

Laramie Energy

Houston Producers Forum

June 19, 2007

Laramie Energy Background

- Laramie Energy was formed in May 2004 by former executives of Forest Oil and Mesa Hydrocarbons in Denver, Colorado
- Funded by an initial \$150 million private equity capital commitment from EnCap Investments and Credit Suisse/Avista which was increased to \$215 million; bank financing from JPMorgan Chase Bank, BNP Paribas, and Wells Fargo
- Initial investment of \$15 million was used to acquire roughly 18,000 acres in the Piceance Basin with roughly 1 mmcfd of production
- Over a three year period drilled approximately 200 wells and participated in the construction of pipeline and processing facilities to serve its operations
- Grew acreage position to 60,000 acres, gross production to 47 mmcfd, and developed plans for the drilling of approximately 3000 locations on its acreage with recoverable reserves in excess of 2 TCFE
- Sold assets in May 2007 for a price in excess of \$1.0 billion

Basic Approach

- Start with the End in Mind
 - Build the Perfect Asset Package
 - Repeatable Play
 - High Return
 - Long Life
 - Consistent Results
 - Significant room for Growth
 - High Working Interest
 - Operating Control
- Find a good basin/play with These Attributes
- Recruit the Ideal Team to Development the Asset
- Focus Efforts
- Get the Money
- Acquire Position
- Execute on Development Plan
- Get More Money
- Develop Play to Adolescent Stage
- Sell to larger company able to put the pedal to the metal on development

Mission Statement

- To prudently invest capital in a concentrated number of resource plays that yield pre-tax internal rate of returns greater than 25% and can be positioned for rapid full scale development and sale within 5 years while:
 - Creating a great place to work, and
 - Contributing to the betterment of the communities where we work.

Laramie Energy's Operating Strategy

- Manage the Company as a project with a fixed life-cycle and clear investment objectives.
- Maintain operatorship and high working interests in all projects.
- Closely manage the Company's gas marketing, hedging, and transportation programs.
- Maintain financial discipline and a strong capital structure.
- Closely control operating and overhead expenses:
 - Outsource all non-core activities
 - Utilize consultants for part-time needs

Laramie Operating Strategy (cont'd)

- **Employ a highly qualified, experienced team with substantial “hands on experience” in resource play developments and operations:**
 - Resource plays requires a different corporate mindset and operating focus than conventional E&P companies
 - Development is built around large scale drilling programs that repeat common operations in an assembly-line fashion and capture economies of scale to drive down costs
 - Engineering project management, acreage inventory, and drilling and completion expertise are key value drivers, not wildcat geologic prospecting
- **Provide key employees with a material opportunity to participate in the value created by achieving the Company’s mission.**

Prospect Development Process

Basin / Play Analysis

- Identification of Play Types
- G&G/Engineering Evaluation
- Reservoir Analysis
- Review of Acreage Availability
 - Federal/State/Private
 - Farm-in
 - Acquisition
- Market Access
 - Pipeline
 - Road
 - Field Infrastructure
 - Environmental
- Commerciality Assessment
 - Technology Applications
 - Seismic
 - Drilling
 - Logging
 - Completion
 - Production
 - Economic Model
 - Risk Assessment
 - Number of Wells Needed to Evaluate
 - Field Development Model
 - Return Expectations

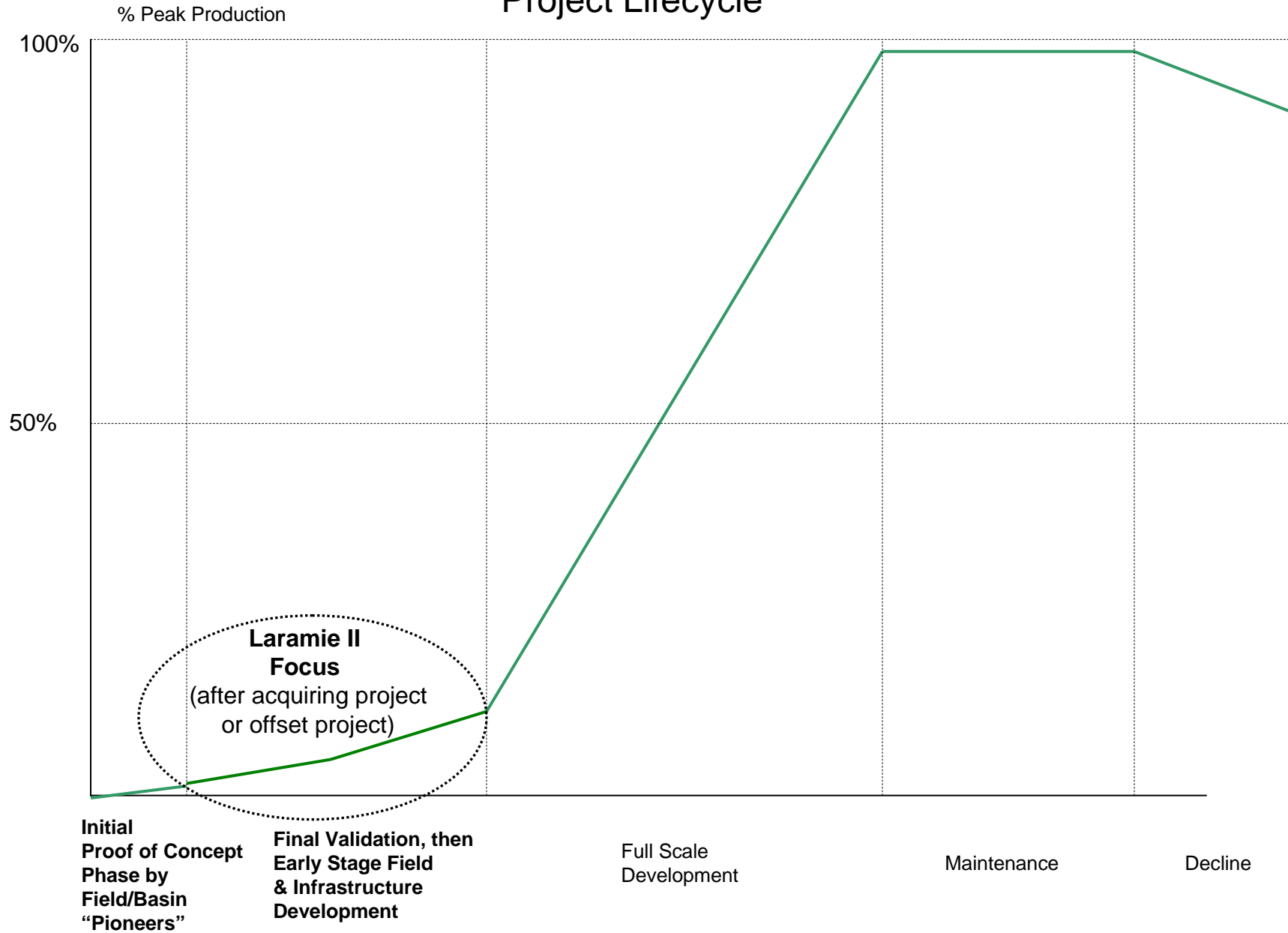
Project Evaluation

- Acreage Procurement
- Well / Prospect Generation
- Location Identification
- Permitting / EIS
- Proof of Concept
 - Field Study
 - Testing
 - Project Economic Evaluation
 - Development Model
 - Technology Alternatives
 - Multi-well Drilling Program
 - Assessments / Testing

Project Execution

- Multi-Rig Drilling Program
- Construction of Infrastructure for Processing & Market Access
- Service Contractor Alignment / Negotiations
- Sales / Marketing Agreements
- Field Operations

Project Lifecycle



Piceance Basin

Find a Good Basin

Basin Statistics

One of the largest accumulations of natural gas in North America

Estimated 200-300 Tcf of gas-in-place,
approximately 4 Tcf recovered to date

In excess of 1.5 Bcfd of current production

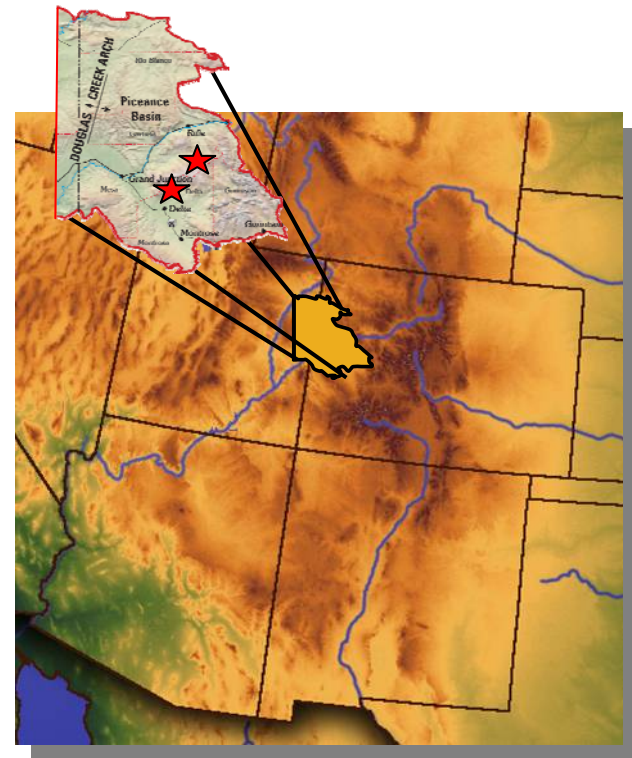
5,000 square miles in 5 counties (Mesa, Garfield, Rio Blanco, Delta and Gunnison Counties)

A tight sand resource, basin-centered gas play with over 2,000 feet of vertically stacked lenticular sands in the Williams Fork and Isles Formations (Mesaverde Group)

Gas transportation historically to West Coast and Mountain states

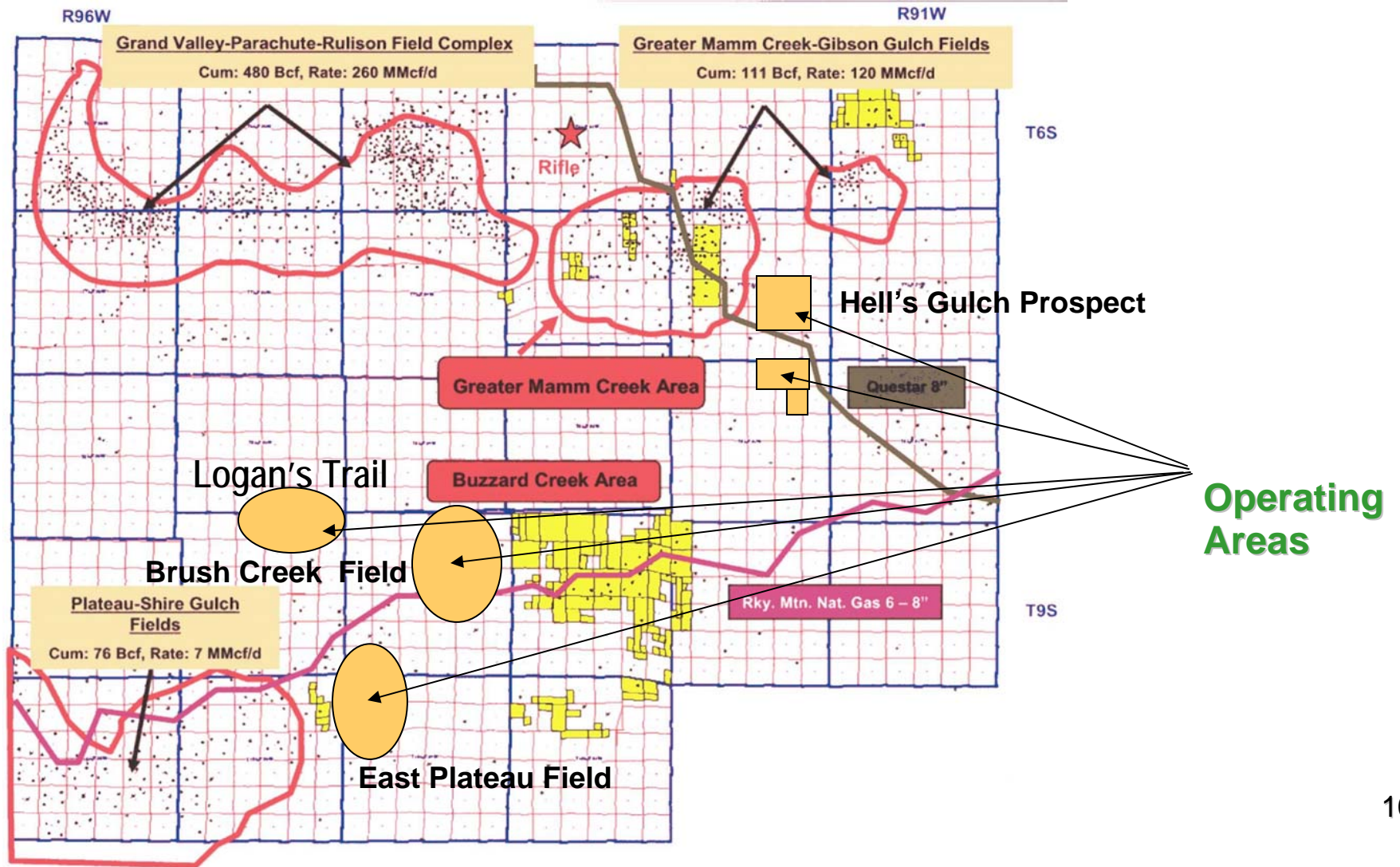
New Rockies Express pipeline that originates in Piceance will provide significant access to Mid-Continent and East Coast markets

Piceance Basin



Fields Currently Under Development

Location – Piceance Basin



Operating Achievements

	June 1, 2004	June, 2007 Est.
Gross Acres	18,000	60,000
New Producing Wells		110
<i>Success Rate</i>		<i>98%</i>
<i>% Operated</i>	<i>100%</i>	<i>100%</i>
Gross Daily Production (MMcfe/d) (Incremental 15 MMcfe/d awaiting pipeline completion)	1.0	47
Risked Potential Locations	350	<i>3000+</i>
Net Resource Potential (BCFE)	300	2,400

“Get the Money” – Benefits of Private Equity

- Significant capital is available
- Private equity provides investors and management with the ability to capture attractive opportunities that don't fit public company short term valuation drivers

But...

- Commodity price expectations drive private capital availability and mindset on invest/hold/sale decisions
- Time for monetization/liquidity event is important
- Private equity is patient during the valuation phase but generally need to monetize within five to seven years
- Business plans based upon pure acquisition strategies are more difficult when prices and competition are high resulting in lower returns
- Investor familiarity with the industry and its cycles are important to a successful relationship with management and a successful venture

Governance and Control Considerations

- **Equity sponsors**
 - Partnership mentality
 - Number of sponsors
 - Investment style and compatibility
 - Conflicts (Investments Similar in Nature and In the Same Area)
- **Governance**
 - Number of independent board members
 - Control
 - Management vs. board level decisions
 - Board approval vs. sponsor committee approval

Key Structuring Considerations

- **Company structure**
 - Pass-through entity vs. corporate entity
 - Tax implications
 - Impact on exit strategy
- **Capital structure**
 - Preferred, common or combination

Conclusions

- Now is a good time to be in the oil and gas industry
- Demand for energy is expected to grow
- Supply is tight and will get tighter given the political/regulatory environment and concerns about global warming
- Bodes well for pricing and returns
- Find a niche and exploit it with good people
- Remember to get the money
- There is plenty of money available
- Find good partners