



Opportunities in Energy
Hidden in Plain Sight

April 2022

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Disclosure

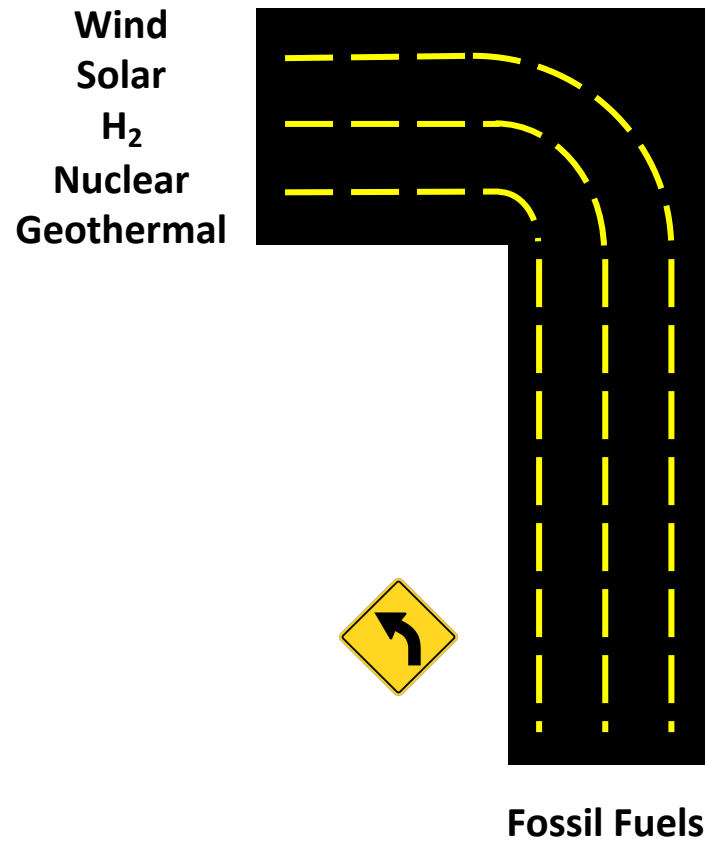
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- **Investment Firm specializing in Real Assets in Energy**
- **36 Years**
 - 29 Partnerships – Real Assets in Energy
 - 2 recently issued and open / **1st Renewable Energy Fund**
- **Average returns of 27 real asset partnerships/funds**
 - **3.4X ROI**
 - **24.1% IRR**
- **Our Secret Sauce?**
 - **Direct Ownership / Exposure**
 - **Fund Lifecycle**
 - **Size Matters**
 - **Fragmentation and Market Dislocation**



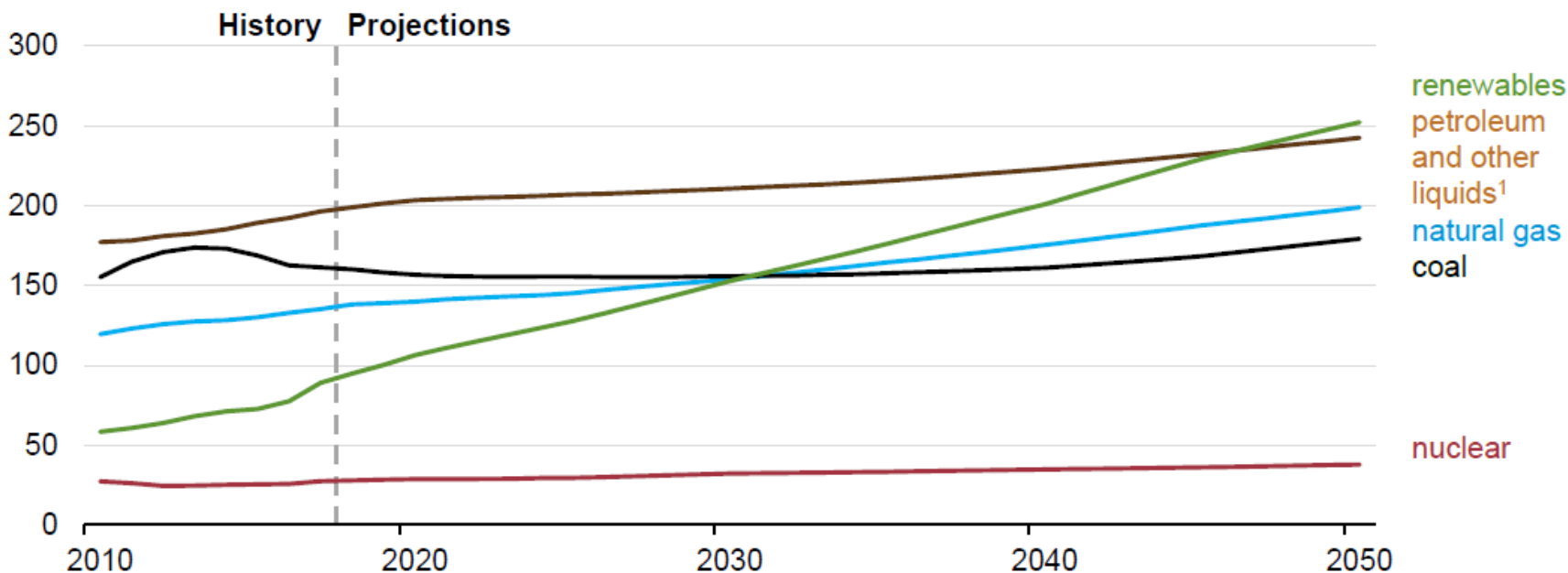
Fossil Fuels vs. **Renewables**

When can the world just **switch** to renewables?



IEO2019 projects renewables the most used energy source by 2050

Primary energy consumption by fuel, world
quadrillion British thermal units



Note: 1 = Includes biofuels

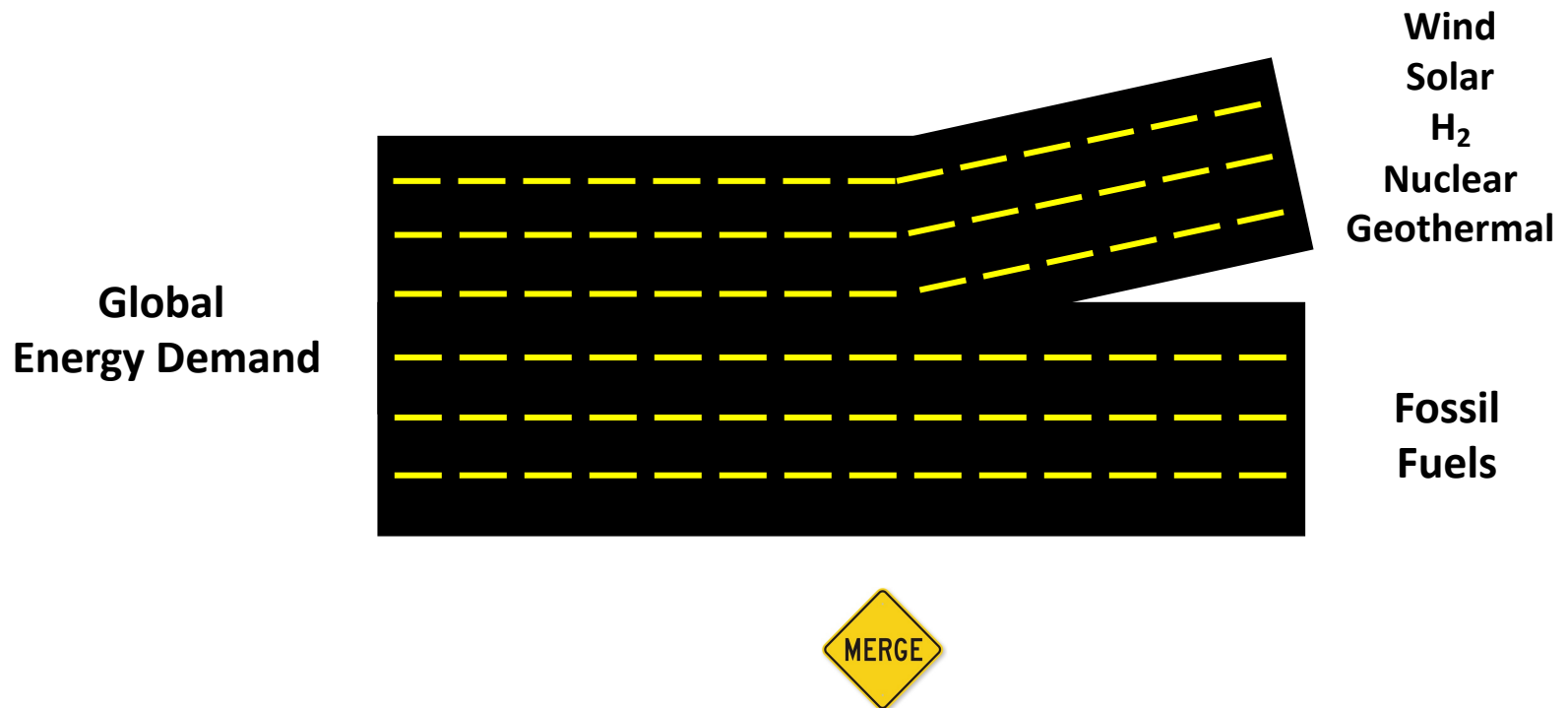
Source: U.S. Energy Information Administration, International Energy Outlook 2019



Dr. Linda Capuano, EIA
IEO2020, October 14, 2020

* Note that by 2050, oil and natural gas combined will remain the leading energy source.

The world can't **switch**... it will **Transition** to include more renewable energy



Now Open to new Investors:



Five States Energy Income 2021



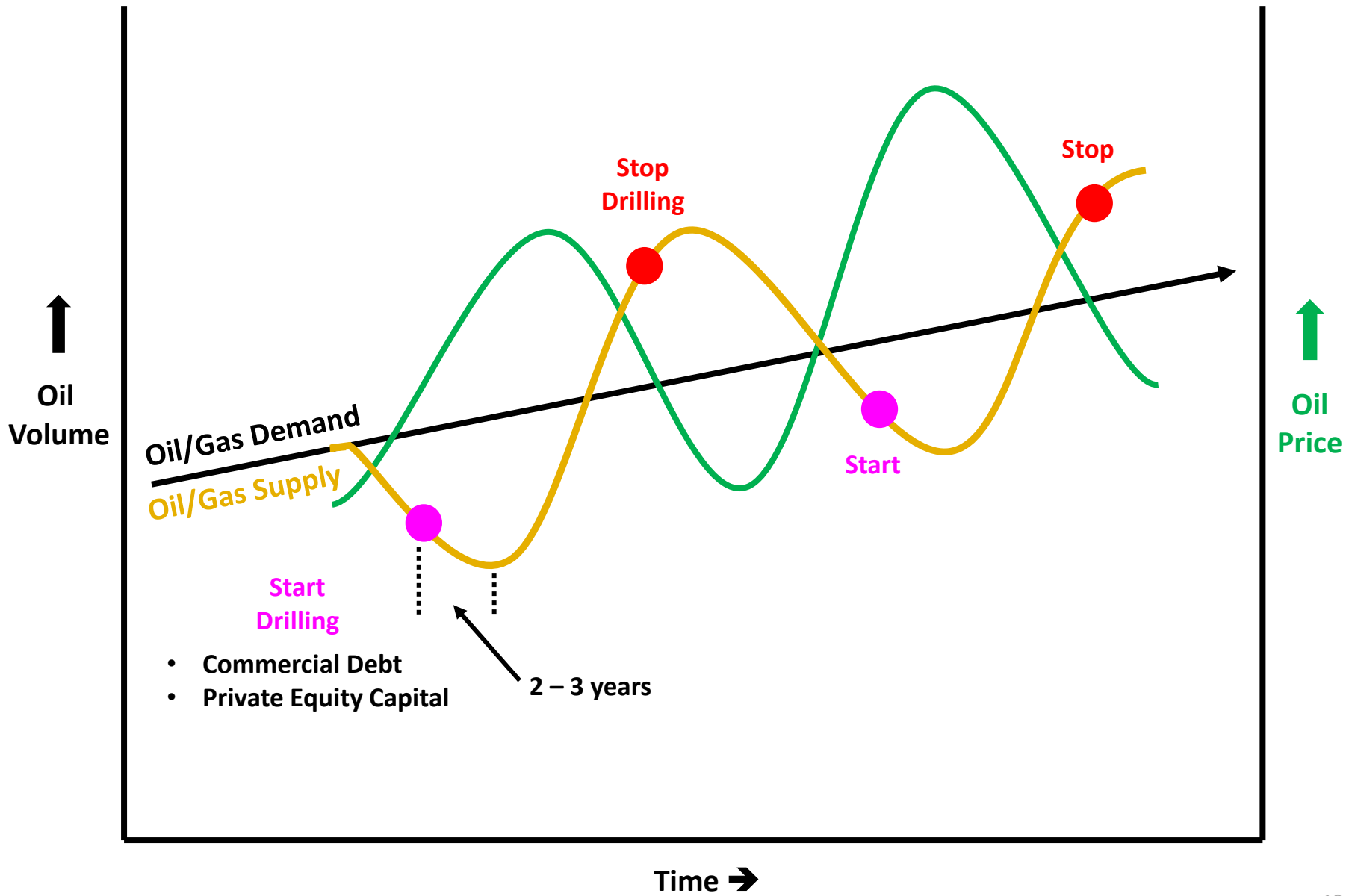
Five States Renewable Energy Fund

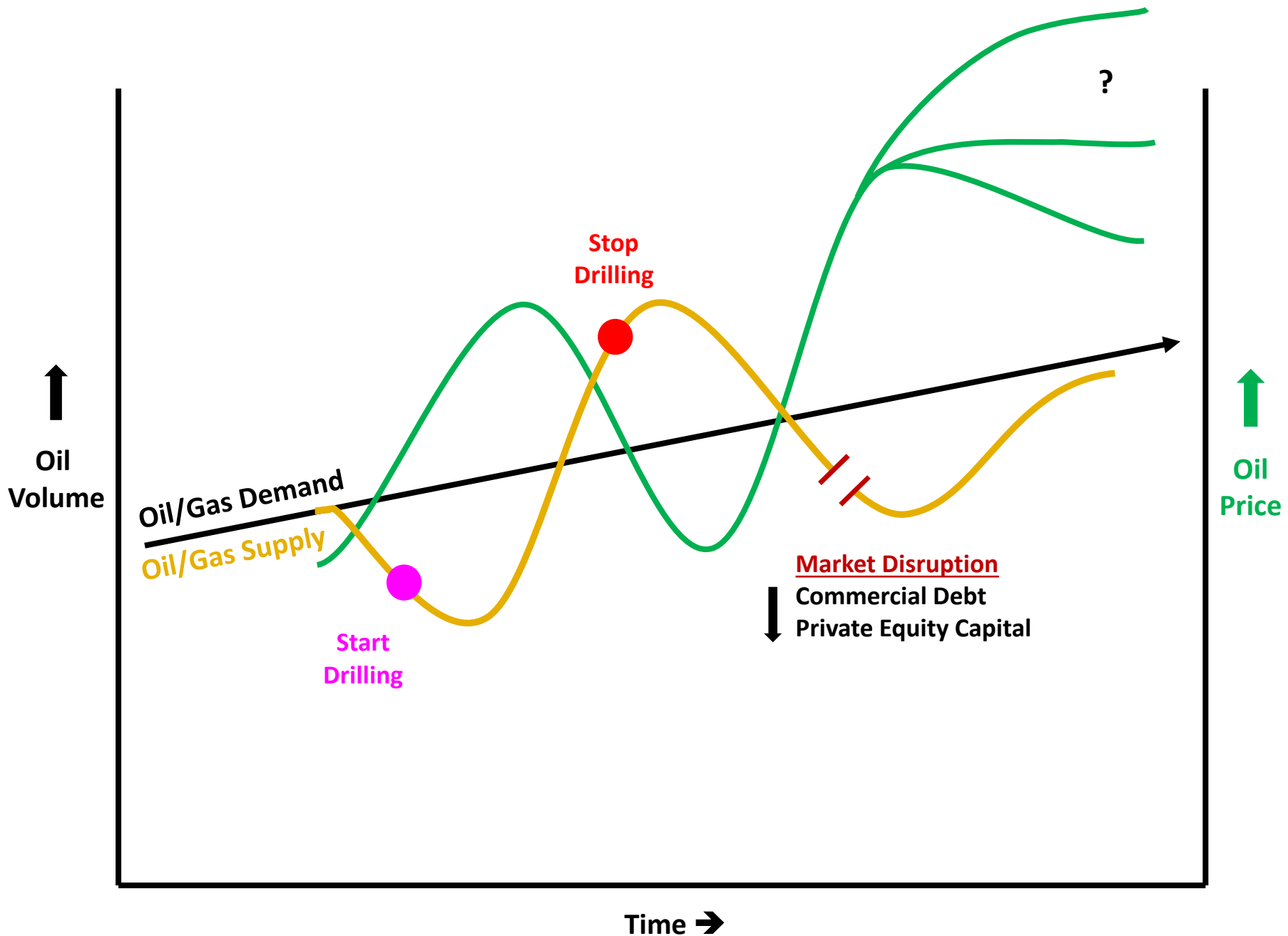


Five States Energy Income 2021

Q: What is hidden in plain sight?

A: Capital market disruption is creating excellent opportunities to buy high-grade oil/gas fields at very attractive valuations.







Triple Deficit

- **Low inventories**
- **Low spare capacity**
- **Under investment**

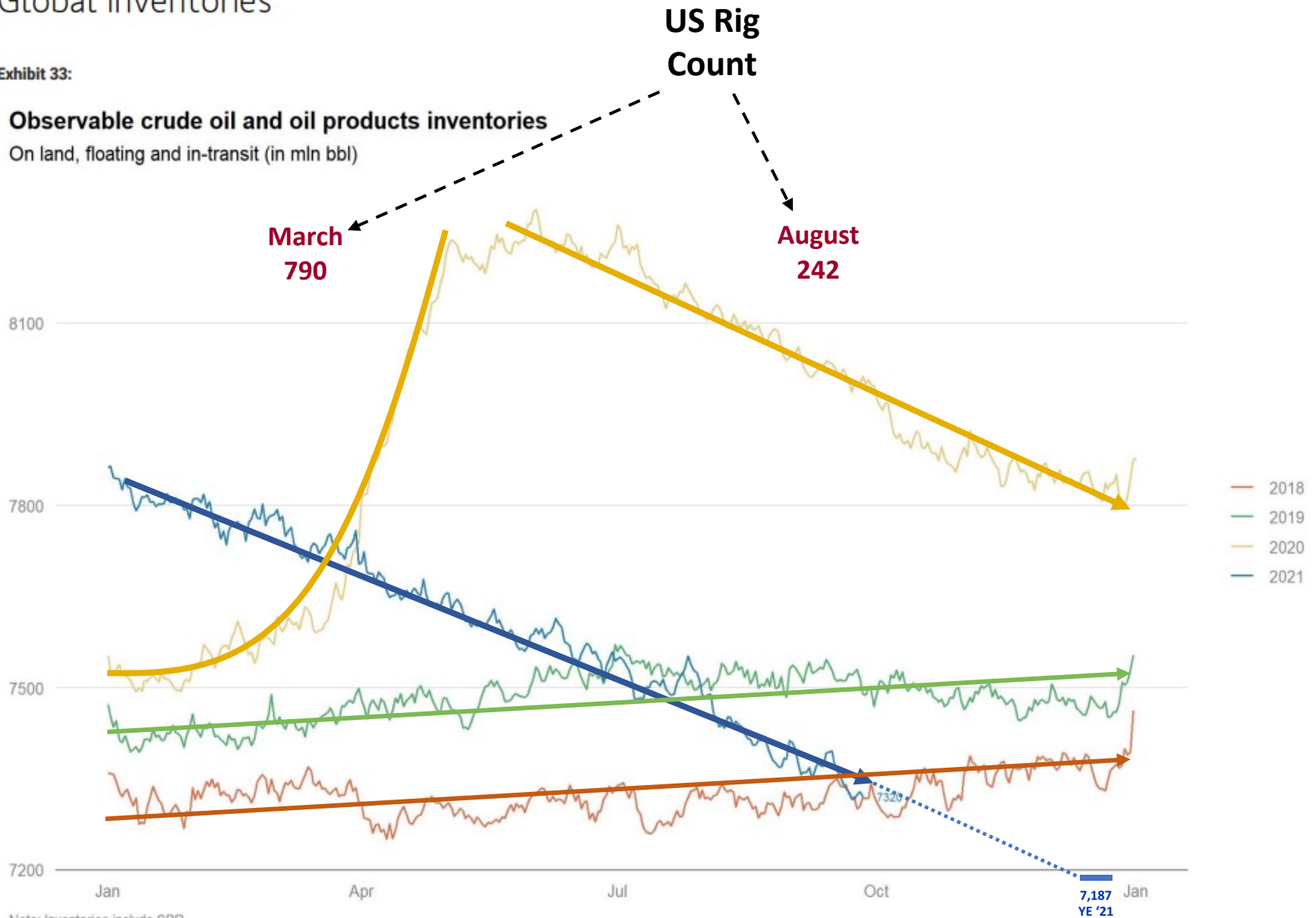
Ukraine brought to everyone's attention what has been building for the last 21 months

Global inventories

Exhibit 33:

Observable crude oil and oil products inventories

On land, floating and in-transit (in mln bbl)



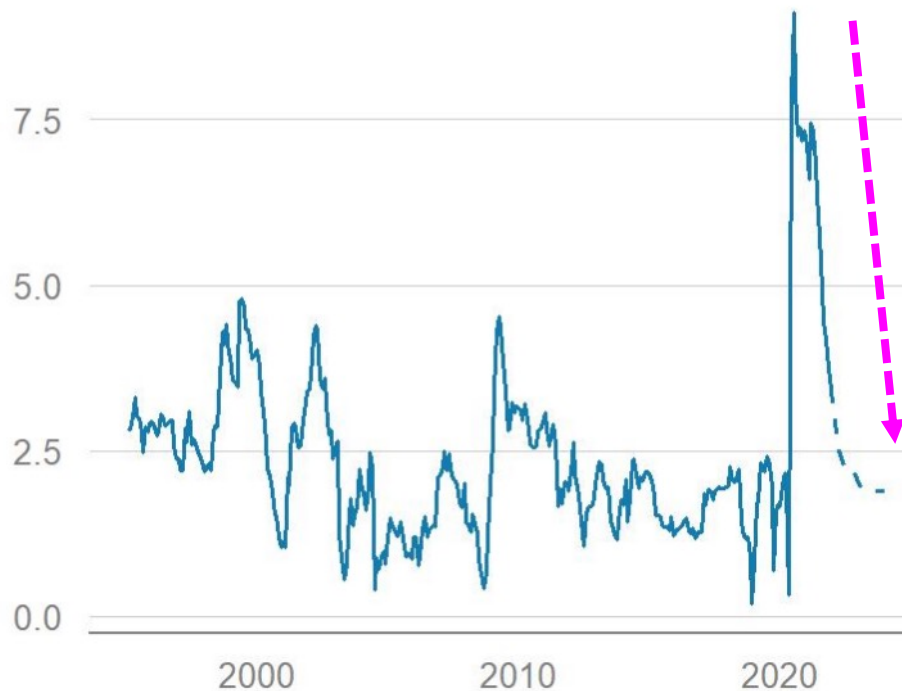
Note: Inventories include SPR
Source: IEA, EIA/DOE, PJK, IE, PAJ, Platts, Kpler, Morgan Stanley Research analysis

Spare Capacity

“Opening the Spigot”

OPEC+ spare capacity

Incl. forecast (mb/d)

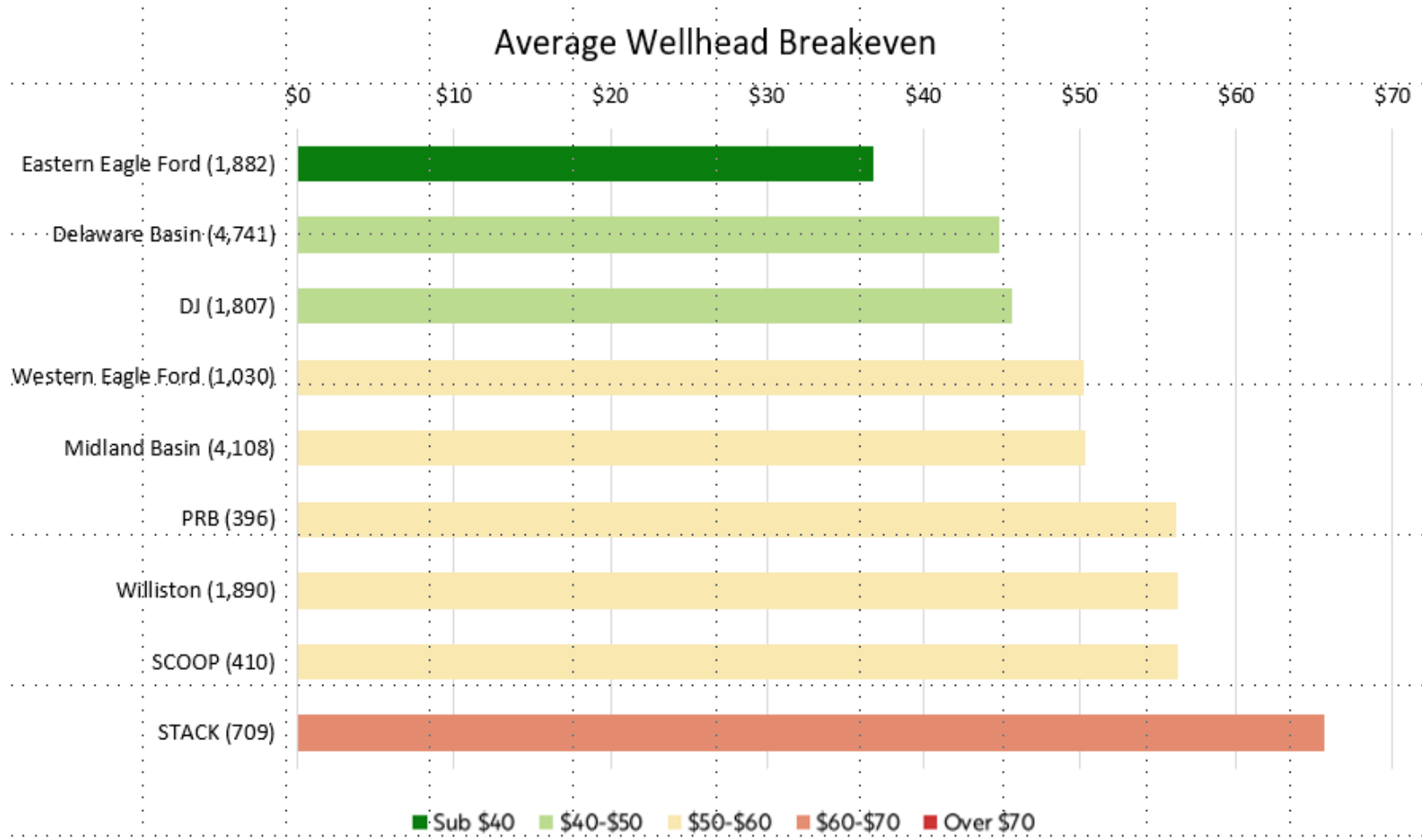


Spare Capacity

- **Fell almost 50% in 2021**
- **Missed monthly 400,000 BOPD increases**
- **~ 2M BOPD behind plan**

Under Investment in Oil and Gas Development

\$80/bbl



Note: Assumes wellhead breakeven prices, historical drilling & completion costs, and WTI strip as of June 14, 2021. 5-yr HH avg \$2.82/MMBtu. Wells in the sample listed in parentheses after basin names.

Source: BTU Analytics' [BTU Oil & Gas View](#) (Slide Updated July 7, 2021)

**12 of the 60 largest energy banks announced
they would no longer lend for conventional
energy development in 2020 – 2021**

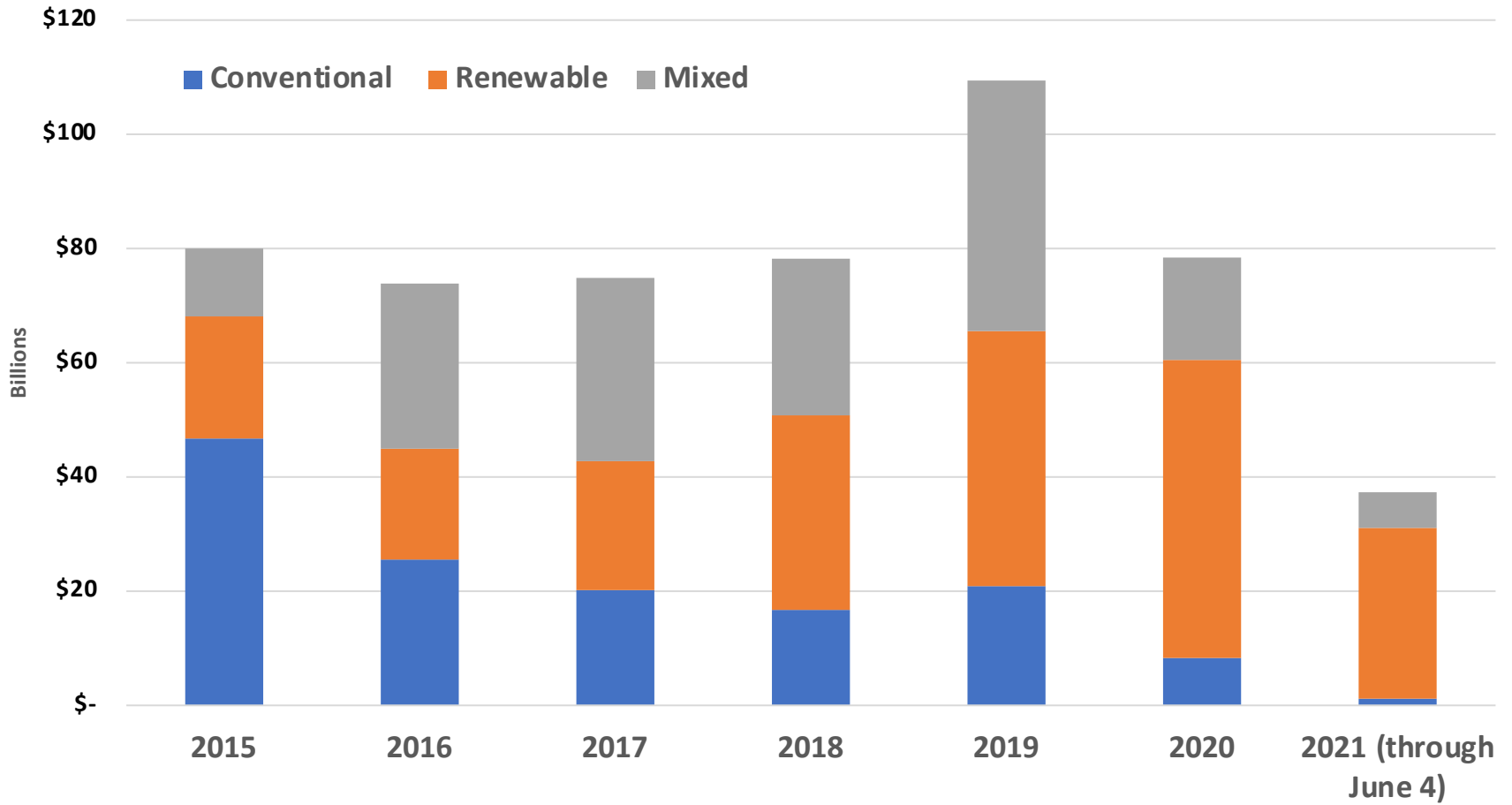
**...a 20% reduction in
just 2 years**



Remaining banks

- **Regional banks, lending less**
- **Reducing collateral values**
- **Stricter covenants**

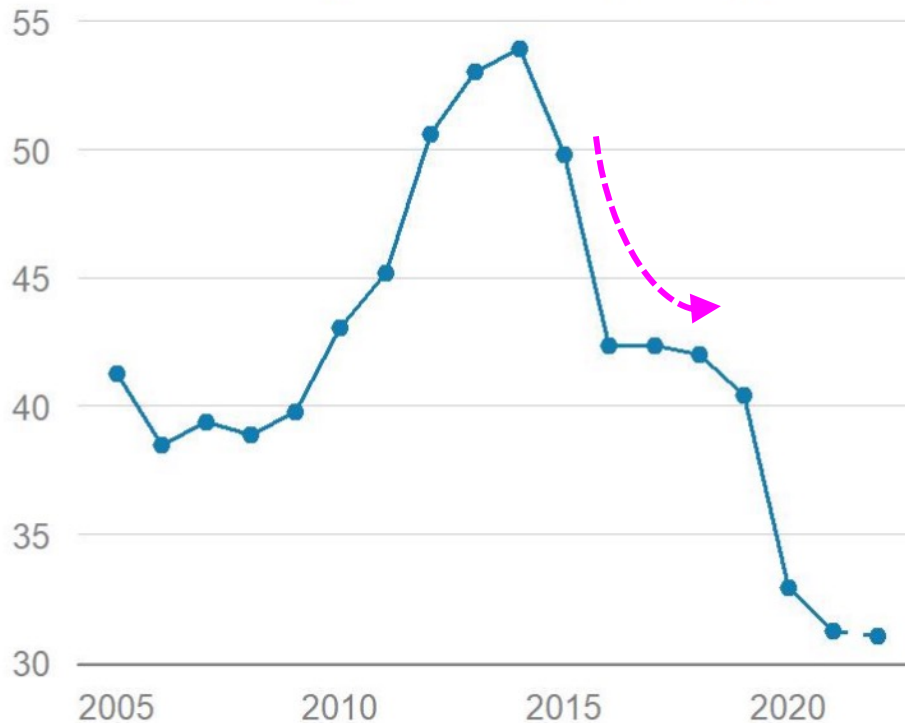
Private Equity (Energy Sector)



Source:Prequin Pro

Real-term capex

Per mtoe of oil & gas consumed (\$/mtoe)



Good News / Bad News

- ↑ 2022 CapEx 8% - 9%
- ↑ Oilfield inflation 11%
- ↑ Demand Forecast 4%

Last 6 weeks

- ↑ Large Independents
- ↓ Crews & Equipment
- ↓ Supply Chain issues

Conclusion: Too little too late for 2022



The market disruption has a name...

Capital Discipline

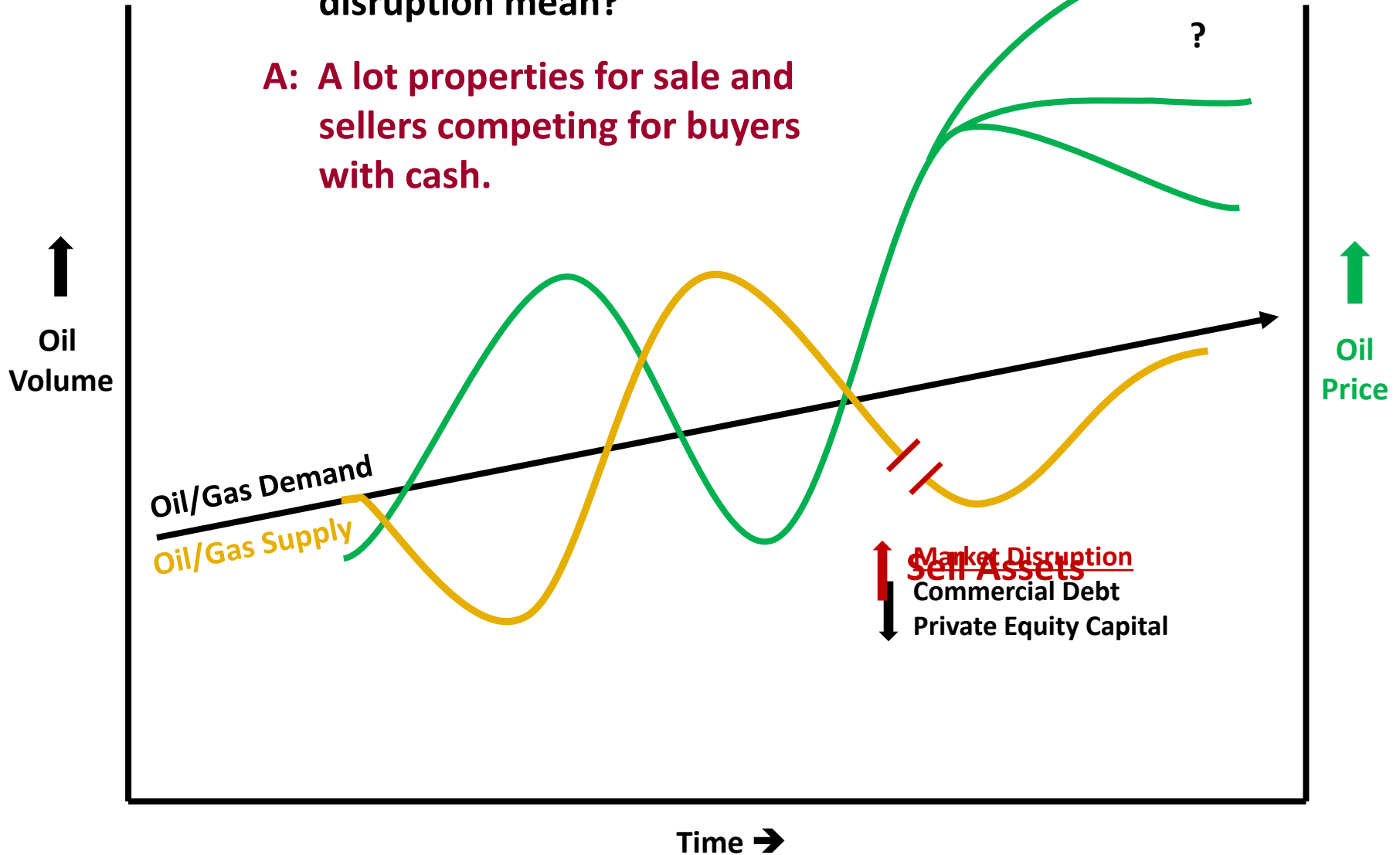
“The problem is, and the harsh reality for U.S. oil markets is that there is no switch that anyone can flip to suddenly turn on oil production. There just isn’t.”

“...There is probably going to be a six-to-nine month lag between today’s high prices and the time when the oil industry can bring significant amount of new production on line.”

Clark Williams-Derry – Analyst
Institute for Energy Economics and Financial Analysis

Q: What does this market disruption mean?

A: A lot properties for sale and sellers competing for buyers with cash.



Five States Energy Capital

FSPA 2020 Fund

Asset Acquisition Underwriting Assumptions

| Asset Name | Fund Investment (\$M) | | | | Reserve Class | Value Distribution Oil % / Gas % | NYMEX (3-year avg.) Price Deck | | Asset Return Forecast (unlevered) | |
|-----------------------------------|-----------------------|----------------|---------------|---------------|---------------|-------------------------------------|--------------------------------------|--------------|---|------------|
| | Closing Date | Purchase Price | CapEx | Total | | | Oil \$/bbl | Gas \$/mmbtu | IRR | ROI |
| Fund Closed | 3Q '20 | | | | | | | | | |
| Cooper - Henderson, West 1 | 4Q '20 | | | | | | | | | |
| Producing Wells | | \$0.30 | - | \$0.30 | PDP | 100% / 0% | \$41.24 | - | 12.1% | 2.5 |
| Workovers | | - | \$1.11 | \$1.11 | PDNP | 100% / 0% | \$41.24 | - | 21.6% | 1.6 |
| Asset Total | | \$0.30 | \$1.11 | \$1.41 | | | | | 17.6% | 1.8 |
| Golden Prairie, WY | 4Q '20 | | | | | | | | | |
| Producing Wells | | \$0.25 | \$0.00 | \$0.25 | PDP | 100% / 0% | \$45.00 | - | 69.8% | 1.8 |
| Henry Firewater, West TX | 1Q '21 | | | | | | | | | |
| Producing Wells | | \$5.20 | - | \$5.20 | PDP | 76% / 24% | \$55.00 | \$2.75 | 12.9% | 1.5 |
| Recompletions | | - | \$2.50 | \$2.50 | PDNP | 80% / 20% | \$55.00 | \$2.75 | 27.5% | 1.8 |
| Asset Total | | \$5.20 | \$2.50 | \$7.70 | | 77% / 23% | | | 18.6% | 1.7 |
| Tiger Waterflood, West TX | 2Q '21 | | | | | | | | | |
| Producing Wells | | \$2.10 | - | \$2.10 | PDP | 99% / 1% | \$56.00 | \$2.75 | 10.4% | 1.7 |
| E. Ackerly Dean, West TX | 2Q '21 | | | | | | | | | |
| Producing Wells | | \$0.10 | \$0.08 | \$0.18 | PDP | 97% / 3% | \$55.00 | \$2.75 | 71.0% | 2.7 |
| Brookston BE-1, East TX | 10/12/21 | | | | | | | | | |
| Producing Wells | | \$8.50 | \$0.33 | \$8.83 | PDP | 35% / 65% | \$62.67 | \$3.00 | 14.0% | 1.8 |

NYMEX – 4/5/22

\$102.93 \$6.06

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