



The Performance Analytics Group, LLC

"Improving Performance Throughout the Oil & Gas Industry"





Who We Are

The Performance Analytics Group, LLC is a specialized consulting firm dedicated to improving performance throughout the oil & gas industry. Using a comprehensive analytical approach, Performance Analytics provides clients with clear unbiased insight into past, current and likely future performance. This insight allows our clients to optimize performance, enhance profitability and maximize value creation.

Performance Analysis is our Specialty!

In an environment of economic uncertainty and lower oil & gas prices, the success of your operations or equity investment depends on one thing - the ability of management to navigate through treacherous waters.

The Performance Analytics Group specializes in analyzing all aspects of oil & gas performance - from individual fields to entire companies. Using both lookbacks and performance analytics, we can answer the most important question of all when it comes to the performance of your portfolio holdings - "**Can Management deliver?**"

Don't make a decision without our analysis. We guarantee rapid turn-around at reasonable pricing. Let us provide you with the information you need to make important portfolio decisions during these critical times.

The Performance Analytics Team

The Performance Analytics Group is comprised of highly experienced consultants with over 100 years of industry experience. Every consultant has a technical major and an MBA, as well as executive and managerial experience. All facets of oil and gas activities are represented - from operations, geological analysis, reserves valuation, business development, capital planning, and finance. This breadth and depth of expertise allows the Performance Analytics Group to conduct deep dive performance audits and other similar activities that are uniquely tailored to any activity or company in the oil & gas industry.

Our Approach

Performance Analytics approaches every assignment using an integrated, multi-disciplined analytical framework. This includes in-depth analysis of operational performance, reservoir performance, reserves quality, capital efficiency, financial positioning, and return on investment. When combined into a single performance study, clients can be assured that on a go-forward basis, all operational, engineering and reserve assumptions are based on realistic financial assumptions, and that all financial projections are grounded in realistic engineering assumptions. This integrated approach provides unique quantitative and qualitative insight into corporate and asset performance, potential acquisitions, corporate planning, financial forecasting and other critical functions.





Comprehensive Performance Audits are our Specialty

The Performance Analytics Group specializes in providing clients with in-depth and insightful comprehensive performance audits. Designed to help executive management and/or portfolio managers in crucial situations, these audits specifically concentrate on analyzing past and current performance with the primary goal of determining the ability of an asset or company to create value on a consistent go-forward basis. This assessment is accomplished by:

1

An operational assessment of production, expenses, workover and drilling activities that includes trend analysis, key component analysis, and benchmarking - both internally and externally.

2

An independent assessment of reserves including lookbacks of previous reserve reports and projections, analysis of the impact of non-recurring charges, comparison of projections versus actual performance, and a probabilistic assessment of current reserves using previous historical data.

3

A detailed analysis of key expense components such as individual operational expenses, non-recurring charges, G&A, G&G.

4

A review of past and projected financial performance with a focus on return on investment, free cash flow generation, growth investment returns, life-cycle analysis, and benchmarking with internal and external parameters.

5

Understanding the ability of the field, portfolio or company to not only sustain but create desired growth and return on investments under a wide range of scenarios.



With a detailed and comprehensive performance audit prepared by the Performance Analytics Group, you will have the information necessary to improve and optimize overall field performance, make sound capital allocation and budgeting decisions, develop and/or adjust corporate strategy, and improve overall returns on a portfolio of energy loans and investments.

Summary Comments (Examples) from Client Reports



Large E&P Company Performance Review

Company A - "From operating expenses to cash flow generation return on investment, this company has shown the ability to create growth and free cash flow which in turn accounts for the highest return on investment we have seen in any of our performance audits. While the leverage is at 3.1 debt to EBITDAX, management has delivered on all fronts and, if necessary, would be quite able to pay down debt. However we are impressed with their inventory of work overs and new drills which are clearly profitable even in a \$30 environment. Therefore we believe that although the debt to EBITDAX ratio is above 3.0, this company should continue investing in growth through the drillbit..."

Company B - "Our analysis of the 22 fields that comprise the company portfolio clearly shows a bifurcated range of outcomes. Eighty percent (80%) of the value of this company resides in three fields – a fact that is seen in the reserve report. What does concern us is that of the remaining 19 fields, only six earn an acceptable return on investment. The remaining 13 fields are what we classify as category IV - fields those that earn less than their cost of capital and show declining production. In addition, while management cannot be faulted for attempting to revitalize these fields, the success rate over the past three years of both new wells and workovers is quite low and has not added any value. This pattern in and of itself is common with many oil & gas companies and thus we are not concerned with the go forward ability of the company to create both growth and value..."

Reserves Validation for Banking Client

Company A - "We have little faith in the go forward projections found in the reserve report outside of the PDP forecast. Furthermore, we find that the capital projection and production forecasts for the PDNP and PUD cases do not reflect what has actually happened over the past three years. The reserve forecast indicates an F&D cost of \$4.86 per barrel and an "in-year" production add cost of \$14,363 for every barrel of production increased above current levels. This does not reflect reality. Over the past three years the actual F&D cost is \$18.46 per barrel, and the cost per barrel of daily add is closer to \$24,289 per barrel. We therefore recommend a higher risk be placed on the value of the PDNPs and PUDs found in the latest reserve report."

Other Examples from Analytical Reports provided to Clients

Company A - "In a nutshell, management's incentive program that rewards key employees with overrides (ORRIs) is clearly misaligned with lender expectations and is by far the worst incentive systems we have seen. By default, an override incentive program induces management to increase production at all costs with little regard to capital efficiency and budgets. This approach to compensation is clearly evident, as return on invested capital is quite low and debt continues to increase..."

Company B - "While E&P companies can operate profitably in California, we are quite concerned with the California regulatory environment. Specifically, we feel reserves should be stress tested for the possible implementation of a severance tax. While Gov. Brown opposed a severance tax, Gov. Newsome has supported a severance tax in excess of 10%. While not in current political discussions, we believe the moment California enters into a recession, it is highly likely that a significant severance tax would be passed through the ballot process. Thus, we recommend that all reserve valuations include a baseline 10% severance tax which in turn will protect investors should a severance tax be implemented..."

Other Specialized Services Include:

Annual / Semi-Annual Performance Reviews

The Performance Analytics Group can provide clients with semi-annual or annual comprehensive performance review of all oil & gas activities – including individual fields, asset teams, regions, asset portfolios, and corporate performance as a whole. These performance reviews analyze all facets of oil & gas production including operations, reserves monetization, financial performance, and return on investment. Additionally, the Performance Analytics Group provide a strategic assessment of strengths, weakness, opportunities and threats. Every performance review is tailored to provide management with clear, practical and actionable insight designed to optimize performance.

Turn-Around and Restructuring Services

With expertise in performance audits and reviews, the Performance Analytics Group's services are tailor made to facilitate turn-around and restructuring efforts. Whether in a lead (contract and interim management) or in an advisory role, Performance Analytics can quickly identify performance issues and recommend a course of action designed to improve overall performance. Once implemented, Performance Analytics can provide real-time monitoring of performance that can quickly determine whether the turn-around or restructuring efforts are successful, and if not, help to evaluate strategic alternatives.



Comprehensive Acquisition & Divestiture Analysis

The Performance Analytics Group provides management teams with independent analysis of potential acquisitions. Compared to similar offerings by other consulting firms, Performance Analytics goes far beyond the traditional engineering and reserve based valuations by taking a much more qualitative approach to the acquisition. In addition to verifying dataroom information and reserves, Performance Analytics will prepare new combined go-forward pro-forma statements, conduct financial leverage analysis, identify organizational gaps, help prepare integration plans, and conduct an overall risk assessment of the acquisition.

Executive Advisory Services

For smaller companies seeking assistance with business development, planning and strategy development, and interactions with banks, lending and financial institutions (including presentations, road-shows, and preparation of pitch books), Performance Analytics can provide contract and/or interim management and advisory services related to these functions.



The Experts in Oil & Gas Performance Analysis!

Operating Expenses, Cash Flow, Finding and Development Costs, Return on Capital Employed – these are but a few of the hundreds of measurements and metrics used to analyze performance in the oil & gas industry. From individual oil & gas wells to entire companies, performance analysis provides the information necessary to make key decisions. Unfortunately, performance analysis is often seen as a function of upper management. Thus its value and ability to create actionable information at the field level is often lost. This book seeks to overcome this gap by introducing the basic concepts of oil & gas performance analysis to a wider audience. Using clear and non-technical language, the reader will quickly gain an understanding of how performance analysis can be used to make better decisions and improve overall performance – not just at the corporate level but throughout the entire company.

Book Features:

- A introduction to the principles of performance analysis along with a common sense methodology designed to keep the analysis focused, on point and capable of providing useful and actionable information
- An introduction to the wide variety (and often times confusing) data sources used in performance analysis including lease operating statements (LOS reports), reserve reports and financial statements
- How to use oil & gas data to calculate the most relevant metrics used in oil & gas performance analysis including production and cost metrics, reserve metrics, cash flow and financial metrics
- Basic and advanced methods of oil & gas analysis including operational analysis, reserves analysis, financial analysis, return on investment analysis and SWOT analysis
- How to analyze, interpret, and evaluate the performance of individual fields, teams, portfolios and entire companies

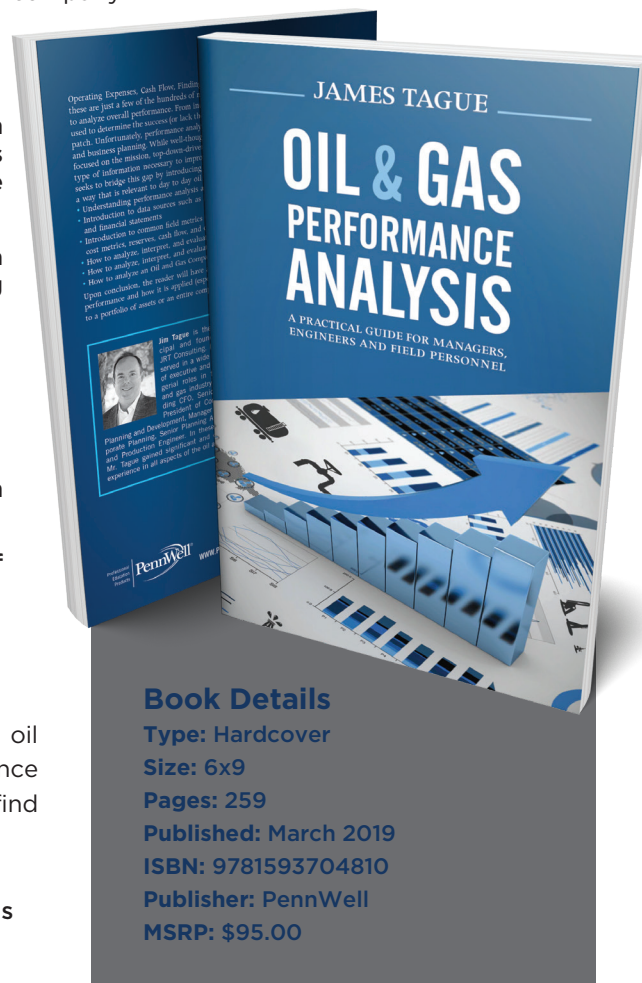
Audience:

This book is written for a wide audience – basically anyone in the oil industry that seeks to understand how, or relies upon, performance analysis to make daily decisions. Those involved in the following will find this book particularly useful:

- Field Operators
- Oil & Gas Management
- Engineers & Geologists
- Energy Finance Professionals

About the Author:

James Tague is an Oil & Gas Consultant with extensive industry experience. He is a former CFO, Senior Vice President of Corporate Planning and Development, Manager of Corporate Planning, Senior Planning Analyst and Production Engineer. In these roles, Mr. Tague gained significant and diverse experience in all aspects of the oil & gas industry including Business Development, M&A, Reserves Accounting, Capital Budgeting, Performance Analysis, and Field Engineering. Mr. Tague is the author of seven published SPE papers and several technical journal articles. In addition to his industry experience, Mr. Tague served in the U.S. Navy as a carrier based E-2C Hawkeye Naval Flight Officer. Mr. Tague has a B.S. in Materials Science & Engineering (with Honors) from the University of Florida, a M.S. in Petroleum Engineering from the University of Texas, and an MBA from the University of Phoenix.



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