\$750	\$525	\$154	\$26	\$275	(\$290)	\$165	36%	60%	(\$110)	-24%	38%	
SD	SandRidge Energy	B2(Stable)/B-(Stable)	\$1,200	\$900	\$900	\$746	\$580	\$425	(\$1,822)	\$739	42%	24%	\$314	18%	63%	
HL	Hilcorp Energy	Ba3/BB+	\$1,400	\$1,250	\$1,250	\$1,249	\$336	\$150	(\$856)	\$879	51%	5%	\$729	42%	63%	
KCO	KOCC Resources	B3(Stable)/CCC(Stable)	\$900	NA	\$900	\$789	\$63	\$127	(\$329)	\$660	67%	14%	\$523	53%	71%	
PVA	Penn Virginia	Caa1(Stable)/B-(Stable)	\$438	\$450	\$438	\$488	\$124	\$163	(\$250)	\$534	68%	21%	\$372	47%	81%	
CRO	Concho Resources	Ba3(Pos)/BB+(Stable)	\$3,250	\$2,500	\$2,500	\$2,500	\$99	\$900	(\$976)	\$2,123	69%	16%	\$1,623	52%	71%	
TPJM	Triangle Petroleum	Caa1/CCC+	\$415	\$500	\$415	\$430	\$55	\$385	(\$227)	\$642	74%	44%	\$257	37%	79%	
TLW	Tulow Oil	B2/B+	NA	\$4,750	\$4,750	\$2,300	\$413	\$0	(\$594)	\$2,217	78%	0%	\$2,117	78%	92%	
SM	SM Energy	Ba2(Stable)/BB(Pos)	\$2,400	\$1,500	\$1,500	\$1,499	\$385	\$1,300	(\$603)	\$2,101	78%	39%	\$1,091	39%	84%	
AR	Antero Resources	B1(Stable)/BB (Positive)	\$4,000	\$3,000	\$3,000	\$2,906	\$356	\$1,000	(\$784)	\$2,876	79%	27%	\$1,976	53%	85%	
REC	Ononah Energy	Ba3(Positive)/BB+(Positive)	\$2,500	\$1,000	\$1,000	\$998	\$564	\$100	(\$322)	\$1,339	81%	6%	\$1,239	75%	122%	
PE	Pursely Energy	Caa1/CCC(Stable)	\$328	\$750	\$328	\$327	\$33	\$73	(\$95)	\$437	82%	14%	\$365	69%	105%	
CHK	Chesapeake Energy	Ba1 (Positive)/BB+ (Positive)	\$4,000	\$4,000	\$4,000	\$3,937	\$5,022	\$0	(\$1,551)	\$7,408	83%	0%	\$7,408	83%	188%	
SN	Sanchar Energy	B3(Pos)/B-(Pos)	\$650	\$300	\$300	\$300	\$596	\$300	(\$182)	\$1,014	85%	25%	\$714	60%	160%	
RRC	Range Resources	Ba2(Pos)/BB+(Stable)	\$3,000	\$2,000	\$2,000	\$1,247	\$0	\$250	(\$234)	\$1,281	86%	17%	\$1,031	69%	86%	
ROSE	Rosetta Resources	B1(Stable)/BB (Stable)	\$850	\$800	\$800	\$690	\$24	\$100	(\$73)	\$741	91%	12%	\$641	79%	94%	
BCEI	Bonanza Creek Energy	B3(Stable)/B-(Stable)	\$450	\$400	\$400	\$426	\$95	\$100	(\$44)	\$575	93%	16%	\$475	77%	105%	
QEP	QEP Resources	Ba3(Stable)/BB+(Stable)	NA	\$1,800	\$1,796	\$1,796	\$1,403	\$0	(\$331)	\$2,885	90%	0%	\$2,885	90%	161%	
EPE	EP Energy	B2/B	\$2,500	\$2,500	\$2,500	\$1,849	\$17	\$1,000	(\$331)	\$2,831	99%	35%	\$1,831	64%	96%	
HK	Halcon Resources	Caa1(Stable)/CCC+(Stable)	\$1,050	\$1,500	\$1,050	\$704	\$95	\$450	(\$4)	\$1,243	100%	36%	\$793	63%	108%	
OAS	Oasis Petroleum	B2(Stable)/B+(Stable)	\$2,000	\$1,500	\$1,500	\$1,145	\$67	\$150	(\$93)	\$1,455	107%	11%	\$1,305	96%	112%	
FANG	Diamerback Energy	B3(Pos)/B-(Pos)	\$350	\$600	\$350	\$320	\$41	\$225	\$304	\$690	118%	38%	\$465	79%	127%	
LTSN	Lightstream Resources	Caa2(Neg)/CCC(Neg)	NA	\$1,150	\$1,150	\$606	\$0	\$0	\$127	\$732	121%	0%	\$732	121%	121%	
NTX	Newfield Exploration	Ba2(Stable)/BBB-(Stable)	NA	\$1,400	\$1,400	\$1,377	\$0	\$0	\$360	\$1,737	126%	0%	\$1,737	126%	126%	
DNR	Denbury Resources	B1(Stable)/BB (Stable)	\$1,600	\$1,600	\$1,600	\$1,178	\$19	\$0	\$473	\$1,670	139%	0%	\$1,670	139%	142%	

Source: Deutsche Bank, company data, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXO,FANG,EPE,LTSN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPJM,TLW and WPX

(1) Includes availability across RBLs and any additional facilities in aggregate.



Figure 23: Liquidity and Borrowing Base Analysis at \$60 Oil \$3.75 Natural Gas- \$ millions

Ticker	Company Name	Ratings	Current Borrowing Capacity			Financing Surplus/Shortfall over 2015/2016 Including Additions to Borrowing Base					Financing Surplus/Shortfall over 2015/2016 No Additions to Borrowing Base			
			Borrowing Base	Commitment	Avail.	All Current Availability (1)	Cash	Incremental BB Earned	FCF Burn 15/16	FYE 16 Net Liquidity	FYE 2016 Liquidity % Starting	Incremental BB as % of Total Liquidity	FYE 16 Net Liquidity ex- BB increase	FYE 2016 Liquidity % of Starting
AEFB	American Permian	Caa1/CCC+	\$650	\$1,000	\$650	\$550	\$50	\$255	(\$1,023)	(\$168)	-20%	30%	(\$423)	-49%
SEVGEN	Seven Generations	B3(Pos)/CCC+(Stable)	\$480	\$480	\$480	\$480	\$1,085	\$520	(\$1,884)	\$201	10%	25%	(\$319)	-15%
SANST	Samson Investment Comp	Caa1(Neg Watch)/CCC(Neg Watch)	\$1,000	\$2,250	\$1,000	\$431	\$2	\$500	(\$842)	\$92	10%	54%	(\$408)	-44%
MPO	Midstates Petroleum	B-(Stable)/Caa1(Stable)	\$525	\$750	\$525	\$154	\$26	\$275	(\$386)	\$69	15%	60%	(\$206)	-45%
MHR	Magnum Hunter Resources	B3(Stable)/CCC(Neg)	\$325	\$750	\$325	\$175	\$212	\$280	(\$514)	\$152	23%	42%	(\$128)	-19%
WPX	WPX Energy	Ba1(Stable)/BB+(Neg)	NA	\$1,500	\$1,500	\$931	\$614	\$200	(\$1,321)	\$424	24%	11%	\$224	13%
SD	SandRidge Energy	B2(Stable)/B-(Stable)	\$1,200	\$900	\$900	\$746	\$590	\$425	(\$1,223)	\$538	31%	24%	\$113	6%
HIL	Hilcorp Energy	Ba3/BB+	\$1,400	\$1,250	\$1,250	\$1,249	\$336	\$150	(\$1,116)	\$619	36%	9%	\$469	27%
XEC	Cimarex Energy	Ba1(Positive)/BB+(Positive)	\$2,500	\$1,000	\$1,000	\$998	\$564	\$100	(\$689)	\$972	59%	6%	\$872	52%
PVA	Penn Virginia	Caa1(Stable)/B-(Stable)	\$438	\$450	\$438	\$498	\$124	\$163	(\$306)	\$478	61%	21%	\$316	40%
CXO	Concho Resources	Ba3(Pos)/BB+(Stable)	\$3,250	\$2,500	\$2,500	\$2,500	\$99	\$500	(\$1,185)	\$1,914	62%	16%	\$1,414	46%
XCO	EXCO Resources	B3(Stable)/CCC+(Stable)	\$900	NA	\$900	\$789	\$63	\$137	(\$363)	\$627	63%	14%	\$490	50%
SM	SM Energy	Ba2(Stable)/BB(Pos)	\$2,400	\$1,500	\$1,500	\$1,499	\$195	\$1,100	(\$944)	\$1,850	66%	39%	\$750	27%
AR	Antero Resources	B1(Stable)/BB (stable)	\$4,000	\$3,000	\$3,000	\$2,506	\$256	\$1,000	(\$1,091)	\$2,672	71%	27%	\$1,672	44%
ROSE	Rosetta Resources	B1(Stable)/BB-(Stable)	\$950	\$800	\$800	\$690	\$24	\$100	(\$236)	\$578	71%	12%	\$478	59%
TPLM	Triangle Petroleum	Caa1/CCC+	\$415	\$500	\$415	\$430	\$53	\$385	(\$249)	\$620	71%	44%	\$235	27%
CHK	Chesapeake Energy	Ba1 (Positive)/BB+ (Positive)	\$4,000	\$4,000	\$4,000	\$3,937	\$5,022	\$0	(\$2,562)	\$6,397	71%	0%	\$6,397	71%
TLW	Tulow Oil	B2/B+	NA	\$4,750	\$4,750	\$2,300	\$411	\$0	(\$750)	\$1,961	72%	0%	\$1,961	72%
PE	Parseley	Caa1/CCC+(Stable)	\$328	\$750	\$328	\$327	\$133	\$73	(\$146)	\$386	73%	14%	\$314	59%
RRC	Range Resources	Ba2(Pos)/BB+(Stable)	\$3,000	\$2,000	\$2,000	\$1,247	\$0	\$250	(\$406)	\$1,091	73%	17%	\$841	56%
SN	Sanchez Energy	B3(Pos)/B-(Pos)	\$650	\$300	\$300	\$300	\$596	\$300	(\$312)	\$884	74%	25%	\$584	49%
BCEI	Bonanza Creek Energy	B3(Stable)/B-(Stable)	\$450	\$400	\$400	\$426	\$93	\$100	(\$158)	\$461	74%	16%	\$361	58%
QEP	QEP Resources	Ba1(Stable)/BB+(Stable)	NA	\$1,800	\$1,800	\$1,796	\$1,403	\$0	(\$581)	\$2,618	82%	0%	\$2,618	82%
HK	Halcon Resources	Caa1(Stable)/CCC+(Stable)	\$1,050	\$1,500	\$1,050	\$704	\$95	\$450	(\$68)	\$1,181	95%	36%	\$731	59%
FANG	Diamondback Energy	B3(Pos)/B-(Pos)	\$350	\$600	\$350	\$320	\$41	\$225	(\$23)	\$563	96%	38%	\$338	58%
OAS	Oasis Petroleum	B2(Stable)/B+(Stable)	\$2,000	\$1,500	\$1,500	\$1,145	\$67	\$150	(\$49)	\$1,313	96%	11%	\$1,163	85%
EPE	EP Energy	B2/B	\$2,500	\$2,500	\$2,500	\$1,849	\$17	\$1,000	(\$101)	\$2,765	96%	35%	\$1,765	62%
NFX	Newfield Exploration	Ba1(Stable)/BBB-(Stable)	NA	\$1,400	\$1,400	\$1,377	\$396	\$0	(\$22)	\$1,750	99%	0%	\$1,750	99%
LTSCN	Lightstream Resources	Caa2(Neg)/CCC+(Neg)	NA	\$1,150	\$1,150	\$606	\$0	\$0	\$17	\$623	103%	0%	\$623	103%
DNR	Denbury Resources	B1(Stable)/BB (Stable)	\$1,600	\$1,600	\$1,600	\$1,178	\$19	\$0	\$216	\$1,414	118%	0%	\$1,414	118%

Source: Deutsche Bank, company data, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX

(1) Includes availability across RBLs and any additional facilities in aggregate.



Figure 24: Liquidity and Borrowing Base Analysis at \$50 Oil \$3.75 Natural Gas - \$ millions

Ticker	Company Name	Ratings	Current Borrowing Capacity			Financing Surplus/Shortfall over 2015/2016 Including Additions to Borrowing Base					Financing Surplus/Shortfall over 2015/2016 No Additions to Borrowing Base			
			Borrowing Base	Commitment	Avail.	All Current Availability (1)	Cash	Incremental BB Earned	FCF Bum 15/16	FYE 16 Net Liquidity	FYE 2016 Liquidity % Starting	Incremental BB as % of Total Liquidity	FYE 16 Net Liquidity ex-BB increase	FYE 2016 Liquidity % of Starting
AEPB	American Permian	Caa1/CCC+	\$650	\$1,000	\$650	\$550	\$50	\$255	(\$1,348)	(\$293)	-34%	30%	(\$548)	-64%
MPO	Midstates Petroleum	B-(Stable)/Caa1(Stable)	\$525	\$750	\$525	\$154	\$26	\$275	(\$482)	(\$27)	-6%	60%	(\$302)	-66%
SANST	Samson Investment Comp	Caa1(Neg Watch)/CCC(Neg W)	\$1,000	\$2,250	\$1,000	\$431	\$2	\$500	(\$946)	(\$12)	-1%	54%	(\$512)	-55%
SEVGEN	Seven Generations	B3(Pos)/CCC+(Stable)	\$480	\$480	\$480	\$480	\$1,085	\$520	(\$2,031)	\$54	3%	25%	(\$466)	-22%
WPX	WPX Energy	Ba1(Stable)/BB+(Neg)	NA	\$1,500	\$1,500	\$931	\$614	\$200	(\$1,525)	\$220	13%	11%	\$20	1%
MHR	Magnum Hunter Resource	B3(Stable)/CCC(Neg)	\$325	\$750	\$325	\$175	\$212	\$280	(\$560)	\$107	16%	42%	(\$173)	-26%
SD	SandRidge Energy	B2(Stable)/B-(Stable)	\$1,200	\$900	\$900	\$746	\$590	\$425	(\$1,424)	\$337	19%	24%	(\$88)	-5%
HIL	Hilcorp Energy	Ba3 /BB+	\$1,400	\$1,250	\$1,250	\$1,249	\$336	\$150	(\$1,376)	\$358	21%	9%	\$208	12%
XEC	Cimarex Energy	Ba1(Positive)/BB+(Positive)	\$2,500	\$1,000	\$1,000	\$998	\$564	\$100	(\$1,057)	\$605	36%	6%	\$505	30%
ROSE	Rosetta Resources	B1(Stable)/BB-(Stable)	\$950	\$800	\$800	\$690	\$24	\$100	(\$398)	\$415	51%	12%	\$315	39%
PVA	Penn Virginia	Caa1(Stable)/B-(Stable)	\$438	\$450	\$438	\$498	\$124	\$163	(\$362)	\$423	54%	21%	\$260	33%
SM	SM Energy	Ba2(Stable)/BB(Pos)	\$2,400	\$1,500	\$1,500	\$1,499	\$195	\$1,100	(\$1,286)	\$1,509	54%	39%	\$409	15%
CXO	Concho Resources	Ba3(Pos)/BB+(Stable)	\$3,250	\$2,500	\$2,500	\$2,500	\$99	\$500	(\$1,393)	\$1,706	55%	16%	\$1,206	39%
BCEI	Bonanza Creek Energy	B3(Stable)/B-(Stable)	\$450	\$400	\$400	\$426	\$93	\$100	(\$276)	\$342	55%	16%	\$242	39%
PE	Parsely	Caa1/CCC+(Stable)	\$328	\$750	\$328	\$327	\$133	\$73	(\$226)	\$307	58%	14%	\$234	44%
XCO	EXCO Resources	B3(Stable)/CCC+(Stable)	\$900	NA	\$900	\$789	\$63	\$137	(\$396)	\$594	60%	14%	\$457	46%
CHK	Chesapeake Energy	Ba1 (Positive)/BB+ (Positive)	\$4,000	\$4,000	\$4,000	\$3,937	\$5,022	\$0	(\$3,574)	\$5,385	60%	0%	\$5,385	60%
RRC	Range Resources	Ba2(Pos)/BB+(Stable)	\$3,000	\$2,000	\$2,000	\$1,247	\$0	\$250	(\$597)	\$901	60%	17%	\$651	43%
AR	Antero Resources	B1(Stable)/BB (Stable)	\$4,000	\$3,000	\$3,000	\$2,506	\$256	\$1,000	(\$1,396)	\$2,367	63%	27%	\$1,367	36%
SN	Sanchez Energy	B3(Pos)/B-(Pos)	\$650	\$300	\$300	\$300	\$596	\$300	(\$842)	\$754	63%	25%	\$454	38%
TLW	Tulow Oil	B2/B+	NA	\$4,750	\$4,750	\$2,300	\$411	\$0	(\$906)	\$1,805	67%	0%	\$1,805	67%
TPLM	Triangle Petroleum	Caa1/CCC+	\$415	\$500	\$415	\$430	\$53	\$385	(\$271)	\$597	69%	44%	\$212	24%
FANG	Diamondback Energy	B3(Pos)/B-(Pos)	\$350	\$600	\$350	\$320	\$41	\$225	(\$149)	\$436	74%	38%	\$211	36%
QEP	QEP Resources	Ba1(Stable)/BB+(Stable)	NA	\$1,800	\$1,800	\$1,796	\$1,403	\$0	(\$848)	\$2,350	73%	0%	\$2,350	73%
NFX	Newfield Exploration	Ba1(Stable)/BBB-(Stable)	NA	\$1,400	\$1,400	\$1,377	\$396	\$0	(\$405)	\$1,368	77%	0%	\$1,368	77%
LTSCN	Lightstream Resources	Caa2(Neg)/CCC+(Neg)	NA	\$1,150	\$1,150	\$606	\$0	\$0	(\$93)	\$513	85%	0%	\$513	85%
OAS	Oasis Petroleum	B2(Stable)/B+(Stable)	\$2,000	\$1,500	\$1,500	\$1,145	\$67	\$150	(\$191)	\$1,171	86%	11%	\$1,021	75%
HK	Halcon Resources	Caa1(Stable)/CCC+(Stable)	\$1,050	\$1,500	\$1,050	\$704	\$95	\$450	(\$129)	\$1,119	90%	36%	\$669	54%
DNR	Denbury Resources	B1(Stable)/BB (Stable)	\$1,600	\$1,600	\$1,600	\$1,178	\$19	\$0	(\$97)	\$1,101	92%	0%	\$1,101	92%
EPE	EP Energy	B2/B	\$2,500	\$2,500	\$2,500	\$1,849	\$17	\$1,000	(\$167)	\$2,699	94%	35%	\$1,699	59%

Source: Deutsche Bank, company data, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX

(1) Includes availability across RBLs and any additional facilities in aggregate.

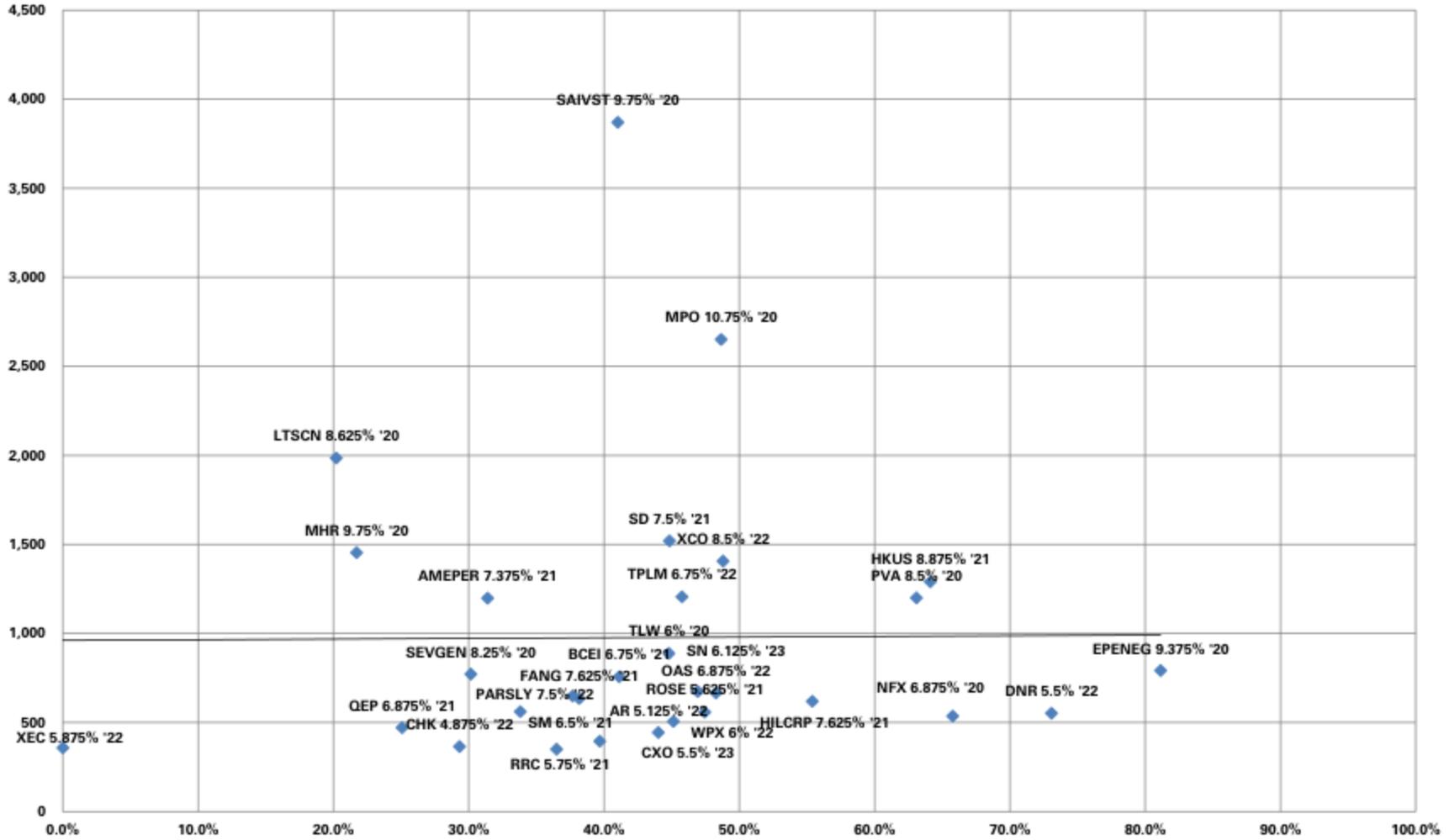




Hedging Screen

Hedges are short term in nature and most important for 2015 cash flow. To the extent hedges preserve liquidity and operating momentum over the next year for E&Ps, they remain an important tool and differentiator. In particular, should the commodity cycle snap back more quickly than expected, those with hedges that afford more growth-driven capital programs in 2015 can carry that momentum into 2016. However, those E&Ps, which have made more drastic capital cuts, will have more ground to cover in terms of ramping production back up to reach optimal efficiency. Looking at the top quartile, one can see higher cost E&Ps protecting against down side (DNR, HK, MPO) while other E&Ps hedged oil price risk out of recent acquisitions (HILCRP in Alaska). The top quartile is significantly more oily (average: 65% of production) and seems to have been more defensive about protecting against oil downside. On the other hand, the bottom quartile averages ~55% gas production and given the performance of gas recently, there was less to protect in the way of cash flows there.

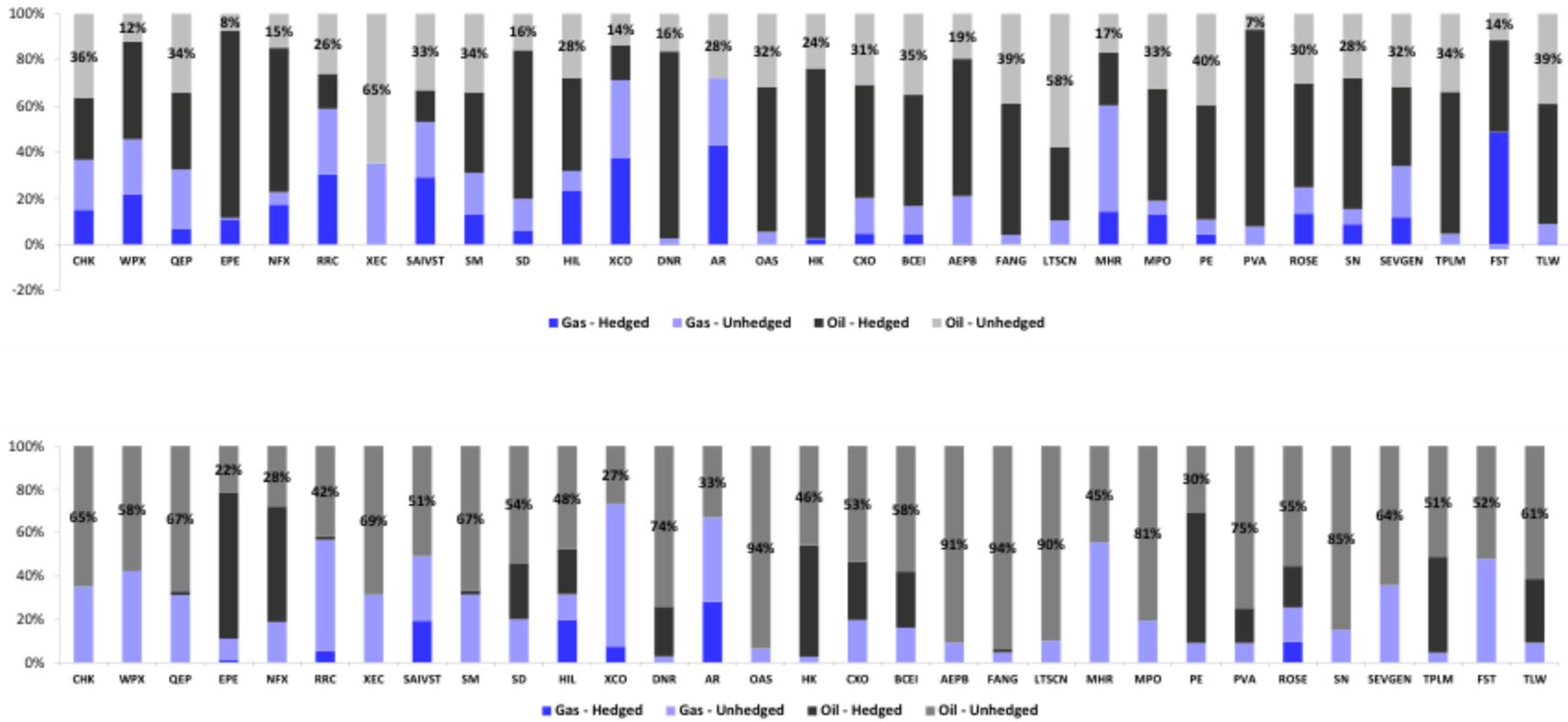
Figure 25: E&P Bond STW Versus 2015 Hedged Production Levels



Source: Deutsche Bank, company data, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPIX



Figure 26: Hedge Ratios by Revenue – 2015 (top) and 2016 (bottom)



Source: Deutsche Bank, company data, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX

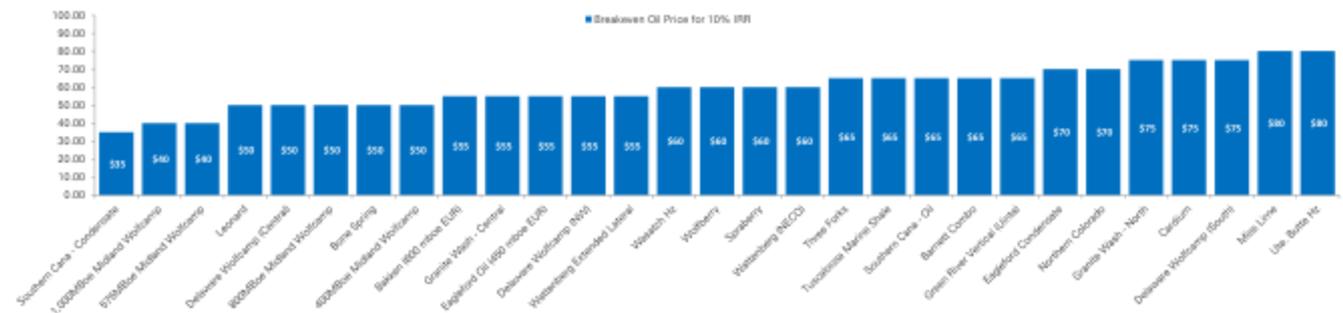




Adjusted Cash Margin Screen

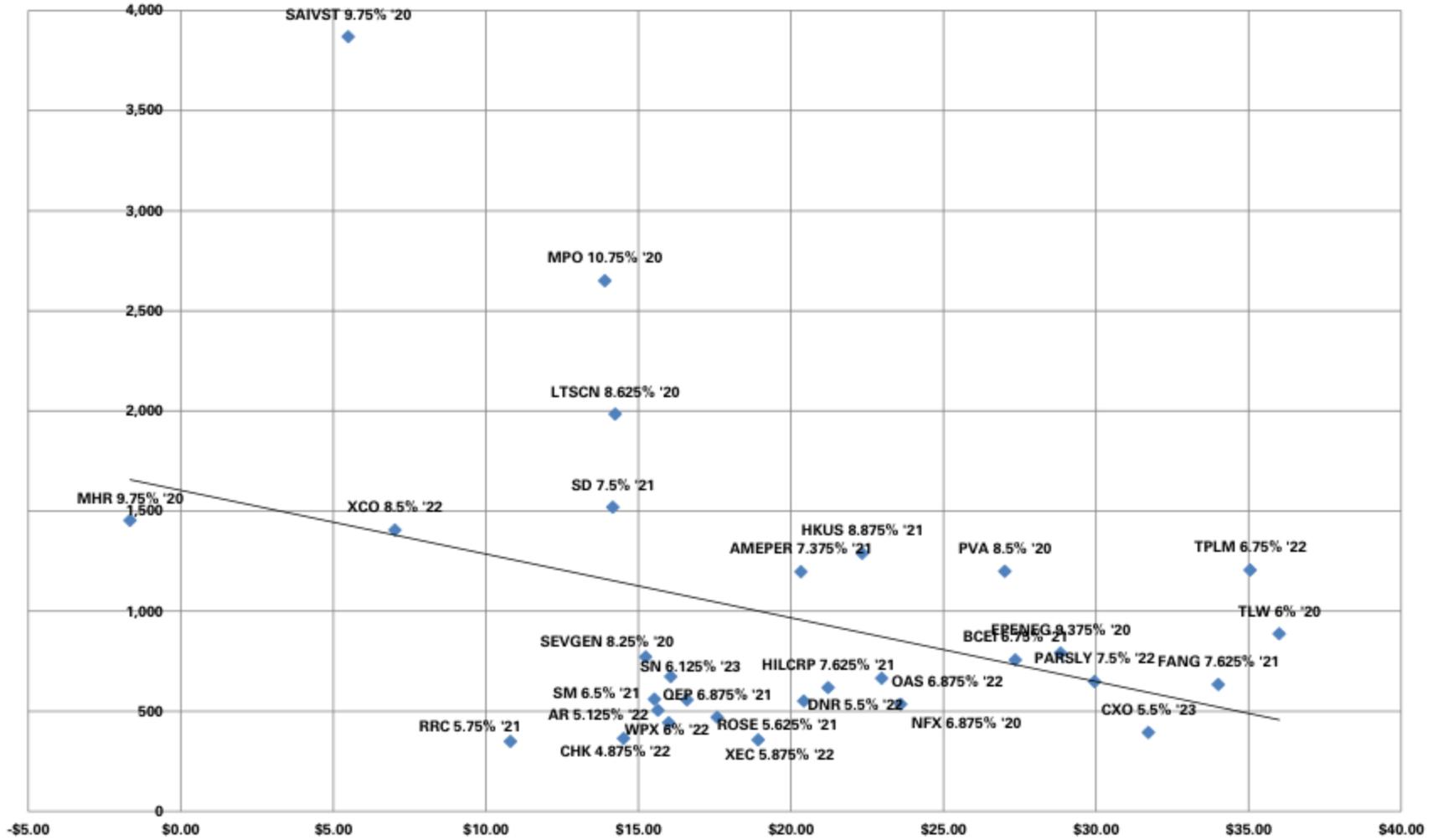
On the revenue side, locational differences in major plays drive realization per unit. The cost side of this metric incorporates relative costs given play type (at current levels), maturity of an overall portfolio (efficiency gains), corporate costs (G&A), and capital structure (interest burden). Our "adjusted" cash margin (includes G&A and interest costs) will skew other basic insights into the more intuitive lowest cost producers (i.e. best base assets). Additionally, we would note that relative interest burden could be improved with possible restructuring or distressed debt exchanges leaving solid assets in a better place to perform outside limited capital structures. Important to note, we have not incorporated decreased service costs across our models despite recent announcements from producers about 5-15% deflation with more likely to come. We believe this is more conservative especially as the service costs will move down slower than the immediate decrease in oil prices. We think looking at cash margin in conjunction with play-by-play breakevens is a valuable exercise. See Figure 27 for our equity counterparts estimates of breakeven oil price for an IRR of 10%.

Figure 27: Breakeven oil price for US onshore unconventional plays



Source: Deutsche Bank Equity Research

Figure 28: E&P Bond STW Versus 2016 Cash Margin - \$/Boe

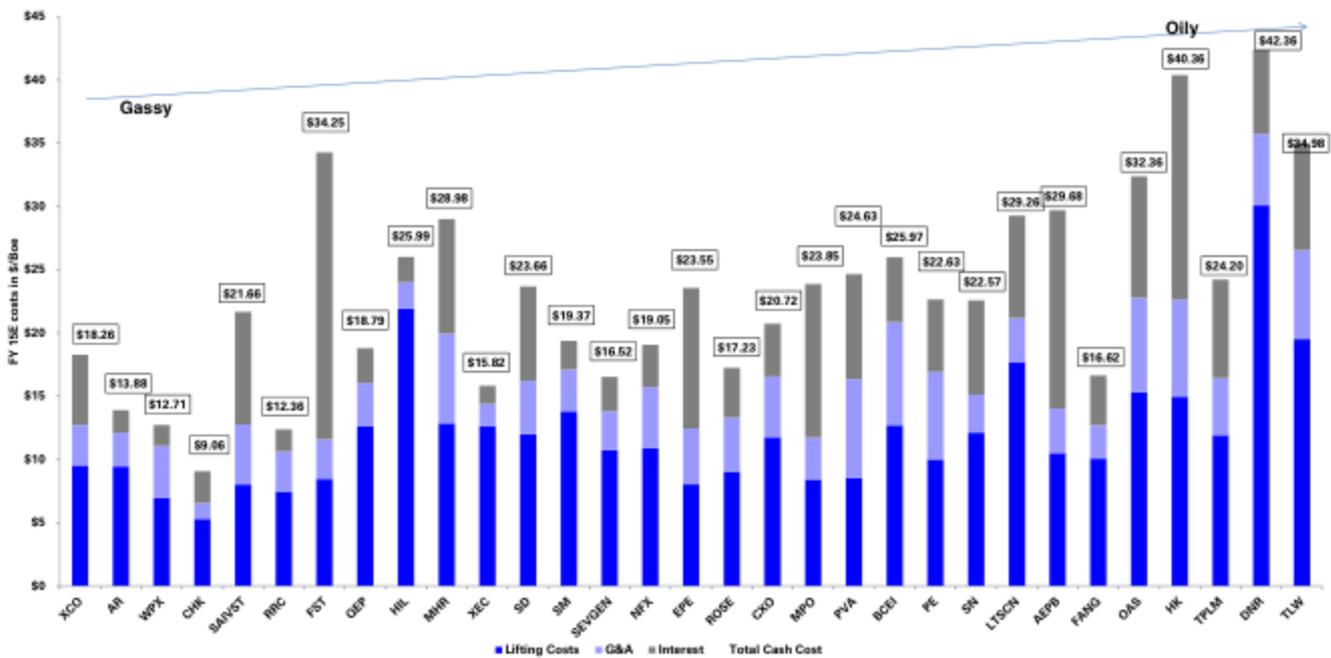


Source: Deutsche Bank, company data, Bloomberg Finance LP
 For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX



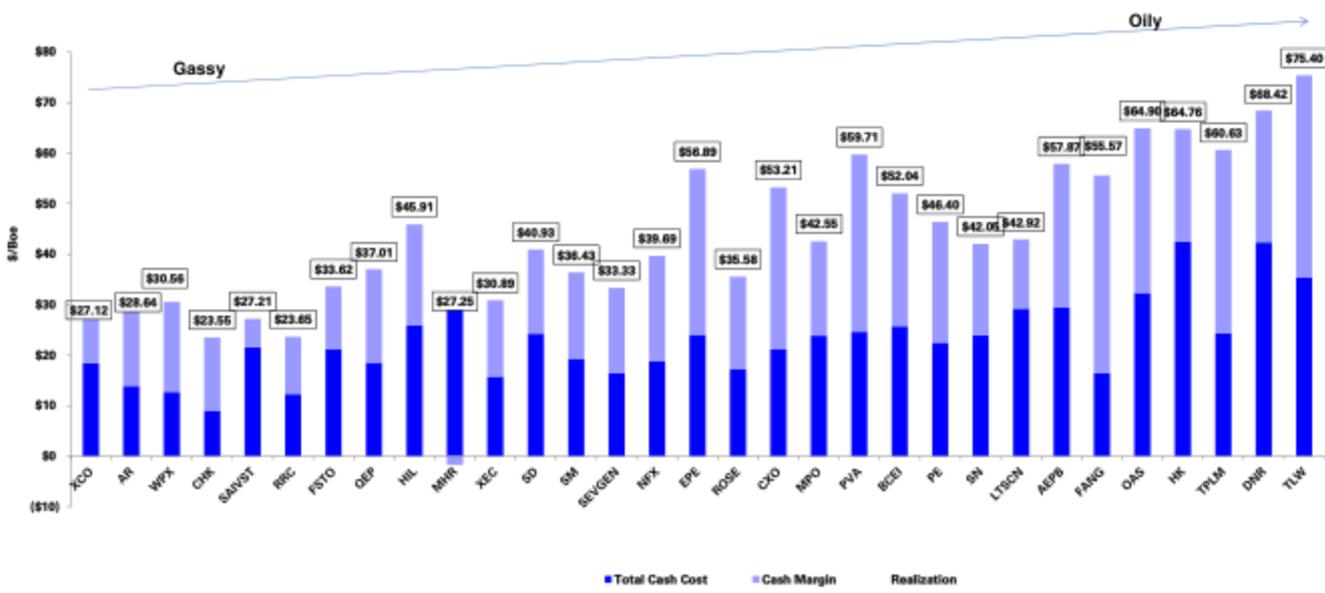


Figure 29: Marginal Costs FY15E



Source: Deutsche Bank, company data, Bloomberg Finance LP
 For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only:
 AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX

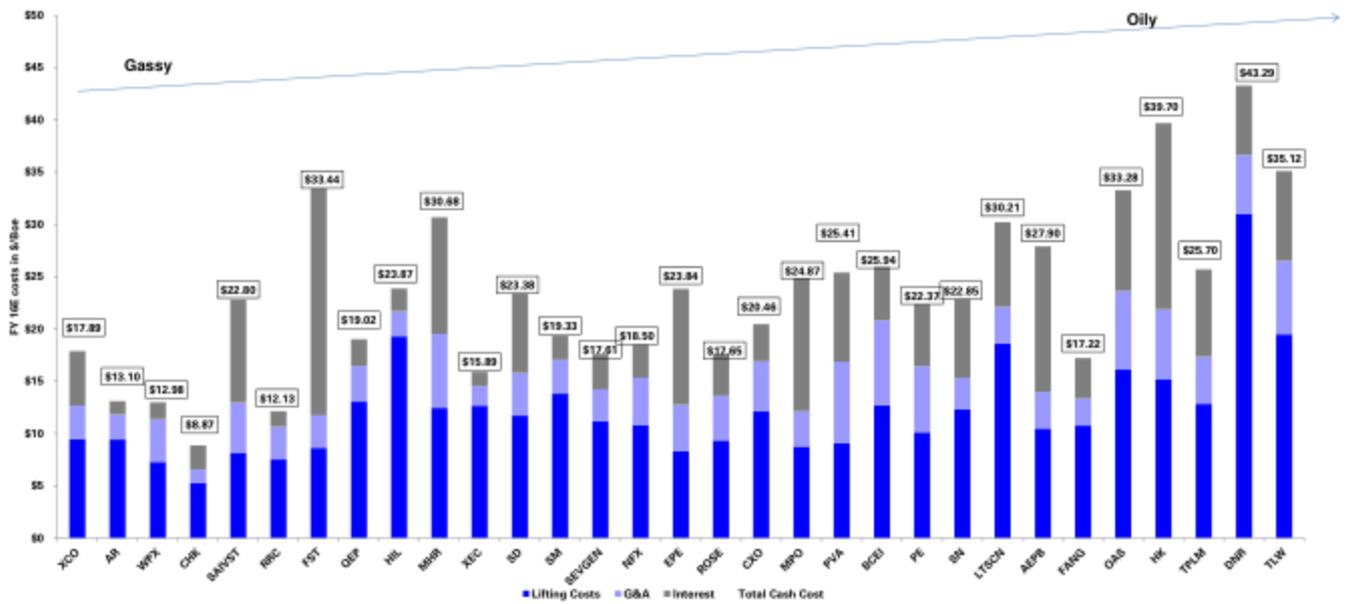
Figure 30: Cash Costs and Cash Margin for FY 15E



Source: Deutsche Bank, company data, Bloomberg Finance LP
 For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only:
 AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX

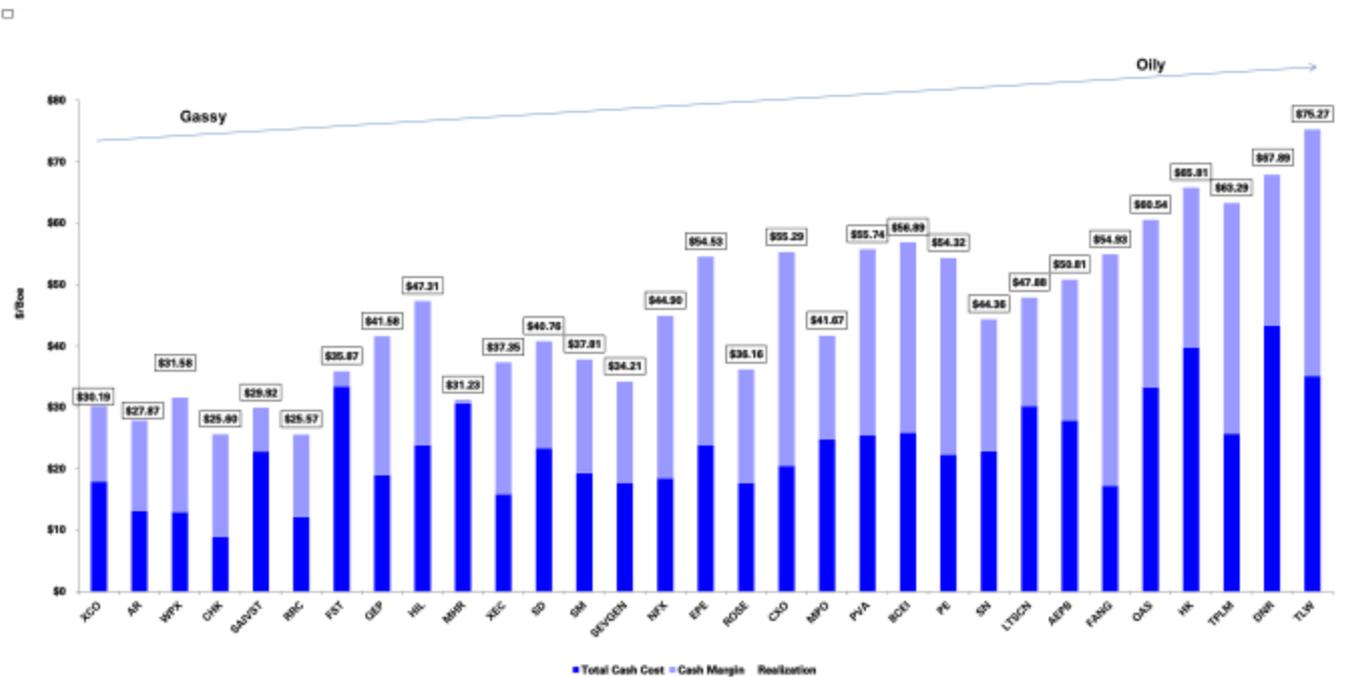


Figure 31: Marginal Cost FY16E



Source: Deutsche Bank, company data, Bloomberg Finance LP
 For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only:
 AMEPER, AR, BCEI, CKO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SH, SEVGEN, SM, TPLM, TLW and WPK

Figure 32: Cash Costs and Cash Margin for FY 16E



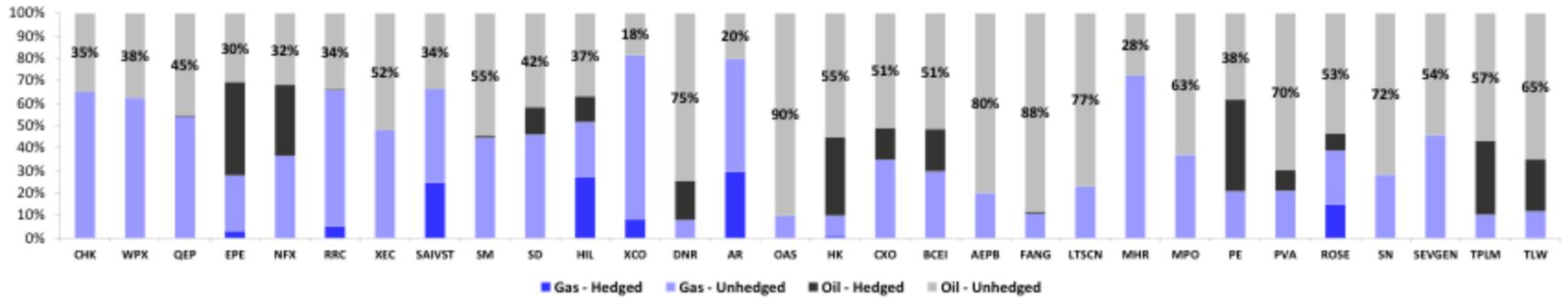
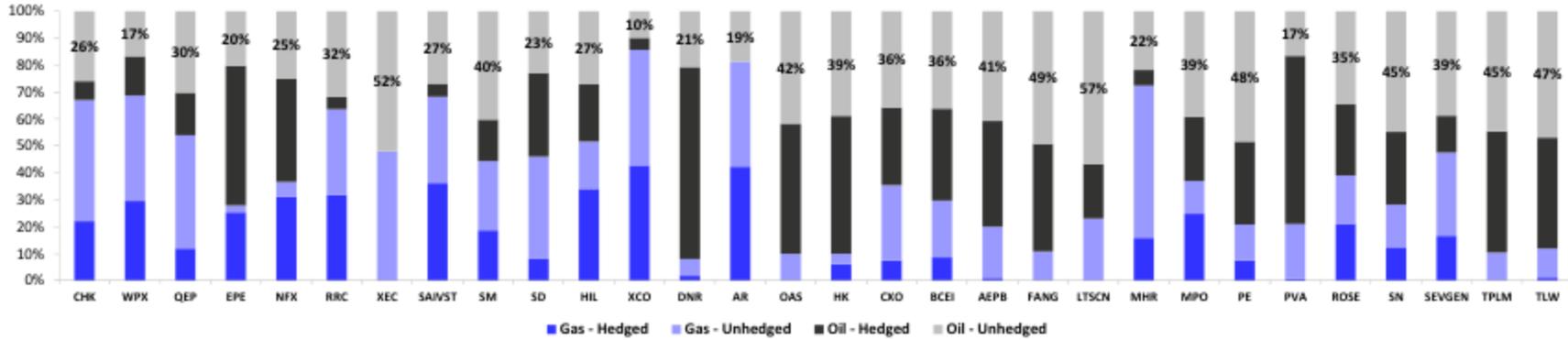
Source: Deutsche Bank, company data, Bloomberg Finance LP
 For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only:
 AMEPER, AR, BCEI, CKO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SH, SEVGEN, SM, TPLM, TLW and WPK



Commodity Mix Screen

Despite bear oil markets, we still see oil mix driving higher per unit cash margin for the oilier E&Ps, especially a credit like offshore E&P Tullow (TLW) with significant assets in the development stage. We concede, in this analysis, E&Ps with long-dated and core natural gas reserves screen poorly here despite clear long term viability. For example, RRC, AR, and WPX are screened in the bottom quartile here despite roughly BB ratings.

Figure 33: Hedge Ratios by Production – 2015 (top) and 2016 (bottom)



Source: Deutsche Bank, company data, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





Conclusion: E&P subsector – maintain Underweight

Keeping all of the preceding in mind, we believe investors should be underweight the DB HY Energy E&P Index, and maintain this recommendation. Last year, the DB HY Energy E&P Index was the worst performing sub-sector in high yield. HY Energy was down ~6% for the year, which compares to overall HY being up ~3.5%. In particular, we see little room for E&P subsector outperformance as these smaller HY credits can't really continue their aggressive growth strategies of the past as they try to make a path to neutral FCF. In short, we believe these credits can stay in and around FCF neutral but with little opportunity to expand the asset base and delever. We expect the best they can do is survive and reach the other side of this commodity and credit cycle. In particular, we see more value in the "higher quality" B/CCC credits like Halcon (HKUS, BUY-rated) and EXCO Resources (XCO, BUY rated). Given this lower-quality bucket has led the way down in energy, we believe upside/downside is more positively skewed there. We understand the natural tendency is for accounts to reach for quality in the BB area. Our concern with this strategy is that these names have outperformed thus far. We worry that if HY energy credits take a step down due to seasonally weak oil in 1H 15 that these names will take a disproportional hit. Therefore, we suggest that accounts stay in the BB-rated credits with upwards trajectory related to possible M&A like Cimarex (XEC, BUY-rated) and to development of new higher margin plays like Newfield (NFX, BUY-rated) in the SCOOP/STACK. We believe both of these credits still also have IG upgrade potential even in this market. Lastly, one of the most important reasons why we are maintaining our underweight stance is driven by our suspicions that early 2015 fundamental weakness in oil will mean that investors won't "miss the trade." Despite positive data points around slashed capital budgets from many HY issuers and even selective capital infusions (LINE/BX), we are moving back towards the energy sector wide seen in December. More specifically, looking at LINE bonds, which were the direct benefactor of an effective capital infusion from BX, they are trading at pre-funding announcement levels. In our minds that means the market isn't giving much credit to that increased liquidity either because there's a perception that more capital is needed or on a macro basis, that we just aren't there yet.



DB Price Deck and Commodities Outlook

The current DB commodity price deck and outlook are summarized below, as presented in our [Commodities Weekly](#) (published January 09, 2015) and our [Commodities 2015 Outlook](#).

Figure 34: Deutsche Bank Oil & Natural Gas Price Forecast

	WTI- Brent		Nymex Gas (USD/mmbtu)	WTI/Gas Ratio
	WTI USD/bbl)	Brent USD/bbl)		
2013	98.01	108.74	-10.73	26.3
Q1 2014A	98.61	107.87	-9.26	20.9
Q2 2014A	102.99	109.76	-6.77	22.5
Q3 2014A	97.25	103.46	-6.21	24.7
Q4 2014A	77.00	80.00	-3.00	20.0
2014E	93.96	100.27	-6.31	22.0
Q1 2015E	52.50	57.50	-5.00	13.5
Q2 2015E	52.50	57.50	-5.00	14.0
Q3 2015E	55.00	60.00	-5.00	15.1
Q4 2015E	57.50	62.50	-5.00	15.5
2015E	55.40	59.40	-4.00	14.8
2016E	65.00	70.00	-5.00	16.7
2017E	70.00	75.00	-5.00	16.5

Source: Bloomberg Finance LP, Deutsche Bank

US Natural Gas - Production Cost Declines Promise Weaker Pricing

Production cost declines in thermal coal and US natural gas mean that oversupplied conditions in these markets in 2015 will likely lead to further downside.

In thermal coal, lower costs have been achieved through reductions in workforce, renegotiating mining contracts, cutting fuel expenses, reducing strip ratios and postponing sustaining capex. We expect weakness in producer currencies and crude oil to translate into further cost declines, although this could be offset by a partial rebound in other costs.

Limited deviations from the longer term trend in supply growth matched against new signs of demand weakness suggest that oversupplied conditions are likely to continue and that declines in dollar-denominated costs may be a guide to future price developments. We lower our 2015 price forecast for Newcastle FOB to USD60/t and Richards Bay FOB to USD63/t.

Production curtailments remain limited, despite the Glencore shutdown of Australian production for 3 weeks in December (-4mt). Furthermore, any idled mines will be available for restart in the event of improved market conditions, limiting the potential upside.



In US natural gas, estimated development breakeven costs (excluding finding costs) have declined by roughly USD0.60/mmBtu in the last year owing to well cost reductions, more extensive use of pad drilling, and increased numbers of wells per pad. Production growth has recovered sharply from freeze-offs in November to average +4.3 bcf/d yoy.

While we expect this growth to slow to only 2.0 bcf/d yoy in 2015, we believe the market would be balanced at only 1.3 bcf/d yoy growth. Therefore we expect storage normalization versus the 10-year average by the end of March, and building surpluses over the remainder of the year prior to Winter 15-16. Consequently we lower our 2015 Henry Hub price forecast to USD3.75/mmBtu.

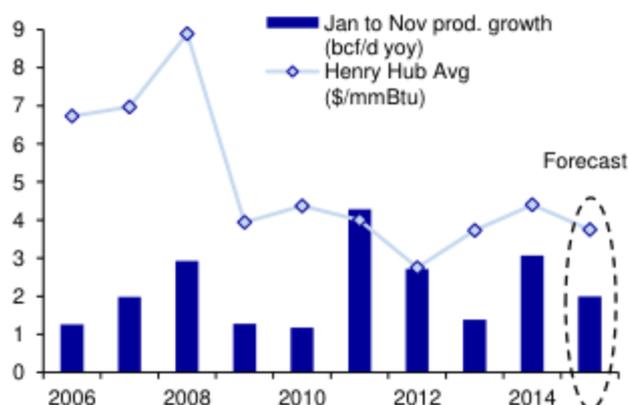
Overview

Production cost declines have characterized both the global thermal coal and US natural gas markets in the past year, with further USD cost declines likely in thermal coal. We expect oversupplied markets to persist over a multi-year period in thermal coal, and over the whole of 2015 in natural gas. Consequently, lower costs of production translate into a lower likelihood of supply curtailments and greater potential downside.

Natural gas supply growth raises oversupply concern

An extremely cold winter in 2013-14 ended with storage gas at the lowest level in both percentage terms and absolute terms since 2003. As in 2003, this was followed by a very strong injection season with 2,770 bcf (59% of working gas capacity) added, as compared with 2,491 bcf (61%) in 2003 when measured from the end of March to the first week in November. This was facilitated by the strongest production growth rate (+3.1 bcf/d) of the last nine years apart from 2011. Of particular note is that production growth accelerated into the end of the year, despite the weakest pricing also occurring in Q4-14.

Figure 35: Dry gas production growth and Henry Hub



Source: Bloomberg Finance LP, Bentek Energy, DDI Oil & Gas, Equity Research

Figure 36: Dry gas production (bcf/day)

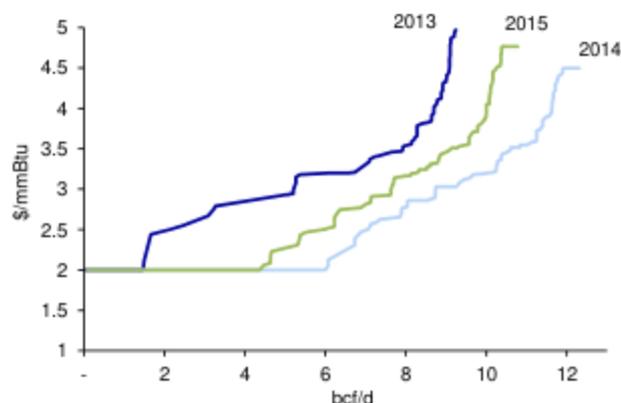


Source: Bentek Energy, Deutsche Bank

Continued strength in production growth poses the greatest risk for pricing in 2015 and we lower our price forecast to USD3.75/mmBtu on expectations that supply will exceed requirements in a normal-weather scenario. A shift towards lower costs has been facilitated by tighter well spacing and longer laterals, while we do not expect reduced drilling for tight oil to detract substantially from associated gas production growth. We expect these costs to remain lower in 2015 versus 2013. However, a continued backlog of takeaway capacity in Northeast Pennsylvania may hold back growth below what it otherwise could be, owing to negative basis relative to Henry Hub.

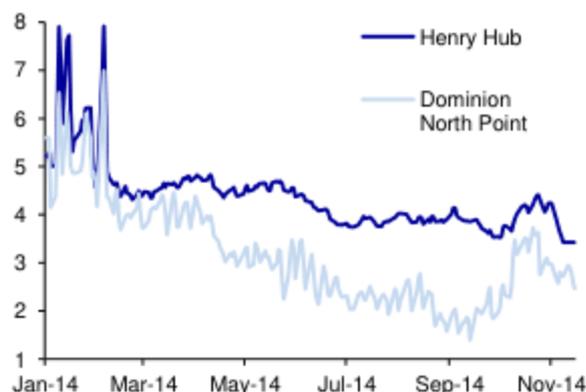


Figure 37: New drilled gas supply breakeven



Source: Wood Mackenzie, Deutsche Bank

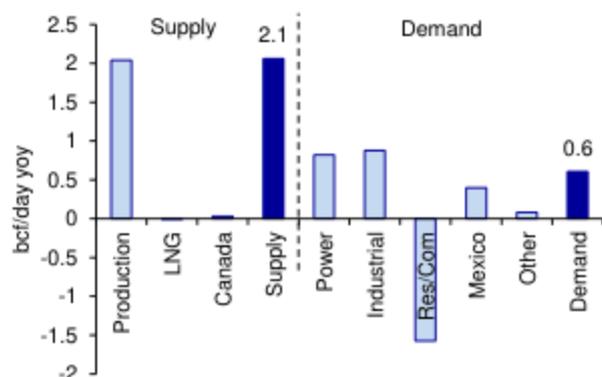
Figure 38: Dominion North Point (USD/mmBtu)



Source: Bloomberg Finance LP, Deutsche Bank

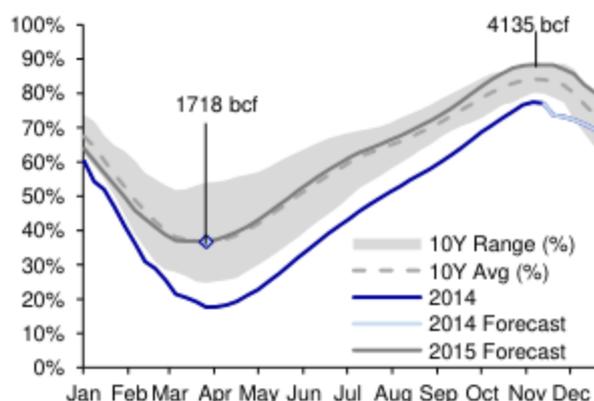
On a year-on-year comparison we expect lower demand from normalized winter weather to be offset by growth in power utility generation demand and industrial demand. Winter-to-date weather has been quite close to average in cumulative HDDs, with generally mild weather being offset by a pronounced cold spike over 12-21 November. This cold spell also triggered freeze-offs but a return to mild weather resulted in a quick resumption in production to the highest average of the year at 71.5 bcf/d in the week ending 5 December.

Figure 39: Natural gas supply & demand (yoy change)



Source: US DOE/EIA, Deutsche Bank

Figure 40: Storage as % of working gas capacity



Source: US DOE/EIA, Deutsche Bank

Overall we expect that the market could be balanced and restore normal storage levels by mid-year if production growth averages 1.3 bcf/d yoy in 2015. Consequently, our forecast of 2.0 bcf/d yoy growth implies normal storage achieved by the end of Q1, and building surpluses relative to the 10Y average (measured by the percentage of working gas capacity) over the balance of the year. Therefore we lower our 2015 forecast for Henry Hub to USD3.75/mmBtu with downside risks over the summer in the event of more aggressive production growth.



Figure 41: US natural gas supply and demand (bcf/day)

Bcf/day	2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014E	2014E	1Q 2015E	2Q 2015E	3Q 2015E	4Q 2015E	2015E	2016E	2017E
CONSUMPTION													
Residential	13.6	28.8	7.4	3.6	15.8	13.9	24.9	7.2	3.7	15.8	12.9	12.9	13.0
Commercial	9.0	16.5	6.2	4.7	10.3	9.4	14.4	6.0	4.6	10.3	8.8	8.8	8.8
Industrial	20.4	23.0	20.0	19.8	22.4	21.3	23.8	21.0	20.8	23.1	22.2	23.1	24.1
Electric Power	22.3	19.7	21.0	26.8	19.7	21.8	19.9	21.8	28.3	20.5	22.6	23.3	24.0
Other	6.0	6.8	5.9	6.0	6.3	6.2	6.8	6.1	6.1	6.3	6.3	6.4	6.4
Lease and Plant Fuel	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Pipeline and Distribution	2.0	2.7	1.7	1.7	2.1	2.1	2.5	1.8	1.8	2.1	2.1	2.1	2.1
Total Demand	71.4	94.7	60.4	60.8	74.4	72.6	89.8	62.1	63.3	76.0	72.8	74.5	76.3
YoY % change	2.3%	7.4%	1.3%	0.0%	-3.3%	1.7%	-5.2%	2.7%	4.1%	2.2%	0.3%	2.3%	2.4%
DOMESTIC SUPPLY													
Alaska	0.9	1.0	0.9	0.9	1.0	0.9	1.0	0.9	0.8	0.9	0.9	0.9	0.9
Gulf of Mexico	3.6	3.3	3.4	3.1	3.1	3.2	3.1	3.1	2.9	2.9	3.0	3.1	3.2
Other US	65.7	67.9	69.6	71.0	71.1	69.9	72.1	72.5	72.6	73.0	72.6	74.1	76.2
Marketed Production	70.2	72.1	74.0	75.1	75.1	74.1	76.2	76.5	76.3	76.9	76.5	78.1	80.3
Dry Gas Production	66.5	68.2	69.8	70.7	71.6	70.1	71.9	72.1	72.0	72.5	72.1	74.0	76.2
YoY % change	1.2%	4.2%	5.3%	5.9%	5.8%	5.3%	5.3%	3.4%	1.8%	1.3%	2.9%	2.6%	3.1%
Net Storage Withdraws	1.5	22.8	-12.7	-13.0	1.0	-0.5	15.6	-12.1	-10.8	1.7	-1.4	-0.7	-0.2
Other & Balance	-0.233	-0.2	0.6	-0.1	-1.0	-0.1	-0.9	-0.2	-0.4	-0.2	-0.5	-0.5	-0.5
Total Domestic Supply	67.8	90.8	57.7	57.6	71.6	69.4	86.5	59.8	60.8	73.9	70.2	72.8	75.6
LNG Gross Imports	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
LNG Gross Exports	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.6	0.3	1.2	2.2
Pipeline Gross Imports	7.6	8.4	6.5	7.2	7.2	7.3	7.8	6.9	7.4	7.4	7.4	7.4	7.4
Pipeline Gross Exports	4.3	4.7	3.9	4.2	4.5	4.3	4.6	4.7	4.6	4.9	4.7	5.0	5.3

Source: US DOE/EIA, Deutsche Bank

Please refer to DB's [Commodities Outlook](#) published on December 16, 2014 for the more detailed discussion on our commodity outlook.



E&P Relative Value and Comp Sheets

Figure 42: Industry Relative Value

Historical Data & Estimates

Company	Revenue (\$mm) ⁽¹⁾				Revenue YoY growth %			EBITDAX			EBITDAX YoY Growth %			Cash			Debt		
	2013	LTM	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E
American Energy Permian	117	223	267	453	756%	128%	69%	77	148	252	NM	92%	70%	-	-	-	-	2,149	2,816
Antero Resources	985	1,688	1,923	2,723	122%	95%	42%	647	1,065	1,506	130%	65%	41%	5	11	12	2,079	3,494	4,405
Bonanza Creek	411	558	583	577	78%	42%	-1%	281	383	346	82%	36%	-10%	181	-	-	509	838	1,018
Chesapeake Energy	17,279	19,975	19,476	16,056	47%	13%	-18%	5,063	4,225	4,059	33%	-17%	-4%	837	4,700	1,951	13,291	11,569	11,649
Cimarex Energy	1,993	2,396	2,443	1,915	23%	23%	-22%	1,386	1,613	1,028	25%	16%	-36%	5	318	-	824	1,500	1,645
Concho Resources	2,288	2,677	2,760	2,577	24%	21%	-7%	1,662	2,002	1,775	22%	20%	-11%	-	-	-	3,630	3,678	4,144
Denbury Resources	2,494	2,430	2,409	1,895	2%	-3%	-21%	1,539	1,326	927	-1%	-14%	-30%	-	-	-	3,297	3,597	3,415
Diamond Back Energy	201	432	499	452	189%	149%	-9%	155	391	315	305%	153%	-19%	16	-	-	460	618	663
EP Energy	1,702	2,065	2,173	2,200	-15%	28%	1%	1,171	1,573	1,606	-12%	34%	2%	345	-	-	4,039	4,380	4,732
Eco Resources Inc.	676	694	652	578	-10%	-4%	-11%	488	393	305	33%	-19%	-22%	71	22	22	1,626	1,422	1,682
Forest Oil	459	329	249	539	-36%	-46%	116%	166	473	354	-67%	186%	-25%	110	94	-	800	2,459	2,530
Halcon Resources	977	1,165	1,178	1,005	283%	21%	-15%	605	746	655	405%	23%	-12%	3	-	-	3,185	3,697	3,685
Hicorp Energy	2,191	2,320	2,301	2,349	23%	5%	2%	1,641	1,672	1,073	77%	2%	-36%	140	158	111	1,525	1,888	2,228
Magnum Hunter	258	396	430	397	-5%	60%	-8%	84	161	113	NM	91%	-30%	42	-	-	880	1,097	1,437
Midstates Petroleum	496	642	641	452	104%	29%	-30%	337	476	309	114%	41%	-35%	33	-	-	1,701	1,709	1,994
Newfield Exploration	2,129	2,180	2,198	1,969	-21%	3%	-10%	1,258	1,335	1,190	-19%	6%	-11%	993	-	-	3,694	2,767	2,533
Oasis Petroleum	1,134	1,336	1,438	1,246	64%	27%	-13%	807	976	790	62%	21%	-19%	92	-	-	2,536	2,685	2,754
Parsley Energy	115	257	311	374	214%	170%	20%	75	211	237	188%	180%	12%	19	-	-	430	566	706
Penn Virginia	431	511	565	898	26%	36%	54%	306	406	690	28%	33%	70%	23	-	-	1,281	1,185	1,401
QEP Resources	3,053	3,411	3,479	3,286	13%	13%	-6%	1,500	1,496	1,187	-3%	0%	-21%	-	1,413	921	2,998	2,218	2,218
Range Resources	1,684	1,827	1,901	2,038	21%	13%	7%	1,056	1,157	1,123	21%	10%	-3%	-	-	-	3,141	3,153	3,281
Rosetta Resources	830	1,005	1,033	899	40%	24%	-13%	602	714	515	45%	19%	-28%	194	-	-	1,500	1,878	2,166
Samson	1,126	1,072	1,068	880	-6%	-5%	-18%	696	622	467	8%	-11%	-25%	113	-	-	3,354	3,808	4,196
SandRidge Energy	1,988	1,866	1,600	1,382	-1%	-19%	-14%	529	796	683	-15%	50%	-14%	1,565	319	-	3,195	3,195	3,504
SM Energy	2,287	2,484	2,460	2,349	45%	8%	-5%	1,458	1,565	1,238	44%	7%	-21%	282	120	-	1,600	2,200	2,779
Sanchez Energy	306	613	675	645	614%	121%	-5%	209	458	413	NM	119%	-10%	154	353	-	593	1,746	1,762
Tullos Oil	2,647	2,565	2,397	2,004	13%	-9%	-16%	1,867	1,621	1,223	7%	-13%	-25%	353	-	-	2,261	3,609	4,347
Triangle Petroleum	258	498	556	575	327%	116%	3%	103	226	220	NM	120%	-3%	82	-	-	343	674	861
WPX Energy	2,868	3,235	3,263	3,065	-9%	14%	-6%	740	1,038	920	-23%	40%	-11%	99	651	22	2,326	1,507	1,507
Min	115	223	249	374	-36%	-46%	-30%	75	148	113	-67%	-19%	-36%	-	-	-	-	566	663
Max	17,279	19,975	19,476	16,056	756%	170%	716%	5,063	4,225	4,059	405%	186%	70%	1,565	4,700	1,951	13,291	11,569	11,649
Mean	1,842	2,091	2,102	1,923	101%	37%	2%	914	1,009	809	60%	45%	-9%	198	281	105	2,331	2,596	2,833
Median	1,125	1,336	1,438	1,246	24%	21%	-7%	647	796	690	28%	23%	-14%	82	-	-	1,626	2,200	2,530

Production

Company	Natural Gas (Mmcft)			Crude Oil & Liquids (Mbls)			Natural Gas Equivalent (Mmcf)			Production (Mmcf/d)			Production Growth			Natural Gas % of Prod			Hedged %	
	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2014E	2015E
American Energy Permian	1,755	4,731	10,846	1,354	3,445	8,522	9,878	25,403	61,508	27	70	170	70%	157%	144%	18%	19%	18%	44%	46%
Antero Resources	176,362	314,600	482,043	2,347	8,479	16,172	196,447	365,476	539,077	522	1,001	1,477	118%	92%	48%	90%	86%	82%	71%	44%
Bonanza Creek	9,976	15,571	20,161	4,249	6,055	7,721	35,489	51,803	66,489	97	142	182	74%	46%	28%	28%	30%	30%	68%	41%
Chesapeake Energy	1,095,000	1,041,600	969,942	61,955	76,444	78,801	1,466,730	1,500,261	1,432,749	4,016	4,110	3,825	3%	2%	-5%	75%	69%	67%	62%	29%
Cimarex Energy	125,246	154,655	170,126	21,257	27,067	30,717	252,790	316,455	354,430	695	867	971	10%	25%	12%	50%	49%	46%	24%	0%
Concho Resources	75,584	91,897	104,589	21,126	25,852	30,989	201,810	248,206	290,526	553	675	796	20%	22%	18%	37%	37%	36%	62%	40%
Denbury Resources	8,666	9,763	13,017	24,194	25,482	24,950	153,832	162,717	162,717	421	446	446	-2%	5%	0%	6%	6%	8%	81%	73%
Diamond Back Energy	1,751	4,271	8,612	2,384	6,461	9,894	16,036	43,034	61,176	44	118	168	148%	168%	42%	11%	10%	11%	32%	38%
EP Energy	92,345	71,175	66,156	16,000	23,908	27,640	188,705	214,620	231,994	517	588	636	-37%	14%	8%	49%	33%	29%	89%	61%
Eco Resources Inc.	153,321	121,337	112,191	1,431	2,475	2,631	161,907	136,167	127,978	444	373	351	-15%	-16%	-6%	96%	89%	86%	70%	49%
Forest Oil	46,664	25,678	62,569	4,799	2,108	5,614	75,457	38,325	96,251	207	105	264	-38%	-49%	151%	62%	67%	65%	95%	94%
Halcon Resources	8,003	8,738	7,446	10,831	13,874	14,272	72,989	91,960	93,075	200	252	255	253%	26%	1%	11%	10%	8%	76%	64%
Hicorp Energy	135,853	154,000	156,177	16,328	17,007	24,380	233,821	256,644	302,458	641	701	829	23%	10%	16%	58%	60%	52%	82%	55%
Magnum Hunter Resources	10,352	21,937	49,707	1,868	2,545	3,195	21,950	37,206	68,879	59	102	189	-20%	73%	65%	48%	59%	72%	63%	22%
Midstates Petroleum	18,857	25,833	27,145	5,625	7,922	7,703	52,396	73,365	73,365	144	201	261	130%	40%	0%	38%	35%	37%	64%	49%
Newfield Exploration	116,300	117,180	117,180	21,838	26,400	30,074	247,328	275,580	297,626	678	755	815	-15%	11%	8%	47%	43%	39%	72%	66%
Oasis Petroleum	7,449	10,275	10,629	11,133	14,767	15,944	74,247	98,879	106,294	203	271	291	80%	33%	8%	10%	10%	10%	74%	48%
Parsley Energy	4,680	7,586	9,649	1,049	4,029	6,480	10,374	31,638	48,727	30	87	133	202%	188%	54%	43%	24%	20%	28%	38%
Penn Virginia	14,436	13,860	14,708	4,417	6,150	9,229	40,938	50,760	70,080	112	139	192	5%	24%	38%	36%	27%	21%	61%	63%
QEP Resources	218,900	176,400	183,473	15,021	23,033	26,049	309,026	314,597	339,765	847	862	931	-3%	2%	8%	71%	56%	54%	51%	25%
Range Resources	264,528	292,384	308,944	13,082	23,097	29,778	343,022	430,968	517,162	940	1,181	1,417	25%	26%	20%	77%	66%	65%	72%	36%
Rosetta Resources	40,344	51,227	67,474	11,400	15,422	17,589	108,741	143,757	173,010	296	394	474	33%	32%	20%	37%	36%	39%	52%	47%
Samson	150,800	135,488	132,361	9,995	9,741	10,262	210,872	193,938	193,938	578	531	531	-12%	-8%	0%	72%	70%	68%	84%	41%
SandRidge Energy	103,233	84,150	84,049	16,570	14,650	16,444	202,653	172,050	182,715	555	471	501	1%	-15%	6%	51%	49%	46%	74%	45%



Figure 43: Industry Relative Value

Capex & FCF

Company	Total Capex			Maintenance Capex		Cash Interest		Cash Taxes		Total Capex / EBITDAX			Maintenance Capex / EBITDAX		FCF / EBITDAX			FCF / Debt			
	2011	2012	2013	2012	2013	2012	2013	2012	2013	2011	2012	2013	2012	2013	2013	2014E	2015E	2013	2014E	2015E	
American Energy Permian	NA	125	469	NA	NA	0	3	-	-	NA	4397%	608%	NA	NA	NM	NM	NM	NM	NM	NM	NM
Antero Resources	528	839	1,616	25	81	90	118	(86)	(4)	156%	289%	250%	9%	13%	NM	NM	NM	NM	NM	NM	NM
Bonanza Creek	134	261	418	55	119	3	13	0	0	220%	182%	149%	42%	42%	NM	NM	NM	NM	NM	NM	NM
Chesapeake Energy	9,375	11,976	6,505	2,089	2,600	980	772	44	26	179%	316%	128%	55%	51%	NM	NM	NM	NM	NM	NM	NM
Cimarex Energy	1,562	1,656	1,572	532	667	42	51	(4)	(1)	126%	150%	113%	48%	48%	NM	NM	NM	NM	NM	NM	NM
Concho Resources	1,706	2,717	1,851	480	649	159	201	20	21	137%	199%	111%	35%	39%	NM	NM	NM	NM	NM	NM	NM
Denbury Resources	1,404	1,584	1,178	360	466	216	206	77	79	95%	102%	79%	23%	31%	5%	7%	26%	3%	2%	7%	
Diamond Back Energy	80	112	298	21	44	3	4	-	4	261%	250%	190%	56%	25%	NM	NM	NM	NM	NM	NM	NM
EP Energy	1,591	1,513	1,304	462	289	350	359	14	(3)	121%	113%	169%	35%	25%	NM	NM	NM	NM	NM	NM	NM
Exco Resources Inc.	984	534	321	320	1,016	86	89	-	-	168%	118%	80%	71%	253%	8%	NM	NM	NM	2%	NM	NM
Forest Oil	1,084	731	365	338	257	130	130	(28)	(1)	182%	148%	117%	68%	86%	NM	NM	NM	NM	NM	NM	NM
Halcon Resources	25	582	2,380	425	435	65	229	0	9	61%	486%	394%	35%	72%	NM	NM	NM	NM	NM	NM	NM
Hicorp Energy	1,235	1,366	1,844	453	504	53	54	2	1	143%	148%	146%	49%	40%	NM	NM	NM	NM	NM	NM	NM
Magnum Hunter Resources	292	569	632	262	314	40	70	-	1	1235%	383%	750%	177%	373%	NM	NM	NM	NM	NM	NM	NM
Midstate Petroleum	243	422	574	83	205	11	104	11	32	245%	269%	170%	53%	61%	NM	NM	NM	NM	NM	NM	NM
Newfield Exploration	2,340	1,780	1,987	1,047	844	205	205	206	128	138%	110%	120%	65%	51%	NM	NM	NM	NM	NM	NM	NM
Oasis Petroleum	613	1,053	894	114	195	57	90	0	1	268%	212%	111%	23%	24%	NM	NM	NM	NM	NM	NM	NM
Parsley Energy	25	67	218	NM	19	5	14	1	3	340%	256%	250%	NM	25%	NM	NM	NM	NM	NM	NM	NM
Penn Virginia	-	371	504	378	344	56	70	1	5	NM	155%	165%	158%	112%	NM	NM	NM	NM	NM	NM	NM
QEP Resources	1,383	1,399	1,562	664	736	109	159	30	78	100%	100%	102%	47%	48%	NM	NM	NM	NM	NM	NM	NM
Range Resources	1,211	1,503	1,165	205	244	153	159	0	(0)	156%	173%	110%	24%	23%	NM	NM	NM	NM	NM	NM	NM
Roseata Resources	433	622	871	91	147	25	53	4	28	150%	150%	145%	22%	24%	NM	NM	NM	NM	NM	NM	NM
Samson	1,948	1,229	1,081	559	763	280	342	3	0	221%	172%	150%	78%	106%	NM	NM	NM	NM	NM	NM	NM
SandRidge Energy	1,744	2,146	1,497	362	402	257	275	1	5	265%	219%	154%	37%	41%	NM	NM	NM	NM	NM	NM	NM
SM Energy	1,633	1,506	1,554	490	517	63	82	(1)	(0)	186%	148%	107%	48%	35%	NM	NM	NM	NM	NM	NM	NM
Sonotex Energy	21	170	482	5	82	-	26	-	-	308%	NM	231%	6127%	39%	NM	NM	NM	NM	NM	NM	NM
Tulow Oil	1,654	1,849	2,009	1,555	1,649	103	104	264	252	91%	106%	108%	89%	88%	NM	NM	NM	NM	NM	NM	NM
Triangle Petroleum	109	167	440	6	29	0	2	-	1	NM	2539%	427%	98%	28%	NM	NM	NM	NM	NM	NM	NM
WPX Energy	1,572	1,521	1,154	1,114	1,277	97	106	-	-	121%	158%	156%	116%	173%	NM	NM	NM	NM	NM	NM	NM
Min	-	67	218	5	19	-	2	(86)	(4)	61%	100%	79%	9%	13%	6%	0.07	26%	2%	0.03	7%	
Max	9,375	11,976	6,505	2,089	2,600	980	772	264	252	1235%	4397%	750%	6127%	373%	8%	0.07	26%	3%	0.03	7%	
Mean	1,246	1,393	1,288	463	532	125	141	19	23	218%	432%	201%	297%	71%	7%	0.07	26%	2%	0.03	7%	
Median	1,146	1,053	1,154	362	373	65	104	0	1	162%	172%	149%	53%	42%	7%	0.07	26%	2%	0.03	7%	

Source: Company filings and Deutsche Bank Estimates, Bloomberg Finance LP
For the following companies not covered by D&B High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCE, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX
Note: Triangle petroleum's figures are for the year-ending January 31 of the succeeding year



Figure 44: Industry Relative Value

EV & Leverage - Hedged

Company	Senior Secured Leverage			Senior Leverage			Total Leverage			Net Leverage			TEV / EBITDAX		
	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E
American Energy Permian	-	0.3x	2.6x	-	11.0x	9.0x	-	14.5x	11.2x	-	14.5x	11.2x	-	14.5x	11.2x
Antero Resources	0.4x	0.8x	1.2x	3.2x	3.3x	2.9x	3.2x	3.3x	2.9x	3.2x	3.3x	2.9x	28.9x	18.9x	14.0x
Bonanza Creek	-	0.1x	0.6x	1.8x	2.2x	2.9x	1.8x	2.2x	2.9x	1.2x	2.2x	2.9x	4.4x	4.5x	5.5x
Chesapeake Energy	0.1x	-	-	2.5x	2.7x	2.9x	2.6x	2.7x	2.9x	2.5x	1.6x	2.4x	7.3x	5.7x	6.7x
Cimarex Energy	0.1x	-	0.1x	0.7x	0.9x	1.6x	0.7x	0.9x	1.6x	0.7x	0.7x	1.6x	7.1x	6.1x	10.0x
Concho Resources	0.2x	0.1x	0.4x	2.2x	1.8x	2.3x	2.2x	1.8x	2.3x	2.2x	1.8x	2.3x	8.2x	6.8x	8.0x
Denbury Resources	0.5x	0.6x	0.6x	0.5x	0.6x	0.6x	2.1x	2.7x	3.7x	2.1x	2.7x	3.7x	6.1x	2.7x	3.7x
Diamond Back Energy	0.1x	0.4x	0.7x	3.0x	1.6x	2.1x	3.0x	1.6x	2.1x	2.9x	1.6x	2.1x	2.9x	10.2x	12.9x
EP Energy	1.4x	1.3x	1.5x	3.4x	2.8x	2.9x	3.4x	2.8x	2.9x	3.2x	2.8x	2.9x	7.3x	5.9x	6.0x
Exco Resources Inc.	2.2x	0.5x	1.4x	3.7x	3.6x	5.5x	3.7x	3.6x	5.5x	3.6x	3.6x	5.4x	5.9x	3.6x	5.4x
Forest Oil	-	2.8x	3.9x	4.8x	2.4x	7.2x	4.8x	5.2x	7.2x	4.2x	5.0x	7.2x	6.6x	5.0x	7.2x
Halcon Resources	0.0x	0.7x	0.8x	5.3x	5.0x	5.6x	5.3x	5.0x	5.6x	5.3x	5.0x	5.6x	5.3x	5.0x	5.7x
Hilcorp Energy	0.5x	0.4x	1.0x	0.4x	0.7x	2.1x	0.9x	1.1x	2.1x	0.8x	1.0x	2.0x	NA	NA	NA
Magnum Hunter Resources	3.2x	3.0x	6.3x	10.4x	6.8x	11.8x	10.4x	6.8x	12.8x	10.0x	6.8x	12.8x	15.8x	9.9x	17.2x
Midstates Petroleum	1.2x	0.9x	1.9x	5.1x	3.6x	6.2x	5.1x	3.6x	6.5x	5.0x	3.6x	6.5x	6.2x	3.8x	6.7x
Newfield Exploration	0.5x	0.2x	0.1x	1.9x	1.6x	1.5x	2.9x	2.1x	2.1x	2.1x	2.1x	2.1x	4.8x	4.5x	4.9x
Oasis Petroleum	0.4x	0.5x	0.7x	3.1x	2.8x	3.5x	3.1x	2.8x	3.5x	3.0x	2.8x	3.5x	8.4x	4.2x	5.2x
Parsley Energy	5.7x	0.0x	0.6x	5.7x	2.7x	3.0x	5.7x	2.7x	3.0x	5.5x	2.7x	3.0x	5.5x	11.3x	10.7x
Penn Virginia	0.7x	0.3x	0.5x	4.2x	2.9x	2.0x	4.2x	2.9x	2.0x	4.1x	2.9x	2.0x	6.0x	4.4x	2.9x
QEP Resources	0.3x	-	-	2.0x	1.5x	1.9x	2.0x	1.5x	1.9x	2.0x	0.5x	1.1x	4.4x	2.9x	4.1x
Range Resources	0.5x	0.7x	0.9x	0.5x	0.7x	0.9x	3.0x	2.7x	3.0x	3.0x	2.7x	3.0x	15.9x	9.8x	10.3x
Rosetta Resources	-	0.1x	0.7x	2.5x	2.6x	4.2x	2.5x	2.6x	4.2x	2.2x	2.6x	4.2x	6.9x	2.6x	4.2x
Samson	1.9x	2.5x	4.2x	3.2x	6.1x	9.0x	5.1x	6.1x	9.0x	4.9x	6.1x	9.0x	NA	NA	NA
SandRidge Energy	-	-	0.5x	6.0x	4.0x	5.1x	6.0x	4.0x	5.1x	3.1x	3.6x	5.1x	9.7x	4.6x	6.2x
SM Energy	-	-	0.5x	1.1x	1.4x	2.2x	1.1x	1.4x	2.2x	0.9x	1.3x	2.2x	4.8x	4.3x	6.0x
Sanchez Energy	-	-	0.0x	2.8x	3.8x	4.3x	2.8x	3.8x	4.3x	2.1x	3.0x	4.3x	6.4x	4.3x	5.7x
Tulow Oil	0.8x	1.5x	2.6x	1.2x	2.3x	3.6x	1.2x	2.2x	3.6x	1.0x	2.2x	3.6x	9.2x	11.6x	16.0x
Triangle Petroleum	2.1x	0.4x	1.2x	3.3x	3.0x	3.9x	3.3x	3.0x	3.9x	2.5x	3.0x	3.9x	2.5x	3.0x	3.9x
WPX Energy	0.6x	-	-	2.6x	1.4x	1.6x	3.1x	1.5x	1.6x	3.0x	0.8x	1.6x	6.1x	4.5x	5.9x
Mn	-	-	-	-	0.6x	0.6x	-	0.9x	1.6x	-	0.5x	1.1x	-	2.6x	2.9x
Max	5.7x	3.0x	6.3x	10.4x	11.0x	11.8x	10.4x	14.5x	12.8x	10.0x	14.5x	12.8x	28.9x	18.9x	17.2x
Mean	0.8x	0.6x	1.2x	3.0x	3.0x	3.9x	3.3x	3.3x	4.2x	3.0x	3.2x	4.1x	7.5x	6.5x	7.6x
Median	0.4x	0.4x	0.7x	2.8x	2.7x	2.9x	3.0x	2.7x	3.0x	2.9x	2.7x	3.0x	6.2x	4.6x	6.0x

EV & Leverage - Unhedged

Company	Senior Secured Leverage			Senior Leverage			Total Leverage			Net Leverage			TEV / EBITDAX		
	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E
American Energy Permian	-	0.2x	3.0x	-	10.9x	10.2x	-	14.3x	12.7x	-	14.3x	12.7x	-	14.3x	12.7x
Antero Resources	0.6x	0.9x	1.4x	4.3x	3.7x	3.5x	4.3x	3.7x	3.5x	4.3x	3.7x	3.5x	38.7x	21.3x	16.7x
Bonanza Creek	-	0.1x	0.8x	1.7x	2.3x	4.0x	1.7x	2.3x	4.0x	1.1x	2.3x	4.0x	4.2x	4.7x	7.6x
Chesapeake Energy	0.1x	-	-	2.5x	2.5x	3.6x	2.6x	2.5x	3.6x	2.4x	1.5x	3.0x	7.1x	5.3x	8.4x
Cimarex Energy	0.1x	-	0.1x	0.7x	0.9x	1.6x	0.7x	0.9x	1.6x	0.7x	0.7x	1.6x	7.1x	6.1x	10.0x
Concho Resources	0.1x	0.2x	0.6x	2.1x	1.9x	3.3x	2.1x	1.9x	3.3x	2.1x	1.9x	3.3x	8.1x	7.1x	11.3x
Denbury Resources	0.5x	0.6x	1.3x	0.5x	0.6x	1.3x	2.2x	2.7x	7.8x	2.2x	2.7x	7.8x	6.3x	2.7x	7.9x
Diamond Back Energy	0.1x	0.4x	0.7x	2.8x	1.6x	2.2x	2.8x	1.6x	2.2x	2.7x	1.6x	2.2x	2.7x	10.1x	13.5x
EP Energy	1.5x	1.3x	2.8x	3.5x	2.9x	5.6x	3.5x	2.9x	5.6x	3.2x	2.9x	5.6x	7.4x	6.1x	11.4x
Exco Resources Inc.	2.4x	0.4x	1.8x	4.1x	3.5x	6.8x	4.1x	3.5x	6.8x	3.9x	3.4x	6.7x	6.5x	3.4x	6.7x
Forest Oil	-	2.8x	5.8x	5.4x	2.5x	10.5x	5.4x	5.3x	10.5x	4.7x	5.1x	10.5x	7.4x	5.1x	10.6x
Halcon Resources	0.0x	0.7x	1.4x	5.1x	5.0x	10.3x	5.1x	5.0x	10.3x	5.1x	5.0x	10.3x	5.1x	5.1x	10.4x
Hilcorp Energy	0.5x	0.4x	1.0x	0.4x	0.7x	2.1x	0.9x	1.2x	2.1x	0.9x	1.1x	2.0x	NA	NA	NA
Magnum Hunter Resources	2.9x	3.7x	6.5x	9.5x	8.5x	12.3x	9.5x	8.5x	13.2x	9.1x	8.5x	13.2x	14.4x	12.4x	17.8x
Midstates Petroleum	1.1x	0.8x	2.2x	4.8x	3.4x	7.1x	4.8x	3.4x	7.4x	4.7x	3.4x	7.4x	5.9x	3.5x	7.7x
Newfield Exploration	0.5x	0.2x	0.1x	2.0x	1.5x	2.3x	3.1x	2.0x	3.2x	2.3x	2.0x	3.2x	5.1x	4.4x	7.4x
Oasis Petroleum	0.4x	0.5x	1.1x	3.1x	2.9x	5.7x	3.1x	2.9x	5.7x	3.0x	2.9x	5.7x	8.3x	4.4x	8.5x
Parsley Energy	5.3x	0.0x	0.9x	5.3x	2.7x	4.0x	5.3x	2.7x	4.0x	5.1x	2.7x	4.0x	5.1x	11.4x	14.4x
Penn Virginia	0.7x	0.3x	0.7x	4.2x	3.0x	2.9x	4.2x	3.0x	2.9x	4.1x	3.0x	2.9x	6.0x	4.5x	4.1x
QEP Resources	0.4x	-	-	2.2x	1.5x	2.5x	2.2x	1.5x	2.5x	2.2x	0.5x	1.5x	4.8x	2.9x	5.5x
Range Resources	0.5x	0.7x	1.1x	0.5x	0.7x	1.1x	3.1x	2.6x	3.7x	3.1x	2.6x	3.7x	16.5x	9.3x	12.5x
Rosetta Resources	-	0.1x	0.8x	2.5x	2.6x	5.0x	2.5x	2.6x	5.0x	2.2x	2.6x	5.0x	7.0x	2.6x	5.0x
Samson	1.8x	2.3x	4.9x	3.2x	5.7x	10.5x	5.0x	5.7x	10.5x	4.8x	5.7x	10.5x	NA	NA	NA
SandRidge Energy	-	-	0.8x	6.4x	4.3x	9.0x	6.4x	4.3x	9.0x	3.3x	3.8x	9.0x	10.2x	4.8x	10.9x
SM Energy	-	-	0.6x	1.1x	1.4x	3.1x	1.1x	1.4x	3.1x	0.9x	1.3x	3.1x	4.8x	4.3x	8.2x
Sanchez Energy	-	-	0.1x	2.7x	3.9x	5.9x	2.7x	3.9x	5.9x	2.0x	3.1x	5.9x	6.1x	4.4x	7.8x
Tulow Oil	0.8x	1.6x	5.0x	1.2x	2.5x	7.1x	1.2x	2.4x	7.0x	1.0x	2.4x	7.0x	9.2x	12.5x	31.2x
Triangle Petroleum	2.1x	0.4x	1.8x	3.3x	3.1x	5.7x	3.3x	3.1x	5.7x	2.5x	3.1x	5.7x	2.5x	3.1x	5.7x
WPX Energy	0.5x	-	-	2.5x	1.3x	2.7x	3.1x	1.3x	2.7x	2.9x	0.7x	2.6x	6.0x	4.1x	9.6x
Mn	-	-	-	-	0.6x	1.1x	-	0.9x	1.6x	-	0.5x	1.5x	-	2.6x	4.7x
Max	5.3x	3.7x	6.5x	9.5x	10.9x	12.3x	9.5x	14.3x	13.2x	9.1x	14.3x	13.2x	38.7x	21.3x	31.2x
Mean	0.8x	0.6x	1.6x	3.0x	3.0x	5.2x	3.3x	3.4x	5.7x	3.0x	3.3x	5.6x	7.9x	6.7x	10.5x
Median	0.5x	0.4x	1.0x	2.7x	2.6x	4.0x	3.1x	2.7x	5.0x	2.7x	2.7x	5.0x	6.3x	4.8x	9.6x

Source: Company filings and Deutsche Bank Estimates, Bloomberg Finance LP
 For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only:
 AMEPER,AR,BCEI,CKO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX
 Note: Triangle petroleum's figures are for the year-ending January 31 of the succeeding year



Figure 45: Industry Relative Value

Reserves / NAV															
Company	Proved Developed (Bcfe)		Proved Undeveloped (Bcfe)		1 P Reserves (Bcfe)		PV 10 (\$MM)	Reserve Replacement (All In)		Reserve Replacement (Drill Bit)		Gas %		PUD %	Reserve Life (13 R/14E P)
	2012	2013	2012	2013	2012	2013	2013	2012	2013	2012	2013	2012	2013	2013	2013
American Energy Permian	-	180	-	770	121	950	2,700	9864%	4270%	6540%	4270%	0%	16%	81%	NA
Antero Resources	1,050	2,028	3,880	5,614	4,930	7,642	5,988	116%	1507%	2615%	1507%	75%	88%	73%	20.9
Bonanza Creek	143	193	175	226	318	419	1,227	393%	374%	393%	342%	37%	33%	54%	8.1
Chesapeake Energy	8,944	10,854	6,746	5,216	15,690	16,071	21,700	358%	137%	355%	136%	70%	73%	32%	NA
Cimarex Energy	1,609	1,995	450	502	2,259	2,497	5,201	310%	202%	310%	202%	55%	52%	20%	7.9
Concho Resources	1,631	1,820	1,052	1,198	2,683	3,018	9,000	468%	265%	265%	280%	39%	39%	40%	12.3
Denbury Resources	1,503	1,730	954	1,079	2,456	2,810	10,634	435%	318%	318%	152%	20%	17%	38%	17.3
Diamond Back Energy	74	180	167	202	241	382	1,270	1510%	1363%	433%	961%	14%	16%	53%	8.9
EP Energy	1,660	1,094	1,891	2,191	3,551	3,285	8,900	285%	394%	285%	394%	51%	33%	67%	NA
Eco Resources Inc.	972	737	37	387	1,009	1,134	1,252	179%	220%	179%	-28%	39%	56%	34%	8.3
Forest Oil	937	414	425	211	1,363	625	743	153%	129%	153%	129%	67%	73%	34%	NA
Halcon Resources	308	328	344	488	653	816	2,770	2711%	515%	340%	489%	15%	9%	60%	NA
Hicoop Energy	1,273	1,837	711	938	1,984	2,775	7,428	244%	455%	153%	252%	46%	54%	34%	NA
Magnum Hunter Resources	261	291	177	164	438	455	922	335%	17%	73%	17%	37%	54%	36%	NA
Midstates Petroleum	167	292	286	474	453	767	2,058	1485%	723%	529%	291%	31%	37%	62%	10.4
Newfield Exploration	1,792	1,937	1,607	1,523	3,399	3,460	6,600	192%	189%	192%	183%	52%	48%	44%	12.6
Oasis Petroleum	420	753	440	635	860	1,368	5,487	890%	783%	878%	414%	11%	13%	46%	13.8
Parsley Energy	59	141	78	188	137	329	731	1374%	1854%	1140%	900%	22%	24%	57%	NA
Penn Virginia	282	300	399	488	681	818	1,717	71%	999%	71%	231%	60%	39%	60%	NA
QEP Resources	2,112	2,151	1,624	1,306	3,336	4,059	6,000	249%	115%	150%	121%	67%	53%	47%	NA
Range Resources	3,458	4,193	3,048	4,010	6,506	8,202	7,900	681%	612%	774%	612%	74%	69%	49%	19.0
Rosetta Resources	445	542	761	1,129	1,205	1,671	3,052	484%	528%	482%	402%	42%	40%	68%	11.6
Samson	1,808	1,232	707	625	2,014	1,857	2,815	268%	-9%	253%	-9%	66%	67%	34%	NA
SandRidge Energy	1,919	1,670	1,476	931	3,385	2,601	5,192	746%	247%	550%	246%	42%	53%	36%	NA
SM Energy	999	1,253	762	1,319	1,761	2,572	5,529	370%	417%	369%	414%	47%	46%	51%	NA
Sanchez Energy	22	148	105	204	127	352	1,465	3063%	436%	3093%	436%	12%	11%	58%	NA
Tullose Oil	NA	NA	NA	NA	2,328	2,234	NA	368%	88%	388%	86%	12%	14%	NA	NA
Triangle Petroleum	36	102	52	140	88	242	678	2812%	1460%	2759%	1029%	14%	11%	58%	NA
WPX Energy	2,703	2,778	1,788	1,984	4,491	4,762	4,253	50%	89%	101%	90%	75%	76%	42%	NA
Mn	-	702	-	140	88	242	678	50%	-9%	71%	-28%	0%	9%	20%	7.9
Max	8,344	10,454	6,748	5,614	15,690	16,071	21,700	9864%	4270%	6540%	4270%	93%	90%	81%	20.9
Mean	1,296	1,471	1,064	1,241	2,382	2,697	4,762	1652%	624%	833%	502%	43%	43%	49%	12.6
Median	866	916	578	782	1,761	1,857	3,702	388%	394%	355%	260%	42%	40%	48%	11.9

Note: R/R% excludes price revisions

Company	Debt / PD			Debt / PI			EV / P1		Debt / PV 10	
	2011	2012	2013	2011	2012	2013	2012	2013	2012	2013
American Energy Permian	NM	NM	\$0.00	NM	NM	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Antero Resources	\$1.56	\$1.40	\$1.03	\$0.26	\$0.30	\$0.27	\$0.29	\$2.45	\$0.76	\$0.35
Bonanza Creek	\$0.07	\$1.10	\$2.64	\$0.03	\$0.50	\$1.22	\$3.30	\$2.93	\$0.19	\$0.41
Chesapeake Energy	\$1.05	\$1.41	\$1.22	\$0.57	\$0.80	\$0.83	\$1.96	\$2.29	\$0.71	\$0.61
Cimarex Energy	\$0.24	\$0.41	\$0.46	\$0.20	\$0.33	\$0.37	\$4.14	\$3.95	\$0.18	\$0.16
Concho Resources	\$1.47	\$1.90	\$2.00	\$0.90	\$1.16	\$1.20	\$4.89	\$4.53	\$0.37	\$0.40
Denbury Resources	\$1.71	\$2.16	\$1.91	\$0.87	\$1.32	\$1.17	\$2.42	\$3.33	\$0.33	\$0.31
Diamond Back Energy	\$2.32	\$0.00	\$2.56	\$2.32	\$0.00	\$1.21	-\$0.11	\$1.16	\$0.00	\$0.36
EP Energy	NA	\$2.62	\$3.69	NA	\$1.22	\$1.23	\$1.21	\$2.62	\$0.62	\$0.45
Eco Resources Inc.	\$1.92	\$1.41	\$2.48	\$1.42	\$1.36	\$1.62	\$1.65	\$2.58	\$1.37	\$1.46
Forest Oil	\$1.63	\$1.99	\$1.93	\$0.89	\$1.37	\$1.28	\$1.38	\$1.75	\$1.26	\$1.08
Halcon Resources	\$2.52	\$6.84	\$9.72	\$1.60	\$3.23	\$3.90	\$3.29	\$3.95	\$0.92	\$1.15
Hicoop Energy	\$0.68	\$0.51	\$0.83	\$0.33	\$0.33	\$0.55	NA	NA	\$0.09	\$0.21
Magnum Hunter Resources	\$2.00	\$3.41	\$3.02	\$1.08	\$2.03	\$1.39	\$1.90	\$2.93	\$0.31	\$0.95
Midstates Petroleum	\$3.47	\$4.16	\$5.82	\$1.49	\$1.53	\$2.22	\$2.49	\$2.74	\$0.60	\$0.82
Newfield Exploration	\$1.41	\$1.70	\$1.91	\$0.77	\$0.90	\$1.07	\$1.82	\$1.76	\$0.52	\$0.56
Oasis Petroleum	\$3.72	\$2.86	\$3.46	\$1.69	\$1.40	\$1.85	\$2.76	\$4.96	\$0.37	\$0.46
Parsley Energy	\$0.00	\$2.04	\$3.05	\$0.00	\$0.88	\$1.31	\$0.78	\$1.25	\$0.40	\$0.59
Penn Virginia	\$0.00	\$2.11	\$3.88	\$0.00	\$0.87	\$1.57	\$1.24	\$2.26	\$0.87	\$0.75
QEP Resources	\$0.85	\$1.52	\$1.39	\$0.46	\$0.81	\$0.74	\$1.71	\$1.61	\$0.80	\$0.50
Range Resources	\$0.82	\$0.83	\$0.75	\$0.39	\$0.44	\$0.38	\$1.68	\$2.04	\$0.89	\$0.40
Rosetta Resources	\$0.72	\$0.92	\$2.77	\$0.26	\$0.34	\$0.90	\$2.30	\$2.47	\$0.16	\$0.49
Samson	\$2.45	\$2.66	\$2.89	\$1.54	\$1.73	\$1.91	\$1.73	\$1.85	\$1.27	\$1.26
SandRidge Energy	\$2.04	\$2.24	\$1.91	\$1.00	\$1.27	\$1.23	\$0.94	\$1.97	\$0.74	\$0.62
SM Energy	\$1.17	\$1.44	\$1.28	\$0.78	\$0.82	\$0.82	\$3.43	\$2.70	\$0.37	\$0.29
Sanchez Energy	\$0.00	\$0.00	\$4.00	\$0.00	\$0.00	\$1.68	\$4.27	\$3.78	\$0.00	\$0.40
Tullose Oil	NA	NA	NA	\$1.77	\$0.57	\$0.99	\$0.42	\$7.45	NA	NA
Triangle Petroleum	\$0.00	\$4.13	\$3.37	\$0.00	\$1.69	\$1.42	\$1.31	\$1.08	\$0.66	\$0.51
WPX Energy	\$0.50	\$0.56	\$0.84	\$0.30	\$0.34	\$0.49	\$0.81	\$0.95	\$0.51	\$0.53
Mn	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$0.11	\$0.00	\$0.00	\$0.00
Max	\$3.72	\$6.84	\$9.72	\$2.32	\$3.23	\$3.90	\$4.89	\$7.45	\$1.97	\$1.46
Mean	\$1.32	\$1.94	\$2.53	\$0.78	\$0.98	\$1.21	\$1.93	\$2.62	\$0.59	\$0.56
Median	\$1.29	\$1.70	\$2.24	\$0.77	\$0.87	\$1.21	\$1.72	\$2.46	\$0.56	\$0.50

Source: Company filings and Deutsche Bank Estimates, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only:
AMEPE,AR,BCEI,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX
Note: Triangle petroleum's figures are for the year-ending January 31 of the succeeding year



Figure 46: Industry Relative Value

Realization & Costs per Mcfe

Company	Realization	Lifting Costs	G&A	DD&A	Operating Income	3 Year All in	3 Year Drill bit	Full Cycle	Recycle Ratio
2014E									
American Energy Permian	\$11.04	\$1.79	\$1.98	\$3.51	\$3.76	NA	NA	NA	NM
Antero Resources	\$5.10	\$1.60	\$0.60	\$1.27	\$1.63	\$0.91	\$0.43	\$3.53	6.32
Bonanza Creek	\$11.24	\$2.46	\$1.40	\$4.17	\$3.21	\$3.49	\$3.37	\$8.22	2.11
Chesapeake Energy	\$4.53	\$0.92	\$0.21	\$1.73	\$1.67	\$2.48	\$1.77	\$3.77	1.98
Cimarex Energy	\$7.53	\$2.13	\$0.30	\$2.58	\$2.52	\$2.67	\$2.64	\$5.20	1.96
Concho Resources	\$11.21	\$2.24	\$0.84	\$4.05	\$4.08	\$3.52	\$3.21	\$7.28	2.26
Danbury Resources	\$14.53	\$5.66	\$0.99	\$3.58	\$4.30	\$2.87	\$3.03	\$10.62	2.48
Diamond Back Energy	\$11.98	\$1.97	\$0.49	\$4.06	\$5.46	\$4.23	\$2.75	\$7.11	3.12
EP Energy	\$10.05	\$1.58	\$0.74	\$4.04	\$3.69	\$1.64	\$1.53	\$5.57	3.69
Exco Resources Inc.	\$4.79	\$1.42	\$0.46	\$1.98	\$0.93	\$4.22	\$6.27	\$6.79	0.44
Forest Oil	\$6.48	\$2.02	\$0.80	\$2.17	\$1.49	\$4.10	\$3.54	\$9.01	0.28
Halcon Resources	\$12.76	\$3.12	\$1.30	\$5.87	\$2.45	\$7.37	\$5.95	\$13.69	1.18
Hilcorp Energy	\$8.83	\$3.38	\$0.54	\$2.72	\$2.19	\$1.96	\$2.15	\$6.12	2.37
Magnum Hunter Resources	\$7.90	\$3.09	\$1.46	\$3.98	(\$0.64)	\$10.27	\$14.58	\$18.60	(0.02)
Midstates Petroleum	\$8.89	\$1.60	\$0.65	\$4.15	\$2.49	\$3.37	\$3.92	\$7.51	1.11
Newfield Exploration	\$7.97	\$2.13	\$0.80	\$3.11	\$1.94	\$3.80	\$3.41	\$7.26	1.41
Oasis Petroleum	\$13.69	\$3.29	\$0.91	\$4.06	\$5.43	\$3.33	\$2.62	\$8.92	3.07
Parsley Energy	\$9.85	\$1.90	\$1.28	\$2.77	\$3.90	\$1.90	\$1.72	\$6.19	2.96
Penn Virginia	\$10.92	\$1.75	\$1.59	\$6.01	\$1.57	\$8.23	\$8.41	\$13.12	0.72
QEP Resources	\$7.36	\$2.27	\$0.57	\$3.03	\$1.48	\$2.78	\$2.38	\$6.15	1.92
Range Resources	\$4.41	\$1.23	\$0.50	\$1.32	\$1.37	\$0.84	\$0.71	\$2.95	3.37
Rosetta Resources	\$7.33	\$1.60	\$0.62	\$2.89	\$2.22	\$1.85	\$1.35	\$4.47	3.05
Samson	\$5.55	\$1.47	\$0.83	\$2.53	\$0.72	\$3.60	\$3.62	\$6.35	(0.33)
SandRidge Energy	\$8.48	\$2.08	\$0.71	\$2.63	\$3.06	\$2.67	\$1.98	\$7.16	2.42
SM Energy	\$7.57	\$2.22	\$0.51	\$2.33	\$2.51	\$1.95	\$1.78	\$4.90	2.45
Sanchez Energy	\$10.26	\$2.18	\$1.12	\$5.01	\$1.95	\$7.19	\$3.51	\$12.40	1.82
Tulow Oil	\$15.37	\$3.20	\$1.29	\$3.81	\$7.09	\$7.95	\$8.95	\$13.14	0.96
Triangle Petroleum	\$12.27	\$2.42	\$0.75	\$4.11	\$4.98	\$2.9	\$2.5	\$7.3	\$3.8
WPX Energy	\$5.42	\$1.13	\$0.68	\$2.03	\$1.58	\$3.39	\$2.78	\$5.46	0.88
<i>Min</i>	\$4.41	\$0.92	\$0.21	\$1.27	-\$0.64	\$0.84	\$0.43	\$2.95	-\$0.33
<i>Max</i>	\$15.37	\$5.66	\$1.98	\$6.01	\$7.09	\$10.27	\$14.58	\$18.60	\$6.32
Mean	\$9.08	\$2.20	\$0.86	\$3.29	\$2.73	\$3.77	\$3.60	\$7.81	\$2.06
Median	\$8.83	\$2.08	\$0.75	\$3.11	\$2.45	\$3.35	\$2.77	\$7.14	\$2.04

Company	Realization	Lifting Costs	G&A	DD&A	Operating Income	3 Year All in	3 Year Drill bit	Full Cycle	Recycle Ratio
2015E									
American Energy Permian	\$9.64	\$1.75	\$0.58	\$2.75	\$4.56	NA	NA	NA	NM
Antero Resources	\$4.77	\$1.57	\$0.45	\$1.25	\$1.50	\$0.91	\$0.43	\$3.23	6.03
Bonanza Creek	\$8.67	\$2.12	\$1.36	\$3.95	\$1.25	\$3.49	\$3.37	\$7.77	1.40
Chesapeake Energy	\$3.92	\$0.88	\$0.21	\$1.73	\$1.10	\$2.48	\$1.77	\$3.83	1.57
Cimarex Energy	\$5.15	\$2.11	\$0.29	\$2.55	\$0.20	\$2.67	\$2.64	\$5.18	1.07
Concho Resources	\$8.87	\$1.96	\$0.80	\$4.17	\$1.94	\$3.52	\$3.21	\$6.84	1.59
Danbury Resources	\$11.40	\$5.01	\$0.94	\$3.58	\$1.87	\$2.87	\$3.03	\$9.74	1.61
Diamond Back Energy	\$9.26	\$1.68	\$0.44	\$4.10	\$3.05	\$4.23	\$2.75	\$6.67	1.75
EP Energy	\$9.48	\$1.34	\$0.74	\$4.04	\$3.37	\$1.64	\$1.53	\$5.66	3.22
Exco Resources Inc.	\$4.52	\$1.59	\$0.53	\$1.91	\$0.49	\$4.22	\$6.27	\$7.14	0.28
Forest Oil	\$5.60	\$1.41	\$0.52	\$2.30	\$1.37	\$4.10	\$3.54	\$7.54	0.61
Halcon Resources	\$10.79	\$2.49	\$1.28	\$6.00	\$1.03	\$7.37	\$5.95	\$13.46	0.88
Hilcorp Energy	\$7.65	\$3.65	\$0.35	\$2.97	\$0.68	\$1.96	\$2.15	\$6.29	1.49
Magnum Hunter Resources	\$4.54	\$2.14	\$1.18	\$4.60	(\$3.38)	\$10.27	\$14.58	\$15.61	(0.00)
Midstates Petroleum	\$7.09	\$1.40	\$0.55	\$4.33	\$0.81	\$3.37	\$3.92	\$7.35	0.61
Newfield Exploration	\$6.61	\$1.82	\$0.80	\$3.29	\$0.70	\$3.80	\$3.41	\$6.80	1.10
Oasis Petroleum	\$10.82	\$2.55	\$1.24	\$3.90	\$3.12	\$3.33	\$2.62	\$8.49	1.23
Parsley Energy	\$7.73	\$1.67	\$1.15	\$2.85	\$2.07	\$1.90	\$1.72	\$5.50	2.37
Penn Virginia	\$9.95	\$1.42	\$1.30	\$6.07	\$1.15	\$8.23	\$8.41	\$12.18	0.98
QEP Resources	\$6.17	\$2.10	\$0.57	\$3.18	\$0.32	\$2.78	\$2.38	\$5.86	1.29
Range Resources	\$3.94	\$1.24	\$0.52	\$1.32	\$0.85	\$0.84	\$0.71	\$2.90	2.83
Rosetta Resources	\$5.93	\$1.51	\$0.71	\$2.89	\$0.82	\$1.85	\$1.35	\$4.38	1.98
Samson	\$4.54	\$1.33	\$0.79	\$2.57	(\$0.16)	\$3.60	\$3.62	\$6.25	0.52
SandRidge Energy	\$6.82	\$2.00	\$0.70	\$2.67	\$1.45	\$2.67	\$1.98	\$6.69	1.18
SM Energy	\$6.07	\$2.30	\$0.55	\$3.30	(\$0.08)	\$1.95	\$1.78	\$5.07	1.54
Sanchez Energy	\$7.01	\$2.02	\$0.50	\$4.75	(\$0.26)	\$7.19	\$3.51	\$11.38	0.86
Tulow Oil	\$12.57	\$3.25	\$1.17	\$3.81	\$4.34	\$7.95	\$8.95	\$13.21	0.79
Triangle Petroleum	\$10.11	\$1.99	\$0.75	\$4.05	\$3.32	\$2.92	\$2.52	\$7.01	2.74
WPX Energy	\$5.09	\$1.16	\$0.68	\$2.03	\$1.22	\$3.39	\$2.78	\$5.44	0.70
<i>Min</i>	3.9x	0.9x	0.2x	1.3x	(3.4x)	0.8x	0.4x	2.9x	(0.0x)
<i>Max</i>	12.6x	5.0x	1.4x	6.1x	4.6x	10.3x	14.6x	15.6x	6.0x
Mean	7.4x	2.0x	0.7x	3.3x	1.3x	3.8x	3.6x	7.4x	1.5x
Median	7.0x	1.8x	0.7x	3.3x	1.2x	3.4x	2.8x	6.7x	1.3x

Source: Company filings and Deutsche Bank Estimates, Bloomberg Finance LP
 For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only:
 AMEPER,AR, BCEI, CXC, FANG, EPEL, TSCN, MHR, MPO, OAS, PE, PVA, ROSE, SH, SEVGEN, SM, TPLM, TLW and WPX
 Note: Triangle petroleum's figures are for the year-ending January 31 of the succeeding year

Figure 47: E&P Relative Value

Rating	Company	Coupon	Rank	Maturity	Amount \$B	Rating	Next Call		Recent Quotes				Spread per Turn of										
							Date	Price	Bid Price	YTW	STW	5 Yr CDS	LTM period	Net Leverage	Revised Debt EBITDA	Senior Debt EBITDA	Total Debt EBITDA	TEV EBITDA	Dist. Excess Reserves	Net Leverage	Gross Leverage		
American Energy Permian Basin																							
NR	AMEPER	FRN	Sr.	1-Aug-19	\$347	Coa1(Stable)/CCC+(Ne)	1-Aug-15	101.00	72.50	15.14	NA	NA	9/14	12.2x	0.6x	12.8x	12.8x	12.2x	\$1.77	Q3 14A	NA	NA	
NR	AMEPER	7.125%	Sr.	1-Nov-20	\$650	Coa1(Stable)/CCC+(Ne)	31-Jan-17	105.34	72.50	14.22	1260									NA	104	59	
NR	AMEPER	7.375%	Sr.	1-Nov-21	\$900	Coa1(Stable)/CCC+(Ne)	31-Jul-17	103.69	72.50	13.70	1198												
Artero Resources LLC																							
NR	AR	8.00%	Sr.	1-Dec-29	\$525	B1(Stable)/BB(Pos)	1-Dec-15	104.50	97.50	6.52	494	NA	12/12	5.2x	0.8x	5.2x	5.2x	NA	\$0.30	Q3 14A	158	146	
NR	AR	5.375%	Sr.	1-Nov-21	\$1,000	B1(Stable)/BB(Pos)	1-Mar-16	104.00	95.50	6.19	447		12/15	3.2x	0.4x	3.2x	3.2x	28.9x	\$0.27		143	132	
NR	AR	5.125%	Sr.	1-Dec-22	\$900	B1(Stable)/BB(Pos)	1-Jun-17	103.94	93.00	6.26	444		9/14 PF	3.1x	0.7x	3.4x	3.4x	3.1x	\$0.43		142	131	
Pro forma for Midstream IPO																							
Bonanza Creek																							
NR	BCEI	6.75%	Sr.	15-Apr-21	\$908	B3(Stable)/B(Stable)	15-Apr-17	103.38	88.50	9.21	757	NA	12/12	1.0x	1.0x	1.0x	1.0x	6.8x	0.5x	Q3 14A	397	352	
NR	BCEI	5.75%	Sr.	1-Feb-23	\$300	B3(Stable)/B(Stable)	1-Aug-18	102.88	80.00	9.34	751		12/15	1.2x	-	1.8x	1.8x	4.4x	1.2x		394	349	
9/14																							
1.9x																							
Chesapeake Energy (CHK)																							
Hold	CHK	3.250%	Sr.	15-Mar-16	\$500	Ba1(Pos)/BB+(Pos)	15-Mar-14	101	93.00	4.13	367	NA								FY 14E	236	141	
NR	CHK	6.250%	Sr. Emt	15-Jan-17	\$435	Ba1(Pos)/BB+(Pos)	NC	NC	NA	NA	NA										NA	NA	
Hold	CHK	6.250%	Sr.	15-Aug-17	\$950	Ba1(Pos)/BB+(Pos)	NC	NC	103.50	4.23	343										NA	NA	
Hold	CHK	7.250%	Sr.	15-Dec-18	\$669	Ba1(Pos)/BB+(Pos)	NC	NC	103.25	4.64	347										213	127	
Hold	CHK	FRN	Sr.	15-Apr-19	\$1,500	Ba1(Pos)/BB+(Pos)	15-Apr-15	101	97.50	4.14	NA									0	NA		
Hold	CHK	6.625%	Sr.	15-Aug-20	\$1,300	Ba1(Pos)/BB+(Pos)	NC	NC	105.25	5.32	378										220	138	
Hold	CHK	6.875%	Sr.	15-Aug-20	\$500	Ba1(Pos)/BB+(Pos)	NC	NC	107.50	5.36	379										196	138	
Hold	CHK	6.125%	Sr.	15-Feb-21	\$1,000	Ba1(Pos)/BB+(Pos)	NC	NC	104.00	5.35	378									0	136		
Hold	CHK	5.375%	Sr.	15-Jun-21	\$700	Ba1(Pos)/BB+(Pos)	15-Jun-16	104.00	100.00	5.37	408		9/14 PF ⁽¹⁾	1.6x	0.9x	2.7x	2.8x	5.5x	\$0.72		0	149	
Hold	CHK	4.875%	Sr.	15-Apr-22	\$1,500	Ba1(Pos)/BB+(Pos)	15-Apr-17	103.656	96.75	5.42	365		12/14 PF Est ⁽¹⁾	1.6x	-	2.7x	2.7x	5.7x	\$0.81		311	129	
Hold	CHK	5.750%	Sr.	15-Mar-23	\$1,100	Ba1(Pos)/BB+(Pos)	NC	NC	102.50	5.37	352		12/15 Est	2.4x	-	2.9x	2.9x	6.7x	\$0.82				
(1) Pro forma for South Marcellus sale and earnings pro forma for recent divestitures																							
Cinemas																							
Buy	XEC	5.875%	Sr.	1-May-22	\$750	Ba1(Pos)/BB+(Pos)	1-May-17	102.94	103.75	5.06	358	NA	9/14 PF	0.6x	-	0.9x	0.9x	5.9x	\$0.60	FY 14E	488	384	
Buy	XEC	4.375%	Sr.	1-Jun-24	\$750	Ba1(Pos)/BB+(Pos)	1-Mar-24	101.00	94.50	5.12	319		12/14 Est	0.7x	-	0.9x	0.9x	6.1x	\$0.60		435	343	
12/15 Est																							
1.6x																							
0.1x																							
1.6x																							
1.6x																							
10.0x																							
\$0.66																							
Concho Resources																							
NR	CXO	7.0%	Sr.	15-Jan-21	\$600	Ba3(Pos)/BB+(Stable)	15-Jan-16	103.50	105.00	5.26	505	NA	12/12	2.3x	0.2x	2.3x	2.3x	8.2x	\$1.16	Q3 14A	301	292	
NR	CXO	6.5%	Sr.	15-Jan-22	\$600	Ba3(Pos)/BB+(Stable)	15-Jan-17	103.25	104.50	5.46	402		12/15	2.2x	0.2x	2.2x	2.2x	8.2x	\$1.20		240	233	
NR	CXO	5.5%	Sr.	1-Oct-22	\$600	Ba3(Pos)/BB+(Stable)	1-Oct-17	102.75	100.00	5.50	395		9/14	1.7x	-	1.7x	1.7x	7.0x	\$1.12		235	228	
NR	CXO	5.5%	Sr.	1-Apr-23	\$1,550	Ba3(Pos)/BB+(Stable)	1-Oct-17	102.75	100.00	5.50	395												
Diamondback Energy																							
NR	FANG	7.625%	Sr.	1-Oct-21	\$450	B3(Pos)/B(Pos)	1-Oct-16	105.72	98.00	8.01	635	NA	12/12	(0.7x)	0.0x	0.0x	0.0x	(0.7x)	0.0x	Q3 14A	456	426	
12/13																							
2.9x																							
0.1x																							
3.0x																							
3.0x																							
2.9x																							
1.2x																							
9/14 PF																							
1.4x																							
0.4x																							
1.5x																							
1.5x																							
9.9x																							
1.5x																							
Denbury Resources																							
Sell	DNR	6.375%	Sr. Sub	15-Aug-21	\$400	B1(Stable)/BB(Stable)	15-Aug-16	103.19	94.50	7.45	576	NA	9/14	2.7x	0.6x	0.6x	2.7x	2.7x	\$1.28	FY 14E	212	212	
Sell	DNR	5.500%	Sr. Sub	1-May-22	\$1,250	B1(Stable)/BB(Stable)	1-May-17	104.13	90.00	7.29	552		12/14 Est	2.7x	0.6x	0.6x	2.7x	2.7x	\$1.28		203	203	
Sell	DNR	4.625%	Sr. Sub	15-Jul-23	\$1,200	B1(Stable)/BB(Stable)	15-Jan-18	102.33	85.00	7.00	510		12/15 Est	3.7x	0.6x	0.6x	3.7x	3.7x	\$1.22		188	188	
EP Energy																							
NR	EPE	6.88%	Sr. Sec	1-May-19	\$750	Ba3(Na)/B+(Na)	1-May-15	103.44	101.00	6.39	571	NA	12/15 PF ⁽¹⁾	3.2x	1.4x	3.4x	3.4x	NA	\$1.23	Q3 14A	191	190	
NR	EPE	9.375%	Sr.	1-May-20	\$2,000	B2(Na)/B(Na)	1-May-16	104.69	100.00	9.37	752		9/14	3.0x	1.4x	3.0x	3.0x	6.4x	\$1.30		265	264	
NR	EPE	7.75%	Sr.	1-Sep-22	\$350	B2(Na)/B(Na)	1-Sep-17	103.88	92.50	9.13	738										247	246	
(1) Debt and EV pro forma for equity IPO in Jan '14																							
EXCO Resources																							
Buy	XCO	7.500%	Sr.	15-Sep-18	\$750	B3(Stable)/CCC+(Stable)	15-Sep-14	103.75	73.25	17.71	1660	NA	9/14 PF ⁽¹⁾⁽²⁾	3.2x	0.3x	3.4x	3.4x	4.5x	\$1.20	FY 14E	466	459	
Buy	XCO	8.500%	Sr.	15-Apr-22	\$500	B3(Stable)/CCC+(Stable)	15-Apr-17	108.375	69.00	15.83	1406		12/14 Est	3.6x	0.5x	3.6x	3.6x	3.6x	\$1.28		395	389	
12/15 Est																							
5.4x																							
1.4x																							
5.5x																							
5.5x																							
5.4x																							
\$1.52																							
Pro forma for (1) full year of earnings from acquisitions/divestitures (2) \$273M raised from rights issue																							
(3) Sale of Compass JV																							

Source: Company filings and Deutsche Bank Estimates, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only:

AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPD, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX



Figure 49: E&P Relative Value (Cont)

Rating	Company	Coupon	Rank	Maturity	Amount (\$)	Rating	Next Call					Recent Quotes					Spread per Turn of								
							Date	Price	Bid Price	YTW	STW	5 Yr CDS	LTM period	Net Leverage	Adjusted Debt / EBITDA	Senior Debt / EBITDA	Total Debt / EBITDA	TEV/EBITDA	Unit Proceed Reserves	Net Leverage	Gross Leverage				
NR	Rosetta Resources	ROSE	5.63%	Sr.	20-May-21	\$700	B1(Stable)/BB-(Stable)	1-May-17	102.81	92.00	7.23	558	12/12	0.9x	0.5x	1.0x	1.0x	6.7x	\$0.34	Q3 14A	209	206			
		ROSE	5.88%	Sr.	1-Jan-22	\$900	B1(Stable)/BB-(Stable)	1-Dec-17	102.94	91.50	7.39	560	12/13	2.2x	-	2.5x	2.5x	6.9x	\$0.90	210	207				
		ROSE	5.88%	Sr.	1-Jan-24	\$900	B1(Stable)/BB-(Stable)	1-Jun-19	102.94	90.00	7.37	543	9/14	2.7x	0.2x	2.7x	2.7x	2.7x	\$1.14	203	201				
Sell	Samsco	SAUVST	9.75%	Sr.	15-Feb-20	\$2,250	Coat 1 (Na)/CCC 1 (Na)	15-Feb-16	104.88	38.00	48.16	3870	NA	9/14	6.0x	2.5x	6.0x	6.0x	NA	\$3.55	FY 14E	632.38	632		
NR	Sarcos Energy	SN	7.75%	Sr.	15-Jun-21	\$800	B3(Pos)/B-(Pos)	15-Jun-17	103.88	94.00	9.00	733	12/12	NM	-	-	-	NM	\$0.00	Q3 14A	NA	NA			
		SN	6.13%	Sr.	15-Jan-23	\$1,100	B3(Pos)/B-(Pos)	15-Jul-18	103.06	86.00	8.58	674	12/13	2.1x	-	2.8x	2.8x	6.4x	\$1.68	NA	NA				
													9/14 PF	1.6x	-	2.5x	2.5x	2.5x	\$4.98						



Chesapeake Energy

Relative Value

Chesapeake is well-positioned to weather the current downturn in commodity markets, a welcome contrast to the stress the credit faced during the 2012 meltdown in gas prices. Operationally, the business is on a strong footing as focused efforts over the previous two years to streamline its vast operations have driven a substantial reduction in cost structure (both opex and capex). This has been well supplemented by a disciplined financial strategy including modest capex outlays and debt reduction via divestitures (>\$11 billion of cash proceeds over last two years). The biggest and most critical of the asset sales was the sale of its Southern Marcellus acreage for \$5.0 billion. This was extremely well timed with an October 2014 announcement, just before the sector was besieged by the sharp fall in oil prices. There were concerns that the buyer could walk away from the deal given the changed market conditions. However, CHK managed to close the deal in late December - the final price was \$400 million below the agreed price of \$5.4 billion which was partly attributed to waiver of future claims related to title defects and environmental liabilities. Thanks to the deal, CHK is entering the current bear oil market with a substantially stronger financial position than it would have otherwise - net leverage pro forma the sale is 1.6x, compared to 2.4x at Q3 14. Liquidity has also been significantly bolstered to \$8.0 billion - even after factoring in the \$1 billion share repurchase program that the company announced concurrently with closing of the transaction. Lastly, the company replaced its \$4.0 billion secured credit facility '15 with a new \$4.0 billion unsecured credit facility '19 last month.

While we do not see the weakness in commodity markets posing significant downside risks to credit fundamentals, it does present a major setback to our thesis that the company would join other large E&P independents in the IG territory. The view was based on the expectation that the company would see meaningful deleveraging and turn FCF positive over the next couple of years. However, under the changed environment for commodity prices, CHK looks unable to generate significant further earnings momentum despite quite solid operational performance. Over the medium term, we expect the company to record organic annual volume growth in the high single digits (with steady improvement in liquid mix) based on a modest annual drilling capex of \$4.9 billion (versus \$4.8 billion in FY 14E). We expect EBITDA to be in the \$4.1-4.4 billion range during FY 15 and FY 16 (versus \$5.1 billion in FY 14E) which implies annual FCF burn will average ~\$1.6 billion. We also do not see the gap being substantially bridged by asset sales as the management is unlikely to pursue non-core asset sales proactively in a weak asset market. Overall, we expect net leverage levels to move back above 2x levels (2.4x in FY 16E). Given CHK's lackluster hedging program (29% in FY 15E), we see considerable downside risk to earnings. Further, differentials on its gas production (~67% of FY 15E volumes) is one of the highest among peers (>\$1.5/mcf), making it even more vulnerable to weaker-than expected commodity prices. For example, at \$60 oil/\$3 gas, we see FY 16E EBITDA moving down to \$3.4 billion and leverage going up to 3.3x levels. Moving on, management had of late been indicating that it was open to acquisitions. Its strong liquidity levels after the Marcellus sale in the context of the asset market turning into a buyer's market presents the company with an opportunity to shift faster to an oilier asset base.



In summary, while we remain constructive about CHK's operational story, we believe the impact on the credit will be offset by weak outlook for commodity prices. CHK bonds have outperformed the sector solidly over the last year and especially since the meltdown in oil prices. The longer dated Notes trading in the 5.4-5.5% range, which we see as fairly valued as the prospect of an IG upgrade over the next years has clearly dimmed. We are therefore moving to a **HOLD** from a **BUY** on longer dated bonds ('19-'23) and maintain our **HOLD** on the shorter dated bonds ('16-'19). Upside and downside risks are tied to a recovery or further weakening of commodity prices respectively.



Figure 50: Chesapeake Energy Financial Summary

Chesapeake Energy																																																													
Issue	Rating	Maturity	MC Date	MC Price																																																									
3.25% Senior Notes	Ba1 (Positive/BB+ (Positive))	15-Mar-16	28-Apr-14	101																																																									
6.250% Senior Notes - Euro-denominated	Ba1 (Positive/BB+ (Positive))	15-Jan-17	NC	NC																																																									
6.500% Senior Notes	Ba1 (Positive/BB+ (Positive))	15-Aug-17	NC	NC																																																									
7.250% Senior Notes	Ba1 (Positive/BB+ (Positive))	15-Dec-18	NC	NC																																																									
6.75% Senior Notes	Ba1 (Positive/BB+ (Positive))	15-Apr-19	15-Apr-15	103.30																																																									
6.625% Senior Notes	Ba1 (Positive/BB+ (Positive))	15-Aug-20	NC	NC																																																									
6.875% Senior Notes	Ba1 (Positive/BB+ (Positive))	15-Nov-20	NC	NC																																																									
5.125% Senior Notes	Ba1 (Positive/BB+ (Positive))	15-Feb-21	NC	NC																																																									
5.375% Senior Notes	Ba1 (Positive/BB+ (Positive))	15-Jan-21	15-Jan-16	104.83																																																									
4.875% Senior Notes	Ba1 (Positive/BB+ (Positive))	15-Apr-22	15-Apr-17	103.89																																																									
5.25% Senior Notes	Ba1 (Positive/BB+ (Positive))	15-Mar-23	NC	NC																																																									
\$ Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2013	2012	2011																																																				
Revenue	5,120	4,954	5,428	5,395	5,139	20,486	10,809	11,414	13,778																																																				
Realized Hedging Gain / (Loss) - Cash Flow Hedges	(82)	(2)	(238)	(213)	(58)	(511)	1,594	362	(28)																																																				
Net Revenue	5,058	4,952	5,190	5,182	5,081	19,975	12,423	11,776	13,750																																																				
Operating Costs	3,684	3,332	3,817	3,852	3,769	14,560	7,183	7,809	12,044																																																				
Realized Hedging Gain / (Loss)																																																													
EBITDAX (incl. noncontrolling interests)	1,374	1,220	1,673	1,330	1,292	5,415	5,240	3,967	5,235																																																				
Noncontrolling interests	41	42	41	42	33	158	15	174	172																																																				
EBITDAX (excl. noncontrolling interests)	1,333	1,178	1,632	1,288	1,259	5,257	5,225	3,793	5,063																																																				
COA	731	724	736	740	725	2,895	1,922	2,811	2,903																																																				
EBIT	662	454	826	548	534	2,362	3,303	962	2,161																																																				
Interest	49	63	39	27	17	146	40	76	191																																																				
EBT (incl others)	542	391	787	521	517	2,216	3,263	886	1,970																																																				
Others	131	349	82	152	(94)	(31)	396	(1,659)	154																																																				
One time charges	85	203	20	40	15	278	-	3,662	546																																																				
EBT (incl others)	346	(161)	765	329	1,296	1,269	2,864	(1,147)	1,270																																																				
Taxes	147	(46)	280	141	437	813	1,122	(280)	549																																																				
Preferred Dividends & Other	43	40	51	40	490	627	172	179	262																																																				
Net Income	156	(169)	374	148	769	529	1,570	(240)	459																																																				
LTM EBITDAX (incl. noncontrolling interests) with Hedges	4,988	5,063	5,439	5,331	5,257	5,257	5,225	3,793	5,063																																																				
LTM EBITDAX (excl. noncontrolling interests) without Hedges	5,112	5,162	5,780	5,846	5,768	5,768	5,671	3,431	5,162																																																				
Revenue & Operating Margins per MBo																																																													
Realization	\$4.77	\$4.49	\$5.25	\$4.50	\$4.29	\$4.69	\$5.70	\$4.82	\$4.85																																																				
Lifting Costs	\$0.93	\$0.82	\$0.93	\$0.93	\$0.92	\$0.92	\$1.06	\$1.55	\$0.95																																																				
COA	\$0.32	\$0.33	\$0.22	\$0.24	\$0.15	\$0.23	\$0.46	\$0.38	\$0.37																																																				
COGA	\$1.76	\$1.75	\$1.72	\$1.74	\$1.72	\$1.73	\$1.20	\$1.76	\$1.77																																																				
Operating Income	\$3.77	\$3.48	\$3.58	\$3.58	\$3.58	\$3.58	\$4.24	\$3.43	\$4.49																																																				
Interest	\$0.22	\$0.29	\$0.22	\$0.18	\$0.15	\$0.21	\$0.18	\$0.19	\$0.25																																																				
3-yr avg. F&D all (incl. cap)	\$2.37	\$2.48	\$2.48	\$2.48	\$2.48	\$2.48	\$2.16	\$2.37	\$2.48																																																				
3-yr avg. F&D all (excl. cap)	\$1.47	\$1.77	\$1.77	\$1.77	\$1.77	\$1.77	\$1.18	\$1.47	\$1.77																																																				
Full cycle costs	\$3.04	\$4.01	\$3.04	\$3.03	\$3.06	\$3.04	\$3.06	\$3.99	\$3.99																																																				
Free Cash Flow:																																																													
EBITDAX with Hedges (incl. noncontrolling interests)	1,374	1,220	1,673	1,330	1,292	5,415	5,240	3,967	5,235																																																				
Current Taxes	(1)	(12)	-	(13)	(4)	(28)	25	(44)	(28)																																																				
Capex - Exploration & Development	(1,211)	(1,134)	(898)	(1,098)	(1,089)	(4,319)	(7,407)	(8,930)	(5,604)																																																				
Capex - Acq. of Properties / Leasehold	(275)	(221)	(179)	(177)	(167)	(1,244)	(5,313)	(3,161)	(1,032)																																																				
Capex - Other Property & Equipment	(133)	(335)	(437)	(192)	(55)	(1,008)	(2,926)	(2,651)	(972)																																																				
Total Capex	(1,719)	(1,690)	(1,514)	(1,468)	(1,311)	(6,571)	(14,746)	(14,742)	(7,608)																																																				
Change in Net Working Capital	(15)	10	(22)	83	108	(228)	59	(1,216)	(242)																																																				
Cash Available for Debt Service	(287)	(470)	(284)	(398)	(731)	(1,522)	(8,930)	(12,035)	(2,741)																																																				
Interest (Excl. Capitalized Interest)	(82)	105	(75)	(13)	-	17	-	-	43																																																				
Noncontrolling interests	(47)	(42)	(41)	(42)	(33)	(158)	(15)	(174)	(172)																																																				
Free Cash Flow	(460)	(407)	(340)	(113)	(764)	(1,664)	(8,946)	(12,206)	(2,076)																																																				
Disposal of Assets	1,248	760	517	678	717	2,672	10,412	11,056	4,466																																																				
Free Cash Flow Incl. Asset Sales	788	353	177	565	(47)	1,008	1,467	(1,151)	1,390																																																				
Balance Sheet Data																																																													
Cash	987	837	1,894	1,402	90	90	391	267	837																																																				
Debt																																																													
- Senior Notes & Other debt	12,738	12,896	12,969	11,549	11,549	11,549	8,907	12,620	12,886																																																				
- Revolving Credit Facility due Dec '15	-	-	-	-	45	45	1,719	-	-																																																				
Long Term Debt	12,738	12,896	12,969	11,549	11,592	11,592	10,626	12,620	12,886																																																				
YoY Growth Statistics																																																													
Revenue Growth (including Realized Hedging Gain)	65%	23%	45%	26%	0%	24%	24%	0%	47%																																																				
Production Growth	-3%	2%	2%	2%	0%	4%	15%	19%	2%																																																				
LTM Credit Statistics																																																													
EBITDAX/Cash Interest (incl. Capitalized Interest)	5.5x	6.5x	7.4x	7.1x	7.3x	7.3x	7.2x	3.3x	6.6x																																																				
Debt/EBITDAX (excl. noncontrolling interests)	2.6x	2.5x	2.4x	2.2x	2.2x	2.2x	2.6x	3.3x	2.6x																																																				
Net Debt/EBITDAX (excl. noncontrolling interests)	2.4x	2.4x	2.2x	1.9x	2.2x	2.2x	2.6x	3.3x	2.4x																																																				
Debt/EBITDAX (incl. noncontrolling interests)	2.5x	2.5x	2.3x	2.1x	2.1x	2.1x	2.6x	3.2x	2.5x																																																				
Net Debt/EBITDAX (incl. noncontrolling interests)	2.3x	2.3x	2.1x	1.8x	2.1x	2.1x	2.6x	3.1x	2.3x																																																				
Debt/Proved Reserves (\$/MBo)	\$0.81	\$0.89	\$0.81	\$0.72	\$0.72	\$0.72	\$0.57	\$0.89	\$0.89																																																				
Debt/Proved Developed Reserves (\$/MBo)	\$1.42	\$1.19	\$1.19	\$1.06	\$1.07	\$1.07	\$1.06	\$1.41	\$1.19																																																				
Liquidity Capitalization	Q3 '14	PF(1)																																																											
Cash & Marketable Securities	99	5,922																																																											
Revolving Credit Facility due December 2015 ⁽²⁾	3,037	3,337																																																											
Less: Short term Debt	-	-																																																											
Liquidity	4,037	9,959																																																											
Capitalization	Q3 '14	PF(1)																																																											
Credit Facility due December 2015	43	-																																																											
Total Secured Debt	43	-																																																											
Existing Senior Loans and Notes	11,549	11,549																																																											
Total Debt	11,582	11,549																																																											
Plus: Market Cap	12,151	12,151																																																											
Plus: Preferred Stock & Minority Interest	4,273	3,113																																																											
Less: Cash	(99)	(5,922)																																																											
Enterprise Value	28,028	21,791																																																											
FF EBITDAX ⁽³⁾ **	5.8x	4.5x																																																											
FF Net Debt/EBITDAX ^{(3)**}	2.4x	1.9x																																																											
<p>(1) Pro forma for sale of 2.6Bcubic feet of assets for \$5.02Bn (2) Revolver availability factors in outstanding L/C's of \$20M (3) EBITDA pro forma for asset sales</p>																																																													
<p>Company Description: Chesapeake Energy was incorporated in 1959 & is headquartered in Oklahoma City, Oklahoma. The company is the second largest producer of natural gas and Top 15 producer of oil and NGLs in the US. CHK is primarily focused on exploring and developing unconventional gas and oil fields in the US.</p> <p>Regions: Gulf Coast Playas de Bosque Marcellus Barnett</p> <p>Asset Plays: Anadarko Basin - Mississippi Lime, Cleveland & Fortuna, Texas Panhandle and Granite Wash Powder River Basin - Nebraska Eagle Ford Utica</p> <p>Debt Maturity: FY14 - FY15 - FY16+ - 11,549</p>																																																													
<p>Reserve Description</p> <table border="1"> <thead> <tr> <th>Reserve Description</th> <th>2013</th> <th>2012</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td>P Reserves - Net Gas (incl. oil)</td> <td>15,515,900</td> <td>16,333,000</td> <td>11,734,000</td> </tr> <tr> <td>P Reserves - Liquid (incl. oil)</td> <td>545,500</td> <td>493,500</td> <td>722,800</td> </tr> <tr> <td>P Nat. Gas Equivalent (mcf)</td> <td>16,786,900</td> <td>16,899,900</td> <td>16,970,800</td> </tr> <tr> <td>% Gas</td> <td>87%</td> <td>70%</td> <td>70%</td> </tr> <tr> <td>% Proved Developed</td> <td>54%</td> <td>57%</td> <td>66%</td> </tr> <tr> <td>Reserve Life (Years)</td> <td>16</td> <td>11</td> <td>11</td> </tr> <tr> <td>Reserve Replacement (All in)</td> <td>470%</td> <td>398%</td> <td>137%</td> </tr> <tr> <td>Reserve Replacement (Dall Oil)</td> <td>471%</td> <td>355%</td> <td>136%</td> </tr> <tr> <td>PV of Reserves (Bn\$)</td> <td>10,876</td> <td>17,772</td> <td>21,700</td> </tr> </tbody> </table> <p>Hedges</p> <table border="1"> <thead> <tr> <th></th> <th>%</th> <th>\$ mths</th> </tr> </thead> <tbody> <tr> <td>2014E</td> <td>62%</td> <td>6.35 -6.51</td> </tr> <tr> <td>2015E</td> <td>29%</td> <td>6.75 -8.52</td> </tr> </tbody> </table> <p>Comments CHK Review Debt/Total Capitalization <= 0.7 Debt/EBITDA <= 2.5x</p>													Reserve Description	2013	2012	2011	P Reserves - Net Gas (incl. oil)	15,515,900	16,333,000	11,734,000	P Reserves - Liquid (incl. oil)	545,500	493,500	722,800	P Nat. Gas Equivalent (mcf)	16,786,900	16,899,900	16,970,800	% Gas	87%	70%	70%	% Proved Developed	54%	57%	66%	Reserve Life (Years)	16	11	11	Reserve Replacement (All in)	470%	398%	137%	Reserve Replacement (Dall Oil)	471%	355%	136%	PV of Reserves (Bn\$)	10,876	17,772	21,700		%	\$ mths	2014E	62%	6.35 -6.51	2015E	29%	6.75 -8.52
Reserve Description	2013	2012	2011																																																										
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Reserve Life (Years)	16	11	11																																																										
Reserve Replacement (All in)	470%	398%	137%																																																										
Reserve Replacement (Dall Oil)	471%	355%	136%																																																										
PV of Reserves (Bn\$)	10,876	17,772	21,700																																																										
	%	\$ mths																																																											
2014E	62%	6.35 -6.51																																																											
2015E	29%	6.75 -8.52																																																											

Source: Deutsche Bank, company data

Figure 51: Chesapeake Energy Financial Forecasts

EMs	Q1 '14	Q2 '14	Q3 '14	Q4 '14E	Q1 '15E	Q2 '15E	Q3 '15E	Q4 '15E	2011	2012	2013	2014E	2015E	2016E
Revenue	5,428	5,365	5,139	3,915	3,579	3,722	3,944	3,973	10,969	11,414	17,376	19,847	15,218	17,407
Realized Hedging Gain / (Loss) - Cash Flow Hedges	(238)	(213)	(58)	138	215	215	207	209	1,554	362	(99)	(371)	838	0
Net Revenue	5,190	5,152	5,081	4,053	3,794	3,907	4,151	4,173	12,423	11,776	17,279	19,476	16,056	17,407
Operating Costs	3,617	3,822	3,789	2,992	2,838	2,951	3,050	3,054	7,183	7,909	12,044	14,229	11,933	12,974
Realized Hedging Gain / (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDAX (incl. noncontrolling interests)	1,573	1,330	1,292	1,061	956	966	1,061	1,119	5,240	3,867	5,235	5,256	4,123	4,434
Noncontrolling interests	41	42	33	16	16	16	16	16	15	174	172	132	64	64
EBITDAX (excl. noncontrolling interests)	1,532	1,288	1,259	1,045	940	970	1,045	1,103	5,225	3,703	5,063	5,124	4,059	4,370
DDA	706	740	725	679	658	672	694	698	1,922	2,811	2,962	2,850	2,722	2,954
EBIT	826	548	504	366	282	299	351	405	3,303	982	2,161	2,274	1,337	1,416
Interest	39	27	17	45	45	46	46	46	43	76	191	128	183	371
EBT (incl. others)	787	521	517	323	237	253	305	358	3,260	906	1,970	2,146	1,153	1,045
Others	62	152	(594)	-	-	-	-	-	395	(1,609)	154	(381)	-	-
One-time charges	20	43	15	-	-	-	-	-	-	-	3,662	546	75	-
EBT (incl. others)	795	329	1,094	323	237	253	305	358	2,864	(1,147)	1,270	2,463	1,153	1,045
Taxes	280	141	437	132	99	105	125	146	1,122	(280)	549	990	475	504
Preferred Dividends & Other	51	43	490	64	64	64	64	64	172	173	252	648	255	193
Net Income	374	145	169	127	74	84	116	149	1,570	(940)	469	815	423	347
LTM EBITDAX (excl. noncontrolling interests) with Hedges	5,429	5,331	5,257	5,124	4,533	4,215	4,601	4,059	5,225	3,793	5,063	5,124	4,059	4,370
LTM EBITDAX (excl. noncontrolling interests) without Hedges	5,790	5,760	5,486	4,451	3,705	3,705	4,226	3,221	5,225	3,431	5,162	5,486	3,221	4,370
Actual WTI Crude (\$/bbl)	\$88.61	\$102.99	\$97.25	\$73.29	\$52.50	\$52.50	\$55.00	\$57.50	\$65.16	\$84.18	\$98.32	\$93.01	\$54.38	\$95.00
Actual Henry Hub Natural Gas (\$/Mcf)	\$4.72	\$4.58	\$3.95	\$3.83	\$3.75	\$3.75	\$3.75	\$3.75	\$4.02	\$2.83	\$3.73	\$4.27	\$3.75	\$3.75
Key Production Data														
Company Natural Gas production (mmcf)	260,000	271,000	282,000	228,600	258,986	239,996	242,585	257,586	1,000,900	1,126,300	1,695,000	1,041,699	956,942	1,019,446
Realized Natural Gas Price (\$/mcf)	\$3.27	\$2.45	\$2.09	\$2.18	\$2.15	\$2.15	\$2.15	\$2.15	\$4.77	\$2.06	\$2.23	\$2.50	\$2.15	\$2.10
Company Oil Production (Mbbbl)	9,900	10,300	10,900	11,144	10,208	10,889	11,796	12,477	31,694	31,265	41,022	42,244	45,370	54,400
Realized Oil Price (\$/bbl)	\$85.08	\$85.23	\$94.81	\$76.38	\$68.16	\$66.92	\$67.32	\$68.29	\$63.90	\$91.74	\$92.53	\$82.75	\$67.69	\$60.73
Company NGL Production (\$/Bbl)	7,600	7,700	8,800	10,100	7,522	8,023	8,682	9,185	-	17,615	25,553	34,239	35,431	38,272
Realized NGL Price (\$/Bbl)	\$29.23	\$21.03	\$22.95	\$10.79	\$14.08	\$13.79	\$14.82	\$15.95	\$9.00	\$29.37	\$27.88	\$20.90	\$14.61	\$17.43
Total Equivalent Produced (mcf)	305,000	379,000	400,200	356,061	346,367	353,459	365,315	367,608	1,193,904	1,421,580	1,466,730	1,500,261	1,432,749	1,554,533
Total Equivalent Realized (\$/mcf)	\$5.25	\$4.50	\$4.29	\$4.12	\$3.80	\$3.83	\$3.95	\$4.10	\$5.70	\$4.02	\$4.65	\$4.53	\$3.92	\$3.90
Revenue & Operating Margins per Mcf														
Realization	\$5.26	\$4.50	\$4.29	\$4.19	\$3.80	\$3.83	\$3.95	\$4.10	\$5.70	\$4.02	\$4.65	\$4.53	\$3.92	\$3.90
Lifting Costs	\$0.93	\$0.93	\$0.90	\$0.91	\$0.88	\$0.88	\$0.88	\$0.89	\$1.06	\$1.05	\$0.95	\$0.92	\$0.88	\$0.88
G&A	\$0.22	\$0.24	\$0.15	\$0.24	\$0.21	\$0.21	\$0.21	\$0.21	\$0.46	\$0.38	\$0.31	\$0.21	\$0.21	\$0.21
DD&A	\$1.72	\$1.74	\$1.72	\$1.75	\$1.73	\$1.73	\$1.73	\$1.73	\$1.37	\$1.76	\$1.73	\$1.73	\$1.73	\$1.73
Operating Income	\$2.38	\$1.58	\$1.62	\$1.29	\$0.98	\$1.01	\$1.13	\$1.27	\$2.82	\$0.83	\$1.63	\$1.67	\$1.10	\$1.07
Interest	\$0.22	\$0.18	\$0.15	\$0.30	\$0.32	\$0.31	\$0.30	\$0.30	\$0.18	\$0.25	\$0.25	\$0.21	\$0.30	\$0.30
3-yr avg. F&D all (in acc)	\$2.48	\$2.48	\$2.48	\$2.48	\$2.48	\$2.48	\$2.48	\$2.48	\$2.10	\$2.37	\$2.48	\$2.48	\$2.48	\$2.48
3-yr avg. F&D all (incl. acc)	\$1.77	\$1.77	\$1.77	\$1.77	\$1.77	\$1.77	\$1.77	\$1.77	\$1.18	\$1.47	\$1.77	\$1.77	\$1.77	\$1.77
Full-cycle costs	\$3.04	\$3.03	\$3.08	\$3.92	\$3.00	\$3.08	\$3.07	\$3.07	\$3.00	\$3.08	\$3.08	\$3.01	\$3.00	\$3.00
Free Cash Flow:														
EBITDAX with Hedges (incl. noncontrolling interests)	1,573	1,330	1,292	1,061	956	966	1,061	1,119	5,240	3,867	5,235	5,256	4,123	4,434
Current Taxes	-	(13)	(4)	-	-	-	-	-	25	(44)	(26)	(17)	-	-
Capex - Exploration & Development	(898)	(1,098)	(1,189)	(1,586)	(1,220)	(1,220)	(1,220)	(1,220)	(7,467)	(8,900)	(5,604)	(4,771)	(4,904)	(4,904)
Capex - Acq. of Properties / Leasehold	(179)	(177)	(667)	(188)	(180)	(182)	(182)	(182)	(5,313)	(3,161)	(1,032)	(1,211)	(648)	(656)
Capex - Other Property & Equipment	(437)	(183)	(55)	26	(50)	(50)	(50)	(50)	(2,009)	(2,651)	(972)	(848)	(200)	(200)
Total Capex	(1,514)	(1,458)	(1,911)	(1,738)	(1,437)	(1,437)	(1,437)	(1,438)	(14,789)	(14,742)	(7,606)	(6,821)	(5,790)	(5,760)
Change in Net Working Capital	(323)	83	(108)	415	(126)	(188)	410	(74)	594	(1,216)	(342)	47	20	108
Cash Available for Debt Service	(284)	(58)	(731)	(251)	(609)	(609)	33	(389)	(8,900)	(12,056)	(2,741)	(1,314)	(1,609)	(1,216)
Interest (incl. Capitalized Interest)	(175)	(13)	-	(24)	(23)	(23)	(23)	(23)	(58)	43	-	(14)	(162)	(162)
Noncontrolling interests	(41)	(42)	(33)	(16)	(16)	(16)	(16)	(16)	(15)	(174)	(172)	(132)	(64)	(64)
Free Cash Flow	(587)	(113)	(764)	(338)	(647)	(713)	(687)	(687)	(8,945)	(12,209)	(2,876)	(1,892)	(1,833)	(1,448)
Disposal of Assets	517	678	717	4,575	200	-	200	-	10,412	11,058	4,460	6,887	400	400
Free Cash Flow Incl Asset Sales	137	565	(47)	4,640	(447)	(713)	(194)	(467)	1,467	(1,151)	1,580	5,285	(1,433)	(1,048)
Balance Sheet Data														
Cash	1,004	1,462	90	4,700	3,923	2,881	2,747	1,951	351	287	837	4,790	1,951	-
Debt														
- Senior Notes & Other debt	12,969	11,549	11,549	11,569	11,589	11,609	11,629	11,649	8,907	12,620	12,886	11,589	11,649	11,669
- Revolving Credit Facility due Dec '15	-	-	45	-	-	-	1,719	-	-	-	-	-	-	-
Long Term Debt	12,969	11,549	11,592	11,569	11,589	11,609	11,629	11,649	10,626	12,620	12,886	11,589	11,649	11,669
YoY Growth Statistics														
Revenue Growth (including Realized Hedging Gain)	45%	30%	0%	-11%	-27%	-24%	-18%	3%	24%	-5%	47%	13%	-18%	8%
Production Growth	2%	3%	8%	-3%	-5%	-7%	-9%	3%	15%	19%	3%	2%	-4%	8%
LTM Credit Statistics														
EBITDAX/Cash Interest (incl. Capitalized Interest)	7.4x	7.1x	7.8x	6.2x	6.9x	6.0x	6.5x	6.8x	7.2x	3.9x	6.6x	6.2x	6.8x	7.2x
Debt/EBITDAX (excl. noncontrolling interests)	2.4x	2.2x	2.2x	2.3x	2.4x	2.8x	2.9x	2.9x	2.9x	3.3x	2.9x	2.9x	2.9x	2.9x
Net Debt/EBITDAX (excl. noncontrolling interests)	2.2x	1.9x	2.2x	1.3x	1.7x	2.1x	2.2x	2.4x	2.0x	3.3x	2.4x	1.3x	2.4x	2.4x
Cash/EBITDAX (incl. noncontrolling interests)	2.3x	2.1x	2.1x	2.2x	2.4x	2.7x	2.9x	2.8x	2.9x	3.2x	2.9x	2.9x	2.9x	2.9x
Net Debt/EBITDAX (incl. noncontrolling interests)	2.1x	1.8x	2.1x	1.3x	1.7x	2.2x	2.2x	2.4x	2.0x	3.1x	2.3x	1.3x	2.4x	2.4x
Debt/Proved Reserves (\$/Mcf)	\$9.81	\$9.72	\$9.72	\$9.81	\$9.81	\$9.81	\$9.81	\$9.82	\$9.57	\$9.80	\$9.80	\$9.81	\$9.82	\$9.82
Debt/Proved Developed Reserves (\$/Mcf)	\$1.19	\$1.06	\$1.07	\$1.18	\$1.18	\$1.19	\$1.19	\$1.19	\$1.05	\$1.41	\$1.19	\$1.18	\$1.19	\$1.19

Source: Deutsche Bank, company data



Figure 52: Commodity Price Scenario Analysis: Chesapeake Energy Forecast Metrics

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$1,502	\$1,912	\$2,322	\$2,731	\$3,065	\$3,375	\$3,728
\$40.0	\$1,907	\$2,317	\$2,726	\$3,136	\$3,469	\$3,779	\$4,133	
\$50.0	\$2,311	\$2,721	\$3,131	\$3,540	\$3,874	\$4,183	\$4,537	
\$60.0	\$2,716	\$3,126	\$3,535	\$3,945	\$4,278	\$4,588	\$4,942	
\$70.0	\$3,120	\$3,530	\$3,940	\$4,349	\$4,683	\$4,992	\$5,346	
\$80.0	\$3,525	\$3,934	\$4,344	\$4,754	\$5,087	\$5,397	\$5,751	
\$90.0	\$3,987	\$4,297	\$4,706	\$5,116	\$5,449	\$5,759	\$6,113	

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	(\$3,269)	(\$3,023)	(\$2,777)	(\$2,531)	(\$2,367)	(\$2,231)	(\$2,046)
\$40.0	(\$2,886)	(\$2,640)	(\$2,394)	(\$2,148)	(\$1,985)	(\$1,848)	(\$1,663)	
\$50.0	(\$2,503)	(\$2,257)	(\$2,011)	(\$1,765)	(\$1,602)	(\$1,465)	(\$1,280)	
\$60.0	(\$2,121)	(\$1,875)	(\$1,629)	(\$1,382)	(\$1,219)	(\$1,082)	(\$897)	
\$70.0	(\$1,738)	(\$1,492)	(\$1,246)	(\$1,000)	(\$837)	(\$700)	(\$515)	
\$80.0	(\$1,355)	(\$1,109)	(\$863)	(\$617)	(\$454)	(\$317)	(\$132)	
\$90.0	(\$1,019)	(\$773)	(\$527)	(\$280)	(\$117)	\$20	\$205	

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$248	\$736	\$1,225	\$1,713	\$2,201	\$2,689	\$3,177
\$40.0	\$868	\$1,356	\$1,844	\$2,332	\$2,820	\$3,309	\$3,797	
\$50.0	\$1,488	\$1,976	\$2,464	\$2,952	\$3,440	\$3,928	\$4,416	
\$60.0	\$2,107	\$2,595	\$3,083	\$3,572	\$4,060	\$4,548	\$5,036	
\$70.0	\$2,727	\$3,215	\$3,703	\$4,191	\$4,679	\$5,167	\$5,656	
\$80.0	\$3,347	\$3,835	\$4,323	\$4,811	\$5,299	\$5,787	\$6,275	
\$90.0	\$3,966	\$4,454	\$4,942	\$5,431	\$5,919	\$6,407	\$6,895	

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	(\$5,151)	(\$4,672)	(\$4,194)	(\$3,715)	(\$3,229)	(\$2,741)	(\$2,258)
\$40.0	(\$4,522)	(\$4,043)	(\$3,565)	(\$3,086)	(\$2,601)	(\$2,113)	(\$1,629)	
\$50.0	(\$3,893)	(\$3,415)	(\$2,936)	(\$2,457)	(\$1,972)	(\$1,484)	(\$1,000)	
\$60.0	(\$3,265)	(\$2,786)	(\$2,307)	(\$1,829)	(\$1,343)	(\$855)	(\$372)	
\$70.0	(\$2,636)	(\$2,157)	(\$1,679)	(\$1,200)	(\$714)	(\$227)	\$257	
\$80.0	(\$2,007)	(\$1,529)	(\$1,050)	(\$571)	(\$86)	\$402	\$886	
\$90.0	(\$1,375)	(\$896)	(\$417)	\$61	\$547	\$1,035	\$1,518	

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	7.7x	5.9x	4.8x	4.0x	3.5x	3.1x	2.8x
\$40.0	5.8x	4.7x	3.9x	3.3x	3.0x	2.7x	2.4x	
\$50.0	4.7x	3.9x	3.3x	2.8x	2.5x	2.3x	2.1x	
\$60.0	3.8x	3.2x	2.8x	2.4x	2.2x	2.0x	1.9x	
\$70.0	3.2x	2.8x	2.4x	2.1x	1.9x	1.8x	1.6x	
\$80.0	2.7x	2.4x	2.1x	1.9x	1.7x	1.6x	1.5x	
\$90.0	2.4x	2.1x	1.9x	1.7x	1.5x	1.4x	1.3x	

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8
\$40.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	
\$50.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	
\$60.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	
\$70.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	
\$80.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	
\$90.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	

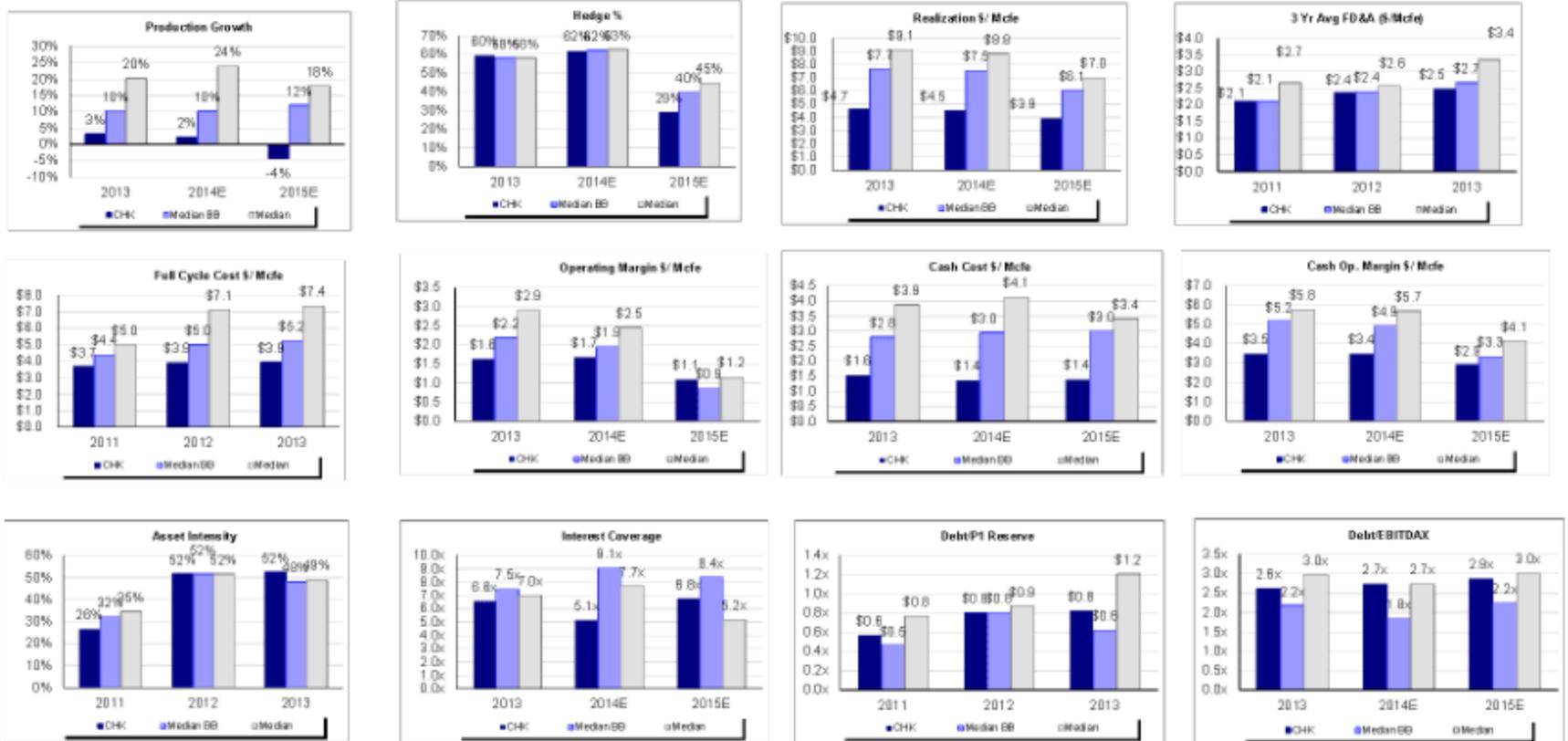
		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	53.6x	17.6x	10.3x	7.2x	5.5x	4.4x	3.6x
\$40.0	14.7x	9.2x	6.6x	5.0x	4.1x	3.4x	2.9x	
\$50.0	8.2x	6.0x	4.7x	3.8x	3.2x	2.7x	2.4x	
\$60.0	5.6x	4.4x	3.6x	3.0x	2.6x	2.2x	2.0x	
\$70.0	4.1x	3.4x	2.8x	2.4x	2.1x	1.9x	1.7x	
\$80.0	3.2x	2.7x	2.3x	2.0x	1.8x	1.6x	1.4x	
\$90.0	2.6x	2.2x	1.9x	1.7x	1.5x	1.4x	1.2x	

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.8	\$0.8
\$40.0	\$0.9	\$0.9	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	
\$50.0	\$0.9	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	
\$60.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	
\$70.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	
\$80.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	
\$90.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	

Source: Deutsche Bank



Figure 53: Chesapeake Energy Benchmarks



Source: Deutsche Bank, Bloomberg Finance LP, company data
 Industry level Median, Median BB and Median S Metrics include both covered and non-covered companies
 For the following companies covered by DB High Yield, the forecasts figures reflect our published estimates: CHK, XEC, DNR, FST, XCO, HILCRP, HK, NFX, QEP, RRC, SAIVST and SD
 For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CYO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





Cimarex Energy

Relative Value

Cimarex (XEC) ranks relatively high within the peer group in context of facing the current commodity downturn. Its strong financial profile creates a solid platform; its sub 1x net leverage level (0.6x at end of Q3 14) is the lowest amongst our peer group and liquidity is solid at \$1.6 billion including \$564 million of cash and undrawn revolver of \$1.0 billion. The favorable financial position is attributable to conservative management, which over the years has focused on maintaining a strong balance sheet. During the Q3 call, management reiterated its focus on the balance sheet pointing out this would be one of the major factors in determining the FY 15 capex program. Besides a solid financial profile, XEC's asset quality and strong operational momentum are both unparalleled. In its core Permian play (~55% of FY 14E Permian capex budget), XEC has successfully drilled longer laterals with upsized fracs providing solid upside to well returns. In a recent update, XEC noted that its traditional Wolfcamp well (i.e. Culberson County, Wolfcamp D well) with a 10K foot lateral would provide an impressive 89% before tax return at a price deck \$60/3.50. The returns on a normal 5K foot lateral are also highly competitive at 45% before tax (@\$60/3.50) clearly explaining XEC's investment opportunities. Wells results in its other core Permian zone –the 2nd and 3rd Bone Spring – continue to yield solid results with 30-day average IPs rates (New Mexico wells drilled in FY 14) improving 47% YoY. 2014 also saw XEC's renewed interest in Cana where returns improved on applying upsized fracs; the new frac designs allowed XEC to expand its addressable Cana acreage. Cana opportunities were widened further with possible Meramec prospects – where the company has drilled seven wells with the encouraging results from inception – 30-day IP rate was 9.4 Mmcfe/d. Driven by the positive developments in Mid-Continent (24% of FY 14 Capex), XEC plans to increase capex in this play for FY 15. The quality Permian and Cana assets has allowed XEC to build a strong operating momentum; the company has raised production guidance from 13% growth at the start of year to 25% YoY now, and all this is happened with capex of \$2 billion, which implies modest cash burn of ~\$350 million (majority funded by asset sales, net of acquisitions). Moving ahead, the positive momentum will play a crucial role in limiting cash burn given the bleak commodity outlook; we see the company moving down towards a run-rate capex of \$1.5 billion while maintaining 10-12% annual production growth. Despite a largely unhedged profile, the company still be able to limit cash burn through FY 16 to under \$700 million, and we expect net leverage to be less than 1.5x at FYE 16.



Overall, XEC is well positioned for the current situation driven by strong financial profile, quality assets, solid operating momentum and conservative management. The only negative in the overall positive picture is XEC's unhedged nature; that being said this hedging approach is not new to management and in the medium term this is largely offset by positive operating momentum. Also worth noting, given its extremely deep inventory in the highest IRR play in the US (Permian), Cimarex is the rare company that remains on the M&A radar for large integrators despite the drop in commodity prices – this is observed by looking at XEC's strong stock performance other oily BB names (NFX, CXO, SM and DNR) over the last six months. We also believe this strong profile does not preclude XEC from still being upgraded to IG despite the commodity backdrop. On the whole we like XEC's positioning in the current situation and possible catalysts in the form of either IG upgrade or possible M&A. We believe it could still see tightening from current levels on a probability weighted basis (4.375% Sr Notes +320 STM). We maintain our **BUY** rating on both the bonds. Downside risks include possible leveraging acquisitions.



Figure 54: Cimarex Energy Financial Summary

Issue	Rating		Maturity		NC Date		NC Price				
	Ba1 (Positive) / BB+ (Positive)	Ba1 (Positive) / BB+ (Positive)	1-May-22	1-May-17	102.56	100.00					
5.875% Sr. Notes due 2022											
4.375% Sr. Notes due 2024											
\$/Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013		
Revenue	561	517	599	537	650	2,402	1,758	1,624	1,938		
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-		
Net Revenue	561	517	599	537	650	2,402	1,758	1,624	1,938		
Operating Costs	164	159	189	199	210	757	526	519	607		
Realized Hedging Gain / (Loss)	(0)	(0)	(5)	(1)	(0)	(0)	7	0	(5)		
EBITDAX with Hedges	397	357	405	437	440	1,639	1,239	1,105	1,330		
DDA	159	174	174	195	221	764	394	520	619		
EBIT	232	183	231	242	219	876	845	585	707		
Interest	7	5	7	8	10	30	2	10	21		
EBT (excl others)	225	178	224	234	209	846	843	574	746		
Other (Income)/Expense	5	(146)	4	(3)	(20)	(164)	1	14	(148)		
One time charges	-	-	-	-	-	-	-	-	-		
EBT (incl others)	220	324	220	236	229	1,010	841	561	894		
Taxes	82	117	82	88	85	372	312	207	329		
Net Income	138	207	138	149	144	638	530	354	565		
LTM EBITDAX with Hedges	1,338	1,386	1,583	1,590	1,639	1,639	1,239	1,105	1,330		
LTM EBITDAX without Hedges	1,342	1,381	1,513	1,602	1,646	1,646	1,232	1,105	1,331		
Actual WTI Crude (\$/bbl)	105.81	97.61	98.61	102.99	97.25	98.12	95.16	94.18	97.99		
Actual Henry Hub Natural Gas (\$/mcf)	3.60	3.85	4.72	4.58	3.95	4.28	4.02	2.83	3.74		
Key Production Data											
Company Natural Gas production (mmcf)	31,908	32,334	31,973	37,318	43,094	144,719	120,113	118,495	125,248		
Realized Natural Gas Price (\$/mcf) ⁽¹⁾	3.72	3.85	5.32	4.62	4.10	4.45	4.43	2.88	3.76		
Company Oil Production (Mbbbl)	3,615	3,426	3,225	3,800	3,991	14,742	9,778	11,516	13,381		
Realized Oil Price (\$/bbl)	102.88	92.34	92.22	98.39	87.27	91.21	93.00	89.25	95.44		
Company NGL Production (Mbbbl)	2,068	1,989	2,252	2,701	3,278	10,224	6,236	6,952	7,877		
Realized NGL Price (\$/bbl) ⁽¹⁾	28.63	31.68	39.94	35.35	34.08	35.24	42.31	30.66	29.36		
Total Equivalent Produced (boe)	10,991	10,868	11,106	12,721	14,451	49,086	36,038	38,216	42,132		
Total Equivalent Realized (\$/boe)	50.00	46.63	52.69	46.96	44.06	47.85	47.33	41.39	46.35		
Revenue & Operating Margins per Boe											
Realization	\$50.00	\$46.63	\$52.69	\$46.96	\$44.06	\$47.85	\$47.33	\$41.39	\$46.35		
Lifting Costs	\$12.11	\$11.80	\$13.78	\$12.96	\$12.26	\$12.68	\$12.08	\$10.95	\$11.70		
G&A	\$2.03	\$2.21	\$2.20	\$1.58	\$1.65	\$1.89	\$1.78	\$2.00	\$1.99		
DD&A	\$14.65	\$16.09	\$15.95	\$15.62	\$15.28	\$15.70	\$11.15	\$13.79	\$14.81		
Operating Income	\$21.21	\$16.53	\$20.76	\$16.80	\$14.87	\$17.58	\$22.31	\$14.65	\$17.85		
Interest	\$0.61	\$0.47	\$0.61	\$0.64	\$0.67	\$0.60	\$0.06	\$0.27	\$0.51		
3-yr avg. F&D all (in acq)	\$14.01	\$16.01	\$16.01	\$16.01	\$16.01	\$16.01	\$12.28	\$14.01	\$16.01		
3-yr avg. F&D all (excl acq)	\$13.93	\$15.84	\$15.84	\$15.84	\$15.84	\$15.84	\$12.15	\$13.93	\$15.84		
Full cycle costs	\$20.76	\$20.48	\$22.59	\$21.19	\$20.59	\$21.18	\$26.21	\$27.23	\$30.21		
Free Cash Flow:											
EBITDAX with Hedges	391	357	405	437	440	1,639	1,239	1,105	1,330		
Current Taxes	0	1	0	(0)	1	1	(59)	4	0.761		
Total Capex	(369)	(487)	(429)	(460)	(492)	(1,890)	(1,862)	(1,656)	(1,672)		
Change in Net Working Capital	(23)	28	(81)	(21)	62	8	(23)	58	(64)		
Cash Available for Debt Service	(21)	(21)	(76)	(85)	10	(152)	(405)	(490)	(243)		
Interest (Excl. Capitalized Interest)	2	10	1	12	1	24	5	12	22		
Free Cash Flow	(20)	(31)	(77)	(77)	9	(175)	(410)	(502)	(271)		
Acquisitions	-	-	-	(238)	-	(238)	-	-	-		
Disposal of Assets	23	24	0	1	459	484	229	313	93		
Free Cash Flow Incl Acquisitions/Divestitures	1	(7)	(77)	(314)	468	70	(181)	(190)	(178)		
Balance Sheet Data											
Cash	5	5	5	129	564	564	2	70	5		
Debt											
- Senior Notes & Other	750	750	750	1,500	1,500	1,500	350	750	750		
- Credit Facilities	150	174	275	-	-	-	55	-	174		
Long Term Debt	900	924	1,025	1,500	1,500	1,500	405	750	924		
YoY Growth Statistics											
Revenue Growth (Including Realized Hedging Gain)	36%	17%	39%	28%	17%	25%	6%	-8%	23%		
Production Growth	13%	4%	12%	22%	31%	18%	-1%	8%	10%		
LTM Credit Statistics											
EBITDAX/Cash Interest (Incl. Capitalized Interest)	34.7x	27.3x	29.0x	30.7x	32.3x	32.3x	41.8x	26.0x	27.3x		
Sr. Sec Debt/ EBITDA	0.1x	0.1x	0.2x	0.1x	0.1x	0.1x	0.1x	-	0.2x		
Debt/EBITDAX	0.7x	0.7x	0.7x	0.9x	0.9x	0.9x	0.3x	0.7x	0.7x		
Debt/Proved Reserves (\$/Boe)	\$2.39	\$2.22	\$2.46	\$3.00	\$3.00	\$3.00	\$1.19	\$1.99	\$2.22		
Debt/Proved Developed Reserves (\$/Boe)	\$2.99	\$2.78	\$3.08	\$4.51	\$4.51	\$4.51	\$1.46	\$2.49	\$2.78		

Liquidity Capitalization		Q3 '14
Cash & Marketable Securities		564
Credit Agreement due July 2016 ⁽²⁾		900
Less Short-term Debt		-
Liquidity		1,561
Capitalization		Q3 '14
Credit Agreement due July 2016		-
5.875% Senior Notes '22		750
4.375% Senior Notes '24		750
Total Debt		1,500
Plus: Market Cap		8,776
Plus: Preferred Stock & Minority Interest		-
Less: Cash		(564)
Enterprise Value		9,712
EV/EBITDA ⁽³⁾		6.1x
Net Debt/EBITDAX ⁽³⁾		0.58x
Total Debt/EBITDAX ⁽³⁾		0.9x

Company Description:
Cimarex Energy is an independent oil and gas exploration and production company. Headquartered in Denver, Colorado, the company's operations are mainly located in Texas, Oklahoma, New Mexico, Kansas, Louisiana and Wyoming. As of FY 13, the Company's proved reserves were 2.5 tcf with 32% natural gas.

Debt	
FY 14	-
FY 15	-
FY 16+	1,500

Covenants		Credit Facility	
Current Ratio	> 1.0 x		
Leverage Ratio	< 3.5 x		

Reserve Description	2011	2012	2013
P Reserves - Nat Gas (mmcf)	1,216,400	1,251,863	1,293,500
P Reserves - Liquids (mbbl)	128,137	167,830	200,577
P Crude Oil Equivalent (mboe)	840,870	376,474	416,160
% Gas	59%	55%	52%
% Proved Developed	82%	80%	80%
Reserve Life (Years)	1.6	1.6	1.6
Reserve Replacement (All In)	176%	285%	202%
Reserve Replacement (Dil Br)	276%	310%	202%
PV of Reserves (\$Bn)	4,595	4,166	5,201

Hedges	%	\$ mtoe
2015E	0%	0-0

Regions
Texas, Oklahoma, New Mexico, Kansas
Louisiana and Wyoming.

(1) Gas and NGLs realization prior to Q3 '14 was net of processing costs; starting Q3 '14, the realization excludes processing costs which are now part of transportation & processing expenses
(2) Revolver availability factors in outstanding L/C's of \$2.5M
(3) EBITDA PF for acquisition & divestitures

Source: Deutsche Bank, Company data

Figure 55: Cimarex Energy Financial Forecast

\$Mn	Q1 '14	Q2 '14	Q3 '14	Q4 '14E	Q1 '15E	Q2 '15E	Q3 '15E	Q4 '15E	2009	2010	2011	2012	2013	2014E	2015E	2016E
Revenue	599	637	650	593	458	469	492	496	1,010	1,614	1,758	1,624	1,966	2,436	1,915	2,360
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	599	637	650	593	458	469	492	496	1,010	1,614	1,758	1,624	1,966	2,436	1,915	2,360
Operating Costs	169	199	210	214	217	221	226	223	371	466	526	519	607	811	687	687
Realized Hedging Gain / (Loss)	(5)	(1)	(6)	13	-	-	-	-	1	52	7	0	(5)	7	-	-
EBITDAX with Hedges	406	437	440	349	241	248	266	274	640	1,210	1,239	1,105	1,366	1,631	1,028	1,373
DOA	174	195	221	221	221	226	230	226	266	304	304	320	619	811	903	903
EBIT	251	242	219	128	20	22	36	48	374	605	645	585	767	825	126	385
Interest	7	8	10	9	10	10	10	10	13	1	2	10	21	34	39	42
EBT (excl others)	224	224	209	119	10	13	26	38	361	606	643	574	746	797	87	338
Other (Income)/Expense	4	(3)	(20)	-	-	-	-	-	59	(9)	1	14	(148)	(18)	-	-
One time charges	-	-	-	-	-	-	-	-	791	-	-	-	-	-	-	-
EBT (incl others)	220	226	229	119	10	13	26	38	(408)	614	641	561	604	805	87	338
Taxes	82	88	85	44	4	5	10	14	(177)	389	312	207	329	298	32	125
Net Income	138	149	144	75	7	8	16	24	(312)	575	530	354	265	506	55	213
One time Charges includes Ceiling test charges for Q409 to Q103.																
LTM EBITDAX with Hedges	1,503	1,590	1,639	1,631	1,467	1,276	1,104	1,028	640	1,210	1,239	1,105	1,366	1,631	1,028	1,373
LTM EBITDAX without Hedges	1,513	1,602	1,646	1,624	1,485	1,285	1,091	1,028	638	1,167	1,232	1,105	1,361	1,624	1,028	1,373
Actual WTI Crude (\$/bbl)	98.61	102.99	97.25	73.20	52.50	52.50	55.00	57.50	61.90	79.58	95.16	94.18	97.99	93.01	94.38	85.00
Actual Henry Hub Natural Gas (\$/mcf)	4.72	4.58	3.95	3.93	3.75	3.75	3.75	3.75	4.20	4.35	4.02	2.83	3.74	4.27	3.75	3.75
Key Production Data																
Company Natural Gas production (mmcf)	31,979	37,318	43,094	41,670	41,681	42,532	43,382	42,532	117,968	132,813	126,113	118,495	125,248	154,055	170,126	187,139
Realized Natural Gas Price (\$/mcf)	5.32	4.62	4.10	3.87	3.79	3.79	3.79	3.79	4.13	5.38	4.43	2.88	3.76	4.42	3.79	3.79
Company Oil Production (MMbbls)	3,525	3,900	3,991	4,206	4,559	4,726	4,820	4,726	8,498	9,843	9,778	11,516	13,981	15,521	16,831	20,714
Realized Oil Price (\$/bbl)	92.22	93.29	87.27	75.44	48.30	48.30	50.60	52.90	96.13	76.73	93.00	89.25	93.44	85.33	90.04	59.80
Company NGL Production (\$/Bbl)	2,952	2,701	3,278	3,314	2,967	2,964	3,013	2,954	-	4,273	4,236	6,952	7,677	11,545	11,887	13,075
Realized NGL Price (\$/Bbl)	39.94	35.35	34.08	24.81	19.34	19.34	20.26	21.18	-	34.91	42.31	30.66	29.36	32.86	20.03	23.94
Total Equivalent Produced (boe)	11,106	12,721	14,451	14,495	14,473	14,768	15,063	14,768	28,169	36,251	36,033	38,216	42,132	52,743	59,072	64,979
Total Equivalent Realized (\$/boe)	52.69	48.96	44.06	37.31	30.09	30.23	31.15	32.07	34.25	44.46	47.33	41.39	46.35	45.21	30.89	34.79
Revenue & Operating Margins per Boe																
Realization	\$52.69	\$48.96	\$44.06	\$37.31	\$30.09	\$30.23	\$31.15	\$32.07	\$34.25	\$44.46	\$47.33	\$41.39	\$46.35	\$45.21	\$30.89	\$34.79
Lifting Costs	\$13.78	\$12.96	\$12.26	\$12.38	\$12.61	\$12.61	\$12.67	\$12.72	\$10.21	\$10.09	\$12.08	\$10.95	\$11.70	\$12.78	\$12.65	\$12.65
G&A	\$2.20	\$1.58	\$1.85	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$1.81	\$1.68	\$1.78	\$2.00	\$1.99	\$1.78	\$1.75	\$1.33
DOA	\$15.95	\$15.62	\$15.28	\$15.28	\$15.28	\$15.28	\$15.28	\$15.28	\$9.87	\$8.59	\$11.15	\$13.79	\$14.81	\$15.50	\$15.28	\$15.28
Operating Income	\$20.76	\$18.80	\$14.87	\$7.90	\$0.45	\$0.59	\$1.45	\$2.32	\$12.35	\$24.10	\$22.31	\$14.65	\$17.85	\$15.15	\$1.21	\$4.93
Interest	\$0.61	\$0.64	\$0.67	\$0.64	\$0.66	\$0.66	\$0.66	\$0.66	\$0.46	\$0.92	\$0.96	\$0.27	\$0.51	\$0.64	\$0.67	\$0.65
3-yr avg. F&D all (in acq)	\$16.01	\$16.01	\$16.01	\$16.01	\$16.01	\$16.01	\$16.01	\$16.01	\$21.09	\$16.52	\$12.28	\$14.01	\$16.01	\$16.01	\$16.01	\$16.01
3-yr avg. F&D all (excl acq)	\$15.84	\$15.84	\$15.84	\$15.84	\$15.84	\$15.84	\$15.84	\$15.84	\$18.29	\$14.75	\$12.15	\$13.93	\$15.84	\$15.84	\$15.84	\$15.84
Full cycle costs	\$32.59	\$31.19	\$30.59	\$30.77	\$31.03	\$31.03	\$31.08	\$31.16	\$33.57	\$28.31	\$26.21	\$27.23	\$30.21	\$31.21	\$31.06	\$31.23
Free Cash Flow:																
EBITDAX with Hedges	406	437	440	349	241	248	266	274	640	1,210	1,239	1,105	1,366	1,631	1,028	1,373
Current Taxes	0	(3)	-	-	-	-	-	-	92	(105)	(59)	4	1	8	-	-
Total Capex	(400)	(400)	(402)	(378)	(376)	(386)	(376)	(395)	(235)	(660)	(1,040)	(1,050)	(1,070)	(1,271)	(1,540)	(1,540)
Change in Net Working Capital	(61)	(21)	62	12	68	0	26	(18)	17	(56)	(23)	58	(64)	(8)	76	(31)
Cash Available for Debt Service	(76)	(65)	10	(217)	(66)	(147)	(84)	(143)	213	87	(405)	(490)	(249)	(348)	(498)	(254)
Interest (Excl. Capitalized Interest)	1	12	1	18	0	19	1	19	11	30	5	12	22	32	39	40
Free Cash Flow	(77)	(77)	9	(236)	(67)	(167)	(85)	(160)	203	66	(410)	(502)	(271)	(388)	(476)	(244)
Acquisitions	-	(238)	-	-	-	-	-	-	-	-	-	-	-	(238)	-	-
Disposal of Assets	0	1	459	-	-	-	-	-	120	34	229	313	93	460	-	-
Free Cash Flow Incl Acquisitions/Divestitures	(77)	(314)	468	(236)	(67)	(167)	(85)	(160)	323	62	(181)	(190)	(176)	(158)	(476)	(244)
Balance Sheet Data																
Cash	5	129	564	318	255	92	11	-	3	114	2	70	5	318	-	-
Debt																
- Senior Notes & Other	750	1,500	1,500	1,500	1,500	1,500	1,500	1,500	368	350	350	750	750	1,500	1,500	1,500
- Credit Facilities	275	-	-	-	-	-	-	-	25	-	55	-	174	-	145	375
Long Term Debt	1,025	1,500	1,500	1,500	1,500	1,500	1,500	1,500	393	350	405	750	924	1,500	1,645	1,875
YoY Growth Statistics																
Revenue Growth (Including Realized Hedging Gain)	39%	28%	17%	9%	-22%	-8%	-24%	-12%	-69%	65%	6%	-8%	23%	23%	-22%	23%
Production Growth	12%	22%	31%	34%	30%	16%	4%	-	-5%	25%	-1%	6%	10%	25%	12%	10%
LTM Credit Statistics																
EBITDAX/Cash Interest (incl. Capitalized Interest)	29.0x	30.7x	32.3x	24.4x	22.3x	15.7x	13.5x	12.5x	18.8x	22.7x	41.8x	26.9x	27.3x	24.4x	12.5x	16.4x
Sr. Sec Debt / EBITDA	0.2x	-	-	-	-	-	-	-	0.6x	-	0.1x	-	0.2x	-	0.2x	-
Debt/EBITDAX	0.7x	0.9x	0.9x	1.0x	1.0x	1.2x	1.4x	1.6x	0.6x	0.3x	0.3x	0.7x	0.7x	0.9x	1.6x	1.6x
Net debt/EBITDAX	0.7x	0.9x	0.6x	0.7x	0.8x	1.1x	1.3x	1.6x	0.6x	0.2x	0.3x	0.6x	0.7x	0.7x	1.6x	1.3x
Debt/Proved Reserves (\$/Mcf)	\$0.41	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60	\$0.26	\$0.19	\$0.20	\$0.33	\$0.37	\$0.60	NA	NA
Debt/Proved Developed Reserves (\$/Mcf)	\$0.51	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.33	\$0.24	\$0.24	\$0.41	\$0.46	\$0.75	NA	NA
Debt/Proved Reserves (\$/Boe)	\$2.46	\$3.60	\$3.60	\$3.60	\$3.60	\$3.60	\$3.60	\$3.60	\$1.54	\$1.11	\$1.19	\$1.99	\$2.22	\$3.60	NA	NA
Debt/Proved Developed Reserves (\$/Boe)	\$3.08	\$4.51	\$4.51	\$4.51	\$4.51	\$4.51	\$4.51	\$4.51	\$1.98	\$1.44	\$1.46	\$2.49	\$2.78	\$4.51	NA	NA

Source: Deutsche Bank, Company data



Figure 56: Commodity Price Scenario Analysis: Cimarex Energy Forecast Metrics

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$179	\$267	\$355	\$443	\$531	\$619
\$40.0	\$383	\$471	\$559	\$647	\$735	\$823	\$911	
\$50.0	\$587	\$675	\$763	\$851	\$939	\$1,027	\$1,115	
\$60.0	\$791	\$879	\$967	\$1,055	\$1,143	\$1,231	\$1,319	
\$70.0	\$995	\$1,083	\$1,171	\$1,259	\$1,347	\$1,435	\$1,523	
\$80.0	\$1,199	\$1,287	\$1,375	\$1,463	\$1,551	\$1,639	\$1,727	
\$90.0	\$1,403	\$1,491	\$1,579	\$1,667	\$1,755	\$1,843	\$1,931	

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$200	\$297	\$394	\$491	\$588	\$685
\$40.0	\$425	\$522	\$618	\$715	\$812	\$909	\$1,006	
\$50.0	\$649	\$746	\$843	\$940	\$1,036	\$1,133	\$1,230	
\$60.0	\$874	\$970	\$1,067	\$1,164	\$1,261	\$1,358	\$1,455	
\$70.0	\$1,098	\$1,195	\$1,292	\$1,388	\$1,485	\$1,582	\$1,679	
\$80.0	\$1,322	\$1,419	\$1,516	\$1,613	\$1,710	\$1,806	\$1,903	
\$90.0	\$1,547	\$1,644	\$1,740	\$1,837	\$1,934	\$2,031	\$2,128	

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	12.6x	8.2x	6.0x	4.6x	3.8x	3.1x
\$40.0	5.5x	4.3x	3.5x	2.9x	2.5x	2.2x	1.9x	
\$50.0	3.3x	2.8x	2.4x	2.1x	1.8x	1.6x	1.4x	
\$60.0	2.3x	2.0x	1.7x	1.5x	1.4x	1.2x	1.1x	
\$70.0	1.7x	1.5x	1.3x	1.2x	1.0x	0.9x	0.8x	
\$80.0	1.3x	1.1x	1.0x	0.9x	0.8x	0.7x	0.6x	
\$90.0	1.0x	0.9x	0.8x	0.7x	0.6x	0.6x	0.5x	

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	12.8x	8.3x	6.1x	4.7x	3.8x	3.1x
\$40.0	5.6x	4.4x	3.5x	2.9x	2.5x	2.1x	1.8x	
\$50.0	3.3x	2.8x	2.4x	2.0x	1.8x	1.5x	1.3x	
\$60.0	2.2x	1.9x	1.7x	1.5x	1.3x	1.1x	1.0x	
\$70.0	1.6x	1.4x	1.2x	1.1x	1.0x	0.8x	0.7x	
\$80.0	1.2x	1.0x	0.9x	0.8x	0.7x	0.6x	0.5x	
\$90.0	0.9x	0.8x	0.7x	0.6x	0.5x	0.5x	0.4x	

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	(\$1,082)	(\$1,017)	(\$952)	(\$888)	(\$823)	(\$758)
\$40.0	(\$933)	(\$868)	(\$804)	(\$739)	(\$674)	(\$610)	(\$545)	
\$50.0	(\$785)	(\$720)	(\$655)	(\$590)	(\$526)	(\$461)	(\$396)	
\$60.0	(\$636)	(\$571)	(\$507)	(\$442)	(\$377)	(\$312)	(\$248)	
\$70.0	(\$487)	(\$423)	(\$358)	(\$293)	(\$229)	(\$164)	(\$99)	
\$80.0	(\$339)	(\$274)	(\$209)	(\$145)	(\$80)	(\$15)	\$49	
\$90.0	(\$190)	(\$125)	(\$61)	\$4	\$69	\$133	\$198	

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	(\$1,346)	(\$1,252)	(\$1,157)	(\$1,063)	(\$968)	(\$874)
\$40.0	(\$1,128)	(\$1,033)	(\$939)	(\$844)	(\$750)	(\$655)	(\$561)	
\$50.0	(\$909)	(\$814)	(\$720)	(\$625)	(\$531)	(\$436)	(\$342)	
\$60.0	(\$690)	(\$595)	(\$501)	(\$406)	(\$312)	(\$218)	(\$123)	
\$70.0	(\$471)	(\$377)	(\$282)	(\$188)	(\$93)	\$1	\$96	
\$80.0	(\$252)	(\$158)	(\$63)	\$31	\$126	\$220	\$315	
\$90.0	(\$33)	\$61	\$156	\$250	\$345	\$439	\$533	

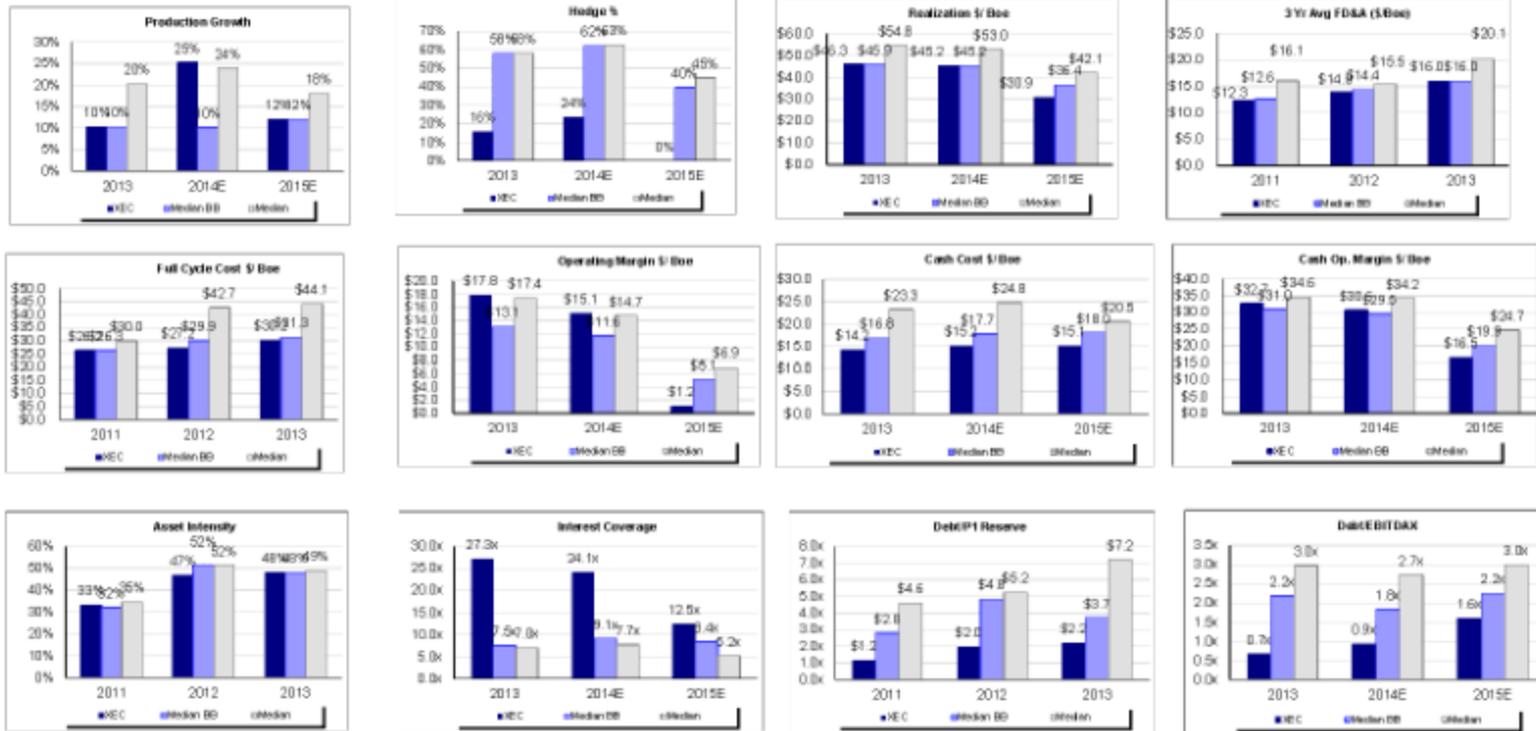
		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$0.9	\$0.9	\$0.9	\$0.8	\$0.8	\$0.8
\$40.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.7	\$0.7	\$0.7	
\$50.0	\$0.8	\$0.8	\$0.7	\$0.7	\$0.7	\$0.7	\$0.6	
\$60.0	\$0.7	\$0.7	\$0.7	\$0.6	\$0.6	\$0.6	\$0.6	
\$70.0	\$0.7	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	
\$80.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	
\$90.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$1.4	\$1.4	\$1.3	\$1.2	\$1.2	\$1.1
\$40.0	\$1.3	\$1.2	\$1.2	\$1.1	\$1.0	\$1.0	\$0.9	
\$50.0	\$1.1	\$1.1	\$1.0	\$1.0	\$0.9	\$0.8	\$0.8	
\$60.0	\$1.0	\$0.9	\$0.9	\$0.8	\$0.7	\$0.7	\$0.6	
\$70.0	\$0.9	\$0.8	\$0.7	\$0.7	\$0.6	\$0.6	\$0.6	
\$80.0	\$0.7	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	
\$90.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	

Source: Deutsche Bank



Figure 57: Cimarex Energy Benchmarks



Source: Deutsche Bank, Bloomberg Finance LP, company data

Industry level Median, Median BB, and Median B Metrics include both covered and non-covered companies

For the following companies covered by DB High Yield, the forecasts figures reflect our published estimates: CHK, XEC, DNR, FST, XCO, HILCRP, HK, NFX, DEP, RRC, SAJST and SD

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





Denbury Resources

Relative Value

When we moved to a guarded stance on Denbury (DNR) early last year, a key reason was the company's inflexible and high cost business model in the context of rising medium term downside risks to oil. With the downside scenario on oil playing out – more dramatically than expected – credit fundamentals should see meaningful stress, though impact in near term will be cushioned by its strong hedge program. DNR's relative vulnerability is explained by its asset portfolio, which consists of conventional assets (including core tertiary operations), in contrast to its peer group dominated by shale assets. This translates into significantly higher LOE cost of \$35.71/boe (FY 15E), more than double the group median. While management recently stated that they would focus on lowering their cost structure, we see limited scope for improvement in the near to medium term. The asset portfolio is also characterized by substantially lower decline rates and long lead times periods for its tertiary projects – both of which reduce the company's strategic flexibility in the face of an oil market which has suddenly become unstable. Basically, the company will be stuck with highly defensive (i.e. maintenance level) drilling program given the heightened uncertainty regarding long term oil price outlook implies shaky economics for assets with a backend-weighted production profile. The ambitious plan for a full-fledged tertiary program in the Rockies, deferred to the latter part of the decade earlier, is unlikely to be executed if the current oil price environment persists. The outlook for a defensive approach is exemplified in the company's FY 15 capex budget – at \$450 million (excluding \$85 million of capitalized interest and costs) – represents less than half of its previous medium term annual capex outlook of \$1 billion. While YoY production is expected to be relatively flat, only modestly below previous target of mid-single digit annual growth, the corollary to that is it will be unable to respond to an upswing in oil prices with a quick ramp-up in production via aggressive capex in the medium term. Moving on to FY 15 outlook, we see a meaningful decline in EBITDA levels to \$927 million from \$1.3 billion in FY 14E due to sharply weaker realization. While, on paper, the company has strong oil hedges (77% at ~\$80/bbl), more than half of the hedges also have a short-put (average strike price - ~\$66/bbl) embedded in them – given our FY 15 price deck of \$54.38, the protection provided by the hedges is somewhat mitigated. Net leverage should deteriorate by 1 turn to 3.7x but FCF should be modestly positive at \$235 million. At our long term price deck of \$70 oil/\$4.25 gas, run-rate EBITDA would be close to \$800 million implying net leverage of over 4.0x, and we see the credit steadily moving towards that level as the current hedges roll off. Even this scenario would be acceptable because the company would still generate slightly positive FCF based on maintenance capex in the \$550 million range. The critical threshold for DNR would be oil at \$65/bbl (unhedged) – at that level, cash flows would not be able to sustain maintenance capex. On the positive side, liquidity is solid at \$1.2 billion (largely availability under its \$1.6 billion revolver) and should improve over the year as the company uses FCF generated to repay revolver borrowings.



In summary, we view the split-rated DNR (B1/BB) as relatively more vulnerable versus its BB-rated peers in a scenario of extended period of downturn in oil prices, thanks to its high cost model. Admittedly, yields have widened significantly in recent months factoring in the new reality. However, even at current YTW of 7.0-7.5%, we see better relative value in a credit like Hilcorp, which is a good comparable given its largely conventional asset. Hilcorp Notes '21 (YTW: 7.3%) trades in-line with DNR Notes '21 (YTW: 7.5%) but has a significantly more resilient credit profile (1-2 notches higher credit rating) driven by a meaningfully stronger financial position (FY 15E net leverage of 2.0x versus 3.7x for DNR). Hilcorp also benefits from its exposure to Alaska gas market (~20% of FY 15E revenues) with fixed long term contracts, a welcome diversification from the weak US gas and global oil market. On the other hand, investors looking for more direct oil exposure (and the effects of an increase in crude) with a financial profile/rating similar to DNR could look at names like EP Energy (EPENEG) and Rosetta (ROSE), which can deliver faster changes in operating momentum, in contrast to DNR (discussed above). EPENEG Sr.'22 (YTW:9.1%) and ROSE Sr. '21 (YTW: 7.4%) therefore provide relatively more exposure to commodities in such a scenario. We are maintaining our [SELL](#) recommendation on all DNR bonds. Upside risks to this rating include a strong and sustained improvement in oil prices in the near term.



Figure 58: Denbury Resources Financial Summary

Issue	Rating		Maturity		NC Date		NC Price	
6.375% Senior Subordinated Notes due 2021	B1(Stable) /BB (Stable)		15-Aug-21	15-Aug-18	103.19			
5.500% Senior Subordinated Notes due 2022	B1(Stable) /BB (Stable)		1-May-22	1-May-17	104.13			
4.625% Senior Subordinated Notes due 2023	B1(Stable) /BB (Stable)		15-Jul-23	15-Jan-18	102.33			
\$ Mln	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2012	2013
Revenue	674	596	635	699	633	2,533	2,436	2,494
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-
Net Revenue	674	596	635	699	633	2,533	2,436	2,494
Operating Costs	255	269	282	277	262	1,090	904	1,004
Realized Hedging Gain / (Loss)	(1)	-	(27)	(50)	(25)	(102)	18	(1)
EBITDAX with Hedges	417	327	325	342	346	1,340	1,550	1,489
DDA	126	145	141	149	147	596	506	510
EBIT	292	182	184	194	200	762	1,243	979
Interest	35	48	49	47	45	180	154	141
EBT (excl others)	257	142	135	147	155	580	889	839
Others	68	(9)	42	121	(281)	(127)	(7)	17
One time charges	29	22	-	-	-	22	39	179
EBT (incl others)	159	130	93	20	436	685	857	642
Taxes	57	40	35	(33)	168	209	331	233
Net Income	102	90	58	59	269	476	525	410
LTM EBITDAX with Hedges	1,539	1,489	1,469	1,411	1,340	1,340	1,550	1,489
LTM EBITDAX without Hedges	1,534	1,490	1,486	1,499	1,442	1,442	1,532	1,490
WTI Crude (\$/Bbl)	\$106.13	\$97.61	\$96.61	\$102.99	\$97.25	\$99.12	\$94.18	\$98.07
Herry Hub Natural Gas (\$/Mcf)	\$3.60	\$3.85	\$4.72	\$4.58	\$3.95	\$4.28	\$2.83	\$3.74
Key Production Data								
Natural Gas Production (Mscf)	2,112	1,991	2,097	2,331	1,762	8,186	10,654	8,698
Realized Nat. Gas Price (\$/Mcf)	\$3.38	\$3.50	\$4.41	\$4.27	\$3.61	\$3.98	\$5.67	\$3.53
Crude Oil Production (MMbbl)	6,229	6,243	6,285	6,499	6,497	25,491	24,462	24,194
Realized Oil Price (\$/Bbl)	\$105.80	\$93.00	\$93.45	\$92.32	\$90.92	\$92.41	\$96.77	\$103.64
Total Equivalent Produced (boe)	6,581	6,575	6,635	6,854	6,791	26,854	26,338	25,639
Total Equivalent Realized (\$/boe)	\$101.23	\$89.37	\$89.93	\$88.54	\$87.93	\$88.93	\$92.53	\$96.17
Revenue & Operating Margins per Boe								
Realization	\$101.23	\$89.37	\$89.93	\$88.54	\$87.93	\$88.93	\$92.53	\$96.17
Lifting Costs	\$33.35	\$35.77	\$35.92	\$34.70	\$32.88	\$34.75	\$28.96	\$33.50
G&A	\$5.47	\$5.17	\$6.59	\$5.68	\$5.94	\$5.85	\$5.49	\$5.66
DD&A	\$19.08	\$21.98	\$21.27	\$21.62	\$21.58	\$21.61	\$19.89	\$19.89
Operating Income	\$43.32	\$26.45	\$26.15	\$26.54	\$27.72	\$26.72	\$36.73	\$37.11
Interest	\$5.24	\$6.02	\$7.36	\$6.79	\$6.59	\$6.69	\$5.49	\$5.49
3-yr avg. F&D all (in acq)	\$15.36	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$15.36	\$17.19
3-yr avg. F&D all (excl acq)	\$13.72	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$13.72	\$18.17
Full cycle costs	\$99.42	\$64.14	\$67.96	\$64.37	\$62.41	\$64.48	\$65.67	\$61.85
Free Cash Flow:								
EBITDAX with Hedges	417	327	325	342	346	1,340	1,550	1,489
Current Taxes	(16)	12	(5)	4	(9)	11	(8)	(12)
Total Capex	(271)	(288)	(237)	(279)	(269)	(1,073)	(1,740)	(1,107)
Change in Net Working Capital	(46)	54	(74)	16	24	20	31	89
Cash Available for Debt Service	84	104	10	83	102	298	(220)	379
Interest (Excl. Capitalized Interest)	31	13	45	43	41	143	139	127
Free Cash Flow	83	81	(36)	40	60	158	(358)	253
Disposal of Assets	1	2	0	1	1	5	400	8
Free Cash Flow Incl Asset Sales	84	83	(36)	41	62	163	41	261
Dividends and share repurchases	(115)	(67)	(232)	(22)	(22)	(343)	(251)	(282)
Free Cash Flow after distributions to shareholders	(81)	26	(266)	19	40	(183)	(211)	(21)
Balance Sheet Data								
Cash	27	12	8	12	19	19	1,149	12
Debt								
Credit Facilities	310	348	600	445	410	410	780	340
Senior Notes & Other	2,965	2,957	2,948	3,193	3,185	3,185	2,441	2,957
Long Term Debt	3,275	3,297	3,548	3,638	3,595	3,595	3,141	3,297
YoY Growth Statistics								
Revenue Growth (Including Realized Hedging Gain)	12%	-2%	5%	-4%	-10%	-3%	7%	2%
Production Growth	-2%	2%	16%	2%	3%	-2%	9%	-2%
LTM Credit Statistics								
EBITDAX/Cash Interest (Incl. Capitalized Interest)	6.6x	7.2x	7.2x	7.9x	7.7x	7.7x	7.2x	7.2x
Sr. Sec debt/EBITDAX	0.4x	0.4x	0.5x	0.7x	0.6x	0.6x	0.4x	0.7x
Debt/EBITDAX	2.1x	2.2x	2.4x	2.6x	2.7x	2.7x	2.0x	2.2x
Net Debt/EBITDAX	2.1x	2.2x	2.4x	2.6x	2.7x	2.7x	2.0x	2.2x
Debt/Proved Reserves (\$/Boe)	\$9.00	\$7.94	\$7.58	\$7.77	\$7.68 #	\$7.68	\$7.67	\$7.04
Debt/Proved Developed Reserves (\$/Boe)	\$13.08	\$11.43	\$12.30	\$12.61	\$12.46 #	\$12.46	\$12.54	\$11.45

Liquidity / Capitalization	Q3 '14
Cash & Marketable Securities	19
Revolving Credit Facility May 2016	1,178
Other Loans	-
Less Short Term Debt	(36)
Liquidity	1,162
Capitalization	Q3 '14
Revolving Credit Agreement May 2016	410
Capital leases and other debt	332
Total Secured Debt	742
7.25% Senior Subordinated Notes due 2017	3
6.375% Senior Subordinated Notes due 2021	400
5.50% Senior Subordinated Notes due 2022	1,250
4.625% Senior Subordinated Notes due 2023	1,200
Total Debt	3,595
Net Debt	3,679
Minority Interest & Others	-
Market Cap	2,520
Enterprise Value	6,095
EV/EBITDAX	4.5x
Net Debt/EBITDAX	2.7x

Reserve Description	2012	2013
	(1)	
P Reserves - Nat Gas (bcf)	482	490
P Reserves - Liquids (mmbbl)	329	387
P Crude Oil Equivalent (mmboe)	459	468
% Gas	20%	17%
% Proved Developed	61%	62%
Reserve Life (Years)	16	17
Reserve Replacement (All in)	435%	318%
Reserve Replacement (Drill Bit)	328%	152%
PV of Reserves (\$m)	9,900	10,634

Hedges	%	\$ mfc
2014E	81%	15.06 - 15.07
2015E	73%	13.02 - 13.33

Debt Maturity		
FY14	36	FY 16+
FY15	38	3,520

Company Description:
Denbury Resources Inc. is an independent oil and gas company engaged in acquisition, development and exploration activities. It owns carbon dioxide (CO2) reserves east of the Mississippi River used for tertiary oil recovery, and holds a significant operating acreage in the Barnett Shale play near Fort Worth, Texas, eastern Louisiana, Alabama, and properties in Southeast Texas. In 2016, the company acquired Encore Acquisition company for about \$4.5BN.

Regions
Mississippi, Louisiana, Texas and Alabama

(1) Pro forma for the \$1.65BN Rockies acquisition, proved reserve would have been 2.7 Tcf and PV-10 would have been \$11.0BN

Source: Deutsche Bank, Company data

Figure 59: Denbury Resources Financial Forecast

(\$M)	Q1 '14	Q2 '14	Q3 '14	Q4 '14E	Q1 '15E	Q2 '15E	Q3 '15E	Q4 '15E	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Revenue	635	669	633	470	532	343	355	374	1,361	800	1,812	2,256	2,454	2,494	2,467	1,484	1,484	1,484	1,484	1,484	1,484
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	635	669	633	470	532	343	355	374	1,361	800	1,812	2,256	2,454	2,494	2,467	1,484	1,484	1,484	1,484	1,484	1,484
Operating Costs	282	277	262	201	236	244	243	246	436	409	764	821	904	1,004	1,082	560	560	560	560	560	560
Realized Hedging Gain / (Loss)	(27)	(58)	(26)	-	105	138	141	135	(56)	(47)	(45)	-	-	-	-	-	-	-	-	-	-
EBITDA with Hedges	325	342	345	312	234	240	247	285	867	538	1,007	1,473	1,550	1,489	1,328	927	927	927	927	927	927
DDA	141	148	147	147	143	147	148	147	222	236	434	408	508	510	583	283	283	283	283	283	283
EBIT	184	194	200	165	92	93	101	58	84	209	573	1,094	1,043	979	743	344	344	344	344	344	344
Interest	49	47	45	40	36	36	38	30	26	27	47	176	164	154	141	140	141	141	141	141	141
EBT (incl others)	135	147	155	125	56	57	63	28	58	182	526	917	879	825	603	204	204	204	204	204	204
EBT (excl others)	42	121	(281)	-	-	-	-	-	(262)	201	(175)	(98)	(7)	17	(118)	-	-	-	-	-	-
One time charges	-	-	-	-	-	-	-	-	257	-	92	43	39	179	-	-	-	-	-	-	-
EBT (incl others)	83	28	430	126	56	56	63	28	619	(126)	479	924	857	642	455	685	685	685	685	685	685
Taxes	35	(33)	168	48	21	21	24	7	236	(47)	194	351	351	253	218	74	74	74	74	74	74
Net Income	58	59	269	77	34	34	39	12	383	(82)	286	573	505	410	463	138	138	138	138	138	138
LTM EBITDA with Hedges	1,489	1,411	1,340	1,326	1,235	1,133	1,034	927	867	538	1,007	1,473	1,550	1,489	1,328	927	927	927	927	927	927
LTM EBITDA without Hedges	1,489	1,489	1,442	1,325	1,088	776	517	435	825	391	1,048	1,471	1,532	1,468	1,325	435	435	435	435	435	435
WTI Crude (\$/Bbl)	\$88.81	\$102.99	\$97.25	\$73.29	\$62.50	\$62.53	\$65.00	\$67.58	\$96.79	\$61.89	\$79.58	\$65.76	\$64.76	\$68.07	\$63.01	\$64.58	\$64.58	\$64.58	\$64.58	\$64.58	\$64.58
Henry Hub Natural Gas (\$/Mcf)	\$4.72	\$4.58	\$3.95	\$3.83	\$3.75	\$3.75	\$3.75	\$3.75	\$6.98	\$4.29	\$4.35	\$4.82	\$2.83	\$3.74	\$4.27	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75
Key Production Data																					
Natural Gas Production (MMcf)	2,097	2,231	1,762	3,574	3,185	3,296	3,289	3,283	32,796	24,851	28,491	19,703	19,854	6,666	9,763	13,017	13,817	13,817	13,817	13,817	13,817
Realized Nat. Gas Price (\$/Mcf)	\$4.41	\$4.27	\$3.61	\$3.78	\$3.69	\$3.69	\$3.69	\$3.68	\$6.58	\$3.79	\$4.45	\$7.34	\$5.47	\$3.53	\$4.90	\$3.68	\$3.68	\$3.68	\$3.68	\$3.68	\$3.68
Crude Oil Production (MMbbl)	6,285	6,486	6,487	6,245	6,184	6,308	6,247	6,283	11,906	13,407	15,878	22,169	24,462	24,194	25,492	24,990	24,990	24,990	24,990	24,990	24,990
Realized Oil Price (\$/Bbl)	\$83.46	\$89.39	\$89.90	\$88.12	\$73.53	\$73.21	\$75.96	\$69.18	\$69.18	\$55.15	\$71.43	\$68.80	\$64.77	\$108.84	\$84.22	\$84.22	\$84.22	\$84.22	\$84.22	\$84.22	\$84.22
Total Equivalent Produced (MMcf)	39,887	41,125	40,743	41,042	39,887	41,125	40,743	41,042	101,769	105,774	128,711	143,796	157,428	153,852	162,717	162,717	162,717	162,717	162,717	162,717	162,717
Total Equivalent Realized (\$/MMcf)	\$14.89	\$14.76	\$14.65	\$13.74	\$11.57	\$11.52	\$11.79	\$10.74	\$13.51	\$8.83	\$11.87	\$15.80	\$15.42	\$16.42	\$14.53	\$14.48	\$14.48	\$14.48	\$14.48	\$14.48	\$14.48
Total Equivalent Produced (fice)	6,035	6,054	6,781	6,840	6,630	6,854	6,781	6,840	16,962	17,629	25,819	23,908	25,238	25,039	27,129	27,129	27,129	27,129	27,129	27,129	27,129
Total Equivalent Realized (\$/fice)	\$89.43	\$89.54	\$87.93	\$82.42	\$69.42	\$68.13	\$70.74	\$64.43	\$91.07	\$48.17	\$65.81	\$94.70	\$92.53	\$96.17	\$87.19	\$86.42	\$86.42	\$86.42	\$86.42	\$86.42	\$86.42
Revenue & Operating Margins per Well																					
Realization	\$14.89	\$14.76	\$14.65	\$13.74	\$11.57	\$11.52	\$11.79	\$10.74	\$13.51	\$8.83	\$11.87	\$15.80	\$15.42	\$16.42	\$14.53	\$14.48	\$14.48	\$14.48	\$14.48	\$14.48	\$14.48
Lifting Costs	\$5.39	\$5.76	\$5.45	\$5.43	\$4.98	\$4.88	\$5.02	\$5.06	\$5.61	\$3.45	\$3.81	\$4.70	\$4.83	\$5.58	\$5.95	\$5.01	\$5.01	\$5.01	\$5.01	\$5.01	\$5.01
G&A	\$1.10	\$0.95	\$0.99	\$0.84	\$0.94	\$0.84	\$0.94	\$0.94	\$0.94	\$1.10	\$0.87	\$0.83	\$0.81	\$0.84	\$0.90	\$0.94	\$0.94	\$0.94	\$0.94	\$0.94	\$0.94
DDA	\$3.95	\$3.60	\$3.60	\$3.58	\$3.58	\$3.58	\$3.58	\$3.58	\$2.19	\$2.29	\$2.72	\$2.85	\$3.22	\$3.31	\$3.58	\$3.58	\$3.58	\$3.58	\$3.58	\$3.58	\$3.58
Operating Income	\$44.36	\$44.42	\$44.62	\$37.78	\$23.96	\$23.81	\$23.25	\$11.14	\$7.13	\$1.22	\$3.47	\$7.54	\$6.46	\$6.19	\$4.90	\$1.07	\$1.07	\$1.07	\$1.07	\$1.07	\$1.07
Interest	\$1.25	\$1.13	\$1.10	\$0.97	\$0.91	\$0.93	\$0.94	\$0.93	\$0.92	\$0.45	\$1.10	\$1.14	\$0.98	\$0.91	\$1.11	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
1-yr avg. P&D all (in acct)	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87	\$2.87
1-yr avg. P&D all (excl acct)	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03
Full cycle costs	\$11.16	\$10.73	\$10.40	\$10.23	\$9.70	\$9.72	\$9.76	\$9.79	\$11.69	\$7.72	\$10.35	\$8.53	\$8.28	\$10.31	\$10.82	\$9.74	\$9.74	\$9.74	\$9.74	\$9.74	\$9.74
Revenue & Operating Margins per Boe																					
Realization	\$89.43	\$89.54	\$87.93	\$82.42	\$69.42	\$68.13	\$70.74	\$64.43	\$91.07	\$48.17	\$65.81	\$94.70	\$92.53	\$96.17	\$87.19	\$86.42	\$86.42	\$86.42	\$86.42	\$86.42	\$86.42
Lifting Costs	\$35.40	\$34.70	\$32.68	\$32.47	\$29.90	\$29.80	\$30.12	\$30.34	\$21.67	\$20.73	\$23.45	\$28.46	\$28.80	\$33.50	\$33.90	\$30.07	\$30.07	\$30.07	\$30.07	\$30.07	\$30.07
G&A	\$6.59	\$5.68	\$5.94	\$5.44	\$5.64	\$5.44	\$5.64	\$5.64	\$5.64	\$6.59	\$5.25	\$5.59	\$5.49	\$5.95	\$5.95	\$5.64	\$5.64	\$5.64	\$5.64	\$5.64	\$5.64
DDA	\$21.27	\$21.62	\$21.58	\$21.50	\$21.50	\$21.50	\$21.50	\$21.50	\$13.08	\$13.52	\$14.32	\$17.87	\$19.34	\$19.49	\$21.49	\$21.50	\$21.50	\$21.50	\$21.50	\$21.50	\$21.50
Operating Income	\$26.15	\$25.54	\$27.72	\$22.71	\$12.38	\$12.89	\$13.48	\$6.98	\$42.77	\$27.34	\$29.79	\$43.46	\$38.73	\$37.11	\$25.77	\$11.21	\$11.21	\$11.21	\$11.21	\$11.21	\$11.21
Interest	\$7.36	\$6.79	\$6.59	\$5.81	\$5.45	\$5.59	\$5.64	\$5.68	\$1.92	\$2.49	\$4.62	\$4.86	\$5.45	\$5.49	\$6.63	\$5.27	\$5.27	\$5.27	\$5.27	\$5.27	\$5.27
1-yr avg. P&D all (in acct)	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19	\$17.19
1-yr avg. P&D all (excl acct)	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17	\$18.17
Full cycle costs	\$47.96	\$46.37	\$42.41	\$41.21	\$38.19	\$38.33	\$38.59	\$38.75	\$46.18	\$46.33	\$46.19	\$47.16	\$45.47	\$45.85	\$43.74	\$43.67	\$43.67	\$43.67	\$43.67	\$43.67	\$43.67
Free Cash Flow:																					
EBITDA with Hedges	325	342	345	312	234	240	247	285	867	538	1,007	1,473	1,550	1,489	1,328	927	927	927	927	927	927
Current Taxes	(5)	4	(6)	(6)	(4)	(4)	(5)	(1)	(70)	(9)	(3)	(46)	(6)	(12)	(7)	(45)	(45)	(45)	(45)	(45)	(45)
Capex - Exploration & Development	(194)	(253)	(247)	(318)	(170)	(107)	(170)	(187)	(591)	(343)	(872)	(1,383)	(1,123)	(900)	(1,017)	(490)	(490)	(490)	(490)	(490)	(490)
Capex - Other Property & Equipment	-	-	-	-	-	-	-	-	(21)	(650)	(973)	(258)	(154)	(9)	-	-	-	-	-	-	-
Change in Net Working Capital	(39)	(28)	(21)	(26)	(25)	(25)	(25)	(25)	(455)	(695)	(371)	(321)	(487)	(278)	(112)	(180)	(180)	(

Figure 60: Commodity Price Scenario Analysis: Denbury Resources Forecast Metrics

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$559	\$563	\$567	\$572	\$576	\$581
	\$40.0	\$699	\$703	\$708	\$712	\$716	\$721	\$726
	\$50.0	\$839	\$844	\$848	\$852	\$856	\$861	\$866
	\$60.0	\$980	\$984	\$988	\$992	\$997	\$1,002	\$1,007
	\$70.0	\$1,073	\$1,077	\$1,082	\$1,086	\$1,090	\$1,095	\$1,100
	\$80.0	\$1,106	\$1,110	\$1,114	\$1,118	\$1,123	\$1,128	\$1,133
	\$90.0	\$1,230	\$1,234	\$1,238	\$1,243	\$1,247	\$1,252	\$1,257

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	(\$39)	(\$34)	(\$28)	(\$22)	(\$17)	(\$11)
	\$40.0	\$186	\$192	\$198	\$204	\$209	\$215	\$221
	\$50.0	\$412	\$418	\$424	\$429	\$435	\$441	\$446
	\$60.0	\$638	\$644	\$649	\$655	\$661	\$667	\$672
	\$70.0	\$849	\$855	\$861	\$866	\$872	\$878	\$884
	\$80.0	\$1,028	\$1,033	\$1,039	\$1,045	\$1,051	\$1,056	\$1,062
	\$90.0	\$1,220	\$1,226	\$1,232	\$1,237	\$1,243	\$1,249	\$1,254

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	6.6x	6.5x	6.5x	6.4x	6.4x	6.3x
	\$40.0	5.1x	5.1x	5.0x	5.0x	5.0x	4.9x	4.9x
	\$50.0	4.1x	4.1x	4.1x	4.1x	4.0x	4.0x	4.0x
	\$60.0	3.4x	3.4x	3.4x	3.4x	3.4x	3.3x	3.3x
	\$70.0	3.1x	3.1x	3.0x	3.0x	3.0x	3.0x	3.0x
	\$80.0	3.0x	2.9x	2.9x	2.9x	2.9x	2.9x	2.9x
	\$90.0	2.6x	2.6x	2.6x	2.5x	2.5x	2.5x	2.5x

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	-108.9x	-127.1x	-152.7x	-191.6x	-257.3x	-392.5x
	\$40.0	21.3x	20.6x	20.0x	19.4x	18.8x	18.3x	17.8x
	\$50.0	8.9x	8.7x	8.6x	8.5x	8.3x	8.2x	8.1x
	\$60.0	5.2x	5.2x	5.1x	5.1x	5.0x	5.0x	4.9x
	\$70.0	3.6x	3.6x	3.6x	3.5x	3.5x	3.5x	3.4x
	\$80.0	2.8x	2.8x	2.8x	2.8x	2.7x	2.7x	2.7x
	\$90.0	2.2x	2.2x	2.1x	2.1x	2.1x	2.1x	2.1x

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	(\$121)	(\$118)	(\$114)	(\$111)	(\$107)	(\$103)
	\$40.0	(\$17)	(\$13)	(\$10)	(\$6)	(\$3)	\$1	\$5
	\$50.0	\$87	\$91	\$95	\$98	\$102	\$106	\$110
	\$60.0	\$192	\$195	\$199	\$202	\$206	\$210	\$214
	\$70.0	\$260	\$264	\$267	\$271	\$274	\$278	\$282
	\$80.0	\$286	\$290	\$293	\$297	\$300	\$304	\$308
	\$90.0	\$392	\$395	\$399	\$402	\$406	\$410	\$414

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	(\$635)	(\$630)	(\$625)	(\$620)	(\$615)	(\$610)
	\$40.0	(\$427)	(\$422)	(\$417)	(\$412)	(\$407)	(\$401)	(\$396)
	\$50.0	(\$218)	(\$213)	(\$208)	(\$203)	(\$198)	(\$193)	(\$188)
	\$60.0	(\$10)	(\$5)	\$0	\$5	\$10	\$15	\$21
	\$70.0	\$178	\$183	\$188	\$193	\$198	\$204	\$209
	\$80.0	\$322	\$327	\$332	\$337	\$342	\$347	\$352
	\$90.0	\$483	\$488	\$494	\$499	\$504	\$509	\$514

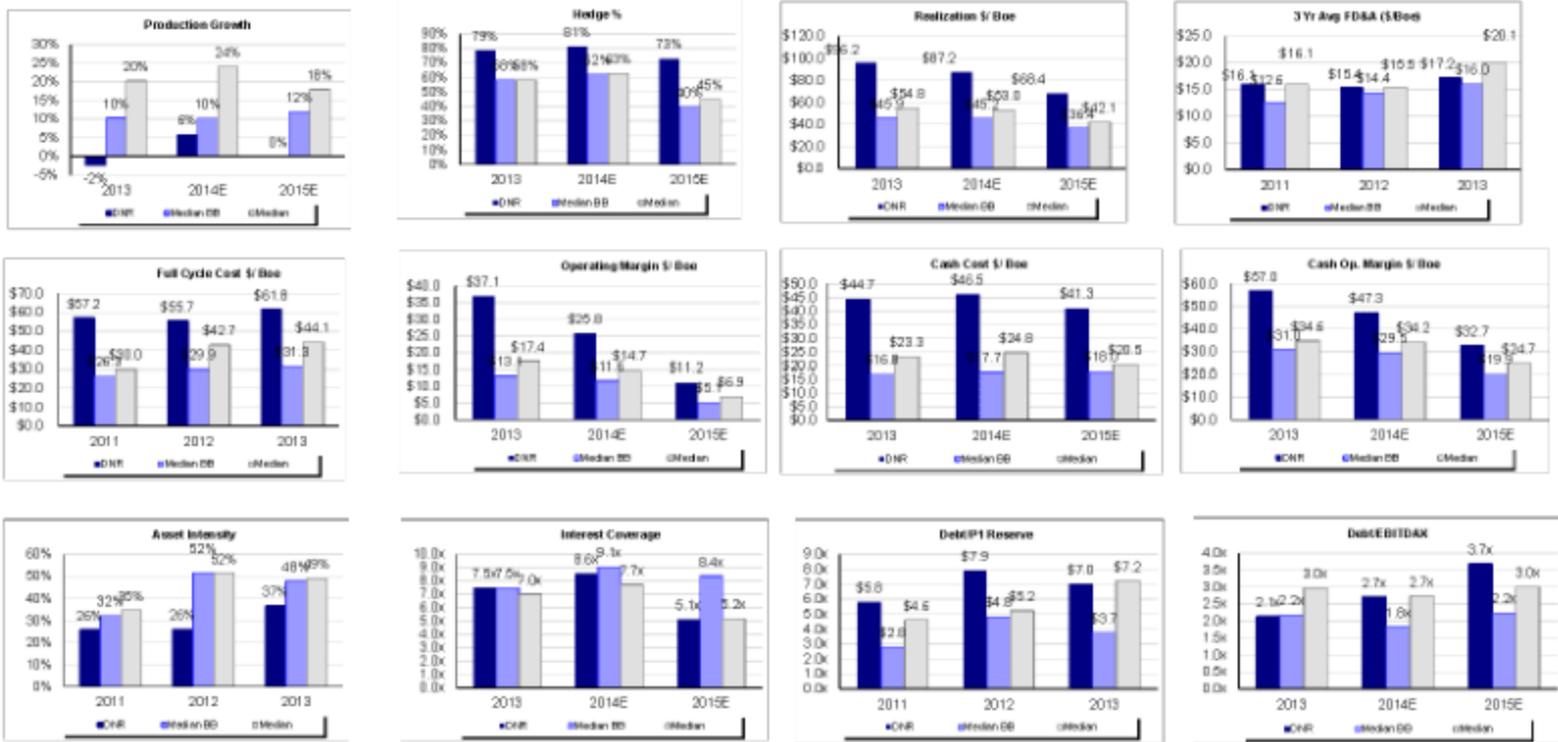
		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3
	\$40.0	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3
	\$50.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
	\$60.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
	\$70.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
	\$80.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
	\$90.0	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
	\$40.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$50.0	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3
	\$60.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
	\$70.0	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1
	\$80.0	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1
	\$90.0	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1

Source: Deutsche Bank



Figure 61: Denbury Resources Benchmarks



Source: Deutsche Bank, company data, Bloomberg Finance LP

Industry level Median, Median BB, and Median B Metrics include both covered and non-covered companies

For the following companies covered by DB High Yield, the forecasts figures reflect our published estimates: CHK, XEC, DNR, FST, XCO, HILCRP, HK, NFX, DEP, RRC, SANST and SD

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCE, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





EXCO Resources

Relative Value

Severe commodity headwinds have pressured EXCO Resources (XCO) credit fundamentals. While the company's core asset, the gassy Haynesville, is a quality asset, cash flows are decreasing at the current FY 15 gas strip (~\$3.0/mcf). Its acreage in Eagle Ford is second tier but still of reasonable quality but is likely to have marginal economics below the \$70/bbl threshold. Offsetting this gloomy scenario, we see some positives. First, its core Haynesville position is has resilient economics. As of June 2014, the company had a gross well inventory of 85 wells in the Holly area (Desoto core), which garner the best returns in the play with a breakeven (defined as 20% pre-tax return) at \$3.35/mcfe and 40% IRR at \$4/mcfe. Next, it had another 143 locations in CCM-Haynesville with estimated breakeven at \$3.72/mcfe. With close to 230 gross locations, which will generate robust returns at longer term gas prices of \$3.75 translating into ~5 years of drilling inventory (drilling plan of 42 gross wells in FY 14E), the company should be relatively resilient to downside risks from a gas market grappling with oversupply in the medium term. Over the longer term, when the market is expected to be more balanced, the company is well placed with about 600 gross locations with a breakeven threshold of \$4.27/mcfe (or ~14 years of drilling inventory) and another 600 locations with a breakeven between \$4.27 and \$6.00/mcfe. Second, its asset base also has a significant Proved Developed (PD) component - ~737 Bcfe as of FYE 13 or 5.4 years of reserve life based on FY 14E production, which reduces the pressure on maintenance capex levels. Third, the company has made good progress on the operational front both in terms of reducing costs and optimizing production. Fourth, liquidity is reasonable at \$853 million as of Q3 14. Moving on to financial outlook, EBITDA could come under further pressure due to weaker commodity prices - however, 2015 hedges are solid and we see less downside risk to our current estimate based on the revised ~\$55/\$3.75 DB price deck we are currently using. The company should go into a largely maintenance mode in Haynesville or even below that if current strip prices persist. With medium term price expectations of \$70/bbl, despite weaker economics, we see the company continuing its drilling in Eagle Ford. We see total capex of \$460 million (versus ~\$435 million in FY 14E). Overall, we see this driving a cash burn of ~\$350 million through FY 16 - therefore, current liquidity is sufficient. Also, PDP buyouts in the Eagle Ford (for wells that previously reached the required rate of return) should enhance revolver availability marginally in the short term.

Overall, we acknowledge that like many other lower tier HY credits in this commodity price environment that XCO is also under stress. However, yields have also widened significantly over the last few months factoring in this new reality. At current levels (YTW:16-18%), we see the risk-reward matrix favoring the latter due to credit positives discussed earlier; the most important drivers of this view at relatively better 2015 hedging (top quartile) and through cycle liquidity (2nd quartile) of XCO versus similarly rated HY peers (B/CCC). We are positive about its high quality gas asset in Haynesville - despite current weakness in gas prices, we see improving S/D dynamics in the US market over the long term driving a more sustainable business model. In the interim, we see current liquidity levels as more than adequate for getting through the next couple of years. We maintain our **BUY** rating on both the XCO bonds. Downside risks include weakness in operational performance and a further weakening in gas prices.



Figure 62: EXCO Resources Financial Summary

Items	Rating		Maturity		NC Date		NC Price				
	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013		
7.5% Senior Notes due 2016	BB (Stable) / CCC+ (Stable)		9/15/2016		9/15/2014		153.75				
8.5% Senior Notes due 2022	BB (Stable) / CCC+ (Stable)		4/15/2022		4/15/2017		195.38				
REVENUE	165	180	198	183	151	713	754	547	634		
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	165	180	198	183	151	713	754	547	634		
Operating Costs	72	77	69	66	63	275	264	206	276		
Realized Hedging Gain / (Loss)	11	14	(20)	(19)	2	(18)	135	202	42		
EBITDAX with Hedges	104	117	110	102	91	419	585	463	401		
DDA	74	83	69	67	65	284	263	203	246		
EBT	29	34	40	35	26	135	223	156	195		
Interest	26	21	20	26	24	101	61	73	103		
EBT (incl others)	(7)	3	20	9	2	34	162	77	53		
Other (Income)/Expense	69	26	22	6	(40)	15	(93)	116	99		
One time charges	3	100	3	-	-	103	232	1,294	109		
EBT (incl others)	(9)	(125)	(5)	2	42	(84)	23	(1,200)	22		
Taxes	-	-	-	-	-	-	-	-	-		
Net Income	(9)	(125)	(5)	2	42	(84)	23	(1,200)	22		
LTM EBITDAX with Hedges	404	401	416	432	419	419	585	463	401		
LTM EBITDAX without Hedges	306	359	412	442	437	437	458	251	359		
Actual WTI Crude (\$/bbl)	105.81	97.61	52.50	52.50	97.25	74.97	95.16	94.18	98.02		
Actual Henry Hub Natural Gas (\$/mcf)	3.75	3.88	3.75	3.75	3.95	3.85	4.92	2.83	3.77		
Key Production Data											
Company Natural Gas production (mmcf)	39,268	36,705	32,722	31,039	29,359	129,852	178,288	185,033	153,321		
Realized Natural Gas Price (\$/mcf)	NA	NA	NA	NA	NA	3.55	NA	NA	NA		
Company Oil Production (MMbbl)	380	653	593	579	537	2,362	741	704	1,588		
Realized Oil Price (\$/bbl)	NA	NA	NA	NA	NA	92.49	NA	NA	NA		
Company NGL Production (\$/bbl)	53	65	59	65	62	251	-	388	343		
Realized NGL Price (\$/bbl)	NA	NA	NA	NA	NA	27.44	NA	NA	NA		
Total Equivalent Produced (mcf)	41,864	41,873	36,634	34,870	32,953	148,533	182,712	189,065	161,937		
Total Equivalent Realized (\$/mcf)	4.21	4.72	4.88	4.83	4.85	4.77	4.87	3.96	4.16		
Revenue & Operating Margins per Note											
Realization	\$4.21	\$4.72	\$4.88	\$4.83	\$4.85	\$4.77	\$4.87	\$3.85	\$4.16		
Lifting Costs	\$1.19	\$1.25	\$1.29	\$1.41	\$1.45	\$1.27	\$1.37	\$1.09	\$1.14		
DDA	\$5.79	\$2.03	\$6.47	\$1.91	\$1.96	\$1.99	\$2.91	\$1.62	\$1.53		
Operating Income	\$9.79	\$8.69	\$1.18	\$1.68	\$3.78	\$9.79	\$1.22	\$9.79	\$8.89		
Interest and Prof. Dividend	\$9.87	\$6.75	\$6.55	\$6.74	\$6.73	\$6.69	\$6.33	\$6.39	\$6.63		
Syr. reg. FAD all (in acc)	\$4.42	\$4.22	\$4.22	\$4.22	\$4.22	\$4.22	\$2.82	\$2.42	\$4.22		
Syr. reg. FAD all (incl acc)	\$1.69	\$6.27	\$6.27	\$6.27	\$6.27	\$6.27	\$1.92	\$1.69	\$6.27		
Full cycle costs	\$5.61	\$6.63	\$6.63	\$6.65	\$6.62	\$6.76	\$4.90	\$4.35	\$6.54		
Free Cash Flow:											
EBITDAX with Hedges	104	117	110	102	91	419	585	463	401		
Current Taxes	-	-	-	-	-	-	(7)	-	-		
Total Capex	(15)	(146)	(101)	(96)	(100)	(438)	(94)	(55)	(32)		
Change in Net Working Capital	(20)	24	(59)	(5)	20	153	(154)	127	21		
Cash Available for Debt Service	57	11	117	16	10	133	(94)	44	101		
Interest (Excl. Capitalized Interest)	32	11	32	(3)	25	64	48	62	70		
Free Cash Flow	24	0	85	(1)	(34)	79	(82)	(18)	31		
Acquisition of Assets	(1,007)	31	(8)	-	(73)	18	(753)	(3)	(977)		
Disposal of Assets and Restored Cash Usage	139	19	80	2	(6)	95	455	124	799		
Free Cash Flow Incl Asset Sales	(844)	50	164	1	(33)	162	(680)	165	(147)		
Balance Sheet Data											
Cash ⁽¹⁾	70	71	111	81	70	79	188	116	71		
Debt											
Senior Notes & Other	1,401	1,156	1,124	1,329	1,327	1,387	749	742	1,156		
- Credit Facilities	735	735	376	182	223	223	1,148	1,108	735		
Long Term Debt	2,136	1,891	1,500	1,512	1,549	1,549	1,888	1,849	1,891		
To Y Growth Statistics											
Revenue Growth (Including Realized Hedging Gain)	-8%	1%	10%	11%	-13%	3%	28%	-16%	-10%		
Production Growth	-11%	-6%	-10%	-9%	-21%	-12%	63%	4%	-15%		
LTM Credit Statistics (incl. proportionate share of Partnership earnings and debt)											
EBITDAX/Cash Interest (incl. Capitalized Interest)	4.8x	4.5x	4.5x	4.7x	5.0x	5.0x	7.5x	5.3x	4.5x		
St. Sec. debt/EBITDAX	3.5x	2.9x	1.8x	0.6x	0.7x	0.7x	2.0x	2.4x	2.8x		
Debt/EBITDAX	5.3x	4.7x	3.8x	3.8x	3.7x	3.7x	5.2x	4.1x	4.7x		
Net debt/EBITDAX	5.3x	4.5x	3.2x	3.4x	3.5x	3.5x	2.9x	3.8x	4.5x		
Debt/Proved Reserves (\$/Mcf)	\$2.12	\$1.68	\$1.33	\$1.24	\$1.36	\$1.36	\$1.42	\$1.83	\$1.88		
Debt/Proved Developed Reserves (\$/Mcf)	\$2.29	\$2.58	\$2.03	\$2.06	\$2.10	\$2.10	\$1.92	\$1.99	\$2.58		
LTM Credit Statistics (excl. proportionate share of Partnership earnings and debt)											
EBITDAX/Cash Interest (incl. Capitalized Interest)	4.8x	4.8x	4.8x	4.8x	5.1x	5.1x	7.5x	5.3x	4.8x		
St. Sec. debt/EBITDAX	2.8x	2.7x	1.7x	0.6x	0.6x	0.6x	2.0x	2.4x	2.7x		
Debt/EBITDAX	5.3x	4.7x	3.8x	3.8x	3.7x	3.7x	5.2x	4.1x	4.7x		
Net debt/EBITDAX	5.3x	4.5x	3.2x	3.2x	3.5x	3.5x	2.9x	3.8x	4.5x		

Liquidity Capitalization	Q3 '14	PF (2)
Cash & Marketable Securities	63.4	63.4
Proportionate Share of Cash in XCO/HGL JV	6.5	-
Credit Agreement due Apr 2016 ⁽¹⁾	645	780
Less: Short term Debt	-	-
Liquidity	715	853
Capitalization	Q3 '14	PF (2)
Credit Agreement due Apr 2016	223	104
7.5% Senior Notes '16	750	750
8.5% Senior Notes '22	500	500
Others (Discount on Notes)	(5)	(5)
Total Debt	1,468	1,347
Partnership Bank Debt - non-recourse	63	-
Total Debt (incl. partnership debt)	1,531	1,347
Plus: Market Cap	517	517
Plus: Preferred Stock & Minority Interest	-	-
Less: Cash	(75)	(63)
Enterprise Value	1,966	1,801
EV/FF EBITDA ⁽³⁾	4.1x	4.5x
Net Debt (incl. partnership debt)/FF EBITDA⁽³⁾	3.8x	3.2x

Company Description:
Incorporated in 1955, EXCO resources is a Texas based independent oil and natural gas company engaged in the acquisition, development and exploitation of onshore North American oil and natural gas properties. The company also has midstream operations in the East Texas North

Regions
Haysville
Mascotas
Eagle Ford

Debt Maturity
FY14 -
FY 15 - 3
FY16+ - 1,344

Reserve Description	2011	2012	2013
Proved Reserves			
Net Gas (bcf)	1,250	938	1,016
Liquids (mmbbl)	6	12	18
Net Gas Equivalent (bcfe)	1,250	1,009	1,104
% Gas	90%	90%	90%
% Proved Developed	74%	66%	66%
Reserve Life (Years)	7.3	8.2	8.2
Reserve Replacement (All in)	16%	179%	220%
Reserve Replacement (Debt B/E)	-16%	179%	220%
PV of Reserves (\$/mcf)	1,789	696	1,292
Hedges			
	%	\$ mcf	
2014E	70%	5.47 -5.48	
2015E	49%	5.17 -5.23	

(1) Includes cash balance of XCO/HGL JV
(2) PF for (3) sale of 25% interest in JV for \$17MM cash consideration and elimination of partnership debt and (4) increase in borrowing base to \$800M
(3) Factors in LC's of \$7M.
(4) Pro forma for full year of earnings from Eagle Ford/Haysville acquisitions

Source: Deutsche Bank, Company data

Figure 63: EXCO Resources Financial Forecast

\$Mn	Q1 '14	Q2 '14	Q3 '14	Q4 '14E	Q1 '15E	Q2 '15E	Q3 '15E	Q4 '15E	2010	2011	2012	2013	2014E	2015E	2016E
Revenue	198	183	151	133	124	126	131	140	515	754	547	634	665	521	536
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	198	183	151	133	124	126	131	140	515	754	547	634	665	521	536
Operating Costs	69	66	63	61	66	66	69	70	272	304	296	275	259	273	278
Realized Hedging Gain / (Loss)	(20)	(15)	2	19	15	15	14	14	179	135	202	42	(13)	58	2
EBITDAX with Hedges	110	102	91	91	72	74	76	83	423	585	453	401	393	305	268
DDA	69	67	65	65	59	60	61	62	197	363	303	246	265	243	241
EBIT	46	35	25	26	13	13	15	21	236	223	150	195	127	63	27
Interest	20	20	24	24	25	26	26	26	46	61	78	103	94	103	103
EBT (excl others)	20	9	2	2	(12)	(12)	(11)	(9)	180	162	77	53	33	(41)	(76)
Other (Income)/Expense	22	6	(40)	1	1	1	1	1	(493)	(93)	116	99	(11)	2	2
One time charges	3	-	-	-	-	-	-	-	-	232	1,354	(69)	3	-	-
EBT (incl others)	(5)	2	42	2	(13)	(13)	(12)	(9)	674	23	(1,300)	22	41	(43)	(78)
Taxes	-	-	-	1	(5)	(5)	(5)	(2)	2	-	-	-	1	(17)	(31)
Net Income	(5)	2	42	1	(8)	(8)	(7)	(2)	672	23	(1,300)	22	40	(26)	(47)
LTM EBITDAX with Hedges	418	432	419	393	356	328	313	305	423	585	453	401	393	305	268
LTM EBITDAX without Hedges	412	442	437	407	335	277	250	248	243	450	251	359	407	248	205
Actual WTI Crude (\$/bbl)	52.50	52.50	97.25	73.20	52.50	52.50	55.00	57.50	79.58	95.16	94.18	98.02	68.86	54.38	65.00
Actual Henry Hub Natural Gas (\$/mcf)	3.75	3.75	3.95	3.83	3.75	3.75	3.75	3.75	4.35	4.02	2.83	3.77	3.82	3.75	3.75
Key Production Data															
Company Natural Gas production (mmcf)	32,722	31,006	29,359	28,250	27,643	27,963	28,285	28,300	107,878	179,266	183,033	153,321	121,337	112,191	112,408
Realized Natural Gas Price (\$/mcf)	NA	NA	3.55	3.64	3.63	3.63	3.63	3.81	NA						
Company Oil Production (Mbbbl)	593	579	537	535	544	578	616	646	688	741	704	1,188	2,244	2,385	2,193
Realized Oil Price (\$/bbl)	NA	NA	92.49	89.23	67.25	66.19	66.63	67.44	NA						
Company NGL Production (\$/Bbl)	59	65	62	45	60	61	62	63	-	-	388	243	231	245	256
Realized NGL Price (\$/Bbl)	NA	NA	27.44	25.62	26.25	26.25	27.30	28.75	NA						
Total Equivalent Produced (mcf)	36,634	34,870	32,953	31,790	31,264	31,793	32,353	32,565	112,096	182,712	189,585	161,907	136,167	127,976	127,103
Total Equivalent Realized (\$/mcf)	4.88	4.83	4.65	4.78	4.43	4.44	4.49	4.71	6.20	4.87	3.95	4.18	4.79	4.52	4.23
Revenue & Operating Margins per Mcf															
Realization	\$4.88	\$4.83	\$4.65	\$4.78	\$4.43	\$4.44	\$4.49	\$4.71	\$6.20	\$4.87	\$3.95	\$4.18	\$4.79	\$4.52	\$4.23
Lifting Costs	\$1.39	\$1.41	\$1.45	\$1.43	\$1.57	\$1.58	\$1.59	\$1.61	\$1.46	\$1.07	\$1.09	\$1.14	\$1.42	\$1.59	\$1.58
G&A	\$0.47	\$0.47	\$0.43	\$0.46	\$0.53	\$0.53	\$0.53	\$0.53	\$0.94	\$0.57	\$0.44	\$0.55	\$0.46	\$0.53	\$0.53
DD&A	\$1.91	\$1.95	\$1.99	\$2.06	\$1.91	\$1.91	\$1.91	\$1.91	\$1.79	\$2.01	\$1.62	\$1.53	\$1.98	\$1.91	\$1.91
Operating Income	\$1.10	\$1.00	\$0.78	\$0.82	\$0.46	\$0.46	\$0.46	\$0.46	\$2.01	\$1.22	\$0.79	\$0.96	\$0.98	\$0.49	\$0.21
Interest and Prof. Dividend	\$0.25	\$0.74	\$0.73	\$0.75	\$0.81	\$0.81	\$0.80	\$0.81	\$0.41	\$0.33	\$0.39	\$0.63	\$0.69	\$0.81	\$0.81
3-yr avg. F&D all (in aq)	\$4.22	\$4.22	\$4.22	\$4.22	\$4.22	\$4.22	\$4.22	\$4.22	\$1.57	\$2.92	\$2.42	\$4.22	\$4.22	\$4.22	\$4.22
3-yr avg. F&D all (excl aq)	\$6.27	\$6.27	\$6.27	\$6.27	\$6.27	\$6.27	\$6.27	\$6.27	\$1.59	\$1.92	\$1.69	\$6.27	\$6.27	\$6.27	\$6.27
Full cycle costs	\$6.63	\$6.65	\$6.82	\$6.86	\$7.12	\$7.13	\$7.14	\$7.17	\$4.37	\$4.90	\$4.35	\$6.54	\$6.79	\$7.14	\$7.14
Free Cash Flow:															
EBITDAX with Hedges	110	102	91	91	72	74	76	83	423	585	453	401	393	305	268
Current Taxes	-	-	-	-	-	-	-	-	(5)	(1)	-	-	-	-	-
Total Capex	(103)	(96)	(100)	(120)	(115)	(115)	(115)	(115)	(518)	(904)	(534)	(321)	(424)	(480)	(288)
Change in Net Working Capital	109	(10)	20	(76)	83	(71)	60	(57)	(79)	(104)	127	21	43	15	6
Cash Available for Debt Service	117	(4)	10	(111)	41	(113)	21	(89)	(181)	(504)	46	101	13	(140)	(15)
Interest (Excl. Capitalized Interest)	32	(3)	25	(1)	50	1	51	2	34	48	62	70	53	103	103
Free Cash Flow	85	(1)	(14)	(110)	(9)	(114)	(93)	(91)	(215)	(952)	(16)	31	(40)	(243)	(118)
Acquisition of Assets	(5)	-	(13)	-	-	-	-	-	(523)	(753)	(2)	(977)	(13)	-	-
Disposal of Assets and Restricted Cash Usage	89	2	(8)	119	-	-	-	-	942	455	124	799	194	-	-
Free Cash Flow Incl Asset Sales	164	1	(33)	9	(9)	(114)	(93)	(91)	264	(850)	105	(147)	141	(243)	(118)
Balance Sheet Data															
Cash	111	61	70	22	22	22	22	22	206	188	116	71	22	22	22
Debt															
Senior Notes & Other	1,124	1,329	1,327	1,244	1,244	1,244	1,244	1,244	739	740	742	1,198	1,244	1,244	1,244
Credit Facilities	376	182	223	178	199	295	336	439	849	1,148	1,108	735	178	439	604
Long Term Debt	1,500	1,512	1,549	1,422	1,443	1,538	1,580	1,682	1,588	1,888	1,849	1,891	1,422	1,682	1,848
YoY Growth Statistics															
Revenue Growth (Including Realized Hedging Gain)	15%	11%	-13%	-22%	-22%	-16%	-5%	1%	-32%	28%	-16%	-10%	-4%	-11%	-7%
Production Growth	-10%	-9%	-23%	-23%	-15%	-9%	-2%	3%	-13%	63%	4%	-15%	-16%	-6%	-1%
LTM Credit Statistics (incl. proportionate share of Partnership earnings and debt)															
EBITDAX/Cash Interest (incl. Capitalized Interest)	4.5x	4.7x	5.0x	5.3x	3.9x	3.5x	2.6x	2.5x	7.8x	7.5x	5.3x	4.5x	5.3x	2.5x	2.2x
St. Dev. debt/EBITDAX	1.8x	0.8x	0.7x	0.5x	0.6x	0.9x	1.1x	1.4x	2.0x	2.0x	2.4x	2.9x	0.5x	1.4x	2.3x
Debt/EBITDAX	3.6x	3.5x	3.7x	3.6x	4.1x	4.7x	5.0x	5.5x	3.8x	3.2x	4.1x	4.7x	3.6x	5.5x	6.9x
Net debt/EBITDAX	3.2x	3.4x	3.5x	3.6x	4.0x	4.6x	5.0x	5.4x	3.3x	2.9x	3.8x	4.5x	3.6x	5.4x	6.6x
Debt/Proved Reserves (\$/Mcf)	\$1.33	\$1.34	\$1.38	\$1.28	\$1.30	\$1.39	\$1.42	\$1.48	\$1.06	\$1.42	\$1.83	\$1.68	NA	NA	NA
Debt/Proved Developed Reserves (\$/Mcf)	\$2.03	\$2.05	\$2.10	\$1.96	\$1.99	\$2.12	\$2.18	NA	\$1.93	\$1.92	\$1.90	\$2.56	NA	NA	NA
LTM Credit Statistics (excl. proportionate share of Partnership earnings and debt)															
EBITDAX/Cash Interest (incl. Capitalized Interest)	4.6x	4.8x	5.1x	5.3x	3.9x	3.4x	2.6x	2.5x	7.8x	7.5x	5.3x	4.6x	5.3x	2.5x	2.2x
St. Dev. debt/EBITDAX	1.7x	0.8x	0.6x	0.5x	0.6x	0.9x	1.1x	1.4x	2.0x	2.0x	2.4x	2.7x	0.5x	1.4x	2.3x
Debt/EBITDAX	3.6x	3.5x	3.7x	3.6x	4.2x	4.8x	5.1x	5.5x	3.8x	3.2x	4.1x	4.7x	3.8x	5.5x	6.9x
Net debt/EBITDAX	3.2x	3.3x	3.5x	3.6x	4.2x	4.8x	5.1x	5.4x	3.3x	2.9x	3.8x	4.6x	3.8x	5.4x	6.6x

Source: Deutsche Bank, Company data



Figure 64: Commodity Price Scenario Analysis: EXCO Resources Forecast Metrics

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
(\$/boe)	WTI Oil (\$/bbl)	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$157	\$187	\$217	\$247	\$270	\$299
\$40.0	\$172	\$202	\$232	\$262	\$285	\$314	\$329	
\$50.0	\$186	\$216	\$246	\$276	\$299	\$328	\$344	
\$60.0	\$200	\$230	\$260	\$290	\$313	\$342	\$358	
\$70.0	\$214	\$244	\$274	\$305	\$327	\$356	\$372	
\$80.0	\$229	\$259	\$289	\$319	\$342	\$371	\$387	
\$90.0	\$243	\$273	\$303	\$333	\$356	\$385	\$401	

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
(\$/boe)	WTI Oil (\$/bbl)	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	-\$7	\$43	\$94	\$144	\$190	\$239
\$40.0	\$15	\$66	\$116	\$166	\$212	\$261	\$311	
\$50.0	\$38	\$88	\$138	\$188	\$235	\$283	\$333	
\$60.0	\$60	\$110	\$160	\$211	\$257	\$305	\$356	
\$70.0	\$82	\$132	\$183	\$233	\$279	\$328	\$378	
\$80.0	\$104	\$155	\$205	\$255	\$301	\$350	\$400	
\$90.0	\$127	\$177	\$227	\$277	\$324	\$372	\$422	

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
(\$/boe)	WTI Oil (\$/bbl)	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	11.3x	9.4x	8.0x	6.9x	6.2x	5.6x
\$40.0	10.3x	8.7x	7.4x	6.5x	5.9x	5.3x	5.0x	
\$50.0	9.5x	8.0x	7.0x	6.1x	5.6x	5.0x	4.7x	
\$60.0	8.7x	7.5x	6.5x	5.8x	5.3x	4.8x	4.5x	
\$70.0	8.1x	7.0x	6.1x	5.5x	5.0x	4.5x	4.3x	
\$80.0	7.5x	6.6x	5.8x	5.2x	4.8x	4.3x	4.1x	
\$90.0	7.0x	6.2x	5.5x	4.9x	4.5x	4.1x	3.9x	

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
(\$/boe)	WTI Oil (\$/bbl)	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	-325.2x	49.1x	22.0x	13.8x	10.1x	7.8x
\$40.0	140.5x	32.0x	17.5x	11.8x	8.9x	7.0x	5.7x	
\$50.0	56.7x	23.5x	14.4x	10.2x	7.9x	6.3x	5.2x	
\$60.0	35.1x	18.5x	12.2x	9.0x	7.1x	5.8x	4.8x	
\$70.0	25.2x	15.1x	10.6x	8.0x	6.4x	5.3x	4.4x	
\$80.0	19.5x	12.7x	9.3x	7.1x	5.8x	4.8x	4.1x	
\$90.0	15.8x	10.9x	8.2x	6.5x	5.3x	4.5x	3.8x	

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
(\$/boe)	WTI Oil (\$/bbl)	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	(\$366)	(\$341)	(\$316)	(\$291)	(\$272)	(\$247)
\$40.0	(\$354)	(\$329)	(\$304)	(\$279)	(\$260)	(\$235)	(\$222)	
\$50.0	(\$342)	(\$317)	(\$292)	(\$267)	(\$248)	(\$224)	(\$210)	
\$60.0	(\$331)	(\$306)	(\$280)	(\$255)	(\$236)	(\$212)	(\$198)	
\$70.0	(\$319)	(\$294)	(\$269)	(\$243)	(\$224)	(\$200)	(\$187)	
\$80.0	(\$307)	(\$282)	(\$257)	(\$232)	(\$212)	(\$188)	(\$175)	
\$90.0	(\$295)	(\$270)	(\$245)	(\$220)	(\$201)	(\$176)	(\$163)	

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
(\$/boe)	WTI Oil (\$/bbl)	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	(\$374)	(\$327)	(\$280)	(\$233)	(\$191)	(\$146)
\$40.0	(\$352)	(\$306)	(\$259)	(\$212)	(\$169)	(\$124)	(\$80)	
\$50.0	(\$331)	(\$284)	(\$237)	(\$190)	(\$148)	(\$103)	(\$58)	
\$60.0	(\$309)	(\$263)	(\$216)	(\$169)	(\$127)	(\$81)	(\$37)	
\$70.0	(\$288)	(\$241)	(\$194)	(\$148)	(\$105)	(\$60)	(\$15)	
\$80.0	(\$267)	(\$220)	(\$173)	(\$126)	(\$84)	(\$38)	\$6	
\$90.0	(\$245)	(\$198)	(\$152)	(\$105)	(\$62)	(\$17)	\$27	

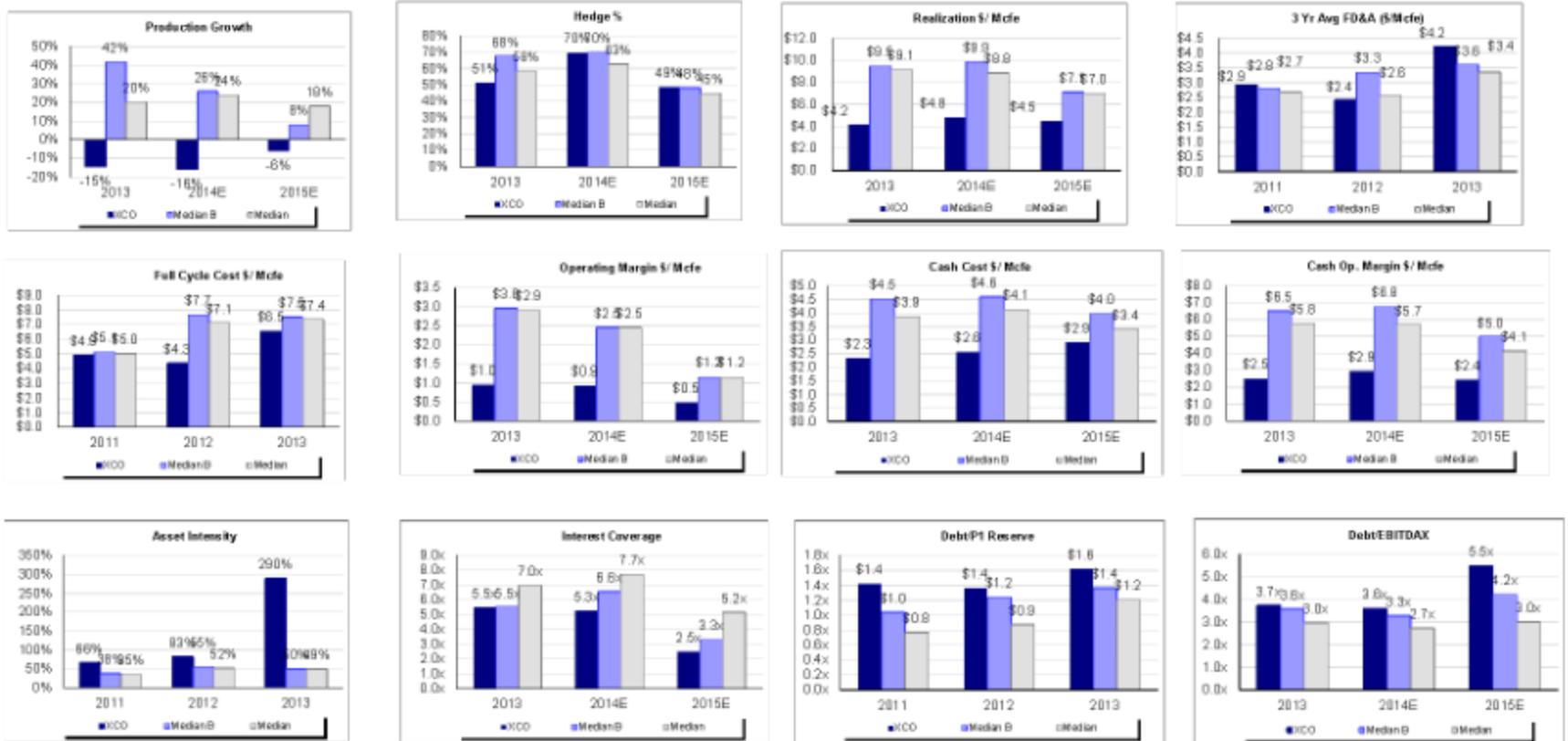
		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
(\$/boe)	WTI Oil (\$/bbl)	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$1.6	\$1.6	\$1.6	\$1.6	\$1.5	\$1.5
\$40.0	\$1.6	\$1.6	\$1.6	\$1.6	\$1.5	\$1.5	\$1.5	
\$50.0	\$1.6	\$1.6	\$1.6	\$1.5	\$1.5	\$1.5	\$1.5	
\$60.0	\$1.6	\$1.6	\$1.6	\$1.5	\$1.5	\$1.5	\$1.5	
\$70.0	\$1.6	\$1.6	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	
\$80.0	\$1.6	\$1.6	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	
\$90.0	\$1.6	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
(\$/boe)	WTI Oil (\$/bbl)	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$2.0	\$1.9	\$1.9	\$1.8	\$1.8	\$1.7
\$40.0	\$2.0	\$1.9	\$1.9	\$1.8	\$1.7	\$1.7	\$1.6	
\$50.0	\$2.0	\$1.9	\$1.8	\$1.8	\$1.7	\$1.6	\$1.6	
\$60.0	\$1.9	\$1.9	\$1.8	\$1.7	\$1.7	\$1.6	\$1.6	
\$70.0	\$1.9	\$1.8	\$1.8	\$1.7	\$1.6	\$1.6	\$1.5	
\$80.0	\$1.9	\$1.8	\$1.7	\$1.7	\$1.6	\$1.6	\$1.5	
\$90.0	\$1.8	\$1.8	\$1.7	\$1.6	\$1.6	\$1.5	\$1.5	

Source: Deutsche Bank



Figure 65: EXCO Resources Benchmarks



Source: Deutsche Bank, company data, Bloomberg Finance LP
 Industry level Median, Median BB, and Median B Metrics include both covered and non-covered companies
 For the following companies covered by DB High Yield, the forecasts figures reflect our published estimates: CHK, XEC, DNR, FST, XCO, HILCRP, HK, NFX, GEP, RRC, SANVT and SD
 For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





Forest Oil

Relative value

When the merger between Forest (FST) and Sabine Oil & Gas was announced in May 2014, it appeared as if it would trigger the CoC provisions in both the FST bonds. But, with the collapse in oil prices during Q4 14, it became increasingly clear that the new merged entity would not be able to refinance the bonds. Nevertheless, the two companies went ahead and completed the merger plan in December by circumventing the CoC clause (i.e. non-FST shareholders owning >50% of voting stock of the merged entity). Under the revised transaction terms, while Sabine shareholders continued to hold 73.5% economic interest in the merged entity (which will be named as Sabine Oil & Gas), the voting stock issued to them was limited to 40% with the balance issued in the form of non-voting convertible preferred stock (with no conversion permissible if it would result in Sabine shareholders owning more than 49.99% of the merged entity). FST shareholders therefore continue to hold the remaining 60% of voting stock. With CoC option completely removed, FST bonds now trade as a function of the (highly distressed) fundamentals of the new entity. One consolation is that the overall new entity has better scale and superior asset quality compared to standalone FST. However, in the current commodity environment, even the combined asset base still implies an unsustainable business model, especially given the high leverage levels of 4.9x. The three key assets of the new entity are – East Texas (Cotton Valley/Haynesville), Eagle Ford and Granite Wash. Of these, the first two provide only modest returns of 17-27% even at \$90 oil/\$4 gas and therefore would be largely uneconomic at our current price deck of ~\$55 oil/\$3.75 gas in 2015. Only the Granite Wash provides solid economics of >100% at \$90 oil but with just 33.5K net acres, the inventory is limited. Given the above, we expect that the company would limit itself to a sub-maintenance level capex program in the \$400 million range over the next two years driving pro forma production decline in the 10% range during the corresponding period. We see EBITDA of ~\$350 million in FY 15E further declining to \$250 million in FY 16E. Cumulative cash burn through FY 16 should be in the \$450 million range, largely exhausting current liquidity levels of \$480 million. More worryingly, it points to a business which cannot sustain even sub-maintenance level capex. By end of FYE 16, we are also looking at net leverage moving to precarious levels in the 11x range. One near term positive in an otherwise gloomy picture is the company's strong hedge levels for FY 15E (84%).

In summary, we are looking at a business, which cannot sustain beyond FY 16 under the current commodity environment and likely cannot sustain under a long term price deck of \$70/\$4.25. With current bond prices in the 30s, we do believe the high risk of bankruptcy is somewhat factored into the trading levels. And, the company does have runway through the next year due to its strong 2015 hedges. However, with significant leverage and limited liquidity options, the risk around any RBL over-advance situation if the banks take down FST's borrowing base is real here – and would be a significant further negative for trading levels. We are therefore moving to a **SELL** from a **HOLD** on FST bonds. Our previous rating reflected expectations for a CoC that never came to pass, while our new rating reflects the current commodity market realities and a higher than average risk of default given higher leverage and less liquidity versus peers. Further, the company's assets do not look to cover debt even at current trading levels in the 30s. Yields in 35-40% could at first seem like a cheap option to investors, but we still see downside from current levels. Upside risks include improving commodity prices.



Figure 66: Forest Oil Financial Summary

Issue	Rating	Amount	Maturity	NC Date	NC Price				
8.75% Sr Notes - Sabine	Caa2(Watch Pos)/CCC-	\$349	15-Feb-17	15-Feb-15	\$104.68				
7.25% Sr Notes	Caa1(Stable)/CCC (Watch Pos)	\$578	15-Jun-19	15-Jun-14	\$101.21				
7.50% Sr Notes	Caa1(Stable)/CCC (Watch Pos)	\$222	15-Sep-20	15-Sep-16	\$103.75				
S/Ms	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013
Revenue	118	88	65	60	62	278	702	606	442
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-
Net Revenue	118	88	65	60	62	278	702	606	442
Operating Costs	28	29	28	28	24	109	244	220	147
Realized Hedging Gain / (Loss)	(1)	(5)	4	4	(1)	3	(46)	(109)	(17)
EBITDA with Hedges	89	54	41	36	40	165	504	496	312
DDA	44	35	21	20	21	99	298	277	172
EBIT	39	29	11	8	19	67	308	219	140
Interest	33	25	16	16	16	72	151	142	100
EBT (incl others)	6	4	(5)	(8)	3	(6)	157	76	20
Others	8	(102)	18	75	110	100	(27)	154	(53)
One time charges	-	-	-	-	-	-	-	1,937	-
EBT (incl others)	2	106	(2)	(6)	(17)	(14)	131	(15)	73
Taxes	(1)	(5)	(1)	(2)	(1)	(3)	67	173	(1)
Net Income	2	106	(2)	(8)	(18)	(17)	115	(15)	74
LTM EBITDA with Hedges	375	312	255	206	185	165	504	496	312
LTM EBITDA without Hedges	338	294	205	211	187	167	548	396	284
Actual WTI Crude (\$/bbl)	\$95.81	\$87.41	\$88.41	\$102.58	\$97.25	\$92.12	\$94.99	\$94.19	\$96.02
Actual Henry Hub Natural Gas (\$/mcf)	\$3.60	\$3.85	\$4.72	\$4.58	\$3.55	\$4.28	\$4.63	\$2.62	\$3.75
Key Production Data									
Company Natural Gas production (mmcf)	11,584	5,386	6,425	6,215	6,670	28,688	101,322	81,944	48,884
Realized Natural Gas Price (\$/mcf)	\$3.55	\$3.59	\$3.84	\$3.57	\$4.14	\$3.96	\$4.52	\$3.51	\$3.56
Company Oil Production (Mbbbl)	626	468	524	291	1,434	3,311	2,403	3,159	2,273
Realized Oil Price (\$/bbl)	\$93.03	\$92.15	\$89.88	\$87.52	\$95.51	\$89.49	\$89.89	\$88.00	\$94.45
Company NGL Production (Mbbbl)	663	478	166	182	221	1,061	3,195	3,486	2,526
Realized NGL Price (\$/bbl)	\$29.22	\$32.15	\$33.45	\$29.57	\$28.55	\$31.25	\$34.16	\$32.54	\$29.80
Total Equivalent Produced (mcf)	18,237	15,162	9,468	9,955	9,982	43,687	138,512	125,796	75,437
Total Equivalent Realized (\$/mcf)	6.22	6.13	6.33	6.16	6.37	6.23	6.08	5.84	6.04
Total Equivalent Produced (boe)	3,286	2,527	1,577	1,509	1,644	7,278	23,985	20,153	12,576
Total Equivalent Realized (\$/boe)	37.33	36.79	37.07	36.90	38.21	37.43	35.58	35.04	36.25
Revenue & Operating Margins per Mole									
Realization	\$6.22	\$6.13	\$6.33	\$6.16	\$6.37	\$6.23	\$6.08	\$5.84	\$6.04
Lifting Costs	\$1.39	\$1.50	\$2.14	\$2.14	\$1.66	\$1.94	\$1.33	\$1.38	\$1.27
DDA	\$0.51	\$0.43	\$0.81	\$0.91	\$0.68	\$0.65	\$0.48	\$0.49	\$0.58
DD&A	\$2.29	\$2.32	\$2.26	\$2.24	\$2.10	\$2.24	\$1.87	\$2.32	\$2.27
Operating Income	\$2.04	\$1.87	\$1.15	\$0.86	\$1.68	\$1.50	\$2.38	\$1.73	\$1.82
Interest	\$1.25	\$1.64	\$1.89	\$1.74	\$1.58	\$1.66	\$1.19	\$1.17	\$1.28
3 Yr Avg. F&D	\$3.26	\$4.10	\$4.10	\$4.10	\$4.10	\$4.10	\$2.83	\$3.28	\$4.10
5 Yr Avg. F&D	\$2.80	\$3.54	\$3.54	\$3.54	\$3.54	\$3.54	\$2.71	\$3.66	\$3.54
Full cycle costs	\$6.71	\$7.67	\$8.75	\$8.60	\$6.08	\$8.25	\$4.87	\$6.25	\$7.64
Free Cash Flow:									
EBITDA with Hedges	83	64	33	28	40	165	504	495	312
Current Taxes	2	0	6	15	(5)	21	(59)	28	1
Capex - Exploration & Development									
Capex - Acq. of Properties / Leasehold	(8)	(7)	(4)	(4)	(7)	(24)	(1,073)	(722)	(344)
Capex - Other Property & Equipment	(9)	(9)	(4)	(1)	(3)	(5)	(11)	(8)	(2)
Total Capex	(18)	(17)	(8)	(5)	(10)	(29)	(1,084)	(730)	(346)
Change in Net Working Capital	19	(14)	(2)	2	9	(6)	28	(5)	9
Cash Available for Debt Service	18	(23)	(14)	(4)	(25)	(67)	(602)	(212)	(45)
Interest (Excl. Capitalized Interest)	(13)	(43)	(6)	(22)	(8)	(79)	(738)	(170)	(130)
Free Cash Flow	(2)	(64)	(22)	(26)	(34)	(145)	(832)	(342)	(179)
Disposal of Assets	21	977	2	32	3	1,084	122	263	1,347
Free Cash Flow Incl. Asset Sales	19	913	(20)	(4)	(31)	639	(511)	(79)	1,172
Balance Sheet Data									
Cash	2	66	48	15	1	1	3	1	66
Debt									
- Senior Notes	1,589	800	800	800	800	800	1,588	1,797	800
- Credit Facilities	115	(14)	-	-	-	-	13	65	-
Long Term Debt	1,615	800	800	800	800	800	1,609	1,862	800
YoY Growth Statistics									
Revenue Growth (including Realized Hedging Gain)	-38%	-48%	-54%	-51%	-47%	-58%	-12%	-15%	-38%
Production Growth	-38%	-47%	-57%	-53%	-48%	-51%	-16%	-15%	-38%
LTM Credit Statistics									
EBITDA/Cash Interest (incl. Capitalized Interest)	2.7x	2.4x	2.4x	2.3x	2.1x	2.1x	4.9x	3.5x	2.4x
Sr. Sec. debt/EBITDA	0.6x	-	-	-	0.1x	0.1x	0.2x	0.2x	-
Debt/EBITDA	4.3x	2.6x	3.1x	3.8x	4.3x	4.5x	2.8x	3.8x	2.6x
Debt/Proved Reserves (\$/Mcf)	\$1.19	\$1.38	\$1.28	\$1.28	\$1.26	\$1.30	\$0.89	\$1.37	\$1.28
Debt/Proved Developed Reserves (\$/Mcf)	\$1.72	\$1.93	\$1.93	\$1.93	\$1.96	\$1.96	\$1.63	\$1.59	\$1.25
Liquidity Capitalization	Q3 '14	PF(1)	Company Description: Forest Oil was incorporated in 1924 & is headquartered in Denver, Colorado. The company is an independent oil and gas entity engaged in acquisition, exploration, development of natural gas and liquids, primarily in North America. FGT's main producing properties are located in Eagle Ford and Ark-La-Tex.			Reserve Description	2011	2012	2013
Cash & Marketable Securities	5	169				P Reserves - Nat Gas (mmcf)	1,448,254	912,820	454,591
US Credit Facility June 2016 ⁽²⁾	285	425				P Reserves - Liquids (mmbbl)	76,022	74,957	28,285
Less Short-Term Debt	-	-				P Nat. Gas Equivalent (mmcf)	1,994,386	1,262,575	624,911
Liquidity	286	599				% Gas	70%	67%	72%
Capitalization	Q3 '14	PF(1)				% Proved Developed	85%	89%	86%
US Credit Facility due June 2016 #PST	13	-				Reserve Life (Years)	14	11	9
New RBL Facility	-	574				Reserve Replacement (All in)	166%	152%	129%
Sabine Term Loan due Apr 2018	-	647				Reserve Replacement (D&W \$B)	166%	152%	129%
Total Secured Debt	13	1,221				PV of Reserves (\$mm)	2,949	1,477	743
8.75% Senior Notes due 2017 - Sabine	-	249							
7.25% Senior Notes due 2019 - Sabine	-	578							
7.5% Senior Notes due 2023	222	222							
Total Debt	613	2,369							
Minority Interests	-	-							
Market Cap	26	99							
Enterprise Value	639	2,369							
EV/FF EBITDA ⁽³⁾	5.8x	5.1x							
Total Debt / FF EBITDA ⁽³⁾	5.7x	5.2x							
Net Debt / FF EBITDA ⁽³⁾	5.6x	4.9x							
<p>(1) Pro forma for (i) merger with Sabine Oil & Gas and (ii) sale of FGT's Ancon assets for \$175M (2) As of Dec 15, 2014, company reported that liquidity was ~\$495M (3) EBITDA FF for Texas Permian basin</p>									
			Debt Maturity			Hedges			
			PF 14			2014E			
			PF 15			2015E			
			PF15+			%			\$ mto
						95%			7.82 - 7.83
						84%			6.15 - 6.26
						Regions			
						Eagle Ford Shale			
						Ark-La-Tex			

Source: Deutsche Bank, Company data

Figure 67: Forest Oil Financial Forecast

\$/Mn	Q1 '14	Q2 '14	Q3 '14	Q4 '14E	Q1 '15E	Q2 '15E	Q3 '15E	Q4 '15E	2015	2011	2012	2013	2014E	2015E	2016E
Revenue	65	60	62	54	109	106	108	105	895	792	606	442	242	426	419
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	65	60	62	54	109	106	108	105	895	792	606	442	242	426	419
Operating Costs	28	28	24	29	46	47	46	45	269	244	220	147	109	166	170
Realized Hedging Gain / (Loss)	4	4	(1)	(15)	(20)	(29)	(28)	(26)	(100)	(46)	(109)	(17)	(7)	(13)	(0)
EBITDAX with Hedges	33	28	40	41	91	88	88	87	695	594	495	312	141	354	250
EBITDAX from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDAX with Hedges (incl. disc. Oprs)	33	28	40	41	91	88	88	87	695	594	495	312	141	354	250
DDA	21	20	21	21	56	56	55	53	252	269	277	172	83	221	199
EBIT	11	8	19	20	33	32	33	34	434	335	216	140	58	132	50
Interest	16	16	16	38	39	38	39	39	150	151	142	120	86	155	159
EBT (incl others)	(5)	(8)	3	(18)	(5)	(8)	(6)	(5)	285	184	76	20	(28)	(23)	(108)
Others	18	75	110	-	-	-	-	-	(63)	(27)	154	(50)	203	-	-
One time charges	-	-	-	-	-	-	-	-	-	-	1,037	-	-	-	-
EBT (incl others)	(22)	(83)	(107)	(18)	(5)	(8)	(6)	(5)	348	211	(1,115)	73	(200)	(25)	(108)
Taxes	(1)	(0)	(1)	-	-	-	-	-	121	87	173	(1)	(2)	-	-
Net Income	(21)	(83)	(108)	(18)	(5)	(8)	(6)	(5)	228	115	(1,288)	74	(208)	(25)	(108)
LTM EBITDAX with Hedges	255	208	165	141	260	259	307	354	695	594	495	312	141	354	250
LTM EBITDAX without Hedges	255	211	197	134	157	184	209	240	599	548	388	294	134	240	250
Actual WTI Crude (\$/bbl)	\$96.81	\$102.99	\$97.25	\$73.20	\$52.50	\$52.50	\$55.00	\$57.50	\$79.58	\$94.99	\$94.19	\$98.02	\$93.01	\$54.38	\$65.90
Actual Henry Hub Natural Gas (\$/mcf)	\$4.72	\$4.58	\$3.95	\$3.83	\$3.75	\$3.75	\$3.75	\$3.75	\$4.25	\$4.03	\$2.82	\$3.73	\$4.27	\$3.75	\$3.75
Key Production Data															
Company Natural Gas production (mmcf)	6,435	6,215	6,670	6,357	16,288	15,839	15,495	15,017	123,792	101,922	81,044	46,664	25,678	62,588	58,313
Realized Natural Gas Price (\$/mcf)	\$3.84	\$3.97	\$4.14	\$4.19	\$4.07	\$4.00	\$4.01	\$4.03	\$4.78	\$4.52	\$3.51	\$3.56	\$4.04	\$4.03	\$3.50
Company Oil Production (Mbls/d)	324	291	331	395	812	790	772	750	3,195	2,903	3,159	2,273	1,341	3,124	2,812
Realized Oil Price (\$/bbl)	\$89.88	\$87.92	\$89.51	\$97.17	\$76.45	\$77.25	\$78.53	\$79.82	\$72.63	\$89.85	\$98.00	\$94.40	\$91.51	\$77.98	\$61.10
Company NGL Production (Mbls/d)	180	182	221	194	647	630	615	597	3,723	3,195	3,486	2,526	707	2,489	2,240
Realized NGL Price (\$/bbl)	\$33.45	\$29.97	\$28.55	\$21.71	\$16.92	\$16.92	\$17.72	\$18.53	\$35.17	\$34.16	\$32.54	\$29.80	\$28.40	\$17.50	\$20.95
Total Equivalent Produced (mcf/d)	9,450	9,055	9,982	9,800	25,025	24,351	23,774	23,100	165,230	138,513	120,796	75,457	36,325	96,251	85,625
Total Equivalent Realized (\$/mcf)	6.33	6.16	6.37	7.02	5.57	5.55	5.62	5.69	5.77	6.00	5.84	6.04	6.48	5.60	4.84
Total Equivalent Produced (boe)	1,577	1,509	1,654	1,638	4,171	4,059	3,962	3,850	27,538	23,085	20,133	12,576	6,388	16,042	14,438
Total Equivalent Realized (\$/boe)	37.87	36.93	38.21	42.12	33.39	33.28	33.70	34.13	34.63	35.99	35.04	36.25	38.85	33.62	29.95
Revenue & Operating Margins per Mcf															
Realization	\$6.33	\$6.16	\$6.37	\$7.02	\$5.57	\$5.55	\$5.62	\$5.69	\$5.77	\$6.00	\$5.84	\$6.04	\$6.48	\$5.60	\$4.84
Lifting Costs	\$2.14	\$2.14	\$1.80	\$2.00	\$1.41	\$1.41	\$1.41	\$1.41	\$1.14	\$1.30	\$1.30	\$1.37	\$2.02	\$1.41	\$1.44
G&A	\$0.81	\$0.91	\$0.60	\$0.90	\$0.52	\$0.52	\$0.52	\$0.52	\$0.44	\$0.46	\$0.49	\$0.58	\$0.80	\$0.52	\$0.52
DDA	\$2.28	\$2.24	\$2.10	\$2.10	\$2.30	\$2.30	\$2.30	\$2.30	\$1.57	\$1.87	\$2.32	\$2.27	\$2.17	\$2.30	\$2.30
Operating Income	\$1.11	\$0.96	\$1.80	\$2.02	\$1.34	\$1.32	\$1.39	\$1.46	\$2.62	\$2.36	\$1.73	\$1.82	\$1.49	\$1.37	\$0.58
Interest	\$1.69	\$1.74	\$1.59	\$3.88	\$1.55	\$1.58	\$1.63	\$1.69	\$0.90	\$1.03	\$1.17	\$1.59	\$2.24	\$1.81	\$1.83
3 Yr Avg. FDDA	\$4.19	\$4.10	\$4.10	\$4.10	\$4.10	\$4.10	\$4.10	\$4.10	\$2.11	\$2.03	\$3.28	\$4.10	\$4.10	\$4.10	\$4.10
3 Yr Avg. FAD	\$3.54	\$3.54	\$3.54	\$3.54	\$3.54	\$3.54	\$3.54	\$3.54	\$1.80	\$1.71	\$2.82	\$3.54	\$3.54	\$3.54	\$3.54
Full cycle costs	\$6.75	\$6.90	\$6.80	\$10.88	\$7.59	\$7.81	\$7.66	\$7.72	\$4.99	\$4.87	\$6.25	\$7.84	\$9.19	\$7.64	\$7.89
Free Cash Flow:															
EBITDAX with Hedges	33	28	40	41	91	88	88	87	695	594	495	312	141	354	250
EBITDAX from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Taxes	6	15	(0)	-	-	-	-	-	(54)	(32)	28	1	21	-	-
Total Capex	(56)	(50)	(74)	(76)	(100)	(100)	(100)	(100)	(908)	(1,084)	(731)	(368)	(259)	(400)	(388)
Change in Net Working Capital	(3)	2	9	(18)	26	3	5	(18)	(58)	28	(5)	8	(10)	26	(9)
Cash Available for Debt Service	(14)	(14)	(25)	(53)	27	(9)	(7)	(31)	(233)	(493)	(212)	(45)	(97)	(20)	(109)
Interest (Excl. Capitalized Interest)	(8)	(22)	(8)	(36)	(41)	(38)	(41)	(37)	(153)	(139)	(130)	(130)	(74)	(156)	(159)
Free Cash Flow	(22)	(26)	(34)	(89)	(14)	(45)	(48)	(67)	(385)	(632)	(242)	(175)	(171)	(175)	(268)
Disposal of Assets	2	22	3	175	-	-	-	-	167	122	253	1,387	202	-	-
Free Cash Flow Incl Asset Sales	(20)	(4)	(31)	86	(14)	(45)	(48)	(67)	(220)	(510)	(79)	1,172	31	(175)	(268)
Balance Sheet Data															
Cash	48	15	1	94	-	-	-	-	218	3	1	65	94	-	-
Debt															
- Senior Notes & Other	800	800	800	1,845	1,845	1,845	1,845	1,845	1,899	1,588	1,797	800	1,845	1,845	1,845
- Credit Facilities	-	-	13	614	532	575	620	685	-	105	65	-	614	685	945
Long Term Debt	800	800	813	2,459	2,377	2,420	2,465	2,530	1,899	1,693	1,862	800	2,459	2,530	2,790
YoY Growth Statistics															
Revenue Growth (Including Realized Hedging Gain)	-54%	-51%	-47%	-26%	129%	141%	110%	90%	-11%	-12%	-15%	-36%	-46%	198%	-22%
Production Growth	-57%	-53%	-48%	-35%	165%	162%	138%	135%	-10%	-10%	-13%	-38%	-49%	151%	-10%
LTM Credit Statistics															
EBITDAX/Cash Interest (Incl. Capitalized Interest)	2.4x	2.3x	2.1x	1.9x	1.9x	2.1x	2.0x	2.3x	4.2x	4.0x	3.5x	2.4x	1.9x	2.3x	1.6x
Sr. Sec debt/EBITDAX	-	-	0.1x	2.8x	6.2x	4.9x	4.3x	3.9x	-	2.8x	0.2x	-	2.8x	7.5x	11.4x
Debt/EBITDAX	3.1x	3.8x	4.9x	17.4x	11.9x	9.3x	8.8x	7.2x	2.7x	2.8x	3.8x	2.6x	17.4x	7.2x	11.2x
Net debt/EBITDAX	3.0x	3.8x	4.9x	16.7x	11.9x	9.3x	8.8x	7.2x	2.4x	2.8x	3.8x	2.4x	16.7x	7.2x	11.2x
Debt/Proved Reserves (\$/Mcf)	\$1.28	\$1.28	\$1.30	\$3.94	\$3.80	\$3.87	\$3.94	NA	\$0.83	\$0.89	\$1.37	\$1.28	NA	NA	NA
Debt/Proved Developed Reserves (\$/Mcf)	\$1.93	\$1.93	\$1.96	\$5.95	\$5.74	\$5.84	\$5.95	NA	\$1.39	\$1.63	\$1.99	\$1.93	NA	NA	NA

Source: Deutsche Bank, Company data



Figure 68: Commodity Price Scenario Analysis: Forest oil Forecast Metrics

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$301	\$307	\$312	\$318	\$323	\$318	\$314
	\$40.0	\$314	\$319	\$325	\$331	\$335	\$331	\$327
	\$50.0	\$326	\$332	\$338	\$344	\$348	\$343	\$339
	\$60.0	\$339	\$345	\$350	\$356	\$361	\$356	\$352
	\$70.0	\$352	\$357	\$363	\$369	\$374	\$369	\$365
	\$80.0	\$362	\$368	\$374	\$379	\$384	\$379	\$375
	\$90.0	\$371	\$377	\$383	\$389	\$393	\$389	\$385

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$41	\$65	\$90	\$115	\$140	\$165	\$190
	\$40.0	\$72	\$97	\$122	\$147	\$171	\$196	\$221
	\$50.0	\$103	\$128	\$153	\$178	\$203	\$228	\$252
	\$60.0	\$135	\$159	\$184	\$209	\$234	\$259	\$284
	\$70.0	\$166	\$191	\$216	\$240	\$265	\$290	\$315
	\$80.0	\$197	\$222	\$247	\$272	\$297	\$321	\$346
	\$90.0	\$228	\$253	\$278	\$303	\$328	\$353	\$378

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	8.4x	8.3x	8.1x	8.0x	7.9x	8.0x	8.2x
	\$40.0	8.1x	7.9x	7.8x	7.7x	7.6x	7.7x	7.8x
	\$50.0	7.7x	7.6x	7.5x	7.4x	7.3x	7.4x	7.5x
	\$60.0	7.4x	7.3x	7.2x	7.1x	7.0x	7.1x	7.2x
	\$70.0	7.2x	7.0x	6.9x	6.8x	6.7x	6.9x	7.0x
	\$80.0	6.9x	6.8x	6.7x	6.6x	6.6x	6.7x	6.8x
	\$90.0	6.8x	6.7x	6.6x	6.5x	6.4x	6.5x	6.6x

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	74.0x	45.5x	32.7x	25.4x	20.7x	17.5x	15.1x
	\$40.0	41.3x	30.4x	24.0x	19.7x	16.7x	14.5x	12.8x
	\$50.0	28.4x	22.7x	18.8x	16.1x	14.0x	12.4x	11.1x
	\$60.0	21.5x	18.0x	15.4x	13.5x	11.9x	10.7x	9.7x
	\$70.0	17.2x	14.9x	13.0x	11.6x	10.4x	9.5x	8.7x
	\$80.0	14.3x	12.6x	11.2x	10.1x	9.2x	8.4x	7.8x
	\$90.0	12.2x	10.9x	9.8x	9.0x	8.2x	7.6x	7.0x

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	(\$182)	(\$182)	(\$182)	(\$183)	(\$184)	(\$185)	(\$205)
	\$40.0	(\$176)	(\$177)	(\$177)	(\$177)	(\$179)	(\$190)	(\$200)
	\$50.0	(\$171)	(\$172)	(\$172)	(\$172)	(\$174)	(\$185)	(\$195)
	\$60.0	(\$166)	(\$167)	(\$167)	(\$167)	(\$169)	(\$180)	(\$190)
	\$70.0	(\$161)	(\$162)	(\$162)	(\$162)	(\$164)	(\$175)	(\$185)
	\$80.0	(\$158)	(\$159)	(\$159)	(\$159)	(\$161)	(\$172)	(\$182)
	\$90.0	(\$157)	(\$157)	(\$158)	(\$158)	(\$159)	(\$170)	(\$180)

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	(\$477)	(\$451)	(\$426)	(\$401)	(\$375)	(\$350)	(\$324)
	\$40.0	(\$445)	(\$419)	(\$394)	(\$368)	(\$343)	(\$317)	(\$292)
	\$50.0	(\$413)	(\$387)	(\$362)	(\$336)	(\$311)	(\$285)	(\$260)
	\$60.0	(\$381)	(\$355)	(\$330)	(\$304)	(\$279)	(\$253)	(\$228)
	\$70.0	(\$349)	(\$323)	(\$298)	(\$272)	(\$247)	(\$221)	(\$196)
	\$80.0	(\$317)	(\$291)	(\$266)	(\$240)	(\$215)	(\$189)	(\$164)
	\$90.0	(\$285)	(\$259)	(\$234)	(\$208)	(\$183)	(\$157)	(\$132)

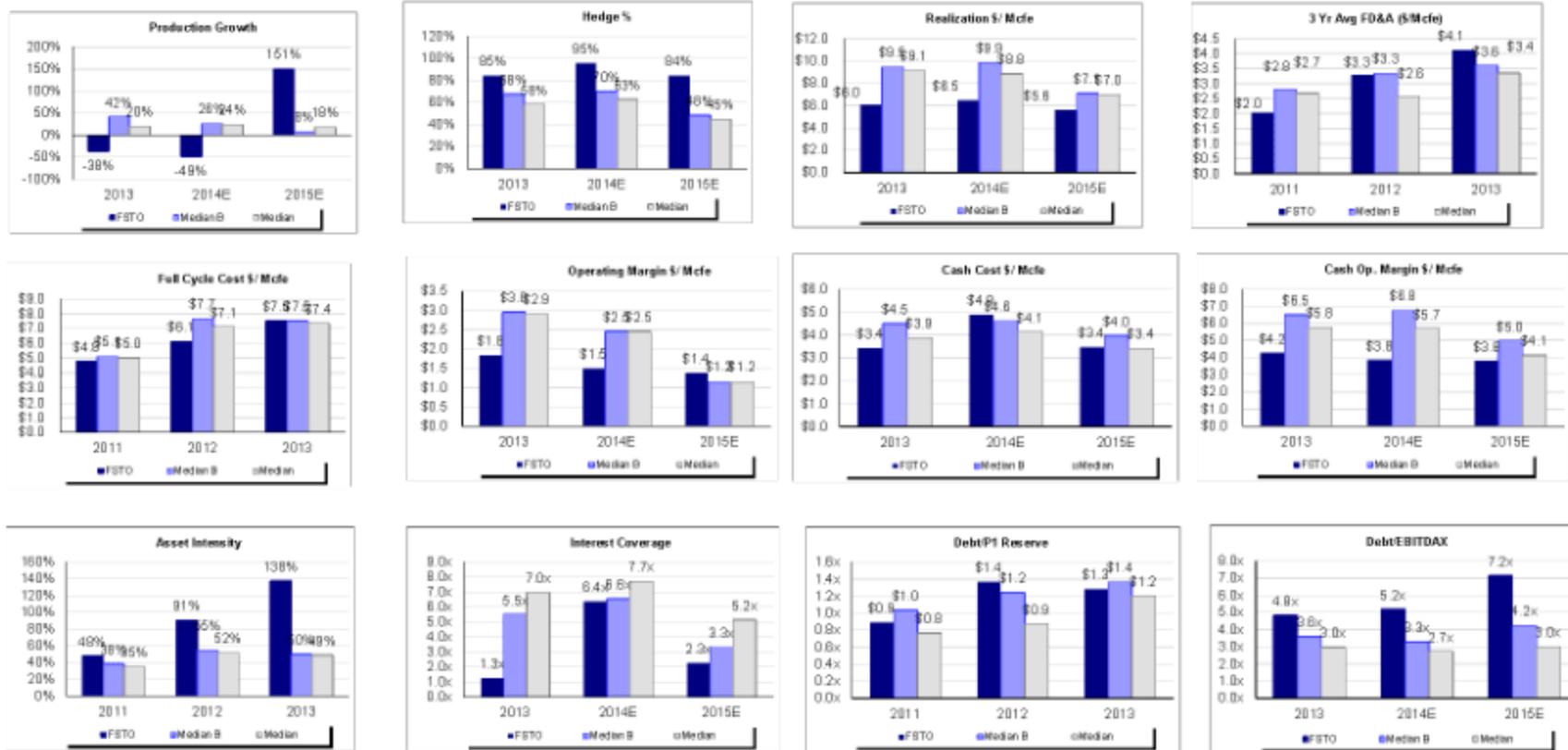
		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1
	\$40.0	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1
	\$50.0	\$4.0	\$4.0	\$4.0	\$4.1	\$4.1	\$4.1	\$4.1
	\$60.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.1	\$4.1
	\$70.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.1	\$4.1
	\$80.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.1
	\$90.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.1

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$4.8	\$4.8	\$4.7	\$4.7	\$4.7	\$4.6	\$4.6
	\$40.0	\$4.8	\$4.7	\$4.7	\$4.6	\$4.6	\$4.6	\$4.5
	\$50.0	\$4.7	\$4.7	\$4.6	\$4.6	\$4.5	\$4.5	\$4.5
	\$60.0	\$4.6	\$4.6	\$4.6	\$4.5	\$4.5	\$4.5	\$4.4
	\$70.0	\$4.6	\$4.5	\$4.5	\$4.5	\$4.4	\$4.4	\$4.4
	\$80.0	\$4.5	\$4.5	\$4.4	\$4.4	\$4.4	\$4.3	\$4.3
	\$90.0	\$4.5	\$4.4	\$4.4	\$4.3	\$4.3	\$4.3	\$4.3

Source: Deutsche Bank



Figure 69: Forest Oil Benchmarks



Source: Deutsche Bank, company data, Bloomberg Finance LP

Industry level Median, Median B, and Median B Metrics include both covered and non-covered companies

For the following companies covered by DB High Yield, the forecasts figures reflect our published estimates: CHK, XEC, DNR, FST, XCO, HILCRP, HK, NFX, DEP, RRC, SANVT and SD

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, L TSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





Halcon Resources

Relative value

In the face of the dramatic downward shift in commodity prices over the last few months, the question hanging over the lower-rated credits is the sustainability of the business model itself. For Halcon (HK), given its high leverage levels, this issue is even more relevant. In this context, the revised outlook provided by the management earlier this week is a major positive. The company said it would contain drilling & completion capex to \$375-\$425 million, sharply below the \$1,100 million in FY 14E while keeping total production relatively flat. To place the new plan in perspective, it is just half of the previous capex budget provided in November of \$775 million while production target has been taken down by just 18%. The management is achieving this by halving its rig program from 6 to 3 – two of the rigs will now be focused on its best asset, the Fort Berthold acreage of its Bakken play. The East Texas Eagle Ford play, where the company had previously planned a ramp-up, will now be allocated a solitary rig. The revised production target also means its oil production for FY 15 is now largely hedged (88% @ \$87.29/bbl). We therefore see EBITDA of \$655 million (only 15% below FY 14E levels) with a modest cash burn of ~\$75 before asset sales despite a heavy interest burden of \$185 million (about a quarter of EBITDA). We see a largely similar financial performance in FY 16 as well – flat production levels on a ~\$500 million capex program though driving slightly higher FCF burn due to lower realization levels (negative \$85 million). Liquidity, while modest at \$797 million including \$95 million of cash, will be more than sufficient to manage the revised drilling program. Overall, while leverage levels will stay elevated (5.8x by FY 16E), the company looks reasonably well placed to service its debt through FY 16.

The longer term outlook is more challenging however. The inventory of its best asset, Fort Berthold acreage is limited and will run out over the next couple of years. Therefore, run-rate maintenance capex in the medium term will increase to above the \$400 million level. Its other assets –Williams acreage in the Bakken and East Texas Eagle Ford acreage – have considerably weaker economics, which require \$80/bbl WTI price to generate a 20-25% IRR. That said, we see the company driving considerable reductions in well costs – both due to greater efficiency and softening service costs – neither of which are factored into the above analysis. Going forward, we expect both assets to be economic at our long term oil price outlook of \$70/bbl.

On balance, we acknowledge that HK, given its high leverage levels compared to other B/CCC peers, is more vulnerable to the current commodity downturn. However, we continue to have a constructive view on the credit since we believe the risk-reward matrix is attractive. As we noted above, strong visibility from its robust hedge position and low near term maintenance capex levels provide relative stability to the company through FY 16. Longer term, we see the business stabilizing on the back of improvement in medium oil prices from current levels and strong cost efficiency gains. Admittedly, our earlier expectation of meaningful deleveraging over the medium to long term driven by strong production growth does not hold in the current environment. But with yields of 14.5-15.5%, one of the highest among B/CCC peers, investors are being suitably compensated for the additional financial risk. In particular, with bonds trading levels at or around 75, the company is trading close to our expected 2014 PV-10/debt level providing reasonable asset coverage. We maintain our **BUY** rating across HK bonds. Downside risks include extended period of weakness in oil prices, weaker-than-expected efficiency gains.



Figure 70: Halcon Resources Financial Summary

Issue	Rating	Maturity	NC Date	NC Price																																												
9.70% Sr. Notes	Case1(Stable)/CCC+(Stable)	15-Jul-20	15-Jul-16	104.88																																												
8.875% Sr. Notes	Case1(Stable)/CCC+(Stable)	15-May-21	15-Nov-16	104.44																																												
9.25% Sr. Notes	Case1(Stable)/CCC+(Stable)	15-Feb-22	15-Aug-17	104.63																																												
\$ Mil	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013																																							
Revenue	305	289	275	307	307	1,198	104	248	999																																							
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-																																							
Net Revenue	305	289	275	307	307	1,198	104	248	999																																							
Operating Costs	103	108	98	98	99	403	61	135	372																																							
Realized Hedging Gain / (Loss)	(16)	(2)	(8)	(16)	(8)	(32)	(1)	7	(23)																																							
EBITDAX with Hedges	185	179	179	213	201	763	41	100	605																																							
DDA	140	140	120	130	136	532	21	90	464																																							
EBIT	42	39	59	79	66	230	20	29	141																																							
Interest	14	24	31	28	38	141	17	31	58																																							
EBT (incl others)	29	2	19	41	27	89	2	(2)	83																																							
Other (Income)/Expense	39	(5)	31	109	(176)	(33)	(3)	85	79																																							
One time charges	1,205	229	61	-	-	300	-	-	1,444																																							
EBT (incl others)	(1,215)	(234)	(73)	(67)	197	(176)	5	(87)	(1,387)																																							
Taxes	(300)	176	-	-	(1)	175	2	(13)	(158)																																							
PAT	(895)	(410)	(73)	(67)	196	(303)	(1)	(54)	(1,223)																																							
Preferred dividends & non-controlling interests	(5)	(5)	(5)	(6)	(1)	(27)	-	(88)	(11)																																							
Net Income	(900)	(415)	(78)	(73)	187	(379)	(1)	(142)	(1,233)																																							
LTM EBITDAX with Hedges	497	605	660	747	763	763	41	100	605																																							
LTM EBITDAX without Hedges	513	627	688	769	795	795	42	113	627																																							
Actual WTI Crude (\$/bbl)	105.80	97.60	98.00	103.00	97.25	99.11	95.90	94.18	98.00																																							
Actual Henry Hub Natural Gas (\$/mcf)	3.60	3.85	4.72	4.58	3.95	4.28	4.82	2.83	3.74																																							
Key Production Data																																																
Company Natural Gas production (mcf)	2,195	2,116	1,792	2,002	2,286	8,308	2,862	4,554	8,993																																							
Realized Natural Gas Price (\$/mcf)	3.80	3.70	4.67	4.90	3.46	4.13	4.77	3.51	3.59																																							
Company Oil Production (Mbbbl)	2,885	3,120	2,896	3,256	3,201	12,463	884	2,415	10,148																																							
Realized Oil Price (\$/bbl)	94.09	86.27	88.83	89.22	85.24	87.35	90.35	93.44	90.33																																							
Company NGL Production (Mbbbl)	218	227	191	258	306	982	178	268	883																																							
Realized NGL Price (\$/bbl)	36.21	37.83	45.86	36.29	33.57	37.66	56.14	41.37	35.94																																							
Total Equivalent Produced (boe)	3,469	3,700	3,298	3,828	4,007	14,830	1,504	3,442	12,185																																							
Total Equivalent Realized (\$/boe)	62.98	77.19	80.88	80.44	74.86	76.22	88.13	73.44	80.24																																							
Revenue & Operating Margins per Boe																																																
Realization	\$82.96	\$77.19	\$80.88	\$80.44	\$74.86	\$78.22	\$66.13	\$73.44	\$66.24																																							
Lifting Costs	\$20.16	\$20.91	\$20.83	\$18.59	\$17.44	\$19.36	\$25.98	\$21.31	\$20.19																																							
GAA	\$9.58	\$8.16	\$8.07	\$7.14	\$7.22	\$7.80	\$13.81	\$18.01	\$18.40																																							
DDA	\$41.25	\$38.76	\$36.38	\$34.87	\$33.84	\$35.96	\$15.29	\$26.23	\$38.11																																							
Operating Income	\$11.09	\$9.36	\$14.79	\$19.84	\$16.37	\$15.17	\$13.05	\$7.90	\$11.20																																							
Interest & Preferred Dividend	\$5.40	\$19.70	\$10.89	\$11.39	\$12.29	\$13.59	\$11.55	\$34.77	\$5.67																																							
3-yr avg. F&D all (in acc)	\$50.76	\$44.19	\$44.19	\$44.19	\$44.19	\$44.19	NM	\$50.76	\$44.19																																							
3-yr avg. F&D all (incl acc)	\$123.60	\$35.72	\$35.72	\$35.72	\$35.72	\$35.72	NM	\$123.60	\$35.72																																							
Full cycle costs	\$89.91	\$82.86	\$84.79	\$81.31	\$81.13	\$84.94	NM	\$124.94	\$86.46																																							
Free Cash Flow:																																																
EBITDAX with Hedges	185	179	179	213	201	763	41	100	605																																							
Current Taxes	(2)	(2)	-	-	-	(2)	(15)	(3)	(9)																																							
Total Capex	(844)	(571)	(511)	(561)	(336)	(1,970)	(26)	(62)	(2,530)																																							
Change in Net Working Capital	(18)	(69)	19	69	3	42	(3)	63	(64)																																							
Cash Available for Debt Service	(676)	(443)	(323)	(285)	(132)	(1,176)	(3)	(43)	(1,888)																																							
Interest (Excl. Capitalized Interest)	6	6	31	38	38	113	1	12	25																																							
Free Cash Flow	(696)	(449)	(383)	(318)	(178)	(1,200)	(4)	(49)	(2,933)																																							
Acquisition	(5)	(1)	-	-	-	(1)	-	(2,288)	(33)																																							
Disposal of Assets	160	288	-	464	16	788	3	22	448																																							
Free Cash Flow Incl Asset Sales	(527)	(161)	(383)	146	(154)	(522)	(1)	(2,894)	(1,989)																																							
Balance Sheet Data																																																
Cash	0	3	0	161	95	95	0	3	3																																							
Debt																																																
- Senior Notes & Other	2,773	3,185	3,187	3,188	3,189	3,189	-	1,807	3,185																																							
- Credit Facilities	232	-	348	259	345	345	202	302	-																																							
Long Term Debt	3,005	3,185	3,535	3,447	3,534	3,534	202	2,109	3,185																																							
YoY Growth Statistics																																																
Revenue Growth (Including Realized Hedging Gain)	280%	123%	42%	46%	4%	42%	-3%	149%	283%																																							
Production Growth	237%	119%	41%	44%	16%	46%	-9%	129%	253%																																							
LTM Credit Statistics																																																
EBITDAX/Cash Interest (incl. Capitalized Interest)	2.3x	2.6x	2.7x	2.8x	2.6x	2.6x	8.5x	1.8x	2.6x																																							
Debt/EBITDAX	6.3x	5.3x	5.4x	4.6x	4.6x	4.6x	4.9x	17.6x	5.3x																																							
Net Debt/EBITDAX	6.3x	5.3x	5.4x	4.4x	4.5x	4.5x	4.9x	17.6x	5.3x																																							
Debt/Proved Reserves (\$/Boe)	\$27.62	\$23.43	\$26.00	\$25.35	\$25.99	\$25.99	\$0.59	\$19.39	\$20.40																																							
Debt/Proved Developed Reserves (\$/Boe)	\$58.46	\$58.33	\$64.73	\$63.13	\$64.72	\$64.72	\$15.90	\$41.04	\$58.33																																							
Liquidity Capitalization	Q3 '14																																															
Cash & Marketable Securities ⁽¹⁾	95																																															
Credit Agreement due Feb 2017 ⁽²⁾	704																																															
Less: Short-term Debt	(1)																																															
Liquidity	797																																															
Capitalization	Q3 '14																																															
Credit Agreement due Feb 2017	345																																															
5% Sr. Conv. Notes due 2017	269																																															
9.75% Sr. Notes due 2020	1,152																																															
8.875% Sr. Notes due 2021	1,371																																															
9.25% Sr. Notes due 2022	430																																															
Other debt	1																																															
Total Debt	3,534																																															
Plus: Market Cap	624																																															
Plus: Preferred Stock & Minority Interest	111																																															
Less: Cash	(95)																																															
Enterprise Value	4,174																																															
EV/FF EBITDA ⁽³⁾	5.8x																																															
Net Debt/FF EBITDA ⁽³⁾	4.8x																																															
<p>(1) Excludes \$10M of restricted cash - required to be maintained by the Tuscaloosa Marine Shale (TMS) subsidiary as per the JV agreement with Apollo</p> <p>(2) After factoring in L/Co of \$1M</p> <p>(3) EBITDAX adjusted for divestitures</p>																																																
<p>Company Description: Halcon Resources is an independent energy company involved in acquisition, exploration and development of onshore oil and gas properties. The company was formed in 2011 by Floyd Wilson, and took over RAM Energy, the predecessor entity. In February 2012, Floyd Wilson had previously led Petrohawk, in its successful development of Eagle Ford and Haynesville shale and ultimately its sale to BHP Billiton. Through a series of acquisitions in 2012, the company has expanded its reserve base to 309 Mboe from just 21 Mboe at FYE 11. At end of FY 13 the company had reserves of 136 Mboe.</p> <p>Reserves Bakken/Hoop Falls Eagle Ford Shale Tuscaloosa Marine Shale</p> <p>Debt Maturity FY 14 - - FY 15 - 1 FY 16 - 3,532</p> <p>Reserve Description</p> <table border="1"> <thead> <tr> <th>Reserve Description</th> <th>2012</th> <th>2013</th> </tr> </thead> <tbody> <tr> <td>P Reserves - Not Gas (adj)</td> <td>96</td> <td>70</td> </tr> <tr> <td>P Reserves - Liquids (resizable)</td> <td>83</td> <td>124</td> </tr> <tr> <td>P Oil Equivalent (mboe)</td> <td>189</td> <td>196</td> </tr> <tr> <td>% Gas</td> <td>15%</td> <td>9%</td> </tr> <tr> <td>% Proved Developed</td> <td>47%</td> <td>40%</td> </tr> <tr> <td>Reserve Life (Years)</td> <td>8.9</td> <td>8.9</td> </tr> <tr> <td>Reserve Replacement (J&H)</td> <td>2849%</td> <td>579%</td> </tr> <tr> <td>Reserve Replacement (D&H Br)</td> <td>349%</td> <td>489%</td> </tr> <tr> <td>PV of Reserves (\$m)</td> <td>2,389</td> <td>2,770</td> </tr> </tbody> </table> <p>Hedges</p> <table border="1"> <thead> <tr> <th>Hedges</th> <th>%</th> <th>\$ mcf</th> </tr> </thead> <tbody> <tr> <td>2014E</td> <td>76%</td> <td>13.22-14.35</td> </tr> <tr> <td>2015E</td> <td>64%</td> <td>13.46-14.47</td> </tr> </tbody> </table>										Reserve Description	2012	2013	P Reserves - Not Gas (adj)	96	70	P Reserves - Liquids (resizable)	83	124	P Oil Equivalent (mboe)	189	196	% Gas	15%	9%	% Proved Developed	47%	40%	Reserve Life (Years)	8.9	8.9	Reserve Replacement (J&H)	2849%	579%	Reserve Replacement (D&H Br)	349%	489%	PV of Reserves (\$m)	2,389	2,770	Hedges	%	\$ mcf	2014E	76%	13.22-14.35	2015E	64%	13.46-14.47
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Source: Deutsche Bank, Company data

Figure 71: Halcon Resources Financial Forecast

\$'Mn	Q1 '14	Q2 '14	Q3 '14	Q4 '14E	Q1 '15E	Q2 '15E	Q3 '15E	Q4 '15E	2011	2012	2013	2014E	2015E	2016E
Revenue	275	327	307	257	154	167	186	201	104	248	999	1,166	707	849
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	275	327	307	257	154	167	186	201	104	248	999	1,166	707	849
Operating Costs	98	98	99	112	79	79	85	91	61	135	372	407	351	339
Realized Hedging Gain / (Loss)	(8)	(16)	(8)	42	100	71	66	81	(1)	7	(23)	12	238	147
EBITDAX with Hedges	170	213	201	187	174	153	161	167	41	120	605	770	655	656
DD&A	120	133	136	151	125	137	145	151	21	90	464	540	658	658
EBIT	50	79	66	36	49	16	16	16	20	29	141	230	96	98
Interest	31	38	38	38	46	46	46	46	17	31	58	145	185	232
EBT (excl others)	19	41	27	(2)	2	(30)	(31)	(30)	2	(2)	83	85	(88)	(134)
Other (Income)/Expense	31	103	(170)	-	-	-	-	-	(3)	65	19	(82)	-	-
One time charges	61	-	-	-	-	-	-	-	-	-	1,444	61	-	-
EBT (incl others)	(73)	(67)	197	(2)	2	(30)	(31)	(30)	5	(67)	(1,380)	54	(88)	(134)
Taxes	-	-	(1)	-	-	-	-	-	7	(13)	(158)	-	-	-
PAT	(73)	(67)	198	(2)	2	(30)	(31)	(30)	(1)	(54)	(1,223)	64	(88)	(134)
Preferred dividends & non-controlling interests	(5)	(5)	(11)	(8)	(8)	(8)	(8)	(8)	-	(88)	(11)	(30)	(32)	(32)
Net income	(78)	(73)	187	(10)	(6)	(38)	(39)	(36)	(1)	(142)	(1,233)	25	(121)	(166)
LTM EBITDAX with Hedges	660	747	763	770	775	715	674	655	41	120	605	770	655	656
LTM EBITDAX without Hedges	658	739	755	759	656	509	396	357	42	113	627	759	357	509
Actual WTI Crude (\$/bbl)	98.60	103.00	97.25	73.20	52.50	52.50	55.00	57.50	95.16	94.18	98.00	93.01	54.38	65.00
Actual Henry Hub Natural Gas (\$/mcf)	4.72	4.58	3.95	3.83	3.75	3.75	3.75	3.75	4.02	2.83	3.74	4.27	3.75	3.75
Key Production Data														
Company Natural Gas production (mmcf)	1,792	2,002	2,398	2,546	1,675	1,824	1,896	2,010	2,662	4,554	8,003	8,738	7,446	7,446
Realized Natural Gas Price (\$/mcf)	4.67	4.90	3.46	3.59	3.76	3.74	3.73	3.72	4.77	3.51	3.59	4.07	3.74	3.59
Company Oil Production (Mbbbls)	2,806	3,236	3,301	3,688	2,932	3,192	3,268	3,518	864	2,415	10,148	13,031	13,031	13,031
Realized Oil Price (\$/Bbl)	88.89	89.22	85.24	77.93	62.23	70.40	69.95	70.10	90.35	93.46	90.93	84.95	72.86	71.72
Company NGL Production (Mbbbls)	191	258	306	88	279	304	323	335	176	268	683	843	1,241	1,241
Realized NGL Price (\$/Bbl)	45.86	36.29	33.57	27.05	21.25	21.25	22.26	23.28	56.14	41.37	35.94	36.51	22.06	27.46
Total Equivalent Produced (boe)	3,296	3,828	4,007	4,200	3,490	3,801	4,033	4,188	1,504	3,442	12,165	15,330	15,513	15,513
Total Equivalent Realized (\$/boe)	90.88	90.44	74.86	71.16	72.58	62.64	62.33	62.54	68.13	73.44	90.24	76.53	64.76	64.17
Revenue & Operating Margins per Boe														
Realization	\$90.88	\$80.44	\$74.86	\$71.16	\$72.58	\$62.64	\$62.33	\$62.54	\$66.13	\$73.44	\$80.24	\$76.53	\$64.76	\$64.17
Lifting Costs	\$20.83	\$18.59	\$17.44	\$14.78	\$14.78	\$14.78	\$14.97	\$15.17	\$25.98	\$21.31	\$20.19	\$18.75	\$14.93	\$15.22
G&A	\$8.87	\$7.14	\$7.22	\$8.20	\$7.98	\$7.68	\$7.56	\$7.50	\$13.81	\$18.01	\$10.40	\$7.82	\$7.67	\$6.66
DD&A	\$36.38	\$34.87	\$33.84	\$36.00	\$36.00	\$36.00	\$36.00	\$36.00	\$15.29	\$26.23	\$38.11	\$35.24	\$36.00	\$36.00
Operating Income	\$14.79	\$19.84	\$16.37	\$8.46	\$13.82	\$4.18	\$3.79	\$3.87	\$13.05	\$7.90	\$11.53	\$14.73	\$6.16	\$6.28
Interest & Preferred Dividend	\$10.89	\$11.39	\$12.29	\$10.98	\$15.52	\$14.28	\$13.46	\$12.93	\$11.55	\$34.77	\$5.67	\$11.40	\$13.98	\$17.02
3-yr avg. P&D all (in acq)	\$44.19	\$44.19	\$44.19	\$44.19	\$44.19	\$44.19	\$44.19	\$44.19	NM	\$50.76	\$44.19	\$44.19	\$44.19	\$44.19
3-yr avg. P&D all (excl acq)	\$35.72	\$35.72	\$35.72	\$35.72	\$35.72	\$35.72	\$35.72	\$35.72	NM	\$123.60	\$35.72	\$35.72	\$35.72	\$35.72
Full cycle costs	\$64.73	\$61.31	\$61.13	\$61.87	\$62.47	\$60.93	\$60.18	\$79.79	NM	\$124.84	\$60.45	\$62.16	\$69.77	\$83.09
Free Cash Flow:														
EBITDAX with Hedges	170	213	201	187	174	153	161	167	41	120	605	770	655	656
Current Taxes	-	-	-	-	-	-	-	-	(15)	(3)	(9)	-	-	-
Total Capex	(511)	(561)	(396)	(333)	(136)	(136)	(136)	(136)	(26)	(621)	(2,620)	(1,741)	(543)	(497)
Change in Net Working Capital	19	69	3	(78)	(104)	37	(21)	89	(3)	63	(64)	13	1	(15)
Cash Available for Debt Service	(322)	(290)	(132)	(224)	(66)	54	4	120	(3)	(438)	(1,988)	(958)	112	146
Interest (Excl. Capitalized Interest)	31	38	38	31	53	39	53	39	1	12	25	138	185	232
Free Cash Flow	(353)	(318)	(170)	(295)	(119)	15	(50)	81	(4)	(450)	(2,013)	(1,095)	(73)	(86)
Acquisition	-	-	-	-	-	-	-	-	-	(2,265)	(33)	-	-	-
Disposal of Assets	-	464	16	-	25	25	25	25	0	22	448	490	100	-
Free Cash Flow Incl Asset Sales	(353)	146	(154)	(295)	(94)	40	(25)	106	(3)	(2,694)	(1,598)	(616)	27	(86)
Balance Sheet Data														
Cash	0	161	95	-	-	-	-	-	0	3	3	-	-	-
Debt														
Senior Notes & Other	3,187	3,188	3,189	3,189	3,189	3,189	3,189	3,189	-	1,807	3,185	3,189	3,189	3,189
Credit Facilities	348	259	345	503	506	570	598	496	202	302	503	503	496	509
Long Term Debt	3,535	3,447	3,534	3,692	3,795	3,759	3,787	3,685	202	2,109	3,185	3,692	3,685	3,798
YoY Growth Statistics														
Revenue Growth (Including Realized Hedging Gain)	42%	46%	4%	4%	-5%	-23%	-16%	-12%	-3%	149%	283%	21%	-15%	-1%
Production Growth	41%	44%	16%	14%	6%	-1%	1%	0%	-30%	129%	253%	26%	1%	0%
LTM Credit Statistics														
EBITDAX/Cash Interest (Incl. Capitalized Interest)	2.7x	2.8x	2.8x	2.5x	2.5x	2.4x	2.2x	2.1x	8.5x	1.8x	2.6x	2.5x	2.1x	2.1x
Debt/EBITDAX	5.4x	4.6x	4.6x	4.8x	4.3x	5.3x	5.6x	5.6x	4.3x	17.6x	5.3x	4.8x	5.8x	5.8x
Net Debt/EBITDAX	5.4x	4.4x	4.5x	4.8x	4.3x	5.3x	5.6x	5.6x	4.3x	17.6x	5.3x	4.8x	5.8x	5.8x
Debt/Proved Reserves (\$/Boe)	\$25.00	\$25.35	\$25.99	\$27.91	\$27.91	\$27.65	\$27.65	\$27.10	\$9.59	\$19.39	\$23.43	\$27.19	\$27.10	\$27.86
Debt/Proved Developed Reserves (\$/Boe)	\$64.73	\$63.13	\$64.72	\$67.70	\$69.50	\$68.84	\$69.36	\$67.49	\$15.10	\$41.04	\$58.33	\$67.70	\$67.49	\$69.37

Source: Deutsche Bank and company data



Figure 72: Commodity Price Scenario Analysis: Halcon Resources Forecast Metrics

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$593	\$593	\$593	\$593	\$593	\$595	\$597
	\$40.0	\$617	\$617	\$617	\$617	\$617	\$619	\$621
	\$50.0	\$641	\$641	\$641	\$641	\$641	\$643	\$645
	\$60.0	\$665	\$665	\$665	\$665	\$665	\$667	\$669
	\$70.0	\$689	\$689	\$689	\$689	\$689	\$691	\$693
	\$80.0	\$713	\$713	\$713	\$713	\$713	\$714	\$717
	\$90.0	\$762	\$762	\$762	\$762	\$762	\$764	\$766

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$10)	(\$10)	(\$10)	(\$10)	(\$10)	(\$9)	(\$7)
	\$40.0	\$5	\$5	\$5	\$5	\$5	\$6	\$8
	\$50.0	\$20	\$20	\$20	\$20	\$20	\$21	\$23
	\$60.0	\$35	\$35	\$35	\$35	\$35	\$36	\$38
	\$70.0	\$50	\$50	\$50	\$50	\$50	\$51	\$53
	\$80.0	\$65	\$65	\$65	\$65	\$65	\$66	\$68
	\$90.0	\$98	\$98	\$98	\$98	\$98	\$99	\$101

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$457	\$460	\$463	\$466	\$468	\$471	\$474
	\$40.0	\$511	\$514	\$516	\$519	\$522	\$525	\$528
	\$50.0	\$565	\$567	\$570	\$573	\$576	\$579	\$582
	\$60.0	\$618	\$621	\$624	\$627	\$630	\$633	\$635
	\$70.0	\$672	\$675	\$678	\$680	\$683	\$686	\$689
	\$80.0	\$726	\$729	\$731	\$734	\$737	\$740	\$743
	\$90.0	\$782	\$785	\$788	\$791	\$793	\$796	\$799

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$250)	(\$249)	(\$247)	(\$245)	(\$243)	(\$240)	(\$238)
	\$40.0	(\$204)	(\$202)	(\$200)	(\$198)	(\$196)	(\$194)	(\$191)
	\$50.0	(\$157)	(\$155)	(\$153)	(\$151)	(\$150)	(\$147)	(\$144)
	\$60.0	(\$110)	(\$108)	(\$107)	(\$105)	(\$103)	(\$100)	(\$98)
	\$70.0	(\$64)	(\$62)	(\$60)	(\$58)	(\$56)	(\$54)	(\$51)
	\$80.0	(\$17)	(\$15)	(\$13)	(\$11)	(\$9)	(\$7)	(\$4)
	\$90.0	\$39	\$41	\$43	\$44	\$46	\$49	\$52

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	6.3x	6.3x	6.3x	6.3x	6.3x	6.3x	6.2x
	\$40.0	6.0x	6.0x	6.0x	6.0x	6.0x	6.0x	6.0x
	\$50.0	5.8x	5.8x	5.8x	5.8x	5.8x	5.7x	5.7x
	\$60.0	5.5x	5.5x	5.5x	5.5x	5.5x	5.5x	5.5x
	\$70.0	5.3x	5.3x	5.3x	5.3x	5.3x	5.3x	5.3x
	\$80.0	5.1x	5.1x	5.1x	5.1x	5.1x	5.1x	5.1x
	\$90.0	4.7x	4.7x	4.7x	4.7x	4.7x	4.7x	4.7x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$4.6	\$4.6	\$4.6	\$4.6	\$4.6	\$4.6	\$4.6
	\$40.0	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5
	\$50.0	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5
	\$60.0	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5
	\$70.0	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5
	\$80.0	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5
	\$90.0	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4

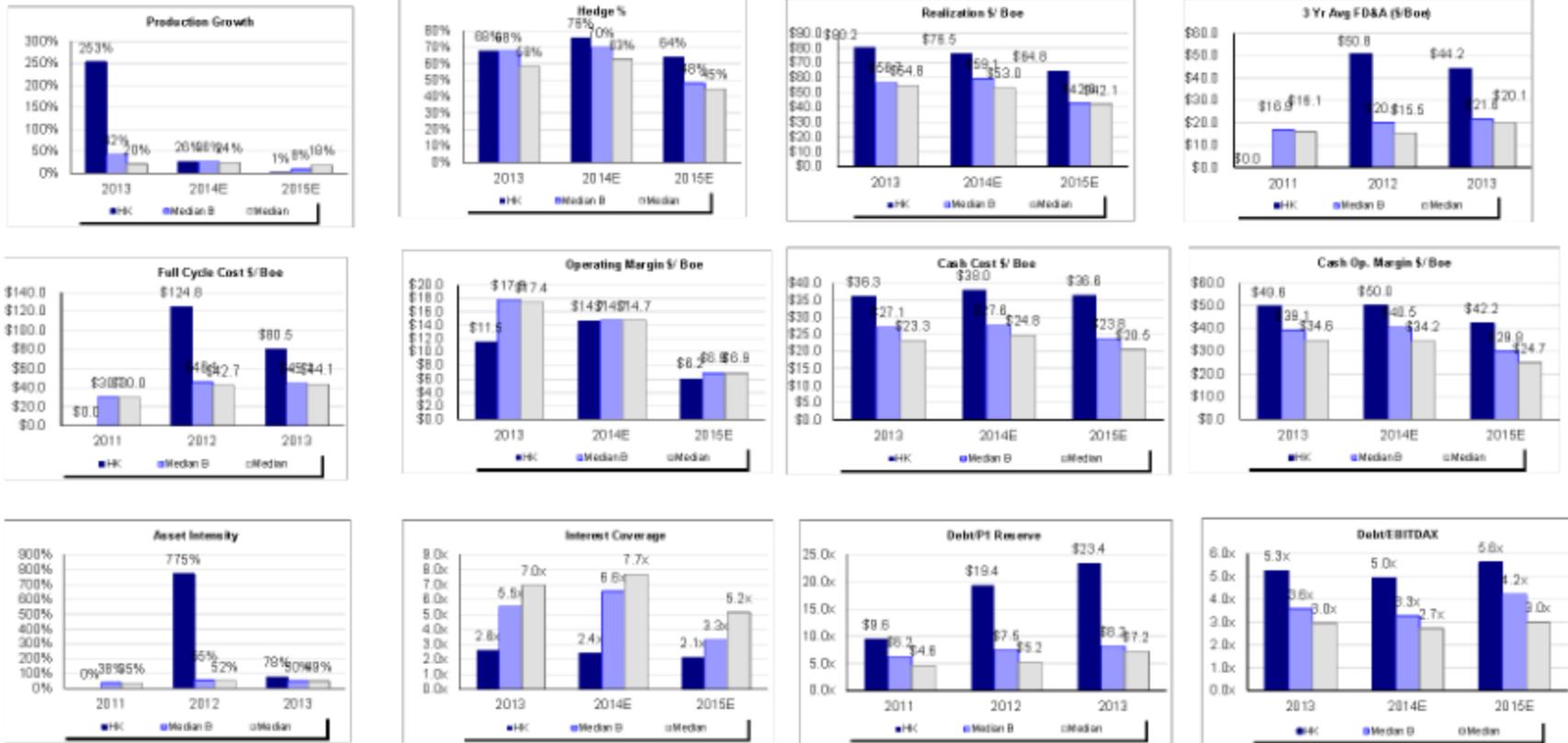
		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	8.7x	8.7x	8.6x	8.6x	8.5x	8.4x	8.4x
	\$40.0	7.7x	7.6x	7.6x	7.6x	7.5x	7.5x	7.4x
	\$50.0	6.8x	6.8x	6.8x	6.7x	6.7x	6.7x	6.6x
	\$60.0	6.2x	6.1x	6.1x	6.1x	6.0x	6.0x	6.0x
	\$70.0	5.6x	5.5x	5.5x	5.5x	5.5x	5.4x	5.4x
	\$80.0	5.1x	5.0x	5.0x	5.0x	5.0x	4.9x	4.9x
	\$90.0	4.6x	4.6x	4.6x	4.5x	4.5x	4.5x	4.5x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9
	\$40.0	\$4.8	\$4.8	\$4.8	\$4.8	\$4.8	\$4.8	\$4.8
	\$50.0	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7
	\$60.0	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7
	\$70.0	\$4.6	\$4.6	\$4.6	\$4.6	\$4.6	\$4.6	\$4.6
	\$80.0	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5
	\$90.0	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4

Source: Deutsche Bank



Figure 73: Halcon Resources Benchmarks



Source: Deutsche Bank, company data, Bloomberg Finance LP

Industry level Median, Median BB, and Median B Metrics include both covered and non-covered companies

For the following companies covered by DB High Yield, the forecasts figures reflect our published estimates: CHK, XEC, DNR, FST, XCO, HILCRP, HK, NFX, QEP, RRC, SANVST and SD

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CKD, FANG, EPE, LTSCN, MHR, MPO, GAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





Hilcorp Energy

Relative value

Hilcorp, despite its strong financial profile, has been an underperformer among BB E&P credits following the sharp weakness in commodity prices in recent months. This is attributable to its asset portfolio which consists of mature, conventional assets, amidst a peer group primarily focused on shale/tight oil assets. In a weak commodity price environment, this places Hilcorp at a relative disadvantage as the company's per unit LOE costs are higher - \$21.90/boe, almost double the peer group median. More recently, this was not a major concern as long as the oil market was steady and the long term outlook was robust. However, the contrast versus its more nimble peers (operating unconventional assets) is highlighted more given the current oil backdrop. That being said, we see several important offsets to the above metric. First, Hilcorp has a strong financial position with net leverage (pro forma for BP-Alaska acquisition announced last year) in the sub-1x range, one of the lowest among BB-peers and solid liquidity levels. The company also has impressive proved asset coverage. We estimate PV-10 s of FYE 13 pro forma for Alaskan acquisition of over \$8 billion; even assuming a 50% haircut to factor in weaker commodity prices, we are looking at pro forma proved asset coverage of 2.7x. Second, the company has a strong track record in executing on its business strategy – a key aspect includes acquisition of mature properties and extracting value by optimizing production levels. Importantly, given its strong financial position, the company is well placed to take advantage of attractive opportunities in a buyer's market. Third, Hilcorp also benefits from a solid hedging program covering 58% and 38% of FY 15E and FY 16E revenues, respectively. Of note, the hedge ratio includes fixed price long term contracts on its Alaskan gas production. The latter accounts for ~20% of overall revenues and provides a key diversification from the volatile commodity markets of the lower 48. Its hedge program lends good visibility to earnings/cash flow – we see EBITDA in the \$1.1-1.2 billion range over the next two years, sufficient to meet estimated annual capex of \$1.2 billion. FCF burn should therefore average ~\$100 million annually excluding impact of acquisitions. While net leverage should increase from current levels of 0.9x (due to decline EBITDA pro forma for acquisitions) to 2x area, it is reasonable for a BB-rated credit. Looking at a downside scenario of \$50 oil/\$3 gas, we see FY 16E net leverage should still be at acceptable levels of 2.7x.

On balance, we acknowledge that Hilcorp's business model does place it at a slight disadvantage versus its BB-peer group given the changed commodity environment. But, with its yields in the 6.7-7.6% area trading in line with SELL-rated DNR, we see solid value here. We therefore maintain our **BUY** rating on both the Hilcorp bonds. We see DNR – with its high cost, conventional asset portfolio – as a good comparable to Hilcorp. Hilcorp Notes '21 (YTW: 7.3%) trades largely in-line with DNR Sub Notes '21 (YTW: 7.5%) - we see better relative value in Hilcorp given its better ranking and significantly more resilient credit profile (1-2 notches higher credit rating) driven by a meaningfully stronger financial position (FY 15E net leverage of 2.2x versus 3.7x for DNR). Downside risks include extended period of weak commodity prices.



Figure 74: Hilcorp Energy Financial Summary

Issue	Rating	Maturity	NC Date	NC Price							
8.000% Senior Notes	Baa3-BB+	15-Feb-20	15-Feb-15	104.00							
7.625% Senior Notes	Baa3-BB+	15-Apr-21	1-Oct-15	103.81							
5.000% Senior Notes	Baa3-BB+	1-Dec-24	1-Jun-19	102.50							
\$Mn	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013	
Revenue	523	566	548	589	576	625	2,337	1,488	1,740	2,167	
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-	-	
Net Revenue	523	566	548	589	576	625	2,337	1,488	1,740	2,167	
Operating Costs	252	246	233	254	248	304	1,039	602	662	926	
Realized Hedging Gain / (Loss)	8	3	6	(16)	(16)	8	(17)	(21)	47	24	
EBITDAX with Hedges	289	328	321	319	312	329	1,281	865	925	1,264	
DDA	139	148	166	144	152	163	624	393	451	576	
EBIT	160	176	155	176	160	166	657	472	474	600	
Interest	11	12	11	11	5	25	53	96	42	45	
EBT (excl others)	149	165	144	164	156	141	605	375	433	644	
Deferred revenues - VPP	11	10	10	-	-	-	10	70	55	43	
Other (Income)/Expense	(70)	66	92	27	130	(248)	2	(1,593)	(585)	161	
One time charges	5	31	82	-	6	106	194	96	300	118	
EBT (incl others)	224	279	(20)	137	19	203	419	1,942	971	408	
Taxes	1	(1)	1	1	(1)	(1)	0	0	4	1	
Net Income	223	280	(21)	136	20	204	419	1,942	969	407	
LTM EBITDAX with Hedges	1,106	1,223	1,264	1,364	1,277	1,281	1,281	865	925	1,266	
LTM EBITDAX without Hedges	1,068	1,160	1,242	1,282	1,299	1,296	1,296	889	877	1,242	
Actual WTI Crude (\$/bbl)	94.28	105.81	97.61	52.50	52.50	97.25	74.97	95.16	94.18	96.02	
Actual Henry Hub Natural Gas (\$/mcf)	4.00	3.60	3.85	3.75	3.75	3.56	3.83	4.02	2.83	3.73	
Key Production Data (excl VPP)											
Company Natural Gas production (mmcf)	33,266	32,523	36,420	36,292	35,521	44,150	152,383	77,894	107,477	135,853	
Realized Natural Gas Price (\$/mcf)	4.87	4.43	4.62	5.14	5.24	5.51	5.15	4.95	4.12	4.66	
Company Oil Production (MMbbls)	3,657	4,379	4,394	4,166	3,997	4,348	16,815	11,754	13,779	16,328	
Realized Oil Price (\$/bbl)	33.89	95.39	87.19	90.94	99.47	87.18	86.90	94.73	96.22	93.46	
Total Equivalent Produced (boe)	9,405	9,800	10,374	10,215	9,917	11,706	42,212	24,735	31,892	38,970	
Total Equivalent Realized (\$/boe)	55.74	57.33	52.39	55.35	55.23	53.16	53.99	59.69	55.37	55.40	
Revenue & Operating Margins per Boe											
Realization	\$55.74	\$57.33	\$52.39	\$55.35	\$55.23	\$53.16	\$53.99	\$59.69	\$55.37	\$55.40	
Lifting Costs	\$19.12	\$19.85	\$17.32	\$20.43	\$20.16	\$20.45	\$19.76	\$17.47	\$21.07	\$16.70	
G&A	\$3.80	\$3.54	\$3.13	\$2.97	\$3.35	\$4.20	\$3.44	\$4.69	\$3.83	\$3.41	
DDA	\$16.00	\$16.29	\$16.85	\$15.48	\$16.80	\$15.25	\$16.06	\$16.72	\$15.62	\$15.87	
Operating Income	\$16.82	\$17.64	\$14.49	\$16.47	\$14.82	\$13.26	\$14.73	\$20.80	\$14.86	\$17.42	
Interest	\$1.29	\$1.16	\$1.09	\$1.10	\$0.50	\$2.13	\$1.24	\$3.77	\$1.29	\$1.15	
3-yr avg. F&D all (incl acq)	\$13.13	\$13.13	\$11.75	\$11.75	\$11.75	\$11.75	\$11.75	\$10.26	\$13.13	\$11.75	
3-yr avg. F&D all (excl acq)	\$14.31	\$14.31	\$12.93	\$12.93	\$12.93	\$12.93	\$12.93	\$10.80	\$14.31	\$12.93	
Full cycle costs	\$37.25	\$37.89	\$33.89	\$36.25	\$35.76	\$38.53	\$36.16	\$36.29	\$36.33	\$36.01	
Free Cash Flow:											
EBITDAX with Hedges	299	325	321	319	312	329	1,281	865	925	1,264	
Current Taxes	(1)	(0)	0	(1)	(0)	(0)	(1)	(0)	(2)	(1)	
Capex - Exploration & Development	(265)	(283)	(281)	(218)	(296)	(1,054)	(1,054)	(514)	(768)	(1,943)	
Capex - Acq. of Properties / Leasehold	(31)	(7)	(74)	(21)	(130)	(240)	(570)	(721)	(590)	(790)	
Capex - Other Property & Equipment	(0)	(0)	(10)	(1)	(0)	1	(12)	(1)	(2)	(11)	
Total Capex	(296)	(290)	(365)	(240)	(426)	(1,093)	(1,093)	(1,235)	(1,360)	(1,844)	
Change in Net Working Capital	11	33	49	(54)	38	(16)	17	160	(74)	62	
Cash Available for Debt Service	14	67	5	25	(54)	(315)	(339)	(211)	(517)	(516)	
Interest (Excl. Capitalized Interest)	13	13	13	13	15	14	55	103	53	54	
Free Cash Flow	0	54	(8)	11	(60)	(320)	(294)	(315)	(571)	(570)	
Disposal of Assets	1	(7)	5	9	1	22	75	1,993	731	65	
Free Cash Flow Incl Asset Sales	1	47	48	12	(66)	(307)	(318)	1,545	981	(554)	
Balance Sheet Data											
Cash & Marketable Securities	106	105	140	158	102	336	339	781	754	140	
Debt											
- Senior Notes & Other	646	646	661	669	676	1,190	1,190	646	646	661	
- Credit Facilities	-	-	-	-	-	-	-	-	-	-	
Long Term Debt	646	646	661	669	676	1,190	1,190	646	646	661	
Key Growth Statistics											
Revenue Growth (Including Realized Hedging Gain)	20%	31%	12%	7%	5%	17%	9%	27%	22%	22%	
Production Growth	17%	34%	20%	9%	3%	18%	14%	15%	28%	22%	
LTM Credit Statistics											
EBITDAX/Cash Interest (incl. Capitalized Interest)	20.6x	22.8x	23.6x	23.6x	23.3x	23.3x	23.3x	8.3x	17.3x	23.6x	
Sr. Sec debt/EBITDAX	-	-	0.0x	0.0x	0.0x	0.0x	0.0x	-	-	0.0x	
Debt/EBITDAX	0.6x	0.5x	0.5x	0.5x	0.5x	0.9x	0.9x	0.7x	0.7x	0.5x	
Debt/Proved Reserves (\$/Boe)	\$1.95	\$1.95	\$1.43	\$1.45	\$1.46	\$2.57	\$2.57	\$2.00	\$1.95	\$1.43	
Debt/Proved Developed Reserves (\$/Boe)	\$3.94	\$3.05	\$2.16	\$2.19	\$2.21	\$3.89	\$3.89	\$4.06	\$3.04	\$2.16	
Liquidity / Capitalization	Q3 '14	PF (%)	Company Description:				Reserve Description				
Cash & Marketable Securities	336	-	Hilcorp Energy is a privately held Texas limited partnership, primarily engaged in the exploration, production and development of oil and natural gas properties. Hilcorp Energy Company (HEC), the General Partner of Hilcorp, provides operating and other services for the oil and natural gas properties owned by HEC and its subsidiaries.				P Reserves - Nat Gas (mmcf)				
Revolving Credit Facility due Jul '16	1,249	1,060	Regions				P Reserves - Liquid (mcf)				
Other Loans	-	-					Gulf coast of Louisiana and Texas				P Crude Oil Equivalent (mboe)
Less: Short term Debt	-	-	Powder River Basin in northwest Wyoming				%				
Liquidity	1,585	1,060	Debt Maturity				%				
			FY14				%				
			FY15				%				
			FY16+				%				
Capitalization	Q3 '14	PF (%)	Hedges (1)				\$ mcts				
Revolving Credit Facility due Jul '16	-	319	2014E				82%				
Total Secured Debt	-	319	2015E				95%				
5% Sr. Notes due Feb '20	300	300	7.97				6.29				
7.625% Notes due Apr '21	350	350	9.34				6.68				
5.00% Sr. Notes due Dec '24	500	500									
Others	40	40									
Total Debt	1,190	1,609									
Plus: Partners Capital	3,716	3,716									
Plus: Preferred Stock & Minority Interest	-	-									
Total Capitalization	4,906	5,225									
PF Net Debt/EBITDA	0.7x	0.9x									

(1) Pro forma for the BP Alaska acquisition purchase price of \$1.28B expected to be close early next year; net of cash flows from effective date to closing date. Assume final purchase price of \$775M (\$120M paid as of Q3 14).

(2) Includes physical contracts on Alaskan production

Source: Deutsche Bank, Company data

Figure 75: Hilcorp Energy Financial Forecast

\$Mn	Q1 '14	Q2 '14	Q3 '14	Q4 '14E	Q1 '15E	Q2 '15E	Q3 '15E	Q4 '15E	2009	2009	2010	2011	2012	2013	2014E	2015E	2016E
Revenue	599	576	625	435	409	422	445	478	1,147	716	1,075	1,488	1,740	2,167	2,225	1,753	2,199
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	599	576	625	435	409	422	445	478	1,147	716	1,075	1,488	1,740	2,167	2,225	1,753	2,199
Operating Costs	254	248	304	257	305	315	322	334	420	403	493	402	892	926	1,063	1,276	1,218
Realized Hedging Gain / (Loss)	(16)	(16)	8	190	152	154	149	142	(160)	70	80	(21)	47	24	77	596	313
EBITDAX with Hedges	319	312	329	278	256	261	272	283	567	383	601	865	925	1,286	1,238	1,073	1,203
DDA	144	152	163	179	200	206	210	217	272	325	369	393	451	576	637	832	873
EBIT	176	160	166	99	57	56	62	67	296	59	293	472	474	690	601	241	330
Interest	11	5	25	21	23	25	26	27	79	63	91	96	42	45	62	101	115
EBT (excl others)	164	156	141	79	34	30	36	40	226	(5)	203	375	433	644	540	141	215
Deferred revenues - VPP	-	-	-	-	-	-	-	-	88	96	68	70	55	43	-	-	-
Other (income)/Expense	14	130	(248)	(57)	15	15	15	16	(193)	109	99	(1,593)	(613)	123	(161)	60	64
One time charges	-	6	106	-	-	-	-	-	439	17	54	36	100	118	112	-	-
EBT(excl others)	150	19	283	136	20	15	21	24	477	(34)	159	1,942	1,000	446	586	90	152
Taxes	1	(1)	(1)	-	-	-	-	-	5	0	2	8	1	(3)	-	-	-
Net Income	149	20	284	136	20	15	21	24	472	(34)	156	1,934	996	445	589	90	152
LTM EBITDAX with Hedges	1,264	1,277	1,201	1,238	1,175	1,125	1,068	1,073	567	383	601	865	925	1,286	1,238	1,073	1,203
LTM EBITDAX without Hedges	1,282	1,299	1,298	1,182	951	711	613	477	727	313	581	888	877	1,242	1,162	477	891
Actual WTI Crude (\$/bbl)	52.50	52.50	97.25	73.20	52.50	52.50	55.00	57.50	8.88	4.17	79.58	95.16	94.18	96.02	68.86	54.38	65.00
Actual Henry Hub Natural Gas (\$/mcf)	3.75	3.75	3.95	3.83	3.75	3.75	3.75	3.75	99.65	61.93	4.35	4.02	2.83	3.73	3.82	3.75	3.75
Key Production Data (excl VPP)																	
Company Natural Gas production (mmcf)	36,292	35,521	44,150	38,037	37,483	38,654	39,357	40,694	50,691	55,071	66,308	77,884	107,477	135,853	154,000	156,177	163,986
Realized Natural Gas Price (\$/mcf)	5.14	5.24	5.51	4.92	4.76	4.74	4.73	4.99	6.81	5.45	6.04	4.65	4.12	4.86	5.21	4.79	4.60
Company Oil Production (Mebbl)	4,166	3,997	4,348	4,496	5,051	6,034	6,144	6,251	6,488	8,543	10,474	11,754	13,779	16,338	17,007	24,393	25,599
Realized Oil Price (\$/Bbl)	\$0.94	\$0.47	\$7.18	\$5.49	\$4.00	\$3.66	\$4.58	\$5.93	\$1.22	\$5.71	\$1.44	\$4.79	\$5.22	\$5.46	\$5.76	\$4.63	\$3.79
Company NGL Production (\$/Bbl)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Realized NGL Price (\$/Bbl)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Equivalent Produced (mcf)	61,288	59,503	76,288	65,915	72,590	74,688	76,219	78,790	89,499	106,329	129,152	148,498	186,151	235,821	296,044	302,458	317,581
Total Equivalent Realized (\$/mcf)	9.23	9.21	8.86	8.09	7.62	7.58	7.68	7.73	10.86	7.30	8.89	9.95	9.23	9.23	8.83	7.65	7.51
Total Equivalent Produced (boe)	10,215	9,917	11,706	10,836	12,056	12,476	12,705	13,132	14,917	17,722	21,525	24,735	31,692	38,970	42,674	50,410	52,930
Total Equivalent Realized (\$/boe)	55.35	55.23	53.16	48.56	45.71	45.46	45.65	46.37	65.16	43.79	53.37	59.69	55.37	55.40	53.00	45.91	45.09
Revenue & Operating Margins per Boe																	
Realization	\$55.35	\$55.23	\$53.16	\$48.56	\$45.71	\$45.46	\$46.05	\$46.37	\$65.16	\$43.79	\$53.37	\$59.69	\$55.37	\$55.40	\$53.00	\$45.91	\$45.09
Lifting Costs	\$28.43	\$28.18	\$29.45	\$20.00	\$21.86	\$21.86	\$21.82	\$21.97	\$20.15	\$16.74	\$16.64	\$17.47	\$21.07	\$18.70	\$20.27	\$21.91	\$19.31
G&A	\$2.97	\$3.33	\$4.20	\$2.41	\$2.83	\$2.03	\$2.10	\$2.17	\$4.55	\$1.78	\$4.00	\$4.69	\$3.83	\$3.41	\$3.25	\$2.09	\$2.39
DD&A	\$15.48	\$16.60	\$15.25	\$17.82	\$17.82	\$17.82	\$17.82	\$17.82	\$17.32	\$18.95	\$17.48	\$16.72	\$15.62	\$15.87	\$16.32	\$17.82	\$17.82
Operating Income	\$16.47	\$14.82	\$13.26	\$8.33	\$5.99	\$5.76	\$4.21	\$4.40	\$23.13	\$6.82	\$15.26	\$20.80	\$14.88	\$17.42	\$13.16	\$4.09	\$5.67
Interest	\$1.10	\$0.50	\$2.13	\$1.89	\$1.88	\$2.03	\$2.04	\$2.04	\$4.25	\$3.31	\$4.02	\$3.77	\$1.29	\$1.15	\$1.44	\$2.00	\$2.17
3-yr avg. F&D all (9n acc)	\$11.75	\$11.75	\$11.75	\$11.75	\$11.75	\$11.75	\$11.75	\$11.75	\$12.92	\$10.45	\$10.17	\$10.36	\$13.13	\$11.75	\$11.75	\$11.75	\$11.75
3-yr avg. F&D all (excl acc)	\$12.93	\$12.93	\$12.93	\$12.93	\$12.93	\$12.93	\$12.93	\$12.93	\$9.03	\$7.57	\$8.73	\$10.80	\$14.31	\$12.93	\$12.93	\$12.93	\$12.93
Full cycle costs	\$36.25	\$35.76	\$36.53	\$36.05	\$37.67	\$37.67	\$37.67	\$37.67	\$41.88	\$33.67	\$34.82	\$36.29	\$39.33	\$36.01	\$36.71	\$37.74	\$36.62
Free Cash Flow:																	
EBITDAX with Hedges	319	312	329	278	256	261	272	283	567	383	601	865	925	1,286	1,238	1,073	1,203
Current Taxes	(1)	(6)	(6)	-	-	-	-	-	(8)	(1)	(8)	(8)	(9)	(2)	(1)	-	-
Capex - Exploration & Development	(218)	(266)	(288)	(298)	(300)	(300)	(300)	(300)	(276)	(249)	(491)	(514)	(768)	(1,043)	(960)	(1,200)	(1,291)
Capex - Acq. of Properties / Leasehold	(21)	(135)	(240)	(233)	(763)	(20)	(38)	(38)	(56)	(184)	(382)	(721)	(596)	(790)	(759)	(867)	6
Capex - Other Property & Equipment	(1)	(2)	1	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(1)	(2)	(1)	(2)	(8)	(8)
Total Capex	(240)	(404)	(627)	(441)	(1,063)	(333)	(333)	(333)	(332)	(434)	(879)	(1,238)	(1,266)	(1,844)	(1,711)	(2,087)	(1,194)
Change in Net Working Capital	(54)	38	(16)	(118)	182	0	77	(98)	(37)	(74)	6	100	(74)	62	(151)	162	(86)
Cash Available for Debt Service	25	(54)	(315)	(282)	(624)	(71)	16	(152)	198	(125)	(207)	(211)	(517)	(516)	(626)	(831)	(56)
Interest (Excl. Capitalized Interest)	13	15	14	24	16	32	19	34	69	61	72	103	53	54	66	101	115
Free Cash Flow	11	(69)	(526)	(398)	(644)	(103)	(3)	(196)	129	(166)	(279)	(315)	(571)	(578)	(662)	(932)	(171)
Disposal of Assets	0	1	22	67	-	-	-	-	292	1	107	1,880	731	85	90	-	-
Free Cash Flow Incl Asset Sales	12	(68)	(207)	(241)	(644)	(103)	(3)	(196)	420	(164)	(172)	1,565	161	(504)	(602)	(932)	(171)
Balance Sheet Data																	
Cash & Marketable Securities	158	102	336	158	111	111	111	111	194	58	390	781	754	140	158	111	111
Debt																	
Senior Notes & Other	609	676	1,190	1,190	1,190	1,190	1,190	1,190	695	696	1,342	646	646	661	1,190	1,190	1,190
Credit Facilities	-	-	-	-	633	775	816	1,039	-	134	-	-	-	-	-	1,039	1,348
Long Term Debt	609	676	1,190	1,190	1,822	1,965	2,005	2,228	695	830	1,342	646	646	661	1,190	2,228	2,537
YoY Growth Statistics																	
Revenue Growth (Including Realized Hedging Gain)	7%	5%	11%	-3%	-2%	3%	-6%	15%	42%	-20%	47%	27%	22%	23%	5%	2%	3%
Production Growth	9%	5%	19%	4%	16%	26%	9%	21%	16%	19%	21%	15%	29%	23%	10%	16%	5%
LTM Credit Statistics																	
EBITDAX/Cash Interest (incl. Capitalized Interest)	23.6x	23.3x	23.3x	18.8x	17.2x	13.1x	11.7x	10.7x	8.2x	6.3x	9.1x	8.3x	17.3x	23.6x	18.8x	10.7x	10.5x
Sr. Sec debt/EBITDAX	0.9x	0.9x	0.9x	0.9x	0.9x	0.7x	0.8x	1.0x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x
Debt/EBITDAX	0.5x	0.5x	0.9x	1.0x	1.0x	1.7x	1.8x	2.1x	1.2x	2.2x	2.0x	2.0x	0.7x	0.7x	0.5x	1.0x	2.1x
Net Debt/EBITDAX	0.4x	0.4x	0.7x	0.8x	1.5x	1.8x	1.8x	2.0x	0.9x	2.0x	1.5x	(

Figure 76: Commodity Price Scenario Analysis: Hilcorp Energy Forecast Metrics

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	\$734	\$751	\$768	\$784	\$801	\$821	\$847
	\$40.0	\$846	\$862	\$879	\$895	\$912	\$932	\$958
	\$50.0	\$957	\$973	\$990	\$1,007	\$1,023	\$1,043	\$1,070
	\$60.0	\$1,068	\$1,085	\$1,101	\$1,118	\$1,135	\$1,155	\$1,181
	\$70.0	\$1,179	\$1,196	\$1,213	\$1,229	\$1,246	\$1,266	\$1,292
	\$80.0	\$1,291	\$1,307	\$1,324	\$1,341	\$1,357	\$1,377	\$1,404
	\$90.0	\$1,403	\$1,420	\$1,436	\$1,453	\$1,470	\$1,490	\$1,516

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	\$492	\$521	\$550	\$579	\$607	\$639	\$672
	\$40.0	\$663	\$691	\$720	\$749	\$778	\$809	\$843
	\$50.0	\$833	\$862	\$890	\$919	\$948	\$980	\$1,013
	\$60.0	\$1,003	\$1,032	\$1,061	\$1,089	\$1,118	\$1,150	\$1,183
	\$70.0	\$1,173	\$1,202	\$1,231	\$1,260	\$1,289	\$1,320	\$1,353
	\$80.0	\$1,344	\$1,372	\$1,401	\$1,430	\$1,459	\$1,490	\$1,524
	\$90.0	\$1,514	\$1,543	\$1,571	\$1,600	\$1,629	\$1,661	\$1,694

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	3.2x	3.1x	3.0x	3.0x	2.9x	2.8x	2.7x
	\$40.0	2.8x	2.7x	2.6x	2.5x	2.5x	2.4x	2.3x
	\$50.0	2.3x	2.3x	2.2x	2.2x	2.1x	2.1x	2.0x
	\$60.0	2.0x	1.9x	1.9x	1.9x	1.8x	1.8x	1.7x
	\$70.0	1.7x	1.7x	1.6x	1.6x	1.6x	1.5x	1.5x
	\$80.0	1.5x	1.5x	1.4x	1.4x	1.4x	1.3x	1.3x
	\$90.0	1.3x	1.3x	1.2x	1.2x	1.2x	1.2x	1.1x

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	5.0x	4.8x	4.5x	4.3x	4.1x	3.9x	3.7x
	\$40.0	3.7x	3.6x	3.4x	3.3x	3.2x	3.1x	2.9x
	\$50.0	3.0x	2.9x	2.8x	2.7x	2.6x	2.5x	2.4x
	\$60.0	2.5x	2.4x	2.3x	2.3x	2.2x	2.1x	2.0x
	\$70.0	2.0x	1.9x	1.8x	1.8x	1.7x	1.6x	1.5x
	\$80.0	1.6x	1.5x	1.4x	1.4x	1.3x	1.3x	1.2x
	\$90.0	1.2x	1.2x	1.1x	1.1x	1.0x	1.0x	0.9x

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	(\$1,246)	(\$1,229)	(\$1,211)	(\$1,194)	(\$1,177)	(\$1,157)	(\$1,132)
	\$40.0	(\$1,145)	(\$1,127)	(\$1,110)	(\$1,093)	(\$1,075)	(\$1,055)	(\$1,030)
	\$50.0	(\$1,043)	(\$1,026)	(\$1,009)	(\$991)	(\$974)	(\$954)	(\$929)
	\$60.0	(\$942)	(\$925)	(\$907)	(\$890)	(\$872)	(\$852)	(\$827)
	\$70.0	(\$840)	(\$823)	(\$806)	(\$788)	(\$771)	(\$751)	(\$726)
	\$80.0	(\$739)	(\$722)	(\$704)	(\$687)	(\$669)	(\$649)	(\$624)
	\$90.0	(\$637)	(\$619)	(\$602)	(\$585)	(\$567)	(\$547)	(\$522)

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	(\$825)	(\$799)	(\$773)	(\$746)	(\$720)	(\$690)	(\$658)
	\$40.0	(\$667)	(\$640)	(\$614)	(\$588)	(\$561)	(\$532)	(\$500)
	\$50.0	(\$508)	(\$482)	(\$455)	(\$429)	(\$403)	(\$373)	(\$341)
	\$60.0	(\$349)	(\$323)	(\$297)	(\$270)	(\$244)	(\$215)	(\$182)
	\$70.0	(\$191)	(\$164)	(\$138)	(\$112)	(\$85)	(\$56)	(\$24)
	\$80.0	(\$32)	(\$6)	\$21	\$47	\$73	\$103	\$135
	\$90.0	\$127	\$153	\$179	\$206	\$232	\$262	\$294

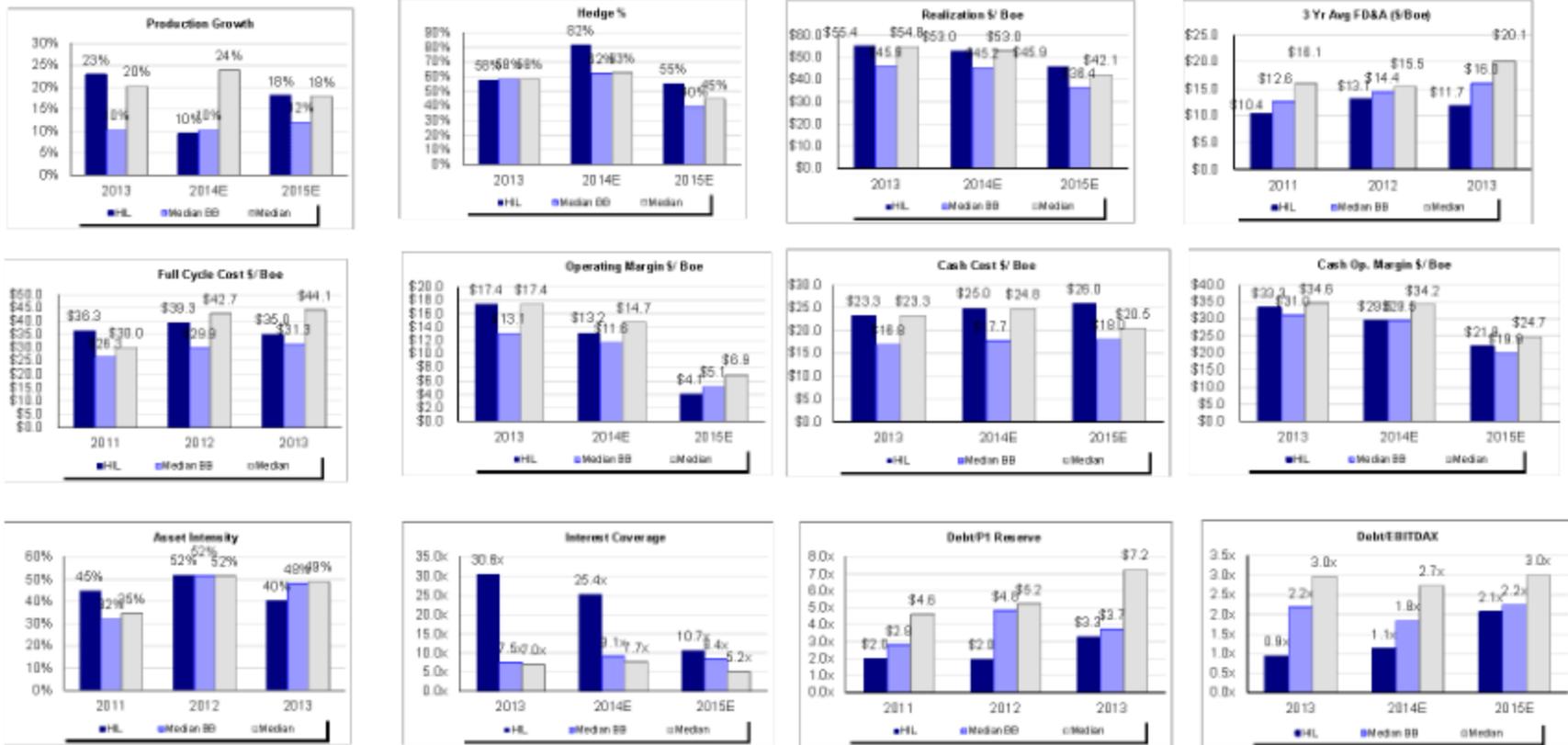
		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	\$3.2	\$3.1	\$3.0	\$3.0	\$2.9	\$2.8	\$2.7
	\$40.0	\$2.8	\$2.7	\$2.6	\$2.5	\$2.5	\$2.4	\$2.3
	\$50.0	\$2.3	\$2.3	\$2.2	\$2.2	\$2.1	\$2.1	\$2.0
	\$60.0	\$2.0	\$2.0	\$1.9	\$1.9	\$1.8	\$1.8	\$1.7
	\$70.0	\$1.7	\$1.7	\$1.6	\$1.6	\$1.6	\$1.5	\$1.5
	\$80.0	\$1.5	\$1.5	\$1.4	\$1.4	\$1.4	\$1.3	\$1.3
	\$90.0	\$1.3	\$1.3	\$1.2	\$1.2	\$1.2	\$1.2	\$1.1

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	\$5.0	\$4.8	\$4.5	\$4.3	\$4.1	\$3.9	\$3.7
	\$40.0	\$3.7	\$3.6	\$3.4	\$3.3	\$3.2	\$3.1	\$2.9
	\$50.0	\$3.0	\$2.9	\$2.8	\$2.7	\$2.6	\$2.5	\$2.4
	\$60.0	\$2.5	\$2.4	\$2.3	\$2.3	\$2.2	\$2.1	\$2.0
	\$70.0	\$2.0	\$1.9	\$1.8	\$1.8	\$1.7	\$1.6	\$1.5
	\$80.0	\$1.6	\$1.5	\$1.4	\$1.4	\$1.3	\$1.3	\$1.2
	\$90.0	\$1.2	\$1.2	\$1.1	\$1.1	\$1.0	\$1.0	\$0.9

Source: Deutsche Bank



Figure 77: Hilcorp Energy Benchmarks



Source: Deutsche Bank, company data, Bloomberg Finance LP

Industry level Median, Median BB, and Median B Metrics include both covered and non-covered companies

For the following companies covered by DB High Yield, the forecasts figures reflect our published estimates: CHK, XEC, DNR, FST, XCO, HILCRP, HK, NFX, DEP, RRC, SANVST and SD

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXD, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVEN, SM, TPLM, TLW and WPX





Newfield Exploration

Relative Value

Newfield's recently announced FY 15 capex (excluding capitalized costs and interest) is around \$1.4 billion range or down ~\$500million YoY; this was below the \$1.6 billion levels, which management noted as the likely level based on \$80/bbl. The lower capex outlook is expected to bring meaningful reductions to its FY 15 cash burn; we estimate ~\$200 million of cash burn for FY 15E. This bodes well for its goal of neutral FCF in FY 16. The reduction is likely to be across the Uinta, Eagle Ford and Williston plays, while it would continue its focus on the core Anadarko where the company demonstrated solid operating momentum in FY 14. NFX has set an ambitious target of doubling production in Anadarko during FY 14 and achieving an exit rate of 50 Mboe/d by end of FY 14. Of note, NFX already reached that target exit rate in Q3 14 and expects to average 50 Mboe/d during Q4 14. Well results in Anadarko - across the SCOOP, emerging STACK and newfound Springer Shale - have been solid; both SCOOP and STACK wells continue to outperform the type curve. Besides the Anadarko Basin, momentum in other plays continued to be solid allowing NFX to raise its FY 14 production growth guidance to +21% YoY (PF asset sales), above the previous 10-20% YoY target. We expect this operating momentum to continue in FY 15 and FY 16 and drive single-digit production growth (6-8%) despite lower capex.

Besides operating momentum the other key factor in the medium term is NFX's hedging program; with 80% of FY 15 revenue hedged and 57% of FY 16 revenue hedged NFX ranks 3rd highest in our peer group. However, the caveat to the solid hedge levels is the hedging structure; 80% of the oil hedges in FY 15E and 100% of oil hedges in FY 16E are three way collars limiting downside protection to \$70/bbl only. Driven by the operating momentum and some hedge protection, we expect FY 15 and FY 16 EBITDA levels to be ~\$1.4-1.5 billion. On leverage front, we expect the company to maintain current net leverage levels of ~2.0x currently, which factors in \$600 million proceeds from China asset sale. The timeline for the sale has been extended recently with price as an issue. We believe solid operational progress and a high likelihood of divestitures (China) will push this currently split-rated credit company (BBB-/Ba1 Senior Notes) to full IG within the next 12-24months. We maintain our BUY rating on all NFX bonds. On the margin, we believe the possible positive catalysts for NFX (operational, asset sales) make these bonds trading at ~6% more attractive than SELL-rated QEP bonds trading in the same area (YTW: 6.1-6.3%) given we might see negative catalysts from that credit. NFX Downside risks include higher-than-expected spending needs or lower-than-expected production growth.



Figure 78: Newfield Exploration Financial Summary

Issue	Maturity	Rating	Call Date	NC Price							
6.875% Senior Subordinated Notes due 2023	1-Feb-23	Ba2 (Stable)	BB+ (Stable)	1-Feb-15	103.43						
5.75% Senior Notes due 2022	30-Jan-22	Ba1 (Stable)	BBB- (Stable)	MW-50	MW-50						
5.625% Senior Notes due 2024	1-Jul-24	Ba1 (Stable)	BBB- (Stable)	MW-50	MW-50						
	\$/Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013	
Revenue	466	466	553	668	670	2,299		2,471	2,587	2,070	
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-		-	-	-	
Net Revenue	466	466	553	668	670	2,299		2,471	2,587	2,070	
Operating Costs	104	101	192	216	265	804		968	1,041	833	
Realized Hedging Gain / (Loss)	7	17	(36)	(47)	(30)	(86)		155	135	59	
EBITDAX from discontinued operations	105	166	96	5	(2)	232		-	-	356	
EBITDAX with Hedges	414	496	385	346	383	1,608		1,666	1,611	1,662	
COA	171	196	188	212	228	814		787	995	743	
EBIT	243	204	300	134	155	754		551	556	569	
Interest	39	39	38	38	38	153		53	137	152	
EBT (excl others)	204	265	162	96	117	641		628	519	757	
Others	179	233	(139)	128	(317)	(36)		(2)	19	497	
One time charges	-	-	-	-	-	-		-	1,485	-	
EBT(excl others)	25	32	301	(30)	434	737		640	(98)	266	
Taxes	(2)	15	17	(8)	155	180		261	196	113	
Net Income	27	17	384	(32)	279	557		539	(1,184)	147	
	(\$)	-	-	(8)	-	(20)		-	-	(20)	
LTM EBITDAX with Hedges	1,633	1,692	1,646	1,639	1,668	1,608		1,688	1,611	1,662	
LTM EBITDAX without Hedges	1,479	1,593	1,653	1,701	1,687	1,697		1,663	1,476	1,593	
WTI Crude (\$/Bbl)	\$135.41	\$77.90	\$98.61	\$102.90	\$97.25	\$93.26		\$95.16	\$91.40	\$82.37	
Henry Hub Natural Gas (\$/Mcf)	\$3.60	\$4.90	\$4.72	\$4.58	\$3.95	\$4.31		\$4.92	\$2.94	\$3.84	
Key Production Data											
Natural Gas Production (MMcf)	29,800	26,200	28,800	30,500	31,700	118,400		178,200	144,751	116,300	
Realized Nat. Gas Price (\$/Mcf)	\$3.89	\$3.39	\$3.89	\$3.90	\$3.79	\$3.89		\$5.43	\$3.58	\$3.97	
Crude Oil Production (MMbbl)	2,658	4,106	4,131	4,535	4,889	17,556		16,658	24,536	16,670	
Realized Oil Price (\$/Bbl)	\$84.72	\$84.48	\$82.26	\$82.46	\$81.41	\$83.69		\$85.89	\$88.69	\$89.48	
Company NGL Production (MMbbl)	1,096	1,506	1,681	2,062	2,209	7,403		-	-	5,168	
Realized NGL Price (\$/Bbl)	\$30.90	\$33.48	\$36.11	\$31.11	\$34.16	\$34.89		\$0.30	\$0.00	\$33.75	
Total Production (MMcfe)	60,328	61,806	62,612	68,642	73,789	288,154		203,148	281,967	247,328	
Total Equivalent Realized (\$/mcf)	\$8.13	\$8.24	\$8.15	\$7.96	\$7.95	\$8.57		\$9.57	\$9.24	\$8.54	
Total Equivalent Production (boe)	10,055	10,200	12,460	11,640	12,283	44,622		48,656	48,681	41,221	
Revenue & Operating Margins per Boe											
Realization	\$8.13	\$8.24	\$8.15	\$7.96	\$7.95	\$8.57		\$9.57	\$9.24	\$8.54	
Realization	\$48.77	\$49.43	\$48.91	\$47.75	\$47.71	\$48.48		\$54.43	\$55.45	\$51.23	
Lifting Costs	\$12.23	\$12.52	\$12.99	\$12.71	\$12.78	\$12.75		\$16.83	\$17.63	\$14.99	
G&A	\$6.97	\$5.73	\$5.35	\$5.94	\$3.91	\$5.17		\$3.79	\$4.48	\$5.14	
DD&A	\$17.91	\$18.99	\$17.96	\$18.21	\$18.99	\$18.21		\$19.70	\$19.63	\$18.02	
Operating Income	\$13.46	\$13.12	\$12.61	\$10.96	\$12.46	\$12.82		\$18.92	\$13.72	\$13.87	
Interest	\$3.89	\$3.79	\$3.65	\$3.26	\$3.79	\$3.42		\$1.90	\$2.92	\$3.89	
3-yr avg. F&D all (in acq)	\$24.73	\$22.80	\$22.90	\$22.80	\$22.80	\$22.80		\$16.33	\$24.79	\$22.80	
3-yr avg. F&D all (excl acq)	\$21.52	\$20.48	\$20.48	\$20.48	\$20.48	\$20.48		\$13.81	\$21.52	\$20.48	
Full cycle costs	\$46.91	\$44.83	\$44.77	\$44.62	\$42.58	\$44.14		\$39.04	\$49.66	\$48.82	
Free Cash Flow:											
EBITDAX with Hedges	414	496	388	346	383	1,608		1,666	1,611	1,662	
Current Taxes	(38)	(30)	-	144	(1)	111		(78)	(286)	(128)	
Capex - Exploration & Development	(551)	(546)	(591)	(443)	(553)	(2,103)		(2,346)	(1,780)	(1,867)	
Capex - Acq. of Properties / Leasehold	-	-	-	-	-	-		-	-	-	
Capex - Other Property & Equipment	(25)	(11)	-	(17)	17	(11)		-	-	(26)	
Total Capex	(576)	(557)	(591)	(460)	(536)	(2,114)		(2,346)	(1,780)	(2,093)	
Change in Net Working Capital	62	(48)	20	33	18	20		40	(182)	11	
Cash Available for Debt Service	(112)	(147)	(152)	62	(138)	(373)		(262)	(557)	(466)	
Interest (Excl. Capitalized Interest)	(38)	(38)	(35)	(17)	(35)	(173)		(78)	(137)	(152)	
Free Cash Flow	(188)	(188)	(211)	48	(184)	(944)		(781)	(884)	(944)	
Disposal of Assets	6	11	819	2	664	1,436		466	630	36	
Acquisition of Assets	(61)	(8)	-	(15)	(8)	(26)		(26)	(4)	(72)	
Free Cash Flow Incl Asset Sales	(205)	(162)	608	32	464	863		(644)	(79)	(678)	
Balance Sheet Data											
Cash	89	95	197	35	398	395		76	85	55	
Debt											
- Senior Notes & Other debt	3,045	3,045	3,046	3,046	3,046	3,046		2,920	3,045	3,045	
- Credit Facilities	448	649	-	35	-	-		86	-	649	
Long Term Debt	3,493	3,694	3,046	3,077	3,046	3,046		3,006	3,045	3,694	
YoY Growth Statistics											
Revenue Growth (including Realized Hedging Gain)	-24%	-22%	-24%	27%	28%	-4%		15%	1%	-21%	
Production Growth	-18%	-11%	-7%	22%	22%	5%		5%	9%	-15%	
LTM Credit Statistics											
EBITDAX/Cash Interest (incl. Capitalized Interest)	5.9x	6.4x	6.4x	6.4x	6.3x	6.3x		6.6x	5.9x	6.4x	
3x-5yr Debt EBITDAX	0.4x	0.5x	-	0.2x	-	-		0.1x	-	0.5x	
3x-5yr EBITDAX	1.3x	1.3x	1.3x	1.4x	1.3x	1.3x		0.9x	1.3x	1.3x	
Debt/EBITDAX	2.3x	2.2x	1.9x	1.9x	1.9x	1.9x		1.8x	1.9x	2.2x	
Net Debt/EBITDAX	2.2x	2.2x	1.9x	1.9x	1.6x	1.6x		1.7x	1.8x	2.2x	
Debt/Proved Reserves (\$/Mcf)	\$1.33	\$1.07	\$0.86	\$0.89	\$0.88	\$0.88		\$0.77	\$0.90	\$1.07	
Debt/Proved Developed Reserves (\$/Mcf)	\$1.34	\$1.31	\$1.57	\$1.59	\$1.57	\$1.57		\$1.41	\$1.70	\$1.50	

Liquidity Capitalization	Q3 '14	FFIZ
Cash & Marketable Securities	206	-
Revolving Credit Facility due June 2016 ⁽¹⁾	1,400	1,182
Money Market Lines of Credit	196	196
Less: Short-term Debt	-	-
Liquidity	1,802	1,377
Capitalization	Q3 '14	FFIZ
Revolving Credit Facility due June 2016	-	218
Money Market Lines of Credit	-	-
5.75% Senior Notes due 2022	750	750
5.625% Senior Notes due 2024	1,000	1,000
7.125% Senior Subordinated Notes due 2018	600	-
6.875% Senior Subordinated Notes due 2023	700	700
Other	(4)	(4)
Total Debt	3,046	2,664
Net Debt	2,666	2,664
Minority Interest & Others	-	-
Market Cap	3,261	3,261
Enterprise Value	5,911	5,926
EV/FF EBITDAX ⁽²⁾	4.4x	4.4x
Net Debt/EBITDAX ⁽³⁾	2.9x	2.9x

Company Description:	Reserve Description	2011	2012	2013
Newfield Exploration Company is an independent oil and gas company engaged in the exploration, development and acquisition of natural gas and crude oil properties.	Proved Reserves			(3)
	Net Gas (boe)	2,333	1,755	1,648
	Liquids (MMbbl)	283	237	302
	Crude Oil Equivalent (mmboe)	652	530	577
	% Gas	66%	55%	46%
	% Proved Developed	54%	53%	56%
	Reserve Life (Years)	12.8	14.1	12.4
	Reserve Replacement (ARX)	208%	192%	180%
	Reserve Replacement (DRX)	208%	192%	185%
	PV of Reserves (Bn\$)	8,232	5,990	6,600
	Hedges			
	2014E	72%	\$ 12 - 0.38	
	2015E	66%	\$ 75 - 10.35	

Regions
Mid-Continent
Texas
Gulf of Mexico
International (China)

Debt Maturity	
FY 14	-
FY 15	-
FY 16+	3,046

(1) Operational data exclude international operations, which are treated as discontinued operations from Q2 '12.
(2) FF for independence of 7.125% Sr-Sub Notes: 10 proffered via sale of granite wash assets during Q3 '14.
(3) Taxes into consideration EGM of outstanding debt of crude.
(4) EBITDAX pro forma for sale of Malaysian and Donkey Wash assets.
(5) Includes only reserves from continuing operations, i.e., domestic reserves.

Source: Deutsche Bank, Company data

Figure 79: Newfield Exploration Financial Forecast

\$Mn	Q1 '14	Q2 '14	Q3 '14	Q4 '14E	Q1 '15E	Q2 '15E	Q3 '15E	Q4 '15E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Revenue	553	608	619	466	357	375	402	432	1,338	1,883	2,471	2,567	2,070	2,227	2,070	2,227	1,566	1,558	
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Revenue	553	608	619	466	357	375	402	432	1,338	1,883	2,471	2,567	2,070	2,227	2,070	1,566	1,558		
Operating Costs	192	216	205	195	183	192	199	205	474	625	968	1,091	803	808	779	807	779	807	
Realized Hedging Gain / (Loss)	(29)	(47)	(20)	76	101	104	103	95	851	426	195	135	59	(20)	403	252			
EBITDAX from discontinued operations	66	1	(2)	7	-	-	-	-	-	-	-	-	356	73	-	-	-	-	
EBITDAX with Hedges	368	346	383	356	274	289	306	322	1,715	1,684	1,696	1,611	1,652	1,463	1,463	1,190	1,190		
DDA	188	212	228	228	231	242	250	257	587	644	707	955	743	656	960	1,239			
EBIT	200	134	155	128	43	49	56	65	1,128	1,040	931	656	909	607	210	365			
Interest	38	38	38	32	30	29	28	28	75	98	93	137	152	146	113	116			
EBT (incl others)	162	96	117	96	13	18	28	37	1,053	942	838	519	757	461	97	249			
Others	(139)	126	(317)	13	(9)	(9)	(8)	-	294	113	(2)	19	487	(216)	(9)	-			
One-time charges	-	-	-	-	-	-	-	-	1,344	-	-	1,488	-	-	-	-			
EBT (incl others)	301	(30)	434	83	13	18	28	37	(885)	829	840	(980)	260	777	97	249			
Taxes	17	(8)	156	33	5	7	10	14	(343)	305	301	196	113	196	36	92			
Net Income	284	(22)	278	50	8	11	18	23	(542)	523	539	(1,184)	147	579	61	157			
LTM EBITDAX with Hedges	1,646	1,639	1,608	1,474	1,360	1,301	1,224	1,190	1,715	1,684	1,696	1,611	1,652	1,463	1,463	1,190	1,190		
LTM EBITDAX without Hedges	1,603	1,701	1,697	1,504	1,250	1,040	840	787	964	1,258	1,503	1,476	1,593	1,483	1,483	787	1,152		
WTI Crude (\$/Bbl)	\$98.61	\$102.99	\$97.25	\$73.29	\$52.50	\$52.50	\$55.00	\$57.50	\$61.90	\$79.59	\$95.16	\$91.40	\$92.37	\$93.91	\$94.38	\$95.00			
Henry Hub Natural Gas (\$/Mcf)	\$4.72	\$4.58	\$3.95	\$3.83	\$3.75	\$3.75	\$3.75	\$3.75	\$4.20	\$4.39	\$4.02	\$2.94	\$3.84	\$4.27	\$3.75	\$3.75			
Key Production Data																			
Natural Gas Production (MMscf)	28,000	30,900	31,700	26,960	28,709	29,295	29,881	29,296	178,200	192,400	175,200	144,751	118,200	117,160	117,160	117,160			
Realized Nat. Gas Price (\$/Mcf)	\$3.89	\$3.90	\$3.79	\$3.71	\$3.81	\$3.81	\$3.80	\$3.81	\$6.42	\$5.70	\$5.43	\$3.58	\$3.97	\$3.82	\$3.81	\$3.53			
Crude Oil Production (MMbbl)	4,121	4,535	4,809	4,944	4,520	4,824	5,020	5,316	13,172	14,562	19,658	24,536	16,670	18,400	19,688	22,644			
Realized Oil Price (\$/Bbl)	\$82.26	\$82.46	\$81.41	\$79.22	\$66.67	\$66.16	\$67.19	\$66.94	\$81.23	\$81.32	\$88.88	\$88.88	\$99.48	\$81.27	\$86.75	\$86.33			
NGL Production (MMbbl)	1,681	2,022	2,299	2,067	2,389	2,545	2,649	2,864	-	-	-	-	5,168	8,000	10,388	10,388			
Realized Oil Price (\$/Bbl)	\$38.11	\$31.11	\$34.16	\$24.81	\$19.34	\$19.34	\$20.25	\$21.18	\$0.00	\$0.00	\$0.00	\$0.00	\$30.75	\$31.77	\$20.07	\$20.94			
Total Production (MMbbl)	62,812	69,842	73,799	69,226	70,212	73,904	75,895	79,016	257,232	279,772	295,148	291,967	247,328	275,580	297,626	315,484			
Total Equivalent Realized (\$/boe)	\$8.15	\$7.96	\$7.95	\$7.86	\$6.52	\$6.53	\$6.95	\$6.75	\$8.61	\$8.15	\$9.07	\$9.24	\$8.54	\$7.97	\$6.61	\$7.01			
Total Equivalent Produced (boe)	10,469	11,640	12,283	11,538	11,702	12,251	12,649	13,060	40,872	46,629	48,858	48,661	41,221	45,920	49,604	52,581			
Total Equivalent Realized (\$/boe)	\$48.91	\$47.75	\$47.71	\$47.14	\$39.09	\$39.17	\$39.89	\$40.52	\$51.64	\$48.91	\$54.43	\$55.45	\$51.23	\$47.85	\$39.69	\$42.04			
Revenue & Operating Margins per Boe																			
Realization	\$48.91	\$47.75	\$47.71	\$47.14	\$39.09	\$39.17	\$39.89	\$40.52	\$51.64	\$48.91	\$54.43	\$55.45	\$51.23	\$47.85	\$39.69	\$42.04			
Lifting Costs	\$12.99	\$12.71	\$12.78	\$12.72	\$10.86	\$10.87	\$10.90	\$10.95	\$7.51	\$9.99	\$16.03	\$17.63	\$14.99	\$12.89	\$10.90	\$10.94			
G&A	\$5.35	\$5.88	\$3.91	\$4.16	\$4.80	\$4.80	\$4.80	\$4.80	\$3.36	\$3.35	\$3.79	\$4.48	\$5.14	\$4.79	\$4.82	\$4.20			
DDA	\$17.96	\$18.21	\$18.56	\$19.76	\$19.76	\$19.76	\$19.76	\$19.76	\$13.69	\$13.81	\$15.70	\$19.63	\$18.02	\$18.64	\$19.76	\$19.76			
Operating Income	\$12.61	\$10.98	\$12.49	\$10.98	\$3.67	\$3.74	\$4.44	\$5.89	\$27.08	\$22.06	\$18.62	\$13.72	\$13.67	\$11.83	\$4.23	\$6.94			
Interest	\$3.63	\$3.26	\$3.09	\$2.77	\$2.52	\$2.27	\$2.21	\$2.15	\$1.75	\$2.10	\$2.02	\$2.82	\$3.69	\$3.18	\$2.28	\$2.20			
3-yr avg. F&D all (in acc)	\$22.80	\$22.80	\$22.80	\$22.80	\$22.80	\$22.80	\$22.80	\$22.80	\$13.39	\$14.67	\$16.30	\$24.73	\$22.80	\$22.80	\$22.80	\$22.80			
3-yr avg. F&D all (excl acc)	\$20.48	\$20.48	\$20.48	\$20.48	\$20.48	\$20.48	\$20.48	\$20.48	\$11.84	\$12.67	\$13.81	\$21.52	\$20.48	\$20.48	\$20.48	\$20.48			
Full cycle costs	\$44.77	\$44.62	\$42.59	\$42.44	\$40.96	\$40.74	\$40.70	\$40.79	\$28.01	\$29.81	\$38.04	\$49.66	\$46.62	\$43.56	\$40.78	\$46.34			
Free Cash Flow:																			
EBITDAX with Hedges	368	346	383	356	274	289	306	322	1,715	1,684	1,696	1,611	1,652	1,463	1,463	1,190	1,190		
Current Taxes	-	-	-	-	-	-	-	-	(48)	(87)	(70)	(206)	(126)	(143)	-	-			
Capex - Exploration & Development	(561)	(443)	(533)	(563)	(408)	(388)	(418)	(368)	(1,376)	(1,658)	(2,340)	(1,700)	(1,987)	(2,146)	(1,594)	(1,472)			
Capex - Acq. of Properties / Leasehold	-	(15)	(8)	-	-	-	-	-	-	-	-	-	-	-	-	-			
Capex - Other Property & Equipment	-	(17)	12	-	-	-	-	-	-	-	-	(26)	-	-	-	-			
Total Capex	(561)	(475)	(542)	(563)	(408)	(388)	(418)	(368)	(1,376)	(1,658)	(2,340)	(1,700)	(2,023)	(2,146)	(1,594)	(1,472)			
Change in Net Working Capital	20	32	18	19	(2)	162	(138)	85	(79)	47	40	(182)	11	87	106	(22)			
Cash Available for Debt Service	(153)	47	(144)	(208)	(196)	62	(242)	18	212	(14)	(972)	(567)	(488)	(447)	(297)	(191)			
Interest (Excl. Capitalized Interest)	(58)	(17)	(56)	(13)	(57)	(1)	(54)	(2)	(75)	(79)	(79)	(137)	(152)	(145)	(114)	(117)			
Free Cash Flow	(211)	30	(206)	(221)	(192)	61	(246)	16	137	(93)	(751)	(694)	(640)	(562)	(411)	(266)			
Disposal of Assets	819	2	894	50	600	-	-	-	-	12	406	630	36	1,475	600	-			
Acquisition of Assets	-	(15)	(8)	-	-	-	-	-	-	(313)	(304)	(3)	(72)	(21)	-	-			
Free Cash Flow Incl Asset Sales	608	17	388	(171)	408	61	(246)	16	137	(294)	(645)	(73)	(676)	662	169	(266)			
Balance Sheet Data																			
Cash	107	36	394	-	97	109	-	-	78	39	76	88	95	-	-	-			
Debt																			
Senior Notes	3,046	3,046	3,046	2,446	2,446	2,446	2,446	2,446	1,853	2,169	2,920	3,045	3,045	2,446	2,446	2,446			
Credit Facilities & Other	-	31	-	321	-	-	115	87	384	135	86	-	649	321	87	246			
Long Term Debt	3,046	3,077	3,046	2,767	2,446	2,446	2,561	2,533	2,037	2,304	3,006	3,045	3,694	2,767	2,533	2,692			
YoY Growth Statistics																			
Revenue Growth (Including Realized Hedging Gain)	-24%	27%	20%	8%	-11%	-14%	-14%	-3%	11%	5%	15%	1%	-21%	3%	-10%	12%			
Production Growth	-7%	22%	22%	12%	12%	5%	3%	12%	9%	9%	5%	0%	-15%	11%	8%	6%			
LTM Credit Statistics																			
EBITDAX/Cash Interest (incl. Capitalized Interest)	6.4x	6.4x	6.3x	5.9x	5.7x	5.8x	5.8x	5.9x	9.7x	7.9x	6.8x	5.9x	6.4x	5.8x	5.9x	6.7x			
Sr. Sec debt/EBITDAX	-	0.9x	-	0.2x	-	-	0.1x	0.1x	0.2x	0.1x	0.1x	-	0.5x	0.2x	0.1x	0.2x			
Sr. debt/EBITDAX	1.3x	1.4x	1.3x	1.5x															

Figure 80: Commodity Price Scenario Analysis: Newfield Exploration Forecast Metrics

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil ILM	\$30.0	\$713	\$722	\$731	\$740	\$749	\$770	\$797
	\$40.0	\$893	\$901	\$910	\$919	\$928	\$949	\$976
	\$50.0	\$1,072	\$1,081	\$1,090	\$1,098	\$1,107	\$1,128	\$1,156
	\$60.0	\$1,251	\$1,260	\$1,269	\$1,278	\$1,286	\$1,308	\$1,335
	\$70.0	\$1,430	\$1,439	\$1,448	\$1,457	\$1,466	\$1,487	\$1,514
	\$80.0	\$1,481	\$1,490	\$1,499	\$1,508	\$1,516	\$1,537	\$1,565
	\$90.0	\$1,503	\$1,512	\$1,521	\$1,529	\$1,538	\$1,559	\$1,587

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil ILM	\$30.0	\$399	\$451	\$504	\$556	\$609	\$662	\$714
	\$40.0	\$626	\$678	\$731	\$783	\$836	\$889	\$941
	\$50.0	\$853	\$905	\$958	\$1,011	\$1,063	\$1,116	\$1,168
	\$60.0	\$1,080	\$1,132	\$1,185	\$1,238	\$1,290	\$1,343	\$1,396
	\$70.0	\$1,307	\$1,360	\$1,412	\$1,465	\$1,517	\$1,570	\$1,623
	\$80.0	\$1,444	\$1,497	\$1,549	\$1,602	\$1,654	\$1,707	\$1,760
	\$90.0	\$1,508	\$1,561	\$1,613	\$1,666	\$1,719	\$1,771	\$1,824

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	4.1x	4.1x	4.0x	3.9x	3.9x	3.8x	3.6x
	\$40.0	3.1x	3.1x	3.0x	3.0x	3.0x	2.9x	2.8x
	\$50.0	2.4x	2.4x	2.4x	2.4x	2.3x	2.3x	2.2x
	\$60.0	2.0x	1.9x	1.9x	1.9x	1.9x	1.9x	1.8x
	\$70.0	1.6x	1.6x	1.6x	1.6x	1.6x	1.5x	1.5x
	\$80.0	1.5x	1.5x	1.5x	1.5x	1.5x	1.5x	1.4x
	\$90.0	1.5x	1.5x	1.5x	1.5x	1.5x	1.4x	1.4x

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	10.2x	8.9x	7.9x	7.0x	6.3x	5.7x	5.2x
	\$40.0	5.9x	5.4x	4.9x	4.5x	4.1x	3.8x	3.5x
	\$50.0	3.9x	3.6x	3.3x	3.1x	2.9x	2.7x	2.5x
	\$60.0	2.7x	2.5x	2.4x	2.2x	2.1x	2.0x	1.8x
	\$70.0	1.9x	1.8x	1.7x	1.6x	1.5x	1.4x	1.3x
	\$80.0	1.6x	1.6x	1.5x	1.4x	1.3x	1.2x	1.1x
	\$90.0	1.5x	1.4x	1.4x	1.3x	1.2x	1.1x	1.1x

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil ILM	\$30.0	(\$208)	(\$204)	(\$200)	(\$197)	(\$193)	(\$177)	(\$155)
	\$40.0	(\$50)	(\$46)	(\$43)	(\$39)	(\$36)	(\$20)	\$3
	\$50.0	\$108	\$111	\$115	\$119	\$122	\$138	\$160
	\$60.0	\$265	\$269	\$273	\$276	\$280	\$296	\$318
	\$70.0	\$423	\$427	\$430	\$434	\$437	\$453	\$476
	\$80.0	\$452	\$456	\$459	\$463	\$466	\$482	\$505
	\$90.0	\$452	\$456	\$459	\$463	\$467	\$482	\$505

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$1,186)	(\$1,134)	(\$1,081)	(\$1,028)	(\$976)	(\$923)	(\$870)
	\$40.0	(\$962)	(\$909)	(\$856)	(\$804)	(\$751)	(\$699)	(\$646)
	\$50.0	(\$737)	(\$685)	(\$632)	(\$579)	(\$527)	(\$474)	(\$421)
	\$60.0	(\$513)	(\$460)	(\$407)	(\$355)	(\$302)	(\$250)	(\$197)
	\$70.0	(\$288)	(\$236)	(\$183)	(\$130)	(\$78)	(\$25)	\$28
	\$80.0	(\$154)	(\$101)	(\$49)	\$4	\$57	\$109	\$162
	\$90.0	(\$92)	(\$39)	\$13	\$66	\$118	\$171	\$224

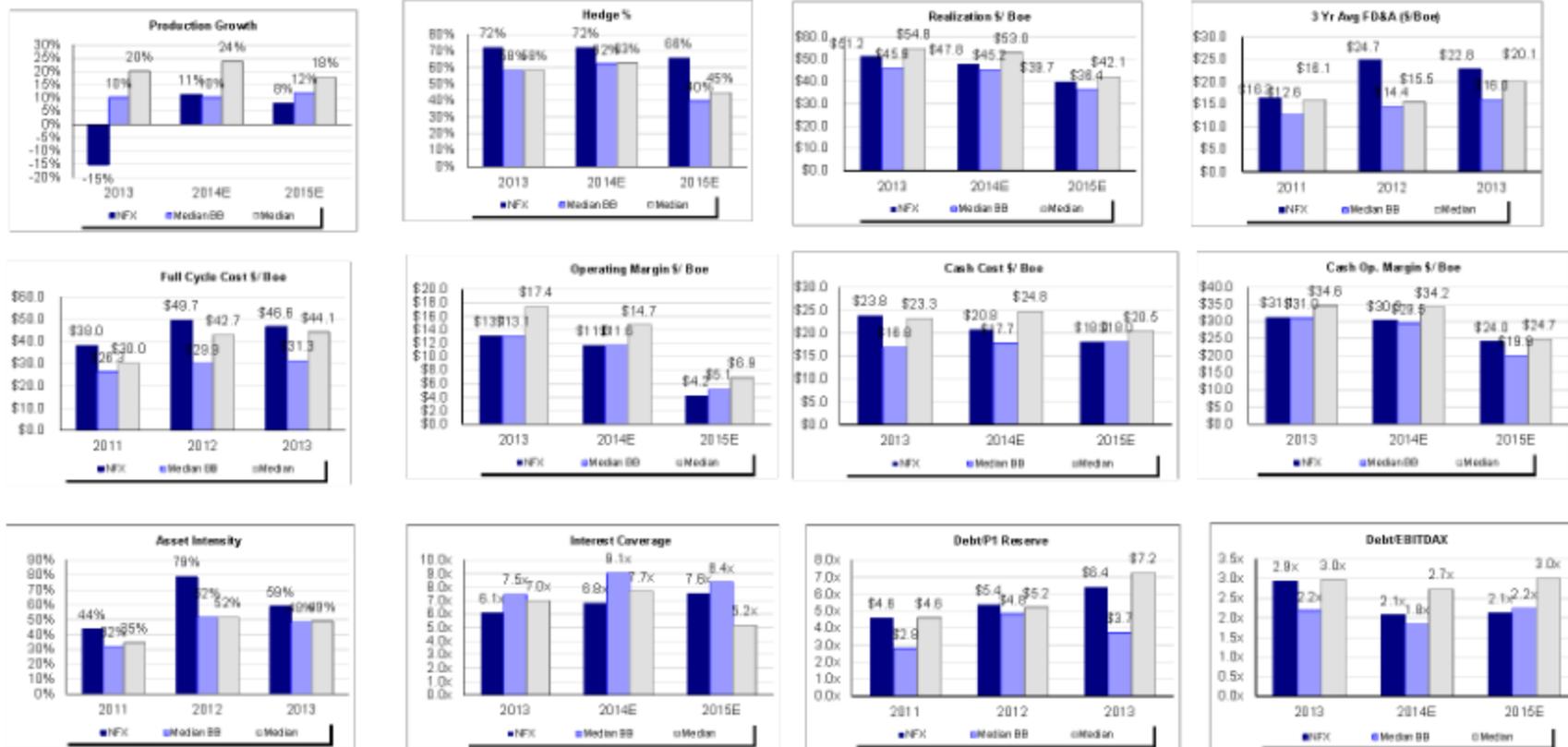
		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$0.9	\$0.9	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8
	\$40.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8
	\$50.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.7
	\$60.0	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7
	\$70.0	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7
	\$80.0	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7
	\$90.0	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$1.2	\$1.2	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1
	\$40.0	\$1.1	\$1.1	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
	\$50.0	\$1.0	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9
	\$60.0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.7
	\$70.0	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7
	\$80.0	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7
	\$90.0	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7

Source: Deutsche Bank



Figure 81: Newfield Exploration Benchmarks



Source: Deutsche Bank, company data, Bloomberg Finance LP

For the following companies covered by DB High Yield, the forecasts figures reflect our published estimates: CHK, XEC, DNR, FST, XCO, HILCRP, HK, NFX, DEP, RRC, SAIVST and SD

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





QEP Resources

Relative value

QEP Resources (QEP) divested its midstream business in October 2014 for \$2.5 billion, and before it could make any major decisions on rewarding shareholders from the sale proceeds, oil prices cratered. Thanks to this fortuitous timing, QEP is starting off the current commodity cycle on strong financial footing – net leverage levels pro forma for the transaction are 0.6x (the lowest within the peer group along with XEC) and liquidity is an impressive \$3.2 billion including \$1.4 billion in cash (the company paid down ~\$900 million of revolver borrowings and unsecured term loan). While QEP scores over its BB-peers in terms of financial risk, the outlook for business risk is relatively less attractive. Specifically, QEP lacks high quality assets with significant scale (i.e. lower inventory life) comparable to peers like RRC and NFX; its Bakken acreage is only 109K net acres of which the top quality South Antelope acreage is just 27K net acres. The issue was only partially addressed by its minor Permian acquisition in late 2013 (26.5K net acres). Consequently, it is difficult to see any credit catalysts in the horizon for the company driving a meaningful improvement in credit profile from current levels. We acknowledge that, given its strong financial position, management could attempt to remedy the situation via another major acquisition of high quality assets and that, given the current condition of the asset markets, could even get it at an attractive valuation. But, at this stage, it is too early to factor this into the credit outlook. In terms of financial outlook, we see a modest deterioration from current levels over the next two years driven by weakening earnings and modest cash burn. We expect annual capex to be about \$1.4 billion (versus \$1.7 billion in FY 14E) driving production growth in the high single digits. However, EBITDA levels should be in the \$1.2 billion range for both years, below \$1.3 billion in FY 14E (pro forma for divestitures) due to weaker realization. In turn, we see cumulative FCF burn of \$550 million during the next two years and net leverage moving up to 1.3x by FYE 16. The company's hedge program is fairly modest – 25% of FY 15E production and close to 0% for FY 16E - exposing it to downside in commodity prices. Taking all of the above into account, we are moving to a **SELL** from a **HOLD** on all QEP bonds (YTW: 6.3-6.5% on longer-dated bonds). Overall, given their recent outperformance, BB high yield E&P bonds have significantly outperformed – QEP included. Further, given our shorter outlook for oil in 1H 15, we think we will see further weakness in overall E&P bonds before we see any marked improvement; we think this leaves BBs without catalysts as set to underperform, of which QEP is one. Upside risks include using cash on hand to pay down debt while downside risks include potential leveraging acquisitions.



Figure 82: QEP Resources Financial Summary

Issue	Rating	Maturity	NC Date	Price
6.05% Senior Notes due 2016	Ba1 (Stable)/BB+ (Stable)	1-Sep-16	MW-20	MW-20
6.85% Senior Notes due 2016	Ba1 (Stable)/BB+ (Stable)	1-Apr-16	MW-50	MW-50
6.85% Senior Notes due 2020	Ba1 (Stable)/BB+ (Stable)	1-Mar-20	MW-50	MW-50
6.875% Senior Notes due 2021	Ba1 (Stable)/BB+ (Stable)	1-Mar-21	MW-50	MW-50
5.375% Senior Notes due 2022	Ba1 (Stable)/BB+ (Stable)	1-Oct-22	MW-50	MW-50
5.25% Senior Notes due 2023	Ba1 (Stable)/BB+ (Stable)	1-May-23	MW-50	MW-50

\$ Mm	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013
Revenue	773	716	804	937	919	3,448	2,897	2,390	2,936
Realized Hedging Gain / (Loss) - Cash Flow +	36	41	(26)	(25)	(5)	(26)	23	279	148
Net Revenue	799	756	840	902	904	3,411	2,969	2,728	3,083
Operating Costs	435	377	404	509	542	1,885	1,587	1,331	1,546
Realized Hedging Gain / (Loss)	-	-	-	-	-	-	-	-	-
EBITDAX with Hedges	364	379	364	406	363	1,526	1,381	1,398	1,538
COA	253	259	240	258	259	1,000	765	905	1,016
EBIT	141	120	144	150	112	526	616	493	522
Interest	42	41	43	46	42	171	89	123	168
EBT (incl others)	190	79	101	106	70	356	528	370	360
Others	40	136	38	251	(187)	245	105	175	82
One time charges	-	-	-	-	-	-	-	-	-
EBT (incl others)	90	(57)	63	(47)	257	113	423	195	268
Taxes	22	(5)	25	(54)	60	44	154	67	128
Net Income	37	(52)	40	(92)	171	67	267	128	168
LTM EBITDAX with Hedges	1,350	1,538	1,347	1,597	1,528	1,528	1,381	1,398	1,538
LTM EBITDAX without Hedges	1,366	1,390	1,486	1,581	1,562	1,562	1,369	1,819	1,368
WTI Crude (\$/bbl)	\$106.13	\$97.61	\$98.67	\$102.90	\$97.25	\$99.12	\$95.16	\$94.18	\$98.67
Henry Hub Natural Gas (\$/Mcf)	\$3.68	\$3.95	\$4.72	\$4.58	\$3.95	\$4.28	\$4.62	\$2.83	\$3.74
Key Production Data									
Natural Gas Production (MMcf)	52,293	48,320	44,500	49,608	41,800	192,503	236,400	249,300	219,908
Realized Nat. Gas Price (\$/Mcf)	\$4.29	\$4.33	\$4.54	\$4.25	\$4.23	\$4.34	\$4.21	\$4.85	\$4.25
Crude Oil Production (MMbbl)	2,645	3,041	3,312	3,981	4,672	15,095	3,778	6,307	10,219
Realized Oil Price (\$/bbl)	\$90.19	\$88.19	\$93.25	\$83.77	\$81.61	\$83.45	\$85.99	\$88.73	\$88.54
Company NGL Production (MMbbl)	1,153.90	1,433.90	1,585.00	1,896.00	1,364	\$8,451.70	2,729.30	5,349.00	4,811.30
Realized NGL Price (\$/bbl)	\$1.36	\$1.34	\$1.26	\$1.34	\$1.49	\$1.35	\$1.58	\$1.33	\$1.56
Total Production (MMcf)	77,882	78,149	73,792	83,066	79,215	311,848	299,078	287,141	300,028
Total Equivalent Realized (Dollars)	\$6.71	\$6.98	\$7.33	\$7.22	\$7.89	\$7.29	\$5.26	\$5.48	\$6.59
Revenue & Operating Margins per Mole									
Realization	\$6.71	\$6.98	\$7.33	\$7.22	\$7.89	\$7.29	\$5.26	\$5.48	\$6.59
Lifting Costs	\$1.04	\$1.12	\$1.27	\$1.18	\$1.47	\$1.26	\$1.09	\$1.15	\$1.88
COA	\$3.03	\$3.29	\$3.03	\$3.77	\$3.17	\$3.06	\$2.68	\$2.63	\$3.99
G&A	\$0.43	\$0.53	\$0.57	\$0.54	\$0.42	\$0.57	\$0.36	\$0.43	\$0.44
Operating Income	\$1.31	\$0.97	\$1.48	\$1.79	\$1.42	\$1.46	\$1.33	\$0.87	\$1.17
Interest Expense (incl. Preferred Div.)	\$0.53	\$0.54	\$0.58	\$0.55	\$0.52	\$0.55	\$0.32	\$0.38	\$0.52
3 Yr Avg. PDA	\$2.52	\$2.78	\$2.78	\$2.76	\$2.76	\$2.76	\$1.72	\$2.52	\$2.78
3 Yr Avg. F&D	\$2.08	\$2.38	\$2.38	\$2.39	\$2.39	\$2.38	\$1.54	\$2.28	\$2.38
Full cycle costs	\$5.42	\$5.98	\$6.29	\$6.95	\$6.40	\$6.15	\$3.40	\$4.89	\$6.63
Free Cash Flow:									
EBITDAX with Hedges	364	379	364	406	363	1,526	1,381	1,398	1,538
Current Taxes	(6)	(26)	-	(3)	(41)	(41)	29	(30)	(78)
Total Capex	(270)	(472)	(306)	(448)	(480)	(1,743)	(1,380)	(1,398)	(1,962)
Change in Net Working Capital	216	(165)	(28)	115	(14)	(186)	(29)	126	(171)
Cash Available for Debt Service	211	(293)	116	64	(154)	(283)	13	56	(274)
Interest (incl. Capitalized Interest)	(43)	(37)	(44)	(41)	(44)	(185)	(50)	(105)	(157)
Free Cash Flow	167	(206)	(98)	23	(198)	(828)	(90)	(14)	(403)
Acquisitions	(17)	(8)	(847)	(3)	(8)	(851)	(48)	(1,401)	(41)
Free Cash Flow Incl Acquisitions	170	(208)	(975)	20	(190)	(1,480)	(144)	(1,411)	(444)
Disposal of Assets	45	2	763	(3)	719	1,511	9	5	211
Free Cash Flow Incl Asset Sales	235	(205)	(212)	17	(190)	(771)	(130)	(1,406)	(234)
Balance Sheet Data									
Cash	123	12	4	702	-	-	-	-	12
Debt									
Senior Notes	2,517	2,518	2,816	2,818	2,818	2,818	1,073	2,517	2,518
- Credit Facilities	365	480	1,102	1,099	298	298	607	600	468
Long Term Debt	2,882	2,998	3,918	3,917	3,116	3,116	1,679	3,207	2,998
YoY Growth Statistics									
Revenue Growth (Including Realized Hedging)	25%	-3%	14%	15%	13%	12%	48%	-8%	13%
Production Growth	-4%	-12%	-5%	8%	2%	-2%	28%	16%	-1%
LTM Credit Statistics									
EBITDAX/Cash Interest (incl. Capitalized Int)	9.7x	9.6x	8.5x	9.1x	9.0x	9.0x	15.4x	11.4x	9.6x
Sr. Sec. debt/EBITDAX	0.2x	0.3x	0.7x	0.7x	0.2x	0.2x	0.4x	0.4x	0.3x
Debt/EBITDAX	1.3x	1.5x	2.5x	2.5x	2.0x	2.0x	1.2x	2.3x	1.9x
Net Debt/EBITDAX	1.8x	1.9x	2.5x	2.1x	2.0x	2.0x	1.2x	2.3x	1.9x
Debt/Proved Reserves (\$/Mcf)	\$0.73	\$0.74	\$0.97	\$0.90	\$0.77	\$0.77	\$0.46	\$0.81	\$0.74
Debt/Proved Developed Reserves (\$/Mcf)	\$1.38	\$1.38	\$1.62	\$1.62	\$1.45	\$1.45	\$0.85	\$1.52	\$1.38

Liquidity Capitalization	Q3 '14	PF (\$)
Cash & Marketable Securities	-	1,423
Revolving Credit August 2016 ⁽¹⁾	1,199	1,199
Less: Short term Debt	-	-
Liquidity	1,199	3,199
Capitalization	Q3 '14	PF (\$)
Credit Facility due August 2016	298	-
OGPM Credit Facility due August 2016	-	-
Unsecured Term Loan Apr '17	680	-
6.85% Senior Notes due 2016	177	177
6.8% Senior Notes due 2016	134	134
6.8% Senior Notes due 2020	130	130
6.875% Senior Notes due 2021	625	625
5.375% Senior Notes due 2022	590	590
5.25% Senior Notes due 2023	650	650
Other debt	(4)	(4)
Total Debt	3,116	2,818
Net Debt	3,116	896
Minority Interest & Others	495	495
Market Cap	3,276	3,276
Enterprise Value	7,186	4,885
EV/EBITDAX ⁽²⁾	4.8x	3.7x
Net Debt/EBITDAX⁽³⁾	2.1x	0.81x

Reserve Description	2011	2012	2013
P Reserves - Nat Gas (Bcf)	2,749	2,622	2,925
P Reserves - Liquids (MMbbl)	144	219	251
P Nat. Gas Equivalent (Bcf)	3,014	3,306	4,058
% Gas	76%	67%	62%
% Proved Developed	54%	54%	53%
Reserve Life (Years)	11.3	12.7	12.8
Reserve Replacement (All in)	312%	249%	115%
Reserve Replacement (Dth 50)	312%	150%	321%
P of Reserves (\$/m)	4,796	4,921	6,000

Notes	%	6 months
2014E	51%	9.45 - 9.65
2015E	25%	10.37 - 10.37

Headquartered in Denver, Colorado, QEP Resources formerly known as Questar Market Resources, Inc., is an independent oil and gas exploration and production company. The company also gathers, compresses, treats, and processes natural gas. The company was a wholly owned subsidiary of Questar Corporation, before it was spun-off by the latter in May 2010.

Regions

- Louisiana
- Wyoming
- Texas/Panhandle
- Oklahoma
- North Dakota
- Eastern Rockies

Debt Maturity

- Y14 -
- FY16 -
- FY16+ 3,116

(1) Starting Q4 '11, transportation and handling costs have been included in LDC costs instead of being netted out of realization (explains the YoY increase in per unit LDC costs in FY '12)
 (2) Midstream business treated as discontinued starting from Q3 '14
 (3) Pro forma for (i) sale of midstream operations of \$2.52B (incl. \$200 of debt) with proceeds used to repay Term Loan and Revolver; assuming ~\$200M of shareholder distributions and (ii) \$300M increase in revolver to \$1.80B
 (4) Revolver availability factors in outstanding LDCs of 34M
 (5) EBITDA adjusted for (i) Mid-Cost asset rate in Q2 for \$837M and (ii) for full year of earnings from Precision acquisition

Source: Deutsche Bank, Company data

Figure 83: QEP Resources Financial Forecast

\$ Mn	Q1 '14	Q2 '14	Q3 '14	Q4 '14E	Q1 '15E	Q2 '15E	Q3 '15E	Q4 '15E	2010	2011	2012	2013	2014E	2015E	2016E
Revenue	884	937	910	753	696	722	790	801	1,901	2,897	2,350	2,936	3,483	2,960	3,661
Realized Hedging Gain / (Loss) - Cash Flow Hedges	(36)	(35)	(15)	71	90	80	75	70	223	72	379	148	(5)	306	10
Net Revenue	848	902	925	682	777	802	835	872	2,125	2,968	2,728	3,083	3,479	3,286	3,671
Operating Costs	464	502	542	475	493	514	535	557	987	1,587	1,331	1,546	1,983	2,099	2,455
Realized Hedging Gain / (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDAX with Hedges	384	400	383	348	284	289	300	314	1,138	1,381	1,398	1,538	1,496	1,187	1,218
DD&A	240	259	251	247	259	266	273	280	643	765	905	1,016	968	1,079	1,165
EBIT	144	150	112	101	25	22	27	34	494	616	493	522	507	109	91
Interest	43	46	42	37	35	35	35	35	84	89	123	160	167	140	137
EBT (incl others)	101	105	70	64	(10)	(13)	(8)	(1)	410	526	370	362	341	(32)	(86)
Others	38	251	(181)	2	1	2	2	3	(84)	105	175	82	111	8	9
One time charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBT (incl others)	63	(147)	251	62	(11)	(14)	(10)	(4)	493	421	195	280	229	(39)	(95)
Taxes	23	(54)	80	23	(4)	(5)	(4)	(1)	167	154	87	120	72	(14)	(35)
Net Income	40	(92)	171	39	(7)	(9)	(6)	(2)	326	267	128	160	158	(25)	(69)
LTM EBITDAX with Hedges	1,547	1,557	1,526	1,498	1,396	1,284	1,221	1,187	1,138	1,381	1,398	1,538	1,496	1,187	1,218
LTM EBITDAX without Hedges	1,486	1,561	1,562	1,501	1,284	1,068	914	881	914	1,309	1,019	1,390	1,501	881	1,206
WTI Crude (\$/Bbl)	\$98.61	\$102.99	\$97.25	\$73.20	\$52.50	\$52.50	\$55.00	\$57.50	\$79.59	\$95.16	\$94.18	\$98.07	\$93.01	\$54.38	\$95.00
Henry Hub Natural Gas (\$/Mcf)	\$4.72	\$4.58	\$3.95	\$3.89	\$3.75	\$3.75	\$3.75	\$3.75	\$4.39	\$4.02	\$2.83	\$3.74	\$4.27	\$3.75	\$3.75
Key Production Data															
Natural Gas Production (Mmcf)	44,500	48,600	41,800	41,500	44,033	45,318	46,419	47,703	203,800	236,400	249,300	218,900	176,400	183,473	190,812
Realized Nat. Gas Price (\$/Mcf)	\$4.54	\$4.25	\$4.23	\$3.87	\$3.71	\$3.71	\$3.71	\$3.71	\$4.74	\$4.21	\$4.05	\$4.25	\$4.23	\$3.71	\$3.64
Crude Oil Production (Mbbbl)	3,312	3,981	4,672	4,400	4,757	4,895	5,014	5,153	4,200	3,778	6,307	10,210	16,365	19,820	22,628
Realized Oil Price (\$/Bbl)	\$83.25	\$83.77	\$81.61	\$81.33	\$84.54	\$84.03	\$84.95	\$85.88	\$56.80	\$85.99	\$86.73	\$89.56	\$82.39	\$64.87	\$90.25
Company NGL Production (Mbbbl)	1,588.00	1,886.00	1,563.50	1,650.00	1,494.96	1,538.57	1,575.94	1,620	-	2,729.30	5,340.00	4,811.30	6,087.80	6,229.62	6,727.34
Realized NGL Price (\$/Bbl)	40.26	34.34	32.68	25.67	20.01	20.01	20.96	\$21.91	-	46.54	36.33	39.95	33.20	20.74	24.77
Total Production (Mcf)	73,782	85,600	78,215	77,000	81,543	83,922	85,960	88,339	229,000	275,446	319,235	309,026	314,587	339,766	366,946
Total Equivalent Realized (\$/mcf)	\$7.33	\$7.22	\$7.69	\$7.21	\$6.14	\$6.11	\$6.18	\$6.25	\$5.26	\$5.26	\$5.48	\$6.59	\$7.36	\$6.17	\$6.06
Revenue & Operating Margins per Mcf															
Realization	\$7.33	\$7.22	\$7.69	\$7.21	\$6.14	\$6.11	\$6.18	\$6.25	\$5.26	\$5.26	\$5.48	\$6.59	\$7.36	\$6.17	\$6.06
Lifting Costs	\$2.27	\$2.18	\$2.47	\$2.17	\$2.09	\$2.09	\$2.10	\$2.12	\$0.89	\$0.99	\$1.55	\$1.88	\$2.27	\$2.10	\$2.17
DD&A	\$3.00	\$2.77	\$3.17	\$3.18	\$3.18	\$3.18	\$3.18	\$3.18	\$2.59	\$2.68	\$2.63	\$3.09	\$3.03	\$3.18	\$3.18
G&A	\$0.57	\$0.54	\$0.62	\$0.55	\$0.57	\$0.57	\$0.58	\$0.57	\$0.34	\$0.36	\$0.43	\$0.46	\$0.57	\$0.57	
Operating Income	\$1.45	\$1.72	\$1.42	\$1.31	\$0.30	\$0.27	\$0.32	\$0.36	\$1.45	\$1.23	\$0.87	\$1.17	\$1.48	\$0.32	\$0.14
Interest Expense (incl. Preferred Div.)	\$0.58	\$0.55	\$0.52	\$0.48	\$0.43	\$0.42	\$0.41	\$0.40	\$0.37	\$0.32	\$0.38	\$0.52	\$0.53	\$0.41	\$0.37
3 Yr Avg. FD&A	\$2.78	\$2.78	\$2.78	\$2.78	\$2.78	\$2.78	\$2.78	\$2.78	\$2.69	\$1.72	\$2.62	\$2.78	\$2.78	\$2.78	\$2.78
3 Yr Avg. F&D	\$2.38	\$2.38	\$2.38	\$2.38	\$2.38	\$2.38	\$2.38	\$2.38	\$2.29	\$1.54	\$2.08	\$2.38	\$2.38	\$2.38	\$2.38
Full cycle costs	\$6.20	\$6.05	\$6.40	\$5.90	\$5.87	\$5.86	\$5.87	\$5.86	\$4.18	\$3.40	\$4.88	\$5.63	\$6.15	\$5.86	\$5.90
Free Cash Flow:															
EBITDAX with Hedges	384	400	383	348	284	289	300	314	1,138	1,381	1,398	1,538	1,496	1,187	1,218
Current Taxes	-	(0)	(12)	(3)	1	1	1	0	(14)	29	(30)	(78)	(16)	2	5
Total Capex	(330)	(449)	(481)	(465)	(350)	(350)	(350)	(350)	(1,360)	(1,383)	(1,399)	(1,562)	(1,726)	(1,466)	(1,462)
Change in Net Working Capital	(38)	115	(14)	(4)	36	131	(107)	7	(73)	(29)	126	(175)	58	68	54
Cash Available for Debt Service	16	66	(154)	(124)	(30)	71	(157)	(28)	(309)	(2)	95	(278)	(198)	(145)	(127)
Interest (Excl. Capitalized Interest)	(44)	(41)	(44)	(34)	(38)	(32)	(38)	(32)	(83)	(84)	(105)	(157)	(163)	(140)	(146)
Free Cash Flow	(28)	25	(190)	(159)	(88)	38	(194)	(61)	(382)	(96)	(10)	(435)	(361)	(285)	(267)
Acquisitions	(947)	(3)	(0)	-	-	-	-	-	(105)	(48)	(1,401)	(41)	(950)	-	-
Free Cash Flow Incl Acquisitions	(975)	22	(190)	(159)	(88)	38	(194)	(61)	(487)	(144)	(1,411)	(475)	(1,310)	(285)	(267)
Disposal of Assets	3	703	(0)	2,502	-	-	-	-	26	8	5	211	3,206	-	-
Free Cash Flow Incl Asset Sales	(972)	725	(190)	2,341	(88)	38	(194)	(61)	(476)	(136)	(1,406)	(264)	1,896	(285)	(267)
Balance Sheet Data															
Cash	4	702	-	1,413	1,294	1,280	1,034	921	-	-	-	12	1,413	921	468
Debt															
Senior Notes	2,818	2,818	2,818	2,218	2,218	2,218	2,218	2,218	1,131	1,073	2,517	2,998	2,218	2,218	2,041
Credit Facilities	1,192	1,093	298	-	-	-	-	-	400	607	690	480	-	-	-
Long Term Debt	3,919	3,911	3,116	2,218	2,218	2,218	2,218	2,218	1,531	1,679	3,207	3,478	2,218	2,218	2,041
YoY Growth Statistics															
Revenue Growth (including Realized Hedging Gain)	14%	15%	13%	9%	-8%	-11%	-8%	6%	-2%	40%	-8%	13%	13%	-6%	12%
Production Growth	-5%	8%	2%	4%	11%	0%	9%	14%	21%	20%	16%	-3%	2%	8%	8%
LTM Credit Statistics															
EBITDAX/Cash Interest (incl. Capitalized Interest)	9.5x	9.1x	9.0x	8.9x	8.7x	8.5x	8.4x	8.3x	13.5x	15.4x	11.4x	9.6x	8.9x	8.3x	8.6x
Sr. Sec debt/EBITDAX	0.7x	0.7x	0.2x	-	-	-	-	-	0.4x	0.4x	0.4x	0.3x	-	-	-
Debt/EBITDAX	2.5x	2.5x	2.0x	1.9x	1.6x	1.7x	1.8x	1.9x	1.3x	1.2x	2.3x	1.9x	1.5x	1.9x	1.7x
Net Debt/EBITDAX	2.5x	2.1x	2.0x	0.5x	0.7x	0.7x	1.0x	1.1x	1.3x	1.2x	2.3x	1.9x	0.5x	1.1x	1.3x
Debt/Proved Reserves (\$/Mcf)	\$0.97	\$0.96	\$0.77	NA	NA	NA	NA	NA	\$0.49	\$0.46	\$0.81	\$0.74	NA	NA	NA
Debt/Proved Developed Reserves (\$/Mcf)	\$1.82	\$1.82	\$1.45	NA	NA	NA	NA	NA	\$0.91	\$0.85	\$1.52	\$1.39	NA	NA	NA

Source: Deutsche Bank, Company data



Figure 84: Commodity Price Scenario Analysis: QEP Resources Forecast Metrics

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$680	\$742	\$805	\$867	\$929	\$991	\$1,053
	\$40.0	\$786	\$848	\$910	\$972	\$1,035	\$1,097	\$1,159
	\$50.0	\$891	\$953	\$1,016	\$1,078	\$1,140	\$1,202	\$1,265
	\$60.0	\$997	\$1,059	\$1,121	\$1,183	\$1,246	\$1,308	\$1,370
	\$70.0	\$1,102	\$1,164	\$1,227	\$1,289	\$1,351	\$1,413	\$1,476
	\$80.0	\$1,208	\$1,270	\$1,332	\$1,394	\$1,457	\$1,519	\$1,581
	\$90.0	\$1,313	\$1,375	\$1,438	\$1,500	\$1,562	\$1,624	\$1,687

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$154	\$238	\$322	\$406	\$489	\$573	\$657
	\$40.0	\$362	\$446	\$529	\$613	\$697	\$781	\$864
	\$50.0	\$570	\$653	\$737	\$821	\$905	\$988	\$1,072
	\$60.0	\$777	\$861	\$945	\$1,028	\$1,112	\$1,196	\$1,280
	\$70.0	\$985	\$1,069	\$1,152	\$1,236	\$1,320	\$1,404	\$1,487
	\$80.0	\$1,192	\$1,276	\$1,360	\$1,444	\$1,527	\$1,611	\$1,695
	\$90.0	\$1,400	\$1,484	\$1,568	\$1,651	\$1,735	\$1,819	\$1,903

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	2.5x	2.2x	2.0x	1.8x	1.6x	1.5x	1.3x
	\$40.0	2.1x	1.9x	1.7x	1.5x	1.4x	1.2x	1.1x
	\$50.0	1.7x	1.6x	1.4x	1.3x	1.2x	1.1x	1.0x
	\$60.0	1.5x	1.3x	1.2x	1.1x	1.0x	0.9x	0.8x
	\$70.0	1.2x	1.1x	1.0x	0.9x	0.9x	0.8x	0.7x
	\$80.0	1.1x	1.0x	0.9x	0.8x	0.7x	0.7x	0.6x
	\$90.0	0.9x	0.8x	0.8x	0.7x	0.6x	0.6x	0.5x

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	18.9x	11.7x	8.3x	6.2x	4.9x	4.0x	3.3x
	\$40.0	7.3x	5.6x	4.5x	3.7x	3.1x	2.6x	2.2x
	\$50.0	4.2x	3.4x	2.9x	2.4x	2.1x	1.8x	1.5x
	\$60.0	2.7x	2.3x	2.0x	1.7x	1.4x	1.2x	1.1x
	\$70.0	1.9x	1.6x	1.4x	1.2x	1.0x	0.9x	0.7x
	\$80.0	1.3x	1.1x	1.0x	0.8x	0.7x	0.6x	0.5x
	\$90.0	0.9x	0.8x	0.7x	0.6x	0.5x	0.4x	0.3x

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$693)	(\$643)	(\$592)	(\$542)	(\$491)	(\$441)	(\$390)
	\$40.0	(\$607)	(\$557)	(\$506)	(\$456)	(\$405)	(\$355)	(\$304)
	\$50.0	(\$521)	(\$471)	(\$420)	(\$370)	(\$319)	(\$269)	(\$218)
	\$60.0	(\$435)	(\$385)	(\$334)	(\$284)	(\$233)	(\$183)	(\$132)
	\$70.0	(\$349)	(\$298)	(\$248)	(\$198)	(\$147)	(\$97)	(\$46)
	\$80.0	(\$263)	(\$212)	(\$162)	(\$112)	(\$61)	(\$11)	\$40
	\$90.0	(\$177)	(\$126)	(\$76)	(\$26)	\$25	\$75	\$126

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$1,196)	(\$1,120)	(\$1,044)	(\$968)	(\$892)	(\$816)	(\$740)
	\$40.0	(\$1,014)	(\$938)	(\$862)	(\$786)	(\$710)	(\$634)	(\$558)
	\$50.0	(\$833)	(\$757)	(\$681)	(\$605)	(\$529)	(\$453)	(\$377)
	\$60.0	(\$652)	(\$576)	(\$500)	(\$424)	(\$348)	(\$272)	(\$196)
	\$70.0	(\$470)	(\$394)	(\$318)	(\$242)	(\$166)	(\$90)	(\$14)
	\$80.0	(\$289)	(\$213)	(\$137)	(\$61)	\$15	\$91	\$167
	\$90.0	(\$107)	(\$31)	\$45	\$121	\$197	\$273	\$349

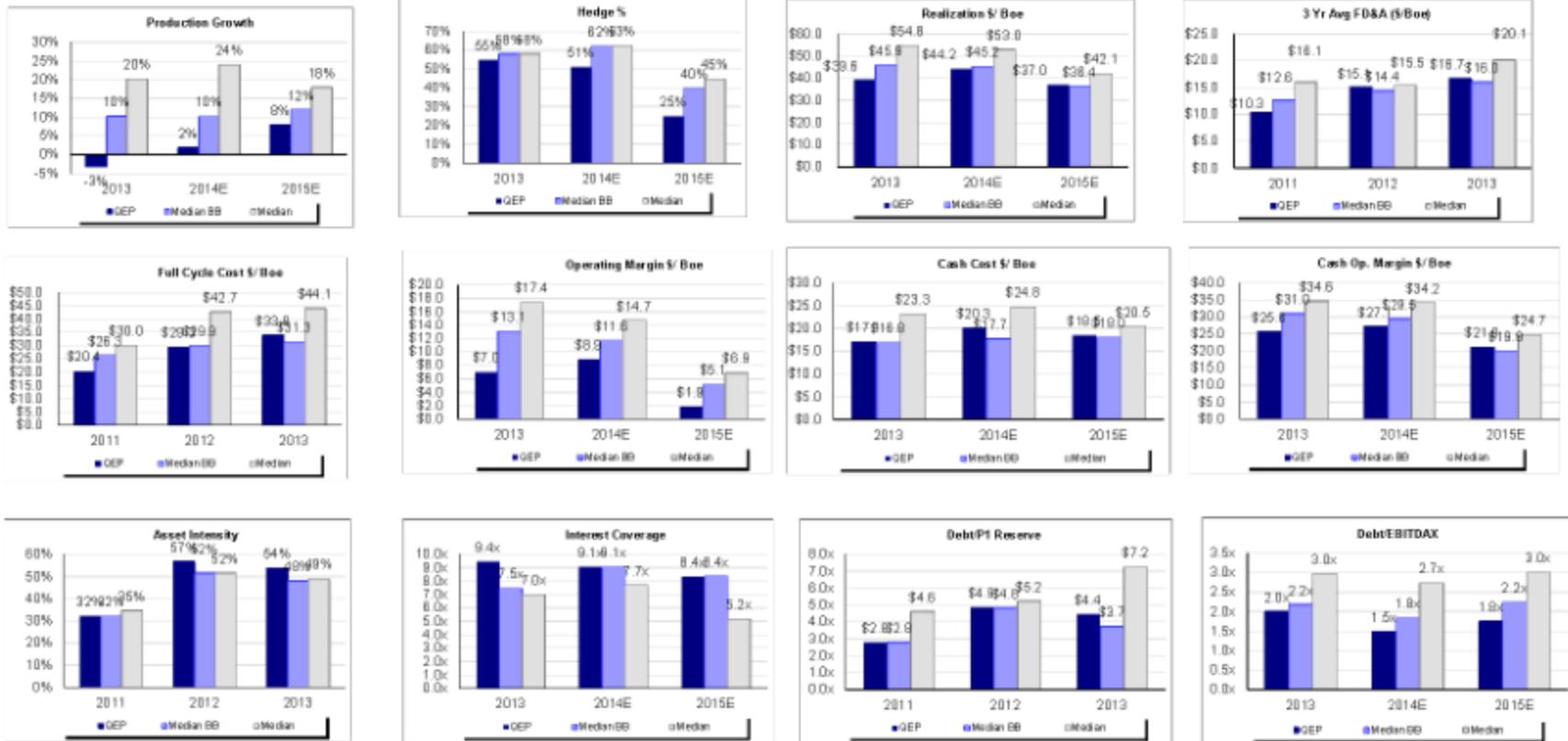
		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
	\$40.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
	\$50.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
	\$60.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
	\$70.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
	\$80.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
	\$90.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$0.7	\$0.7	\$0.7	\$0.6	\$0.6	\$0.6	\$0.5
	\$40.0	\$0.7	\$0.6	\$0.6	\$0.6	\$0.5	\$0.5	\$0.5
	\$50.0	\$0.6	\$0.6	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
	\$60.0	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
	\$70.0	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
	\$80.0	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
	\$90.0	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5

Source: Deutsche Bank



Figure 85: QEP Resources Benchmarks



Source: Deutsche Bank, company data, Bloomberg Finance LP

For the following companies covered by DB High Yield, the forecasts figures reflect our published estimates: CHK, XEC, DNR, FST, XCO, HILCRP, HK, NFX, DEP, RRC, SAIVST and SD

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVBEN, SM, TPLM, TLW and WPX





Range Resources

Relative Value

RRC has announced FY 15 capex budget of \$1.3 billion; \$220 million lower than FY14E levels given further capital efficiencies, the company maintained its production growth guidance of 20-25% YoY. The FY 15 capex plan is expected to drive cash burn in the range of \$275 million while for FY 16 considering flat capex levels YoY, we estimate RRC will fall slightly short of its goal of positive FCF, although still pretty close with cash burn of about \$110 million. RRC's strong production growth outlook implies solid EBITDA improvements despite modest hedging levels (47% of FY15E and 6% of FY 16E revenues). We estimate FY 16 EBITDA of \$1.3 billion, +10% from FY14E levels maintain leverage at the current 2.7x level. Looking at operations, the focus will continue to be on its flagship, low-cost Marcellus assets where the company is spending 92% of FY15E capex and continues to focus on drilling longer laterals and increasing frac stages driving both efficiencies and better returns. We see RRC's Marcellus acreage as one of the top-rated assets within our peer group; for instance in the core southwest Marcellus dry gas acreage a 5.2K foot laterals well delivers 85% IRR @\$4/Mmcf, which should get even better with the company targeting to drill 6.2K foot laterals during FY15. Driven by strong operating momentum in the play RRC continues to expect to grow its Marcellus production to 3 Bcfe/d (net) with the key positive being its ability to take the production out of Appalachian basin to improve realizations. On gas transportation, RRC has noted that its takeaway capacity would more than double from its FY14E levels of 1.1 Bcfe/d to 2.4 Bcfe/d by end of FY 18. On the midstream projects; two of the three ethane projects are already online i.e. Mariner West (15 Mbbbl/d gross) and ATEX (20 Mbbbl/d gross). RRC expects the third project - Mariner East to begin carrying ethane in 2H 15, while the transfer of propane using Mariner East is expected to start this month. Once all three ethane projects are online RRC expects a 25% uplift to its realizations. In addition, propane transfers should benefit the company via higher international prices and lower transportation expenses. We maintain our **BUY** rating across the structure. Longer-dated RRC bonds yield 5% (or in line with the BB index). Aside from the "energy" taint, these bonds would be trading 50-75 bps inside the relative index. We still believe the credit is going to IG, especially given it will come close to reaching its goal of positive FCF in FY 16 and beyond – an impressive feat given (i) production growth of 20-25% YoY and (ii) a commodity bear market during the same stretch. Downside risks include any midstream project delays and widening Northeast differentials.



Figure 86: Range Resources Financial Summary

Issue	Rating	Maturity	NC Date	NC Price					
6.75% Senior Sub Notes due 2020	Bu2 (Pos)BB+ (Stable)	1-Aug-20	1-Aug-15	103.38					
5.75% Senior Sub Notes due 2021	Bu2 (Pos)BB+ (Stable)	1-Jun-21	1-Jun-16	102.66					
5.00% Senior Sub Notes due 2022	Bu2 (Pos)BB+ (Stable)	15-Aug-22	15-Feb-17	102.50					
5.00% Senior Sub Notes due 2023	Bu2 (Pos)BB+ (Stable)	15-Mar-23	15-Mar-18	102.50					

\$Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013
Revenue	404	426	570	473	443	1,911	929	1,115	1,643
Realized Hedging Gain / (Loss) - Cash Flow Hedges	27	22	2	5	4	33	109	236	73
Net Revenue	431	449	572	478	446	1,944	1,037	1,352	1,716
Operating Costs	148	172	174	179	181	767	290	521	629
Realized Hedging Gain / (Loss)	(7)	(3)	(105)	(26)	17	(117)	32	39	(31)
EBITDAX with Hedges	276	273	293	273	281	1,120	779	869	1,066
DDA	130	127	129	133	142	531	341	445	493
EBIT	146	146	164	139	139	589	438	424	563
Interest	44	45	45	45	39	175	125	169	177
EBT (incl others)	102	101	119	94	100	414	312	255	386
Others	52	96	57	(230)	(154)	(230)	135	103	176
One time charges	19	6	10	34	13	64	99	127	59
EBT (incl others)	31	(1)	51	289	340	581	79	25	150
Taxes	12	(28)	19	118	94	202	36	12	34
Net Income	19	28	33	171	146	378	43	13	116
LTM EBITDAX with Hedges	1,058	1,056	1,100	1,115	1,120	1,120	779	869	1,066
LTM EBITDAX without Hedges	980	1,014	1,160	1,199	1,204	1,204	839	894	1,014
Actual WTI Crude (\$/bbl)	\$106.13	\$97.61	\$98.61	\$102.99	\$97.25	\$99.12	\$95.16	\$84.18	\$98.07
Actual Henry Hub Natural Gas (\$/mcf)	\$3.60	\$3.85	\$4.72	\$4.58	\$3.95	\$4.28	\$4.02	\$2.83	\$3.74
Key Production Data									
Company Natural Gas production (mmcf)	60,025	60,553	62,018	67,762	75,665	274,998	145,206	216,555	264,528
Realized Natural Gas Price (\$/mcf)	\$3.88	\$3.84	\$4.20	\$3.98	\$3.63	\$3.87	\$4.34	\$3.95	\$4.00
Company Oil Production (MMbbls)	1,818	1,032	1,035	990	985	4,042	1,990	2,851	3,827
Realized Oil Price (\$/bbl)	\$85.46	\$82.05	\$82.03	\$80.03	\$78.08	\$81.10	\$81.19	\$83.64	\$84.70
Company NGL Production (MMbbl)	2,362	2,888	4,471	4,471	4,935	16,785	5,352	6,967	9,255
Realized NGL Price (\$/bbl)	\$31.08	\$32.20	\$27.34	\$24.34	\$22.53	\$25.96	\$26.24	\$42.61	\$32.71
Total Equivalent Produced (mtoe)	68,367	69,072	66,057	100,524	111,186	399,840	189,077	275,465	343,022
Realization	\$4.81	\$4.79	\$4.92	\$4.49	\$4.17	\$4.37	\$5.09	\$5.05	\$4.81
Lifting Costs	\$1.17	\$1.21	\$1.32	\$1.22	\$1.19	\$1.23	\$0.74	\$1.27	\$1.25
G&A	\$0.50	\$0.64	\$0.51	\$0.56	\$0.44	\$0.53	\$0.79	\$0.62	\$0.58
DD&A	\$1.48	\$1.36	\$1.35	\$1.33	\$1.28	\$1.33	\$1.80	\$1.62	\$1.44
Operating Income	\$1.65	\$1.57	\$1.73	\$1.39	\$1.25	\$1.48	\$2.26	\$1.54	\$1.64
Interest	\$0.50	\$0.48	\$0.48	\$0.45	\$0.35	\$0.44	\$0.74	\$0.61	\$0.51
3-yr avg. F&D all (in acc)	\$0.86	\$0.83	\$0.83	\$0.83	\$0.83	\$0.83	\$0.86	\$0.86	\$0.83
3-yr avg. F&D all (incl acc)	\$0.75	\$0.71	\$0.71	\$0.71	\$0.71	\$0.71	\$0.79	\$0.75	\$0.71
Full cycle costs	\$5.04	\$5.16	\$5.14	\$5.06	\$2.81	\$3.03	\$3.14	\$5.37	\$5.18
EBITDAX with Hedges	276	273	293	273	281	1,120	779	869	1,066
Current Taxes	0	0	(0)	-	(0)	0	(1)	(0)	0
Capex - Exploration & Development	(315)	(251)	(226)	(320)	(321)	(1,119)	(1,200)	(1,499)	(1,159)
Capex - Acq. of Properties / Leasehold	(2)	(2)	(3)	(2)	(4)	(11)	(12)	(5)	(6)
Capex - Other Property & Equipment	(43)	(62)	(51)	(60)	(35)	(208)	(227)	(191)	(130)
Total Capex	(360)	(315)	(280)	(382)	(360)	(1,337)	(1,439)	(1,694)	(1,290)
Change in Net Working Capital	(3)	5	(7)	25	(2)	(6)	(3)	(2)	(4)
Cash Available for Debt Service	(87)	(30)	(57)	(85)	(105)	(283)	(995)	(849)	(284)
Interest (Excl. Capitalized Interest)	(54)	(30)	(5)	(34)	(55)	(175)	(133)	(153)	(159)
Free Cash Flow	(141)	(60)	(112)	(119)	(160)	(468)	(829)	(1,003)	(443)
Disposal of Assets	16	4	0	146	1	151	85	168	316
Free Cash Flow Incl Asset Sales	(125)	(60)	(112)	27	(159)	(317)	66	(834)	(128)
Balance Sheet Data									
Cash	0	0	0	0	0	0	0	0	0
Debt									
Senior Notes	2,640	2,641	2,641	2,350	2,350	2,350	1,788	2,139	2,641
- Credit Facilities	427	500	504	480	649	649	187	739	500
Long Term Debt	3,067	3,141	3,235	2,830	2,999	2,999	1,975	2,878	3,141
YoY Growth Statistics									
Revenue Growth (Including Realized Hedging Gain)	28%	7%	17%	9%	9%	10%	11%	30%	21%
Production Growth	21%	20%	21%	21%	26%	25%	5%	46%	25%
LTM Credit Statistics									
EBITDAX/Cash Interest (Incl. Capitalized Interest)	5.8x	6.6x	6.2x	6.4x	6.4x	6.4x	5.9x	5.7x	6.6x
Sr. Sec debt/EBITDAX	0.4x	0.5x	0.5x	0.4x	0.6x	0.6x	0.2x	0.9x	0.5x
Debt/EBITDAX	2.9x	3.0x	2.9x	2.5x	2.7x	2.7x	2.5x	3.3x	3.0x
Debt/Proved Reserves (\$/Mtoe)	\$0.47	\$0.38	\$0.39	\$0.35	\$0.37	\$0.37	\$0.39	\$0.44	\$0.38
Debt/Proved Developed Reserves (\$/Mtoe)	\$0.89	\$0.75	\$0.77	\$0.67	\$0.72	\$0.72	\$0.82	\$0.83	\$0.75

Liquidity Capitalization	Q3 '14
Cash & Marketable Securities	0
Revolving Credit Facility due February 2016 ⁽¹⁾	1,247
Less: Short term Debt	-
Liquidity	1,247
Capitalization	Q3 '14
Revolving Credit Facility due February 2016	649
Money Market Lines of Credit	-
6.75% Senior Sub Notes due 2020	500
5.75% Senior Sub Notes due 2021	500
5.00% Senior Sub Notes due 2022	600
5.00% Senior Sub Notes due 2023	750
Total Debt	2,999
Net Debt	2,999
Minority Interest & Others	-
Market Cap	6,498
Enterprise Value	11,497
EV/EBITDAX	10.2x
Net Debt/EBITDAX	2.7x

Company Description:
Incorporated in 1980, Range Resources is a Texas based independent oil and gas company, engaged in the exploration, development and acquisition of oil and gas properties, primarily in the Southeastern, Appalachian and Gulf Coast regions of the United States.

Debt Maturity	
FY 14	-
FY 15+	-
FY 16+	2,999

Covenants - Credit Facilities	
Debt to EBITDAX	< 4.25 x
Current Ratio	> 1.0x

Reserve Description	2011	2012	2013
P Reserves - Nat Gas (mmcf)	4,009,676	4,750,676	5,665,645
P Reserves - Liquids (MMbbls)	31,532	285,481	422,772
P Nat. Gas Equivalent (mmcf)	4,108,868	6,505,562	8,202,277
% Gas	95%	74%	89%
% Proved Developed	48%	53%	51%
Reserve Life (Years)	18	19	19
Reserve Replacement (All in)	86%	68%	61%
Reserve Replacement (Dev Bt)	86%	77%	61%
PV of Reserves (\$/m)	6,084	3,960	7,960

Hedges	%	\$ mtoe
2014E	72%	5.44 - 6.81
2015E	30%	5.44 - 6.58

(1) Factors \$250M increase in revolver commitment to \$2BN and \$10MM of LC outstanding

Source: Deutsche Bank, Company data

Figure 87: Range Resources Financial Forecast

\$Mn	Q1 '14	Q2 '14	Q3 '14	Q4 '14E	Q1 '15E	Q2 '15E	Q3 '15E	Q4 '15E	2009	2010	2011	2012	2013	2014E	2015E	2016E
Revenue	570	473	443	468	429	446	471	495	637	845	929	1,115	1,543	1,953	1,841	2,346
Realized Hedging Gain / (Loss) - Cash Flow Hedges	2	5	4	52	50	51	49	47	203	65	108	236	73	62	197	26
Net Revenue	572	478	446	520	479	497	520	542	840	910	1,037	1,352	1,716	2,015	2,038	2,372
Operating Costs	174	179	181	209	215	224	233	243	281	299	290	521	629	744	915	1,102
Realized Hedging Gain / (Loss)	(105)	(26)	17	-	-	-	-	-	184	51	32	39	(31)	(114)	-	-
EBITDAX with Hedges	289	273	281	310	264	273	287	299	743	662	779	869	1,056	1,157	1,123	1,270
DDA	129	133	142	163	160	167	174	181	363	364	341	445	493	568	681	815
EBIT	164	139	139	147	104	106	113	119	380	299	438	424	563	589	442	452
Interest	45	45	39	37	37	38	38	38	117	131	125	169	177	167	150	152
EBT (excl others)	119	94	100	110	67	68	75	81	263	167	312	255	386	423	291	300
Others	57	(230)	(154)	27	19	20	21	21	208	(6)	135	103	178	(299)	81	97
One time charges	10	34	13	-	-	-	-	-	114	540	99	127	59	58	-	-
EBT (incl others)	51	289	240	83	48	48	55	60	(59)	(366)	78	25	150	663	211	203
Taxes	19	118	94	32	19	19	21	23	(5)	(127)	36	12	34	263	82	79
Net Income	33	171	146	50	29	30	33	36	(54)	(239)	43	13	116	401	128	124
Note: One time charges for Q4 08 & Q1 09 represent ceiling test charges																
LTM EBITDAX with Hedges	1,160	1,115	1,120	1,157	1,129	1,129	1,134	1,123	743	662	779	869	1,056	1,157	1,123	1,270
LTM EBITDAX without Hedges	1,160	1,199	1,204	1,209	1,026	955	932	926	356	546	639	594	1,014	1,209	926	1,244
Actual WTI Crude (\$/bbl)	\$98.61	\$102.99	\$97.25	\$73.20	\$52.50	\$52.50	\$55.00	\$57.50	\$61.90	\$79.58	\$95.16	\$94.18	\$98.07	\$93.01	\$54.38	\$65.00
Actual Henry Hub Natural Gas (\$/mcf)	\$4.72	\$4.58	\$3.95	\$3.83	\$3.75	\$3.75	\$3.75	\$3.75	\$4.20	\$4.35	\$4.02	\$2.83	\$3.74	\$4.27	\$3.75	\$3.75
Key Production Data																
Company Natural Gas production (mmcf)	62,018	67,762	75,665	86,940	82,433	84,868	84,630	86,574	130,649	142,034	145,206	216,595	264,528	292,384	338,494	398,500
Realized Natural Gas Price (\$/mcf)	\$4.20	\$3.88	\$3.63	\$3.51	\$3.54	\$3.54	\$3.54	\$3.54	\$6.13	\$4.46	\$4.34	\$3.95	\$4.00	\$3.77	\$3.54	\$3.38
Company Oil Production (Mbbls)	1,035	990	985	1,047	1,418	1,478	1,539	1,599	2,587	1,989	1,960	2,851	3,827	4,657	6,034	7,240
Realized Oil Price (\$/bbl)	\$92.03	\$80.63	\$78.68	\$82.08	\$67.89	\$67.18	\$67.22	\$67.19	\$62.58	\$69.31	\$81.19	\$83.64	\$84.70	\$80.87	\$67.35	\$58.08
Company NGL Production (Mbbbls)	4,471	4,471	4,535	5,163	5,059	5,495	6,338	6,813	2,187	4,490	5,352	6,967	9,255	10,040	23,744	29,775
Realized NGL Price (\$/bbl)	\$27.34	\$24.34	\$22.53	\$24.89	\$17.85	\$17.66	\$18.46	\$18.84	\$28.99	\$39.03	\$50.24	\$42.61	\$32.71	\$24.72	\$18.25	\$20.31
Total Equivalent Produced (mcf)	95,057	100,524	111,186	124,200	121,533	126,705	131,876	137,048	159,112	180,789	189,077	275,465	343,022	430,968	517,162	620,594
Total Equivalent Realized (\$/mcf)	4.92	4.49	4.17	4.18	3.94	3.92	3.94	3.96	6.44	5.23	5.59	5.05	4.91	4.41	3.94	3.82
Total Equivalent Produced (boe)	15,843	16,754	18,531	20,700	20,255	21,117	21,979	22,841	26,519	30,132	31,513	45,911	67,170	71,828	86,194	103,432
Total Equivalent Realized (\$/boe)	29.52	26.95	25.00	25.10	23.66	23.52	23.67	23.73	38.63	31.77	33.56	30.28	29.46	26.48	23.65	22.93
Revenue & Operating Margins per Mcf																
Realization	\$4.92	\$4.49	\$4.17	\$4.18	\$3.94	\$3.92	\$3.94	\$3.96	\$6.44	\$5.23	\$5.59	\$5.05	\$4.91	\$4.41	\$3.94	\$3.82
Lifting Costs	\$1.32	\$1.22	\$1.19	\$1.20	\$1.24	\$1.24	\$1.24	\$1.25	\$1.04	\$0.91	\$0.74	\$1.27	\$1.25	\$1.23	\$1.24	\$1.25
G&A	\$0.51	\$0.56	\$0.44	\$0.49	\$0.52	\$0.52	\$0.52	\$0.52	\$0.72	\$0.74	\$0.79	\$0.62	\$0.58	\$0.50	\$0.52	\$0.52
DD&A	\$1.35	\$1.33	\$1.28	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$2.28	\$2.01	\$1.80	\$1.62	\$1.44	\$1.32	\$1.32	\$1.32
Operating Income	\$1.73	\$1.39	\$1.25	\$1.18	\$0.86	\$0.83	\$0.86	\$0.87	\$2.39	\$1.56	\$2.26	\$1.54	\$1.64	\$1.37	\$0.85	\$0.73
Interest	\$0.48	\$0.45	\$0.35	\$0.30	\$0.31	\$0.30	\$0.29	\$0.28	\$0.74	\$0.73	\$0.74	\$0.61	\$0.51	\$0.39	\$0.29	\$0.25
3-yr avg. F&D all (in acc)	\$0.83	\$0.83	\$0.83	\$0.83	\$0.83	\$0.83	\$0.83	\$0.83	\$1.84	\$1.21	\$0.86	\$0.86	\$0.83	\$0.83	\$0.83	\$0.83
3-yr avg. F&D all (excl acc)	\$0.71	\$0.71	\$0.71	\$0.71	\$0.71	\$0.71	\$0.71	\$0.71	\$1.65	\$1.12	\$0.79	\$0.75	\$0.71	\$0.71	\$0.71	\$0.71
Full cycle costs	\$3.14	\$3.06	\$2.81	\$2.81	\$2.90	\$2.89	\$2.88	\$2.88	\$4.34	\$3.59	\$3.14	\$3.37	\$3.16	\$2.94	\$2.89	\$2.85
Free Cash Flow:																
EBITDAX with Hedges	293	273	281	310	264	273	287	299	743	662	779	869	1,056	1,157	1,123	1,270
Current Taxes	(0)	-	(0)	(2)	(1)	(1)	(1)	(1)	(0)	1	(1)	(0)	0	(2)	(4)	(4)
Total Capex	(280)	(382)	(360)	(498)	(325)	(325)	(325)	(325)	(714)	(1,128)	(1,438)	(1,694)	(1,297)	(1,520)	(1,300)	(1,300)
Change in Net Working Capital	(70)	25	(26)	3	19	22	23	(8)	(43)	3	(36)	(23)	(43)	(68)	55	73
Cash Available for Debt Service	(57)	(85)	(105)	(186)	(43)	(32)	(16)	(26)	(14)	(463)	(696)	(849)	(284)	(433)	(126)	39
Interest (Excl. Capitalized Interest)	(55)	(34)	(55)	(19)	(55)	(19)	(56)	(20)	(109)	(114)	(133)	(153)	(159)	(163)	(150)	(152)
Free Cash Flow	(112)	(119)	(160)	(205)	(86)	(51)	(72)	(55)	(123)	(576)	(829)	(1,003)	(443)	(596)	(276)	(113)
Disposal of Assets	0	146	1	38	-	-	-	-	225	328	895	168	316	185	-	-
Free Cash Flow incl Asset Sales	(112)	27	(159)	(167)	(86)	(51)	(72)	(55)	103	(248)	66	(834)	(126)	(411)	(276)	(113)
Balance Sheet Data																
Cash	0	0	0	-	-	-	-	-	1	3	0	0	0	-	-	-
Debt																
- Senior Notes	2,641	2,350	2,350	2,350	2,350	2,350	2,350	2,350	1,384	1,687	1,788	2,139	2,641	2,350	2,350	2,350
- Credit Facilities	594	480	649	803	891	930	990	1,031	324	274	187	739	500	803	1,031	1,080
Long Term Debt	3,235	2,830	2,999	3,153	3,241	3,280	3,340	3,381	1,708	1,961	1,975	2,878	3,141	3,153	3,381	3,430
YoY Growth Statistics																
Revenue Growth (Including Realized Hedging Gain)	17%	9%	9%	17%	3%	10%	12%	4%	-16%	-4%	11%	30%	21%	13%	7%	16%
Production Growth	21%	21%	26%	33%	28%	26%	19%	10%	13%	14%	9%	46%	25%	23%	20%	20%
LTM Credit Statistics																
EBITDAX/Cash Interest (Incl. Capitalized Interest)	6.2x	6.4x	6.4x	7.1x	6.3x	7.6x	7.6x	7.5x	6.8x	5.8x	5.9x	5.7x	6.6x	7.1x	7.5x	8.3x
Sr. Sec debt/EBITDAX	0.5x	0.4x	0.6x	0.7x	0.8x	0.8x	0.9x	0.9x	0.4x	0.4x	0.2x	0.9x	0.5x	0.7x	0.9x	0.9x
Debt/EBITDAX	2.9x	2.5x	2.7x	2.9x	2.9x	2.9x	3.0x	3.0x	2.3x	3.0x	2.5x	3.3x	3.0x	2.7x	3.0x	2.7x
Net Debt/EBITDAX	2.9x	2.5x	2.7x	2.9x	2.9x	2.9x	3.0x	3.0x	2.3x	3.0x	2.5x	3.3x	3.0x	2.7x	3.0x	2.7x
Debt/Proved Reserves (\$/Mcf)	\$0.39	\$0.35	\$0.37	NA	NA	NA	NA	NA	\$0.55	\$0.44	\$0.39	\$0.44	\$0.38	NA	NA	NA
Debt/Proved Developed Reserves (\$/Mcf)	\$0.77	\$0.67	\$0.72	NA	NA	NA	NA	NA	\$1.20	\$0.90	\$0.82	\$0.83	\$0.75	NA	NA	NA

Source: Deutsche Bank, Company data



Figure 88: Commodity Price Scenario Analysis: Range Resources Forecast Metrics

FY 15E EBITDA (\$ Million)								
NYMEX Gas (\$/mcf)								
	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75	
(boe) WTI Oil (\$/bbl)	\$30.0	\$639	\$713	\$787	\$861	\$936	\$1,019	\$1,110
\$40.0	\$715	\$790	\$864	\$938	\$1,012	\$1,096	\$1,186	
\$50.0	\$792	\$866	\$940	\$1,014	\$1,088	\$1,172	\$1,263	
\$60.0	\$868	\$942	\$1,016	\$1,091	\$1,165	\$1,248	\$1,339	
\$70.0	\$944	\$1,019	\$1,093	\$1,167	\$1,241	\$1,325	\$1,415	
\$80.0	\$1,021	\$1,095	\$1,169	\$1,243	\$1,317	\$1,401	\$1,492	
\$90.0	\$1,097	\$1,171	\$1,246	\$1,320	\$1,394	\$1,478	\$1,568	

FY 15E FCF (\$ Million)								
NYMEX Gas (\$/mcf)								
	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75	
(boe) WTI Oil (\$/bbl)	\$30.0	(\$714)	(\$646)	(\$578)	(\$510)	(\$442)	(\$374)	(\$306)
\$40.0	(\$646)	(\$578)	(\$510)	(\$442)	(\$374)	(\$306)	(\$238)	(\$170)
\$50.0	(\$577)	(\$509)	(\$441)	(\$374)	(\$306)	(\$239)	(\$171)	(\$103)
\$60.0	(\$509)	(\$441)	(\$373)	(\$305)	(\$237)	(\$169)	(\$101)	(\$33)
\$70.0	(\$441)	(\$373)	(\$305)	(\$237)	(\$169)	(\$101)	(\$33)	(\$35)
\$80.0	(\$372)	(\$304)	(\$236)	(\$168)	(\$100)	(\$32)	\$44	\$126
\$90.0	(\$304)	(\$236)	(\$168)	(\$100)	(\$32)	\$44	\$126	

FY 16E EBITDA (\$ Million)								
NYMEX Gas (\$/mcf)								
	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75	
(boe) WTI Oil (\$/bbl)	\$30.0	\$132	\$303	\$473	\$644	\$814	\$985	\$1,156
\$40.0	\$262	\$433	\$603	\$774	\$945	\$1,115	\$1,286	
\$50.0	\$392	\$563	\$734	\$904	\$1,075	\$1,245	\$1,416	
\$60.0	\$522	\$693	\$864	\$1,034	\$1,205	\$1,375	\$1,546	
\$70.0	\$653	\$823	\$994	\$1,164	\$1,335	\$1,506	\$1,676	
\$80.0	\$783	\$953	\$1,124	\$1,295	\$1,465	\$1,636	\$1,806	
\$90.0	\$913	\$1,084	\$1,254	\$1,425	\$1,595	\$1,766	\$1,937	

FY 16E FCF (\$ Million)								
NYMEX Gas (\$/mcf)								
	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75	
(boe) WTI Oil (\$/bbl)	\$30.0	(\$1,160)	(\$1,004)	(\$847)	(\$691)	(\$534)	(\$377)	(\$219)
\$40.0	(\$1,039)	(\$882)	(\$726)	(\$569)	(\$413)	(\$255)	(\$97)	
\$50.0	(\$917)	(\$760)	(\$604)	(\$447)	(\$291)	(\$133)	\$25	
\$60.0	(\$795)	(\$639)	(\$482)	(\$326)	(\$169)	(\$12)	\$147	
\$70.0	(\$673)	(\$517)	(\$360)	(\$204)	(\$47)	\$110	\$269	
\$80.0	(\$551)	(\$395)	(\$239)	(\$82)	\$74	\$232	\$390	
\$90.0	(\$430)	(\$273)	(\$117)	\$40	\$196	\$354	\$512	

FY 15E Net Leverage								
NYMEX Gas (\$/mcf)								
	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75	
(boe) WTI Oil (\$/bbl)	\$30.0	6.0x	5.3x	4.7x	4.2x	3.8x	3.4x	3.1x
\$40.0	5.2x	4.7x	4.2x	3.8x	3.4x	3.1x	2.8x	
\$50.0	4.7x	4.2x	3.8x	3.4x	3.1x	2.8x	2.6x	
\$60.0	4.2x	3.8x	3.4x	3.1x	2.9x	2.6x	2.4x	
\$70.0	3.8x	3.4x	3.1x	2.9x	2.6x	2.4x	2.2x	
\$80.0	3.4x	3.1x	2.9x	2.6x	2.4x	2.2x	2.0x	
\$90.0	3.1x	2.9x	2.6x	2.4x	2.3x	2.1x	1.9x	

FY 15E Debt/Proved Reserves (\$/Mcf)								
NYMEX Gas (\$/mcf)								
	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75	
(boe) WTI Oil (\$/bbl)	\$30.0	\$0.5	\$0.5	\$0.5	\$0.4	\$0.4	\$0.4	\$0.4
\$40.0	\$0.5	\$0.5	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	
\$50.0	\$0.5	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	
\$60.0	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	
\$70.0	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	
\$80.0	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	
\$90.0	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	

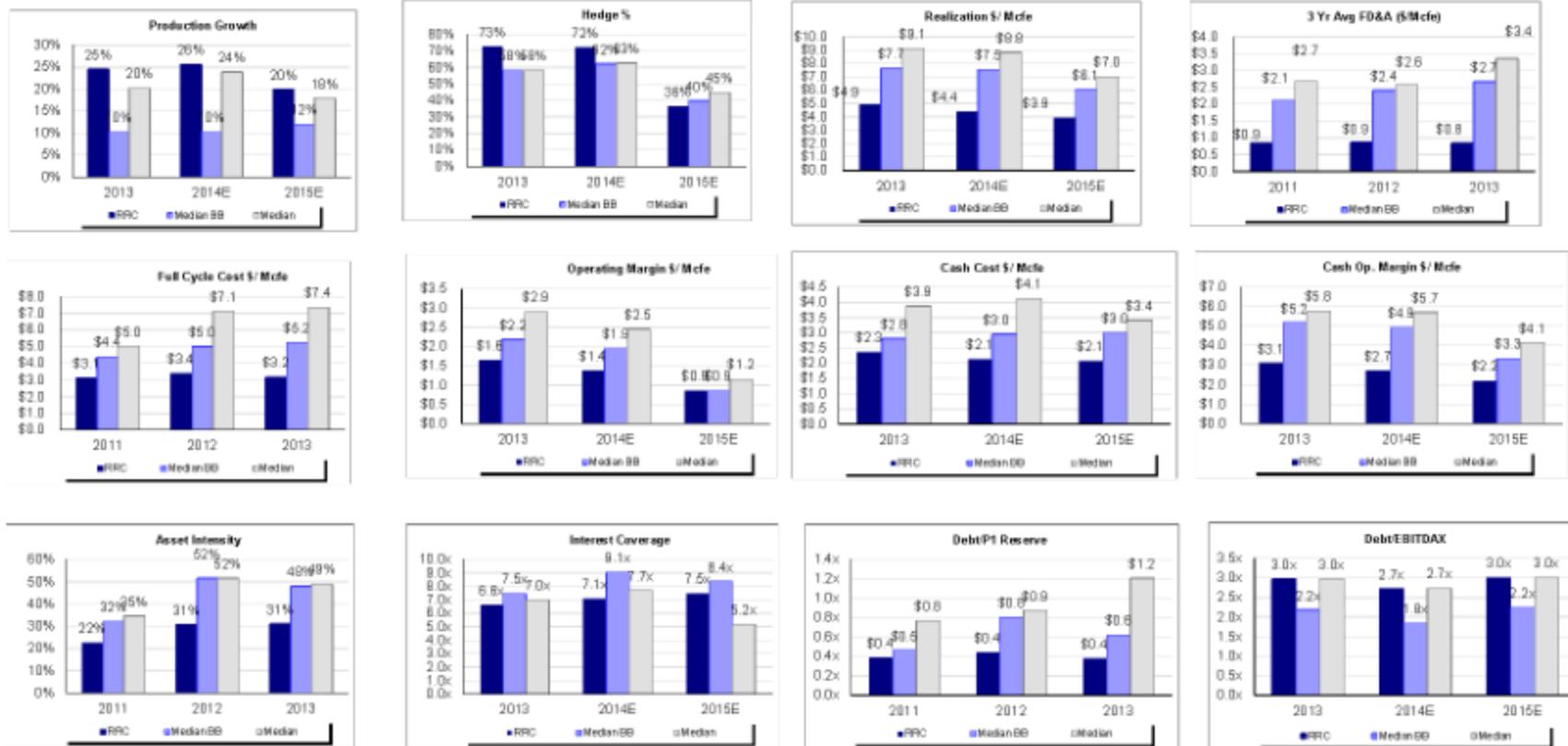
FY 16E Net Leverage								
NYMEX Gas (\$/mcf)								
	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75	
(boe) WTI Oil (\$/bbl)	\$30.0	42.3x	17.0x	9.9x	6.6x	4.9x	3.8x	3.1x
\$40.0	19.8x	11.0x	7.1x	5.2x	4.1x	3.2x	2.6x	
\$50.0	12.3x	7.8x	5.6x	4.3x	3.4x	2.7x	2.2x	
\$60.0	8.5x	5.9x	4.5x	3.5x	2.9x	2.3x	1.9x	
\$70.0	6.4x	4.8x	3.7x	3.0x	2.4x	2.0x	1.7x	
\$80.0	5.1x	3.9x	3.1x	2.5x	2.1x	1.7x	1.4x	
\$90.0	4.1x	3.3x	2.7x	2.2x	1.8x	1.5x	1.2x	

FY 16E Debt/Proved Reserves (\$/Mcf)								
NYMEX Gas (\$/mcf)								
	\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75	
(boe) WTI Oil (\$/bbl)	\$30.0	\$0.6	\$0.6	\$0.5	\$0.5	\$0.5	\$0.5	\$0.4
\$40.0	\$0.6	\$0.6	\$0.5	\$0.5	\$0.5	\$0.4	\$0.4	
\$50.0	\$0.6	\$0.5	\$0.5	\$0.5	\$0.4	\$0.4	\$0.4	
\$60.0	\$0.5	\$0.5	\$0.5	\$0.5	\$0.4	\$0.4	\$0.4	
\$70.0	\$0.5	\$0.5	\$0.5	\$0.4	\$0.4	\$0.4	\$0.3	
\$80.0	\$0.5	\$0.5	\$0.4	\$0.4	\$0.4	\$0.4	\$0.3	
\$90.0	\$0.5	\$0.4	\$0.4	\$0.4	\$0.4	\$0.3	\$0.3	

Source: Deutsche Bank



Figure 89: Range Resources Benchmarks



Source: Deutsche Bank, company data, Bloomberg Finance LP

Industry level Median, Median BB, and Median B Metrics include both covered and non-covered companies

For the following companies covered by DB High Yield, the forecasts figures reflect our published estimates: CHK, XEC, DNR, FST, XCO, HILCRP, HK, NFX, QEP, RRC, SAIYST and SD

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





Samson Resources

Relative Value

Samson had a vulnerable credit profile even before the current weakness in the commodities market given its high leverage levels and the modest quality of its asset base. Nevertheless, we had a constructive view on the company for two reasons, the company had a good proved asset (or PV-10) coverage (relative to its yield levels) and we expected an equity infusion by the sponsors as part of the restructuring of its business. With the sharp downward shift in the commodity market, the first contention is not valid given the substantial erosion in PV-10 value. As regards the second, the sharp depletion in the value of its net assets largely rules out the possibility of an equity infusion. The \$2.25 billion Senior Notes '20 currently trade in the 30s, which implies the equity value of the business is negative ~\$1.5 billion. Given this it does not make economic sense for the sponsors to invest equity into the business. Therefore, the credit is now basically driven by the outlook for fundamentals, which is clearly precarious. Leverage levels are already at 5.5x and this is set to worsen further over the next two years to 9.4x on earnings weakness. We see EBITDA deteriorating meaningfully from FY 14E levels of \$622 million to \$496 million in FY 16E – based on flat production levels and weaker realization. The lower EBITDA levels are not sufficient to meet its maintenance levels capex (excluding capitalized interest) of \$630-\$700 million. Moreover, the company also has a high annual interest burden of ~\$290 million. Overall, we are seeing a FCF burn of close to \$950 million over the next two years – i.e. a business which cannot even sustain maintenance level capex. Also worrying, current liquidity is just \$434 million – the company will run out of cash by 1H 16 unless there is an expansion in the borrowing base (we are assuming a \$500 million addition to its credit facilities in 2016, likely from a second lien loan). Further aggravating the weak outlook, Samson, which has generally been a conservative hedger and protector of cash flow, has fairly modest hedges for FY 15 (40%) and FY 16 (25%) driving further downside risk to our estimates; for example, at \$60/\$3, net leverage could be close to 12x levels by FYE 16 and cumulative FCF burn through FY 16 would be \$1 billion. Even in our base case, we see the company breaching, by a wide margin, the net leverage covenant limit of 4.5x in Q1 16 (the covenant has been relaxed through FYE 15).

Overall, many of the positive ideas we discussed in our 2014 initiation of the credit are being turned on their head given the commodity backdrop especially the deteriorating PV-10 and equity infusion in addition to the difficulty of selling assets in this market. Our initial call was very catalyst driven – positive ones. Further, given that a structure has already been set up to layer in additional second lien debt (\$500 million), we see future layering as highly probable outcome. So, while SAIVST 9.75% Notes '20 bonds are trading in the 36/38 context, we do see further downside. We therefore move to a **SELL** from a **BUY** rating on those notes. Upside risks include an equity infusion from the sponsor, assets divestitures and/or distressed debt exchanges.



Figure 90: Samson Resources Financial Summary

Issue	Rating	Maturity	MC Date	MC Price																																			
0.75% Senior Notes due 2020	Gas1/CCC+	15 Feb-20	15 Feb-16	104.88																																			
\$Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013																														
Revenues																																							
Realized Hedging Gain / (Loss) - Cash Flow Hedges	290	276	308	299	280	1,165	1,117	1,620	1,142																														
Net Revenues	(115)	81	(28)	(42)	193	(34)	150	365	(13)																														
Operating Costs	283	271	271	287	272	1,072	1,267	1,391	1,125																														
Realized Hedging Gain / (Loss)	101	97	110	119	114	440	386	476	402																														
EBITDAX with Hedges	-	-	-	-	-	-	-	-	-																														
DDA	182	175	160	138	158	632	661	714	723																														
EBIT	129	172	116	127	122	539	519	683	559																														
EBIT	53	2	42	11	37	93	362	32	164																														
Interest	-	-	29	21	24	86	94	-	-																														
EBT (incl others)	53	2	22	(10)	13	27	268	32	164																														
Others	42	34	22	1	(80)	(3)	211	114	66																														
One-time charges	-	1,737	1	312	480	2,530	-	2,254	1,018																														
EBT (incl others)	11	(1,768)	(1)	(282)	(467)	(2,500)	57	(2,336)	(1,719)																														
Taxes	4	(620)	(5)	(115)	(145)	(880)	30	(886)	(614)																														
Net Income	7	(1,137)	(1)	(258)	(242)	(1,620)	27	(1,530)	(1,105)																														
LTM EBITDAX with Hedges	729	723	707	655	633	633	661	714	723																														
LTM EBITDAX without Hedges	692	746	776	756	725	725	721	549	740																														
LTM Covenant-defined EBITDAX ⁽¹⁾	790	756	752	713	684	684	NA	754	756																														
Actual WTI Crude (\$/bbl)	\$105.80	\$97.60	\$98.60	\$103.90	\$97.25	\$90.11	\$95.16	\$94.16	\$98.00																														
Actual Henry Hub Natural Gas (\$/mcf)	\$3.60	\$3.85	\$4.72	\$4.58	\$3.95	\$4.28	\$4.02	\$2.83	\$3.74																														
Key Production Data																																							
Company Natural Gas production (mmcf)	37,600	35,300	33,400	34,944	33,911	137,555	210,800	170,382	150,060																														
Realized Natural Gas Price (\$/mcf)	NA	NA	\$3.84	\$3.7	\$3.9	\$3.9	\$4.79	\$3.07	\$3.37																														
Company Oil Production (Mbbbl)	1,361	1,256	1,222	1,228	1,308	5,016	4,600	6,317	5,218																														
Realized Oil Price (\$/bbl)	\$83.80	\$82.92	\$82.85	\$79.46	\$80.47	83.72	\$79.70	\$86.23	\$86.30																														
Company NGL Production (Mbsl)	1,300	1,167	1,165	1,183	1,167	4,682	-	4,650	4,328																														
Realized NGL Price (\$/bbl)	NA	NA	\$35.16	\$31.84	\$31.52	\$31.52	\$3.00	\$35.21	\$32.67																														
Total Equivalent Produced (mcf)	53,564	49,840	47,720	49,468	48,711	195,744	236,400	238,596	216,872																														
Total Equivalent Realized (\$/mcf)	5.32	5.07	5.67	5.34	5.60	5.42	5.77	4.99	5.31																														
Revenue & Operating Margins per Mole																																							
Realization	\$5.32	\$5.07	\$5.67	\$5.34	\$5.60	\$5.42	\$5.77	\$4.99	\$5.31																														
Lifting Costs	\$1.27	\$1.33	\$1.38	\$1.58	\$1.57	\$1.46	\$1.15	\$1.28	\$1.29																														
OGA	\$0.61	\$0.61	\$0.63	\$0.82	\$0.78	\$0.78	\$0.57	\$0.72	\$0.62																														
OGSA	\$2.42	\$2.48	\$2.48	\$2.97	\$2.90	\$2.90	\$1.78	\$2.86	\$2.46																														
Operating Income	\$1.03	\$0.33	\$0.88	\$0.38	\$0.70	\$0.42	\$2.47	\$0.13	\$0.78																														
Interest	\$0.00	\$0.00	\$0.43	\$0.43	\$0.49	\$0.34	\$0.10	\$0.00	\$0.30																														
3-yr avg. F&D all (in acq) - reported numbers	\$3.60	\$3.60	\$3.80	\$3.80	\$3.60	\$3.60	\$3.49	\$2.40	\$3.60																														
3-yr avg. F&D all (excl acq) - reported numbers	\$3.62	\$3.62	\$3.82	\$3.82	\$3.62	\$3.62	\$3.42	\$2.34	\$3.62																														
Full cycle costs	\$5.48	\$5.54	\$5.34	\$5.43	\$5.43	\$5.10	NA	\$4.40	\$5.51																														
Free Cash Flow (reported numbers):																																							
EBITDAX with Hedges	182	175	160	138	158	632	1,223	775	723																														
Current Taxes	(0)	0	(1)	0	(0)	(0)	3	(3)	(0)																														
Capex - Exploration & Development	(294)	(228)	(264)	(221)	(206)	(1,018)	(1,021)	(1,194)	(1,032)																														
Capex - Other Property & Equipment	(15)	(11)	(5)	(4)	(8)	(28)	(22)	(44)	(48)																														
Total Capex	(309)	(239)	(269)	(221)	(214)	(1,046)	(1,048)	(1,238)	(1,080)																														
Change in Net Working Capital	18	(18)	(56)	24	(28)	(8)	(299)	(154)	(38)																														
Cash Available for Debt Service	(109)	(81)	(158)	(63)	(191)	(494)	(1,021)	(611)	(287)																														
Interest (Excl. Capitalized Interest)	-	-	(16)	(4)	(26)	(51)	(2)	-	-																														
Free Cash Flow	(109)	(81)	(168)	(67)	(217)	(545)	(1,049)	(611)	(287)																														
Disposal of Assets	160	67	6	48	61	162	408	739	317																														
Free Cash Flow Incl Asset Sales	51	(14)	(164)	(19)	(156)	(383)	(641)	127	(70)																														
Balance Sheet Data																																							
Cash	2	1	1	13	2	2	127	3	1																														
Debt																																							
Senior Notes & other debt	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250																														
Credit Facilities	269	304	466	588	587	587	1,345	225	264																														
Long Term Debt	3,519	3,554	3,716	3,750	3,817	3,817	3,595	3,475	3,514																														
YoY Growth Statistics																																							
Revenue Growth (Including Realized Hedging Gain)	-6%	-8%	-2%	-12%	-4%	-7%	-3%	-6%	-6%																														
Production Growth	0%	0%	0%	0%	0%	-4%	NA	0%	-12%																														
LTM Credit Statistics																																							
EBITDAX/Cash Interest (incl. Capitalized Interest)	2.1x	2.1x	2.0x	1.9x	1.8x	1.8x	NA	2.5x	2.1x																														
Debt/EBITDAX	4.8x	4.9x	5.3x	5.7x	6.0x	6.0x	4.1x	4.3x	4.9x																														
Net Debt/EBITDAX	4.8x	4.9x	5.3x	5.7x	6.0x	6.0x	3.9x	4.3x	4.9x																														
Covenant-defined EBITDAX/Cash Interest (incl. Capitalized Interest)	2.2x	2.2x	2.2x	2.1x	2.0x	2.0x	NA	2.7x	2.2x																														
Debt/Covenant-defined EBITDAX	4.5x	4.7x	4.8x	5.3x	5.5x	5.5x	NA	4.6x	4.7x																														
Net Debt/Covenant-defined EBITDAX	4.5x	4.7x	4.8x	5.2x	5.5x	5.5x	NA	4.6x	4.7x																														
Debt Proved Reserves (\$/mcf)	\$1.96	\$1.91	\$2.30	\$2.41	\$2.45	\$2.45	1.5x	1.7x	\$1.91																														
Debt Proved Developed Reserves (\$/mcf)	\$2.86	\$2.88	\$3.22	\$3.48	\$3.55	\$3.55	2.4x	2.7x	\$2.89																														
Liquidity Capitalization	Q3 '14																																						
Cash & Marketable Securities	2																																						
RBL Revolver 2016	431																																						
Less Short-term Debt	-																																						
Liquidity	434																																						
Capitalization	Q3 '14																																						
RBL Revolver 2016	567																																						
Second Lien Term Loan 2018	1,000																																						
0.75% Senior Notes due 2020	2,250																																						
Total Debt	3,817																																						
Net Debt	3,815																																						
Minority Interest & Others	-																																						
Equity	1,283																																						
Total capitalization	5,098																																						
Net Debt/EBITDAX	6.0x																																						
<p>Company Description: Samson Investment Company is one of the largest privately held E&P Company in the US. The company has about 3 million net acre primarily concentrated on three core areas namely the Rockies, Mid-continent and East Texas. In November 2011, the business was acquired by Samson Resources Corporation, 50% owned by an affiliate of Kohlberg Kravis Roberts & Co for about \$6.8BN, net of cash.</p>																																							
<p>Debt Maturity</p> <table border="1"> <tr> <td>FY 14</td> <td>-</td> </tr> <tr> <td>FY 15</td> <td>-</td> </tr> <tr> <td>FY 16+</td> <td>3,817</td> </tr> </table>										FY 14	-	FY 15	-	FY 16+	3,817																								
FY 14	-																																						
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<p>Reserve Description</p> <table border="1"> <tr> <td></td> <td>2012</td> <td>2013</td> </tr> <tr> <td>P Reserves - Nat Gas (mmcf)</td> <td>1,323,484</td> <td>1,246,203</td> </tr> <tr> <td>P Reserves - Liquids (mmbbl)</td> <td>115,463</td> <td>101,767</td> </tr> <tr> <td>P Nat. Gas Equivalent (bbl)</td> <td>2,014,462</td> <td>1,856,965</td> </tr> <tr> <td>% Gas</td> <td>98%</td> <td>67%</td> </tr> <tr> <td>% Proved Developed</td> <td>65%</td> <td>66%</td> </tr> <tr> <td>Reserve Life (Years)</td> <td>8</td> <td>9</td> </tr> <tr> <td>Reserve Replacement (All in)</td> <td>268%</td> <td>-6%</td> </tr> <tr> <td>Reserve Replacement (Drill Bit)</td> <td>253%</td> <td>-6%</td> </tr> <tr> <td>PV of Reserves (Bn\$)</td> <td>2,740</td> <td>2,815</td> </tr> </table>											2012	2013	P Reserves - Nat Gas (mmcf)	1,323,484	1,246,203	P Reserves - Liquids (mmbbl)	115,463	101,767	P Nat. Gas Equivalent (bbl)	2,014,462	1,856,965	% Gas	98%	67%	% Proved Developed	65%	66%	Reserve Life (Years)	8	9	Reserve Replacement (All in)	268%	-6%	Reserve Replacement (Drill Bit)	253%	-6%	PV of Reserves (Bn\$)	2,740	2,815
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<p>Hedges</p> <table border="1"> <tr> <td></td> <td>%</td> <td>\$ mcf</td> </tr> <tr> <td>2014E</td> <td>84%</td> <td>7,322 - 7,222</td> </tr> <tr> <td>2015E</td> <td>41%</td> <td>5,299 - 5,299</td> </tr> </table>											%	\$ mcf	2014E	84%	7,322 - 7,222	2015E	41%	5,299 - 5,299																					
	%	\$ mcf																																					
2014E	84%	7,322 - 7,222																																					
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(1) Unless otherwise specified, all numbers are pro forma for the reorganization of Gulf Coast and Offshore properties.

Reported numbers include impact of Gulf Coast and Offshore properties

(2) For FY 11 an estimate based on available financial information

(3) Covenant-defined EBITDA excludes stock based compensation and fees paid to sponsors while our EBITDA numbers include the same

Source: Deutsche Bank, company data

Figure 91: Samson Resources Financial Forecast

\$ M	Q1 '14	Q2 '14	Q3 '14	Q4 '14E	Q1 '15E	Q2 '15E	Q3 '15E	Q4 '15E	2011	2012	2013	2014E	2015E	2016E
(100)														
Revenue	366	299	280	232	199	199	204	209	1,117	1,026	1,142	1,119	812	901
Realized Hedging Gain / (Loss) - Cash Flow Hedges	(38)	(42)	(6)	36	17	17	17	17	150	165	(17)	(51)	68	14
Net Revenue	271	257	272	268	216	217	221	225	1,267	1,191	1,125	1,068	880	914
Operating Costs	110	119	114	103	103	103	103	104	386	476	462	446	413	419
Realized Hedging Gain / (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDAX with Hedges	160	138	158	165	113	114	118	122	881	714	723	622	467	496
DDA	118	127	122	123	124	124	124	124	519	603	559	450	498	498
EBIT	42	11	37	42	(11)	(11)	(6)	(3)	362	32	164	132	(31)	(2)
Interest	20	21	24	21	25	25	25	25	94	-	-	87	101	143
EBT (incl others)	22	(10)	13	21	(36)	(36)	(32)	(28)	248	32	164	45	(131)	(145)
Others	22	1	(36)	-	-	-	-	-	211	114	96	(37)	-	-
One time charges	1	312	460	-	-	-	-	-	-	2,254	1,818	790	-	-
EBT (incl others)	(1)	(22)	(407)	21	(36)	(36)	(32)	(28)	57	(2,306)	(1,719)	(711)	(131)	(145)
Taxes	(8)	(115)	(145)	7	(13)	(13)	(11)	(10)	39	(806)	(814)	(253)	(47)	(52)
Net Income	(1)	(226)	(262)	13	(23)	(23)	(20)	(18)	27	(1,530)	(1,195)	(457)	(84)	(93)
LTM EBITDAX with Hedges														
LTM EBITDAX with Hedges	767	688	632	622	575	561	510	497	881	714	723	622	467	496
LTM EBITDAX without Hedges	776	756	728	674	572	498	423	399	731	549	749	674	399	482
Covenant-defined EBITDAX	179	161	175	160	128	129	123	127	NA	NA	NA	NA	NA	NA
LTM Covenant-defined EBITDAX excluding divestitures ⁽¹⁾	752	713	694	686	637	606	565	523	NA	754	756	686	523	557
Actual WTI Crude (\$/bbl)														
Actual WTI Crude (\$/bbl)	\$98.40	\$103.00	\$97.25	\$73.20	\$52.50	\$52.50	\$55.00	\$57.50	\$95.16	\$94.18	\$96.00	\$93.01	\$54.38	\$95.00
Actual Henry Hub Natural Gas (\$/mcf)														
Actual Henry Hub Natural Gas (\$/mcf)	\$4.72	\$4.58	\$3.55	\$3.83	\$3.75	\$3.75	\$3.75	\$3.75	\$4.02	\$2.83	\$3.74	\$4.27	\$3.75	\$3.75
Key Production Data														
Company Natural Gas production (mmcf)	33,400	34,944	33,911	33,233	33,454	33,212	32,969	32,727	210,800	176,302	150,900	135,488	132,361	128,967
Realized Natural Gas Price (\$/mcf)	\$3.8	\$3.7	\$3.9	\$3.7	\$3.5	\$3.5	\$3.5	\$3.5	\$4.79	\$3.07	\$3.37	\$3.77	\$3.53	\$3.49
Company Oil Production (Mbbbl)	1,222	1,238	1,300	1,300	1,277	1,293	1,313	1,333	4,899	6,217	5,319	5,060	5,216	5,496
Realized Oil Price (\$/bbl)	\$62.25	\$79.46	\$90.47	\$99.44	\$98.13	\$98.24	\$99.21	\$99.20	\$79.70	\$90.23	\$86.30	\$92.91	\$95.62	\$90.45
Company NGL Production (Mbbbl)	1,165	1,183	1,167	1,167	1,228	1,253	1,273	1,293	-	4,020	4,578	4,681	5,046	5,339
Realized NGL Price (\$/bbl)	\$36.16	\$31.84	\$31.52	\$24.60	\$19.32	\$19.32	\$23.24	\$21.16	\$0.00	\$35.21	\$32.67	\$31.93	\$29.02	\$24.89
Total Equivalent Produced (mtoe)	47,723	48,469	48,711	48,033	48,494	48,494	48,494	48,494	238,499	238,500	210,872	193,506	193,936	193,594
Total Equivalent Realized (\$/mtoe)	5.87	5.34	5.60	5.58	4.45	4.47	4.56	4.65	5.77	4.99	5.31	5.55	4.54	4.71
Revenue & Operating Margins per Mtoe														
Realization	\$5.87	\$5.34	\$5.60	\$5.58	\$4.45	\$4.47	\$4.56	\$4.65	\$5.77	\$4.89	\$5.31	\$5.55	\$4.54	\$4.71
Lifting Costs	\$1.38	\$1.59	\$1.57	\$1.34	\$1.33	\$1.33	\$1.34	\$1.34	\$1.15	\$1.28	\$1.29	\$1.47	\$1.30	\$1.39
G&A	\$0.43	\$0.42	\$0.78	\$0.79	\$0.79	\$0.79	\$0.79	\$0.79	\$0.37	\$0.72	\$0.62	\$0.83	\$0.79	\$0.79
DDA	\$2.48	\$2.57	\$2.50	\$2.57	\$2.57	\$2.57	\$2.57	\$2.57	\$1.78	\$2.86	\$2.65	\$2.53	\$2.57	\$2.57
Operating Income	\$0.88	\$0.38	\$0.78	\$0.87	\$0.23	\$0.22	\$0.13	\$0.05	\$2.47	\$0.13	\$0.76	\$0.72	\$0.16	\$0.01
Interest	\$0.43	\$0.43	\$0.49	\$0.44	\$0.51	\$0.52	\$0.52	\$0.52	\$0.10	\$0.00	\$0.00	\$0.45	\$0.52	\$0.74
3-yr avg. F&D all in cost - reported numbers	\$3.60	\$3.60	\$3.60	\$3.60	\$3.60	\$3.60	\$3.60	\$3.60	\$3.49	\$2.40	\$3.60	\$3.60	\$3.60	\$3.60
3-yr avg. F&D all incl cost - reported numbers	\$3.62	\$3.62	\$3.62	\$3.62	\$3.62	\$3.62	\$3.62	\$3.62	\$3.42	\$2.34	\$3.62	\$3.62	\$3.62	\$3.62
Full cycle costs	\$6.34	\$6.43	\$6.43	\$6.16	\$6.24	\$6.24	\$6.26	\$6.26	NA	\$4.40	\$5.91	\$6.35	\$6.26	\$6.90
Free Cash Flow (reported numbers):														
EBITDAX with Hedges	160	138	158	165	113	114	118	122	1,223	775	723	622	467	496
Current Taxes	(1)	0	(5)	-	-	-	-	-	3	(2)	(3)	(1)	-	-
Capex - Exploration & Development	(264)	(221)	(206)	(144)	(252)	(182)	(254)	(183)	(1,827)	(1,194)	(1,832)	(924)	(872)	(790)
Capex - Other Property & Equipment	(5)	(4)	(6)	(8)	(4)	(4)	(4)	(4)	(22)	(44)	(49)	(18)	(15)	(15)
Total Capex	(269)	(226)	(211)	(146)	(257)	(186)	(258)	(187)	(1,846)	(1,238)	(1,881)	(962)	(887)	(805)
Change in Net Working Capital	(50)	24	(26)	2	28	(12)	8	9	(298)	(154)	(39)	(62)	33	(2)
Cash Available for Debt Service	(159)	(63)	(191)	21	(116)	(94)	(131)	(55)	(1,821)	(611)	(397)	(360)	(397)	(311)
Interest (Excl. Capitalized Interest)	(10)	(4)	(26)	(5)	(44)	(6)	(44)	(6)	(28)	-	-	(58)	(101)	(143)
Free Cash Flow	(169)	(67)	(227)	16	(160)	(90)	(175)	(62)	(1,849)	(611)	(397)	(448)	(488)	(458)
Disposal of Assets	6	46	61	61	25	25	25	25	498	739	317	175	100	-
Free Cash Flow Incl Asset Sales	(164)	(19)	(166)	77	(135)	(65)	(150)	(37)	(641)	127	(81)	(273)	(388)	(458)
Balance Sheet Data														
Cash	1	13	2	-	-	-	-	-	127	3	1	-	-	-
Debt														
- Senior Notes & other debt	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	2,250	3,250	3,250	3,250	3,250	3,250
- Credit Facilities	466	500	567	598	693	758	909	949	1,345	225	304	568	949	1,400
Long Term Debt	3,716	3,750	3,817	3,808	3,943	4,008	4,159	4,199	3,595	3,475	3,554	3,868	4,199	4,650
YoY Growth Statistics														
Revenue Growth (Including Realized Hedging Gain)	-2%	-13%	-4%	-1%	-20%	-16%	-19%	-16%	-2%	-6%	-6%	-5%	-18%	4%
Production Growth	0%	0%	0%	0%	0%	0%	0%	0%	NA	0%	-12%	-8%	0%	0%
LTM Credit Statistics														
EBITDAX/Cash Interest (incl. Capitalized Interest)	2.0x	1.9x	1.8x	1.9x	1.9x	1.9x	1.8x	1.8x	NA	2.6x	2.1x	2.1x	1.8x	1.6x
Debt/EBITDAX	5.3x	5.7x	6.0x	6.1x	6.9x	7.3x	8.1x	9.0x	4.1x	4.9x	4.9x	6.1x	9.0x	8.4x
Net Debt/EBITDAX	5.3x	5.7x	6.0x	6.1x	6.9x	7.3x	8.1x	9.0x	3.9x	4.9x	4.9x	6.1x	9.0x	8.4x
Covenant-defined EBITDAX/Cash Interest (incl. Capitalized Interest)														
Covenant-defined EBITDAX/Cash Interest (incl. Capitalized Interest)	2.2x	2.1x	2.0x	2.3x	2.2x	2.0x	2.0x	1.8x	NA	2.7x	2.2x	2.2x	1.8x	1.7x
Debt/Covenant-defined EBITDAX	4.9x	5.3x	5.5x	5.6x	6.2x	6.6x	7.4x	8.0x	NA	4.6x	4.7x	5.6x	8.0x	8.4x
Net Debt/Covenant-defined EBITDAX	4.9x	5.2x	5.5x	5.6x	6.2x	6.6x	7.4x	8.0x	NA	4.6x	4.7x	5.6x	8.0x	8.4x
Debt/Prepaid Reserves (\$/Mtoe)														
Debt/Prepaid Reserves (\$/Mtoe)	\$2.89	\$2.41	\$2.45	\$2.45	\$2.53	\$2.58	\$2.67	\$2.70	1.5x	1.7x	\$1.91	\$2.45	\$2.70	\$2.99
Debt/Prepaid Developed Reserves (\$/Mtoe)	\$3.92	\$3.48	\$3.55	\$3.54	\$3.66	\$3.72	\$3.86	\$3.90	2.4x	2.7x	\$2.89	\$3.54	\$3.90	\$4.32

(1) Unless otherwise specified, all numbers are pro forma for the recognition of Gulf Coast and Onshore properties. Reported numbers include impact of Gulf Coast and Onshore properties.
 (2) Samson changed its year-end to Dec 31 from Jun 30 during 2012. The financials for year-ending Dec 31 for FY 11 are estimates based on available financial information.
 (3) Covenant-defined EBITDAX includes stock based compensation and fees paid to sponsors while our EBITDAX numbers include this.

Source: Deutsche Bank, company data



Figure 92: Commodity Price Scenario Analysis: Samson Resources Forecast Metrics

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$262	\$283	\$304	\$325	\$346	\$367
	\$40.0	\$312	\$333	\$354	\$375	\$395	\$416	\$437
	\$50.0	\$362	\$383	\$403	\$424	\$445	\$466	\$487
	\$60.0	\$411	\$432	\$453	\$474	\$495	\$516	\$536
	\$70.0	\$461	\$482	\$503	\$524	\$544	\$565	\$586
	\$80.0	\$511	\$531	\$552	\$573	\$594	\$615	\$636
	\$90.0	\$560	\$581	\$602	\$623	\$644	\$665	\$685

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$141	\$171	\$202	\$232	\$262	\$293
	\$40.0	\$208	\$238	\$268	\$299	\$329	\$359	\$390
	\$50.0	\$274	\$305	\$335	\$365	\$396	\$426	\$456
	\$60.0	\$341	\$371	\$402	\$432	\$462	\$493	\$523
	\$70.0	\$408	\$438	\$468	\$499	\$529	\$560	\$590
	\$80.0	\$474	\$505	\$535	\$566	\$596	\$626	\$657
	\$90.0	\$541	\$572	\$602	\$632	\$663	\$693	\$723

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	16.6x	15.3x	14.2x	13.3x	12.4x	11.7x
	\$40.0	13.8x	12.9x	12.1x	11.4x	10.7x	10.2x	9.6x
	\$50.0	11.8x	11.1x	10.5x	10.0x	9.5x	9.0x	8.6x
	\$60.0	10.3x	9.8x	9.3x	8.8x	8.4x	8.1x	7.7x
	\$70.0	9.1x	8.7x	8.3x	7.9x	7.6x	7.3x	7.0x
	\$80.0	8.1x	7.8x	7.5x	7.2x	6.9x	6.6x	6.4x
	\$90.0	7.3x	7.1x	6.8x	6.5x	6.3x	6.1x	5.9x

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	36.5x	29.8x	25.1x	21.6x	18.9x	16.8x
	\$40.0	24.3x	21.0x	18.4x	16.4x	14.8x	13.4x	12.2x
	\$50.0	18.0x	16.1x	14.5x	13.1x	12.0x	11.1x	10.2x
	\$60.0	14.2x	12.9x	11.8x	10.9x	10.1x	9.3x	8.7x
	\$70.0	11.6x	10.7x	9.9x	9.2x	8.6x	8.0x	7.6x
	\$80.0	9.7x	9.1x	8.5x	7.9x	7.5x	7.0x	6.6x
	\$90.0	8.4x	7.8x	7.4x	6.9x	6.5x	6.2x	5.9x

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	(\$551)	(\$534)	(\$517)	(\$500)	(\$483)	(\$466)
	\$40.0	(\$511)	(\$494)	(\$477)	(\$460)	(\$443)	(\$426)	(\$409)
	\$50.0	(\$470)	(\$453)	(\$436)	(\$420)	(\$403)	(\$386)	(\$369)
	\$60.0	(\$430)	(\$413)	(\$396)	(\$379)	(\$362)	(\$345)	(\$328)
	\$70.0	(\$390)	(\$373)	(\$356)	(\$339)	(\$322)	(\$305)	(\$288)
	\$80.0	(\$350)	(\$333)	(\$316)	(\$299)	(\$282)	(\$265)	(\$248)
	\$90.0	(\$309)	(\$292)	(\$275)	(\$259)	(\$242)	(\$225)	(\$208)

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	(\$786)	(\$757)	(\$728)	(\$700)	(\$671)	(\$642)
	\$40.0	(\$722)	(\$693)	(\$664)	(\$636)	(\$607)	(\$579)	(\$550)
	\$50.0	(\$658)	(\$629)	(\$601)	(\$572)	(\$543)	(\$515)	(\$486)
	\$60.0	(\$594)	(\$565)	(\$537)	(\$508)	(\$479)	(\$451)	(\$422)
	\$70.0	(\$530)	(\$501)	(\$473)	(\$444)	(\$416)	(\$387)	(\$358)
	\$80.0	(\$466)	(\$438)	(\$409)	(\$380)	(\$352)	(\$323)	(\$294)
	\$90.0	(\$402)	(\$374)	(\$345)	(\$316)	(\$288)	(\$259)	(\$231)

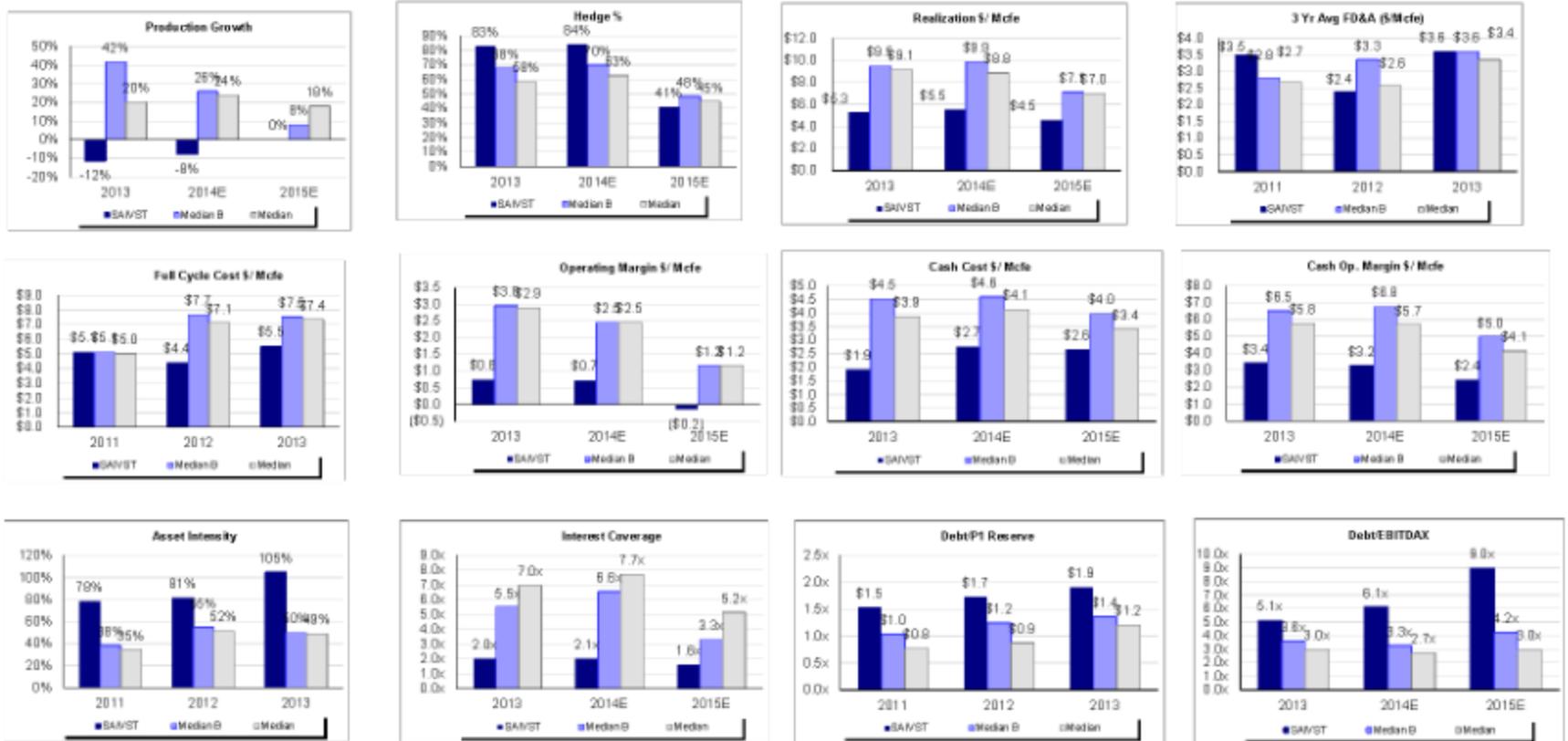
		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8
	\$40.0	\$2.8	\$2.8	\$2.8	\$2.7	\$2.7	\$2.7	\$2.7
	\$50.0	\$2.8	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7
	\$60.0	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7
	\$70.0	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.6	\$2.6
	\$80.0	\$2.7	\$2.7	\$2.7	\$2.6	\$2.6	\$2.6	\$2.6
	\$90.0	\$2.7	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$3.3	\$3.3	\$3.3	\$3.2	\$3.2	\$3.2
	\$40.0	\$3.2	\$3.2	\$3.2	\$3.2	\$3.1	\$3.1	\$3.1
	\$50.0	\$3.2	\$3.1	\$3.1	\$3.1	\$3.1	\$3.0	\$3.0
	\$60.0	\$3.1	\$3.1	\$3.1	\$3.0	\$3.0	\$3.0	\$2.9
	\$70.0	\$3.0	\$3.0	\$3.0	\$3.0	\$2.9	\$2.9	\$2.9
	\$80.0	\$3.0	\$2.9	\$2.9	\$2.9	\$2.9	\$2.8	\$2.8
	\$90.0	\$2.9	\$2.9	\$2.9	\$2.8	\$2.8	\$2.8	\$2.7

Source: Deutsche Bank



Figure 93: Samson Resources Benchmarks



Source: Deutsche Bank, company data, Bloomberg Finance LP
 Industry level Median, Median BB and Median B Metrics include both covered and non-covered companies
 For the following companies covered by DB High Yield, the forecasts figures reflect our published estimates: CHK, XEC, DNR, FST, XCO, HILCRP, HK, NFX, DEP, RRC, SAVST and SD
 For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXD, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPK





Sandridge Energy

Relative Value

As a single-asset company with modest economics, SandRidge (SD) is relatively more vulnerable to the new, significantly weaker commodity price landscape. Notwithstanding the high-grading and the substantial operational improvements across its Mississippian acreage over the past two years, the company is likely to struggle to build a sustainable business over the long term given the weak outlook for oil prices. DB equity research sees the Mississippian Lime achieving a 10% IRR at \$80/bbl oil, one of the most challenged plays in the US. The structural funding gap problem – the intensity of which had been steadily receding in recent quarters due to solid operational performance – is now front and center. Despite a sharp ramp down in its capital program – we expect annual capex to average \$1 billion over the next two years (versus \$1.6 billion in FY 14E) – we see the company burning \$1.2 billion of cash through FY 16, exhausting most of its current liquidity of \$1.3 billion. More worryingly, we see outlook for continued cash burn indefinitely beyond FY 16 even in a maintenance capex mode. We see annual run-rate EBITDA of ~\$710 million at \$65 oil/\$3.75 gas. Given annual interest obligation of close to \$300 million, the company will clearly be unable to meet maintenance capex of, say, \$500-700 million and remain FCF neutral. This situation would be further aggravated in a downside scenario of \$60 oil/\$3.5 gas with EBITDA dropping to \$560 million. In short, the Mississippian acreage is not well suited for a low commodity price environment, especially as a core play for a company as financially leveraged like SD. Further, the option of augmenting its liquidity via asset divestitures, which appeared to be a viable one just a few months back, is now all but gone. Its midstream infrastructure in the Mississippian play, which might have fetched a valuation of up to \$1 billion earlier will now be worth much less, and on a partial monetization, could receive maybe \$200-\$250 million. This overlooks the difficulty in even attracting buyers given questions over long term sustainability of play economics. The value of its stake in upstream trust subsidiaries has also taken a severe beating in recent months and is now worth a little over \$100 million.

While we acknowledge that the recent resolution to the financial filings is a positive, the viability of the Mississippian play is still a major concern for the market as evidenced by the trading levels of other HY issuers with core positions in that play. Midstates Petroleum (MPO, not covered) is a relatively smaller Mississippian comp with a fraction of the liquidity of SD and about 1.5x turns more leverage (6.5x in 2016 Bloomberg consensus) – it trades at about 2x the spread of SD (STW: ~2500 bps area). That said, looking at SandRidge, we don't see any visible catalysts on the horizon. Technically speaking, the credit is up roughly 10 points from its mid-December lows (bonds now in the 66-67 area, YTW: 15-18%) leaving us to believe that upside/downside is skewed to the downside as we enter the seasonally weak 1H. Further, we think current trading levels already have an expectation of lower announced 2015 capex levels built in. With that said, we are moving to a **SELL** from a **HOLD** rating on the name as we believe one could see more attractive entry points in the name going forward. Upside includes better well cost reductions and higher type curves and lower than expected FCF burn.



Figure 94: Sandridge Energy Financial Summary

Issue	Rating	Maturity	MC Date	MC Price
8.75% Senior Notes due 2020	BB	15-Jul-20	15-Jan-15	104.38
7.5% Senior Notes due 2021	BB	15-Mar-21	15-Mar-16	103.76
8.125% Senior Notes due 2022	BB	15-Jul-22	15-Apr-17	104.26
7.5% Senior Notes due 2023	BB	15-Feb-23	16-Aug-17	103.74

	Q2 13	Q4 13	Q1 14	Q2 14	Q3 14	LTM	2011	2012	2013
Revenue	430	455	443	375	394	1,277	1,415	1,205	1,308
Realized Hedging Gain (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-
Net Revenue	430	455	443	375	394	1,277	1,415	1,205	1,308
Operating Costs	295	194	171	122	143	630	643	661	629
Realized Hedging Gain (Loss)	17	13	14	(13)	3	(11)	(20)	61	28
EBITDA with Hedges (incl. minority interests)	391	264	259	239	256	1,095	727	1,156	1,158
Share of minority interests	52	42	48	35	34	183	69	177	184
EBITDA with Hedges (excl. minority interests)	339	242	211	204	221	912	658	979	974
SGA	135	149	131	113	127	525	383	420	438
SGT	84	92	88	92	94	388	277	308	343
Interest	81	62	62	62	60	285	237	303	279
SGT (incl. offset)	33	31	32	30	34	121	43	66	76
Other Income/Expense	60	28	29	79	(128)	60	396	(201)	308
One-time charges	-	-	-	-	-	-	-	3	398
SGT (incl. offset)	(27)	5	(176)	(43)	163	(93)	135	(28)	(602)
Taxes	1	(2)	1	(1)	(1)	(4)	(7)	(10)	5
Net Income	(27)	7	(174)	(44)	154	(27)	141	74	(595)
LTM EBITDA (incl. minority interests) with Hedges	1,296	1,158	1,128	1,065	1,096	1,095	727	1,156	1,158
LTM EBITDA (incl. minority interests) without Hedges	1,186	1,131	1,125	1,094	1,047	1,047	765	1,074	1,151
LTM EBITDA (incl. minority interests) with Hedges	1,095	975	948	903	886	886	658	979	974
LTM EBITDA (incl. minority interests) without Hedges	970	947	945	933	886	886	587	907	947
Actual NRI Crude (\$/bbl)	\$4.17	\$7.81	\$5.81	\$2.39	\$7.25	\$9.12	\$5.16	\$4.42	\$6.17
Actual Henry Hub Natural Gas (\$/mcf)	\$2.02	\$3.95	4.72	4.58	5.95	4.28	4.02	2.83	3.74
Key Production Data									
Company Natural Gas production (mcf)	25,223	24,891	21,830	18,243	21,621	87,225	68,306	83,580	103,223
Realized Natural Gas Price (\$/mcf)	3.88	3.86	4.26	3.49	3.37	3.62	3.23	2.86	3.48
Company Oil Production (bbls)	4,139	3,277	2,888	2,398	2,694	11,284	11,820	17,983	16,807
Realized Oil Price (\$/bbl)	\$1.87	\$7.68	\$6.88	\$6.81	\$4.88	\$6.21	\$6.41	\$6.21	\$2.88
Company NGL Production (Mcf)	-	683	642	748	1,139	3,182	-	-	683
Realized NGL Price (\$/bbl)	-	\$6.76	\$2.37	\$6.41	\$5.84	\$2.25	-	-	\$8.74
Total Equivalent Production (mcf)	49,907	48,291	42,356	38,116	44,019	176,141	148,286	201,288	222,833
Total Equivalent Realized (\$/mcf)	\$1.44	\$3.87	\$1.14	\$2.57	\$2.25	\$2.95	\$2.64	\$1.77	\$1.13
Total Equivalent Production (boe)	8,225	8,229	7,128	6,363	7,227	29,024	29,381	33,585	32,778
Total Equivalent Realized (\$/boe)	\$6.81	\$3.79	\$4.58	\$1.44	\$3.48	\$2.47	\$3.25	\$3.26	\$4.18
Revenue & Operating Margins per Boe									
Realization	\$24.61	\$23.79	\$24.83	\$21.94	\$20.48	\$22.67	\$18.28	\$20.25	\$24.76
Lifting Costs	\$14.82	\$15.30	\$14.82	\$18.44	\$12.41	\$13.41	\$15.76	\$15.63	\$15.25
ORA	\$9.79	\$8.49	\$10.01	\$3.50	\$8.07	\$9.26	\$2.52	\$4.62	\$9.51
OGA	\$15.03	\$18.26	\$16.15	\$13.51	\$15.34	\$15.58	\$13.37	\$15.83	\$16.81
Operating Income	\$29.69	\$18.49	\$19.82	\$29.78	\$18.38	\$18.18	\$12.44	\$16.65	\$17.70
Interest	\$9.01	\$9.22	\$10.85	\$11.92	\$9.79	\$10.28	\$12.54	\$10.79	\$9.64
1-yr avg. F&O all (excl. acid)	\$15.48	\$18.03	\$16.85	\$18.33	\$16.03	\$16.00	\$16.24	\$15.48	\$16.83
1-yr avg. F&O all (incl. acid)	\$13.79	\$11.89	\$11.89	\$11.89	\$11.89	\$11.89	\$14.82	\$10.79	\$11.89
All cycle costs	\$44.42	\$44.76	\$45.85	\$43.28	\$41.43	\$43.08	\$38.91	\$47.34	\$45.87
Free Cash Flow:									
EBITDA with Hedges	391	264	259	239	256	1,095	727	1,156	1,158
Current Taxes	(3)	(2)	-	23	1	(2)	(2)	(1)	(3)
Total Cash	(487)	(332)	(237)	(326)	(418)	(1,488)	(1,746)	(1,196)	(1,497)
Change in Net Working Capital	(3)	87	(88)	(67)	(21)	(181)	(63)	(188)	64
Cash Available for Debt Service	(490)	(245)	(325)	(393)	(439)	(1,669)	(1,809)	(1,384)	(1,433)
Interest (excl. Capitalized Interest)	(26)	(27)	(20)	(27)	(26)	(227)	(226)	(287)	(276)
Distribution to minority interests (Trust distributions)	(8)	(42)	(18)	(36)	(34)	(163)	(36)	(177)	(186)
Free Cash Flow	(111)	(62)	(180)	(186)	(202)	(899)	(1,272)	(1,888)	(178)
Acquisition of Assets	(4)	(2)	(2)	(14)	(1)	(19)	(35)	(84)	(17)
Disposal of Assets	5	45	72	3	5	78	1,777	1,155	2,113
Free Cash Flow Incl. Asset Sales	(106)	(19)	439	(211)	(207)	(95)	579	(1,276)	1,858
Balance Sheet Data									
Cash	1,094	815	1,188	919	590.2	590	208	310	815
Debt									
Senior Notes & Other	3,195	3,195	3,195	3,195	3,195.3	3,195	2,814	4,301	3,195
Credit Facilities	-	-	-	-	-	-	-	-	-
Long Term Debt	3,195	3,195	3,195	3,195	3,195	3,195	2,814	4,301	3,195
YTD Growth Statistics									
Revenue Growth (including Realized Hedging Gain)	9%	-17%	-8%	-28%	-17%	-28%	18%	48%	-1%
Production Growth	1%	-16%	-21%	-24%	-11%	-18%	16%	48%	1%
LTM Credit Statistics									
EBITDA/Cash Interest (incl. Capitalized Interest)	3.8x	3.3x	3.7x	3.5x	3.8x	3.8x	3.9x	3.6x	3.3x
Debt/EBITDA (incl. minority interests)	-	-	(162)	(188)	(182)	(172)	(215)	(178)	(217)
Debt/EBITDA (excl. minority interests)	3.0x	3.0x	3.4x	3.5x	3.6x	3.6x	4.2x	4.4x	3.3x
Net Debt/EBITDA (incl. minority interests)	2.8x	2.4x	2.1x	2.5x	2.8x	2.8x	4.0x	4.1x	2.4x
Debt/EBITDA (incl. minority interests)	-	-	-	-	(10.6)	(10.6)	8.0x	-	-
Debt/EBITDA (incl. minority interests)	2.5x	2.6x	2.8x	3.0x	3.1x	3.1x	3.0x	3.7x	2.8x
Net Debt/EBITDA (incl. minority interests)	1.7x	2.1x	1.8x	2.1x	2.5x	2.5x	3.6x	3.5x	2.1x
Debt/Proved Reserves (\$/bbl)	\$5.65	\$7.37	\$7.37	\$7.37	\$7.37	\$7.37	\$5.98	\$7.63	\$7.37
Debt/Proved Developed Reserves (\$/bbl)	\$9.59	\$11.46	\$11.46	\$11.46	\$11.46	\$11.46	\$12.21	\$15.45	\$11.46

Liquidity Capitalization	Q3 14
Cash & Marketable Securities	530
Reserves ⁽¹⁾	746
Less Short-term Debt	-
Liquidity	1,276
Capitalization	Q3 14
Senior Credit Facility Matures in Mar 2017	-
8.75% Senior Notes due 2020	445
7.5% Senior Notes due 2021	1,179
8.125% Senior Notes due 2022	730
7.5% Sr. Notes due 2023	621
Others	15
Total Debt	3,195
Plus: Market Cap	621
Plus: Preferred Stock & Minority Interest	1,295
Less: Cash	(530)
Enterprise Value	(530)
FF EBITDA⁽²⁾	8.1x
FF Net Debt/EBITDA⁽²⁾	3.5x

Reserve Description	2011	2012	2013
P Reserves - Net Gas (mcf)	1,355,100	1,415,000	1,280,429
P Reserves - Liquefied Ethane	244,800	333,000	281,600
P Oil Equivalent (boe)	478,663	568,603	433,621
% Gas	88%	42%	62%
% Proved Developed	49%	57%	64%
Reserve Life (Years)	14.0	16.8	16.1
Reserve Replacement (RR %)	450%	740%	247%
Reserve Replacement (Doll Bill)	451%	667%	268%
PV of Reserves (boe)	8,876	7,488	5,102

Hedges	%	\$ mths
2014E	74%	18.09-11.34
2015E	46%	11.28-10.29

Company Description: Sandridge Energy is an independent oil and gas company focused on exploration, development and production activities. OGA headquarters is Oklahoma City, Oklahoma. SD and its subsidiaries also own and operate gas gathering and processing facilities and CO₂ treating and transportation facilities and conduct marketing and tertiary of recovery operations.

Regions:
New Texas
Mid-Continent

Debt Maturity:
FY 14 -
FY 15 -
FY 16+ - 3.195

(1) Reserves available factors in outstanding LCO's of \$0/M
(2) FF EBITDA FF for OGCM asset base
(3) Pro forma for OGCM sale, proved reserves would be ~375 Bbbls and PV-11 would \$4.18B

Source: Deutsche Bank, company data

Figure 95: Sandridge Energy Financial Forecasts

\$ Mn	Q1 '14	Q2 '14	Q3 '14	Q4 '14E	Q1 '15E	Q2 '15E	Q3 '15E	Q4 '15E	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	443	375	394	343	256	263	277	294	1,162	581	502	1,415	1,335	1,060	1,555	1,090	1,248
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	443	375	394	343	256	263	277	294	1,162	581	502	1,415	1,335	1,060	1,555	1,090	1,248
Operating Costs	171	122	143	157	146	150	152	156	512	383	524	649	881	829	693	604	592
Realized Hedging Gain / (Loss)	(14)	(13)	3	69	75	75	72	68	(13)	348	224	(39)	81	28	46	291	52
EBITDAX with Hedges (incl. minority interests)	259	239	255	255	186	189	197	206	657	556	633	727	1,155	1,158	1,007	776	707
Share of minority interests	40	35	34	42	24	24	24	24	89	177	164	89	177	164	151	95	65
EBITDAX with Hedges (excl. minority interests)	219	204	221	212	162	166	173	182	567	379	469	638	978	994	856	681	642
DOA	131	113	127	145	134	138	141	145	361	227	328	388	430	630	516	557	559
EBIT	88	92	94	67	29	28	32	37	296	329	305	277	348	345	341	136	63
Interest	62	62	60	59	59	60	60	61	143	185	247	237	303	270	243	241	253
EBT (excl. others)	26	30	34	8	(31)	(32)	(28)	(24)	152	144	58	40	45	75	98	(115)	(170)
Other (Income) Expense	200	75	(129)	30	-	-	-	34	(236)	219	196	(80)	(241)	269	176	34	38
One time charges	-	-	-	-	-	-	-	-	1,867	1,787	-	-	3	315	286	-	-
EBT (incl. others)	(174)	(45)	163	(22)	(31)	(32)	(28)	(58)	(1,480)	(1,782)	(137)	135	(20)	(662)	(76)	(149)	(208)
Taxes	0	(1)	(1)	-	-	-	-	-	(38)	(9)	(447)	(9)	(93)	6	(5)	-	(73)
Net Income	(174)	(44)	164	(22)	(31)	(32)	(28)	(58)	(1,441)	(1,773)	(38)	141	74	(668)	(75)	(149)	(158)
	0	-	-	(3)	(3)	(3)	-	-	-	114	48	0	0	0	0	-	-
LTM EBITDAX (incl. minority interests) with Hedges	1,128	1,088	1,036	1,007	838	888	827	778	667	558	633	727	1,155	1,158	1,007	776	707
LTM EBITDAX (incl. minority interests) without Hedges	1,125	1,094	1,047	962	800	861	735	486	678	258	408	768	1,074	1,131	962	486	655
LTM EBITDAX (excl. minority interests) with Hedges	948	903	886	867	701	713	683	633	567	469	533	638	978	975	857	683	642
LTM EBITDAX (excl. minority interests) without Hedges	945	933	896	811	665	638	421	391	670	258	408	697	897	947	811	391	590
Actual WTI Crude (\$/bbl)	98.61	102.99	97.25	73.20	52.58	52.58	55.00	57.50	99.70	61.90	79.58	95.16	94.42	98.87	93.01	54.28	65.08
Actual Henry Hub Natural Gas (\$/mcf)	4.72	4.58	3.95	3.83	3.75	3.75	3.75	3.75	8.90	4.20	4.35	4.02	2.83	3.74	4.27	3.75	3.75
Key Production Data																	
Company Natural Gas production (mmcf)	21,593	19,249	21,501	21,816	20,172	20,802	21,222	21,853	87,402	87,461	70,226	69,356	93,550	103,233	84,150	84,049	84,279
Realized Natural Gas Price (\$/mcf)	4.05	3.49	3.37	3.07	2.94	2.93	2.93	2.93	7.98	7.20	5.13	3.23	2.46	3.46	3.50	2.93	2.75
Company Oil Production (MMbbl)	2,885	2,398	2,644	3,073	2,997	3,090	3,153	3,246	2,338	2,884	7,388	11,839	17,983	15,887	11,000	12,486	12,520
Realized Oil Price (\$/bbl)	95.86	95.91	94.86	91.39	73.90	73.18	74.11	74.91	88.09	99.89	66.88	76.41	90.01	92.38	94.60	74.04	66.63
Company NGL Production (MMbbl)	642	748	1,109	1,151	950	980	1,000	1,029	-	-	-	-	-	683	3,650	3,959	3,970
Realized NGL Price (\$/bbl)	42.97	35.41	35.84	25.62	18.38	18.38	19.25	20.13	-	-	-	-	-	36.74	35.99	19.05	24.70
Total Equivalent Produced (boe)	7,126	6,353	7,307	7,860	7,309	7,537	7,689	7,918	16,962	17,471	20,690	23,381	33,555	33,776	28,675	30,453	30,536
Total Equivalent Realized (\$/boe)	54.95	51.44	49.48	48.02	40.81	40.48	40.98	41.41	53.02	45.93	44.95	46.25	35.95	54.78	50.87	40.93	36.12
Revenue & Operating Margins per Boe																	
Realization	\$54.95	\$51.44	\$49.48	\$48.02	\$40.81	\$40.48	\$40.98	\$41.41	\$53.02	\$45.93	\$44.95	\$46.25	\$35.95	\$54.78	\$50.87	\$40.93	\$36.12
Lifting Costs	\$14.92	\$10.44	\$12.41	\$11.88	\$12.01	\$12.01	\$12.01	\$12.01	\$11.22	\$9.92	\$13.29	\$15.70	\$15.03	\$15.28	\$12.45	\$12.01	\$11.71
DOA	\$4.24	\$4.90	\$3.35	\$4.53	\$4.29	\$4.29	\$4.20	\$4.20	\$6.47	\$5.74	\$7.17	\$6.36	\$5.94	\$4.81	\$4.24	\$4.20	\$4.08
EBITDA	\$16.18	\$15.31	\$15.34	\$16.30	\$16.05	\$16.05	\$16.05	\$16.05	\$17.21	\$10.08	\$13.70	\$13.97	\$16.93	\$16.81	\$15.80	\$16.05	\$16.05
Operating Income	\$19.82	\$20.79	\$18.38	\$18.32	\$8.88	\$9.24	\$8.72	\$9.19	\$16.12	\$20.20	\$9.89	\$12.14	\$16.96	\$17.78	\$18.38	\$8.87	\$8.28
Interest	\$10.65	\$11.92	\$9.70	\$8.55	\$8.14	\$7.92	\$7.83	\$7.73	\$9.69	\$11.13	\$14.19	\$12.54	\$10.70	\$9.84	\$12.03	\$7.90	\$8.29
3 yr avg. F&D all (in acc)	\$16.03	\$16.03	\$16.03	\$16.03	\$16.03	\$16.03	\$16.03	\$16.03	\$12.67	\$13.76	\$14.38	\$16.24	\$16.48	\$16.93	\$16.03	\$16.03	\$16.03
3 yr avg. F&D all (incl. acc)	\$11.89	\$11.89	\$11.89	\$11.89	\$11.89	\$11.89	\$11.89	\$11.89	\$9.72	\$12.79	\$12.31	\$14.82	\$16.79	\$11.89	\$11.89	\$11.89	\$11.89
Full cycle costs	\$45.29	\$45.29	\$41.49	\$41.39	\$40.38	\$40.18	\$40.07	\$39.97	\$40.02	\$40.99	\$40.03	\$56.91	\$47.74	\$45.87	\$42.96	\$48.14	\$48.11
Free Cash Flow:																	
EBITDAX with Hedges	259	239	255	255	186	189	197	206	657	556	633	727	1,155	1,158	1,007	776	707
Current Taxes	-	(2)	1	-	-	-	-	-	(2)	3	2	(2)	(1)	(5)	(1)	-	3
Total Capex	(391)	(306)	(415)	(494)	(275)	(271)	(275)	(271)	(2,658)	(715)	(1,044)	(1,744)	(2,140)	(1,467)	(1,560)	(1,091)	(927)
Change in Net Working Capital	(89)	(47)	(21)	74	(77)	155	(51)	10	38	(186)	(20)	(80)	(160)	64	(80)	37	-
Cash Available for Debt Service	(162)	(135)	(180)	(166)	(166)	74	(129)	(95)	(1,385)	(282)	(430)	(1,079)	(1,198)	(278)	(642)	(276)	(217)
Interest (Excl. Capitalized Interest)	(58)	(27)	(90)	(26)	(36)	(36)	(31)	(31)	(131)	(172)	(211)	(224)	(257)	(275)	(236)	(241)	(244)
Distribution to minority interests (Trust distributions)	(40)	(35)	(34)	(43)	(24)	(24)	(24)	(24)	-	-	(89)	(177)	(164)	(151)	(95)	(95)	(95)
Free Cash Flow	(299)	(188)	(305)	(266)	(279)	21	(245)	(110)	(1,496)	(434)	(642)	(1,372)	(1,892)	(738)	(1,031)	(612)	(926)
Acquisition of Assets	(2)	(14)	(6)	-	-	-	-	-	-	(79)	(138)	(35)	(84)	(17)	(17)	-	-
Disposal of Assets	729	9	6	-	-	-	-	-	157	283	295	1,777	1,188	2,613	738	-	-
Free Cash Flow Incl Asset Sales	430	(21)	(297)	(236)	(279)	21	(243)	(110)	(1,339)	(668)	(575)	379	(1,276)	1,658	(312)	(612)	(526)
Balance Sheet Data																	
Cash	1,180	919	590	319	44	69	-	-	1	8	4	208	310	815	319	-	-
Debt																	
Senior Notes & Other	3,195	3,195	3,195	3,195	3,195	3,195	3,195	3,195	1,800	2,579	2,589	2,814	4,391	3,195	3,195	3,195	3,195
Credit Facilities	-	-	-	-	-	-	-	-	573	-	349	-	-	-	-	309	839
Long Term Debt	3,195	3,195	3,195	3,195	3,195	3,195	3,195	3,195	2,373	2,579	2,939	2,814	4,391	3,195	3,195	3,504	4,034
YoY Growth Statistics																	
Revenue Growth (including Realized Hedging Gain)	-18%	-23%	-17%	-14%	-23%	-6%	-12%	-12%	64%	-29%	23%	19%	40%	-1%	-19%	-14%	-6%
Production Growth	-21%	-24%	-11%	-4%	3%	19%	5%	1%	58%	3%	15%	58%	44%	1%	-19%	6%	0%
LTM Credit Statistics																	
EBITDAX/Cash Interest (excl. Capitalized Interest)	3.7x	3.5x	3.5x	3.4x	3.2x	3.0x	2.8x	2.7x	5.0x	3.2x	3.0x	2.9x	3.6x	3.3x	3.4x	2.7x	2.5x
Sr. Sec debt EBITDAX (excl. minority interests)	-	-	(0.3)x	-	-	-	-	-	1.0x	1.1x	0.6x	0.0x	-	-	-	0.5x	1.3x
Debt/EBITDAX (excl. minority interests)	3.4x	3.5x	3.6x	3.7x	4.0x	4.2x	4.7x	5.1x	3.6x	4.6x							

Figure 96: Commodity Price Scenario Analysis: Sandridge Energy Forecast Metrics

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil / WTI	\$30.0	\$352	\$384	\$416	\$448	\$480	\$512	\$545
	\$40.0	\$435	\$467	\$499	\$531	\$563	\$595	\$628
	\$50.0	\$518	\$550	\$582	\$614	\$646	\$678	\$710
	\$60.0	\$601	\$633	\$665	\$697	\$729	\$761	\$793
	\$70.0	\$684	\$716	\$748	\$779	\$811	\$844	\$876
	\$80.0	\$750	\$782	\$814	\$846	\$878	\$910	\$943
	\$90.0	\$787	\$819	\$851	\$883	\$915	\$947	\$980

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil / WTI	\$30.0	(\$866)	(\$857)	(\$829)	(\$800)	(\$772)	(\$743)	(\$714)
	\$40.0	(\$820)	(\$791)	(\$763)	(\$734)	(\$706)	(\$677)	(\$648)
	\$50.0	(\$754)	(\$725)	(\$697)	(\$668)	(\$640)	(\$611)	(\$582)
	\$60.0	(\$688)	(\$659)	(\$631)	(\$602)	(\$574)	(\$545)	(\$516)
	\$70.0	(\$622)	(\$593)	(\$565)	(\$536)	(\$508)	(\$479)	(\$450)
	\$80.0	(\$569)	(\$540)	(\$512)	(\$483)	(\$455)	(\$426)	(\$397)
	\$90.0	(\$540)	(\$512)	(\$483)	(\$455)	(\$426)	(\$397)	(\$369)

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil / WTI	\$30.0	-\$57	-\$15	\$28	\$70	\$113	\$155	\$198
	\$40.0	\$80	\$122	\$165	\$207	\$250	\$292	\$335
	\$50.0	\$216	\$259	\$301	\$344	\$387	\$429	\$472
	\$60.0	\$353	\$396	\$438	\$481	\$523	\$566	\$608
	\$70.0	\$490	\$533	\$575	\$618	\$660	\$703	\$745
	\$80.0	\$627	\$670	\$712	\$755	\$797	\$840	\$882
	\$90.0	\$760	\$803	\$845	\$888	\$930	\$973	\$1,015

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil / WTI	\$30.0	(\$1,221)	(\$1,179)	(\$1,137)	(\$1,095)	(\$1,053)	(\$1,012)	(\$970)
	\$40.0	(\$1,086)	(\$1,044)	(\$1,002)	(\$960)	(\$919)	(\$877)	(\$835)
	\$50.0	(\$951)	(\$909)	(\$867)	(\$826)	(\$784)	(\$742)	(\$700)
	\$60.0	(\$816)	(\$774)	(\$733)	(\$691)	(\$649)	(\$607)	(\$565)
	\$70.0	(\$681)	(\$640)	(\$598)	(\$556)	(\$514)	(\$472)	(\$431)
	\$80.0	(\$547)	(\$505)	(\$463)	(\$421)	(\$379)	(\$338)	(\$296)
	\$90.0	(\$416)	(\$374)	(\$332)	(\$290)	(\$248)	(\$207)	(\$165)

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil / WTI	\$30.0	10.7x	9.8x	8.9x	8.2x	7.6x	7.1x	6.6x
	\$40.0	8.5x	7.9x	7.3x	6.8x	6.4x	6.0x	5.6x
	\$50.0	7.0x	6.6x	6.2x	5.8x	5.5x	5.2x	4.9x
	\$60.0	6.0x	5.6x	5.3x	5.0x	4.8x	4.5x	4.3x
	\$70.0	5.1x	4.9x	4.6x	4.4x	4.2x	4.0x	3.8x
	\$80.0	4.6x	4.4x	4.2x	4.0x	3.8x	3.6x	3.5x
	\$90.0	4.4x	4.2x	4.0x	3.8x	3.6x	3.5x	3.3x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil / WTI	\$30.0	\$1.7	\$1.7	\$1.7	\$1.6	\$1.6	\$1.6	\$1.6
	\$40.0	\$1.7	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6
	\$50.0	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6
	\$60.0	\$1.6	\$1.6	\$1.6	\$1.6	\$1.5	\$1.5	\$1.5
	\$70.0	\$1.6	\$1.6	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
	\$80.0	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
	\$90.0	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5

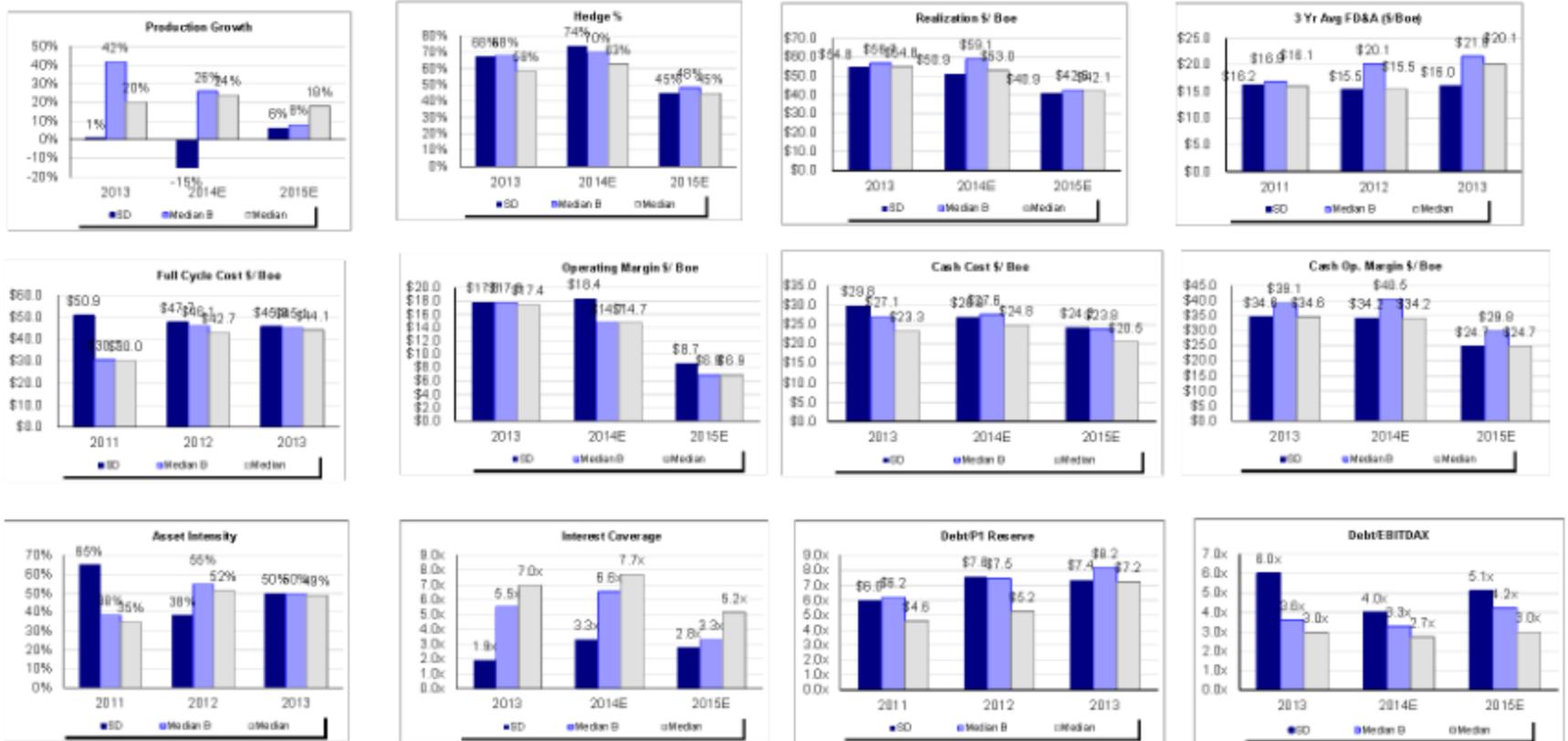
		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil / WTI	\$30.0	-72.9x	-279.3x	148.4x	58.0x	35.8x	25.8x	20.0x
	\$40.0	51.4x	33.2x	24.4x	19.2x	15.8x	13.4x	11.6x
	\$50.0	18.5x	15.3x	13.0x	11.3x	10.0x	8.9x	8.0x
	\$60.0	11.1x	9.8x	8.7x	7.9x	7.2x	6.6x	6.1x
	\$70.0	7.8x	7.1x	6.5x	6.0x	5.6x	5.2x	4.8x
	\$80.0	6.0x	5.5x	5.2x	4.8x	4.5x	4.2x	4.0x
	\$90.0	4.9x	4.6x	4.3x	4.0x	3.8x	3.6x	3.4x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil / WTI	\$30.0	\$2.2	\$2.2	\$2.1	\$2.1	\$2.1	\$2.0	\$2.0
	\$40.0	\$2.1	\$2.1	\$2.1	\$2.0	\$2.0	\$2.0	\$1.9
	\$50.0	\$2.0	\$2.0	\$2.0	\$1.9	\$1.9	\$1.9	\$1.9
	\$60.0	\$2.0	\$1.9	\$1.9	\$1.9	\$1.8	\$1.8	\$1.8
	\$70.0	\$1.9	\$1.8	\$1.8	\$1.8	\$1.8	\$1.7	\$1.7
	\$80.0	\$1.8	\$1.8	\$1.7	\$1.7	\$1.7	\$1.7	\$1.6
	\$90.0	\$1.7	\$1.7	\$1.7	\$1.6	\$1.6	\$1.6	\$1.6

Source: Deutsche Bank, Company data



Figure 97: Sandridge Energy Benchmarks



Source: Deutsche Bank, Company dat, Bloomberg Finance LP

Industry level Median, Median BB, and Median B Metrics include both covered and non-covered companies

For the following companies covered by DB High Yield, the forecasts figures reflect our published estimates: CHK, XEC, DNR, FST, XCO, HILCRP, HK, NFX, QEP, RRC, SAIYST and SD

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXO, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





Financial Summaries and Sensitivities for Non-Covered E&Ps

The companies that follow are non-covered by Deutsche Bank High Yield. Presented are historical financials only, as well as sensitivity analyses based on Bloomberg consensus estimates. None of the below figures represent Deutsche Bank estimates or opinions.

American Energy Permian (AEPB)

Antero Resources (AR)

Bonanza Creek (BCEI)

Concho Resources (CXO)

Diamond Back Energy (FANG)

EP Energy (EPE)

Magnum Hunter Resources (MHR)

Midstates Petroleum (MPO)

Oasis Petroleum (OAS)

Parsley Energy (PE)

Penn Virginia (PVA)

Rosetta Resources (ROSE)

SM Energy (SM)

Sanchez Energy (SN)

Tullow Oil (TLW)

Triangle Petroleum (TLW)

WPX Energy (WPX)



Figure 98: American Energy Permian Basin Financial Summary

Issue	Rating	Maturity	NC Date	NC Price					
FRN Senior Notes	Caa1/CCC+	1-Aug-19	1-Aug-15	101.00					
7.125% Senior Notes	Caa1/CCC+	1-Nov-20	31-Jan-17	105.34					
7.375% Senior Notes	Caa1/CCC+	1-Nov-21	31-Jul-17	103.69					
\$ Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2012	2013	
Revenue	(1)	(1)	(2)	(2)	(2)				
Realized Hedging Gain / (Loss) - Cash Flow Hedges	35	35	52	64	78	229	14	120	
Net Revenue	35	35	52	64	78	229	14	120	
Operating Costs	11	11	11	27	43	92	11	40	
Realized Hedging Gain / (Loss)	(1)	(1)	(1)	(2)	(2)	(6)	0	(2)	
EBITDAX with Hedges	23	23	40	35	34	131	3	77	
Net Income	7	7	16	(1)	(11)	12	1	28	
LTM EBITDAX with Hedges	55	77	109	121	131	131	3	77	
LTM EBITDAX without Hedges	56	80	112	125	137	137	3	80	
WTI Crude (\$/Bbl)	\$105.80	\$97.60	\$98.60	\$103.00	\$97.25	\$99.11	\$94.18	\$98.00	
Henry Hub Natural Gas (\$/Mcf)	\$3.60	\$3.85	\$4.72	\$4.58	\$3.95	\$4.28	\$2.83	\$3.74	
Key Production Data									
Natural Gas Production (Mmcf)	506	506	820	1,028	1,256	3,610	197	1,755	
Realized Nat. Gas Price (\$/Mcf)	\$3.38	\$3.38	\$4.88	\$4.08	\$4.08	\$4.17	\$3.21	\$3.35	
Crude Oil Production (Mtbbls)	325	325	452	604	738	2,120	144	1,127	
Realized Oil Price (\$/Bbl)	\$94.14	\$94.14	\$92.14	\$88.24	\$88.24	\$89.98	\$84.79	\$92.75	
Total Equivalent Produced (boe)	475	475	716	940	1,149	3,281	204	1,646	
Total Equivalent Realized (\$/boe)	\$72.37	\$72.37	\$70.16	\$66.36	\$66.36	\$68.06	\$67.23	\$71.35	
Free Cash Flow:									
EBITDAX with Hedges	23	23	40	35	34	131	3	77	
Current Taxes	-	-	-	-	-	-	-	-	
Total Capex	(138)	(138)	(144)	(148)	(2,704)	(5,133)	(207)	(496)	
Change in Net Working Capital	(3)	(3)	13	(8)	(22)	(30)	8	(15)	
Cash Available for Debt Service	(118)	(118)	(91)	(131)	(2,692)	(5,091)	(196)	(434)	
Interest (Excl. Capitalized Interest)	1	1	2	-	3	5	0	3	
Free Cash Flow	(118)	(118)	(92)	(131)	(2,695)	(5,096)	(196)	(438)	
Disposal of Assets	-	-	-	-	-	-	-	-	
Free Cash Flow Incl Asset Sales	(118)	(118)	(92)	(131)	(2,695)	(5,096)	(196)	(438)	
Balance Sheet Data									
Cash	NA	NA	NA	NA	79	NA	NA	NA	
Debt									
- Credit Facilities	NA	NA	NA	NA	80	NA	NA	NA	
- Senior Notes & Other	NA	NA	NA	NA	1,597	NA	NA	NA	
Long Term Debt	NA	NA	NA	NA	1,677	NA	NA	NA	
YoY Growth Statistics									
Revenue Growth (Including Realized Hedging Gain)	901%	901%	349%	82%	122%	158%	NA	756%	
Production Growth	830%	830%	225%	98%	142%	706%	NA	708%	
LTM PF Credit Statistics⁽¹⁾									
Debt/EBITDAX	NA	NA	NA	13.2x	12.1x	12.1x	NA	20.7x	
Net Debt/EBITDAX	NA	NA	NA	12.7x	11.7x	11.7x	NA	19.9x	
Debt/Proved Reserves (\$/Mcf)	NA	NA	NA	\$1.68	\$1.68	\$1.68	NA	\$1.68	
Debt/Proved Developed Reserves (\$/Mcf)	NA	NA	NA	\$8.86	\$8.86	\$8.86	NA	\$8.86	
Debt/Proved Reserves (\$/Boe)	NA	NA	NA	\$10.08	\$10.08 #	\$10.08	NA	\$10.08	
Debt/Proved Developed Reserves (\$/Boe)	NA	NA	NA	\$53.19	\$53.19 #	\$53.19	NA	\$53.19	

Liquidity Capitalization	Q3 '14	PF(2)
Cash & Marketable Securities	79	50
Revolving Credit Facility May 2019	420	550
Less: Short term Debt	-	-
Liquidity	499	600
Capitalization	Q3 '14	PF(2)
New Revolving Credit Agreement due 2019	80	100
Total Secured Debt	80	100
Floating Rate Senior Notes due 2019	347	347
7.125% Senior Notes due 2020	650	650
7.375% Senior Notes due 2021	600	600
Total Opco Debt	1,677	1,697
Holdco 8% Convert Junior Sub Note due 2022	-	515
Total Holdco Debt	1,677	2,212
Net Debt	1,598	2,162
Minority Interest & Others	-	-
Equity Contribution	1,109	1,189
Enterprise Value	2,707	3,351
EV/PF EBITDAX	10.8x	13.3x
Opco Debt/ FY15 EBITDAX	6.7x	6.7x
Total Debt thru Holdco / FY15 EBITDAX	6.7x	8.8x
Net Debt/ FY15 EBITDAX	6.3x	8.6x

Company Description: American Energy Permian Basin (AEPB) was formed in March 2014 and the company began operations through acquisition of Permian basin assets from Enduring Resources for \$2.6BN. AEPB funded the acquisition via \$1.1BN contribution from sponsors and rest via debt issue. The company holds 63K net acres prospective for Wolfcamp shale in the Permian Basin. At end of Q1 14, pro forma for the acquisition AEPB had proved reserves of 114 Mmboe with PV 10 of \$2.1BN. Also the PF production stood at 8

Regions

Permian Basin - Wolfcamp shale in Reagan, Iron and Crockett counties

Reserve Description	2013	
(5)		
P Reserves - Nat Gas (mmcf)	153,827	
P Reserves - Liquids(Mtbbls)	132,676	
P Oil Equivalent(Mboe)	158,314	
% Gas	16%	
% Proved Developed	19%	
Reserve Life (Years)	21	
Reserve Replacement (All in)	4270%	
Reserve Replacement (Drill Bit)	4270%	
PV of Reserves (\$mm)	2,700	
Hedges	%	\$ mtoe
Q4 '14E	58%	14.45 -4.62
2015E	46%	15.09 -4.62
Debt Maturity		
FY14	-	FY 16+
FY15	-	1,677

(1) Q2 '13 - Q4 '13 data are derived by equal apportionment of difference between FY 13 and Q1 '13 Numbers
(2) Quarterly information not available for Q2 and Q3 '14 - US and production data apportioned between Q2 and Q3 in the ratio of 45:55
(3) Leverage metrics assumes the \$2.6BN acquisition of business took place at the start of the period and based on proved reserves as of Mar 31, 2014. Additionally adjusted for AEPB PR dated January 8, 2016.
(4) Pro forma for the acquisition of Tall Grass and other bolt-on acquisitions.
(5) Proved reserves and PV-10 data as of July 31, 2014; reserve life and replacement ratio numbers based on FY 13 reserve report.

Source: Deutsche Bank, Company data

Figure 99: Commodity Price Scenario Analysis: American Energy Permian Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/boe)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$100	\$120	\$140	\$159	\$179	\$199
	\$40.0	\$156	\$176	\$195	\$215	\$235	\$255	\$274
	\$50.0	\$212	\$231	\$251	\$271	\$291	\$310	\$330
	\$60.0	\$267	\$287	\$307	\$327	\$346	\$366	\$386
	\$70.0	\$323	\$343	\$363	\$382	\$402	\$422	\$441
	\$80.0	\$379	\$399	\$418	\$438	\$458	\$477	\$497
	\$90.0	\$435	\$454	\$474	\$494	\$513	\$533	\$553

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/boe)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$28	\$34	\$40	\$46	\$52	\$58
	\$40.0	\$98	\$104	\$110	\$116	\$122	\$128	\$134
	\$50.0	\$169	\$175	\$181	\$187	\$193	\$199	\$205
	\$60.0	\$239	\$245	\$251	\$257	\$263	\$269	\$275
	\$70.0	\$309	\$315	\$321	\$327	\$333	\$339	\$345
	\$80.0	\$379	\$385	\$391	\$397	\$403	\$410	\$416
	\$90.0	\$450	\$456	\$462	\$468	\$474	\$480	\$486

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/boe)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	28.2x	23.4x	20.0x	17.4x	15.4x	13.8x
	\$40.0	17.8x	15.7x	14.0x	12.6x	11.5x	10.5x	9.7x
	\$50.0	12.8x	11.7x	10.7x	9.8x	9.1x	8.5x	7.9x
	\$60.0	10.0x	9.2x	8.6x	8.0x	7.5x	7.0x	6.6x
	\$70.0	8.1x	7.6x	7.1x	6.7x	6.3x	6.0x	5.7x
	\$80.0	6.7x	6.4x	6.0x	5.7x	5.4x	5.2x	4.9x
	\$90.0	5.7x	5.5x	5.2x	4.9x	4.7x	4.5x	4.3x

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/boe)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	132.2x	108.0x	91.1x	78.7x	69.1x	61.5x
	\$40.0	36.4x	34.0x	31.9x	30.1x	28.4x	26.8x	25.5x
	\$50.0	20.5x	19.6x	18.8x	18.1x	17.4x	16.7x	16.1x
	\$60.0	13.9x	13.5x	13.1x	12.6x	12.3x	11.9x	11.5x
	\$70.0	10.4x	10.1x	9.8x	9.5x	9.3x	9.1x	8.8x
	\$80.0	8.1x	7.9x	7.7x	7.5x	7.4x	7.2x	7.0x
	\$90.0	6.6x	6.4x	6.3x	6.1x	6.0x	5.9x	5.8x

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/boe)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	(\$660)	(\$641)	(\$622)	(\$603)	(\$584)	(\$565)
	\$40.0	(\$804)	(\$586)	(\$567)	(\$548)	(\$529)	(\$510)	(\$491)
	\$50.0	(\$549)	(\$530)	(\$512)	(\$493)	(\$474)	(\$455)	(\$436)
	\$60.0	(\$494)	(\$475)	(\$456)	(\$438)	(\$419)	(\$400)	(\$381)
	\$70.0	(\$439)	(\$420)	(\$401)	(\$382)	(\$364)	(\$345)	(\$326)
	\$80.0	(\$384)	(\$365)	(\$346)	(\$327)	(\$308)	(\$289)	(\$271)
	\$90.0	(\$328)	(\$310)	(\$291)	(\$272)	(\$253)	(\$234)	(\$215)

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/boe)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	(\$841)	(\$834)	(\$827)	(\$820)	(\$814)	(\$807)
	\$40.0	(\$771)	(\$764)	(\$757)	(\$751)	(\$744)	(\$737)	(\$730)
	\$50.0	(\$701)	(\$694)	(\$688)	(\$681)	(\$674)	(\$667)	(\$660)
	\$60.0	(\$631)	(\$625)	(\$618)	(\$611)	(\$604)	(\$597)	(\$591)
	\$70.0	(\$562)	(\$555)	(\$548)	(\$541)	(\$534)	(\$528)	(\$521)
	\$80.0	(\$492)	(\$485)	(\$478)	(\$471)	(\$465)	(\$458)	(\$451)
	\$90.0	(\$422)	(\$415)	(\$408)	(\$401)	(\$395)	(\$388)	(\$381)

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/boe)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$3.0	\$3.0	\$2.9	\$2.9	\$2.9	\$2.9
	\$40.0	\$2.9	\$2.9	\$2.9	\$2.9	\$2.8	\$2.8	\$2.8
	\$50.0	\$2.9	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8	\$2.7
	\$60.0	\$2.8	\$2.8	\$2.8	\$2.8	\$2.7	\$2.7	\$2.7
	\$70.0	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.6	\$2.6
	\$80.0	\$2.7	\$2.7	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6
	\$90.0	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.5	\$2.5

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/boe)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
		\$30.0	\$3.9	\$3.9	\$3.8	\$3.8	\$3.8	\$3.8
	\$40.0	\$3.8	\$3.7	\$3.7	\$3.7	\$3.7	\$3.6	\$3.6
	\$50.0	\$3.6	\$3.6	\$3.6	\$3.6	\$3.5	\$3.5	\$3.5
	\$60.0	\$3.5	\$3.5	\$3.4	\$3.4	\$3.4	\$3.4	\$3.3
	\$70.0	\$3.4	\$3.3	\$3.3	\$3.3	\$3.3	\$3.2	\$3.2
	\$80.0	\$3.2	\$3.2	\$3.2	\$3.2	\$3.1	\$3.1	\$3.1
	\$90.0	\$3.1	\$3.1	\$3.1	\$3.0	\$3.0	\$3.0	\$2.9

Source: Deutsche Bank, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CYD, FANG, EPE, LTSCN, MHR, MPD, OAS, PE, PVA, ROSE, SN, SEYGEN, SM, TPLM, TLW and WPK





Figure 100: Antero Resources Financial Summary

Issue	Ratings	Maturity	NC Date	NC Price
6.000% Sr. Notes	B1(stable)/BB (stable)	1-Dec-20	1-Dec-15	104.50
5.375% Sr. Notes	B1(stable)/BB (stable)	1-Nov-21	1-Nov-16	104.03
5.125% Sr. Notes	B1(stable)/BB (stable)	1-Dec-22	1-Jun-17	103.84

\$Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	1TM	2011	2012	2013
Revenue	223	274	414	435	454	1,576	392	265	821
Realized Hedging Gain / (Loss) - Cash Flow Hedges	47	54	(1)	1	57	112	117	178	164
Net Revenue	270	328	413	436	511	1,688	509	443	985
Operating Costs	87	114	169	169	244	716	170	163	339
Realized Hedging Gain / (Loss)	-	-	-	-	-	-	-	-	-
EBITDA with Hedges	182	214	244	247	267	972	339	281	647
DDA	66	75	91	105	125	399	171	102	234
EBIT	117	139	152	142	142	576	168	179	413
Interest	57	36	31	37	42	147	74	98	137
EBT (incl others)	79	103	121	105	100	429	94	81	276
Others	(106)	263	257	154	(244)	430	(538)	(265)	114
One-time charges	-	-	-	-	-	-	-	-	-
EBT (incl others)	185	(160)	(135)	(48)	343	(1)	632	347	162
Taxes	67	66	(41)	(18)	135	141	230	121	186
Net Income	118	(225)	(96)	(31)	208	(142)	401	225	(24)
LTM EBITDA with Hedges	518	647	772	688	972	972	339	281	647
LTM EBITDA without Hedges	371	483	666	786	861	861	222	192	483
WTI Crude (\$/Bbl)	\$105.80	\$97.60	\$98.60	\$103.00	\$97.25	\$96.11	\$95.16	\$94.18	\$98.00
Henry Hub Natural Gas (\$/Mcf)	\$3.80	\$3.85	\$4.72	\$4.58	\$3.95	\$4.28	\$4.02	\$2.83	\$3.74
Key Production Data									
Natural Gas Production (MMcft)	47,750	56,212	62,000	70,000	85,000	274,212	63,800	67,000	176,362
Realized Nat. Gas Price (\$/Mcf)	\$4.81	\$4.71	\$5.02	\$4.52	\$4.31	\$4.61	\$5.48	\$5.05	\$4.82
Crude Oil Production (MMbbl)	87	104	271	391	348	1,114	191	19	226
Realized Oil Price (\$/Bbl)	\$94.71	\$103.43	\$93.78	\$97.31	\$82.47	\$88.70	\$77.30	\$80.34	\$93.06
Crude Oil Production (MMbbl)	637	939	1,196	1,451	1,963	5,986	1,708	871	82,132
Realized Oil Price (\$/Bbl)	\$90.13	\$95.05	\$91.69	\$94.98	\$85.66	\$93.67	\$89.03	\$92.07	\$92.61
Total Production (MMcfe)	52,694	62,389	70,814	81,552	92,006	314,661	65,192	67,940	196,447
Total Equivalent Realized (\$/mcf)	\$5.18	\$5.26	\$5.79	\$5.31	\$4.81	\$5.28	\$5.70	\$5.08	\$5.17
Revenue & Operating Margins per Mcfe									
Realization	\$5.18	\$5.26	\$5.79	\$5.31	\$4.81	\$5.28	\$5.70	\$5.08	\$5.17
Lifting Costs	\$0.28	\$0.39	\$0.37	\$0.33	\$0.30	\$0.34	\$0.55	\$0.30	\$0.31
DD&A	\$1.28	\$1.21	\$1.29	\$1.39	\$1.25	\$1.26	\$1.91	\$1.17	\$1.29
G&A	\$0.28	\$0.31	\$0.72	\$0.72	\$0.53	\$0.58	\$0.37	\$0.52	\$0.30
Operating Income	\$3.36	\$3.35	\$3.41	\$2.97	\$2.83	\$3.10	\$2.87	\$3.09	\$3.31
Interest Expense (incl. Portfened Dic.)	\$0.72	\$0.57	\$0.44	\$0.48	\$0.43	\$0.47	\$0.83	\$1.11	\$0.72
3 Yr Avg. FD&A	\$0.76	\$0.91	\$0.91	\$0.91	\$0.91	\$0.91	\$0.4	\$0.76	\$0.91
3 Yr Avg. F&D	\$0.28	\$0.43	\$0.43	\$0.43	\$0.43	\$0.43	\$0.3	\$0.28	\$0.43
Full Cycle Costs	NA	\$2.16	\$2.44	\$2.42	\$2.17	\$2.30	NA	\$2.69	\$2.26
Free Cash Flow									
EBITDA with Hedges	182	214	244	247	267	972	339	281	647
Current Taxes	-	4	-	1	(1)	4	-	85	4
Capex - Exploration & Development									
Capex - Acq. of Properties / Leasehold	(581)	(482)	(566)	(786)	(900)	(2,794)	(828)	(1,537)	(2,072)
Capex - Acq. of Properties / Leasehold	(1)	(3)	(6)	(3)	(1)	(16)	(2)	(3)	(6)
Capex - Other Property & Equipment	(88)	(353)	(168)	(194)	(202)	(916)	(73)	(142)	(993)
Total Capex	(670)	(838)	(739)	(983)	(1,103)	(3,830)	(903)	(1,682)	(2,672)
Change in Net Working Capital	(1)	28	37	4	56	125	8	10	42
Cash Available for Debt Service	(496)	(572)	(451)	(780)	(782)	(2,535)	(596)	(1,306)	(1,379)
Interest (incl. Capitalized Interest)	(8)	(89)	(15)	(47)	(5)	(173)	(59)	(90)	(118)
Free Cash Flow	(496)	(619)	(464)	(777)	(707)	(2,448)	(616)	(1,396)	(2,097)
Disposal of Assets	-	-	-	-	-	-	15	1,218	-
Acquisition of Assets	-	-	-	-	-	-	-	-	-
Free Cash Flow Incl Asset Sales	(496)	(619)	(464)	(777)	(707)	(2,448)	(600)	(178)	(2,097)
Balance Sheet Data									
Debt									
Cash	12	17	13	19	6	6	3	19	17
Senior Notes	1,483	1,791	1,791	2,131	2,633	2,633	952	1,252	1,791
Credit Facilities	1,513	288	745	1,249	1,505	1,505	365	217	288
Long Term Debt	2,996	2,079	2,536	3,371	4,138	4,138	1,317	1,469	2,079
YoY Growth Statistics									
Revenue Growth (including Realized Hedging Gain)	82%	127%	127%	112%	90%	#N/A	69%	-13%	122%
Production Growth	NA	112%	107%	94%	23%		84%	-2%	118%
LTM Credit Statistics									
EBITDA/Cash Interest (incl. Capitalized Interest)	4.1x	4.7x	5.6x	6.3x	6.6x	6.6x	4.6x	2.9x	4.7x
Debt/EBITDA	5.8x	3.2x	3.3x	3.8x	4.3x	4.3x	3.9x	5.2x	2.9x
Net Debt/EBITDA	5.8x	3.2x	3.3x	3.8x	4.2x	4.2x	3.9x	5.2x	2.9x
Debt/Proved Reserves (\$/Mcf)	\$0.61	\$0.27	\$0.30	\$0.44	\$0.54	\$0.54	\$0.26	\$0.30	\$0.27
Debt/Proved Developed Reserves (\$/Mcf)	\$2.85	\$1.03	\$1.25	\$1.86	\$2.04	\$2.04	\$1.58	\$1.40	\$1.03

Liquidity Capitalization	Q3 '14	PF (1)
Cash & Marketable Securities	6	256
Revolving Credit Facility due May 2016 (2)	1,663	2,506
Less: Short-term Debt	-	-
Liquidity	1,669	2,762
Capitalization	Q3 '14	PF (2)
Revolving Credit Facility due May 2016	1,505	662
6.000% Senior Notes due 2020	525	525
5.375% Senior Notes due 2021	1,000	1,000
5.125% Senior Notes due 2022	1,100	1,100
Others	8	8
Total Debt	4,138	3,295
Net Debt	4,132	3,039
Non-controlling interests	-	1,000
Wcap	9,911	9,911
EV/EBITDA	14.4x	14.8x
Net Debt/EBITDA	4.2x	3.1x

Company Description: Antero Resources, a limited liability company is an E&P company with drilling primarily in Appalachian Basin in West Virginia and Pennsylvania, the Anadarko Basin in Oklahoma, and the Permian Basin in Texas. As of Dec 31, 2013, Antero had total proved resource of 7.8tcf.

Reserve Description	2011	2012	2013
P Reserves - Nat Gas (mmcf)	3,931	3,694	6,754
P Reserves - Liquids (mmbbls)	181	208	148
P Nat. Gas Equivalent (tcf)	5,017	4,930	7,642
% Gas	78%	75%	88%
% Proved Developed	17%	21%	27%
Reserve Life (Years)	57.7	25.8	21
Reserve Replacement (All in)	213%	116%	1507%
Reserve Replacement (Drill Bit)	2040%	2615%	1507%
PV of Reserves (\$m)	3,400	1,923	5,998

Hedges	%	\$ mfcfe
2014E	71%	4.92
2015E	44%	4.8

Major Regions
Appalachian Region
Utica
Marcellus
Upper Devonian

Debt Maturity	
PY 14	-
PY 15	-
PY 16x	3,295

(1) FY 12 numbers exclude discontinued operations (Anadarko & Piceance divestitures)
(2) Pro forma for \$1.1BN IPO of midstream MLP subsidiary in November
(3) Availability factors \$352M of LCs and PF for increase in revolver commitment to \$3.0BN from \$2.5BN post Q (includes \$500M allocated to midstream operations)

Source: Deutsche Bank and company data

Figure 101: Commodity Price Scenario Analysis: Antero Resources Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) I/O U/LW	\$30.0	\$802	\$897	\$991	\$1,086	\$1,181	\$1,275	\$1,370
	\$40.0	\$934	\$1,029	\$1,124	\$1,218	\$1,313	\$1,408	\$1,502
	\$50.0	\$1,067	\$1,162	\$1,256	\$1,351	\$1,446	\$1,540	\$1,635
	\$60.0	\$1,199	\$1,294	\$1,389	\$1,483	\$1,578	\$1,673	\$1,767
	\$70.0	\$1,332	\$1,427	\$1,521	\$1,616	\$1,711	\$1,805	\$1,900
	\$80.0	\$1,464	\$1,559	\$1,654	\$1,748	\$1,843	\$1,938	\$2,032
	\$90.0	\$1,597	\$1,692	\$1,786	\$1,881	\$1,976	\$2,070	\$2,165

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) I/O U/LW	\$30.0	(\$1,648)	(\$1,559)	(\$1,469)	(\$1,380)	(\$1,290)	(\$1,201)	(\$1,111)
	\$40.0	(\$1,526)	(\$1,437)	(\$1,347)	(\$1,258)	(\$1,168)	(\$1,079)	(\$989)
	\$50.0	(\$1,404)	(\$1,315)	(\$1,225)	(\$1,136)	(\$1,046)	(\$957)	(\$867)
	\$60.0	(\$1,282)	(\$1,193)	(\$1,103)	(\$1,014)	(\$925)	(\$835)	(\$746)
	\$70.0	(\$1,161)	(\$1,071)	(\$982)	(\$892)	(\$803)	(\$713)	(\$624)
	\$80.0	(\$1,039)	(\$949)	(\$860)	(\$770)	(\$681)	(\$591)	(\$502)
	\$90.0	(\$917)	(\$827)	(\$738)	(\$648)	(\$559)	(\$470)	(\$380)

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$842	\$1,039	\$1,236	\$1,433	\$1,630	\$1,827	\$2,024
	\$40.0	\$1,038	\$1,235	\$1,432	\$1,629	\$1,826	\$2,023	\$2,220
	\$50.0	\$1,233	\$1,430	\$1,627	\$1,824	\$2,021	\$2,218	\$2,415
	\$60.0	\$1,428	\$1,625	\$1,822	\$2,019	\$2,216	\$2,413	\$2,610
	\$70.0	\$1,624	\$1,821	\$2,018	\$2,215	\$2,412	\$2,609	\$2,806
	\$80.0	\$1,819	\$2,016	\$2,213	\$2,410	\$2,607	\$2,804	\$3,001
	\$90.0	\$2,014	\$2,211	\$2,408	\$2,605	\$2,802	\$2,999	\$3,196

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$1,460)	(\$1,274)	(\$1,088)	(\$901)	(\$715)	(\$529)	(\$343)
	\$40.0	(\$1,277)	(\$1,091)	(\$905)	(\$718)	(\$532)	(\$346)	(\$160)
	\$50.0	(\$1,094)	(\$908)	(\$722)	(\$535)	(\$349)	(\$163)	\$23
	\$60.0	(\$911)	(\$725)	(\$539)	(\$352)	(\$166)	\$20	\$206
	\$70.0	(\$728)	(\$542)	(\$356)	(\$169)	\$17	\$203	\$389
	\$80.0	(\$545)	(\$359)	(\$172)	\$14	\$200	\$386	\$572
	\$90.0	(\$362)	(\$176)	\$11	\$197	\$383	\$569	\$755

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	3.7x	3.3x	3.0x	2.7x	2.5x	2.3x	2.2x
	\$40.0	3.2x	2.9x	2.7x	2.4x	2.3x	2.1x	2.0x
	\$50.0	2.8x	2.6x	2.4x	2.2x	2.1x	1.9x	1.8x
	\$60.0	2.5x	2.3x	2.1x	2.0x	1.9x	1.8x	1.7x
	\$70.0	2.2x	2.1x	2.0x	1.8x	1.7x	1.7x	1.6x
	\$80.0	2.0x	1.9x	1.8x	1.7x	1.6x	1.5x	1.5x
	\$90.0	1.9x	1.8x	1.7x	1.6x	1.5x	1.4x	1.4x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$0.7	\$0.7	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
	\$40.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
	\$50.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
	\$60.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.5
	\$70.0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.5	\$0.5
	\$80.0	\$0.6	\$0.6	\$0.6	\$0.5	\$0.5	\$0.5	\$0.5
	\$90.0	\$0.6	\$0.6	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	4.9x	4.0x	3.3x	2.9x	2.5x	2.3x	2.0x
	\$40.0	4.0x	3.3x	2.9x	2.5x	2.3x	2.0x	1.9x
	\$50.0	3.4x	2.9x	2.5x	2.3x	2.0x	1.9x	1.7x
	\$60.0	2.9x	2.5x	2.3x	2.0x	1.9x	1.7x	1.6x
	\$70.0	2.5x	2.3x	2.0x	1.9x	1.7x	1.6x	1.5x
	\$80.0	2.3x	2.0x	1.9x	1.7x	1.6x	1.5x	1.4x
	\$90.0	2.1x	1.9x	1.7x	1.6x	1.5x	1.4x	1.3x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$0.8	\$0.8	\$0.8	\$0.7	\$0.7	\$0.7	\$0.6
	\$40.0	\$0.8	\$0.8	\$0.7	\$0.7	\$0.7	\$0.6	\$0.6
	\$50.0	\$0.8	\$0.7	\$0.7	\$0.7	\$0.6	\$0.6	\$0.5
	\$60.0	\$0.7	\$0.7	\$0.7	\$0.6	\$0.6	\$0.5	\$0.5
	\$70.0	\$0.7	\$0.6	\$0.6	\$0.6	\$0.5	\$0.5	\$0.5
	\$80.0	\$0.6	\$0.6	\$0.6	\$0.5	\$0.5	\$0.5	\$0.4
	\$90.0	\$0.6	\$0.6	\$0.5	\$0.5	\$0.5	\$0.4	\$0.4

Source: Deutsche Bank, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPP





Figure 102: Bonanza Creek Financial Summary

Issue	Rating		Maturity		NC Date		NC Price		LTM	2012	2013
	6.75% Sr. Notes due 2021	5.75% Sr. Notes due 2023	BB (stable)/B- (Stable)	BB (stable)/B- (Stable)	15-Apr-21	15-Apr-17	103.38	102.88			
\$ Mil	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q3 '14	Q3 '14			
Revenue	85	126	133	127	152	156	569		231	422	
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	85	126	133	127	152	156	569		231	422	
Operating Costs	30	35	35	44	56	48	183		76	129	
Realized Hedging Gain / (Loss)	(7)	(7)	(1)	(2)	(6)	(1)	(11)		(7)	(11)	
EBITDAX with Hedges	53	84	97	81	90	108	375		155	281	
DDA	30	37	51	41	54	63	209		66	140	
EBIT	23	47	48	40	36	44	166		83	141	
Interest	6	6	8	9	9	13	40		4	22	
EBT (excl others)	17	41	38	31	26	31	126		84	119	
Other (Income)/Expense	(7)	12	(3)	15	24	(49)	(12)		9	7	
One time charges	-	-	-	-	-	-	-		1	-	
EBT (incl others)	24	29	41	16	2	80	138		75	113	
Taxes	9	11	15	6	1	30	53		30	43	
Net Income	15	18	26	10	1	49	86		45	70	
LTM EBITDAX with Hedges	NA	236	281	315	352	375	375		155	281	
LTM EBITDAX without Hedges	NA	246	293	327	368	386	386		155	289	
Actual WTI Crude (\$/bbl)	94.28	106.13	97.61	96.61	102.99	97.25	99.12		94.18	96.10	
Actual Henry Hub Natural Gas (\$/mcf)	4.00	3.60	3.85	4.72	4.58	3.95	4.28		2.83	3.73	
Key Production Data											
Company Natural Gas Production (mmcf)	2,114	2,688	3,328	3,089	3,697	4,305	14,419		5,473	9,976	
Realized Natural Gas Price (\$/mcf)	4.52	4.62	4.86	5.82	5.33	4.89	5.20		3.76	4.70	
Company Oil Production (Mmbbl)	801	1,079	1,287	1,164	1,376	1,525	5,353		2,191	3,896	
Realized Oil Price (\$/bbl)	87.41	93.88	85.76	87.65	88.31	84.74	86.54		88.40	88.82	
Company NGL Production (Mmbbl)	79	98	101	94	87	104	386		295	353	
Realized NGL Price (\$/bbl)	49.03	55.14	49.35	54.53	51.89	49.03	51.10		55.54	51.74	
Total Equivalent Produced (boe)	1,232	1,624	1,943	1,773	2,079	2,346	8,142		3,388	5,912	
Total Equivalent Realized (\$/boe)	67.70	73.30	67.72	70.58	70.10	66.21	68.51		67.91	69.56	
Revenue & Operating Margins per Boe											
Realization	\$67.70	\$73.30	\$67.72	\$70.58	\$70.10	\$66.21	\$68.51		\$67.91	\$69.56	
Lifting Costs	\$14.81	\$12.95	\$10.16	\$15.70	\$16.49	\$14.30	\$14.17		\$13.10	\$12.68	
G&A	\$9.80	\$9.50	\$7.84	\$9.14	\$10.40	\$6.04	\$8.26		\$9.27	\$9.19	
DD&A	\$23.95	\$22.63	\$26.01	\$23.20	\$26.03	\$26.35	\$25.67		\$19.54	\$23.71	
Operating Income	\$19.13	\$29.22	\$23.70	\$22.55	\$17.19	\$18.32	\$20.41		\$26.00	\$23.96	
Interest	\$4.76	\$3.81	\$4.10	\$5.26	\$4.54	\$5.68	\$4.91		\$1.22	\$3.72	
3-yr avg. F&D all (in acq)	\$21.58	\$21.58	\$20.97	\$20.97	\$20.97	\$20.97	\$20.97		\$21.58	\$20.97	
3-yr avg. F&D all (excl acq)	\$19.31	\$19.31	\$20.20	\$20.20	\$20.20	\$20.20	\$20.20		\$19.31	\$20.20	
Full cycle costs	\$50.96	\$46.84	\$43.06	\$51.07	\$52.39	\$46.97	\$48.31		\$45.17	\$46.55	
Free Cash Flow:											
EBITDAX with Hedges	53	84	97	81	90	108	375		155	281	
Current Taxes	(6)	-	-	2	(3)	-	(0)		(0)	(0)	
Total Capex	(106)	(148)	(128)	(126)	(157)	(200)	(761)		(314)	(454)	
Change in Net Working Capital	2	13	23	5	(11)	23	40		1	26	
Cash Available for Debt Service	(53)	(51)	(8)	(37)	(81)	(220)	(346)		(159)	(147)	
Interest (Excl. Capitalized Interest)	1	1	10	0	17	22	50		3	13	
Free Cash Flow	(54)	(52)	(18)	(38)	(98)	(242)	(296)		(162)	(160)	
Disposal of Assets	-	-	-	-	-	-	-		-	-	
Free Cash Flow Incl Asset Sales	(54)	(52)	(18)	(38)	(98)	(242)	(296)		(162)	(160)	
Balance Sheet Data											
Cash	46	17	181	131	37	93	93		4	181	
Debt											
- Senior Notes & Other	300	300	509	509	508	808	808		-	509	
- Credit Facilities	-	39	-	-	-	-	-		158	-	
Long Term Debt	300	339	509	509	508	808	808		158	509	
YoY Growth Statistics											
Revenue Growth (including Realized Hedging Gain)	61%	105%	82%	63%	76%	30%	59%		NA	78%	
Production Growth	55%	88%	79%	59%	69%	44%	61%		NA	74%	
LTM Credit Statistics											
EBITDAX/Cash Interest (incl. Capitalized Interest)	40.1x	52.0x	21.9x	26.5x	12.4x	7.5x	7.5x		53.1x	21.3x	
Sr. Sec Debt/ EBITDA	-	0.2x	-	-	-	0.0x	0.0x		1.0x	-	
Debt/EBITDAX	1.6x	1.4x	1.8x	1.8x	1.4x	2.2x	2.2x		1.8x	1.8x	
Debt/Proved Reserves (\$/Boe)	\$5.66	\$6.38	\$7.30	\$7.29	\$7.29	\$11.58	\$11.58		\$2.98	\$7.30	
Debt/Proved Developed Reserves (\$/Boe)	\$12.59	\$14.20	\$15.83	\$15.82	\$15.81	\$25.13	\$25.13		\$6.63	\$15.83	
Liquidity Capitalization	Q3 '14										
Cash & Marketable Securities	83										
Credit Agreement due July 2016 ⁽¹⁾	426										
Less: Short term Debt	-										
Liquidity	519										
Capitalization	Q3 '14										
Revolving Credit Facility '17	-										
6.75% Sr. Notes '21	508										
5.75% Sr. Notes '23	300										
Other	-										
Total Debt	808										
Plus: Market Cap	917										
Plus: Preferred Stock & Minority Interest	-										
Less: Cash	(83)										
Enterprise Value	1,632										
EV/EBITDA	4.4x										
Net Debt/EBITDAX	1.3x										
Total Debt/EBITDAX	2.2x										
⁽¹⁾ Factors in \$24M of outstanding L/Cs											

Company Description:
Bonanza Creek Energy, Inc. is an independent oil and natural gas company engaged in the acquisition, exploration, development and production of oil and gas in United States. The company's assets and operations are concentrated primarily in the Wattenberg Field in Colorado and in southern Arkansas, based out of Denver, the company went public in December 2011.

Debt Maturity

FY '14	-
FY '15	-
FY '16+	808

Covenants

Current Ratio	>=1.0x
Leverage Ratio	<=0.4x

Reserve Description

	2012	2013
P Reserves - Nat Gas (bcf)	119	140
P Reserves - Liquids (mmbbls)	33	46
P Crude Oil Equivalent (mmbbls)	53	70
% Gas	37%	33%
% Proved Developed	45%	46%
Reserve Life (Years)	3.0	8.1
Reserve Replacement (All in)	373%	383%
Reserve Replacement (D&I Bt)	393%	342%
PV of Reserves (\$m)	835	1,227

Hedges

	%	\$ m/cfe
2014E	69%	11.59 - 12.85
2015E	41%	11.41 - 13.63

Regions
Wattenberg field (Niobrara and Coaled)
North park Basin (Niobrara)
Mid-Continent (Cotton valley & Brown dense)

Source: Deutsche Bank and Company data

Figure 103: Commodity Price Scenario Analysis: Bonanza Creek Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil (\$/bbl) WTI	\$30.0	\$155	\$167	\$180	\$193	\$204	\$215	\$228
	\$40.0	\$213	\$225	\$238	\$250	\$262	\$273	\$285
	\$50.0	\$270	\$283	\$295	\$308	\$319	\$331	\$343
	\$60.0	\$328	\$341	\$353	\$366	\$377	\$388	\$401
	\$70.0	\$382	\$394	\$407	\$419	\$431	\$442	\$454
	\$80.0	\$417	\$429	\$442	\$454	\$466	\$477	\$489
	\$90.0	\$464	\$477	\$489	\$502	\$513	\$524	\$537

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil (\$/bbl) WTI	\$30.0	(\$359)	(\$348)	(\$338)	(\$327)	(\$318)	(\$308)	(\$297)
	\$40.0	(\$311)	(\$301)	(\$290)	(\$279)	(\$270)	(\$260)	(\$250)
	\$50.0	(\$263)	(\$253)	(\$242)	(\$231)	(\$222)	(\$212)	(\$202)
	\$60.0	(\$215)	(\$205)	(\$194)	(\$183)	(\$174)	(\$164)	(\$154)
	\$70.0	(\$171)	(\$160)	(\$150)	(\$139)	(\$130)	(\$120)	(\$109)
	\$80.0	(\$142)	(\$132)	(\$121)	(\$110)	(\$101)	(\$91)	(\$81)
	\$90.0	(\$103)	(\$92)	(\$82)	(\$71)	(\$61)	(\$52)	(\$41)

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil (\$/bbl) WTI	\$30.0	\$67	\$70	\$83	\$95	\$108	\$121	\$133
	\$40.0	\$129	\$142	\$154	\$167	\$180	\$192	\$205
	\$50.0	\$201	\$213	\$226	\$238	\$251	\$264	\$276
	\$60.0	\$272	\$285	\$297	\$310	\$323	\$335	\$348
	\$70.0	\$344	\$356	\$369	\$382	\$394	\$407	\$419
	\$80.0	\$395	\$408	\$420	\$433	\$446	\$458	\$471
	\$90.0	\$457	\$469	\$482	\$494	\$507	\$520	\$532

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil (\$/bbl) WTI	\$30.0	(\$245)	(\$233)	(\$220)	(\$207)	(\$195)	(\$183)	(\$170)
	\$40.0	(\$175)	(\$162)	(\$150)	(\$137)	(\$125)	(\$112)	(\$100)
	\$50.0	(\$105)	(\$92)	(\$79)	(\$67)	(\$54)	(\$42)	(\$29)
	\$60.0	(\$34)	(\$22)	(\$9)	\$4	\$16	\$28	\$41
	\$70.0	\$36	\$48	\$61	\$73	\$86	\$98	\$111
	\$80.0	\$85	\$98	\$111	\$123	\$136	\$148	\$161
	\$90.0	\$145	\$158	\$171	\$183	\$196	\$208	\$221

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil (\$/bbl) WTI	\$30.0	7.6x	6.9x	6.4x	5.9x	5.5x	5.2x	4.9x
	\$40.0	5.3x	4.9x	4.6x	4.4x	4.1x	3.9x	3.7x
	\$50.0	4.0x	3.8x	3.6x	3.4x	3.2x	3.1x	3.0x
	\$60.0	3.1x	3.0x	2.9x	2.7x	2.6x	2.5x	2.4x
	\$70.0	2.6x	2.5x	2.4x	2.3x	2.2x	2.1x	2.0x
	\$80.0	2.3x	2.2x	2.1x	2.0x	2.0x	1.9x	1.8x
	\$90.0	2.0x	1.9x	1.8x	1.8x	1.7x	1.7x	1.6x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil (\$/bbl) WTI	\$30.0	\$2.8	\$2.8	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7
	\$40.0	\$2.7	\$2.7	\$2.6	\$2.6	\$2.6	\$2.6	\$2.5
	\$50.0	\$2.6	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.4
	\$60.0	\$2.5	\$2.4	\$2.4	\$2.4	\$2.4	\$2.3	\$2.3
	\$70.0	\$2.4	\$2.3	\$2.3	\$2.3	\$2.3	\$2.2	\$2.2
	\$80.0	\$2.3	\$2.3	\$2.2	\$2.2	\$2.2	\$2.2	\$2.1
	\$90.0	\$2.2	\$2.2	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil (\$/bbl) WTI	\$30.0	24.1x	19.5x	16.2x	13.8x	12.0x	10.6x	9.4x
	\$40.0	9.9x	8.8x	7.9x	7.2x	6.6x	6.0x	5.6x
	\$50.0	5.8x	5.3x	4.9x	4.6x	4.2x	4.0x	3.7x
	\$60.0	3.8x	3.6x	3.3x	3.1x	2.9x	2.8x	2.6x
	\$70.0	2.7x	2.5x	2.4x	2.3x	2.1x	2.0x	1.9x
	\$80.0	2.2x	2.0x	1.9x	1.8x	1.7x	1.6x	1.5x
	\$90.0	1.7x	1.6x	1.5x	1.4x	1.3x	1.2x	1.2x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/bbl) Oil (\$/bbl) WTI	\$30.0	\$3.3	\$3.3	\$3.2	\$3.1	\$3.1	\$3.0	\$3.0
	\$40.0	\$3.0	\$3.0	\$2.9	\$2.9	\$2.8	\$2.8	\$2.7
	\$50.0	\$2.8	\$2.7	\$2.7	\$2.6	\$2.5	\$2.5	\$2.4
	\$60.0	\$2.5	\$2.4	\$2.4	\$2.3	\$2.3	\$2.2	\$2.2
	\$70.0	\$2.2	\$2.2	\$2.1	\$2.1	\$2.0	\$2.0	\$1.9
	\$80.0	\$2.0	\$2.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9
	\$90.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9

Source: Deutsche Bank, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXQ, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





Figure 104: Concho Resources Financial Summary

Issue	Rating	Maturity	NC Date	NC Price
7.0% Unsecured Senior Notes due 2021	Ba3(Pos)(BB+)(stable)	15-Jan-21	15-Jan-16	103.50
6.5% Unsecured Senior Notes due 2022	Ba3(Pos)(BB+)(stable)	15-Jan-22	15-Jan-17	103.25
5.5% Unsecured Senior Notes due 2022	Ba3(Pos)(BB+)(stable)	1-Oct-22	1-Oct-17	102.75
5.5% Unsecured Senior Notes due 2023	Ba3(Pos)(BB+)(stable)	1-Apr-23	1-Oct-17	102.75

\$Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013
Revenue	653	632	661	705	700	2,686	1,740	1,820	2,320
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-
Net Revenue	653	632	661	705	700	2,686	1,740	1,820	2,320
Operating Costs	161	172	175	184	193	724	404	478	625
Realized Hedging Gain / (Loss)	(45)	5	(15)	(25)	15	(21)	(85)	24	(32)
EBITDAX with Hedges	447	466	471	494	522	1,963	1,251	1,366	1,662
DDA	201	215	221	237	257	950	428	575	773
EBIT	246	251	259	257	265	1,021	622	791	940
Interest	56	56	56	55	53	221	78	183	219
EBT (incl others)	190	194	194	201	212	802	745	608	671
Other (Income)/Expense	125	(17)	22	154	(298)	(139)	(17)	(95)	133
One time charges	13	73	25	28	19	146	15	44	181
EBT (incl others)	52	138	147	19	462	795	746	659	357
Taxes	22	32	55	7	186	281	286	251	119
Net Income	30	106	91	12	305	514	461	408	239
LTM EBITDAX with Hedges	1,575	1,662	1,000	1,878	1,953	1,563	1,251	1,366	1,662
LTM EBITDAX without Hedges	1,582	1,695	1,023	1,569	1,974	1,074	1,336	1,342	1,685
Actual WTI Crude (\$/bbl)	95.13	97.61	98.61	102.99	97.25	99.12	95.16	91.46	77.19
Actual Henry Hub Natural Gas (\$/mcf)	3.63	3.85	4.72	4.58	3.95	4.28	4.82	2.94	3.80
Key Production Data									
Company Natural Gas production (mmcf)	19,593	19,048	19,800	21,485	22,513	82,846	53,667	66,613	75,054
Realized Natural Gas Price (\$/mcf)	5.33	5.83	5.86	5.70	5.56	5.73	7.63	5.07	5.21
Company Oil Production (Mbbbl)	5,417	5,750	5,946	6,229	6,689	24,514	14,575	16,859	21,126
Realized Oil Price (\$/bbl)	92.89	91.56	90.68	89.29	88.19	89.85	84.16	89.29	89.79
Total Equivalent Produced (Mboe)	6,682	6,925	9,146	9,810	10,441	38,322	23,520	27,961	33,635
Total Equivalent Realized (\$/mboe)	11.66	11.91	11.77	11.53	11.41	11.84	11.59	10.99	11.34
Total Equivalent Realized (\$/boe)	69.98	71.43	70.65	69.18	68.49	69.87	69.56	65.92	68.31
Revenue & Operating Margins per Boe									
Realization	\$69.98	\$71.43	\$70.65	\$69.18	\$68.49	\$69.87	\$69.56	\$65.92	\$68.01
Lifting Costs	\$13.85	\$14.25	\$13.88	\$13.70	\$13.48	\$13.82	\$13.10	\$12.29	\$13.58
G&A	\$3.56	\$3.91	\$3.98	\$4.95	\$3.76	\$3.92	\$3.27	\$3.72	\$4.01
DDLA	\$23.29	\$24.26	\$24.21	\$24.20	\$24.75	\$24.37	\$19.34	\$20.72	\$23.15
Operating Income	\$29.29	\$29.02	\$30.58	\$27.17	\$26.49	\$27.75	\$24.85	\$29.19	\$27.20
Interest	\$6.43	\$6.32	\$6.14	\$5.95	\$5.94	\$5.75	\$3.32	\$6.53	\$6.65
3-yr avg. F&D all (in acc)	\$20.19	\$21.08	\$21.09	\$21.89	\$21.09	\$21.09	\$16.12	\$20.19	\$21.09
3-yr avg. F&D all (excl acc)	\$17.17	\$19.29	\$19.29	\$19.29	\$19.29	\$19.29	\$12.29	\$17.17	\$19.29
Full cycle costs	\$44.05	\$45.57	\$45.09	\$44.55	\$43.37	\$44.59	\$35.81	\$42.74	\$45.14
Free Cash Flow:									
EBITDAX with Hedges	447	466	471	494	522	1,963	1,251	1,366	1,662
Current Taxes	4	(7)	(13)	(14)	(9)	(37)	(20)	(20)	(24)
Total Capex	(507)	(430)	(566)	(515)	(706)	(2,212)	(1,744)	(3,021)	(1,488)
Change in Net Working Capital	9	23	46	(74)	(33)	(38)	(25)	(30)	(84)
Cash Available for Debt Service	(98)	49	(56)	(108)	(219)	(204)	(507)	(2,585)	(322)
Interest (Excl. Capitalized Interest)	44	55	44	21	42	163	78	159	201
Free Cash Flow	(142)	(6)	(106)	(136)	(261)	(487)	(615)	(2,746)	(822)
Disposal of Assets	(5)	0	0	0	1	1	196	492	15
Free Cash Flow Incl Asset Sales	(142)	(6)	(106)	(136)	(261)	(486)	(419)	(2,251)	(808)
Balance Sheet Data									
Cash	0	0	0	365	99	99	0	-	0
Debt									
- Senior Notes & Other	3,381	3,380	3,380	3,379	3,378	3,378	1,497	2,797	3,380
- Credit Facilities	208	250	205	-	-	-	584	304	250
Long Term Debt	3,589	3,630	3,674	3,379	3,378	3,378	2,080	3,101	3,630
YoY Growth Statistics									
Revenue Growth (including Realized Hedging Gain)	18%	25%	25%	20%	18%	24%	69%	11%	24%
Production Growth	11%	9%	18%	18%	20%	16%	56%	19%	20%
LTM Credit Statistics									
EBITDAX/Cash Interest (incl. Capitalized Interest)	8.3x	8.3x	8.3x	11.4x	11.3x	11.9x	16.0x	8.8x	8.3x
Sr. Sec Debt/EBITDA	0.1x	0.2x	0.2x	-	-	-	0.5x	0.2x	0.2x
Debt/EBITDAX	2.3x	2.2x	2.3x	1.8x	1.7x	1.7x	2.3x	2.3x	2.2x
Net debt/EBITDAX	2.3x	2.2x	2.3x	1.5x	1.7x	1.7x	2.3x	2.3x	2.2x
Debt/Proved Reserves (\$/Boe)	\$8.82	\$7.22	\$7.31	\$6.72	\$6.72	\$6.72	\$5.38	\$6.00	\$7.22
Debt/Proved Developed Reserves (\$/Boe)	\$13.29	\$11.97	\$12.12	\$11.54	\$11.14	\$11.14	\$9.82	\$11.41	\$11.97

Liquidity Capitalization	Q3 '14
Cash & Marketable Securities	99
Credit Agreement due April 2016	2,500
Less: Short-term Debt	-
Liquidity	2,599
Capitalization	Q3 '14
Revolving Credit Facility	-
7.0% Unsecured Senior Notes due 2021	600
6.5% Unsecured Senior Notes due 2022	600
5.5% Unsecured Senior Notes due 2022	600
5.5% Unsecured Senior Notes due 2023	1,550
Less: Net unamortized original issue discount	28
Total Debt	3,378
Plus: Market Cap	10,416
Plus: Preferred Stock & Minority Interest	-
Less: Cash	(99)
Enterprise Value	13,896
EV/EBITDA	7.0x
Net Debt/EBITDAX	1.7x
Total Debt/EBITDAX	1.7x

Company Description:
Denver based Concho Resources (CRK) is primarily engaged in the activities of acquiring, developing, exploring and producing oil and gas properties in United States. CRK predominantly operates in Permian basin with 3.0 Tcfe of proved reserves as of FY13.

Debt Maturity	
FY14	-
FY15	-
FY16+	3,378

Reserve Description	2011	2012	2013
P Reserves - Nat Gas (mmcf)	889,349	1,042,079	1,173,240
P Reserves - Liquids (Mbbbl)	238,296	273,598	397,382
P Crude Oil Equivalent (mboe)	386,521	447,188	582,822
% Gas	38%	39%	39%
% Proved Developed	61%	61%	60%
Reserve Life (Years)	2.7	2.7	2.5
Reserve Replacement (All In)	40%	490%	289%
Reserve Replacement (Debt In)	324%	209%	269%
P/R of Reserves (\$/m)	8,400	8,327	9,093

Hedges	%	\$ mte
2015E	40%	12.47-12.47
2016E	17%	15.09-15.09

Regions
New Mexico Shelf, Delaware Basin, Texas Permian

Source: Deutsche Bank, Company data

Figure 105: Commodity Price Scenario Analysis: Concho Resources Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$1,296	\$1,346	\$1,397	\$1,447	\$1,498	\$1,548	\$1,599
	\$40.0	\$1,408	\$1,459	\$1,509	\$1,560	\$1,610	\$1,661	\$1,711
	\$50.0	\$1,521	\$1,572	\$1,622	\$1,673	\$1,723	\$1,774	\$1,824
	\$60.0	\$1,634	\$1,684	\$1,735	\$1,785	\$1,836	\$1,886	\$1,937
	\$70.0	\$1,746	\$1,797	\$1,847	\$1,898	\$1,948	\$1,999	\$2,049
	\$80.0	\$1,859	\$1,910	\$1,960	\$2,011	\$2,061	\$2,112	\$2,162
	\$90.0	\$1,972	\$2,022	\$2,073	\$2,123	\$2,174	\$2,224	\$2,275

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$992	\$1,062	\$1,132	\$1,203	\$1,273	\$1,343	\$1,413
	\$40.0	\$1,197	\$1,267	\$1,337	\$1,407	\$1,477	\$1,547	\$1,617
	\$50.0	\$1,401	\$1,471	\$1,541	\$1,611	\$1,681	\$1,751	\$1,821
	\$60.0	\$1,605	\$1,675	\$1,745	\$1,816	\$1,886	\$1,956	\$2,026
	\$70.0	\$1,810	\$1,880	\$1,950	\$2,020	\$2,090	\$2,160	\$2,230
	\$80.0	\$2,014	\$2,084	\$2,154	\$2,224	\$2,294	\$2,364	\$2,435
	\$90.0	\$2,218	\$2,288	\$2,359	\$2,429	\$2,499	\$2,569	\$2,639

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	3.4x	3.3x	3.1x	3.0x	2.9x	2.8x	2.7x
	\$40.0	3.1x	3.0x	2.8x	2.7x	2.6x	2.5x	2.4x
	\$50.0	2.8x	2.7x	2.6x	2.5x	2.4x	2.3x	2.2x
	\$60.0	2.6x	2.5x	2.4x	2.3x	2.2x	2.2x	2.1x
	\$70.0	2.4x	2.3x	2.2x	2.1x	2.1x	2.0x	1.9x
	\$80.0	2.2x	2.1x	2.1x	2.0x	1.9x	1.9x	1.8x
	\$90.0	2.0x	2.0x	1.9x	1.8x	1.8x	1.7x	1.7x

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	6.0x	5.5x	5.1x	4.7x	4.4x	4.1x	3.8x
	\$40.0	4.8x	4.4x	4.1x	3.9x	3.6x	3.4x	3.2x
	\$50.0	3.9x	3.7x	3.5x	3.2x	3.1x	2.9x	2.7x
	\$60.0	3.3x	3.1x	2.9x	2.8x	2.6x	2.5x	2.3x
	\$70.0	2.8x	2.7x	2.5x	2.4x	2.3x	2.1x	2.0x
	\$80.0	2.4x	2.3x	2.2x	2.1x	2.0x	1.9x	1.8x
	\$90.0	2.1x	2.0x	1.9x	1.8x	1.7x	1.6x	1.6x

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	(\$714)	(\$682)	(\$650)	(\$618)	(\$586)	(\$553)	(\$521)
	\$40.0	(\$645)	(\$613)	(\$581)	(\$548)	(\$516)	(\$484)	(\$452)
	\$50.0	(\$576)	(\$544)	(\$511)	(\$479)	(\$447)	(\$415)	(\$383)
	\$60.0	(\$506)	(\$474)	(\$442)	(\$410)	(\$378)	(\$346)	(\$314)
	\$70.0	(\$437)	(\$405)	(\$373)	(\$341)	(\$309)	(\$277)	(\$245)
	\$80.0	(\$368)	(\$336)	(\$304)	(\$272)	(\$240)	(\$208)	(\$176)
	\$90.0	(\$299)	(\$267)	(\$235)	(\$203)	(\$171)	(\$138)	(\$106)

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	(\$1,455)	(\$1,397)	(\$1,340)	(\$1,282)	(\$1,225)	(\$1,167)	(\$1,110)
	\$40.0	(\$1,316)	(\$1,258)	(\$1,201)	(\$1,143)	(\$1,085)	(\$1,028)	(\$970)
	\$50.0	(\$1,176)	(\$1,119)	(\$1,061)	(\$1,004)	(\$946)	(\$889)	(\$831)
	\$60.0	(\$1,037)	(\$979)	(\$922)	(\$864)	(\$807)	(\$749)	(\$692)
	\$70.0	(\$897)	(\$840)	(\$782)	(\$725)	(\$667)	(\$610)	(\$552)
	\$80.0	(\$758)	(\$700)	(\$643)	(\$585)	(\$528)	(\$470)	(\$413)
	\$90.0	(\$618)	(\$561)	(\$503)	(\$446)	(\$388)	(\$331)	(\$273)

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$1.5	\$1.5	\$1.5	\$1.4	\$1.4	\$1.4	\$1.4
	\$40.0	\$1.5	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$50.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$60.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.3
	\$70.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.3	\$1.3	\$1.3
	\$80.0	\$1.4	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3
	\$90.0	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$1.6	\$1.6	\$1.6	\$1.5	\$1.5	\$1.5	\$1.5
	\$40.0	\$1.6	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
	\$50.0	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.4	\$1.4
	\$60.0	\$1.5	\$1.5	\$1.5	\$1.4	\$1.4	\$1.4	\$1.4
	\$70.0	\$1.5	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$80.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.3
	\$90.0	\$1.4	\$1.4	\$1.4	\$1.3	\$1.3	\$1.3	\$1.3

Source: Deutsche Bank, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXD, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPX





Figure 106: Diamondback Energy Financial Summary

Issue	Rating	Maturity	NC Date	NC Price						
7.625% Sr. Notes	(B)(Pos)	1-Oct-21	1-Oct-16	105.72						
\$M	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013	
Revenue	56	76	96	127	139	440	49	75	208	
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-	
Net Revenue	56	76	96	127	139	440	49	75	208	
Operating Costs	11	15	19	24	30	88	19	21	46	
Realized Hedging Gain / (Loss)	(2)	(2)	(1)	(4)	(2)	(8)	(3)	(5)	(7)	
EBITDAX with Hedges	44	60	76	100	107	348	31	38	155	
DDA	17	24	31	40	45	140	16	26	67	
EBIT	26	36	47	60	62	205	15	12	80	
Interest	1	6	7	8	10	30	3	4	8	
EBT (excl others)	25	30	41	52	52	175	13	8	80	
Others	1	(2)	3	9	(16)	(8)	13	(10)	(6)	
EBT (incl others)	24	32	37	43	69	167	10	16	96	
Taxes	9	12	14	15	24	64	-	55	32	
Net Income	15	20	24	28	45	116	(3)	(37)	55	
LTM EBITDAX with Hedges	106	155	215	281	345	345	31	38	155	
LTM EBITDAX without Hedges	112	162	221	299	382	382	31	44	162	
WTI Crude (\$/Bbl)	\$105.80	\$97.60	\$98.60	\$100.00	\$97.25	\$99.11	\$95.16	\$94.18	\$98.00	
Henny Hub Natural Gas (\$/Mcf)	\$3.60	\$3.85	\$4.72	\$4.58	\$3.95	\$4.28	\$4.02	\$2.83	\$3.74	
Key Production Data										
Natural Gas Production (MMcf)	446	525	708	899	1,201	3,424	414	833	1,731	
Realized Nat. Gas Price (\$/Mcf)	\$3.50	\$3.56	\$4.71	\$4.39	\$3.92	\$4.18	\$3.98	\$2.85	\$3.61	
Crude Oil Production (MMbbl)	515	760	960	1,211	1,426	4,357	449	756	2,024	
Realized Oil Price (\$/Bbl)	\$95.86	\$89.22	\$92.43	\$92.20	\$87.55	\$90.21	\$92.15	\$79.69	\$89.21	
Company NGL Production (MMbbl)	93	112	142	247	272	773	87	183	361	
Realized NGL Price (\$/Bbl)	\$33.67	\$41.59	\$34.58	\$29.92	\$29.44	\$32.30	\$24.90	\$37.57	\$35.95	
Total Equipment Produced (mcf)	4,094	5,757	7,318	9,738	11,389	34,202	3,631	6,466	16,036	
Total Equipment Realized (\$/mcf)	\$13.33	\$12.91	\$13.25	\$12.67	\$12.98	\$12.64	\$13.17	\$10.74	\$12.46	
Total Equipment Produced (boe)	682	900	1,220	1,823	1,956	5,700	495	1,019	2,870	
Total Equipment Realized (\$/boe)	\$79.98	\$77.47	\$79.48	\$76.02	\$72.47	\$75.82	\$79.04	\$64.47	\$74.74	
Revenue & Operating Margins per Boe										
Realization	\$79.98	\$77.47	\$79.48	\$76.02	\$72.47	\$75.82	\$79.04	\$64.47	\$74.74	
Lifting Costs	\$12.48	\$19.83	\$11.28	\$11.74	\$11.99	\$11.57	\$21.42	\$19.09	\$12.74	
G&A	\$3.11	\$3.98	\$3.74	\$2.42	\$3.42	\$3.30	\$6.04	\$9.63	\$4.12	
DD&A	\$25.53	\$24.62	\$25.39	\$24.66	\$23.90	\$24.56	\$25.70	\$24.37	\$24.90	
Operating Income	\$38.86	\$38.04	\$39.07	\$37.30	\$33.16	\$36.40	\$25.80	\$11.47	\$32.95	
Interest	\$1.89	\$9.20	\$5.33	\$4.71	\$5.19	\$6.27	\$4.16	\$3.35	\$3.05	
Sr exp. F&D all (in acid)	\$20.48	\$25.38	\$25.38	\$25.36	\$25.38	\$25.38	\$8.04	\$20.48	\$25.38	
Sr exp. F&D all (excl acid)	\$19.67	\$18.52	\$16.52	\$16.52	\$16.52	\$16.52	\$5.90	\$19.67	\$18.52	
Full cycle costs	\$37.67	\$46.37	\$45.71	\$44.29	\$45.96	\$45.50	\$37.66	\$52.45	\$45.24	
Free Cash Flow:										
EBITDAX with Hedges	44	60	76	100	107	345	31	38	155	
Current Taxes	-	-	-	-	(4)	(4)	-	-	(3)	
Capex - Exploration & Development	(82)	(92)	(86)	(123)	(102)	(465)	(80)	(112)	(263)	
Capex - Acq. of Properties / Leasehold	(607)	(15)	(312)	-	(584)	(913)	-	(64)	(940)	
Capex - Other Property & Equipment	(2)	(2)	(1)	(1)	(43)	(47)	(1)	(1)	(7)	
Total Capex	(691)	(110)	(389)	(124)	(732)	(1,369)	(81)	(178)	(940)	
Change in Net Working Capital	2	10	(3)	(8)	(11)	(12)	1	2	6	
Cash Available for Debt Service	(646)	(40)	(324)	(34)	(639)	(1,036)	(49)	(136)	(780)	
Interest (Excl. Capitalized Interest)	-	0	0	1	1	13	2	3	0	
Free Cash Flow	(646)	(40)	(324)	(45)	(646)	(1,049)	(51)	(138)	(780)	
Disposal of Assets	0	0	0	-	(34)	(34)	0	0	0	
Free Cash Flow Incl Asset Sales	(646)	(40)	(324)	(45)	(674)	(1,083)	(51)	(138)	(780)	
Balance Sheet Data										
Cash	53	16	25	37	41	41	7	26	16	
Debt										
- Credit Facilities	-	10	137	48	140	140	85	-	10	
- Senior Notes & Other	450	490	450	450	450	450	-	0	490	
Long Term Debt	450	490	587	498	590	590	85	0	490	
YoY Growth Statistics										
Revenue Growth (Including Realized Hedging Gain)	243%	201%	254%	177%	152%	186%	0%	41%	189%	
Production Growth	179%	139%	163%	171%	178%	148%	0%	78%	148%	
LTM Credit Statistics										
EBITDAX/Cash Interest (Incl. Capitalized Interest)	63.8x	35.5x	51.3x	18.3x	18.8x	18.8x	13.6x	12.6x	35.5x	
Sr. Sec debt/EBITDAX	0.0x	0.1x	0.6x	0.2x	0.4x	0.4x	2.8x	0.0x	0.1x	
Debt/EBITDAX	4.3x	3.0x	2.7x	1.8x	1.7x	1.7x	2.8x	0.0x	3.4x	
Net Debt/EBITDAX	3.8x	2.9x	2.6x	1.6x	1.6x	1.6x	2.5x	0.7x	2.9x	
Debt Proved Reserves (\$/Boe)	\$11.29	\$7.25	\$9.23	\$7.80	\$9.28	\$9.28	\$13.95	\$9.01	\$7.25	
Debt Proved Developed Reserves (\$/Boe)	\$36.51	\$15.35	\$19.57	\$16.53	\$19.67	\$19.67	\$13.95	\$9.03	\$15.35	

Liquidity Capitalization	Q3 '14
Cash & Marketable Securities	41
Revolving Credit Facility Nov 2016	210
Viper Revolving Credit Facility	110
Less Short term Debt	-
Liquidity	361

Capitalization	Q3 '14
Revolving Credit Agreement Nov 2016	140
Viper Revolving Credit Agreement Jul 2013	-
Total Secured Debt	140
7.625% Senior Notes due 2021	450
Total Debt	590
Net Debt	229
Minority Interest & Others	224
Market Cap	3,386
Enterprise Value	4,176
EV/EBITDAX ⁽¹⁾	19.8x
Net Debt/EBITDAX ⁽¹⁾	5.4x

(1) EBITDAX Proforma for full year of earnings from acquisitions

Company Description:
Diamond Energy (FANG) is an independent oil & gas company headquartered in Midland, Texas. Its primary asset consists of O&G assets in the Permian Basin (as of August 2014). The company began operations in 2007 and went public in October 2012. The company has a MLP subsidiary, Viper Energy Partners (VNOM) which went public in June 2014. VNOM's assets consist of mineral interests in Permian Basin and Eagle Ford and its entire income is derived from royalties from the above assets.

Regions:
Permian Basin

Reserve Description	2012	2013
P Reserves - Nat Gas (mmcf)	34,570	61,679
P Reserves - Liquids (MMbbls)	34,448	53,207
P Nat. Gas Equivalents (Mboe)	49,210	63,596
% Gas	14%	16%
% Proved Developed	31%	47%
Reserve Life (Years)	15	9
Reserve Replacement (All in)	1501%	1362%
Reserve Replacement (Oil & Bt)	432%	981%
PV of Reserves (\$mm)	495	1,270

Hedges	%	\$ mte
2014E	32%	16.25 - 16.25
2015E	38%	14.55 - 14.55

Debt Maturity	
FF14	FF16+
900	900

Source: Deutsche Bank, Company data

Figure 107: Commodity Price Scenario Analysis: Diamondback Energy Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$144	\$147	\$150	\$153	\$156	\$159	\$162
\$40.0	\$209	\$212	\$215	\$218	\$221	\$224	\$227	\$227
\$50.0	\$275	\$278	\$280	\$283	\$286	\$289	\$292	\$292
\$60.0	\$340	\$343	\$346	\$349	\$352	\$354	\$357	\$357
\$70.0	\$405	\$408	\$411	\$414	\$417	\$420	\$423	\$423
\$80.0	\$471	\$473	\$476	\$479	\$482	\$485	\$488	\$488
\$90.0	\$536	\$539	\$542	\$545	\$547	\$550	\$553	\$553

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	(\$206)	(\$203)	(\$201)	(\$198)	(\$195)	(\$193)	(\$190)
\$40.0	(\$148)	(\$145)	(\$142)	(\$140)	(\$137)	(\$135)	(\$132)	(\$132)
\$50.0	(\$89)	(\$87)	(\$84)	(\$82)	(\$79)	(\$76)	(\$74)	(\$74)
\$60.0	(\$31)	(\$29)	(\$26)	(\$23)	(\$21)	(\$18)	(\$16)	(\$16)
\$70.0	\$27	\$30	\$32	\$35	\$37	\$40	\$43	\$43
\$80.0	\$85	\$88	\$90	\$93	\$96	\$98	\$101	\$101
\$90.0	\$144	\$146	\$149	\$151	\$154	\$156	\$159	\$159

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$119	\$122	\$125	\$128	\$131	\$134	\$137
\$40.0	\$188	\$191	\$194	\$197	\$200	\$203	\$206	\$206
\$50.0	\$258	\$261	\$264	\$266	\$269	\$272	\$275	\$275
\$60.0	\$327	\$330	\$333	\$336	\$339	\$342	\$344	\$344
\$70.0	\$396	\$399	\$402	\$405	\$408	\$411	\$414	\$414
\$80.0	\$466	\$469	\$471	\$474	\$477	\$480	\$483	\$483
\$90.0	\$535	\$538	\$541	\$544	\$547	\$549	\$552	\$552

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	(\$87)	(\$84)	(\$81)	(\$78)	(\$75)	(\$73)	(\$70)
\$40.0	(\$18)	(\$15)	(\$13)	(\$10)	(\$7)	(\$4)	(\$1)	(\$1)
\$50.0	\$50	\$53	\$56	\$59	\$62	\$65	\$68	\$68
\$60.0	\$119	\$122	\$125	\$128	\$131	\$134	\$136	\$136
\$70.0	\$188	\$191	\$194	\$196	\$199	\$202	\$205	\$205
\$80.0	\$257	\$259	\$262	\$265	\$268	\$271	\$274	\$274
\$90.0	\$325	\$328	\$331	\$334	\$337	\$340	\$343	\$343

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	5.0x	4.9x	4.8x	4.7x	4.6x	4.5x	4.4x
\$40.0	3.2x	3.1x	3.1x	3.0x	3.0x	2.9x	2.9x	2.9x
\$50.0	2.2x	2.2x	2.1x	2.1x	2.1x	2.1x	2.0x	2.0x
\$60.0	1.6x	1.6x	1.6x	1.6x	1.5x	1.5x	1.5x	1.5x
\$70.0	1.2x	1.2x	1.2x	1.2x	1.2x	1.1x	1.1x	1.1x
\$80.0	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x
\$90.0	0.7x	0.7x	0.7x	0.7x	0.7x	0.7x	0.7x	0.7x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9
\$40.0	\$1.8	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7
\$50.0	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6
\$60.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
\$70.0	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3
\$80.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
\$90.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	6.7x	6.5x	6.3x	6.1x	5.9x	5.8x	5.6x
\$40.0	3.6x	3.5x	3.4x	3.3x	3.3x	3.2x	3.1x	3.1x
\$50.0	2.1x	2.1x	2.0x	2.0x	1.9x	1.9x	1.9x	1.9x
\$60.0	1.3x	1.3x	1.2x	1.2x	1.2x	1.1x	1.1x	1.1x
\$70.0	0.7x	0.7x	0.7x	0.7x	0.7x	0.6x	0.6x	0.6x
\$80.0	0.4x	0.3x	0.3x	0.3x	0.3x	0.3x	0.3x	0.3x
\$90.0	0.1x	0.1x	0.1x	0.0x	0.0x	0.0x	0.0x	0.0x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
WTI Oil (\$/bbl)		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
	\$30.0	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.0	\$2.0
\$40.0	\$1.8	\$1.8	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7
\$50.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
\$60.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
\$70.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
\$80.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
\$90.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2

Source: Deutsche Bank, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXQ,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX





Figure 108: EP Energy Financial Summary

Issue	Rating	Amount (\$M)	Maturity	MC Date	MC Price
6.875% Sr. Sec. Notes	Baa1+	750	1-May-19	1-May-15	103.94
9.375% Sr. Notes	B2/B	2,080	1-May-20	1-May-15	104.59
7.750% Sr. Notes	Baa	350	1-Sep-22	1-Sep-17	103.88

\$ Mn	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14	13M	2011	2012	2013
Revenue	471	458	525	566	572	2,113	1,582	1,622	1,692
Realized Hedging Gain / (Loss) - Cash Flow Hedges	(25)	12	(25)	(32)	(3)	(18)	332	384	10
Net Revenue	446	470	500	534	569	2,095	1,914	2,006	1,702
Operating Costs	130	127	149	157	146	519	504	670	591
Realized Hedging Gain / (Loss)	-	-	-	-	-	-	-	-	-
EBITDA with Hedges	308	305	351	377	423	1,456	1,329	1,333	1,541
DDA	172	175	188	214	228	815	812	887	878
ESIT	130	138	153	163	166	641	709	748	823
Interest	51	65	70	68	78	320	14	232	254
ESIT (incl others)	45	48	74	83	119	321	494	574	749
Others	163	(28)	229	263	(278)	46	214	453	164
One-time charges	-	-	-	-	-	-	-	-	-
ESIT (incl others)	(118)	74	(185)	(285)	407	236	483	81	5
Taxes	30	33	(96)	(88)	191	130	211	138	43
Net Income	(148)	41	(99)	(112)	308	136	268	(77)	(58)
EBITDA with Hedges	308	305	351	377	423	1,456	1,329	1,333	1,541
EBITDA without Hedges	333	293	376	408	428	1,504	968	949	1,131
LTB EBITDA with Hedges	1,181	1,142	1,238	1,381	1,406	4,856	1,329	1,333	1,541
LTM EBITDA without Hedges	1,118	1,132	1,270	1,411	1,504	4,856	968	949	1,131
WTI Crude (\$/Bbl)	\$105.81	\$97.41	\$98.61	\$123.80	\$97.25	\$99.12	\$104.99	\$94.19	\$98.02
Henry Hub Natural Gas (\$/Mcf)	\$3.96	\$3.85	\$4.72	\$4.58	\$3.85	\$4.28	\$4.03	\$2.83	\$3.82
Key Production Data⁽¹⁾									
Natural Gas Production (Bcf/d)	22,395	20,358	19,440	17,472	17,572	74,540	24,185	235,151	92,345
Realized Nat. Gas Price (\$/Bbl)	\$66.28	\$2.79	\$3.41	\$3.26	\$3.27	\$3.29	\$5.44	\$4.33	\$3.62
Crude Oil Production (Bbl/d)	3,480	3,854	4,479	4,808	5,208	18,485	4,908	6,636	13,536
Realized Oil Price (\$/Bbl)	\$95.47	\$94.71	\$91.28	\$90.76	\$89.85	\$91.42	\$98.25	\$87.57	\$97.72
NGLs Production (Mbbbl/d)	708	708	695	1,258	1,308	53,745	1,949	1,895	2,595
Realized NGLs Price (\$/Bbl)	\$21.39	\$23.45	\$21.48	\$28.46	\$28.24	\$25.38	\$23.58	\$26.68	\$20.81
Total Production (MMbbl/d)	48,688	48,208	51,084	52,807	56,728	201,819	283,511	381,162	188,738
Total Equivalent Realized (\$/mcf)	\$51.34	\$5.44	\$6.72	\$16.80	\$16.87	\$6.82	\$6.74	\$6.65	\$6.89
Revenue & Operating Margins per Bbl									
Realization	\$208.02	\$56.46	\$58.32	\$60.82	\$60.42	\$58.94	\$48.43	\$29.81	\$53.32
Lifting Costs	\$11.85	\$12.20	\$12.57	\$13.84	\$12.17	\$12.50	\$8.32	\$9.07	\$8.71
DDA	\$21.20	\$21.76	\$23.28	\$24.27	\$24.55	\$23.52	\$12.95	\$11.67	\$19.05
ESIT	\$8.18	\$7.34	\$8.10	\$4.76	\$3.95	\$6.08	\$8.26	\$8.31	\$6.29
Operating Income	\$208.82	\$19.34	\$17.87	\$18.46	\$20.76	\$17.84	\$14.91	\$14.68	\$18.17
Interest	\$11.21	\$10.88	\$8.28	\$8.27	\$8.10	\$8.23	\$8.30	\$6.41	\$11.28
3-yr avg. F&D all (in acc)	\$8.85	\$9.85	\$9.88	\$9.85	\$9.85	\$9.85	\$8.54	\$9.85	\$9.85
3-yr avg. F&D all (incl acc)	\$8.16	\$9.16	\$9.18	\$9.16	\$9.16	\$9.16	\$8.70	\$9.16	\$9.16
Full cycle costs	\$38.97	\$39.87	\$36.63	\$36.72	\$33.76	\$36.69	\$23.31	\$27.83	\$36.02
Free Cash Flow:									
EBITDA with Hedges	308	305	351	377	423	1,456	1,329	1,333	1,541
Current Taxes	(29)	34	5	(17)	(29)	(7)	0	(14)	3
Total Cash	(506)	(504)	(488)	(500)	(503)	(2,225)	(1,589)	(1,614)	(1,834)
Change in Net Working Capital	35	3	32	-	-	35	-	75	16
Cash Available for Debt Service	(190)	(562)	(71)	(588)	(198)	(541)	(219)	(119)	(764)
Interest (Excl. Capitalized Interest)	(81)	(86)	(76)	(80)	(78)	(320)	(14)	(202)	(244)
Free Cash Flow	(284)	(245)	(182)	(248)	(214)	(841)	(284)	(251)	(1,114)
Depreciation of Assets	1,429	12	17	133	(24)	138	612	119	1,451
Acquisition of Assets	-	-	-	(194)	-	(154)	(1)	(7,127)	(2)
Free Cash Flow Incl Asset Sales	1,145	(238)	(133)	(210)	(238)	(877)	328	(7,358)	231
Balance Sheet Data									
Cash	61	51	87	77	17	17	25	63	51
Debt									
Senior Notes	2,350	2,730	2,350	2,350	2,350	2,350	2,350	2,350	2,730
Credit Facilities	1,394	1,888	1,070	1,848	2,328	2,328	1,396	1,888	1,888
Long Term Debt (OpCo)	3,744	4,618	3,420	4,208	4,678	4,678	3,750	4,238	4,618
Long Term Debt (HoldCo)	4,114	4,803	4,080	4,266	4,375	4,375	3,260	4,096	4,803
Yr/Y Growth Statistics									
Revenue Growth (Including Realized Hedging Gain)	-13%	-13%	28%	32%	29%	17%	13%	5%	-15%
Production Growth	-8%	-3%	13%	14%	14%	-2%	8%	4%	-3%
LTB Credit Statistics									
OpCo Level									
EBITDA/Cash Interest (Incl. Capitalized Interest)	3.4x	3.2x	3.6x	4.3x	4.5x	4.5x	54.3x	5.7x	3.2x
Sr. Sec. Debt/EBITDA	1.2x	1.5x	1.4x	1.5x	1.4x	1.4x	-	1.5x	1.8x
Debt/EBITDA	3.1x	3.8x	3.2x	3.2x	3.8x	3.8x	0.6x	3.3x	3.8x
Net Debt/EBITDA	3.1x	3.8x	3.2x	3.1x	3.8x	3.8x	0.6x	3.2x	3.8x
Debt/Proved Reserves (\$/Bbl)	\$6.33	\$6.87	\$7.04	\$7.84	\$7.89	\$7.99	\$1.34	\$7.34	\$6.07
Debt/Proved Developed Reserves (\$/Bbl)	\$13.52	\$14.24	\$22.04	\$23.55	\$23.99	\$23.99	\$3.70	\$5.71	\$24.26
HoldCo Level									
Debt/EBITDA	3.5x	4.2x	3.2x	3.2x	3.8x	3.8x	0.6x	3.5x	4.2x
Net Debt/EBITDA	3.4x	4.2x	3.2x	3.1x	3.8x	3.8x	0.6x	3.5x	4.2x

Liquidity / Capitalization	Q3-14
Cash & Marketable Securities	17
RBL Facility ⁽¹⁾	1,840
Less: Short term Debt	-
Liquidity	1,857
Capitalization	Q3-14
RBL Facility ⁽¹⁾	633
Senior Secured Term Loan '08	465
Senior Secured Term Loan '09	163
6.875% Sr. Sec. Notes '11	750
9.375% Sr. Notes '20	2,080
7.750% Sr. Notes '22	350
Total OpCo Debt	4,375
Total HoldCo Debt	4,375
Minority Interest & Others	-
Market Capitalization	2,251
FY EBITDA	4.5x
Secured Leverage	1.8x
Net Leverage (OpCo level)	3.0x
Net Leverage (HoldCo level)	3.0x

Company Description:
EP Energy is a privately held company involved in exploration and production of oil and gas in North America. The business was previously a wholly owned subsidiary of C-P (now owned by Foster Wheeler), and was acquired by in 2012 by a group of investors including Apollo Global Management, Riverstone Holdings and Janus Industries to sell EP Energy for an all-cash purchase price of \$7.25B.

Debt Maturity	
FY 14	-
FY 15	-
FY 16+	4,375

Reserve Description ⁽¹⁾	2011	2012	2013
P/Reserves - Net Gas (mcf)	2,547	1,735	1,271
P/Reserves - Liquids (mmbbl)	183	256	233
P/Net. Gas Equivalent (mmbbl)	621	556	472
% Gas	71%	64%	60%
% Proved Developed	50%	47%	33%
Reserve Life (Years)	12.6	16.5	15.6
Reserve Replacement (All in)	401%	289%	284%
Reserve Replacement (Oil & G)	401%	289%	284%
PV of Reserves (\$m)	7,337	6,430	6,930

Hedges	%	\$ mln
2014E	89%	11.24 - 11.51
2015E	81%	11.28 - 11.32

Major Play Regions
Alaska
Permian
Superfund
Williams

Source: Deutsche Bank, Company data

Figure 109: Commodity Price Scenario Analysis: EP Energy Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/boe) Oil (ILU)	\$30.0	\$1,586	\$1,583	\$1,580	\$1,577	\$1,574	\$1,571	\$1,569
	\$40.0	\$1,598	\$1,596	\$1,593	\$1,590	\$1,587	\$1,584	\$1,581
	\$50.0	\$1,611	\$1,608	\$1,606	\$1,603	\$1,600	\$1,597	\$1,594
	\$60.0	\$1,624	\$1,621	\$1,618	\$1,616	\$1,613	\$1,610	\$1,607
	\$70.0	\$1,637	\$1,634	\$1,631	\$1,628	\$1,626	\$1,623	\$1,620
	\$80.0	\$1,650	\$1,647	\$1,644	\$1,641	\$1,638	\$1,636	\$1,633
	\$90.0	\$1,652	\$1,649	\$1,646	\$1,643	\$1,640	\$1,637	\$1,635

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/boe) Oil (ILU)	\$30.0	(\$390)	(\$391)	(\$393)	(\$394)	(\$396)	(\$397)	(\$399)
	\$40.0	(\$373)	(\$374)	(\$376)	(\$377)	(\$379)	(\$380)	(\$382)
	\$50.0	(\$356)	(\$357)	(\$359)	(\$360)	(\$362)	(\$363)	(\$365)
	\$60.0	(\$339)	(\$340)	(\$342)	(\$343)	(\$345)	(\$346)	(\$348)
	\$70.0	(\$322)	(\$323)	(\$325)	(\$326)	(\$328)	(\$329)	(\$331)
	\$80.0	(\$305)	(\$306)	(\$308)	(\$309)	(\$311)	(\$312)	(\$314)
	\$90.0	(\$297)	(\$298)	(\$300)	(\$301)	(\$303)	(\$304)	(\$306)

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/boe) Oil (ILU)	\$30.0	\$1,153	\$1,178	\$1,203	\$1,227	\$1,252	\$1,277	\$1,301
	\$40.0	\$1,212	\$1,236	\$1,261	\$1,285	\$1,310	\$1,335	\$1,359
	\$50.0	\$1,270	\$1,294	\$1,319	\$1,344	\$1,368	\$1,393	\$1,417
	\$60.0	\$1,328	\$1,352	\$1,377	\$1,402	\$1,426	\$1,451	\$1,476
	\$70.0	\$1,386	\$1,410	\$1,435	\$1,460	\$1,484	\$1,509	\$1,534
	\$80.0	\$1,439	\$1,464	\$1,489	\$1,513	\$1,538	\$1,563	\$1,587
	\$90.0	\$1,483	\$1,507	\$1,532	\$1,557	\$1,581	\$1,606	\$1,631

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/boe) Oil (ILU)	\$30.0	\$17	\$37	\$57	\$77	\$96	\$116	\$136
	\$40.0	\$66	\$86	\$106	\$126	\$146	\$165	\$185
	\$50.0	\$116	\$135	\$155	\$175	\$195	\$215	\$234
	\$60.0	\$165	\$184	\$204	\$224	\$244	\$264	\$284
	\$70.0	\$214	\$234	\$253	\$273	\$293	\$313	\$333
	\$80.0	\$259	\$279	\$299	\$319	\$339	\$358	\$378
	\$90.0	\$295	\$315	\$335	\$355	\$374	\$394	\$414

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/boe) Oil (ILU)	\$30.0	3.0x	3.0x	3.0x	3.0x	3.0x	3.0x	3.0x
	\$40.0	3.0x	3.0x	3.0x	3.0x	3.0x	3.0x	3.0x
	\$50.0	2.9x	2.9x	3.0x	3.0x	3.0x	3.0x	3.0x
	\$60.0	2.9x	2.9x	2.9x	2.9x	2.9x	2.9x	2.9x
	\$70.0	2.9x	2.9x	2.9x	2.9x	2.9x	2.9x	2.9x
	\$80.0	2.8x	2.8x	2.9x	2.9x	2.9x	2.9x	2.9x
	\$90.0	2.8x	2.8x	2.8x	2.8x	2.9x	2.9x	2.9x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/boe) Oil (ILU)	\$30.0	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
	\$40.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$50.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$60.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$70.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$80.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$90.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/boe) Oil (ILU)	\$30.0	4.1x	4.0x	3.9x	3.8x	3.7x	3.7x	3.6x
	\$40.0	3.9x	3.8x	3.7x	3.6x	3.5x	3.4x	3.4x
	\$50.0	3.6x	3.6x	3.5x	3.4x	3.3x	3.3x	3.2x
	\$60.0	3.4x	3.4x	3.3x	3.2x	3.1x	3.1x	3.0x
	\$70.0	3.2x	3.2x	3.1x	3.0x	3.0x	2.9x	2.9x
	\$80.0	3.1x	3.0x	2.9x	2.9x	2.8x	2.8x	2.7x
	\$90.0	3.0x	2.9x	2.8x	2.8x	2.7x	2.7x	2.6x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
(\$/boe) Oil (ILU)	\$30.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$40.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$50.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$60.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$70.0	\$1.4	\$1.4	\$1.4	\$1.3	\$1.3	\$1.3	\$1.3
	\$80.0	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3
	\$90.0	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3

Source: Deutsche Bank, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX





Figure 110: Lightstream Resources Financial Summary

Issue	Rating	Maturity	NC Date	NC Price					
3.625% Senior Notes due 2020	Caa2(Neg)/CCG+(Neg)	1-Feb-20	1-Feb-16	104.31					
Canadian \$mm		Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2012	2013
Revenue		332	285	325	327	269	1,208	1,505	1,290
Realized Hedging Gain / (Loss) - Cash Flow Hedges		-	-	-	-	-	-	-	-
Net Revenue		332	285	325	327	269	1,208	1,505	1,290
Operating Costs		121	113	128	119	109	461	419	467
Realized Hedging Gain / (Loss)		(3)	(3)	(2)	(2)	(3)	(5)	-	(3)
EBITDA with Hedges		208	174	204	202	160	743	686	761
SGA		131	120	122	121	112	484	445	521
EBIT		77	45	82	83	48	258	241	260
Interest		35	35	35	34	35	138	126	136
EBT (incl others)		41	9	47	50	14	120	115	125
Others		16	25	46	(23)	28	71	(28)	67
One-time charges		(7)	1,375	(27)	(14)	(25)	1,308	16	1,438
EBT(incl others)		54	(1,366)	20	27	90	(1,237)	125	(1,365)
Taxes		2	(2)	14	19	12	42	(3)	4
Net Income		52	(1,368)	14	46	4	(1,201)	125	(1,364)
LTM EBITDA with Hedges		790	791	790	791	743	743	686	761
LTM EBITDA without Hedges		682	784	765	790	748	748	686	761
WTI Crude (\$/Bbl)		\$110.24	\$102.44	\$108.75	\$112.29	\$105.32	\$107.29	\$94.16	\$101.04
AECO Natural Gas (\$/Mcf)		\$2.54	\$3.38	\$4.49	\$4.42	\$3.79	\$4.62	\$2.31	\$3.06
Key Production Data									
Natural Gas Production (Mmcf)		5,353	5,033	4,725	4,576	4,785	19,092	15,956	19,899
Realized Nat. Gas Price (\$/Mcf)		\$2.63	\$3.63	\$5.79	\$5.00	\$4.26	\$4.85	\$2.63	\$3.29
Crude Oil Production (Mbls)		3,241	3,261	3,168	3,196	2,759	12,404	13,948	13,657
Realized Oil Price (\$/Bbl)		\$95.53	\$90.41	\$93.43	\$97.06	\$89.40	\$93.52	\$81.03	\$95.53
Total Equivalent Produced (mtoe)		24,529	23,128	23,738	23,212	21,438	93,516	93,953	101,899
Total Equivalent Realized (\$/mtoe)		\$13.19	\$11.45	\$13.62	\$13.97	\$12.54	12.88	\$11.76	\$12.27
Total Equivalent Produced (boe)		4,155	4,189	3,964	3,869	3,679	15,586	15,859	16,950
Total Equivalent Realized (\$/boe)		\$79.16	\$86.69	\$81.75	\$85.85	\$79.21	\$77.28	\$78.57	\$73.58
Revenue & Operating Margins per Mtoe									
Realization		\$13.19	\$11.45	\$13.62	\$13.97	\$12.54	\$12.88	\$11.76	\$12.27
Lifting Costs		\$4.10	\$3.81	\$4.28	\$4.40	\$4.36	\$4.23	\$3.71	\$3.89
SGA		\$0.67	\$0.63	\$0.89	\$0.66	\$0.62	\$0.65	\$0.58	\$0.63
EBITDA		\$8.35	\$6.15	\$8.13	\$8.23	\$8.22	\$8.18	\$4.74	\$5.11
Operating Income		\$3.16	\$1.86	\$3.53	\$3.68	\$2.33	\$2.84	\$2.62	\$2.63
Interest		\$1.42	\$1.42	\$1.46	\$1.46	\$1.61	\$1.48	\$1.26	\$1.33
3-yr avg. F&D all (in acq)		\$5.70	\$5.43	\$5.43	\$5.43	\$5.43	\$5.43	\$5.70	\$5.43
3-yr avg. F&D all (incl acq)		\$4.65	\$5.23	\$5.23	\$5.23	\$5.23	\$5.23	\$4.65	\$5.23
Full cycle costs		\$11.90	\$11.29	\$11.85	\$11.94	\$12.02	\$11.78	\$11.48	\$11.27
Revenue & Operating Margins per Boe									
Realization		\$79.16	\$86.69	\$81.75	\$85.85	\$79.21	\$77.28	\$78.57	\$73.58
Lifting Costs		\$24.61	\$22.86	\$25.85	\$26.42	\$26.16	\$25.21	\$22.28	\$23.34
SGA		\$4.05	\$3.80	\$4.72	\$3.97	\$3.72	\$3.89	\$4.07	\$3.75
EBITDA		\$21.53	\$20.89	\$28.77	\$21.28	\$21.32	\$21.58	\$28.43	\$26.73
Operating Income		\$18.97	\$11.15	\$21.20	\$22.06	\$15.99	\$17.56	\$13.78	\$15.78
Interest		\$6.95	\$6.51	\$6.70	\$6.67	\$6.67	\$6.88	\$6.14	\$7.06
3-yr avg. F&D all (in acq)		\$24.18	\$22.56	\$22.56	\$22.56	\$22.56	\$22.56	\$24.18	\$22.56
3-yr avg. F&D all (incl acq)		\$27.90	\$21.36	\$21.36	\$21.36	\$21.36	\$21.36	\$27.90	\$21.36
Full cycle costs		\$71.39	\$67.72	\$71.99	\$71.62	\$72.12	\$70.55	\$68.67	\$67.63
Free Cash Flow:									
EBITDA with Hedges		208	174	204	205	160	743	686	761
Current Taxes		-	-	-	-	-	-	-	-
Total Taxes		(178)	(196)	(199)	(81)	(94)	(511)	(396)	(700)
Change in Net Working Capital		(5)	31	(41)	37	(12)	14	24	21
Cash Available for Debt Service		25	49	(37)	161	54	247	(246)	42
Interest (incl. Capitalized Interest)		33	32	32	31	30	125	106	124
Free Cash Flow		(75)	87	(68)	160	24	122	(202)	(61)
Disposal/Acquisition of Assets		39	2	114	138	466	728	635	41
Free Cash Flow Incl Asset Sales/Acquisition		31	19	46	200	490	842	203	(40)
Balance Sheet Data									
Cash		-	-	-	-	-	-	-	-
Debt									
- Credit Facilities		1,193	1,180	1,072	931	484	484	607	1,500
- Senior Notes & Other		895	697	976	842	946	946	1,566	827
Long Term Debt		2,089	2,097	2,047	1,873	1,431	1,431	1,772	2,327
YoY Growth Statistics									
Revenue Growth (Including Realized Hedging Gain)		38%	-3%	2%	3%	-18%	-4%	-6%	12%
Production Growth		17%	-4%	-10%	-8%	-14%	8%	9%	8%
LTM Credit Statistics									
EBITDA/Cash Interest (incl. Capitalized Interest)		6.7x	6.2x	6.1x	6.2x	6.0x	6.3x	6.5x	6.3x
St. Dev. debt/EBITDA		1.5x	1.5x	1.5x	1.4x	1.2x	1.2x	1.8x	0.8x
Debt/EBITDA		2.9x	2.7x	2.9x	2.4x	1.9x	1.9x	2.8x	2.7x
Net Debt/EBITDA		2.9x	2.7x	2.9x	2.4x	1.9x	1.9x	2.8x	2.7x
Debt/Proved Reserves (\$/Boe)		\$16.38	\$19.40	\$18.94	\$17.33	\$13.24 #	\$13.24	\$15.53	\$19.48
Debt/Proved Developed Reserves (\$/Boe)		\$26.43	\$29.33	\$28.82	\$26.19	\$20.00 #	\$23.89	\$24.08	\$29.33
Liquidity Capitalization		Q3 '14	Q3 '14 PP						
Cash & Marketable Securities		-	-						
Revolving Credit Agreement Jun 2017		682	690						
Less/Short term Debt		-	-						
Liquidity		682	690						
Capitalization		Q3 '14	Q3 '14 PP						
Revolving Credit Agreement Jun 2017		484	484						
Total Secured Debt		484	484						
3.625% Senior Notes due 2020		820	683						
Others		7	7						
Total Debt		1,431	1,375						
Net Debt		1,432	1,345						
Minority Interest & Others		-	-						
Market Cap		232	232						
Enterprise Value		1,804	1,847						
EV/FF EBITDA ¹¹		2.5x	2.4x						
Net Debt/FF EBITDA ¹¹		2.2x	2.1x						
(1) EBITDA pro forma for LTM asset sales through Q3 '14									
Company Description:	Lightstream Resources (TSX:LSR) is an exploration and development company headquartered in Calgary, Alberta. Its operations are focused primarily on light oil across major plays in Western Canada. Adjusted for divestitures through September 2014, the FYE13 2P reserves of the company stood at an estimated 178 MBoe.								
Regions	<ul style="list-style-type: none"> Southwestern Saskatchewan Western and conventional Montanapian Central Alberta - Cardium North-central Alberta - Swan Hills 								
Reserve Description		2012	2013						
P Reserves - Net Gas (BoE)		120	128						
P Reserves - Liquids (Mbls)		93	85						
Total Reserves (MBoe)		114	100						
% Gas		19%	21%						
% Proved Developed		39%	34%						
Reserve Life (Years)		7	7						
Reserve Replacement (All in)		242%	74%						
PV of Reserves (\$mm)		2,792	2,840						
Hedging		%	\$ mtoe						
2014E		41%	13.78	-17.68					
2015E		20%	14.57	-16.73					
Debt Maturity									
PY14		-	PY 15+	1,431					
PY15		-							

Source: Deutsche Bank, Company data

Figure 111: Commodity Price Scenario Analysis: Lightstream Resources Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$141	\$149	\$157	\$165	\$172	\$180	\$188
	\$40.0	\$186	\$194	\$202	\$210	\$218	\$226	\$234
	\$50.0	\$232	\$240	\$248	\$255	\$263	\$271	\$279
	\$60.0	\$277	\$285	\$293	\$301	\$309	\$317	\$325
	\$70.0	\$323	\$330	\$338	\$346	\$354	\$362	\$370
	\$80.0	\$368	\$376	\$384	\$392	\$400	\$408	\$416
	\$90.0	\$436	\$444	\$452	\$460	\$468	\$476	\$484

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$163)	(\$155)	(\$148)	(\$140)	(\$132)	(\$124)	(\$117)
	\$40.0	(\$121)	(\$114)	(\$106)	(\$98)	(\$90)	(\$83)	(\$75)
	\$50.0	(\$80)	(\$72)	(\$64)	(\$56)	(\$49)	(\$41)	(\$33)
	\$60.0	(\$38)	(\$30)	(\$22)	(\$15)	(\$7)	\$1	\$9
	\$70.0	\$4	\$11	\$19	\$27	\$35	\$43	\$50
	\$80.0	\$45	\$53	\$61	\$69	\$76	\$84	\$92
	\$90.0	\$114	\$121	\$129	\$137	\$145	\$152	\$160

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$15	\$23	\$31	\$39	\$47	\$55	\$63
	\$40.0	\$85	\$93	\$101	\$109	\$117	\$125	\$133
	\$50.0	\$156	\$164	\$172	\$179	\$187	\$195	\$203
	\$60.0	\$226	\$234	\$242	\$250	\$258	\$266	\$274
	\$70.0	\$296	\$304	\$312	\$320	\$328	\$336	\$344
	\$80.0	\$366	\$374	\$382	\$390	\$398	\$406	\$414
	\$90.0	\$436	\$444	\$452	\$460	\$468	\$476	\$484

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$212)	(\$204)	(\$196)	(\$189)	(\$181)	(\$173)	(\$165)
	\$40.0	(\$144)	(\$136)	(\$128)	(\$120)	(\$112)	(\$105)	(\$97)
	\$50.0	(\$76)	(\$68)	(\$60)	(\$52)	(\$44)	(\$36)	(\$28)
	\$60.0	(\$8)	(\$0)	\$8	\$16	\$24	\$32	\$40
	\$70.0	\$60	\$68	\$76	\$84	\$92	\$100	\$108
	\$80.0	\$128	\$136	\$144	\$152	\$160	\$168	\$176
	\$90.0	\$198	\$206	\$214	\$222	\$230	\$238	\$246

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	12.1x	11.4x	10.7x	10.2x	9.6x	9.2x	8.7x
	\$40.0	8.9x	8.4x	8.1x	7.7x	7.4x	7.1x	6.8x
	\$50.0	6.9x	6.6x	6.4x	6.1x	5.9x	5.7x	5.5x
	\$60.0	5.6x	5.4x	5.2x	5.0x	4.9x	4.7x	4.6x
	\$70.0	4.6x	4.5x	4.3x	4.2x	4.1x	4.0x	3.9x
	\$80.0	3.9x	3.8x	3.7x	3.6x	3.5x	3.4x	3.3x
	\$90.0	3.1x	3.0x	2.9x	2.9x	2.8x	2.7x	2.7x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$2.8	\$2.8	\$2.8	\$2.8	\$2.7	\$2.7	\$2.7
	\$40.0	\$2.7	\$2.7	\$2.7	\$2.7	\$2.6	\$2.6	\$2.6
	\$50.0	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.5	\$2.5
	\$60.0	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.4
	\$70.0	\$2.4	\$2.4	\$2.4	\$2.4	\$2.4	\$2.4	\$2.3
	\$80.0	\$2.4	\$2.3	\$2.3	\$2.3	\$2.3	\$2.3	\$2.3
	\$90.0	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.1	\$2.1

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	114.5x	74.8x	55.3x	43.8x	36.1x	30.7x	26.6x
	\$40.0	19.6x	17.8x	16.3x	15.0x	13.9x	12.9x	12.1x
	\$50.0	10.3x	9.8x	9.2x	8.8x	8.3x	7.9x	7.6x
	\$60.0	6.8x	6.5x	6.3x	6.0x	5.8x	5.6x	5.4x
	\$70.0	5.0x	4.8x	4.6x	4.5x	4.4x	4.2x	4.1x
	\$80.0	3.8x	3.7x	3.6x	3.5x	3.4x	3.3x	3.2x
	\$90.0	3.0x	2.9x	2.8x	2.8x	2.7x	2.6x	2.5x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$2.9	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8	\$2.7
	\$40.0	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.6
	\$50.0	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.5	\$2.5
	\$60.0	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.4	\$2.4
	\$70.0	\$2.4	\$2.4	\$2.4	\$2.4	\$2.3	\$2.3	\$2.3
	\$80.0	\$2.3	\$2.3	\$2.3	\$2.3	\$2.2	\$2.2	\$2.2
	\$90.0	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.0	\$2.0

Source: Deutsche Bank, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXD,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX





Figure 112: Magnum Hunter Resources Financial Summary

Items	Rating		Maturity		NC Date		NC Price				
	BB(Baa1)/CCQ(Neg)		15-May-20		15-May-16			104.88			
	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013		
9.75% Sr Notes due 2020											
Revenue	73	82	167	153	79	481	129	201	(1)		
Realized Hedging Gain / (Loss) - Cash Flow Hedges	(8)	(1)	(2)	(2)	0	(5)	(2)	(1)	(8)		
Net Revenue	47	81	165	151	79	476	127	200	243		
Operating Costs	51	47	65	65	54	252	183	134	184		
GGITDAX with Hedges	19	34	38	47	25	144	24	148	84		
DDA	28	27	29	36	36	129	49	136	89		
GGIT	(12)	7	9	11	(1)	(5)	(25)	13	(15)		
Interest	19	19	24	20	18	81	12	52	72		
GGT (incl others)	(26)	(12)	(16)	(9)	(29)	(87)	(27)	(26)	(87)		
Other (Income)/Expense	41	3	9	46	52	189	15	2	89		
One time charges	43	24	14	9	50	87	24	121	187		
GGT (incl others)	(126)	(42)	(36)	(64)	(131)	(273)	(77)	(142)	(274)		
Taxes	3	(14)	-	-	(43)	(87)	(1)	(23)	(78)		
Net Income	(133)	(26)	(38)	(64)	(88)	(214)	(24)	(132)	(254)		
LTM EBITDAX with Hedges	122	184	117	136	144	144	24	148	84		
LTM EBITDAX without Hedges	124	152	128	146	149	149	26	137	82		
Actual NYE Crude (\$/bbl)	186.13	97.61	95.61	102.39	97.25	99.12	95.16	94.16	95.10		
Actual Heavy Hub Natural Gas (\$/mcf)	3.60	2.85	4.72	4.58	3.85	4.28	4.02	2.83	3.73		
Key Production Data											
Company Natural Gas production (mcf/d)	2,547	2,781	4,297	4,896	5,326	17,232	6,855	14,824	10,353		
Realized Natural Gas Price (\$/mcf)	NA	NA	NA	NA	NA	NA	NA	NA	NA		
Company Oil Production (MMbbl)	583	485	412	411	391	1,689	778	2,143	1,544		
Realized Oil Price (\$/bbl)	NA	NA	NA	NA	NA	NA	NA	NA	NA		
Company NGL Production (MMbbl)	183	165	280	222	237	764	83	283	384		
Realized NGL Price (\$/bbl)	NA	NA	NA	NA	NA	NA	NA	NA	NA		
Total Equipment Produced (mcf/d)	5,543	6,241	7,995	8,696	9,324	31,263	12,883	28,882	21,243		
Total Equipment Realized (\$/mcf)	8.73	8.33	8.49	8.74	8.98	8.29	8.63	8.88	8.78		
Total Equipment Produced (boe)	924	1,049	1,231	1,449	1,506	5,326	2,011	4,814	3,589		
Total Equipment Realized (\$/boe)	92.17	55.79	58.96	52.62	41.86	49.73	51.79	53.33	52.89		
Revenue & Operating Margins per Boe											
Realization	\$82.17	\$85.79	\$80.98	\$82.42	\$81.88	\$89.73	\$81.79	\$83.33	\$82.69		
Operating Costs	\$19.62	\$6.06	\$6.15	\$8.74	\$9.83	\$7.88	\$25.91	\$10.22	\$12.69		
G&A	\$30.63	\$26.19	\$22.18	\$24.81	\$24.18	\$24.22	\$24.40	\$26.22	\$27.61		
Operating Income	\$31.92	\$53.00	\$52.65	\$48.87	\$47.87	\$57.63	\$31.48	\$30.89	\$42.39		
Interest	\$16.98	\$18.48	\$17.50	\$14.19	\$12.82	\$15.32	\$5.97	\$10.77	\$20.14		
One-time charges	\$45.19	\$81.65	\$81.65	\$81.65	\$81.65	\$81.65	\$11.59	\$43.19	\$81.65		
One-time charges	\$54.50	\$87.45	\$87.45	\$87.45	\$87.45	\$87.45	\$27.16	\$54.50	\$87.45		
Full cycle costs	\$181.10	\$196.71	\$194.08	\$98.27	\$103.82	\$185.41	\$80.54	\$77.96	\$134.42		
Free Cash Flow:											
GGITDAX with Hedges	14	34	38	47	25	144	24	148	84		
Current Taxes	(1)	-	-	-	-	-	-	-	-		
Total Capex (incl. acquisition)	(144)	(214)	(206)	(218)	(106)	(677)	(200)	(1,613)	(632)		
Change in Net Working Capital	4	28	(17)	(17)	(15)	(17)	5	(52)	59		
Cash Available for Debt Service	(122)	(153)	(178)	(188)	(96)	(449)	(171)	(1,112)	(436)		
Interest (incl. Capitalized Interest)	3	22	9	32	38	164	8	36	69		
Free Cash Flow	(119)	(131)	(169)	(223)	(73)	(292)	(163)	(938)	(357)		
Disposal of Assets	81	45	35	58	36	154	9	4	58		
Free Cash Flow Incl Asset Sales	(40)	(130)	(134)	(165)	(37)	(138)	(154)	(944)	(301)		
Balance Sheet Data											
Cash	55	42	64	9	43	43	15	58	42		
Debt											
Senior Notes & Other	663	662	671	687	702	782	149	688	662		
Credit Facilities	89	218	296	165	256	254	142	235	218		
Long Term Debt	753	880	967	852	958	1,036	291	923	880		
YoY Growth Statistics											
Revenue Growth (including Realized Hedging Gain)	-7%	-7%	44%	50%	10%	27%	NA	122%	-5%		
Production Growth	-28%	-22%	38%	5%	63%	18%	NA	138%	-28%		
LTM Credit Statistics (incl. Duneka Hunter Pipeline)											
GGITDAX/Cash Interest (incl. Capitalized Interest)	1.5x	1.5x	1.7x	1.9x	1.4x	1.4x	3.0x	3.7x	1.2x		
Sr. Sec Debt/GGITDAX	1.2x	2.4x	2.4x	1.7x	2.3x	2.3x	11.5x	1.8x	2.6x		
Debt/EBITDAX	6.2x	6.4x	7.7x	6.2x	6.7x	6.7x	12.3x	6.0x	10.4x		
Net debt Debt/GGITDAX	5.7x	6.0x	7.1x	4.2x	4.4x	6.4x	11.7x	5.6x	10.0x		
Debt Proved Reserves (\$/Boe)	\$10.31	\$11.59	\$11.82	\$11.86	\$12.83	\$12.65	\$6.47	\$12.19	\$11.59		
Debt Proved Developed Reserves (\$/Boe)	\$17.30	\$18.14	\$18.58	\$17.39	\$19.78	\$19.78	\$12.01	\$20.46	\$18.14		
LTM Credit Statistics (incl. Duneka Hunter Pipeline)											
GGITDAX/Cash Interest (incl. Capitalized Interest)	1.5x	1.5x	1.7x	1.9x	1.3x	1.3x	3.6x	4.3x	1.5x		
Sr. Sec Debt/GGITDAX	0.8x	2.3x	2.1x	1.9x	2.8x	2.6x	10.2x	1.5x	2.3x		
Debt/EBITDAX	6.3x	6.7x	7.7x	4.9x	7.3x	7.3x	11.5x	5.7x	6.7x		
Net debt Debt/GGITDAX	5.8x	6.3x	7.2x	4.7x	7.0x	7.0x	10.4x	5.3x	6.3x		

Liquidity Capitalization	Q3 '14	FF (2)
Cash & Marketable Securities	43	213
MHN Credit Agreement due April 2018	89	-
New RLL due October 2018	-	59
Duneka Hunter Pipeline Revolver due March 2018 (non-recourse)	37	125
Less Short term Debt	(19)	(19)
Liquidity	138	377
Capitalization	Q3 '14	FF (2)
Secured Credit Agreement due April 2018	254	-
New RLL due October 2018	-	249
2nd Lien TL due October 2018	-	249
5.75% Senior Notes due May 2020	587	587
Others	25	25
Total Debt (incl non-recourse)	870	962
Duneka Hunter Pipeline Revolver due March 2018 (non-recourse)	89	89
Total Debt (incl non-recourse)	959	1,051
Plus: Market Cap	582	582
Plus: Preferred Stock & Minority Interest	584	584
Less: Cash	(43)	(213)
Enterprise Value	2,082	1,997
EV/EBITDA	14.5x	13.9x
Net Debt/EBITDAX (incl non-recourse)	6.4x	5.8x
Total Debt/EBITDAX (incl non-recourse)	6.7x	7.2x

Company Description: Magnum Hunter is an independent energy company engaged in exploration and production of oil and gas. Currently, its operations are focused on three key plays - Marcellus, Utica and Bakken. The company also has midstream and oilfield services operations, primarily in West Virginia, Ohio and Texas. The company was incorporated in 1997, began operations under the name Petro Resources in 2005 and changed its name to the current one in 2009.

Debt Maturity	
FY 14	10
FY 15	10
FY 16+	336

Regions
Appalachian Basin - Marcellus, Utica
Williston Basin

Reserve Description	2011	2012	2013
P Reserves - Not Gas (mcf)	139,227	182,621	246,782
P Reserves - Liquid (mcf)	21,710	45,952	34,757
P Crude Oil Equivalent (mcf)	44,916	73,054	75,888
% Gas	52%	37%	54%
% Proved Developed	54%	68%	64%
Reserve Life (Years)	3.7	2.5	3.5
Reserve Replacement (All in)	964%	335%	17%
Reserve Replacement (Debt in)	319%	73%	17%
PV of Reserves (\$m)	617	581	523
Metrics	%	\$ mcf	
2014e	67%	13.89 (2011)	
2015e	32%	8.99 (4.19)	

(1) Certain Southern Appalachian and Canadian assets were classified as discontinued operations starting Q3 '13. Above mentioned periods therefore exclude production/EBITDA contribution from these assets
(2) FF for (i) refinancing of existing revolver with a new \$200M revolver and \$140M TL and (ii) \$85M of non-core asset divestiture

Source: Deutsche Bank, Company data

Figure 113: Commodity Price Scenario Analysis: Magnum Hunter Resources Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$7)	\$10	\$27	\$43	\$60	\$77	\$93
	\$40.0	\$15	\$31	\$48	\$65	\$82	\$98	\$115
	\$50.0	\$36	\$53	\$70	\$86	\$103	\$120	\$137
	\$60.0	\$58	\$75	\$91	\$108	\$125	\$141	\$158
	\$70.0	\$79	\$96	\$113	\$130	\$146	\$163	\$180
	\$80.0	\$99	\$116	\$133	\$149	\$166	\$183	\$199
	\$90.0	\$119	\$136	\$153	\$169	\$186	\$203	\$219

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$27)	(\$5)	\$17	\$39	\$61	\$84	\$106
	\$40.0	(\$6)	\$16	\$39	\$61	\$83	\$105	\$127
	\$50.0	\$16	\$38	\$60	\$82	\$105	\$127	\$149
	\$60.0	\$37	\$60	\$82	\$104	\$126	\$148	\$171
	\$70.0	\$59	\$81	\$103	\$126	\$148	\$170	\$192
	\$80.0	\$80	\$102	\$124	\$146	\$168	\$190	\$213
	\$90.0	\$100	\$122	\$145	\$167	\$189	\$211	\$233

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	-229.5x	156.9x	57.8x	35.1x	25.1x	19.5x	15.8x
	\$40.0	104.4x	48.5x	31.4x	23.1x	18.2x	14.9x	12.6x
	\$50.0	41.7x	28.3x	21.3x	17.0x	14.1x	12.0x	10.5x
	\$60.0	25.7x	19.8x	16.0x	13.4x	11.5x	10.0x	8.9x
	\$70.0	18.5x	15.1x	12.7x	11.0x	9.6x	8.6x	7.7x
	\$80.0	14.6x	12.4x	10.7x	9.4x	8.4x	7.5x	6.8x
	\$90.0	12.0x	10.4x	9.2x	8.2x	7.4x	6.7x	6.1x

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	-73.2x	-384.8x	112.7x	48.1x	30.2x	21.7x	16.8x
	\$40.0	-341.2x	116.2x	48.6x	30.3x	21.8x	16.8x	13.6x
	\$50.0	120.0x	49.1x	30.4x	21.8x	16.8x	13.6x	11.3x
	\$60.0	49.6x	30.5x	21.8x	16.8x	13.6x	11.3x	9.6x
	\$70.0	30.7x	21.9x	16.8x	13.6x	11.3x	9.6x	8.3x
	\$80.0	22.3x	17.1x	13.7x	11.4x	9.7x	8.4x	7.3x
	\$90.0	17.3x	13.9x	11.5x	9.8x	8.4x	7.4x	6.5x

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$410)	(\$396)	(\$382)	(\$367)	(\$353)	(\$339)	(\$325)
	\$40.0	(\$386)	(\$372)	(\$358)	(\$344)	(\$330)	(\$316)	(\$301)
	\$50.0	(\$363)	(\$348)	(\$334)	(\$320)	(\$306)	(\$292)	(\$278)
	\$60.0	(\$339)	(\$325)	(\$311)	(\$296)	(\$282)	(\$268)	(\$254)
	\$70.0	(\$318)	(\$304)	(\$290)	(\$276)	(\$262)	(\$248)	(\$233)
	\$80.0	(\$302)	(\$288)	(\$274)	(\$260)	(\$245)	(\$232)	(\$217)
	\$90.0	(\$286)	(\$271)	(\$257)	(\$243)	(\$229)	(\$215)	(\$201)

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$381)	(\$360)	(\$339)	(\$318)	(\$297)	(\$276)	(\$255)
	\$40.0	(\$360)	(\$339)	(\$318)	(\$297)	(\$275)	(\$254)	(\$233)
	\$50.0	(\$338)	(\$317)	(\$296)	(\$275)	(\$254)	(\$233)	(\$212)
	\$60.0	(\$317)	(\$296)	(\$275)	(\$253)	(\$232)	(\$211)	(\$190)
	\$70.0	(\$295)	(\$274)	(\$253)	(\$232)	(\$211)	(\$190)	(\$169)
	\$80.0	(\$275)	(\$254)	(\$233)	(\$211)	(\$190)	(\$169)	(\$148)
	\$90.0	(\$254)	(\$233)	(\$212)	(\$191)	(\$170)	(\$149)	(\$128)

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9
	\$40.0	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9
	\$50.0	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9
	\$60.0	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9
	\$70.0	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9
	\$80.0	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9
	\$90.0	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
	\$40.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
	\$50.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
	\$60.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
	\$70.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
	\$80.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
	\$90.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0

Source: Deutsche Bank, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX





Figure 114: Midstates Petroleum Financial Summary

\$Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013
Revenue	157	162	167	179	174	693	214	259	514
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-
Net Revenue	157	162	167	179	174	693	214	259	514
Operating Costs	45	43	42	42	37	163	18	36	159
Realized Hedging Gain / (Loss)	(18)	(2)	(15)	(17)	(7)	(61)	(17)	(19)	(18)
EBITDAX with Hedges	101	116	110	121	130	479	99	157	337
DDA	75	91	67	71	73	292	92	136	259
GAIT	26	27	43	50	57	187	7	21	86
Interest	23	30	34	34	34	132	2	13	83
GAIT (incl others)	(3)	7	9	16	23	56	6	19	3
Others	38	403	95	15	(58)	505	(12)	(4)	481
One time charges	0	0	0	2	1	4	-	15	12
GAIT (incl others)	(24)	(446)	(84)	(2)	79	(454)	17	8	(489)
Taxes	(13)	(139)	(2)	(5)	2	(135)	-	158	(147)
Net Income	(43)	(116)	(61)	(11)	77	(24)	17	(16)	(24)
LTM EBITDAX with Hedges	279	337	302	449	479	479	99	157	337
LTM EBITDAX without Hedges	285	354	419	493	530	520	116	173	354
WTI Crude (\$/Bbl)	\$105.80	\$97.83	\$95.60	\$103.00	\$97.25	\$95.11	\$95.16	\$94.18	\$95.00
Henry Hub Natural Gas (\$/Mcf)	\$2.80	\$2.85	\$4.72	\$4.58	\$3.95	\$4.28	\$4.62	\$2.83	\$3.74
Key Production Data									
Natural Gas Production (Mmcf)	5,643	6,135	5,204	6,013	6,812	24,195	4,918	5,685	16,667
Realized Nat. Gas Price (\$/Mcf)	\$3.72	\$3.54	\$4.16	\$3.84	\$3.81	\$3.83	\$4.23	\$3.21	\$3.56
Crude Oil Production (Mbbbl)	1,139	1,295	1,206	1,300	1,215	5,879	1,811	2,893	5,264
Realized Oil Price (\$/Bbl)	\$93.56	\$98.41	\$97.06	\$99.12	\$99.70	\$99.53	\$99.85	\$95.05	\$93.40
Company NGL Production (Mbbbl)	539	592	532	601	689	2,384	308	817	1,719
Realized NGL Price (\$/Bbl)	\$35.77	\$38.48	\$47.79	\$38.52	\$35.12	\$39.64	\$36.95	\$40.48	\$37.10
Total Equivalent Produced (mcf)	15,712	17,216	15,862	17,423	18,687	68,956	16,422	21,357	52,384
Total Equivalent Realized (\$/mcf)	\$9.35	\$9.33	\$9.72	\$9.33	\$9.05	\$9.29	\$12.69	\$11.00	\$9.45
Total Equivalent Produced (\$/Bbl)	2,019	2,369	2,410	2,304	2,170	11,480	2,757	3,869	8,733
Total Equivalent Realized (\$/Bbl)	\$56.98	\$55.94	\$58.24	\$55.84	\$53.21	\$55.75	\$72.89	\$66.26	\$56.71
Revenue & Operating Margins per Mole									
Realization	\$9.35	\$9.33	\$9.72	\$9.33	\$9.05	\$9.29	\$12.69	\$11.00	\$9.45
Lifting Costs	\$1.30	\$1.56	\$1.77	\$1.46	\$1.22	\$1.49	\$1.81	\$2.52	\$1.52
G&A	\$0.89	\$8.74	\$9.75	\$8.77	\$9.53	\$9.78	\$4.89	\$1.58	\$1.52
DDA	\$4.76	\$4.89	\$4.27	\$4.08	\$3.92	\$4.23	\$5.58	\$5.72	\$4.78
Operating Income	\$1.80	\$2.33	\$2.69	\$3.00	\$3.22	\$2.87	\$6.41	\$1.46	\$1.74
Interest	\$1.45	\$1.73	\$2.17	\$1.94	\$1.84	\$1.91	\$6.13	\$6.58	\$1.59
S-yr avg. P&G all (in op)	\$3.49	\$3.37	\$3.37	\$3.37	\$3.37	\$3.37	\$3.45	\$3.49	\$3.37
S-yr avg. P&G all (incl avg)	\$3.76	\$3.83	\$3.69	\$3.69	\$3.69	\$3.69	\$3.53	\$3.78	\$3.59
Full cycle costs	\$7.83	\$7.41	\$6.06	\$7.04	\$6.96	\$7.47	\$8.93	\$6.66	\$7.90
Revenue & Operating Margins per Boe									
Realization	\$56.98	\$55.94	\$58.24	\$55.84	\$53.21	\$55.75	\$72.89	\$66.26	\$56.71
Lifting Costs	\$11.40	\$9.24	\$10.64	\$8.73	\$7.21	\$8.93	\$18.87	\$15.14	\$11.52
G&A	\$5.31	\$4.55	\$4.48	\$4.63	\$3.18	\$4.18	\$25.18	\$8.35	\$6.16
DDA	\$26.96	\$28.16	\$25.63	\$24.44	\$23.51	\$23.50	\$33.50	\$34.31	\$28.67
Operating Income	\$10.80	\$13.82	\$17.60	\$18.00	\$19.20	\$17.24	\$24.45	\$6.46	\$10.41
Interest	\$9.31	\$18.35	\$13.00	\$11.64	\$11.03	\$11.48	\$8.77	\$3.58	\$9.52
S-yr avg. P&G all (in op)	\$20.96	\$29.24	\$20.24	\$26.24	\$20.24	\$20.24	\$28.72	\$20.96	\$20.24
S-yr avg. P&G all (incl avg)	\$22.46	\$23.51	\$22.51	\$22.51	\$22.51	\$22.51	\$21.18	\$22.68	\$22.51
Full cycle costs	\$47.95	\$44.49	\$48.37	\$48.35	\$41.76	\$44.82	\$57.84	\$48.68	\$47.95
Free Cash Flow:									
EBITDAX with Hedges	101	116	110	121	130	479	99	157	337
Current Taxes	-	-	-	-	-	-	-	-	-
Capex - Exploration & Development	(178)	(106)	(115)	(164)	(195)	(572)	(243)	(423)	(574)
Capex - Acq. of Properties / Leasehold	-	2	-	-	-	-	-	(251)	(628)
Capex - Other Property & Equipment	-	-	-	-	-	-	-	-	-
Total Capex	(178)	(106)	(115)	(164)	(195)	(572)	(243)	(774)	(1,194)
Change in Net Working Capital	33	(44)	18	(8)	29	6	(1)	4	(26)
Cash Available for Debt Service	(44)	(60)	13	(51)	13	(85)	(154)	(613)	(843)
Interest (incl. Capitalized Interest)	(9)	(9)	(9)	(9)	(9)	(9)	2	-	72
Free Cash Flow	(40)	(121)	13	(115)	13	(209)	(154)	(613)	(843)
Disposal of Assets	-	-	-	148	3	151	-	-	-
Free Cash Flow Incl Asset Sales	(40)	(121)	13	32	16	(58)	(154)	(613)	(695)
Balance Sheet Data									
Cash	25	25	15	30	26	26	7	19	33
Debt									
Credit Facilities	389	401	401	354	389	389	235	94	481
Senior Notes & Other	1,389	1,300	1,300	1,300	1,389	1,300	-	630	1,389
Long Term Debt	1,689	1,701	1,701	1,654	1,689	1,689	235	634	1,711
YoY Growth Statistics									
Revenue Growth (Including Realized Hedging Gain)	168%	79%	77%	59%	13%	51%	0%	23%	104%
Production Growth	248%	190%	79%	62%	19%	139%	0%	34%	138%
LTM Credit Statistics									
EBITDAX/Cash Interest (incl. Capitalized Interest)	6.5x	3.2x	3.8x	3.2x	3.4x	3.4x	23.6x	14.8x	3.2x
Sr. Sec. Debt/EBITDAX	1.1x	1.2x	1.8x	3.8x	0.6x	0.8x	2.4x	6.4x	1.2x
Debt/EBITDAX	5.8x	5.1x	4.3x	3.7x	3.5x	3.5x	2.4x	4.4x	5.1x
Net Debt/EBITDAX	5.7x	5.0x	4.3x	3.8x	3.4x	3.4x	2.3x	4.3x	5.0x
Data Proved Reserves (\$/Boe)	\$21.29	\$13.32	\$13.32	\$12.95	\$13.07 #	\$13.07	\$8.99	\$9.28	\$13.32
Data Proved Developed Reserves (\$/Boe)	\$57.85	\$34.99	\$34.99	\$33.94	\$34.24 #	\$34.24	\$28.82	\$24.99	\$34.99
Liquidity / Capitalization									
Cash & Marketable Securities	24	-	-	-	-	-	-	-	-
Revolving Credit Facility May 2015	154	-	-	-	-	-	-	-	-
Less: Short term Debt	(9)	-	-	-	-	-	-	-	-
Liquidity	169	-	-	-	-	-	-	-	-
Capitalization									
Revolving Credit Agreement May 2015	389	-	-	-	-	-	-	-	-
Total Secured Debt	389	-	-	-	-	-	-	-	-
16.75% Sr. Notes due 2020	680	-	-	-	-	-	-	-	-
9.75% Sr. Notes due 2021	790	-	-	-	-	-	-	-	-
Total Debt	1,669	-	-	-	-	-	-	-	-
Net Debt	1,494	-	-	-	-	-	-	-	-
Maturity Interest & Others	-	-	-	-	-	-	-	-	-
Market Cap	82	-	-	-	-	-	-	-	-
Enterprise Value	1,735	-	-	-	-	-	-	-	-
EV/EBITDAX ⁽¹⁾	3.8x	-	-	-	-	-	-	-	-
Net Debt/EBITDAX ⁽¹⁾	3.6x	-	-	-	-	-	-	-	-
<small>(1) LTM/DA adjusted for discounts</small>									
Company Description:	Midstates Petroleum Company (MPC) is engaged in oil & gas exploration and production with its assets located in Arkansas, Mississippi and Gulf Coast. The company was listed in Q3 14. Since then MPC made two significant acquisitions: (i) Mississippi properties in Q3 12 for \$120M in cash plus preferred share and (ii) Arkansas assets during Q3 13 for \$625M in cash. At end of FY 13 the company had 128 Mboe of proved reserves with PV 10 of \$1.2B. The company's Q3 14 production stood at 82 Mboe/d.								
Regions	Arkansas Mississippi Gulf Coast								
Reserve Description							2012	2013	
P Reserves - Nat Gas (mmcf)							142,493	280,198	
P Reserves - Liquids (Mbbbl)							51,725	81,055	
P Nat. Gas Equivalent (Mboe)							75,450	127,755	
% Gas							189%	219%	
% Proved Developed							37%	38%	
Reserve Life (Years)							9	10	
Reserve Replacement (All in)							1485%	723%	
Reserve Replacement (Drill Bit)							529%	291%	
PV of Reserves (\$m)							1,149	2,568	
Hedges									
2014E							64%	10.23	-10.4
2015E							49%	9.4	-8.4
Debt Maturity									
FY14							0	FY16+	1,669
FY15							-	-	-

Source: Deutsche Bank, Company data

Figure 115: Commodity Price Scenario Analysis: Midstates Petroleum Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$165	\$173	\$181	\$190	\$198	\$206	\$214
	\$40.0	\$210	\$218	\$227	\$235	\$243	\$252	\$260
	\$50.0	\$255	\$264	\$272	\$280	\$289	\$297	\$305
	\$60.0	\$301	\$309	\$317	\$326	\$334	\$342	\$351
	\$70.0	\$346	\$355	\$363	\$371	\$379	\$388	\$396
	\$80.0	\$392	\$400	\$408	\$417	\$425	\$433	\$441
	\$90.0	\$437	\$445	\$454	\$462	\$470	\$479	\$487

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$416)	(\$408)	(\$400)	(\$393)	(\$385)	(\$377)	(\$370)
	\$40.0	(\$374)	(\$367)	(\$359)	(\$351)	(\$344)	(\$336)	(\$328)
	\$50.0	(\$333)	(\$325)	(\$318)	(\$310)	(\$302)	(\$295)	(\$287)
	\$60.0	(\$291)	(\$284)	(\$276)	(\$269)	(\$261)	(\$253)	(\$246)
	\$70.0	(\$250)	(\$242)	(\$235)	(\$227)	(\$220)	(\$212)	(\$204)
	\$80.0	(\$209)	(\$201)	(\$193)	(\$186)	(\$178)	(\$170)	(\$163)
	\$90.0	(\$167)	(\$160)	(\$152)	(\$144)	(\$137)	(\$129)	(\$121)

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$82	\$94	\$105	\$117	\$129	\$140	\$152
	\$40.0	\$138	\$150	\$162	\$173	\$185	\$197	\$208
	\$50.0	\$195	\$206	\$218	\$230	\$241	\$253	\$265
	\$60.0	\$251	\$262	\$274	\$286	\$297	\$309	\$321
	\$70.0	\$307	\$319	\$330	\$342	\$354	\$365	\$377
	\$80.0	\$363	\$375	\$386	\$398	\$410	\$421	\$433
	\$90.0	\$419	\$431	\$443	\$454	\$466	\$478	\$489

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$333)	(\$322)	(\$311)	(\$300)	(\$289)	(\$277)	(\$266)
	\$40.0	(\$279)	(\$267)	(\$256)	(\$245)	(\$234)	(\$223)	(\$212)
	\$50.0	(\$224)	(\$213)	(\$202)	(\$191)	(\$180)	(\$169)	(\$157)
	\$60.0	(\$170)	(\$159)	(\$147)	(\$136)	(\$125)	(\$114)	(\$103)
	\$70.0	(\$115)	(\$104)	(\$93)	(\$82)	(\$71)	(\$60)	(\$49)
	\$80.0	(\$61)	(\$50)	(\$39)	(\$27)	(\$16)	(\$5)	\$6
	\$90.0	(\$6)	\$5	\$16	\$27	\$38	\$49	\$60

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	12.9x	12.2x	11.6x	11.1x	10.6x	10.1x	9.7x
	\$40.0	9.9x	9.5x	9.1x	8.8x	8.4x	8.1x	7.8x
	\$50.0	8.0x	7.7x	7.4x	7.2x	7.0x	6.7x	6.5x
	\$60.0	6.6x	6.4x	6.3x	6.1x	5.9x	5.7x	5.6x
	\$70.0	5.7x	5.5x	5.4x	5.2x	5.1x	5.0x	4.8x
	\$80.0	4.9x	4.8x	4.7x	4.5x	4.4x	4.3x	4.2x
	\$90.0	4.3x	4.2x	4.1x	4.0x	3.9x	3.8x	3.8x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$2.8	\$2.8	\$2.8	\$2.8	\$2.7	\$2.7	\$2.7
	\$40.0	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7
	\$50.0	\$2.7	\$2.7	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6
	\$60.0	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6
	\$70.0	\$2.6	\$2.6	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5
	\$80.0	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.4
	\$90.0	\$2.5	\$2.4	\$2.4	\$2.4	\$2.4	\$2.4	\$2.4

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	29.9x	26.0x	22.8x	20.5x	18.5x	16.8x	15.4x
	\$40.0	17.1x	15.6x	14.4x	13.3x	12.4x	11.5x	10.8x
	\$50.0	11.6x	10.9x	10.2x	9.6x	9.1x	8.6x	8.1x
	\$60.0	8.7x	8.2x	7.8x	7.4x	7.0x	6.7x	6.4x
	\$70.0	6.8x	6.5x	6.2x	5.9x	5.7x	5.4x	5.2x
	\$80.0	5.4x	5.2x	5.0x	4.8x	4.6x	4.5x	4.3x
	\$90.0	4.5x	4.3x	4.2x	4.0x	3.9x	3.7x	3.6x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$3.2	\$3.2	\$3.2	\$3.1	\$3.1	\$3.1	\$3.1
	\$40.0	\$3.1	\$3.1	\$3.0	\$3.0	\$3.0	\$3.0	\$2.9
	\$50.0	\$3.0	\$2.9	\$2.9	\$2.9	\$2.9	\$2.8	\$2.8
	\$60.0	\$2.8	\$2.8	\$2.8	\$2.8	\$2.7	\$2.7	\$2.7
	\$70.0	\$2.7	\$2.7	\$2.7	\$2.6	\$2.6	\$2.6	\$2.6
	\$80.0	\$2.6	\$2.6	\$2.5	\$2.5	\$2.5	\$2.5	\$2.4
	\$90.0	\$2.5	\$2.4	\$2.4	\$2.4	\$2.4	\$2.3	\$2.3

Source: Deutsche Bank, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEL,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX





Figure 116: Oasis Petroleum Financial Summary

Issue	Rating	Maturity	MC Date	MC Price							
7.25% Sr Unsecured Notes due 2019	BB Stable/B-(Stable)	1-Feb-19	1-Feb-15	103.43							
6.50% Sr Unsecured Notes due 2021	BB Stable/B-(Stable)	1-Nov-21	1-Nov-16	103.25							
6.875% Sr Unsecured Notes due 2022	BB Stable/B-(Stable)	15-Mar-22	15-Sep-17	103.44							
6.875% Sr Unsecured Notes due 2023	BB Stable/B-(Stable)	15-Jun-23	15-Jul-17	103.44							
\$/Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2013	2012	2011		
Revenue	305	334	350	372	369	1,424	330	667	1,142		
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-		
Net Revenue	305	334	350	372	369	1,424	330	667	1,142		
Operating Costs	81	110	111	112	125	458	97	196	327		
Realized Hedging Gain / (Loss)	(8)	(2)	(2)	(1)	(1)	(2)	(4)	7	(8)		
EBITDA with Hedges	216	220	236	249	232	938	229	467	807		
DDA	73	101	81	87	107	387	75	207	367		
EBIT	143	119	145	152	125	541	154	260	500		
Interest	23	42	40	39	39	160	30	70	107		
EBT (incl others)	120	77	104	113	86	381	125	220	393		
Other (Income) Expense	32	(10)	(18)	51	(11)	(24)	(5)	(29)	28		
One time charges	0	0	1	9	1	3	4	4	1		
EBT (incl others)	88	67	271	82	198	673	120	246	363		
Taxes	34	32	182	23	76	234	47	92	135		
Net Income	54	35	170	59	122	385	73	153	228		
LTM EBITDA with Hedges	744	807	854	822	838	838	229	467	807		
LTM EBITDA without Hedges	745	815	865	846	866	866	230	491	815		
Actual WTI Crude (\$/bbl)	106.13	97.61	97.61	102.99	97.25	98.87	95.16	91.43	87.02		
Actual Henry Hub Natural Gas (\$/mcf)	3.60	3.85	4.72	4.58	3.95	4.28	4.02	2.94	3.00		
Key Production Data											
Company Natural Gas production (mmcf)	1,954	2,567	2,448	2,596	2,707	10,318	1,091	4,147	7,448		
Realized Natural Gas Price (\$/mcf)	6.80	7.04	9.24	7.56	5.97	7.41	8.02	6.52	6.78		
Company Oil Production (Mbbbl)	2,716	3,466	3,449	3,541	3,769	14,205	3,732	7,533	11,133		
Realized Oil Price (\$/bbl)	97.78	85.00	89.91	91.28	84.22	87.33	85.15	86.09	91.81		
Company NGL Production (Mbbbl)	-	-	-	-	-	-	-	-	-		
Realized NGL Price (\$/bbl)	-	-	-	-	-	-	-	-	-		
Total Equivalent Produced (mcf)	18,290	23,243	23,142	23,842	25,321	95,548	23,483	49,245	74,217		
Total Equivalent Realized (mcf)	15,28	13,38	14,24	14,38	13,17	13,78	13,90	13,89	14,42		
Total Equivalent Produced (boe)	3,942	3,874	3,857	3,974	4,230	15,585	3,914	8,224	12,275		
Total Equivalent Realized (boe)	3,168	3,028	3,045	3,026	2,905	11,270	3,043	6,214	8,551		
Revenue & Operating Margins per Boe											
Realization	\$81.60	\$83.28	\$85.46	\$86.26	\$79.05	\$82.70	\$83.43	\$82.14	\$86.51		
Lifting Costs	\$17.87	\$18.42	\$19.06	\$20.68	\$20.44	\$19.89	\$17.26	\$15.46	\$17.40		
G&A	\$5.50	\$7.25	\$6.10	\$5.22	\$5.67	\$6.04	\$7.52	\$6.35	\$6.09		
DD&A	\$23.91	\$28.14	\$23.96	\$24.49	\$23.35	\$24.92	\$19.16	\$23.14	\$24.91		
Operating Income	\$44.40	\$29.47	\$38.74	\$35.88	\$27.99	\$31.86	\$33.29	\$34.59	\$38.21		
Interest	\$7.51	\$10.77	\$10.41	\$9.81	\$9.34	\$10.07	\$7.57	\$8.53	\$8.66		
3-yr avg. F&D all (in acc)	\$14.70	\$25.50	\$20.00	\$20.00	\$20.00	\$20.00	\$13.21	\$14.70	\$20.00		
3-yr avg. F&D all (incl acc)	\$13.85	\$15.74	\$15.74	\$15.74	\$15.74	\$15.74	\$11.65	\$13.85	\$15.74		
Full cycle costs	\$45.58	\$58.44	\$36.47	\$55.71	\$38.45	\$56.00	\$45.85	\$45.84	\$52.19		
Free Cash Flow:											
EBITDA with Hedges	216	220	236	249	232	938	229	467	807		
Current Taxes	1	(3)	(3)	(3)	2	(4)	-	(5)	(1)		
Total Capex	(22)	(23)	(21)	(20)	(36)	(1,312)	(61)	(103)	(84)		
Change in Net Working Capital	(20)	(25)	7	53	(20)	5	(3)	(4)	(28)		
Cash Available for Debt Service	(35)	(49)	(40)	(27)	(157)	(273)	(417)	(596)	(114)		
Interest (Excl. Capitalized Interest)	21	21	33	34	33	191	14	53	86		
Free Cash Flow	(50)	(70)	(70)	(41)	(190)	(374)	(430)	(652)	(205)		
Acquisition/Disposal of Assets	(13)	(1,427)	322	(5)	(16)	(1,128)	-	-	(1,563)		
Free Cash Flow Incl Asset Sales	(199)	(1,497)	249	(46)	(206)	(1,502)	(430)	(652)	(1,393)		
Balance Sheet Data											
Cash	125	92	86	27	67	67	471	213	92		
Debt											
- Senior Notes & Other	2,200	2,200	2,290	2,290	2,200	2,290	800	1,200	2,200		
- Credit Facilities	190	336	80	190	350	350	-	-	336		
Long Term Debt	2,390	2,536	2,370	2,390	2,550	2,550	800	1,200	2,536		
YoY Growth Statistics											
Revenue Growth (Including Realized Hedging Gain)	57%	52%	39%	41%	20%	37%	154%	112%	64%		
Production Growth	36%	52%	42%	45%	39%	44%	106%	110%	59%		
LTM Credit Statistics											
EBITDA/Cash Interest (incl. Capitalized Interest)	9.1x	8.9x	8.2x	9.8x	8.8x	8.8x	13.4x	8.8x	8.9x		
Sr. Sec Debt EBITDA	0.2x	0.4x	0.1x	0.1x	0.4x	0.4x	-	-	0.4x		
Debt EBITDA	3.2x	3.1x	2.8x	2.5x	2.7x	2.7x	3.5x	2.4x	3.1x		
Net debt EBITDA	1.7x	2.0x	2.6x	2.5x	2.6x	2.6x	1.4x	2.0x	3.0x		
Debt Proved Reserves (\$/Boe)	\$16.46	\$11.12	\$9.92	\$10.09	\$11.19	\$11.19	\$16.16	\$8.37	\$11.12		
Debt Proved Developed Reserves (\$/Boe)	\$33.69	\$28.76	\$18.50	\$18.83	\$20.88	\$20.88	\$22.32	\$17.13	\$20.70		

Liquidity Capitalization	Q3 '14
Cash & Marketable Securities	67
Restricted Cash	-
Credit Agreement due October 2016 ⁽¹⁾	1,545
Less Short-term Debt	-
Liquidity	1,212
Capitalization	Q3 '14
Credit Agreement due October 2016	350
7.25% Sr Unsecured Notes due 2019	400
6.50% Sr Unsecured Notes due 2021	400
6.875% Sr Unsecured Notes due 2022	1,000
6.875% Sr Unsecured Notes due 2023	400
Total Debt	2,550
Plus: Market Cap	1,520
Plus: Preferred Stock & Minority Interest	-
Less: Cash	(67)
Enterprise Value	4,903
EV/EBITDA	4.2x
Net Debt/EBITDA ⁽²⁾	2.7x
Total Debt/EBITDA ⁽²⁾	2.8x

Company Description: OAS has major operations in the Williston Basin with 99% of core acreage in bakken. The company is oil weighted with production of 34Mboepd (FY 13) and 228 Mboepd of reserves for FY13.

Debt Maturity	
FY14	-
FY15	-
FY16+	2,550

Covenants	Credit Facility
Current Ratio	>1x
EBITDA/Interest	>2.5x

Reserve Description	2013	2012	2011
P Reserves - Nat Gas (mmcf)	57,900	91,550	175,879
P Reserves - Liquids (mmbbl)	60,054	128,100	198,530
P Nat. Gas Equivalent (mcf)	472,294	860,100	1,367,519
% Gas	12%	11%	13%
% Proved Developed	46%	49%	54%
Reserve Life (Years)	26.1	17.4	18.4
Reserve Replacement (All in)	109%	88%	78%
Reserve Replacement (Drill Bit)	109%	87%	41%
P of Reserves (Boe)	1,904	3,264	5,487

Hedges	%	\$ mcf
2014E	74%	15.58 -18.7
2015E	48%	14.91 -15.88

Regions
West Williston
East Nesson
Garlich

Source: Deutsche Bank, Company data

Figure 117: Commodity Price Scenario Analysis: Oasis Petroleum Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$648	\$655	\$663	\$671	\$678	\$686	\$694
	\$40.0	\$691	\$699	\$707	\$714	\$722	\$730	\$737
	\$50.0	\$735	\$743	\$750	\$758	\$766	\$773	\$781
	\$60.0	\$779	\$786	\$794	\$802	\$809	\$817	\$825
	\$70.0	\$822	\$830	\$838	\$845	\$853	\$861	\$868
	\$80.0	\$866	\$874	\$881	\$889	\$897	\$904	\$912
	\$90.0	\$917	\$924	\$932	\$940	\$947	\$955	\$963

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$182)	(\$177)	(\$171)	(\$165)	(\$159)	(\$153)	(\$147)
	\$40.0	(\$155)	(\$149)	(\$144)	(\$138)	(\$132)	(\$126)	(\$120)
	\$50.0	(\$128)	(\$122)	(\$117)	(\$111)	(\$105)	(\$99)	(\$93)
	\$60.0	(\$101)	(\$95)	(\$90)	(\$84)	(\$78)	(\$72)	(\$66)
	\$70.0	(\$74)	(\$68)	(\$62)	(\$57)	(\$51)	(\$45)	(\$39)
	\$80.0	(\$47)	(\$41)	(\$35)	(\$30)	(\$24)	(\$18)	(\$12)
	\$90.0	(\$15)	(\$9)	(\$3)	\$3	\$9	\$14	\$20

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$140	\$147	\$155	\$163	\$170	\$178	\$186
	\$40.0	\$269	\$276	\$284	\$292	\$299	\$307	\$315
	\$50.0	\$398	\$406	\$413	\$421	\$429	\$436	\$444
	\$60.0	\$527	\$535	\$542	\$550	\$558	\$565	\$573
	\$70.0	\$656	\$664	\$672	\$679	\$687	\$695	\$702
	\$80.0	\$785	\$793	\$801	\$808	\$816	\$824	\$831
	\$90.0	\$915	\$922	\$930	\$937	\$945	\$953	\$960

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$347)	(\$339)	(\$331)	(\$324)	(\$316)	(\$308)	(\$301)
	\$40.0	(\$232)	(\$224)	(\$216)	(\$209)	(\$201)	(\$193)	(\$186)
	\$50.0	(\$117)	(\$109)	(\$102)	(\$94)	(\$86)	(\$79)	(\$71)
	\$60.0	(\$2)	\$6	\$13	\$21	\$29	\$36	\$44
	\$70.0	\$113	\$120	\$128	\$136	\$143	\$151	\$159
	\$80.0	\$228	\$235	\$243	\$251	\$258	\$266	\$274
	\$90.0	\$344	\$352	\$360	\$367	\$375	\$383	\$390

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	4.4x	4.3x	4.3x	4.2x	4.2x	4.1x	4.0x
	\$40.0	4.1x	4.0x	4.0x	3.9x	3.9x	3.8x	3.8x
	\$50.0	3.8x	3.7x	3.7x	3.7x	3.6x	3.6x	3.5x
	\$60.0	3.5x	3.5x	3.5x	3.4x	3.4x	3.3x	3.3x
	\$70.0	3.3x	3.3x	3.3x	3.2x	3.2x	3.1x	3.1x
	\$80.0	3.1x	3.1x	3.1x	3.0x	3.0x	2.9x	2.9x
	\$90.0	2.9x	2.9x	2.9x	2.8x	2.8x	2.8x	2.7x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1
	\$40.0	\$2.1	\$2.1	\$2.1	\$2.1	\$2.0	\$2.0	\$2.0
	\$50.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
	\$60.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
	\$70.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
	\$80.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
	\$90.0	\$2.0	\$2.0	\$2.0	\$1.9	\$1.9	\$1.9	\$1.9

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	22.7x	21.4x	20.3x	19.2x	18.3x	17.4x	16.6x
	\$40.0	11.2x	10.9x	10.5x	10.2x	9.9x	9.6x	9.4x
	\$50.0	7.2x	7.1x	6.9x	6.8x	6.6x	6.5x	6.3x
	\$60.0	5.2x	5.1x	5.0x	4.9x	4.8x	4.7x	4.6x
	\$70.0	4.0x	3.9x	3.8x	3.8x	3.7x	3.6x	3.6x
	\$80.0	3.1x	3.1x	3.0x	3.0x	2.9x	2.9x	2.9x
	\$90.0	2.5x	2.5x	2.5x	2.4x	2.4x	2.4x	2.3x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$2.3	\$2.3	\$2.3	\$2.3	\$2.3	\$2.3	\$2.3
	\$40.0	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2
	\$50.0	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1
	\$60.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
	\$70.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9
	\$80.0	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8
	\$90.0	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.6

Source: Deutsche Bank, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX





Figure 118: Parsley Energy Financial Summary

Issue	Rating	Maturity	NC Date	NC Price					
7.5% Senior Notes due 2022	Coaf/CCC+(Stable)	15-Feb-22	15-Feb-17	105.62					
\$ Mln	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2012	2013	
Revenue	(1)	(1)							
Realized Hedging Gain / (Loss) - Cash Flow Hedges	39	39	58	82	84	263	38	121	
Net Revenue	39	39	58	82	84	263	38	121	
Operating Costs	13	13	18	22	27	81	11	40	
Realized Hedging Gain / (Loss)	(1)	(1)	(1)	(2)	(2)	(5)	(1)	(5)	
EBITDAX with Hedges	25	25	38	58	56	177	26	75	
DDA	10	10	18	20	20	69	6	28	
EBIT	15	15	20	38	35	108	20	47	
Interest	4	4	8	10	10	32	6	14	
EBT (excl others)	11	11	12	28	25	76	13	33	
Others	2	2	4	13	(14)	6	1	4	
One time charges	(5)	(5)	(9)	0	2	2	(8)	(3)	
EBT (incl others)	9	9	8	15	36	67	20	29	
Taxes	1	1	1	2	9	12	1	2	
Net Income	8	8	7	13	27	55	19	28	
LTM EBITDAX with Hedges	NA	75	104	147	177	177	26	75	
LTM EBITDAX without Hedges	NA	81	110	151	182	182	27	81	
WTI Crude (\$/bbl)	\$106.13	\$97.61	\$98.61	\$102.99	\$97.25	\$99.12	\$94.18	\$98.07	
Henry Hub Natural Gas (\$/Mcf)	\$3.60	\$3.85	\$4.72	\$4.58	\$3.95	\$4.28	\$2.83	\$3.74	
Key Production Data									
Natural Gas Production (Mmcf)	1,432	1,432	1,016	2,020	2,062	6,530	1,493	4,690	
Realized Nat. Gas Price (\$/Mcf)	\$5.34	\$5.34	\$4.94	\$4.90	\$3.97	\$4.71	\$4.85	\$4.95	
Crude Oil Production (Mmbbl)	323	323	491	654	733	2,201	356	1,049	
Realized Oil Price (\$/bbl)	\$95.10	\$95.10	\$93.71	\$91.74	\$94.12	\$91.91	\$93.08	\$97.91	
NGL Production (Mmbbl)	-	-	165	283	333	NA	-	-	
Realized NGL Price (\$/bbl)	NA	NA	NA	\$38.31	\$35.96	NA	NA	NA	
Total Equivalent Produced (boe)	562	562	825	1,274	1,410	4,670	605	1,829	
Total Equivalent Realized (\$/boe)	\$68.31	NA	NA	\$63.39	\$58.04	NA	\$60.87	\$63.09	
Revenue & Operating Margins per Boe									
Realization	\$66.31	\$66.31	\$68.31	\$63.39	\$58.04	\$63.22	\$60.87	\$63.09	
Lifting Costs	\$12.75	\$12.75	\$12.10	\$11.92	\$11.39	\$11.89	\$11.67	\$12.93	
G&A	\$10.94	\$10.94	\$9.88	\$5.68	\$7.55	\$7.90	\$6.00	\$9.01	
DD&A	\$17.69	\$17.69	\$22.28	\$16.05	\$14.45	\$16.99	\$10.59	\$15.29	
Operating Income	\$26.93	\$26.93	NA	\$29.74	\$24.66	\$17.85	\$32.61	\$25.75	
Interest	\$7.31	\$7.31	\$9.61	\$7.78	\$7.10	\$7.85	\$10.39	\$7.50	
3-yr avg. F&D all (in oco)	NA	NA	\$11.42	\$11.42	\$11.42	NA	NA	\$11.42	
3-yr avg. F&D all (excl aco)	NA	NA	\$10.34	\$10.34	\$10.34	NA	NA	\$10.34	
Full cycle costs	NA	NA	\$43.02	\$36.80	\$37.46	\$36.87	NA	\$40.87	
Free Cash Flow:									
EBITDAX with Hedges	25	25	38	58	56	177	26	75	
Current Taxes	-	-	-	-	-	-	(0)	-	
Total Capex	(65)	(65)	(94)	(102)	(117)	(378)	(67)	(218)	
Change in Net Working Capital	(4)	(4)	(8)	4	(25)	(30)	(3)	(2)	
Cash Available for Debt Service	(44)	(44)	(61)	(39)	(67)	(232)	(43)	(145)	
Interest (Excl. Capitalized Interest)	3	3	2	(1)	26	26	4	10	
Free Cash Flow	(47)	(47)	(63)	(39)	(106)	(287)	(47)	(155)	
Disposal/Acquisition of Assets	(95)	(99)	(27)	(395)	(291)	(722)	(23)	(208)	
Free Cash Flow Incl Asset Sales/Acquisition	(142)	(142)	(90)	(343)	(399)	(979)	(69)	(363)	
Balance Sheet Data									
Cash	17	19	2	524	133	133	14	19	
Debt									
- Credit Facilities	NA	NA	130	-	-	-	38	235	
- Senior Notes & Other	NA	NA	403	539	557	557	82	195	
Long Term Debt	NA	NA	533	539	557	557	120	430	
YoY Growth Statistics									
Revenue Growth (Including Realized Hedging Gain)	NA	NA	NA	250%	113%	NA	240%	214%	
Production Growth	NA	NA	NA	192%	151%	NA	318%	202%	
LTM Credit Statistics									
EBITDAX/Cash Interest (incl. Capitalized Interest)	NA	NA	7.1x	11.6x	5.8x	5.8x	5.6x	5.6x	
Sr. Sec debt/EBITDAX	NA	NA	1.3x	0.0x	0.0x	0.0x	NA	5.7x	
Debt/EBITDAX	NA	NA	5.1x	3.8x	3.2x	3.2x	4.6x	5.7x	
Net Debt/EBITDAX	NA	NA	5.1x	0.2x	2.4x	2.4x	4.1x	5.5x	
Debt/Proved Reserves (\$/Boe)	NA	NA	\$3.72	\$10.19	\$10.17	\$10.17	\$5.26	\$7.85	
Debt/Proved Developed Reserves (\$/Boe)	NA	NA	\$22.65	\$23.74	\$23.68	\$23.68	\$12.25	\$18.25	
Liquidity Capitalization	Q3 '14								
Cash & Marketable Securities	133								
Revolving Credit Facility	327								
Less Short term Debt	(0)								
Liquidity	460								
Capitalization	Q3 '14								
Revolving Credit Agreement	-								
Others	2								
Total Secured Debt	2								
7.5% Senior Notes due 2022	556								
Total Debt	557								
Net Debt	426								
Minority Interest & Others	262								
Market Cap	1,826								
Enterprise Value	2,515								
EV/EBITDAX⁽¹⁾	12.2x								
Net Debt/EBITDAX⁽²⁾	2.1x								
(1) Q3 and Q4 '13 data is not available hence the numbers are derived by equally splitting 2H '13 data									
(2) EBITDA adjusted for LTM acquisition through Q3 '14									
Company Description: Parsley Energy (PE) is engaged in oil and gas exploration and production with its focus area being Permian. PE has augmented its acreage in Permian via acquisitions as of Q2 '14 PE had 114K net acres in the basin. Company's FY 13 proved reserves stood at 55 Mmboe with PV-10 of \$731M. PE completed its initial public offering during Q2 '14.									
Regions: Permian									
Reserve Description									
		2012	2013						
P Reserves - Net Gas (Mmcf)		30	78						
P Reserves - Liquids (Mmboe)		18	42						
P Oil Equivalent (Mmboe)		29	55						
% Gas		22%	24%						
% Proved Developed		43%	43%						
Reserve Life (Years)		12	10						
Reserve Replacement (All in)		1374%	1854%						
Reserve Replacement (Drill Bit)		1140%	900%						
PV of Reserves (\$mm)		300	731						
Hedges									
		%	\$ mln						
2014E		26%	13.06						
2015E		38%	11.46						
Debt Maturity									
FY14	0	FY 16+	557						
FY15	0								

Source: Deutsche Bank, Company data

Figure 119: Commodity Price Scenario Analysis: Parsely Energy Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$103	\$107	\$112	\$117	\$122	\$126	\$131
	\$40.0	\$150	\$155	\$159	\$164	\$169	\$174	\$178
	\$50.0	\$197	\$202	\$207	\$211	\$216	\$221	\$226
	\$60.0	\$244	\$249	\$254	\$259	\$263	\$268	\$273
	\$70.0	\$272	\$277	\$282	\$286	\$291	\$296	\$301
	\$80.0	\$295	\$299	\$304	\$309	\$314	\$318	\$323
	\$90.0	\$325	\$330	\$334	\$339	\$344	\$349	\$353

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$229)	(\$226)	(\$223)	(\$219)	(\$216)	(\$213)	(\$210)
	\$40.0	(\$197)	(\$194)	(\$191)	(\$187)	(\$184)	(\$181)	(\$178)
	\$50.0	(\$165)	(\$162)	(\$158)	(\$155)	(\$152)	(\$149)	(\$146)
	\$60.0	(\$133)	(\$130)	(\$126)	(\$123)	(\$120)	(\$117)	(\$113)
	\$70.0	(\$115)	(\$111)	(\$108)	(\$105)	(\$102)	(\$98)	(\$95)
	\$80.0	(\$99)	(\$96)	(\$92)	(\$89)	(\$86)	(\$83)	(\$80)
	\$90.0	(\$78)	(\$75)	(\$71)	(\$68)	(\$65)	(\$62)	(\$59)

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$108	\$113	\$118	\$123	\$127	\$132	\$137
	\$40.0	\$156	\$160	\$165	\$170	\$175	\$179	\$184
	\$50.0	\$203	\$208	\$212	\$217	\$222	\$227	\$231
	\$60.0	\$250	\$255	\$260	\$264	\$269	\$274	\$278
	\$70.0	\$288	\$293	\$298	\$303	\$307	\$312	\$317
	\$80.0	\$303	\$308	\$313	\$317	\$322	\$327	\$332
	\$90.0	\$332	\$337	\$342	\$346	\$351	\$356	\$361

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$167)	(\$162)	(\$178)	(\$173)	(\$168)	(\$163)	(\$159)
	\$40.0	(\$140)	(\$135)	(\$130)	(\$126)	(\$121)	(\$116)	(\$111)
	\$50.0	(\$93)	(\$88)	(\$83)	(\$78)	(\$74)	(\$69)	(\$64)
	\$60.0	(\$45)	(\$41)	(\$36)	(\$31)	(\$26)	(\$22)	(\$17)
	\$70.0	(\$13)	(\$8)	(\$3)	\$2	\$6	\$11	\$16
	\$80.0	\$9	\$14	\$19	\$23	\$28	\$33	\$38
	\$90.0	\$40	\$44	\$49	\$54	\$59	\$63	\$68

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	7.7x	7.3x	7.0x	6.7x	6.4x	6.1x	5.9x
	\$40.0	5.1x	4.9x	4.7x	4.6x	4.4x	4.3x	4.2x
	\$50.0	3.7x	3.6x	3.5x	3.4x	3.3x	3.2x	3.1x
	\$60.0	2.8x	2.8x	2.7x	2.7x	2.6x	2.5x	2.5x
	\$70.0	2.5x	2.4x	2.4x	2.3x	2.3x	2.2x	2.2x
	\$80.0	2.2x	2.2x	2.2x	2.1x	2.1x	2.0x	2.0x
	\$90.0	2.0x	1.9x	1.9x	1.9x	1.8x	1.8x	1.8x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$2.4	\$2.4	\$2.4	\$2.4	\$2.4	\$2.4	\$2.4
	\$40.0	\$2.3	\$2.3	\$2.3	\$2.3	\$2.3	\$2.3	\$2.3
	\$50.0	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2
	\$60.0	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1
	\$70.0	\$2.1	\$2.1	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
	\$80.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
	\$90.0	\$2.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	9.0x	8.6x	8.2x	7.8x	7.4x	7.1x	6.8x
	\$40.0	5.8x	5.5x	5.3x	5.1x	5.0x	4.8x	4.6x
	\$50.0	4.0x	3.9x	3.8x	3.7x	3.5x	3.4x	3.3x
	\$60.0	3.0x	2.9x	2.8x	2.7x	2.6x	2.5x	2.5x
	\$70.0	2.4x	2.3x	2.3x	2.2x	2.1x	2.1x	2.0x
	\$80.0	2.1x	2.1x	2.0x	2.0x	1.9x	1.9x	1.8x
	\$90.0	1.8x	1.8x	1.7x	1.7x	1.6x	1.6x	1.5x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$3.0	\$3.0	\$2.9	\$2.9	\$2.9	\$2.9	\$2.8
	\$40.0	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.6	\$2.6
	\$50.0	\$2.5	\$2.5	\$2.4	\$2.4	\$2.4	\$2.4	\$2.3
	\$60.0	\$2.3	\$2.2	\$2.2	\$2.2	\$2.2	\$2.1	\$2.1
	\$70.0	\$2.1	\$2.1	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
	\$80.0	\$2.0	\$2.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.8
	\$90.0	\$1.8	\$1.8	\$1.8	\$1.8	\$1.7	\$1.7	\$1.7

Source: Deutsche Bank, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXQ,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPK





Figure 120: Penn Virginia Financial Summary

Issue	Rating	Maturity	NC Date	NC Price					
7.25% Senior Subordinated Notes due 2019	Caa1 (Stable)/B (Stable)	15-Apr-19	15-Apr-15	103.03					
8.500% Senior Subordinated Notes due 2020	Caa1 (Stable)/B (Stable)	1-May-20	1-May-17	104.25					
\$ Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2012	2013	
Revenue	122	117	133	139	142	531	313	432	
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	
Net Revenue	122	117	133	139	142	531	313	432	
Operating Costs	31	34	37	38	39	149	102	125	
Realized Hedging Gain / (Loss)	14	(2)	(3)	(7)	(8)	(21)	28	(1)	
EBITDAX with Hedges	87	60	93	94	95	362	239	306	
DDA	62	67	72	71	72	283	206	246	
EBIT	24	13	20	22	23	79	33	60	
Interest	29	22	23	23	22	90	59	79	
EBT (excl others)	4	(9)	(2)	(1)	1	(11)	(26)	(18)	
Others	156	(5)	(36)	157	(131)	(14)	147	282	
One time charges	-	-	-	-	-	-	-	-	
EBT (incl others)	(152)	(6)	33	(158)	132	3	(179)	(231)	
Taxes	(53)	(2)	14	(57)	42	(2)	(98)	(78)	
Net Income	(98)	(2)	19	(101)	90	6	(105)	(143)	
LTM EBITDAX with Hedges	384	306	340	354	362	362	239	306	
LTM EBITDAX without Hedges	278	307	347	371	362	382	211	307	
WTI Crude (\$/Bbl)	\$105.80	\$97.60	\$98.60	\$103.90	\$97.25	\$99.11	\$94.18	\$96.00	
Henns Hill Natural Gas (\$/Mcf)	\$3.80	\$3.85	\$4.72	\$4.59	\$3.96	\$4.28	\$2.83	\$3.74	
Key Production Data									
Natural Gas Production (Mmcf)	3,591	3,502	3,593	3,618	3,201	13,914	20,201	14,435	
Realized Nat. Gas Price (\$/Mcf)	\$3.71	\$3.61	\$4.85	\$4.20	\$4.19	\$4.22	\$3.34	\$3.75	
Crude Oil Production (MMbbl)	954	1,024	1,076	1,119	1,247	4,496	2,258	3,435	
Realized Oil Price (\$/Bbl)	\$100.50	\$91.48	\$95.00	\$94.72	\$89.06	\$92.71	\$95.31	\$100.36	
Company NGL Production (Mbbbl)	254	234	227	261	308	1,030	883	982	
Realized NGL Price (\$/Bbl)	\$32.34	\$34.56	\$41.27	\$30.85	\$31.76	\$34.26	\$51.62	\$31.30	
Total Equivalent Produced (boe)	1,867	1,942	1,962	1,983	2,089	7,815	6,513	6,823	
Total Equivalent Realized (\$/boe)	\$65.90	\$62.12	\$68.49	\$65.17	\$64.29	\$65.00	\$46.91	\$62.96	
Revenue & Operating Margins per Boe									
Realization	\$65.00	\$62.12	\$68.49	\$65.17	\$64.29	\$65.00	\$46.91	\$62.96	
Lifting Costs	\$6.33	\$7.30	\$9.31	\$10.94	\$11.01	\$9.48	\$6.43	\$6.48	
G&A	\$7.92	\$9.29	\$8.77	\$7.48	\$5.52	\$7.70	\$7.05	\$7.91	
DD&A	\$34.57	\$36.51	\$37.96	\$38.02	\$34.47	\$36.19	\$31.88	\$36.00	
Operating Income	\$15.07	\$9.02	\$12.36	\$11.62	\$13.29	\$11.63	\$1.75	\$10.57	
Interest	\$11.19	\$12.13	\$11.85	\$11.71	\$10.51	\$11.52	\$9.11	\$11.56	
3-yr avg. F&D all (in acc)	\$67.47	\$49.37	\$49.37	\$49.37	\$49.37	\$49.37	\$67.47	\$49.37	
3-yr avg. F&D all (excl acc)	\$58.29	\$50.44	\$50.44	\$50.44	\$50.44	\$50.44	\$58.29	\$50.44	
Full cycle costs	\$94.82	\$78.69	\$78.39	\$76.81	\$76.41	\$78.07	\$90.67	\$77.32	
Free Cash Flow:									
EBITDAX with Hedges	87	60	93	94	95	362	239	306	
Current Taxes	-	-	(9)	-	(9)	(9)	38	-	
Total Capex	(128)	(147)	(166)	(191)	(194)	(992)	(371)	(862)	
Change in Net Working Capital	28	(27)	(9)	(49)	25	(43)	50	20	
Cash Available for Debt Service	(15)	(94)	(68)	(137)	(75)	(373)	(46)	(53)	
Interest (Excl. Capitalized Interest)	(2)	44	1	45	1	92	55	85	
Free Cash Flow	(13)	(138)	(88)	(183)	(76)	(495)	(104)	(593)	
Disposal of Assets	(9)	(7)	96	1	215	311	97	(7)	
Free Cash Flow Incl Asset Sales	(13)	(138)	27	(183)	140	(184)	(7)	(593)	
Balance Sheet Data									
Cash	38	23	10	25	124	124	16	23	
Debt									
1-Credit Facilities	128	306	190	55	-	-	-	239	
Senior Notes & Other	1,075	1,075	1,075	1,075	1,075	1,075	595	1,075	
Long Term Debt	1,203	1,381	1,265	1,130	1,075	1,075	595	1,281	
YoY Growth Statistics									
Revenue Growth (Including Realized Hedging Gain)	38%	42%	49%	18%	14%	29%	0%	20%	
Production Growth	20%	30%	33%	13%	16%	5%	0%	5%	
LTM Credit Statistics									
EBITDAX/Cash Interest (incl. Capitalized Interest)	5.5x	4.3x	4.7x	3.6x	3.7x	3.7x	4.3x	4.3x	
Sp. Sec. debt/EBITDAX	0.5x	0.7x	0.6x	0.2x	-	-	0.7x	0.7x	
Debt/EBITDAX	4.2x	4.2x	3.7x	3.2x	3.8x	3.8x	2.5x	4.2x	
Net Debt/EBITDAX	4.1x	4.1x	3.7x	3.1x	2.6x	2.6x	2.4x	4.1x	
Debt/Proved Reserves (\$/Mcf)	\$1.77	\$1.57	\$1.55	\$1.38	\$1.31	\$1.31	\$0.87	\$1.57	
Debt/Proved Developed Reserves (\$/Mcf)	\$4.26	\$3.88	\$3.83	\$3.42	\$3.26	\$3.26	\$2.11	\$3.88	
Debt/Proved Reserves (\$/Boe)	\$10.80	\$9.40	\$9.28	\$8.29	\$7.89	\$7.89	\$5.24	\$9.40	
Debt/Proved Developed Reserves (\$/Boe)	\$25.58	\$23.29	\$23.09	\$20.95	\$19.55	\$19.55	\$12.65	\$23.29	

Liquidity Capitalization	Q3 '14
Cash & Marketable Securities	124
Revolving Credit Facility 2017 ⁽¹⁾	498
Less: Short term Debt	-
Liquidity	622
Capitalization	Q3 '14
Revolving Credit Facility 2017	-
Total Secured Debt	-
7.25% Senior Subordinated Notes due 2019	300
8.500% Senior Subordinated Notes due 2020	775
Total Debt	1,075
Net Debt	951
Minority Interest & Others	-
Market Cap	368
Enterprise Value	1,339
EV/EBITDAX⁽²⁾	3.8x
Net Debt/EBITDAX⁽²⁾	2.8x

Reserve Description	2012	2013
P Reserves - Nat Gas (Mmcf)	407,500	322,190
P Reserves - Liquids (Mbbbl)	45,800	82,890
P Nat. Gas Equivalents (Mboe)	113,517	136,283
% Gas	60%	39%
% Proved Developed	41%	40%
Reserve Life (Years)	17	16
Reserve Replacement (All in)	71%	399%
Reserve Replacement (D&I Bt)	71%	231%
PV of Reserves (\$mn)	681	1,717
Hedges	%	\$ mto
2014E	61%	13.86 - 14.01
2015E	63%	13.51 - 15.25
Debt Maturity		
FY14	-	FY 16+
FY15	-	1,075

Regions
Eagle Ford
Granite Wash
Haynesville and Cotton Valley

Company Description: PENN VIRGINIA CORP (PVA) is engaged in exploration and production of oil and gas with its operations focused in Eagle Ford. In addition PVA also has assets located in Granite Wash and East Texas. The company during mid-2010 made a strategic shift towards liquids and over years PVA accomplished this via acquisition of assets in eagle Ford. The company had FY 13 proved reserves of 136 Mboe with PV-90 value of \$1.78B. PVA's Q2 14 production stood at 22 Mboed.

(1) Factors borrowing base expansion from \$400 to \$500M which happened post Q2
(2) Adjusted for aftertax

Source: Deutsche Bank, Company data

Figure 121: Commodity Price Scenario Analysis: Penn Virginia Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$627	\$633	\$640	\$646	\$652	\$659	\$665
	\$40.0	\$642	\$648	\$655	\$661	\$667	\$674	\$680
	\$50.0	\$657	\$663	\$670	\$676	\$682	\$689	\$695
	\$60.0	\$672	\$678	\$685	\$691	\$697	\$704	\$710
	\$70.0	\$687	\$693	\$700	\$706	\$712	\$719	\$725
	\$80.0	\$618	\$624	\$631	\$637	\$644	\$650	\$656
	\$90.0	\$557	\$563	\$569	\$576	\$582	\$588	\$595

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$244)	(\$240)	(\$235)	(\$231)	(\$226)	(\$222)	(\$217)
	\$40.0	(\$232)	(\$227)	(\$223)	(\$218)	(\$214)	(\$209)	(\$205)
	\$50.0	(\$219)	(\$215)	(\$210)	(\$206)	(\$201)	(\$197)	(\$192)
	\$60.0	(\$207)	(\$202)	(\$198)	(\$193)	(\$189)	(\$184)	(\$180)
	\$70.0	(\$194)	(\$190)	(\$185)	(\$181)	(\$176)	(\$172)	(\$167)
	\$80.0	(\$241)	(\$237)	(\$232)	(\$228)	(\$224)	(\$219)	(\$215)
	\$90.0	(\$284)	(\$279)	(\$275)	(\$271)	(\$266)	(\$262)	(\$257)

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$206	\$213	\$220	\$227	\$234	\$240	\$247
	\$40.0	\$261	\$268	\$275	\$282	\$289	\$296	\$302
	\$50.0	\$317	\$324	\$330	\$337	\$344	\$351	\$358
	\$60.0	\$372	\$379	\$386	\$393	\$399	\$406	\$413
	\$70.0	\$427	\$434	\$441	\$448	\$455	\$461	\$468
	\$80.0	\$483	\$489	\$496	\$503	\$510	\$517	\$524
	\$90.0	\$538	\$545	\$552	\$558	\$565	\$572	\$579

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$274)	(\$268)	(\$261)	(\$254)	(\$247)	(\$240)	(\$233)
	\$40.0	(\$231)	(\$224)	(\$217)	(\$211)	(\$204)	(\$197)	(\$190)
	\$50.0	(\$188)	(\$181)	(\$174)	(\$167)	(\$161)	(\$154)	(\$147)
	\$60.0	(\$145)	(\$138)	(\$131)	(\$124)	(\$117)	(\$111)	(\$104)
	\$70.0	(\$101)	(\$95)	(\$88)	(\$81)	(\$74)	(\$67)	(\$61)
	\$80.0	(\$82)	(\$75)	(\$69)	(\$62)	(\$55)	(\$48)	(\$41)
	\$90.0	(\$61)	(\$54)	(\$47)	(\$40)	(\$33)	(\$27)	(\$20)

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	2.3x	2.3x	2.3x	2.2x	2.2x	2.1x	2.1x
	\$40.0	2.2x	2.2x	2.2x	2.2x	2.1x	2.1x	2.1x
	\$50.0	2.2x	2.1x	2.1x	2.1x	2.1x	2.0x	2.0x
	\$60.0	2.1x	2.1x	2.0x	2.0x	2.0x	2.0x	2.0x
	\$70.0	2.0x	2.0x	2.0x	2.0x	1.9x	1.9x	1.9x
	\$80.0	2.3x	2.3x	2.3x	2.2x	2.2x	2.2x	2.2x
	\$90.0	2.7x	2.6x	2.6x	2.6x	2.5x	2.5x	2.5x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.7
	\$40.0	\$1.8	\$1.8	\$1.8	\$1.7	\$1.7	\$1.7	\$1.7
	\$50.0	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7
	\$60.0	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7
	\$70.0	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7
	\$80.0	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.7
	\$90.0	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	8.5x	8.1x	7.8x	7.5x	7.3x	7.0x	6.8x
	\$40.0	6.5x	6.3x	6.1x	5.9x	5.7x	5.5x	5.4x
	\$50.0	5.2x	5.0x	4.9x	4.7x	4.6x	4.5x	4.4x
	\$60.0	4.2x	4.1x	4.0x	3.9x	3.8x	3.7x	3.7x
	\$70.0	3.6x	3.5x	3.4x	3.3x	3.2x	3.2x	3.1x
	\$80.0	3.2x	3.1x	3.1x	3.0x	2.9x	2.9x	2.8x
	\$90.0	2.9x	2.9x	2.8x	2.8x	2.7x	2.6x	2.6x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1
	\$40.0	\$2.1	\$2.1	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
	\$50.0	\$2.0	\$2.0	\$2.0	\$2.0	\$1.9	\$1.9	\$1.9
	\$60.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9
	\$70.0	\$1.9	\$1.9	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8
	\$80.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.8
	\$90.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.8

Source: Deutsche Bank, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER, AR, BCEI, CXQ, FANG, EPE, LTSCN, MHR, MPO, OAS, PE, PVA, ROSE, SN, SEVGEN, SM, TPLM, TLW and WPK





Figure 122: Rosetta Resources Financial Summary

Issue	Rating	Maturity	NC Date	NC Price					
5.625% Senior Notes due 2021	B1(Stable)/BB-(Stable)	20-May-21	1-May-17	102.81					
5.875% Senior Notes due 2022	B1(Stable)/BB-(Stable)	1-Jun-22	1-Dec-17	102.94					
5.875% Senior Notes due 2024	B1(Stable)/BB-(Stable)	1-Jun-24	1-Jun-19	102.94					
\$Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013
Revenue	225	215	238	270	288	1,012	445	573	821
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-
Net Revenue	225	215	238	270	288	1,012	445	573	821
Operating Costs	61	63	79	78	87	288	145	180	229
Realized Hedging Gain / (Loss)	(7)	5	(8)	(8)	8	(8)	(15)	21	9
EBITDAX with Hedges	162	158	160	167	202	707	290	414	602
DDA	61	65	75	91	128	359	123	154	219
EBIT	101	92	85	96	73	348	166	260	383
Interest	7	10	15	17	21	64	21	24	26
EBIT (incl others)	95	82	70	79	52	284	145	235	357
Others	30	36	18	56	(71)	37	(15)	(20)	37
One time charges	-	-	-	-	-	-	-	-	-
EBIT (incl others)	65	47	54	23	123	247	158	255	310
Taxes	24	17	19	8	45	90	56	96	111
Net Income	41	29	35	14	78	158	101	159	199
LTM EBITDAX with Hedges	569	662	617	667	767	707	290	414	602
LTM EBITDAX without Hedges	561	582	618	677	714	714	309	393	592
WTI Crude (\$/Bbl)	\$105.80	\$97.60	\$98.00	\$103.00	\$97.25	\$93.11	\$95.16	\$94.10	\$98.00
Henry Hub Natural Gas (\$/Mcf)	\$3.60	\$3.85	\$4.72	\$4.58	\$3.95	\$4.28	\$4.02	\$2.83	\$3.74
Key Production Data									
Natural Gas Production (Mmcf)	5,943	10,679	10,582	11,584	14,554	47,400	33,499	33,853	40,344
Realized Nat. Gas Price (\$/Mcf)	\$3.64	\$3.77	\$4.60	\$4.39	\$3.74	\$4.11	\$4.89	\$3.28	\$3.76
Crude Oil Production (Mtbbl)	1,396	1,377	1,453	1,729	1,569	6,509	1,863	3,497	5,091
Realized Oil Price (\$/Bbl)	\$88.14	\$88.55	\$88.09	\$93.88	\$95.09	\$88.14	\$82.87	\$89.67	\$93.62
Company NGL Production (Mtbbl)	1,649	1,684	1,679	1,929	2,360	7,595	2,643	4,472	6,259
Realized NGL Price (\$/Bbl)	\$32.61	\$34.73	\$31.38	\$39.39	\$28.72	\$33.70	\$47.40	\$37.85	\$32.87
Total Equivalent Produced (boe)	26,116	28,565	23,318	33,534	49,608	132,025	90,440	81,864	108,741
Total Equivalent Realized (boe)	\$8.56	\$7.83	\$7.86	\$7.88	\$7.12	7.59	\$7.36	\$7.27	\$7.64
Total Equivalent Produced (boe)	4,886	4,761	4,888	5,589	6,768	22,004	10,673	13,811	18,124
Total Equivalent Realized (boe)	\$48.26	\$45.76	\$47.16	\$47.29	\$42.71	\$45.52	\$44.17	\$43.62	\$45.81
Revenue & Operating Margins per Boe									
Realization	\$48.26	\$45.76	\$47.16	\$47.29	\$42.71	\$45.52	\$44.17	\$43.62	\$45.81
Lifting Costs	\$9.08	\$9.05	\$10.32	\$10.51	\$9.42	\$9.69	\$6.80	\$8.15	\$8.55
G&A	\$4.01	\$4.25	\$4.00	\$3.88	\$3.46	\$3.86	\$7.47	\$5.05	\$4.00
DD&A	\$13.00	\$13.69	\$15.30	\$16.22	\$18.95	\$16.31	\$12.23	\$11.30	\$12.06
Operating Income	\$22.27	\$18.78	\$17.54	\$17.19	\$10.88	\$15.67	\$17.58	\$19.09	\$21.13
Interest	\$1.47	\$2.99	\$3.13	\$3.10	\$3.10	\$2.89	\$2.11	\$1.79	\$1.98
3-yr avg. F&D all (in acc)	\$6.99	\$11.12	\$11.12	\$11.12	\$11.12	\$11.12	\$6.21	\$6.99	\$11.12
3-yr avg. F&D all (incl acc)	\$6.69	\$8.19	\$8.10	\$8.10	\$8.10	\$8.10	\$5.64	\$6.69	\$8.10
Full cycle costs	\$21.58	\$26.99	\$26.99	\$26.19	\$27.11	\$27.88	\$22.87	\$21.86	\$25.72
Free Cash Flow:									
EBITDAX with Hedges	162	158	160	167	202	707	290	414	602
Current Taxes	(1)	(1)	(1)	(1)	(2)	(2)	0	0	(2)
Total Capex	(234)	(267)	(348)	(407)	(326)	(1,380)	(433)	(622)	(1,820)
Change in Net Working Capital	4	(1)	0	11	34	46	42	(12)	95
Cash Available for Debt Service	(68)	(151)	(188)	(209)	(91)	(640)	(191)	(220)	(1,174)
Interest (Excl. Capitalized Interest)	6	6	15	15	14	50	19	21	25
Free Cash Flow	(74)	(188)	(203)	(224)	(169)	(690)	(130)	(241)	(1,199)
Disposal of Assets	0	0	0	0	0	0	243	89	(1)
Free Cash Flow Incl Asset Sales	(74)	(188)	(203)	(224)	(169)	(690)	122	(152)	(1,200)
Balance Sheet Data									
Cash	64	194	55	28	24	24	47	37	194
Debt									
Credit Facilities	275	-	69	-	119	110	30	210	-
Senior Notes & Other	900	1,560	1,560	1,800	1,800	1,800	229	200	1,500
Long Term Debt	1,175	1,560	1,560	1,800	1,919	1,910	259	410	1,500
YoY Growth Statistics									
Revenue Growth (Including Realized Hedging Gain)	41%	24%	29%	37%	29%	28%	0%	37%	40%
Production Growth	37%	17%	16%	26%	44%	33%	0%	35%	32%
LTM Credit Statistics									
EBITDAX/Cash Interest (Incl. Capitalized Interest)	12.4x	11.3x	9.4x	8.7x	8.4x	8.4x	11.8x	9.8x	11.3x
Sp. Sec. adj. EBITDAX	0.5x	-	0.1x	-	0.2x	0.2x	0.2x	0.5x	-
Debt/EBITDAX	2.1x	2.5x	2.5x	2.7x	2.7x	2.7x	2.7x	1.8x	2.5x
Net Debt/EBITDAX	2.9x	2.3x	2.4x	2.7x	2.7x	2.7x	0.7x	0.9x	2.2x
Debt/Proved Reserves (\$/Boe)	\$5.85	\$5.39	\$5.60	\$6.46	\$6.86 #	\$6.86	\$1.95	\$2.04	\$5.38
Debt/Proved Developed Reserves (\$/Boe)	\$15.86	\$16.81	\$17.27	\$19.93	\$21.15 #	\$21.15	\$4.31	\$5.53	\$18.61
Liquidity Capitalization	Q3 '14	Company Description: Rosetta Resources (ROSE) is engaged in exploration of oil and gas with its assets located in the oil rich Eagle Ford and Permian basins. The company has ~120k net acres equally split between the two plays. At end of FY 13 ROSE had 278 Mboe of proved reserves with PV-10 of ~\$3.0BN. The company's Q3 14 production stood at 61 Mboed with liquid rise of 60%.				Reserve Description	2012	2013	
Cash & Marketable Securities	24	P Reserves - Net Gas (mmcf)	509,493	676,623					
Revolving Credit Facility May 2018	690	P Reserves - Liquids (Mtbbl)	115,997	165,771					
Less: Short term Debt	-	P Oil Equivalent (Mboe)	200,906	276,542					
Liquidity	714	% Gas	42%	40%					
Capitalization	Q3 '14	% Proved Developed	37%	32%					
Revolving Credit Agreement May 2018	110	Reserve Life (Years)	11	12					
Total Secured Debt	110	Reserve Replacement (All in)	484%	528%					
5.625% Senior Notes due 2021	700	Reserve Replacement (Drill Bit)	482%	492%					
5.875% Senior Notes due 2022	600	PV of Reserves (\$bn)	2,536	3,052					
5.875% Senior Notes due 2024	900	Hedges	%	\$ mboe					
Total Debt	1,910	2014E	52%	7.56 - 8.39					
Net Debt	1,886	2015E	47%	8.16 - 8.22					
Minority Interest & Others	-	Debt Maturity	FY14	FY16+					
Market Cap	1,252		-	1,910					
Enterprise Value	3,138								
EV/EBITDAX ⁽¹⁾	4.4x								
Net Debt/EBITDAX ⁽¹⁾	2.6x								

(1) EV/EBITDA adjusted for Permian acquisition

Source: Deutsche Bank, Company data

Figure 123: Commodity Price Scenario Analysis: Rosetta Resources Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$224	\$249	\$273	\$297	\$323	\$351	\$379
	\$40.0	\$303	\$327	\$352	\$376	\$402	\$430	\$458
	\$50.0	\$382	\$406	\$431	\$455	\$481	\$509	\$537
	\$60.0	\$461	\$485	\$510	\$534	\$560	\$588	\$616
	\$70.0	\$540	\$564	\$589	\$613	\$639	\$667	\$695
	\$80.0	\$619	\$643	\$668	\$692	\$718	\$746	\$774
	\$90.0	\$698	\$722	\$746	\$771	\$796	\$824	\$852

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$577)	(\$554)	(\$532)	(\$509)	(\$486)	(\$460)	(\$435)
	\$40.0	(\$504)	(\$482)	(\$459)	(\$437)	(\$413)	(\$388)	(\$362)
	\$50.0	(\$432)	(\$409)	(\$387)	(\$364)	(\$341)	(\$315)	(\$289)
	\$60.0	(\$359)	(\$337)	(\$314)	(\$292)	(\$268)	(\$243)	(\$217)
	\$70.0	(\$287)	(\$264)	(\$242)	(\$219)	(\$196)	(\$170)	(\$144)
	\$80.0	(\$214)	(\$191)	(\$169)	(\$146)	(\$123)	(\$97)	(\$72)
	\$90.0	(\$141)	(\$119)	(\$96)	(\$74)	(\$50)	(\$25)	\$1

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$131	\$157	\$184	\$211	\$239	\$268	\$298
	\$40.0	\$222	\$249	\$276	\$302	\$330	\$360	\$389
	\$50.0	\$314	\$341	\$367	\$394	\$422	\$452	\$481
	\$60.0	\$406	\$432	\$459	\$486	\$514	\$543	\$573
	\$70.0	\$498	\$524	\$551	\$578	\$606	\$635	\$665
	\$80.0	\$589	\$616	\$643	\$669	\$697	\$727	\$756
	\$90.0	\$681	\$708	\$734	\$761	\$789	\$819	\$848

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$345)	(\$319)	(\$292)	(\$266)	(\$238)	(\$209)	(\$179)
	\$40.0	(\$255)	(\$229)	(\$202)	(\$176)	(\$148)	(\$119)	(\$89)
	\$50.0	(\$165)	(\$138)	(\$112)	(\$86)	(\$58)	(\$28)	\$1
	\$60.0	(\$75)	(\$48)	(\$22)	\$5	\$32	\$62	\$91
	\$70.0	\$16	\$42	\$68	\$95	\$123	\$152	\$181
	\$80.0	\$106	\$132	\$159	\$185	\$213	\$242	\$271
	\$90.0	\$196	\$222	\$249	\$275	\$303	\$332	\$362

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	10.9x	9.7x	8.7x	8.0x	7.2x	6.6x	6.0x
	\$40.0	7.8x	7.1x	6.6x	6.1x	5.6x	5.2x	4.8x
	\$50.0	6.0x	5.6x	5.2x	4.9x	4.6x	4.3x	4.0x
	\$60.0	4.8x	4.5x	4.3x	4.0x	3.8x	3.6x	3.4x
	\$70.0	4.0x	3.8x	3.6x	3.4x	3.2x	3.0x	2.9x
	\$80.0	3.3x	3.2x	3.0x	2.9x	2.8x	2.6x	2.5x
	\$90.0	2.9x	2.7x	2.6x	2.5x	2.4x	2.3x	2.2x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$1.5	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
	\$40.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.3	\$1.3
	\$50.0	\$1.4	\$1.4	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3
	\$60.0	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.2
	\$70.0	\$1.3	\$1.3	\$1.3	\$1.2	\$1.2	\$1.2	\$1.2
	\$80.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
	\$90.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.1	\$1.1	\$1.1

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	21.1x	17.2x	14.4x	12.4x	10.7x	9.3x	8.2x
	\$40.0	11.7x	10.2x	9.0x	8.1x	7.2x	6.5x	5.9x
	\$50.0	7.7x	7.0x	6.3x	5.8x	5.3x	4.8x	4.4x
	\$60.0	5.6x	5.1x	4.7x	4.4x	4.0x	3.7x	3.4x
	\$70.0	4.2x	3.9x	3.6x	3.4x	3.1x	2.9x	2.7x
	\$80.0	3.3x	3.1x	2.9x	2.7x	2.5x	2.3x	2.2x
	\$90.0	2.6x	2.4x	2.3x	2.1x	2.0x	1.9x	1.7x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$1.7	\$1.6	\$1.6	\$1.6	\$1.5	\$1.5	\$1.5
	\$40.0	\$1.6	\$1.5	\$1.5	\$1.5	\$1.4	\$1.4	\$1.4
	\$50.0	\$1.5	\$1.4	\$1.4	\$1.4	\$1.3	\$1.3	\$1.3
	\$60.0	\$1.4	\$1.3	\$1.3	\$1.3	\$1.2	\$1.2	\$1.2
	\$70.0	\$1.3	\$1.2	\$1.2	\$1.2	\$1.1	\$1.1	\$1.1
	\$80.0	\$1.2	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1
	\$90.0	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1

Source: Deutsche Bank, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX





Figure 124: Sanchez Energy Financial Summary

Issue	Rating	Maturity	NC Date	NC Price
7.75% Senior Notes due 2021	BB(Pos)/B-(Pos)	15-Jan-21	15-Jun-17	103.88
6.125% Senior Notes due 2023	BB(Pos)/B-(Pos)	15-Jan-23	15-Jul-18	103.06

\$'Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2012	2013
Revenue	94	130	135	152	207	624	43	314
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-
Net Revenue	94	130	135	152	207	624	43	314
Operating Costs	32	29	46	50	58	183	43	97
Realized Hedging Gain / (Loss)	(6)	(2)	(3)	(0)	(2)	(11)	(0)	(0)
EBITDAX with Hedges	57	99	86	97	148	430	0	209
DDA	36	58	61	71	93	294	16	135
EBIT	19	41	25	26	54	146	(16)	74
Interest	9	13	13	17	29	71	0	31
EBT (incl others)	9	27	12	9	27	75	(16)	43
Others	9	1	6	27	(49)	(15)	0	8
One time charges	-	4	-	1	-	5	-	-
EBT (incl others)	0	22	5	(19)	76	84	(16)	31
Taxes	(4)	8	2	(7)	27	30	-	4
Net Income	4	14	3	(12)	49	55	(16)	27
LTM EBITDAX with Hedges	119	209	278	339	430	430	0	209
LTM EBITDAX without Hedges	126	218	289	354	441	441	0	218
WTI Crude (\$/Bbl)	\$106.13	\$97.61	\$98.61	\$102.99	\$97.25	\$99.12	\$94.18	\$98.07
Henry Hub Natural Gas (\$/Mcf)	\$3.60	\$3.85	\$4.72	\$4.58	\$3.95	\$4.28	\$2.83	\$3.74
Key Production Data								
Natural Gas Production (Mmcf)	906	1,454	1,322	1,455	5,440	9,671	305	3,049
Realized Nat. Gas Price (\$/Mcf)	\$3.94	\$3.12	\$4.48	\$4.46	\$4.14	\$4.08	\$2.56	\$3.63
Crude Oil Production (MMbbl)	825	1,285	1,219	1,356	1,682	5,522	418	2,959
Realized Oil Price (\$/Bbl)	\$98.16	\$92.59	\$96.40	\$97.12	\$92.45	\$94.50	\$100.65	\$95.66
NGLs Production (MMbbl)	106	224	252	262	964	1,702	0	455
Realized NGLs Price (\$/Bbl)	\$39.03	\$30.62	\$33.74	\$30.96	\$28.34	\$29.64	\$19.33	\$29.60
Total Equivalent Produced (boe)	1,033	1,731	1,691	1,861	3,553	8,835	469	3,872
Total Equivalent Realized (\$/boe)	\$81.85	\$74.24	\$78.01	\$78.63	\$67.80	\$69.28	\$91.40	\$78.98
Revenue & Operating Margins per Boe								
Realization	\$81.85	\$74.24	\$78.01	\$78.63	\$67.80	\$69.28	\$91.40	\$78.98
Lifting Costs	\$15.29	\$12.25	\$15.59	\$11.69	\$12.75	\$12.97	\$11.79	\$13.69
G&A	\$14.03	\$4.77	\$11.42	\$15.04	\$3.61	\$7.74	\$79.44	\$11.32
DD&A	\$35.43	\$33.79	\$36.21	\$37.94	\$26.31	\$32.12	\$33.97	\$34.83
Operating Income	\$17.11	\$23.43	\$14.82	\$13.96	\$15.13	\$14.45	\$33.79	\$19.15
Interest	\$6.73	\$7.70	\$7.85	\$9.28	\$7.77	\$8.09	\$0.21	\$7.99
3-yr avg. F&D all (incl acq)	\$17.03	\$43.15	\$43.15	\$43.15	\$43.15	\$43.15	\$17.03	\$43.15
3-yr avg. F&D all (excl acq)	\$19.99	\$21.06	\$21.06	\$21.06	\$21.06	\$21.06	\$19.99	\$21.06
Full cycle costs	\$55.98	\$67.87	\$77.97	\$79.16	\$67.29	\$71.95	\$106.47	\$76.15
Free Cash Flow:								
EBITDAX with Hedges	57	99	86	97	148	430	0	209
Current Taxes	-	-	-	-	-	-	-	-
Total Capex	(121)	(185)	(194)	(232)	(200)	(727)	(170)	(402)
Change in Net Working Capital	(18)	(5)	(21)	(23)	11	(37)	4	(12)
Cash Available for Debt Service	(81)	(91)	(38)	(158)	(48)	(304)	(166)	(205)
Interest (Excl. Capitalized Interest)	-	24	9	25	(1)	48	-	26
Free Cash Flow	(81)	(114)	(38)	(183)	(47)	(380)	(166)	(311)
Acquisition of Assets	(111)	(225)	1	(563)	(6)	(776)	-	(623)
Disposal of Assets	-	-	-	-	-	-	-	-
Free Cash Flow Incl Asset Sales	(192)	(339)	(37)	(736)	(63)	(383)	(166)	(934)
Balance Sheet Data								
Cash	490	154	111	365	595	595	50	154
Debt								
- Credit Facilities	-	-	-	-	-	-	-	-
- Senior Notes & Other	593	593	593	1,444	1,746	1,746	-	593
Long Term Debt	593	593	593	1,444	1,746	1,746	-	593
YoY Growth Statistics								
Revenue Growth (Including Realized Hedging Gain)	615%	650%	339%	151%	132%	215%	195%	614%
Production Growth	711%	904%	377%	165%	228%	726%	178%	726%
LTM Credit Statistics								
EBITDAX/Cash Interest (Incl. Capitalized Interest)	59.0x	8.1x	10.6x	6.9x	8.9x	8.9x	-	8.1x
Sr. Sec. debts/EBITDAX	-	-	-	-	-	-	-	-
Debt/EBITDAX	5.0x	2.6x	2.1x	4.3x	4.1x	4.1x	-	2.8x
Net Debt/EBITDAX	0.9x	2.1x	1.7x	3.1x	2.7x	2.7x	(\$9.4x)	2.1x
Debt/Proved Reserves (\$/Boe)	\$27.96	\$10.10	\$16.11	\$34.58	\$29.75	\$29.75	\$0.00	\$10.10
Debt/Proved Developed Reserves (\$/Boe)	\$159.61	\$24.01	\$24.02	\$58.42	\$70.66	\$70.66	\$0.00	\$24.01

Liquidity Capitalization	Q3 '14
Cash & Marketable Securities	595
Revolving Credit Facility Jun 2019	300
Less Short term Debt	-
Liquidity	895
Capitalization	Q3 '14
Revolving Credit Facility Jun 2019	-
Total Secured Debt	-
7.75% Senior Notes due 2021	600
6.125% Senior Notes due 2023	1,150
Other	(4)
Total Debt	1,746
Net Debt	1,150
Preferred Stock	0
Market Cap	498
Enterprise Value	1,648
EV/PF EBITDAX ⁽¹⁾	2.3x
Net Debt/PF EBITDAX ⁽¹⁾	1.6x
Debt/Proved Reserves (\$/Boe) ⁽²⁾	\$14.32
Debt/Proved Developed Reserves (\$/Boe) ⁽²⁾	\$25.26

Company Description:	Reserve Description	2012	2013
Sanchez Energy (SE) is an independent exploration and production company headquartered in Houston, Texas. The company's core operations are in Eagle Ford where it owned 226K net acres as of June 30, 2014. SE also owns 75K net acres in Tuscaloosa Marine Shale (TMS) as of June 30, 2014 and continues to build its land position in the play.	P Reserves - Nat Gas (mmcf)	16	40
	P Reserves - Liquids (mmmbbl)	19	52
	P OI Equivalent (mmboe)	21	59
	% Gas	12%	11%
% Proved Developed	18%	42%	
Reserve Life (Years)	5	0	
Reserve Replacement (All in)	399%	436%	
Reserve Replacement (Cril Bt)	209%	436%	
PV of Reserves (\$m)	360	1,405	

Key Plays	Debt Maturity	Hedges	%	\$ mte
Eagle Ford	FY14	2014E	37%	13.14 - 13.87
Tuscaloosa Marine Play	FY15	2015E	47%	9.99 - 11.94
	FY 16+			

(1) Pro forma for full year of earnings from Catena and Wyoming acquisitions
(2) Based on proved reserves as of June 30, 2014 which factors in the Catena acquisition (177 MMboe)

Source: Deutsche Bank, Company data

Figure 125: Commodity Price Scenario Analysis: Sanchez Energy Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$228	\$238	\$248	\$257	\$266	\$272	\$278
	\$40.0	\$289	\$298	\$308	\$318	\$327	\$332	\$338
	\$50.0	\$349	\$358	\$368	\$378	\$387	\$392	\$398
	\$60.0	\$409	\$419	\$428	\$438	\$447	\$452	\$458
	\$70.0	\$469	\$479	\$488	\$498	\$507	\$512	\$518
	\$80.0	\$506	\$516	\$526	\$535	\$544	\$550	\$556
	\$90.0	\$537	\$547	\$557	\$566	\$575	\$581	\$586

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$527)	(\$517)	(\$508)	(\$499)	(\$490)	(\$485)	(\$479)
	\$40.0	(\$469)	(\$460)	(\$451)	(\$442)	(\$433)	(\$428)	(\$422)
	\$50.0	(\$412)	(\$403)	(\$394)	(\$385)	(\$376)	(\$371)	(\$365)
	\$60.0	(\$355)	(\$346)	(\$337)	(\$328)	(\$319)	(\$314)	(\$308)
	\$70.0	(\$298)	(\$289)	(\$280)	(\$270)	(\$262)	(\$256)	(\$251)
	\$80.0	(\$261)	(\$252)	(\$242)	(\$233)	(\$225)	(\$219)	(\$214)
	\$90.0	(\$229)	(\$220)	(\$211)	(\$202)	(\$193)	(\$188)	(\$182)

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$76	\$88	\$99	\$111	\$122	\$134	\$145
	\$40.0	\$151	\$163	\$174	\$186	\$197	\$209	\$220
	\$50.0	\$226	\$238	\$249	\$261	\$272	\$284	\$295
	\$60.0	\$301	\$312	\$324	\$336	\$347	\$359	\$370
	\$70.0	\$376	\$387	\$399	\$410	\$422	\$434	\$445
	\$80.0	\$451	\$462	\$474	\$485	\$497	\$508	\$520
	\$90.0	\$526	\$537	\$549	\$560	\$572	\$583	\$595

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$258)	(\$247)	(\$235)	(\$224)	(\$213)	(\$202)	(\$191)
	\$40.0	(\$185)	(\$173)	(\$162)	(\$151)	(\$140)	(\$129)	(\$118)
	\$50.0	(\$112)	(\$100)	(\$89)	(\$78)	(\$66)	(\$56)	(\$45)
	\$60.0	(\$38)	(\$27)	(\$16)	(\$4)	\$7	\$18	\$29
	\$70.0	\$35	\$46	\$58	\$69	\$80	\$91	\$102
	\$80.0	\$106	\$117	\$128	\$139	\$151	\$162	\$172
	\$90.0	\$175	\$187	\$198	\$209	\$221	\$231	\$242

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	8.5x	8.1x	7.7x	7.4x	7.1x	7.0x	6.8x
	\$40.0	6.5x	6.3x	6.0x	5.8x	5.6x	5.5x	5.4x
	\$50.0	5.2x	5.1x	4.9x	4.8x	4.6x	4.5x	4.5x
	\$60.0	4.3x	4.2x	4.1x	4.0x	3.9x	3.8x	3.8x
	\$70.0	3.6x	3.5x	3.5x	3.4x	3.3x	3.3x	3.2x
	\$80.0	3.3x	3.2x	3.1x	3.1x	3.0x	3.0x	2.9x
	\$90.0	3.1x	3.0x	2.9x	2.8x	2.8x	2.8x	2.7x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$6.2	\$6.2	\$6.1	\$6.1	\$6.1	\$6.1	\$6.0
	\$40.0	\$6.0	\$6.0	\$6.0	\$5.9	\$5.9	\$5.9	\$5.9
	\$50.0	\$5.8	\$5.8	\$5.8	\$5.7	\$5.7	\$5.7	\$5.7
	\$60.0	\$5.7	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6
	\$70.0	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6
	\$80.0	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6
	\$90.0	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	29.1x	25.0x	21.8x	19.4x	17.4x	15.8x	14.5x
	\$40.0	13.8x	12.7x	11.7x	10.9x	10.1x	9.5x	8.9x
	\$50.0	8.6x	8.1x	7.7x	7.3x	6.9x	6.5x	6.2x
	\$60.0	6.0x	5.8x	5.5x	5.2x	5.0x	4.8x	4.6x
	\$70.0	4.5x	4.3x	4.1x	4.0x	3.8x	3.7x	3.5x
	\$80.0	3.5x	3.4x	3.3x	3.1x	3.0x	2.9x	2.8x
	\$90.0	2.8x	2.7x	2.6x	2.5x	2.4x	2.4x	2.3x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$7.1	\$7.0	\$6.9	\$6.9	\$6.8	\$6.8	\$6.7
	\$40.0	\$6.7	\$6.6	\$6.5	\$6.5	\$6.4	\$6.4	\$6.3
	\$50.0	\$6.2	\$6.2	\$6.1	\$6.0	\$6.0	\$5.9	\$5.9
	\$60.0	\$5.8	\$5.8	\$5.7	\$5.6	\$5.6	\$5.6	\$5.6
	\$70.0	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6
	\$80.0	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6
	\$90.0	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6

Source: Deutsche Bank, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX





Figure 126: Seven Generations Financial Summary

Issue	Rating	Maturity	NC Date	NC Price					
8.25% Senior Notes due 2020	B3(Pos)/CCC(Stable)	15-May-20	15-May-16	106.19					
Canadian \$mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2012	2013	
Revenue	24	51	104	123	166	443	96	120	
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	
Net Revenue	24	51	104	123	166	443	96	120	
Operating Costs	15	21	33	37	56	147	31	59	
Realized Hedging Gain / (Loss)	0	0	(5)	(7)	(8)	(12)	2	0	
EBITDAX with Hedges	9	30	66	79	109	283	27	61	
DDA	8	14	24	31	47	115	29	39	
EBIT	1	16	41	48	62	168	(2)	22	
Interest	8	9	13	15	15	53	(2)	22	
EBT (excl others)	(7)	7	28	33	47	116	1	6	
Others	(6)	13	23	(22)	(8)	14	2	14	
One time charges	-	-	-	-	-	-	-	-	
EBT(incl others)	(1)	(6)	5	56	47	102	(1)	(14)	
Taxes	(8)	0	3	12	17	32	2	9	
Net Income	(1)	(6)	1	44	30	70	(3)	(14)	
LTM EBITDAX with Hedges	38	61	115	183	283	283	27	61	
LTM EBITDAX without Hedges	37	61	120	195	296	296	25	61	
WTI Crude (\$/Bbl)	\$109.90	\$102.43	\$106.74	\$112.30	\$105.32	\$107.20	\$94.16	\$100.97	
AECO Natural Gas (\$/Mcf)	\$2.54	\$3.38	\$4.49	\$4.42	\$3.78	\$4.02	\$2.31	\$3.05	
Key Production Data									
Natural Gas Production (Mmcf)	2,115	2,858	4,857	5,457	8,252	21,023	6,305	7,988	
Realized Nat. Gas Price (\$/Mcf)	NA	NA	NA	NA	NA	NA	NA	NA	
Crude Oil Production (Mbbbls)	6	5	3	3	-	11	346	24	
Realized Oil Price (\$/Bbl)	NA	NA	NA	NA	NA	NA	NA	NA	
Company NGL Production (Mbbbls)	294	618	1,041	1,271	1,920	4,851	234	1,486	
Realized NGL Price (\$/Bbl)	NA	NA	NA	NA	NA	NA	NA	NA	
Total Equivalent Produced (boe)	652	1,066	1,821	2,184	3,295	8,266	1,631	2,842	
Total Equivalent Realized (\$/boe)	\$36.38	\$47.73	\$53.79	\$53.17	\$50.17	\$51.43	\$39.33	\$41.99	
Revenue & Operating Margins per Boe									
Realization	\$36.38	\$47.73	\$53.79	\$53.17	\$50.17	\$51.43	\$39.33	\$41.99	
Lifting Costs	\$14.14	\$16.17	\$15.38	\$13.29	\$14.56	\$14.61	\$10.71	\$14.51	
G&A	\$8.70	\$3.38	\$2.71	\$3.05	\$2.43	\$2.93	\$8.01	\$6.22	
DD&A	\$12.43	\$12.86	\$13.20	\$13.97	\$14.24	\$13.77	\$17.67	\$13.09	
Operating Income	\$1.10	\$15.32	\$22.50	\$22.52	\$18.94	\$20.12	\$2.95	\$7.57	
Interest	\$14.11	\$8.97	\$7.58	\$7.53	\$4.96	\$6.71	\$0.46	\$8.60	
3-yr avg. F&D all (in acc)	NA	NA	NA	NA	NA	NA	NA	NA	
3-yr avg. F&D all (excl acc)	NA	NA	NA	NA	NA	NA	NA	NA	
Full cycle costs	NA	NA	NA	NA	NA	NA	NA	NA	
Free Cash Flow									
EBITDAX with Hedges	9	30	65	79	109	283	27	61	
Current Taxes	-	-	-	-	-	-	-	-	
Total Capex	(142)	(178)	(169)	(219)	(328)	(918)	(295)	(574)	
Change in Net Working Capital	10	(22)	14	(31)	12	(27)	-	-	
Cash Available for Debt Service	(122)	(171)	(114)	(171)	(207)	(663)	(203)	(513)	
Interest (Ead, Capitalized Interest)	0	1	0	33	1	35	0	23	
Free Cash Flow	(124)	(172)	(114)	(204)	(208)	(688)	(203)	(504)	
Disposal of Assets	-	-	-	-	-	-	-	-	
Free Cash Flow Incl Asset Sales	(124)	(172)	(114)	(204)	(208)	(688)	(203)	(504)	
Balance Sheet Data									
Cash	-	307	529	347	197	197	146	307	
Debt									
- Credit Facilities	NA	-	NA	-	-	-	-	-	
- Senior Notes & Other	NA	415	NA	749	786	786	-	415	
Long Term Debt	-	415	NA	749	786	786	-	415	
YoY Growth Statistics									
Revenue Growth (including Realized Hedging Gain)	65%	252%	333%	408%	597%	415%	48%	102%	
Production Growth	60%	161%	224%	289%	405%	74%	69%	74%	
LTM Credit Statistics									
EBITDAX/Cash Interest (Incl. Capitalized Interest)	39.7x	26.2x	46.5x	5.2x	7.9x	7.9x	100.8x	2.7x	
Sr. Sec debt/EBITDAX	NA	-	NA	-	-	-	-	-	
Debt/EBITDAX	NA	6.8x	NA	4.1x	2.8x	2.8x	-	6.8x	
Net Debt/EBITDAX	NA	1.8x	NA	2.2x	2.1x	2.1x	(5.4x)	1.8x	
Debt/Proved Reserves (\$/Boe)	NA	\$4.18	NA	\$7.55	\$7.92	\$7.92	NA	\$4.18	
Debt/Proved Developed Reserves (\$/Boe)	NA	\$30.56	NA	\$55.20	\$57.94	\$57.94	NA	\$30.56	

Liquidity/ Capitalization	Q3 '14	PF (1)
Cash & Marketable Securities	197	1,085
Revolving Credit Agreement April 2016	480	480
Less Short term Debt	-	-
Liquidity	677	1,565
Capitalization	Q3 '14	PF (1)
Revolving Credit Agreement April 2016	-	-
Total Secured Debt	786	786
8.25% Senior Notes due 2020	786	786
Total Debt	786	786
Net Debt	(889)	(286)
Minority Interest & Others	-	-
Moap	NA	4,070
Enterprise Value	NA	3,771
EV/EBITDAX	NA	13.3x
Net Debt/EBITDAX	2.1x	(1.1x)

Reserve Description ⁽¹⁾	2013
P Reserves - Net Gas (mmcf)	305,623
P Reserves - Liquids(Mbbbls)	48,228
P Oil Equivalent(Mboe)	99,165
% Gas	51%
% Proved Developed	14%
Reserve Life (Years)	-
Reserve Replacement (All in)	NA
Reserve Replacement (Drill Bit)	NA
PV of Reserves (\$mn)	1,023

Regions	Debt Maturity	Hedges	%	\$ mtoe
Kakoa - NorthWest Oil Alberta	FY14	2014E	46%	8.23 - 10.89
	FY15	2015E	38%	10.14 - 10.02
	FY 16+			

(1) Pro forma for ~\$590M of net proceeds raised from IPO post quarter
(2) Reserve at end of Q3 '14 stood at 297 Mboe with PV-10 of \$3.26B

Source: Deutsche Bank, Company data

Figure 127: Commodity Price Scenario Analysis: Seven Generations Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	\$288	\$311	\$334	\$357	\$380	\$403	\$432
	\$40.0	\$329	\$352	\$375	\$398	\$421	\$444	\$473
	\$50.0	\$370	\$394	\$417	\$440	\$463	\$486	\$514
	\$60.0	\$412	\$435	\$458	\$481	\$504	\$527	\$556
	\$70.0	\$453	\$476	\$499	\$522	\$545	\$568	\$597
	\$80.0	\$495	\$518	\$541	\$564	\$587	\$610	\$638
	\$90.0	\$536	\$559	\$582	\$605	\$628	\$651	\$680

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	\$70	\$123	\$176	\$230	\$283	\$337	\$390
	\$40.0	\$181	\$234	\$288	\$341	\$394	\$448	\$501
	\$50.0	\$292	\$345	\$399	\$452	\$506	\$559	\$612
	\$60.0	\$403	\$457	\$510	\$563	\$617	\$670	\$724
	\$70.0	\$514	\$568	\$621	\$675	\$728	\$781	\$835
	\$80.0	\$626	\$679	\$732	\$786	\$839	\$893	\$946
	\$90.0	\$737	\$790	\$844	\$897	\$950	\$1,004	\$1,057

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	4.4x	4.0x	3.6x	3.3x	3.1x	2.8x	2.6x
	\$40.0	3.7x	3.4x	3.1x	2.9x	2.7x	2.5x	2.3x
	\$50.0	3.2x	2.9x	2.7x	2.5x	2.4x	2.2x	2.0x
	\$60.0	2.8x	2.6x	2.4x	2.2x	2.1x	2.0x	1.8x
	\$70.0	2.4x	2.3x	2.1x	2.0x	1.9x	1.7x	1.6x
	\$80.0	2.2x	2.0x	1.9x	1.8x	1.7x	1.6x	1.4x
	\$90.0	1.9x	1.8x	1.7x	1.6x	1.5x	1.4x	1.3x

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	47.6x	25.8x	17.1x	12.5x	9.6x	7.7x	6.2x
	\$40.0	16.7x	12.3x	9.5x	7.6x	6.2x	5.1x	4.2x
	\$50.0	9.3x	7.5x	6.1x	5.1x	4.2x	3.6x	3.0x
	\$60.0	6.0x	5.0x	4.2x	3.5x	3.0x	2.6x	2.3x
	\$70.0	4.2x	3.5x	3.0x	2.6x	2.3x	2.0x	1.8x
	\$80.0	2.9x	2.6x	2.3x	2.0x	1.8x	1.6x	1.4x
	\$90.0	2.3x	2.0x	1.8x	1.6x	1.4x	1.3x	1.2x

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	(\$1,291)	(\$1,268)	(\$1,245)	(\$1,223)	(\$1,200)	(\$1,178)	(\$1,149)
	\$40.0	(\$1,252)	(\$1,229)	(\$1,207)	(\$1,184)	(\$1,162)	(\$1,139)	(\$1,111)
	\$50.0	(\$1,213)	(\$1,191)	(\$1,168)	(\$1,146)	(\$1,123)	(\$1,100)	(\$1,072)
	\$60.0	(\$1,175)	(\$1,152)	(\$1,129)	(\$1,107)	(\$1,084)	(\$1,062)	(\$1,034)
	\$70.0	(\$1,136)	(\$1,113)	(\$1,091)	(\$1,068)	(\$1,046)	(\$1,023)	(\$995)
	\$80.0	(\$1,097)	(\$1,075)	(\$1,052)	(\$1,030)	(\$1,007)	(\$984)	(\$956)
	\$90.0	(\$1,059)	(\$1,036)	(\$1,013)	(\$991)	(\$968)	(\$946)	(\$918)

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	(\$1,331)	(\$1,280)	(\$1,228)	(\$1,177)	(\$1,126)	(\$1,074)	(\$1,023)
	\$40.0	(\$1,222)	(\$1,171)	(\$1,120)	(\$1,068)	(\$1,017)	(\$966)	(\$914)
	\$50.0	(\$1,114)	(\$1,062)	(\$1,011)	(\$960)	(\$908)	(\$857)	(\$806)
	\$60.0	(\$1,005)	(\$954)	(\$902)	(\$851)	(\$800)	(\$748)	(\$697)
	\$70.0	(\$897)	(\$845)	(\$794)	(\$743)	(\$691)	(\$640)	(\$589)
	\$80.0	(\$788)	(\$737)	(\$685)	(\$634)	(\$583)	(\$531)	(\$480)
	\$90.0	(\$679)	(\$628)	(\$577)	(\$525)	(\$474)	(\$423)	(\$371)

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	\$2.1	\$2.1	\$2.0	\$2.0	\$2.0	\$1.9	\$1.9
	\$40.0	\$2.1	\$2.0	\$2.0	\$1.9	\$1.9	\$1.9	\$1.8
	\$50.0	\$2.0	\$2.0	\$1.9	\$1.9	\$1.8	\$1.8	\$1.8
	\$60.0	\$1.9	\$1.9	\$1.9	\$1.8	\$1.8	\$1.7	\$1.7
	\$70.0	\$1.9	\$1.8	\$1.8	\$1.7	\$1.7	\$1.7	\$1.6
	\$80.0	\$1.8	\$1.8	\$1.7	\$1.7	\$1.6	\$1.6	\$1.6
	\$90.0	\$1.7	\$1.7	\$1.7	\$1.6	\$1.6	\$1.5	\$1.5

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	\$5.6	\$5.3	\$5.1	\$4.8	\$4.6	\$4.3	\$4.1
	\$40.0	\$5.1	\$4.8	\$4.6	\$4.3	\$4.1	\$3.8	\$3.6
	\$50.0	\$4.6	\$4.3	\$4.1	\$3.8	\$3.6	\$3.3	\$3.1
	\$60.0	\$4.1	\$3.8	\$3.6	\$3.4	\$3.1	\$2.9	\$2.8
	\$70.0	\$3.6	\$3.4	\$3.1	\$2.9	\$2.8	\$2.7	\$2.5
	\$80.0	\$3.1	\$2.9	\$2.8	\$2.7	\$2.6	\$2.4	\$2.3
	\$90.0	\$2.8	\$2.7	\$2.6	\$2.4	\$2.3	\$2.2	\$2.1

Source: Deutsche Bank, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX





Figure 128: SM Energy Financial Summary

Issue	Rating	Maturity	MC Date	MC Price
6.625% Senior Notes due 2019	Ba2(Stable)/BB (Foc)	15-Feb-19	15-Feb-15	\$133.31
6.900% Senior Notes due 2021	Ba2(Stable)/BB (Foc)	15-Nov-21	15-Nov-16	\$133.25
6.125% Senior Notes due 2022	Ba2(Stable)/BB (Foc)	15-Nov-22	15-Nov-18	\$133.06
6.900% Senior Notes due 2023	Ba2(Stable)/BB (Foc)	1-Jan-23	1-Jul-17	\$133.25
6.900% Senior Notes due 2024	Ba2(Stable)/BB (Foc)	15-Jan-24	15-Jul-18	\$132.03

\$ Mn	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013
Revenues	626	606	633	672	624	2,538	1,460	1,529	2,297
Realized Hedging Gain / (Loss) - Cash Flow Hedges	(5)	-	-	-	-	-	(25)	4	12
Net Revenue	619	606	633	672	624	2,538	1,383	1,532	2,285
Operating Costs	213	222	207	222	226	876	479	561	829
Realized Hedging Gain / (Loss)	(1)	9	(26)	(24)	(5)	(54)	(28)	44	22
EBITDA with Hedges	405	396	397	417	396	1,608	678	1,016	1,459
DDA	106	203	177	188	183	751	511	728	823
EBIT	209	193	220	229	215	857	267	288	636
Interest	24	25	24	24	23	95	45	64	93
EBT (incl others)	185	168	196	205	192	761	221	224	543
Other (Income)/Expense	61	19	90	116	(158)	75	(218)	111	70
One time charges	11	133	1	(7)	9	136	261	198	197
EBT (incl others)	113	16	104	96	354	590	339	(84)	279
Taxes	42	9	39	36	125	208	124	(23)	185
Net Income	71	7	65	60	229	341	215	(54)	171
LTM EBITDA with Hedges	1,367	1,458	1,532	1,614	1,608	1,608	678	1,016	1,459
LTM EBITDA without Hedges	1,343	1,438	1,552	1,669	1,661	1,661	694	967	1,438
Actual WTI Crude (\$/bbl)	55.00	97.61	97.61	103.00	97.25	98.87	95.95	91.40	64.40
Actual Henry Hub Natural Gas (\$/mcf)	3.75	3.85	4.72	4.58	3.85	4.28	4.92	2.94	3.78
Key Production Data									
Company Natural Gas production (mmcf)	38,465	39,496	35,541	37,965	35,058	148,590	59,713	125,034	149,347
Realized Natural Gas Price (\$/mcf)	4.10	4.27	4.84	4.51	4.44	4.51	4.80	3.48	4.14
Company Oil Production (MMbbl)	3,827	3,754	3,894	3,895	4,002	16,304	8,028	10,379	13,339
Realized Oil Price (\$/Bbl)	92.78	86.12	87.11	86.60	86.44	86.96	78.89	83.52	89.93
Company NGL Production (MMbbl)	2,538	2,898	2,899	3,198	3,183	12,128	3,471	6,118	8,512
Realized NGL Price (\$/Bbl)	34.50	38.34	35.76	38.59	38.47	38.26	47.99	38.90	36.95
Total Equivalent Produced (mcf)	76,608	79,456	74,792	80,280	76,669	313,154	168,707	218,075	293,499
Total Equivalent Realized (\$/mcf)	7.83	7.59	7.94	7.73	7.84	7.77	7.58	6.95	7.85
Total Equivalent Produced (boe)	12,768	13,294	12,467	13,380	13,112	52,192	28,118	38,593	48,342
Total Equivalent Realized (\$/boe)	47.06	45.56	47.62	46.40	47.04	46.64	45.48	41.72	45.82
Revenue & Operating Margins per Boe									
Realization	\$47.60	\$45.56	\$47.62	\$46.40	\$47.04	\$46.64	\$45.46	\$41.72	\$45.82
Lifting Costs	\$12.45	\$12.20	\$13.13	\$13.27	\$13.61	\$13.08	\$10.32	\$10.74	\$12.25
G&A	\$2.65	\$3.63	\$2.81	\$2.85	\$3.18	\$3.12	\$4.22	\$3.28	\$3.09
DDA	\$15.33	\$15.31	\$14.22	\$14.63	\$13.88	\$14.28	\$18.18	\$19.04	\$17.02
Operating Income	\$18.88	\$14.33	\$17.46	\$18.25	\$19.27	\$18.06	\$12.75	\$7.76	\$13.48
Interest	\$1.92	\$1.85	\$1.94	\$1.89	\$1.73	\$1.83	\$2.01	\$2.06	\$1.86
3-yr avg. F&D all (in seq)	\$14.42	\$11.89	\$11.69	\$11.69	\$11.89	\$11.69	\$17.50	\$14.42	\$11.69
3-yr avg. F&D all (level seq)	\$13.43	\$10.73	\$10.76	\$10.76	\$10.73	\$10.76	\$16.57	\$13.43	\$10.76
Full cycle costs	\$31.44	\$29.48	\$29.57	\$29.89	\$30.23	\$29.71	\$34.94	\$30.92	\$28.99
Free Cash Flow:									
EBITDA with Hedges	405	396	397	417	396	1,608	678	1,016	1,459
Current Taxes	(1)	0	(6)	(6)	(2)	(2)	4	1	0
Total Capex	(267)	(402)	(352)	(427)	(358)	(1,750)	(1,633)	(1,508)	(1,554)
Change in Net Working Capital	28	(15)	(52)	27	(7)	(32)	(45)	13	15
Cash Available for Debt Service	55	(47)	(4)	27	(58)	(174)	(702)	(482)	(81)
Interest (incl. Capitalized Interest)	24	11	29	10	32	95	22	61	91
Free Cash Flow	31	(88)	(44)	17	(182)	(269)	(814)	(532)	(181)
Disposal of Assets	0	404	2	45	(385)	86	385	55	425
Free Cash Flow Incl Asset Sales	31	347	(42)	62	(947)	(181)	(489)	(476)	274
Balance Sheet Data									
Cash	0	282	236	164	0	0	119	6	282
Debt									
- Senior Notes & Other	1,600	1,600	1,600	1,600	1,600	1,600	985	1,190	1,690
- Credit Facilities	28	-	-	-	200	200	-	249	-
Long Term Debt	1,628	1,600	1,600	1,600	1,600	1,600	985	1,440	1,690
YoY Growth Statistics									
Revenue Growth (Including Realized Hedging Gain)	55%	37%	22%	15%	1%	17%	45%	18%	45%
Production Growth	34%	31%	21%	12%	3%	19%	53%	39%	32%
LTM Credit Statistics									
EBITDA/Cash Interest (incl. Capitalized Interest)	16.9x	17.8x	16.8x	18.4x	17.3x	17.3x	28.7x	16.0x	17.8x
Sr. Sec Debt/ EBITDA	0.9x	-	-	-	0.2x	0.2x	-	0.3x	-
Debt/EBITDA	1.2x	1.1x	1.0x	1.0x	1.2x	1.2x	1.1x	1.4x	1.1x
Net debt/EBITDA	1.2x	0.9x	0.9x	0.9x	1.2x	1.2x	1.0x	1.4x	0.9x
Debt/Proved Reserves (\$/Mcf)	\$1.92	\$0.82	\$0.62	\$0.62	\$0.77	\$0.77	\$0.78	\$0.82	\$0.62
Debt/Proved Developed Reserves (\$/Mcf)	\$1.63	\$1.28	\$1.28	\$1.28	\$1.59	\$1.59	\$1.17	\$1.44	\$1.28

Liquidity Capitalization	Q3 '14	PP ⁽¹⁾
Cash & Marketable Securities	0	156
Credit Agreement due April 2018 ⁽²⁾	909	1,469
Less: Short-term Debt	-	-
Liquidity	909	1,694
Capitalization	Q3 '14	PP (1)
Credit Agreement due July 2018	396	-
6.625% Senior Notes due 2019	350	350
6.900% Senior Notes due 2021	350	350
6.125% Senior Notes due 2022	-	600
6.900% Senior Notes due 2023	400	400
6.900% Senior Notes due 2024	500	500
Total Debt	1,996	2,200
Plus: Market Cap	2,472	2,472
Plus: Preferred Stock & Minority Interest	-	-
Less: Cash	(0)	(156)
Enterprise Value	4,462	4,477
EV/EBITDA	2.7x	2.7x
PP Net Debt/EBITDA ⁽²⁾	1.2x	1.2x
PP Total Debt/EBITDA ⁽²⁾	1.2x	1.2x

Company Description: SM Energy is involved in acquisition, exploration, development and production of crude oil, natural gas and natural liquids in onshore North America. The company had FY '13 reserves of 2.6Tcf and production of 796 mcf/d with 45% liquid eqv.

Debt Maturity	
FY14	-
FY15	-
FY16+	1,996

Reserve Description	2011	2012	2013
P Reserves - Nat Gas (Mmcf)	664,000	623,490	1,189,330
P Reserves - Liquids (MMbbl)	\$9,200	154,600	232,530
P Nat. Gas Equiv (Mmcf)	1,259,200	1,781,000	2,672,330
% Oil	53%	47%	49%
% Proved Developed	67%	57%	49%
Reserve Life (Years)	7.5	8.0	8.9
Reserve Replacement (All in)	317%	282%	418%
Reserve Replacement (O&B)	332%	389%	414%
PV of Reserves (\$m)	3,461	3,849	5,529

Hedges	%	\$ mcf
2014E	62%	8.45-9.93
2015E	34%	8.95-9.91

Regions: MS Corrib, Rocky Mountain, Permian, South Texas & Gulf coast

(1) PP for issue of 6.125% of Sr Notes with proceeds used to repay revolver and \$200M increase in revolver to \$1.5BN
(2) EBITDA PP for divestiture of Andalo basin assets during Q4 '13 and acquisition of \$329M of Williston assets during Q3 '14

Source: Deutsche Bank, Company data

Figure 129: Commodity Price Scenario Analysis: SM Energy Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$651	\$709	\$767	\$825	\$883	\$945	\$1,003
	\$40.0	\$795	\$854	\$912	\$970	\$1,028	\$1,090	\$1,148
	\$50.0	\$940	\$998	\$1,057	\$1,115	\$1,173	\$1,234	\$1,293
	\$60.0	\$1,085	\$1,143	\$1,202	\$1,260	\$1,318	\$1,379	\$1,438
	\$70.0	\$1,230	\$1,288	\$1,346	\$1,405	\$1,463	\$1,524	\$1,583
	\$80.0	\$1,375	\$1,433	\$1,491	\$1,549	\$1,608	\$1,669	\$1,728
	\$90.0	\$1,537	\$1,595	\$1,653	\$1,711	\$1,769	\$1,831	\$1,890

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$1,126)	(\$1,077)	(\$1,028)	(\$979)	(\$930)	(\$878)	(\$829)
	\$40.0	(\$1,004)	(\$955)	(\$906)	(\$857)	(\$808)	(\$756)	(\$706)
	\$50.0	(\$882)	(\$833)	(\$784)	(\$734)	(\$685)	(\$634)	(\$584)
	\$60.0	(\$759)	(\$710)	(\$661)	(\$612)	(\$563)	(\$511)	(\$462)
	\$70.0	(\$637)	(\$588)	(\$539)	(\$490)	(\$441)	(\$389)	(\$339)
	\$80.0	(\$515)	(\$466)	(\$417)	(\$367)	(\$318)	(\$267)	(\$217)
	\$90.0	(\$378)	(\$329)	(\$280)	(\$231)	(\$182)	(\$130)	(\$80)

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$47)	\$46	\$140	\$234	\$328	\$422	\$516
	\$40.0	\$189	\$283	\$377	\$471	\$565	\$658	\$752
	\$50.0	\$426	\$520	\$613	\$707	\$801	\$895	\$989
	\$60.0	\$662	\$756	\$850	\$944	\$1,038	\$1,132	\$1,225
	\$70.0	\$899	\$993	\$1,087	\$1,181	\$1,274	\$1,368	\$1,462
	\$80.0	\$1,136	\$1,230	\$1,323	\$1,417	\$1,511	\$1,605	\$1,699
	\$90.0	\$1,372	\$1,466	\$1,560	\$1,654	\$1,748	\$1,842	\$1,935

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	(\$1,386)	(\$1,299)	(\$1,212)	(\$1,125)	(\$1,038)	(\$951)	(\$864)
	\$40.0	(\$1,167)	(\$1,080)	(\$993)	(\$906)	(\$819)	(\$732)	(\$645)
	\$50.0	(\$948)	(\$861)	(\$774)	(\$687)	(\$600)	(\$513)	(\$426)
	\$60.0	(\$729)	(\$642)	(\$555)	(\$468)	(\$381)	(\$294)	(\$207)
	\$70.0	(\$510)	(\$423)	(\$336)	(\$249)	(\$163)	(\$75)	\$12
	\$80.0	(\$291)	(\$204)	(\$117)	(\$30)	\$56	\$144	\$231
	\$90.0	(\$70)	\$17	\$104	\$190	\$277	\$365	\$452

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	5.0x	4.5x	4.1x	3.8x	3.5x	3.2x	3.0x
	\$40.0	4.0x	3.6x	3.3x	3.1x	2.9x	2.7x	2.5x
	\$50.0	3.2x	3.0x	2.8x	2.6x	2.4x	2.2x	2.1x
	\$60.0	2.7x	2.5x	2.3x	2.2x	2.1x	1.9x	1.8x
	\$70.0	2.3x	2.1x	2.0x	1.9x	1.8x	1.7x	1.6x
	\$80.0	1.9x	1.8x	1.7x	1.6x	1.5x	1.4x	1.4x
	\$90.0	1.6x	1.6x	1.5x	1.4x	1.3x	1.2x	1.2x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$1.3	\$1.3	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
	\$40.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.1	\$1.1	\$1.1
	\$50.0	\$1.2	\$1.2	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1
	\$60.0	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.0	\$1.0
	\$70.0	\$1.1	\$1.1	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
	\$80.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$0.9	\$0.9
	\$90.0	\$1.0	\$1.0	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	98.7x	98.0x	31.4x	18.3x	12.6x	9.5x	7.5x
	\$40.0	22.9x	14.9x	10.8x	8.4x	6.7x	5.6x	4.7x
	\$50.0	9.4x	7.4x	6.1x	5.1x	4.3x	3.7x	3.2x
	\$60.0	5.5x	4.7x	4.0x	3.4x	3.0x	2.6x	2.3x
	\$70.0	3.7x	3.2x	2.8x	2.5x	2.2x	1.9x	1.7x
	\$80.0	2.6x	2.3x	2.0x	1.8x	1.6x	1.4x	1.3x
	\$90.0	1.9x	1.7x	1.5x	1.3x	1.2x	1.0x	0.9x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$1.6	\$1.8	\$1.7	\$1.7	\$1.6	\$1.6	\$1.5
	\$40.0	\$1.7	\$1.6	\$1.6	\$1.5	\$1.5	\$1.4	\$1.4
	\$50.0	\$1.6	\$1.5	\$1.4	\$1.4	\$1.3	\$1.3	\$1.2
	\$60.0	\$1.4	\$1.4	\$1.3	\$1.3	\$1.2	\$1.2	\$1.1
	\$70.0	\$1.3	\$1.2	\$1.2	\$1.1	\$1.1	\$1.0	\$1.0
	\$80.0	\$1.2	\$1.1	\$1.1	\$1.0	\$0.9	\$0.9	\$0.9
	\$90.0	\$1.0	\$1.0	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9

Source: Deutsche Bank, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX





Figure 130: Triangle Petroleum Financial Summary

Issue	Rating		Maturity		NC Date		NC Price		Year-ending	
	Cam1/CCC+		15-Jul-22	15-Jul-17	105.06				Jan-15	Jan-14
6.75% Senior Notes due 2022			Quarter-ending		LTM					
\$/Mn	Oct-15	Jan-14	Apr-14	Jul-14	Oct-14					
Revenue	89	86	100	142	174	502		60	259	
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-		-	-	
Net Revenue	89	86	100	142	174	502		60	259	
Operating Costs	53	53	56	77	106	295		54	155	
Realized Hedging Gain / (Loss)	(1)	(0)	(1)	(3)	(0)	(4)		-	(1)	
EBITDAX with Hedges	36	32	43	63	66	203		7	103	
DDA	19	20	21	27	33	101		15	57	
EBIT	16	12	22	36	33	103		(9)	46	
Interest	2	2	3	5	9	20		3	7	
EBT (excl others)	14	10	19	31	24	83		(1)	38	
Others	(2)	(42)	(6)	6	(21)	(63)		3	(43)	
One time charges	-	-	-	-	-	-		-	-	
EBT (incl others)	17	52	25	25	45	146		(14)	81	
Taxes	-	8	10	10	19	48		-	8	
Net Income	17	44	15	15	25	99		(14)	73	
LTM EBITDAX with Hedges	72	103	134	173	203	203		7	103	
LTM EBITDAX without Hedges	72	104	135	177	207	207		7	104	
WTI Crude (\$/Bbl)	\$104.33	\$95.59	\$101.09	\$103.10	\$89.23	\$97.25		\$93.76	\$97.95	
Henry Hub Natural Gas (\$/Mcf)	\$3.56	\$4.16	\$4.74	\$4.38	\$3.91	\$4.30		\$2.87	\$3.83	
Key Production Data										
Natural Gas Production (Mmcf)	197	300	441	494	654	1,889		188	626	
Realized Nat. Gas Price (\$/Mcf)	\$4.46	\$4.38	\$8.21	\$5.49	\$4.59	\$5.64		\$4.78	\$4.39	
Crude Oil Production (Mbbbl)	567	577	598	837	947	2,959		462	1,754	
Realized Oil Price (\$/Bbl)	\$83.10	\$79.58	\$89.51	\$87.67	\$78.68	\$85.59		\$85.29	\$87.61	
Company NGL Production (Mbbbl)	26	41	52	51	69	213		5	70	
Realized NGL Price (\$/Bbl)	\$38.64	\$52.95	\$54.87	\$35.29	\$32.34	\$42.42		\$36.01	\$46.72	
Total Equivalent Produced (boe)	626	667	724	971	1,125	3,487		488	1,929	
Total Equivalent Realized (\$/boe)	\$87.38	\$73.96	\$82.95	\$80.26	\$70.86	\$76.58		\$81.15	\$82.80	
Revenue & Operating Margins per Boe										
Realization	\$87.38	\$73.96	\$82.95	\$80.26	\$70.86	\$76.58		\$81.15	\$82.80	
Lifting Costs	\$18.51	\$15.68	\$15.49	\$15.38	\$14.43	\$15.29		\$16.88	\$17.35	
G&A	\$4.27	\$3.94	\$4.57	\$4.33	\$3.84	\$4.32		\$3.91	\$4.62	
DD&A	\$26.89	\$26.23	\$25.72	\$24.15	\$24.88	\$25.11		\$28.59	\$26.47	
Operating Income	\$37.71	\$28.11	\$37.16	\$35.30	\$27.70	\$31.86		\$30.76	\$34.37	
Interest	\$3.10	\$3.27	\$3.88	\$5.50	\$6.38	\$5.66		\$5.50	\$3.88	
3-yr avg. F&D all (in acq)	\$21.58	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50		\$21.08	\$17.50	
3-yr avg. F&D all (excl acq)	\$13.25	\$15.11	\$15.11	\$15.11	\$15.11	\$15.11		\$13.25	\$15.11	
Full cycle costs	\$46.96	\$40.39	\$41.44	\$43.81	\$44.15	\$42.77		\$79.37	\$49.35	
Free Cash Flow:										
EBITDAX with Hedges	35	32	43	63	66	203		7	103	
Current Taxes	-	-	-	(1)	-	(1)		-	-	
Capex - Exploration & Development	(164)	(107)	(78)	(203)	(70)	(458)		(136)	(491)	
Capex - Other Property & Equipment	(11)	(7)	(14)	(14)	(26)	(60)		(31)	(39)	
Total Capex	(175)	(114)	(92)	(217)	(96)	(518)		(167)	(440)	
Change in Net Working Capital	(54)	32	(3)	(38)	(26)	(96)		(1)	(28)	
Cash Available for Debt Service	(194)	(50)	(52)	(193)	(56)	(352)		(171)	(365)	
Interest (Excl. Capitalized Interest)	1	(1)	2	3	1	5		0	1	
Free Cash Flow	(190)	(49)	(54)	(197)	(57)	(350)		(171)	(360)	
Acquisitions/Investment in Associated Companies	-	(17)	-	-	-	(17)		(12)	(26)	
Disposal of Assets	-	-	-	-	2	2		3	-	
Free Cash Flow Incl Asset Sales	(190)	(66)	(54)	(197)	(55)	(350)		(168)	(330)	
Balance Sheet Data										
Cash	100	82	105	108	53	53		33	82	
Debt										
- Credit Facilities	165	205	203	40	85	85		25	205	
- Senior Notes & Other	134	139	140	593	594	594		123	139	
Long Term Debt	299	343	423	632	679	679		148	343	
ToY Growth Statistics										
Revenue Growth (Including Realized Hedging Gain)	282%	286%	190%	175%	98%	156%		642%	327%	
Production Growth	396%	246%	200%	148%	80%	295%		416%	295%	
LTM Credit Statistics										
EBITDAX/Cash Interest (incl. Capitalized Interest)	20.6x	46.2x	30.2x	26.1x	25.8x	25.8x		87.6x	46.2x	
Sr. Sec debt/EBITDAX	2.4x	2.1x	2.2x	0.3x	0.4x	0.4x		3.8x	2.1x	
Debt/EBITDAX	4.2x	3.3x	3.1x	3.7x	3.3x	3.3x		22.5x	3.3x	
Net Debt/EBITDAX	2.8x	2.5x	2.4x	3.0x	3.1x	3.1x		17.5x	2.5x	
Debt/Proved Reserves (\$/Boe)	\$20.42	\$8.51	\$10.49	\$15.69	\$16.83	\$16.83		\$10.11	\$8.51	
Debt/Proved Developed Reserves (\$/Boe)	\$50.88	\$20.19	\$24.88	\$37.21	\$39.93	\$39.93		\$24.80	\$20.19	
Liquidity Capitalization	Oct-14									
Cash & Marketable Securities	53									
TUSA Credit Agreement due 2018	382									
Rockpile Credit Agreement 2019	48									
Less Short term Debt	(0)									
Liquidity	483									
Capitalization	Oct-14									
TUSA Credit Agreement due 2018	33.0									
Rockpile Credit Agreement 2019	52									
Others	10									
Total Secured Debt	94									
6.75% Senior Notes due 2022	450									
5% Convertible Notes	134									
Total Debt	679									
Net Debt	625									
Minority Interest & Others	-									
Market Cap	373									
Enterprise Value	999									
EV/EBITDAX ⁽¹⁾	4.3x									
Net Debt/EBITDAX ⁽¹⁾	2.7x									
<small>(1) EBITDAX adjusted for Wilton acquisition</small>										

Company Description:
Triangle Petroleum Corporation (TPLM) is engaged in providing upstream, midstream and oil gas services with its operations focused in Williston basin. TPLM operates its oil & gas services under Rockpile Energy Services which was formed in June 2011 and midstream services through Caliber Midstream Partners, formed in September in 2012.

Regions
Bakken

Reserve Description	Jan-15	Jan-14
P Reserves - Nat Gas (Mmcf)	13	27
P Reserves - Liquids (Mbbbl)	13	36
P Nat. Gas Equivalent (boe)	15	40
% Gas	14%	11%
% Proved Developed	41%	42%
Reserve Life (Years)	8	0
Reserve Replacement (All in)	2812%	1465%
Reserve Replacement (Drill Bit)	2759%	1029%
PV of Reserves (\$Mn)	225	678

Hedges	%	\$ m/cfe
Year-ending		
Jan-15	50%	14.57 - 16.54
Jan-16	46%	14.5 - 16.67

Debt Maturity	Year-ending
Year-ending	

Source: Deutsche Bank, Company data

Figure 131: Commodity Price Scenario Analysis: Triangle Petroleum Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	\$185	\$186	\$188	\$189	\$191	\$193	\$194
	\$40.0	\$196	\$198	\$199	\$201	\$202	\$204	\$206
	\$50.0	\$208	\$209	\$211	\$212	\$214	\$216	\$217
	\$60.0	\$219	\$221	\$222	\$224	\$225	\$227	\$229
	\$70.0	\$231	\$232	\$234	\$235	\$237	\$239	\$240
	\$80.0	\$242	\$244	\$245	\$247	\$248	\$250	\$252
	\$90.0	\$260	\$262	\$263	\$265	\$266	\$268	\$270

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	(\$227)	(\$225)	(\$224)	(\$223)	(\$221)	(\$220)	(\$219)
	\$40.0	(\$217)	(\$215)	(\$214)	(\$213)	(\$211)	(\$210)	(\$209)
	\$50.0	(\$207)	(\$206)	(\$204)	(\$203)	(\$202)	(\$200)	(\$199)
	\$60.0	(\$197)	(\$196)	(\$194)	(\$193)	(\$192)	(\$191)	(\$189)
	\$70.0	(\$187)	(\$186)	(\$185)	(\$183)	(\$182)	(\$181)	(\$179)
	\$80.0	(\$177)	(\$176)	(\$175)	(\$174)	(\$172)	(\$171)	(\$170)
	\$90.0	(\$163)	(\$162)	(\$160)	(\$159)	(\$158)	(\$156)	(\$155)

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	\$159	\$160	\$162	\$163	\$165	\$166	\$168
	\$40.0	\$176	\$178	\$179	\$181	\$182	\$184	\$185
	\$50.0	\$194	\$195	\$197	\$198	\$200	\$201	\$203
	\$60.0	\$211	\$212	\$214	\$216	\$217	\$219	\$220
	\$70.0	\$228	\$230	\$231	\$233	\$235	\$236	\$238
	\$80.0	\$246	\$247	\$249	\$250	\$252	\$253	\$255
	\$90.0	\$268	\$269	\$271	\$273	\$274	\$276	\$277

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	(\$101)	(\$99)	(\$97)	(\$96)	(\$94)	(\$93)	(\$91)
	\$40.0	(\$88)	(\$87)	(\$85)	(\$84)	(\$82)	(\$80)	(\$79)
	\$50.0	(\$76)	(\$74)	(\$73)	(\$71)	(\$70)	(\$68)	(\$67)
	\$60.0	(\$63)	(\$62)	(\$60)	(\$59)	(\$57)	(\$56)	(\$54)
	\$70.0	(\$51)	(\$49)	(\$48)	(\$46)	(\$45)	(\$43)	(\$42)
	\$80.0	(\$39)	(\$37)	(\$36)	(\$34)	(\$32)	(\$31)	(\$29)
	\$90.0	(\$20)	(\$19)	(\$17)	(\$16)	(\$14)	(\$12)	(\$11)

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	4.8x	4.8x	4.7x	4.7x	4.6x	4.6x	4.5x
	\$40.0	4.5x	4.4x	4.4x	4.4x	4.3x	4.3x	4.2x
	\$50.0	4.2x	4.2x	4.1x	4.1x	4.0x	4.0x	4.0x
	\$60.0	3.9x	3.9x	3.9x	3.8x	3.8x	3.8x	3.7x
	\$70.0	3.7x	3.7x	3.6x	3.6x	3.6x	3.5x	3.5x
	\$80.0	3.5x	3.4x	3.4x	3.4x	3.4x	3.3x	3.3x
	\$90.0	3.2x	3.2x	3.1x	3.1x	3.1x	3.1x	3.0x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1
	\$40.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0
	\$50.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0
	\$60.0	\$4.0	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9
	\$70.0	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9
	\$80.0	\$3.9	\$3.9	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8
	\$90.0	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	6.2x	6.1x	6.0x	6.0x	5.9x	5.8x	5.7x
	\$40.0	5.4x	5.4x	5.3x	5.3x	5.2x	5.1x	5.1x
	\$50.0	4.8x	4.8x	4.7x	4.7x	4.6x	4.6x	4.5x
	\$60.0	4.3x	4.3x	4.2x	4.2x	4.2x	4.1x	4.1x
	\$70.0	3.9x	3.9x	3.8x	3.8x	3.8x	3.7x	3.7x
	\$80.0	3.5x	3.5x	3.5x	3.4x	3.4x	3.4x	3.3x
	\$90.0	3.1x	3.1x	3.1x	3.0x	3.0x	3.0x	3.0x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/boe)	\$30.0	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5	\$4.4	\$4.4
	\$40.0	\$4.4	\$4.4	\$4.4	\$4.4	\$4.3	\$4.3	\$4.3
	\$50.0	\$4.3	\$4.3	\$4.3	\$4.3	\$4.2	\$4.2	\$4.2
	\$60.0	\$4.2	\$4.2	\$4.2	\$4.2	\$4.1	\$4.1	\$4.1
	\$70.0	\$4.1	\$4.1	\$4.1	\$4.1	\$4.0	\$4.0	\$4.0
	\$80.0	\$4.0	\$4.0	\$4.0	\$4.0	\$3.9	\$3.9	\$3.9
	\$90.0	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8

Source: Deutsche Bank, Bloomberg Finance LP
For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX





Figure 132: Tullow Oil Financial Summary

Issue	Rating	Maturity	NC Date	MC Price					
6.00% Sr Notes due 2020	BBB+	1-Nov-20	1-Nov-16	103.00					
6.25% Sr Notes due 2022	BBB+	15-Apr-22	15-Apr-17	104.69					
\$ Bn	1H 12	2H 12	1H 13	2H 13	1H 14	LTM	2011	2012	2013
Revenue	1,167	1,177	1,347	1,300	1,295	2,585	2,304	2,344	2,647
Realized Hedging Gain / (Loss) - Cash Flow Hedges	-	-	-	-	-	-	-	-	-
Net Revenue	1,167	1,177	1,347	1,300	1,295	2,585	2,304	2,344	2,647
Operating Costs	307	291	341	439	387	828	486	597	793
Realized Hedging Gain / (Loss)	-	-	-	-	-	-	-	-	-
EBITDAX with Hedges	861	886	1,006	861	877	1,738	1,818	1,747	1,867
DDA	277	285	323	359	324	593	524	562	592
EBIT	583	602	683	502	553	1,145	1,294	1,185	1,275
Interest	26	24	25	23	47	79	86	49	48
EBT (excl others)	558	578	658	479	506	1,075	1,198	1,136	1,227
Other (Income)/Expense	(196)	145	165	726	535	1,281	91	(12)	893
One time charges	-	31	7	45	-	45	24	31	53
EBT (incl others)	714	402	486	(202)	(25)	(23)	1,073	1,118	284
Taxes	262	188	173	(75)	67	(8)	364	455	97
Net Income	452	214	313	(127)	(95)	(22)	689	666	187
LTM EBITDAX with Hedges	1,807	1,747	1,892	1,867	1,738	1,738	1,818	1,747	1,867
LTM EBITDAX without Hedges	1,807	1,747	1,892	1,867	1,738	1,738	1,818	1,747	1,867
Actual Brent Crude (\$/bbl)	114.27	109.76	108.14	106.00	106.50	106.25	110.91	112.92	107.07
WSP Natural Gas (\$/mcf)	9.08	10.03	9.87	10.68	9.62	9.69	9.35	9.55	10.27
Key Production (Working Interest) Data									
Company Natural Gas production (mmcf)	24,588	26,759	20,996	19,572	16,177	35,749	43,046	45,347	40,568
Realized Natural Gas Price (\$/mcf)	9.05	9.29	9.90	10.16	9.01	9.64	8.80	9.17	10.03
Company Oil Production (Mbbbl)	9,992	11,419	12,525	11,447	11,494	22,941	21,207	21,411	23,972
Realized Oil Price (\$/bbl)	110.70	105.33	105.50	105.90	106.70	106.30	108.00	108.00	105.70
Company NGL Production (Mbbbl)	NA	NA	NA	NA	NA	NA	NA	NA	NA
Realized NGL Price (\$/bbl)	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Equivalent Produced (Mboe)	14,090	14,879	16,025	14,708	14,190	28,899	28,531	28,969	30,733
Total Equivalent Sales (Mboe)	12,358	12,530	14,299	12,755	13,249	26,094	24,382	24,888	27,054
Total Equivalent Realized (\$/boe)	94.30	90.79	95.43	95.93	96.69	96.32	93.84	94.18	95.69
Revenue & Operating Margins per Boe									
Realization	\$94.30	\$93.79	\$95.43	\$95.93	\$96.69	\$96.31	\$93.84	\$94.18	\$95.69
Lifting Costs	\$14.96	\$13.11	\$15.78	\$21.03	\$18.83	\$19.95	\$12.74	\$14.82	\$16.28
G&A	\$8.77	\$6.44	\$5.53	\$8.83	\$8.46	\$8.65	\$4.39	\$6.80	\$7.11
DD&A	\$19.69	\$19.12	\$20.18	\$18.28	\$22.84	\$20.52	\$18.71	\$19.40	\$19.20
Operating Income	\$52.88	\$55.13	\$53.88	\$47.79	\$48.57	\$47.19	\$58.99	\$54.16	\$61.04
Interest	\$1.88	\$2.18	\$2.00	\$4.05	\$3.04	\$3.94	\$4.31	\$2.94	\$2.98
3-yr avg. F&D all (in acq)	NA	NA	NA	NA	NA	NA	NA	NA	NA
3-yr avg. F&D all (incl acq)	NA	NA	NA	NA	NA	NA	NA	NA	NA
Full cycle costs	NA	NA	NA	NA	NA	NA	NA	NA	NA
Free Cash Flow									
EBITDAX with Hedges	861	886	1,006	861	877	1,738	1,818	1,747	1,867
Current Taxes	(204)	(83)	(291)	39	(162)	(123)	(172)	(264)	(252)
Total Capex (excl. capitalized interest)	(980)	(952)	(847)	(1,763)	(1,196)	(2,358)	(1,694)	(1,648)	(2,099)
Change in Net Working Capital	(12)	20	15	82	(176)	(97)	71	8	97
Cash Available for Debt Service	(254)	(106)	(117)	(182)	(656)	(643)	63	(258)	(299)
Interest (incl. Capitalized Interest)	50	53	55	48	85	134	219	103	154
Free Cash Flow	(304)	(159)	(172)	(230)	(740)	(973)	(147)	(463)	(442)
Acquisitions	-	-	(202)	-	-	-	(404)	-	(292)
Free Cash Flow Incl Acquisitions	(304)	(159)	(374)	(230)	(740)	(973)	(551)	(463)	(734)
Disposal of Assets	2,598	2	-	80	(37)	43	2	2,579	89
Free Cash Flow Incl Asset Sales	2,294	(157)	(172)	(150)	(790)	(930)	(144)	2,116	(322)
Balance Sheet Data									
Cash	417	330	560	353	411	411	367	330	363
Debt	-	-	-	-	-	-	-	-	-
- Senior Notes & Other	67	145	128	1,255	1,203	1,203	85	145	751
- Credit Facilities	1,046	1,174	2,161	1,510	1,913	1,913	3,076	5,174	1,510
Long Term Debt	1,113	1,319	2,289	2,765	3,116	3,116	3,161	5,319	2,261
YoY Growth Statistics									
Revenue Growth (including Realized Hedging Gain)	10%	5%	15%	10%	4%	2%	NA	2%	13%
Production Growth	4%	0%	14%	-1%	-11%	-3%	NA	2%	6%
LTM Credit Statistics									
EBITDAX/Cash Interest (incl. Capitalized Interest)	11.8x	16.9x	17.5x	18.2x	13.3x	13.0x	8.6x	16.0x	18.0x
Sr. Sec Debt/EBITDA	0.6x	0.7x	1.1x	0.8x	1.1x	1.1x	1.7x	0.7x	0.8x
Debt/EBITDAX	0.7x	0.8x	1.2x	1.2x	1.8x	1.8x	1.7x	1.3x	2.2x
Net Debt/EBITDAX	0.5x	0.6x	0.9x	1.0x	1.6x	1.6x	1.6x	1.1x	2.0x
Debt/OP Reserves (\$/Boe)	\$3.74	\$3.40	\$5.99	\$5.91	\$8.15	NA	\$10.62	\$3.40	\$5.91

Liquidity Capitalization	1H 14
Cash & Marketable Securities	411
Credit Agreement - RBL	1,898
Other revolver	432
Less Short term Debt	(198)
Liquidity	2,953
Capitalization	1H 14
Credit Agreement - RBL	1,632
Credit Agreement - Corporate	-
Credit Agreement - Nonrecourse	281
6.0% Sr Notes due 2020	644
6.25% Sr Notes due 2022	650
Others	(91)
Total Debt	3,116
Plus: Market Cap	5,615
Plus: Preferred Stock & Minority Interest	89
Less: Cash	(411)
Enterprise Value	8,409
EV/EBITDA	4.5x
Net Debt/EBITDAX	1.6x
Total Debt/EBITDAX	1.8x

Company Description:	Tullow Oil (TLW) is involved in exploration and production of oil and gas. The company is based out of Europe with assets across Africa, Europe, South America and Asia. TLW is leading independent oil company in Africa with discoveries in Kenya, Ghana and Uganda. The company has over 150 licenses in more than 20 countries and has 68 producing fields. TLW had FY 12 revenue of \$2.38B and working interest production of 1.79 Mboe/d.
Debt	
FY 14	153
FY 15	-
FY 16+	2,968

2P Reserves	2011	2012	2013
2P Reserves - Nat Gas (mmcf)	321,700	282,400	330,500
2P Reserves - Liquid (Mbbbl)	244,000	341,000	327,300
2P Oil Equivalent (Mboe)	297,617	388,067	382,383
% Gas	16%	12%	14%
% Proved Developed	NA	NA	NA
Reserve Life (Years)	1.7	2.2	2.1
Reserve Replacement (All In)	78%	388%	126%
Reserve Replacement (Diluted)	0%	388%	86%
PV of Reserves (\$/m)	NA	NA	NA

Hedges	%	\$ mte
2014E	53%	17.29 - 17.39

Regions	Africa
Asia	
Europe	
South America	

Source: Deutsche Bank, Company data

Figure 133: Commodity Price Scenario Analysis: Tullow Oil Sensitivity Based on Bloomberg Consensus

FY 15E EBITDA (\$ Million)								
NBP Natural Gas (pence / therm)								
	\$15.00	\$25.00	\$35.00	\$45.00	\$55.00	\$65.00	\$75.00	
Brent Oil (\$/boe)	\$35.0	\$928	\$963	\$998	\$1,032	\$1,067	\$1,102	\$1,137
	\$45.0	\$1,009	\$1,043	\$1,078	\$1,113	\$1,147	\$1,182	\$1,217
	\$55.0	\$1,089	\$1,124	\$1,158	\$1,193	\$1,228	\$1,262	\$1,297
	\$65.0	\$1,169	\$1,204	\$1,239	\$1,273	\$1,308	\$1,343	\$1,378
	\$75.0	\$1,250	\$1,284	\$1,319	\$1,354	\$1,388	\$1,423	\$1,458
	\$85.0	\$1,330	\$1,365	\$1,399	\$1,434	\$1,469	\$1,503	\$1,538
	\$95.0	\$1,410	\$1,445	\$1,480	\$1,514	\$1,549	\$1,584	\$1,619

FY 15E FCF (\$ Million)								
NBP Natural Gas (pence / therm)								
	\$15.00	\$25.00	\$35.00	\$45.00	\$55.00	\$65.00	\$75.00	
Brent Oil (\$/boe)	\$35.0	(\$990)	(\$963)	(\$936)	(\$909)	(\$883)	(\$856)	(\$829)
	\$45.0	(\$936)	(\$909)	(\$882)	(\$855)	(\$829)	(\$802)	(\$775)
	\$55.0	(\$882)	(\$855)	(\$828)	(\$802)	(\$775)	(\$748)	(\$721)
	\$65.0	(\$828)	(\$801)	(\$774)	(\$748)	(\$721)	(\$694)	(\$667)
	\$75.0	(\$774)	(\$747)	(\$720)	(\$694)	(\$667)	(\$640)	(\$614)
	\$85.0	(\$720)	(\$693)	(\$666)	(\$640)	(\$613)	(\$586)	(\$560)
	\$95.0	(\$666)	(\$639)	(\$613)	(\$586)	(\$559)	(\$532)	(\$506)

FY 16E EBITDA (\$ Million)								
NBP Natural Gas (pence / therm)								
	\$15.00	\$25.00	\$35.00	\$45.00	\$55.00	\$65.00	\$75.00	
Brent Oil (\$/boe)	\$35.0	\$490	\$528	\$566	\$603	\$641	\$679	\$716
	\$45.0	\$627	\$665	\$703	\$740	\$778	\$816	\$853
	\$55.0	\$764	\$802	\$840	\$877	\$915	\$953	\$990
	\$65.0	\$901	\$939	\$977	\$1,014	\$1,052	\$1,090	\$1,127
	\$75.0	\$1,038	\$1,076	\$1,113	\$1,151	\$1,189	\$1,226	\$1,264
	\$85.0	\$1,175	\$1,213	\$1,250	\$1,288	\$1,326	\$1,363	\$1,401
	\$95.0	\$1,312	\$1,350	\$1,387	\$1,425	\$1,463	\$1,500	\$1,538

FY 16E FCF (\$ Million)								
NBP Natural Gas (pence / therm)								
	\$15.00	\$25.00	\$35.00	\$45.00	\$55.00	\$65.00	\$75.00	
Brent Oil (\$/boe)	\$35.0	(\$993)	(\$965)	(\$937)	(\$909)	(\$881)	(\$853)	(\$825)
	\$45.0	(\$291)	(\$263)	(\$235)	(\$207)	(\$179)	(\$151)	(\$123)
	\$55.0	(\$189)	(\$161)	(\$133)	(\$105)	(\$77)	(\$49)	(\$21)
	\$65.0	(\$86)	(\$59)	(\$31)	(\$3)	\$25	\$53	\$81
	\$75.0	\$16	\$44	\$72	\$99	\$127	\$155	\$183
	\$85.0	\$118	\$146	\$174	\$202	\$230	\$257	\$285
	\$95.0	\$220	\$248	\$276	\$304	\$332	\$360	\$387

FY 15E Net Leverage								
NBP Natural Gas (pence / therm)								
	\$15.00	\$25.00	\$35.00	\$45.00	\$55.00	\$65.00	\$75.00	
Brent Oil (\$/boe)	\$35.0	4.9x	4.7x	4.5x	4.3x	4.2x	4.0x	3.9x
	\$45.0	4.5x	4.3x	4.1x	4.0x	3.8x	3.7x	3.6x
	\$55.0	4.1x	3.9x	3.8x	3.7x	3.5x	3.4x	3.3x
	\$65.0	3.8x	3.6x	3.5x	3.4x	3.3x	3.2x	3.1x
	\$75.0	3.5x	3.4x	3.3x	3.2x	3.1x	3.0x	2.9x
	\$85.0	3.2x	3.1x	3.0x	2.9x	2.9x	2.8x	2.7x
	\$95.0	3.0x	2.9x	2.8x	2.7x	2.7x	2.6x	2.5x

FY 15E Debt/Proved Reserves (\$/Mcf)								
NBP Natural Gas (pence / therm)								
	\$15.00	\$25.00	\$35.00	\$45.00	\$55.00	\$65.00	\$75.00	
Brent Oil (\$/boe)	\$35.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$1.9	\$1.9
	\$45.0	\$2.0	\$2.0	\$2.0	\$1.9	\$1.9	\$1.9	\$1.9
	\$55.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9
	\$65.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9
	\$75.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.8	\$1.8
	\$85.0	\$1.9	\$1.9	\$1.9	\$1.8	\$1.8	\$1.8	\$1.8
	\$95.0	\$1.9	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8

FY 16E Net Leverage								
NBP Natural Gas (pence / therm)								
	\$15.00	\$25.00	\$35.00	\$45.00	\$55.00	\$65.00	\$75.00	
Brent Oil (\$/boe)	\$35.0	9.9x	9.1x	8.4x	7.8x	7.2x	6.7x	6.3x
	\$45.0	7.5x	7.0x	6.5x	6.1x	5.8x	5.4x	5.1x
	\$55.0	6.0x	5.6x	5.3x	5.0x	4.7x	4.5x	4.3x
	\$65.0	4.9x	4.6x	4.4x	4.2x	4.0x	3.8x	3.6x
	\$75.0	4.1x	3.9x	3.7x	3.6x	3.4x	3.3x	3.1x
	\$85.0	3.5x	3.4x	3.2x	3.1x	2.9x	2.8x	2.7x
	\$95.0	3.0x	2.9x	2.8x	2.7x	2.6x	2.5x	2.4x

FY 16E Debt/Proved Reserves (\$/Mcf)								
NBP Natural Gas (pence / therm)								
	\$15.00	\$25.00	\$35.00	\$45.00	\$55.00	\$65.00	\$75.00	
Brent Oil (\$/boe)	\$35.0	\$2.1	\$2.1	\$2.1	\$2.0	\$2.0	\$2.0	\$2.0
	\$45.0	\$2.1	\$2.0	\$2.0	\$2.0	\$2.0	\$1.9	\$1.9
	\$55.0	\$2.0	\$2.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9
	\$65.0	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.8	\$1.8
	\$75.0	\$1.9	\$1.8	\$1.8	\$1.8	\$1.8	\$1.7	\$1.7
	\$85.0	\$1.8	\$1.8	\$1.8	\$1.7	\$1.7	\$1.7	\$1.7
	\$95.0	\$1.7	\$1.7	\$1.7	\$1.7	\$1.6	\$1.6	\$1.6

Source: Deutsche Bank, Bloomberg Finance LP

For the following companies not covered by DB High Yield, the forecasts figures reflect Bloomberg consensus estimates only: AMEPER,AR,BCEI,CXO,FANG,EPE,LTSCN,MHR,MPO,OAS,PE,PVA,ROSE,SN,SEVGEN,SM,TPLM,TLW and WPX





Figure 134: WPX Energy Financial Summary

Issue	Rating	Maturity	NC Date	NC Price					
5.25% Sr. Unsecured Notes	Ba1 (Stable)/BB-(Neg)	15-Jun-17	MW-50	MW-50					
6.00% Sr. Unsecured Notes	Ba1 (Stable)/BB-(Neg)	15-Jun-22	15-Oct-21	100.00					
5.25% Sr. Unsecured Notes	Ba1 (Stable)/BB-(Neg)	15-Sep-24	15-Jun-24	100.00					
\$ Mln	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	LTM	2011	2012	2013
Revenue	673	750	1,182	831	646	3,406	3,959	3,111	2,885
Realized Hedging Gain / (Loss) - Cash Flow Hedges	(2)	(4)	(168)	(17)	15	(174)	29	45	(17)
Net Revenue	671	746	1,014	814	661	3,232	3,988	3,156	2,868
Operating Costs	503	569	698	523	434	2,224	2,693	2,195	2,128
Realized Hedging Gain / (Loss)	-	-	-	-	-	-	-	-	-
EBITDAX with Hedges	168	177	316	291	227	1,011	1,295	961	740
COA	241	232	207	215	213	867	949	966	931
EBIT	(73)	(55)	109	76	14	144	346	(5)	(191)
Interest	26	25	29	27	30	111	106	94	100
EBT (excl others)	(99)	(80)	80	49	(16)	33	238	(99)	(294)
Others	30	439	38	250	(105)	622	106	128	497
One time charges	19	1,036	-	-	-	1,036	547	117	1,055
EBT(incl others)	(148)	(1,555)	42	(201)	89	(1,625)	(417)	(344)	(1,846)
Taxes	(32)	(571)	23	(68)	28	(588)	(145)	(111)	(655)
Net Income	(116)	(944)	19	(133)	61	(1,037)	(272)	(233)	(1,191)
LTM EBITDAX with Hedges	813	740	961	952	1,011	1,811	1,286	961	740
LTM EBITDAX without Hedges	815	757	1,055	1,143	1,185	1,865	1,266	916	757
WTI Crude (\$/Bbl)	\$100.61	\$97.61	\$95.61	\$102.99	\$97.25	\$99.12	\$94.99	\$91.62	\$96.72
Henry Hub Natural Gas (\$/Mcf)	\$3.60	\$3.85	\$4.72	\$4.58	\$3.95	\$4.28	\$4.03	\$2.92	\$3.73
Key Production Data									
Natural Gas Production (mmcf)	93,099	89,332	87,711	87,815	69,706	334,564	420,945	404,641	365,956
Realized Nat. Gas Price (\$/Mcf)	2.7	2.9	3.9	3.6	3.6	3.5	NA	NA	\$2.98
Crude Oil Production (MMbbls)	2,059	2,226	2,204	2,639	2,509	10,009	4,658	6,624	7,990
Realized Oil Price (\$/Bbl)	97.9	85.5	86.2	89.2	89.2	87.7	NA	NA	\$90.19
NGL Production (MMbbls)	1,853	1,849	1,628	1,668	1,593	6,725	\$10,237	\$10,620	\$7,637
Realized NGL Price (\$/Bbl)	31.2	30.3	36.3	33.6	33.6	34.6	NA	NA	\$30.68
Total Production (Mcf)	116,571	113,786	110,793	113,641	96,897	435,626	511,510	500,196	459,721
Total Equivalent Realized (\$/mcf)	\$4.40	\$4.47	\$5.35	\$5.36	\$5.86	\$5.24	\$4.98	\$4.27	\$4.45
Revenue & Operating Margins per Mcf									
Realization	\$4.40	\$4.47	\$5.35	\$5.36	\$5.86	\$5.24	\$4.98	\$4.27	\$4.45
Lifting Costs	\$1.01	\$0.98	\$1.14	\$1.05	\$1.17	\$1.08	\$0.85	\$0.78	\$0.98
CO&A	\$2.07	\$2.04	\$1.87	\$1.89	\$2.20	\$1.99	\$1.86	\$1.90	\$2.03
G&A	\$0.58	\$0.65	\$0.65	\$0.65	\$0.77	\$0.68	\$0.56	\$0.56	\$0.63
Operating Income	\$0.73	\$0.79	\$1.70	\$1.77	\$1.72	\$1.48	\$1.72	\$1.03	\$0.82
Interest Expense (incl. Preferred Div.)	\$0.22	\$0.22	\$0.26	\$0.24	\$0.31	\$0.26	\$0.21	\$0.18	\$0.22
3 Yr Avg. FD&A ⁽¹⁾	\$3.67	\$3.39	\$3.39	\$3.39	\$3.39	\$3.39	\$2.76	\$3.67	\$3.39
3 Yr Avg. F&D ⁽²⁾	\$2.19	\$2.78	\$2.78	\$2.78	\$2.78	\$2.78	\$1.91	\$2.19	\$2.78
Full cycle costs	\$5.49	\$5.25	\$5.44	\$5.32	\$5.64	\$5.40	\$4.38	\$5.20	\$5.22
Free Cash Flow:									
EBITDAX with Hedges	168	177	316	291	227	1,011	1,295	961	740
Current Taxes	29	(17)	(2)	(31)	(5)	(55)	174	-	-
Total Capex	(295)	(242)	(352)	(376)	(397)	(1,520)	(1,872)	(1,621)	(1,166)
Change in Net Working Capital	69	48	(59)	71	(94)	(24)	23	(71)	58
Cash Available for Debt Service	(21)	(54)	(95)	(45)	(45)	(855)	(80)	(631)	(307)
Interest (Excl. Capitalized Interest)	(26)	(21)	(29)	(27)	(30)	(107)	(106)	(88)	(99)
Free Cash Flow	(57)	(75)	(128)	(72)	(489)	(762)	(188)	(719)	(466)
Disposal of Assets	-	(10)	-	338	51	379	15	310	-
Free Cash Flow Incl Asset Sales	(57)	(85)	(128)	266	(438)	(383)	(173)	(409)	(466)
Balance Sheet Data									
Cash & Short Term Investments	108	99	58	105	65	65	526	153	99
Debt									
Senior Notes & Other	1,506	1,506	1,509	1,509	2,007	2,607	1,503	1,508	1,506
Credit Facilities	270	410	535	290	45	45	-	-	410
Long Term Debt	1,776	1,916	2,044	1,799	2,052	2,652	1,503	1,508	1,916
YoY Growth Statistics									
Revenue Growth (Including Realized Hedging Gain)	-5%	-9%	38%	14%	-1%	10%	-1%	-21%	-9%
Production Growth	-7%	-7%	-3%	-1%	-17%	-7%	9%	-1%	-10%
LTM Credit Statistics									
EBITDAX/Cash Interest (incl. Capitalized Interest)	7.7x	7.0x	7.9x	8.8x	9.1x	9.1x	11.1x	9.9x	7.0x
Debt/EBITDAX	2.2x	2.6x	2.4x	1.9x	2.0x	2.0x	1.2x	1.6x	2.6x
Net Debt/EBITDAX	2.1x	2.5x	2.3x	1.8x	2.0x	2.0x	0.8x	1.4x	2.5x
Debt/Proved Reserves (\$/Mcf)	\$0.40	\$0.40	\$0.43	\$0.38	\$0.43	\$0.43	\$0.30	\$0.34	\$0.40
Debt/Proved Developed Reserves (\$/Mcf)	\$0.66	\$0.69	\$0.74	\$0.65	\$0.74	\$0.74	\$0.50	\$0.56	\$0.63

Liquidity Capitalization	Q3 '14	PF(2)
Cash & Marketable Securities	65	614
Revolving Credit Facility	931	931
Less Short-term Debt	(5)	(5)
Liquidity	991	1,540
Capitalization	Q3 '14	PF(2)
Revolving Credit Facility	45	-
5.25% Sr. Unsecured Notes '17	400	400
6.00% Sr. Unsecured Notes '22	1,100	1,100
5.25% Sr. Unsecured Notes '24	500	500
Others	7	7
Total Debt	2,052	2,007
Net Debt	1,967	1,393
Minority Interest & Others	108	108
Total Equity	2,390	2,390
Enterprise Value	4,485	3,891
Net Debt/FF EBITDAX⁽³⁾	2.0x	1.8x

Company Description:
WPX is an independent natural gas and oil exploration and production company. As of December 31, 2013, WPX proved reserves were 4,761 Bcfe, 58% of which were proved developed reserves. WPX owns 69% of Apco, which holds oil and gas concessions in Argentina and Colombia.

Regions
Rocky Mountain, North Dakota
Pennsylvania, Wyoming
Southwest US, Argentina and Colombia

Debt Maturity
FY14 5
FY15 -
FY16 2,047

Reserve Description	2011	2012	2013
P Reserves - Nat Gas (mmcf)	3,982,935	3,369,073	3,623,753
P Reserves - Liquids (mmbbls)	181,200	186,906	188,645
P Nat. Gas Equivalent (mmcf)	5,070,135	4,400,509	4,701,623
% Gas	79%	75%	78%
% Proved Developed	59%	60%	58%
Reserve Life (Years)	9.9	9.4	9.0
Reserve Replacement (All in)	183%	50%	89%
Reserve Replacement (Drill Bit)	184%	101%	90%
PV of Reserves (\$mn)	5,747	2,958	4,353

Hedges	%	\$ mcf
2014E	55%	5.7-5.98
2015E	45%	8.07-7.77

(1) FDSM cost is based only on domestic reserves which is ~34% of total proved reserves
(2) PF for E2MM debt issue; (i) E2MM of non-operated international holdings and (ii) E200M of Marcellus asset sale
(3) Earnings adjusted for the sale of working interest in Poconos for \$355M during Q2 '14

Source: Deutsche Bank, Company data

Figure 135: Commodity Price Scenario Analysis: WPX Energy Sensitivity Based on Bloomberg Consensus

		FY 15E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$965	\$614	\$664	\$713	\$763	\$817	\$864
	\$40.0	\$629	\$678	\$728	\$777	\$827	\$881	\$928
	\$50.0	\$693	\$743	\$792	\$842	\$891	\$945	\$992
	\$60.0	\$757	\$807	\$856	\$906	\$955	\$1,009	\$1,056
	\$70.0	\$822	\$871	\$920	\$970	\$1,019	\$1,073	\$1,121
	\$80.0	\$886	\$935	\$985	\$1,034	\$1,084	\$1,138	\$1,185
	\$90.0	\$950	\$999	\$1,049	\$1,098	\$1,148	\$1,202	\$1,249

		FY 15E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	-\$928	-\$881	-\$833	-\$786	-\$738	-\$687	-\$641
	\$40.0	-\$867	-\$819	-\$772	-\$724	-\$676	-\$625	-\$579
	\$50.0	-\$805	-\$758	-\$710	-\$662	-\$615	-\$563	-\$518
	\$60.0	-\$743	-\$696	-\$648	-\$601	-\$553	-\$502	-\$456
	\$70.0	-\$682	-\$634	-\$587	-\$539	-\$492	-\$440	-\$394
	\$80.0	-\$620	-\$573	-\$525	-\$477	-\$430	-\$379	-\$333
	\$90.0	-\$559	-\$511	-\$463	-\$416	-\$368	-\$317	-\$271

		FY 16E EBITDA (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	-\$157	-\$58	\$41	\$140	\$240	\$339	\$438
	\$40.0	\$1	\$100	\$199	\$299	\$398	\$497	\$596
	\$50.0	\$159	\$258	\$358	\$457	\$556	\$655	\$755
	\$60.0	\$317	\$417	\$516	\$615	\$714	\$814	\$913
	\$70.0	\$476	\$575	\$674	\$773	\$873	\$972	\$1,071
	\$80.0	\$634	\$733	\$832	\$932	\$1,031	\$1,130	\$1,229
	\$90.0	\$792	\$891	\$991	\$1,090	\$1,189	\$1,288	\$1,388

		FY 16E FCF (\$ Million)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	-\$1,553	-\$1,464	-\$1,374	-\$1,285	-\$1,195	-\$1,105	-\$1,016
	\$40.0	-\$1,411	-\$1,321	-\$1,232	-\$1,142	-\$1,053	-\$963	-\$874
	\$50.0	-\$1,268	-\$1,179	-\$1,089	-\$1,000	-\$911	-\$820	-\$731
	\$60.0	-\$1,126	-\$1,037	-\$947	-\$858	-\$768	-\$678	-\$589
	\$70.0	-\$984	-\$894	-\$805	-\$715	-\$626	-\$536	-\$447
	\$80.0	-\$841	-\$752	-\$662	-\$573	-\$484	-\$393	-\$304
	\$90.0	-\$699	-\$609	-\$520	-\$431	-\$341	-\$251	-\$162

		FY 15E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	3.2x	2.9x	2.6x	2.4x	2.1x	1.9x	1.8x
	\$40.0	2.8x	2.5x	2.3x	2.1x	1.9x	1.7x	1.6x
	\$50.0	2.4x	2.2x	2.0x	1.8x	1.7x	1.5x	1.4x
	\$60.0	2.2x	2.0x	1.8x	1.6x	1.5x	1.4x	1.3x
	\$70.0	1.9x	1.8x	1.6x	1.5x	1.4x	1.2x	1.1x
	\$80.0	1.7x	1.6x	1.4x	1.3x	1.2x	1.1x	1.0x
	\$90.0	1.5x	1.4x	1.3x	1.2x	1.1x	1.0x	0.9x

		FY 15E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$0.4	\$0.4	\$0.4	\$0.4	\$0.3	\$0.3	\$0.3
	\$40.0	\$0.4	\$0.4	\$0.4	\$0.3	\$0.3	\$0.3	\$0.3
	\$50.0	\$0.4	\$0.4	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
	\$60.0	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
	\$70.0	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
	\$80.0	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
	\$90.0	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3

		FY 16E Net Leverage						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	-21.6x	-56.1x	76.2x	21.3x	11.9x	8.0x	5.9x
	\$40.0	3904.5x	30.6x	14.7x	9.3x	6.7x	5.0x	4.0x
	\$50.0	18.8x	11.1x	7.6x	5.7x	4.4x	3.5x	2.9x
	\$60.0	8.8x	6.4x	4.9x	3.9x	3.1x	2.6x	2.2x
	\$70.0	5.4x	4.3x	3.4x	2.8x	2.3x	2.0x	1.6x
	\$80.0	3.8x	3.1x	2.5x	2.1x	1.8x	1.5x	1.3x
	\$90.0	2.7x	2.3x	1.9x	1.6x	1.4x	1.2x	1.0x

		FY 16E Debt/Proved Reserves (\$/Mcf)						
		NYMEX Gas (\$/mcf)						
		\$1.75	\$2.25	\$2.75	\$3.25	\$3.75	\$4.25	\$4.75
WTI Oil (\$/bbl)	\$30.0	\$0.7	\$0.7	\$0.7	\$0.6	\$0.6	\$0.6	\$0.5
	\$40.0	\$0.7	\$0.6	\$0.6	\$0.6	\$0.6	\$0.5	\$0.5
	\$50.0	\$0.6	\$0.6	\$0.6	\$0.5	\$0.5	\$0.5	\$0.5
	\$60.0	\$0.6	\$0.6	\$0.5	\$0.5	\$0.5	\$0.4	\$0.4
	\$70.0	\$0.5	\$0.5	\$0.5	\$0.5	\$0.4	\$0.4	\$0.4
	\$80.0	\$0.5	\$0.5	\$0.4	\$0.4	\$0.4	\$0.4	\$0.3
	\$90.0	\$0.5	\$0.4	\$0.4	\$0.4	\$0.3	\$0.3	\$0.3

Source: Deutsche Bank, Bloomberg Finance LP

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Appendix 1

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