



QUANTUM  
ENERGY  
PARTNERS<sup>SM</sup>

Quantum Energy Partners VII Discussion

*March 2017*



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As used herein, references to “Funds”, “QEP” or “QPP” refer to the entities that collectively invest in the portfolio companies referred to herein. Unless otherwise specified, references to (i) “Fund VI” or “QEP VI” refer to Quantum Energy Partners VI, LP; Quantum Parallel Partners VI-A, LP; Quantum Parallel Partners VI-B, LP; Quantum Parallel Partners VI-D, LP; and the general partner affiliated entities, (ii) “Fund V” and “QEP V” refer to Quantum Energy Partners V, LP; Quantum Parallel Partners V, LP; Quantum Parallel Partners V-B, LP; QPP V SWF, LP; QPP V Offshore Investors, LP; and the general partner affiliated entities, (iii) “Fund IV” and “QEP IV” refer to Quantum Energy Partners IV, LP; Quantum Parallel Partners IV; and the general partner affiliated entities, (iv) “Fund VI-C” or “QPP VI-C” refer to Quantum Parallel Partners VI-C, LP; Quantum Parallel Partners VI-C(A), LP; Quantum Parallel Partners VI-C(B), LP; Quantum Parallel Partners VI-C(D), LP, and (v) “Fund V-C” or “QPP V-C” refer to Quantum Parallel Partners V-C.

To the extent this presentation includes a reference to “IRR” without any qualifying language or “Gross IRR”, such reference means an aggregate, annual, compound, gross internal rate of pre-income tax return on investment. In the case of realized and unrealized investments, Gross IRRs are based on realized investments and internal valuations by Quantum of unrealized investments, respectively, as of the applicable date. Gross IRRs and gross multiple of invested capital (“*MOIC*”) presented herein do not reflect the deduction of fees and expenses that may be charged to a Fund, including but not limited to, management fees, carried interest, taxes, broken-deal expenses and any other expenses in connection with the sourcing, acquisition, and disposition of unrealized investments as well as other fees and expenses that reduce returns and in the aggregate may be material. Please note that all portfolio company level returns contained herein are presented on a gross basis and are not intended to be representative of the gross or net returns to any limited partner.

References to “Net IRR” reflect pre-income tax Gross IRR adjusted for timing of cash flows and reduced by management fees, carried interest and other expenses that are borne by the Limited Partners in a fund sponsored by Quantum. For a general description of such fees, carried interest and expenses, please see Part 2 of Form ADV for QEP Advisers, LLC, Quantum Advisers, LLC and QEM Advisers, LLC. It is important that limited partners refer to the respective Fund entity’s disclosure documents (as applicable) and governing documents for a complete understanding of these expenses, including, but not limited to, the management fee and carried interest payable to Quantum entities.

Unless otherwise specified, the calculation of IRR or MOIC for a Fund has been made with respect to the largest entity measured by commitments in such Fund. Additionally, unless otherwise noted, the Net IRR and Net MOIC reflect the aggregate fees and other expenses borne by all limited partners in such entity. The returns of each limited partner may vary from those illustrated in this presentation depending on the returns of the entity in which such limited partner is invested and the fees and expenses paid or borne by such limited partner and such variance may be material.

The valuations of unrealized investments are based on assumptions that management of Quantum believes are reasonable and are consistent with its valuation policy. The actual returns on unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions on which the valuations used in the prior performance data contained herein are based. Accordingly, the actual returns on these unrealized investments may materially differ from the returns indicated herein.

## Firm overview

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### Energy focus

- Houston-based, PE manager with ~\$11 billion<sup>1</sup> of capital under stewardship since inception
- Primary focus: upstream oil and gas; secondary focus: midstream, oilfield service and power
- Investment mandate – control investments; North American centric

### Multi-disciplinary team

- 30+ cycle-tested investment professionals who have spent their entire careers in energy
- Complementary mix of financial, technical, operating and legal backgrounds
- In-house technical and operating experience give us a differentiated perspective to invest and steward capital



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### Significant alignment

- Members of the General Partner and its affiliates have committed significant capital alongside our Limited Partners across six funds
- No fees charged to portfolio companies

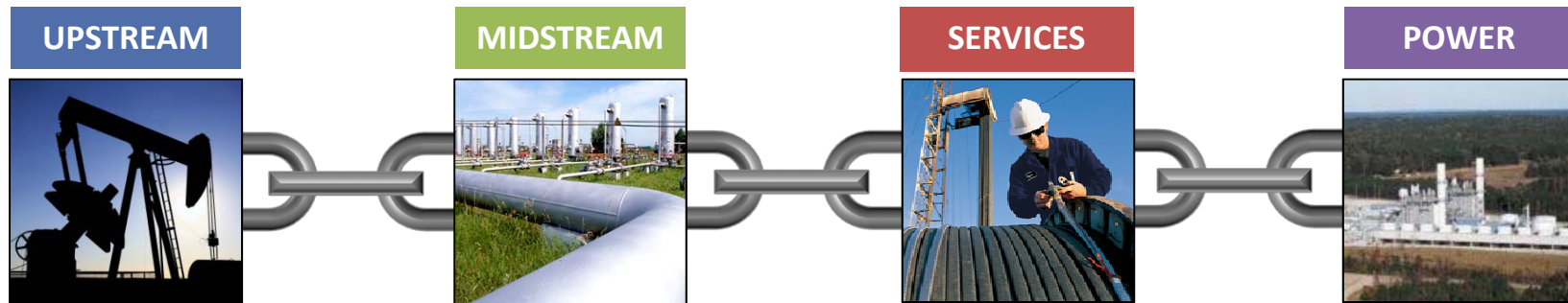
### Strong track record

- Committed over \$9 billion<sup>2</sup> of equity to more than 70<sup>2</sup> companies over multiple cycles since 1998
- 49 companies have been fully or partially realized
- Currently have 27<sup>2</sup> active portfolio companies across North America

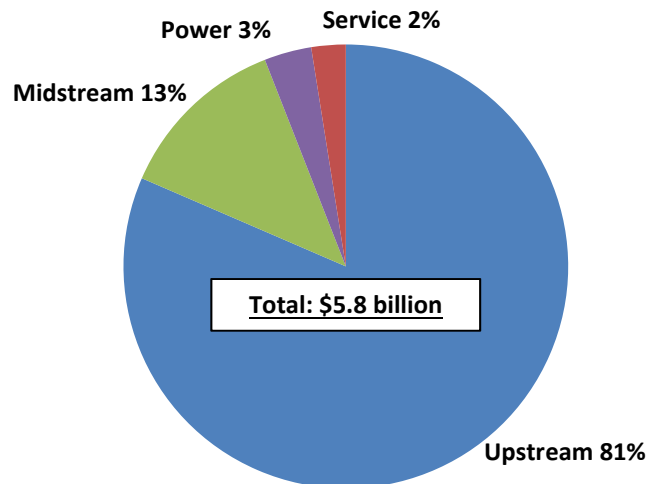
<sup>1</sup> Includes QEP I-VI (including co-investment funds), Quantum Resources, and direct co-investment

<sup>2</sup> Pro Forma for new commitments expected

# Our investment strategy is centered around generating the best risk-adjusted returns across the energy value chain



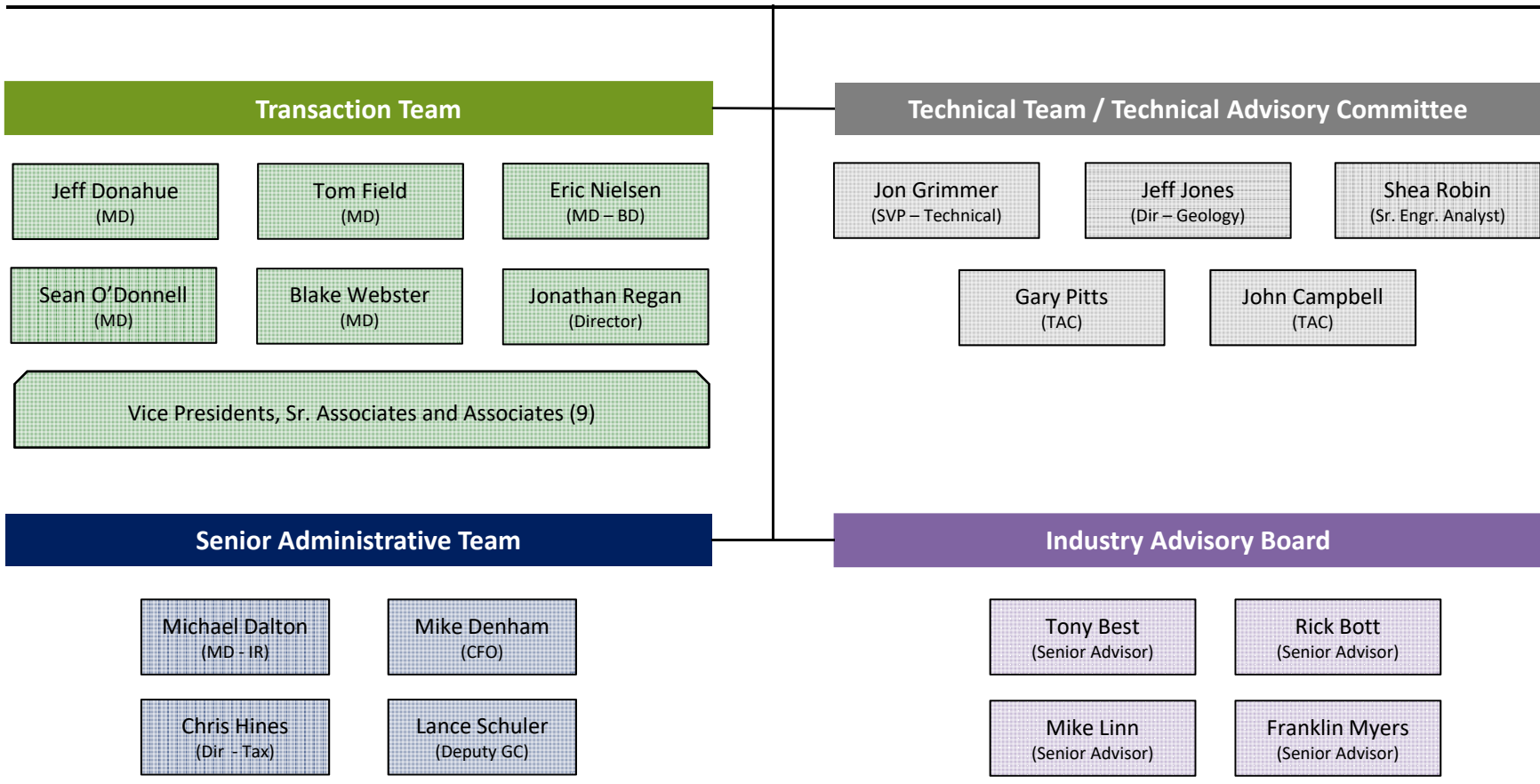
Capital commitments by sub-industry



# We have been deliberate in building a cohesive and multi-disciplinary team that has a long-term view of investing together



**Executive Team (ET)**



## **Our core beliefs define how we invest our time and our capital**

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Stewards of our LPs capital

Energy entrepreneurs and investors (not asset managers)

Hyper-focused on risk-adjusted returns with a deliberate effort to weight capital on exploitation-focused (vs. exploration) business plans

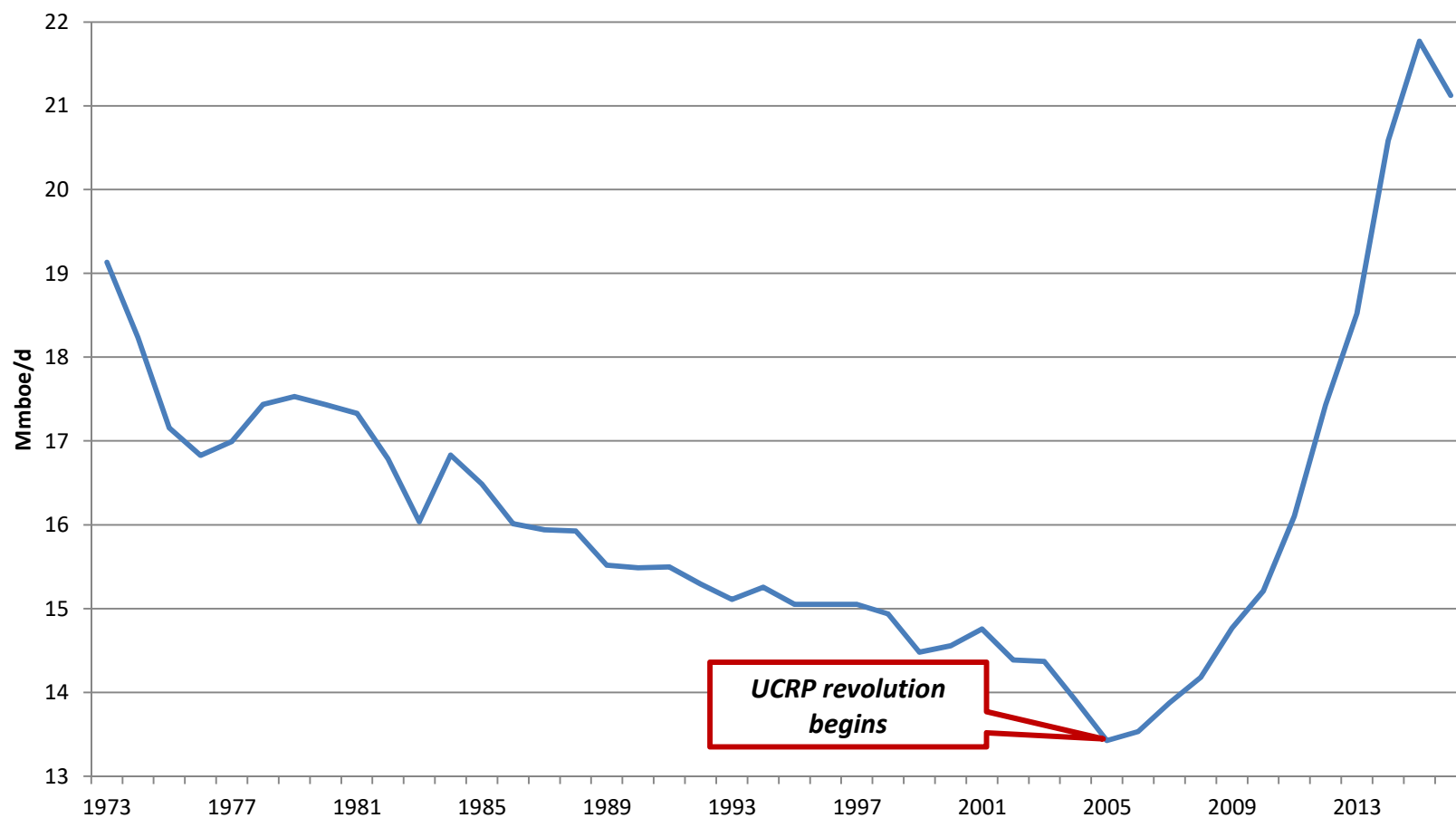
Emphasize technical, operating, safety and environmental diligence and stewardship

Highly targeted approach to portfolio construction



# The UCRP<sup>1</sup> revolution has had a profound impact on U.S. oil & gas supply

Historical U.S. production (oil and natural gas, combined on a boe basis at 6:1)

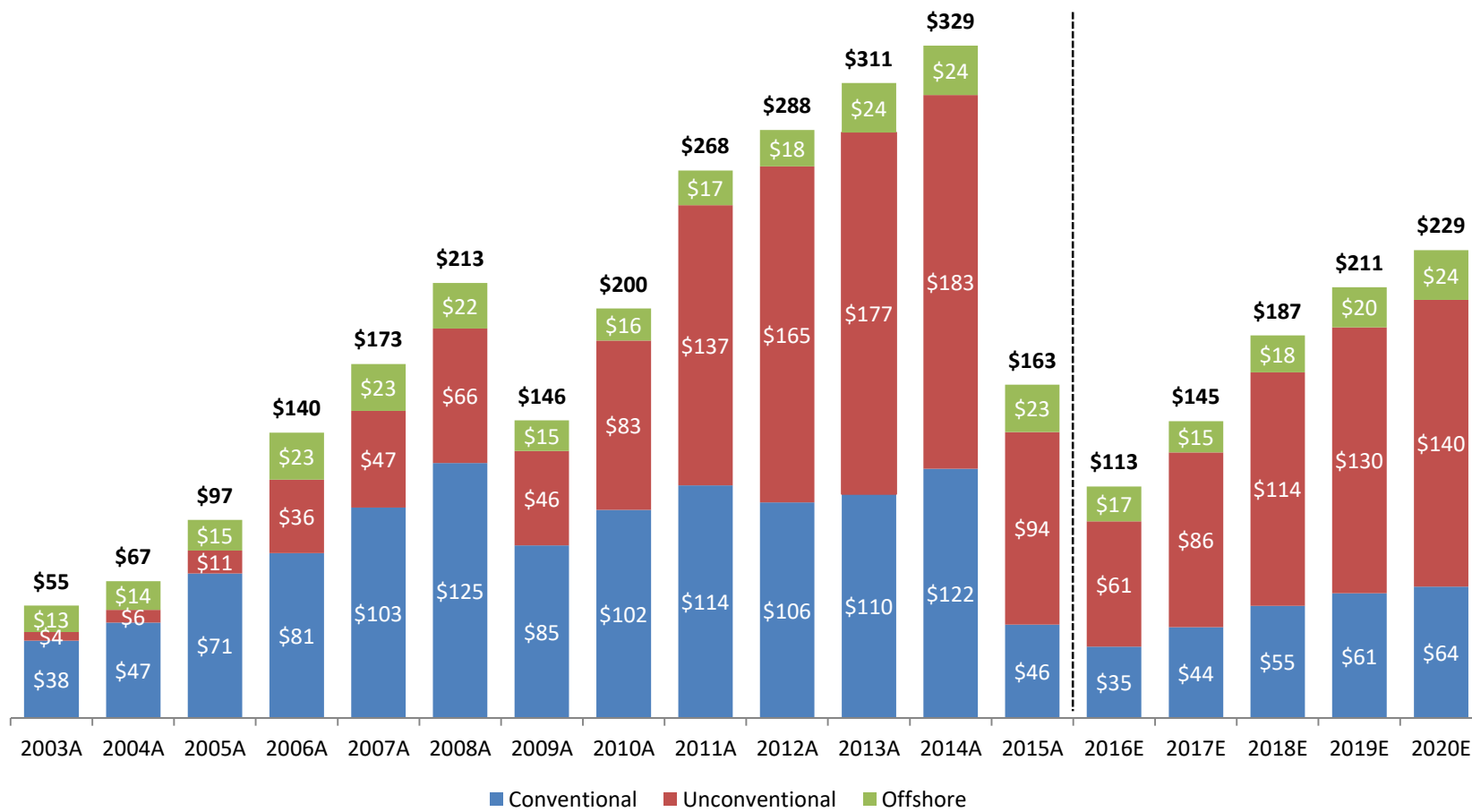


*After over three decades of secular decline, U.S. oil and gas production has surpassed its all-time high level set in 1973*

Source: EIA  
1) Unconventional Resource Play.

# Despite a massive downturn in prices and industry activity, >\$650 billion has been spent in N.A. on UCRPs in the past 5 years

North America upstream spending (\$ billions)



**“Conventional Era”**  
 Low capital intensity  
 Mature basin economics

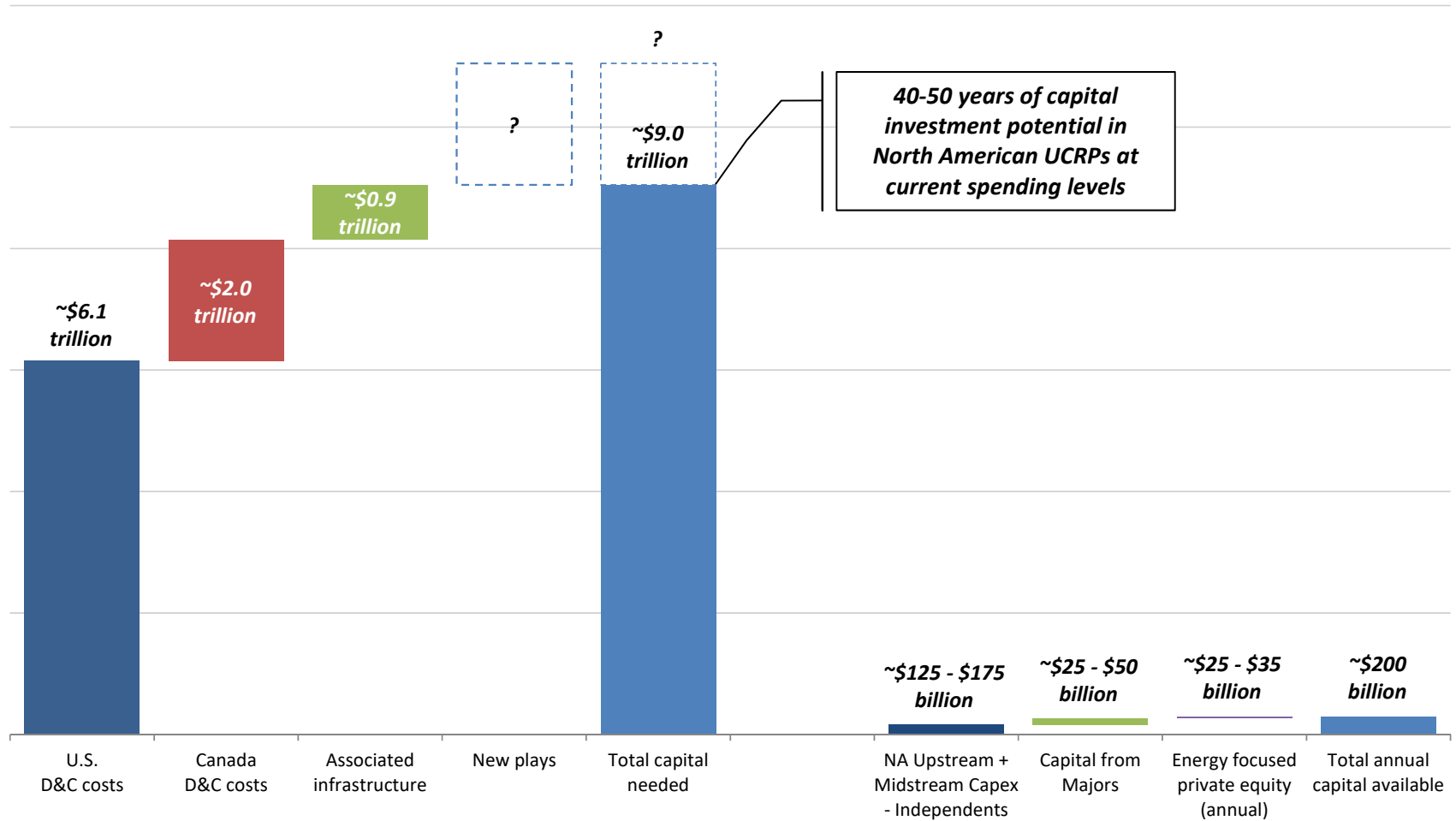
**“UCRP Land Grab”**  
 Significant destruction of capital  
 on R&D of UCRPs

**“UCRP Execution Phase”**  
 Significant exploitation capital  
 Many decades of inventory

Source: IHS

# While UCRPs remain highly competitive in the global hydrocarbon stack, they remain undercapitalized relative to their enormous resource potential

## North American UCRP capital requirements and available capital sources/participants



Source: IHS, public equity research and Quantum estimates

# Key takeaways from UCRP revolution and their implications for the long-term investment potential of the sector

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## *Implications for private equity investment*

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1

Significant capital investment has delineated and de-risked many UCRPs over the past decade

Meaningfully less risky; exploitation vs. exploration

2

Opportunity set unlocked in North America is enormous and access to quality acreage is good

Significant universe of investable opportunities

3

The industry is meaningfully undercapitalized

Opportunity to invest large amounts of capital and generate above average returns

4

Intellectual capital has a significant impact on results

Possible to differentiate and outperform

5

Technological innovation is still in the early innings

More growth ahead; economics will continue to improve



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