# Stone Energy Corporation (SGY)

# *Iberia Capital Presentation*

*May 2015*

# Disclosure

***Forward-Looking Statements***

*Certain statements in this press release are forward-looking and are based upon Stone's current belief as to the outcome and timing of future events. All statements, other than statements of historical facts, that address activities that Stone plans, expects, believes, projects, estimates or anticipates will, should or may occur in the future, including future production of oil and gas, future capital expenditures and drilling of wells and future financial or operating results are forward-looking statements.* ***All forward-looking numbers are approximate****. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include the timing and extent of changes in commodity prices for oil and gas, operating risks, liquidity risks, political and regulatory developments and legislation, including developments and legislation relating to our operations in the Gulf of Mexico and Appalachia, and other risk factors and known trends and uncertainties as described in Stone's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q as filed with the SEC. Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, Stone's actual results and plans could differ materially from those expressed in the forward-looking statements. Estimates for Stone's future production volumes and reserves are based on assumptions of capital expenditure levels and the assumption that market demand and prices for oil and gas will continue at levels that allow for economic production of these products. The production, transportation and marketing of oil and gas are subject to disruption due to transportation and processing availability, mechanical failure, human error, hurricanes and numerous other factors. Stone's estimates are based on certain other assumptions, such as well performance, which may vary significantly from those assumed. Delays experienced in well permitting could affect the timing of drilling and production. Lease operating expenses, which include major maintenance costs, vary in response to changes in prices of services and materials used in the operation of our properties and the amount of maintenance activity required. Estimates of DD&A rates can vary according to reserve additions, capital expenditures, future development costs, and other factors. Therefore, we can give no assurance that our future production volumes, lease operating expenses or DD&A rates will be as estimated.*

***Reserves***

*The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves that meet the SEC's definitions of such terms. Stone discloses only estimated proved reserves in its filings with the SEC. Stone's estimated proved, probable and possible reserves as of December 31, 2014 contained in this presentation were prepared by Netherland, Sewell & Associates, Inc., a nationally recognized engineering firm, and comply with definitions promulgated by the SEC. Additional information on Stone's estimated proved reserves is contained in Stone's Annual Report on Form 10-K.*

*In this presentation, Stone may also use internal estimates of "prospective resources" or other descriptions of volumes of resources potentially recoverable through additional exploratory drilling or recovery techniques, which volumes the SEC's guidelines strictly prohibit Stone from including in filings with the SEC. These estimates, as well as estimates of probable and possible reserves, are by their nature more speculative than estimates of proved reserves and accordingly are subject to substantially greater risk of being actually realized by Stone. Prospective resources refers to Stone's internal estimates of hydrocarbon quantities that may be potentially discovered through exploratory drilling or recovered with additional drilling or recovery techniques. Prospective resources does not constitute reserves within the meaning of the Society of Petroleum Engineer's Petroleum Resource Management System. Actual quantities that may be ultimately recovered from Stone's interests might differ substantially. Factors affecting ultimate recovery include the scope of Stone's ongoing drilling program, which will be directly affected by the availability of capital, drilling and production costs, availability of drilling services and equipment, drilling results, lease expirations, transportation constraints, regulatory approvals, changes in law and other factors; and actual drilling results, including geological and mechanical factors affecting recovery rates. Estimates of prospective resources may change significantly as development of our resource plays provides additional data. All prospective resources were prepared by Stone Energy in accordance with 2007 PRMS definitions and guidelines; procedures and methods were reviewed by Netherland, Sewell, and Associates, Inc .*

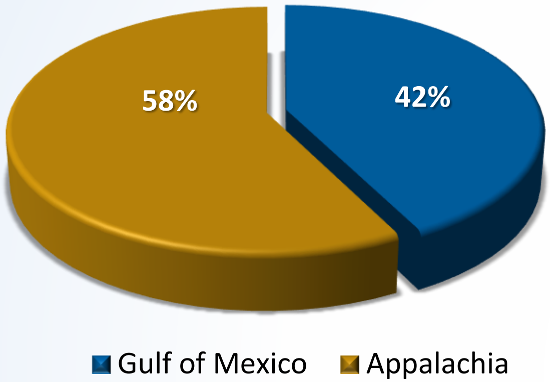
*Investors are urged to consider closely the disclosures in Stone's prospectus supplement and the accompanying prospectus, as well as the Annual Report on Form 10-K and Stone's Quarterly Reports on Form 10-Q, available free of charge on our internet site ([http://www.stoneenergy.com](http://www.stoneenergy.com)). You can also obtain this form from the SEC on the SEC's internet site ([http://www.sec.gov](http://www.sec.gov)) or by calling 1-800-SEC-0330.*

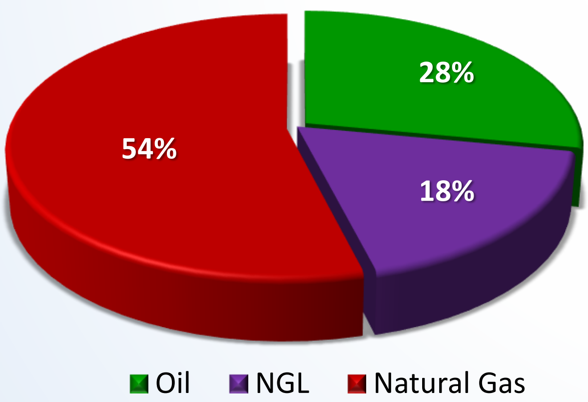
# SGY: Good Liquidity, 2014 Reserves and 2015 Proforma Production Growth

Achieving Milestones

*As May 4, 2015*

## 2014 Proved Reserves 152 mmboe

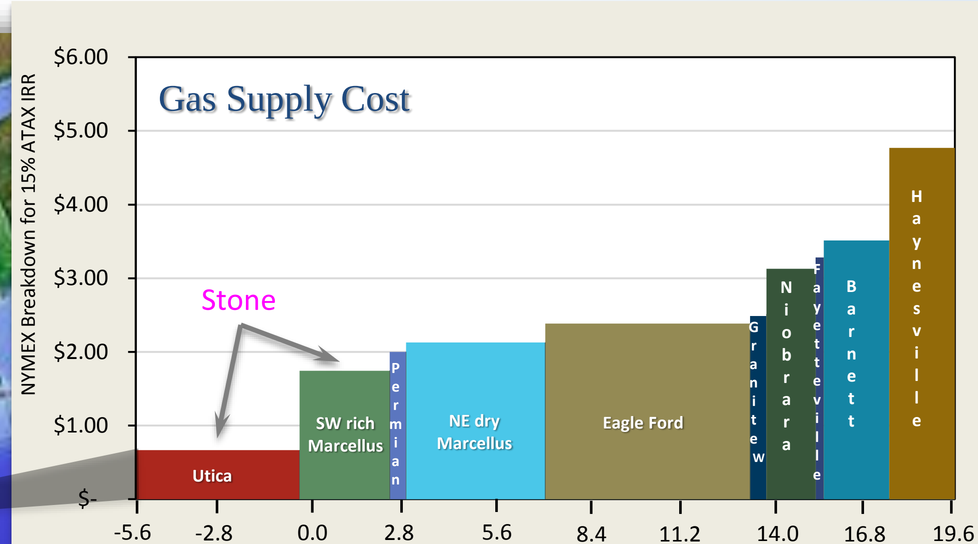


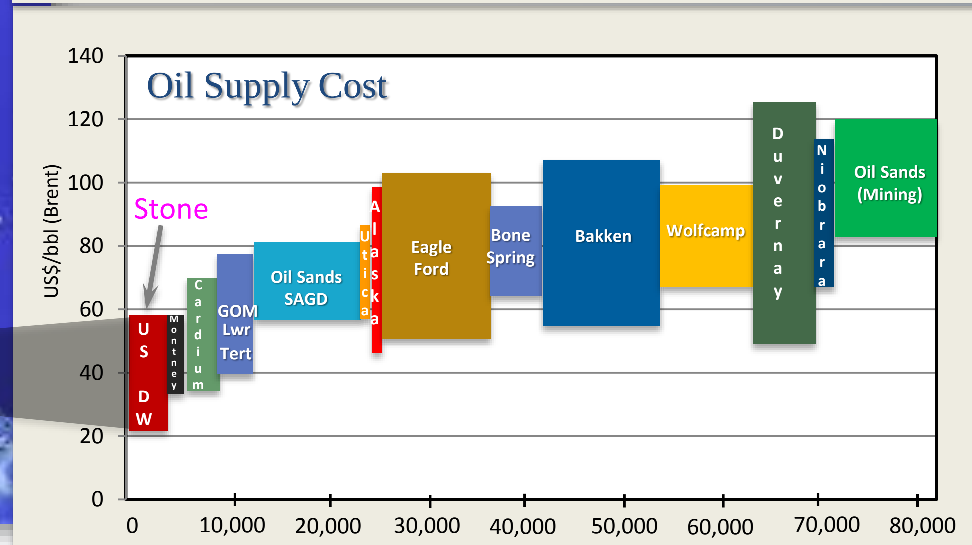

| | |
|---|---|
| Cash | $162 million |
| Undrawn Revolver * | $500 million |
| 2015 Oil & Gas Hedge Percentage | 53% |
| Market Capitalization | $910 mm |
| EBITDA (ttm) | $415 mm |
| Long Term Debt<br>$ 300mm-2017, $775mm-2022 | $1,075 mm |
| 2014 Proforma Production** | 37 mboed |
| 2015 Production Guidance | 39 - 43 mboed |
| 2014 Production Replacement | 252% |
| R/P Ratio | 10 years |

** Excludes $19 mm in LCs*
*** Excludes production from non-core property divestments*

# A&D Has Positioned SGY in Lowest Non-Opec Cost of Supply Basins

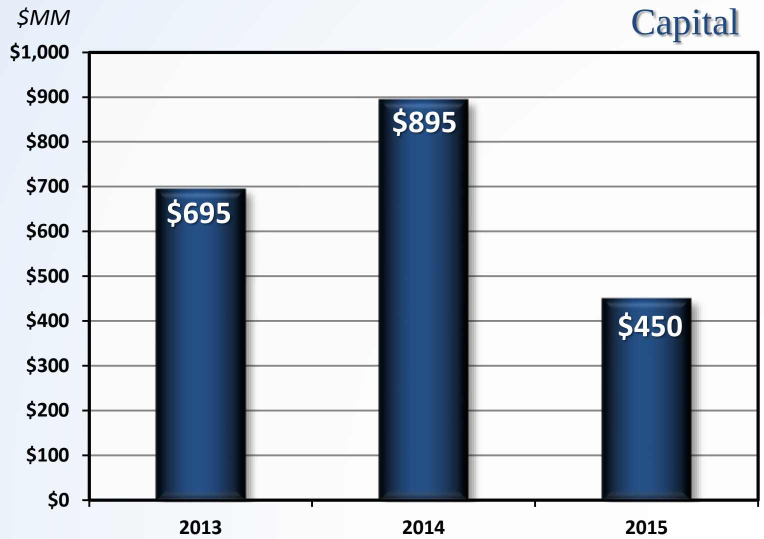

Source: Credit Suisse

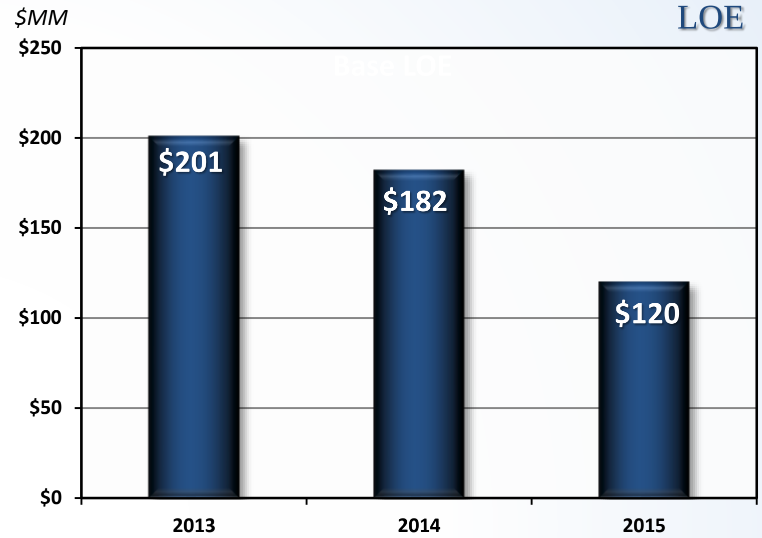



Source: Wood Mackenzie

# Significant Response to Low Commodity Prices Projected For 2015







## Spending Reduction Effects

- Net Capital Reduced 50%
- LOE Reduced 35%
    - Portfolio Shift Enabled
    - Further Reduction Possible
- SG&A Reduced 10%
- Potential Reserve Decline



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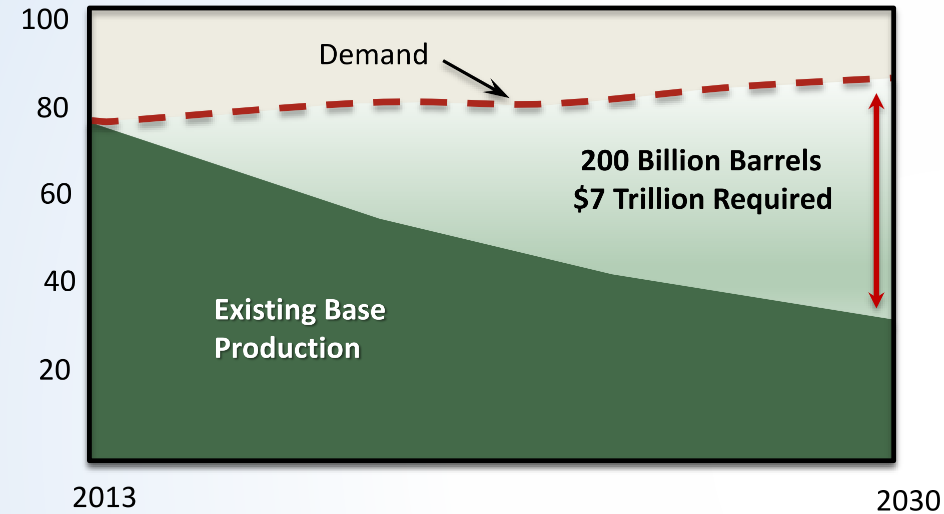
# 2015 Capital Levers Enable Adjustment to Market Conditions

| Capital Levers | Impact |
|---|---|
| ✓ Service & Materials Cost Reductions | Capital Reduction, Cash and Ebitda Increase |
| ✓ Marcellus Drilling & Completion Timeout | Capital Reduction, Optimize Value |
| Dilute Working Interest in Amethyst | Capital Infusion, Reduce Growth & Risk |
| ✓ Farm-out One Deep Water Rig Slot | Capital Reduction, Delay Future Growth |
| ✓ Delay Amberjack Platform Drilling | Capital Reduction, Reduce 2016 Production |
| ✓ Delay Rich Gas and Shelf Drilling | Capital Reduction, Delay Future Growth |
| Appalachia Joint Venture | Capital Infusion, Reduce Growth & Risk |
| Public and Private Markets | Enable Growth |
| Property Acquisition | Enable Growth |

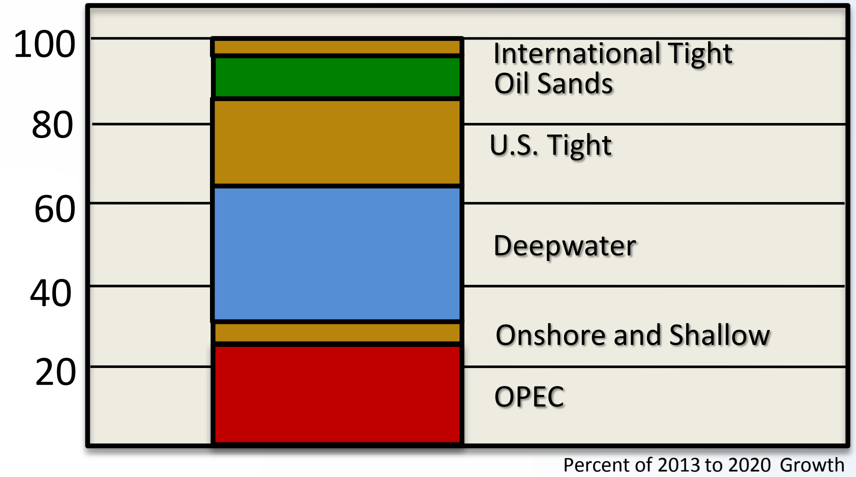
# Low Cost Strategy Is Robust Through The Price Cycle

Achieving Milestones

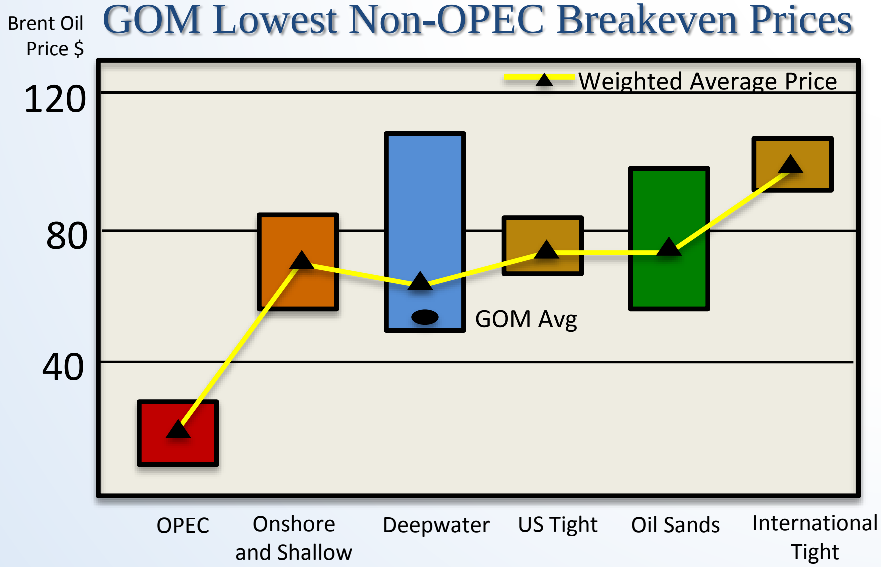
## Global Crude Oil Supply and Demand



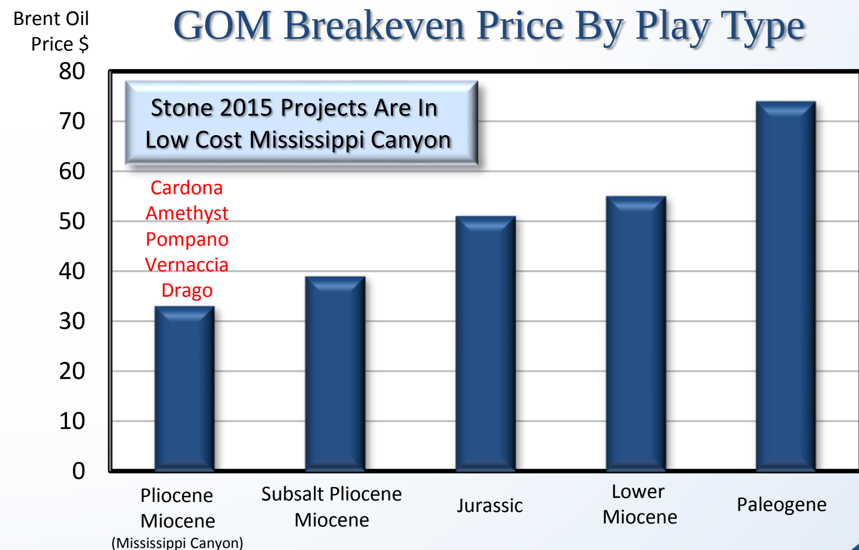

## Future Oil Supply Sources%




## GOM Lowest Non-OPEC Breakeven Prices

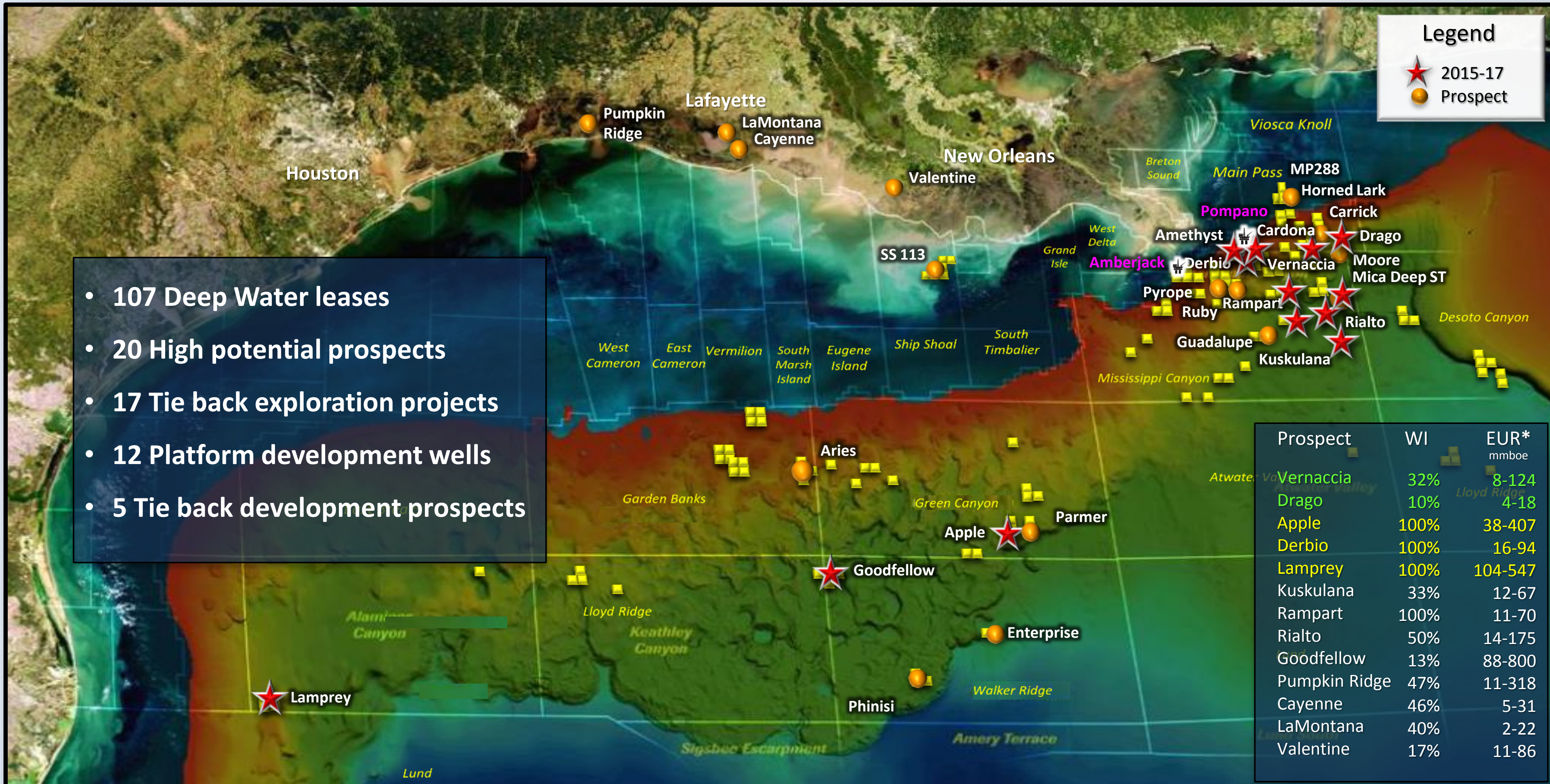



## GOM Breakeven Price By Play Type




*Source: EIA Annual Energy Outlook 2013*

# Multi-Year Investment Opportunity In Low Supply Cost Deep Water Gulf




- 107 Deep Water leases
- 20 High potential prospects
- 17 Tie back exploration projects
- 12 Platform development wells
- 5 Tie back development prospects

| Prospect | WI | EUR* mmboe |
|---|---|---|
| Vernaccia | 32% | 8-124 |
| Drago | 10% | 4-18 |
| Apple | 100% | 38-407 |
| Derbio | 100% | 16-94 |
| Lamprey | 100% | 104-547 |
| Kuskulana | 33% | 12-67 |
| Rampart | 100% | 11-70 |
| Rialto | 50% | 14-175 |
| Goodfellow | 13% | 88-800 |
| Pumpkin Ridge | 47% | 11-318 |
| Cayenne | 46% | 5-31 |
| LaMontana | 40% | 2-22 |
| Valentine | 17% | 11-86 |

** Gross, P90 - P10 internal estimate*



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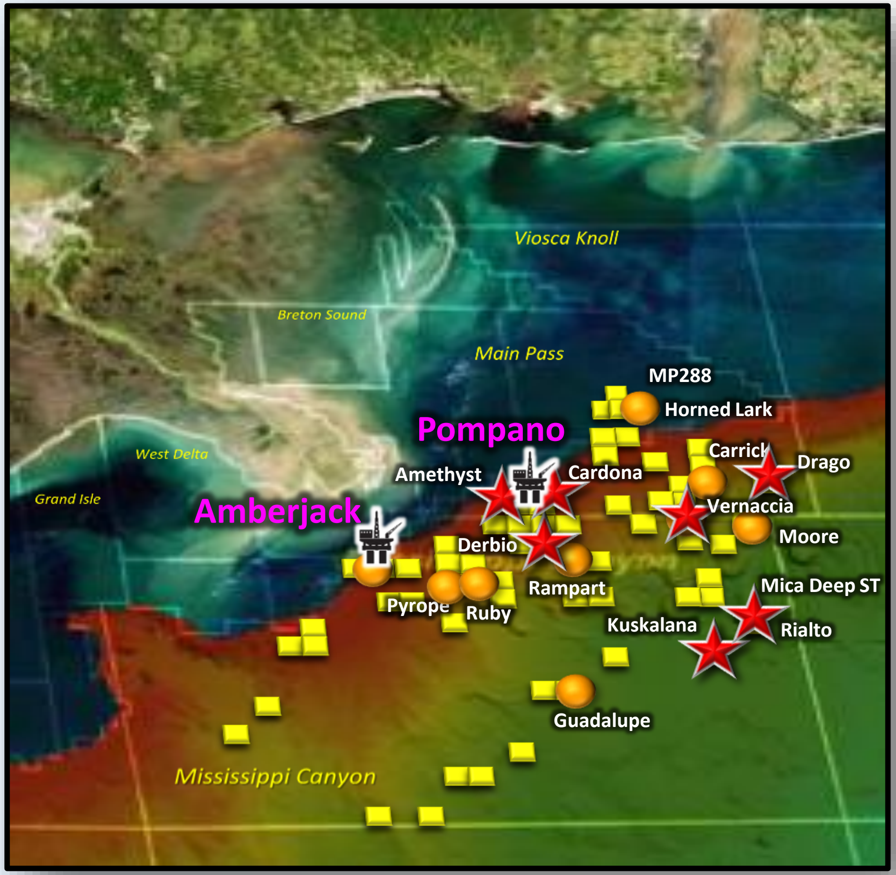
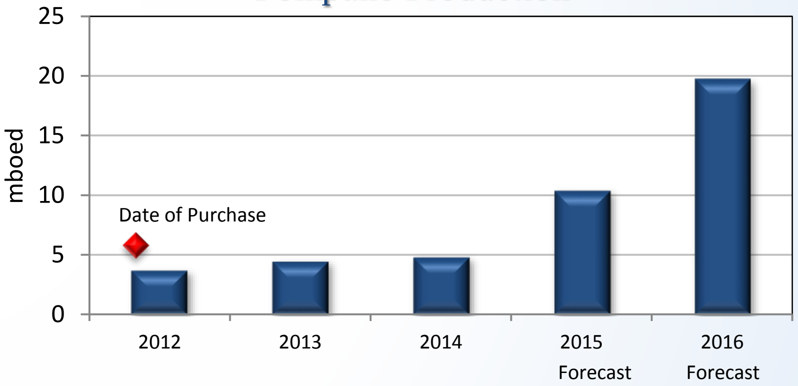
# Mississippi Canyon Among Lowest Cost of Supply in Non-Opec World




## SGY Critical Mass

- 2 Platform Production Hubs*
- 50 Leases
- 20 Prospects
- Low Cost Tie-Backs
- Advantaged Infrastructure

## Pompano Production




| Pompano Operational Leverage | | |
|---|---|---|
| | LOE ($mm) | $LOE/BOE |
| 2014 | $31 | $16.50 |
| 2015E | $29 | $7.50 |
| 2016E | $33 | $4.50 |

* SGY 100 Percent Owned MC Infrastructure
Pompano: 60,000 bopd and 200 mmcfd Capacity
Amberjack: 22,000 bopd and 30 mmcfd Capacity



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# Cardona Yields Two Additional Low Risk Development Wells


Cardona No. 4 and 5 - drilled

- On production December 2014
- Ahead of schedule, under budget
- Gross volumes 10,000 boed

Cardona No. 6 - 2Q15 spud

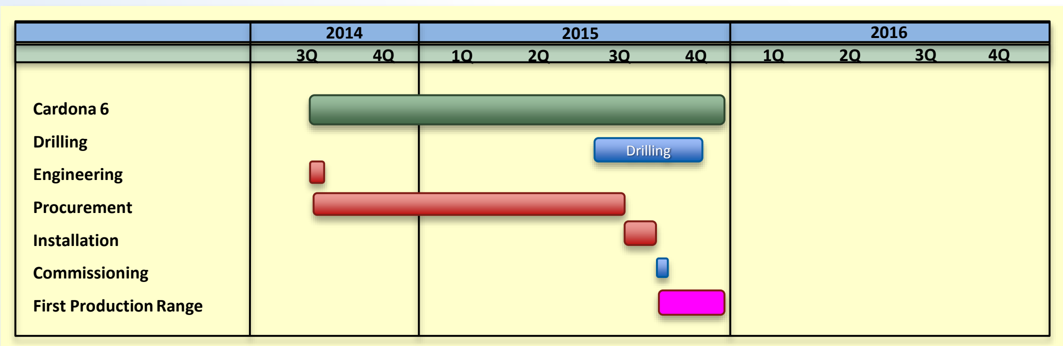
- Cardona No. 5 offset
- Develop shallow P8 and M83A
- Projected gross rate 6,000 boed
- ENSCO 8503

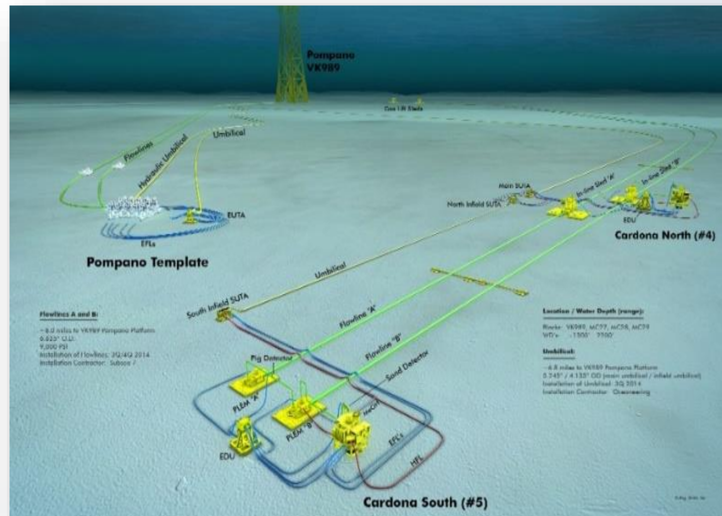
Cardona No. 7 (Future)

- TB-9 offset M83A PUD
- Projected gross rate 5,000 boed

## Cardona Project

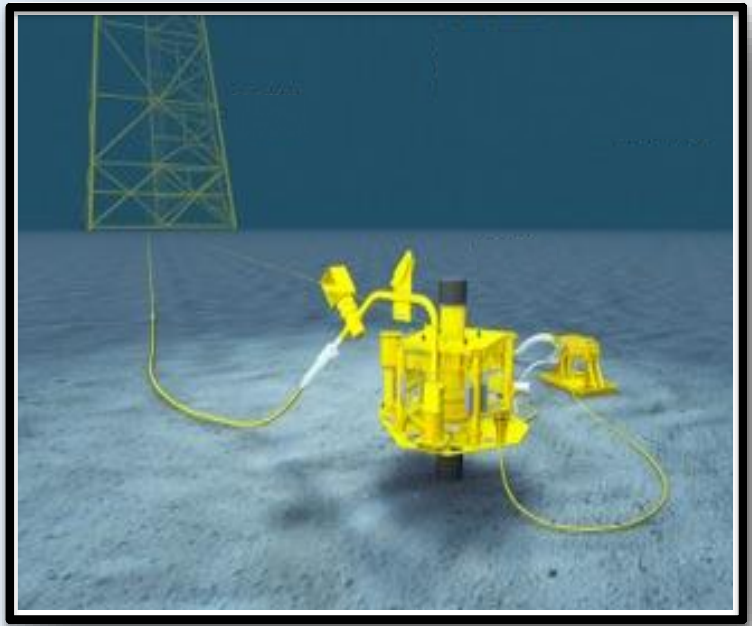
- SGY 65% W.I.
- 4 Well Tie Back Loop
- Enables Future Tie Backs
- 2 Wells Producing 10,000 boepd
- Net EUR: 5-19 mmboe (Pmean 12)
- Dev Cost: $31 per boe
- Oil Price: LLS = WTI + $3
- LOE: ($ 1.20) per boe

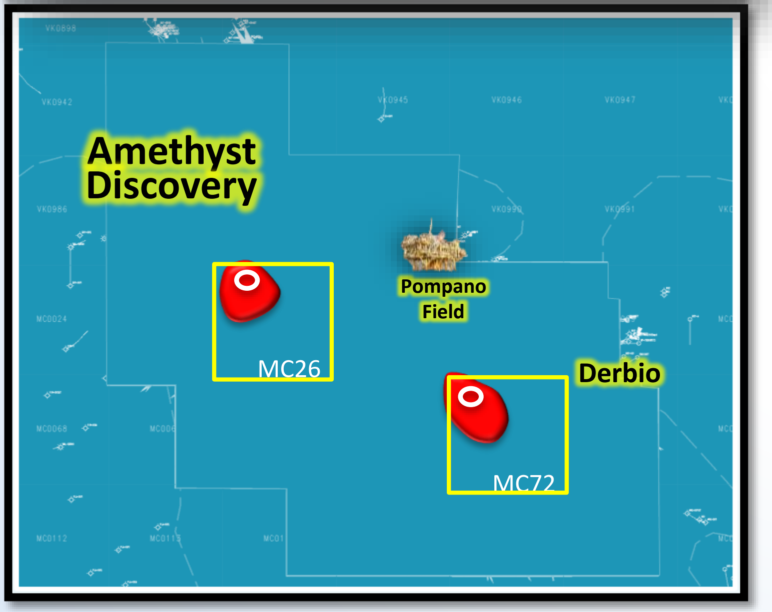


Achieving Milestones

# Amethyst Development Is On Track For Early 2016 Start Up

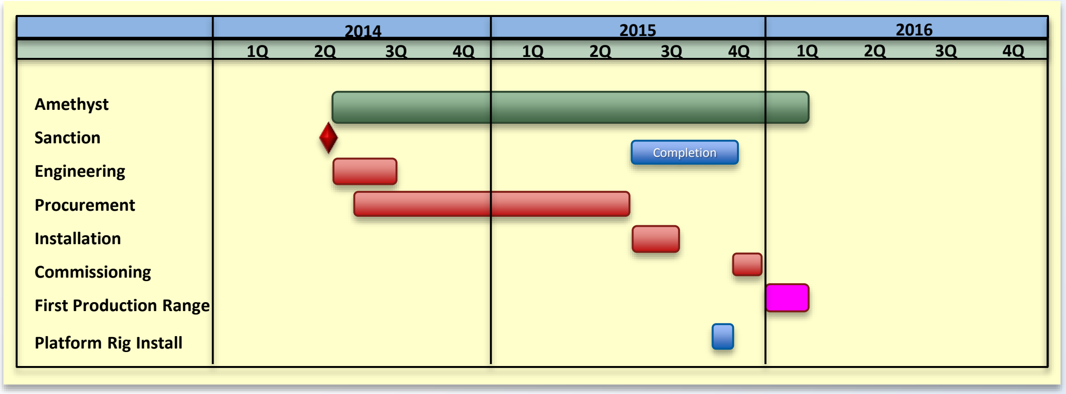





## Amethyst

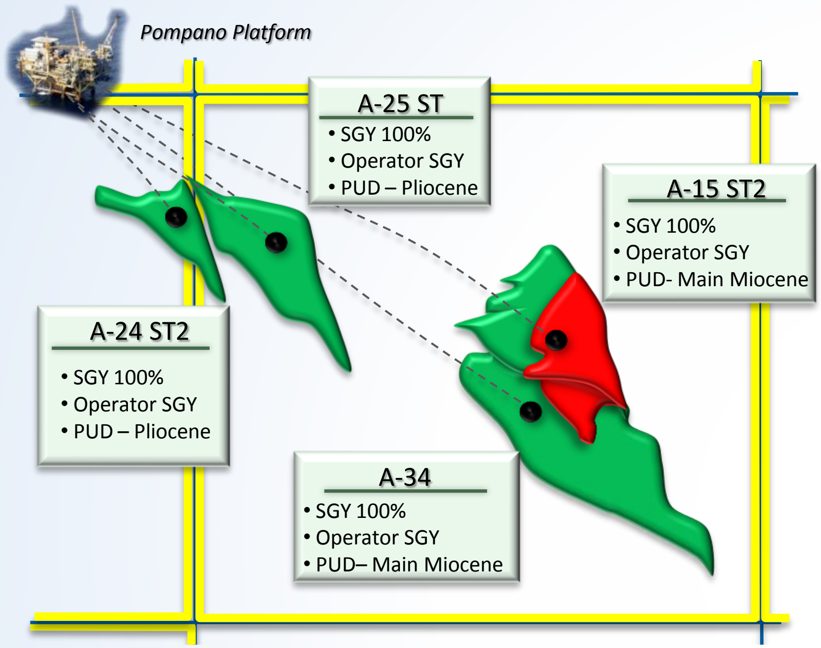
- SGY 100% W.I.
- Discovery 2014
- Gas and condensate
- Net EUR: 50-197 Bcfe (Pmean 118)
- 25-75 mmcfed initial potential
- Tie-back to Pompano platform
- Optimal flexible flow line

- 2015 Capital $140 mm gross
- LOE: $0.06 per mcfe



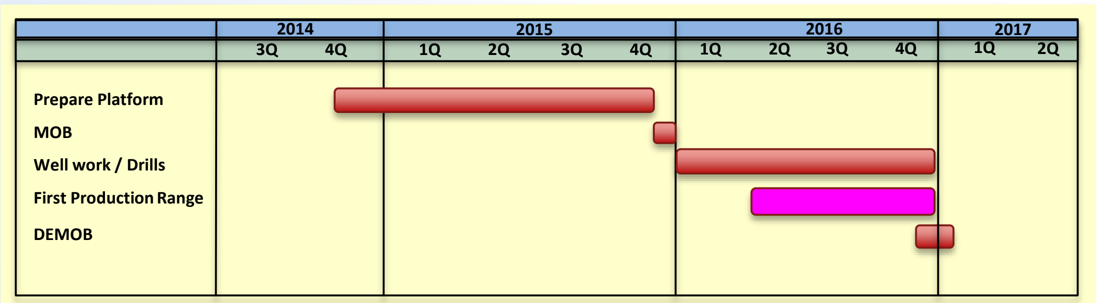
# Pompano Platform Program Comprises Low Risk Development Wells

Achieving Milestones

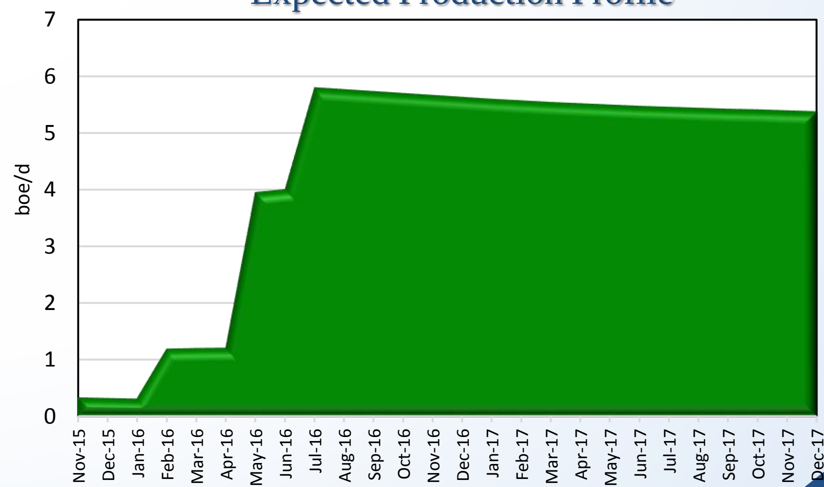



## Pompano Platform Rig

- SGY 100% W. I.
- 3 - 4 Well Program
- Existing Infrastructure
- Net Investment: $116 mm
- Expected Peak Production 5,900 boe/d
- Net EUR: 5-20 mmboe (Pmean 11)
- Dev Cost: $11 per boe
- Oil Price: LLS = WTI + $3
- Incremental LOE $.34 boe




Expected Production Profile



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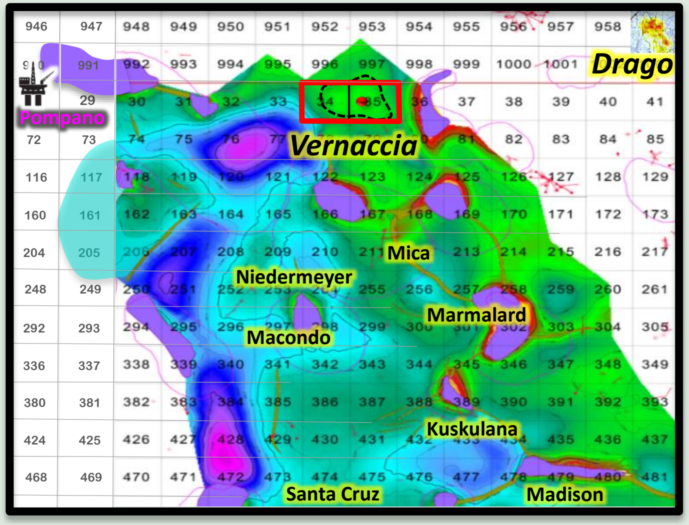
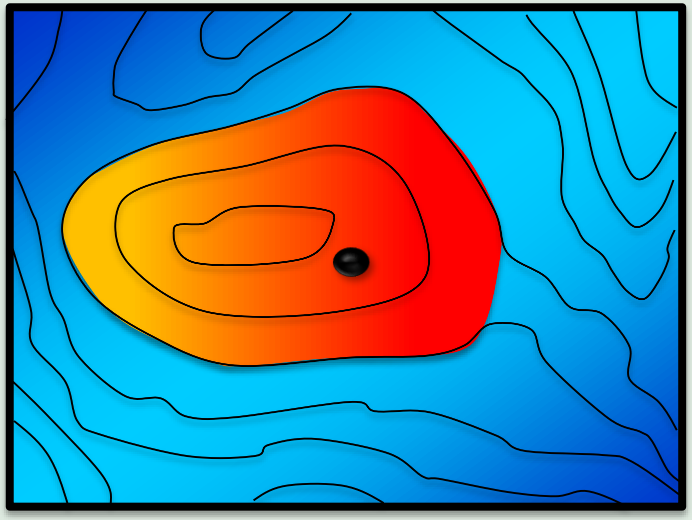
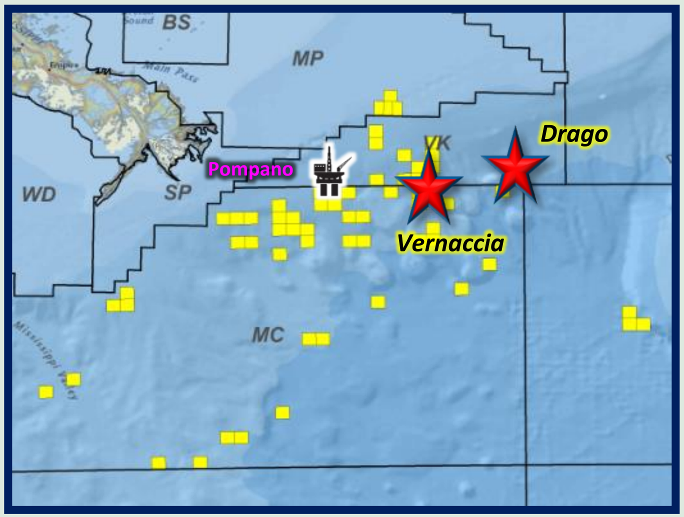
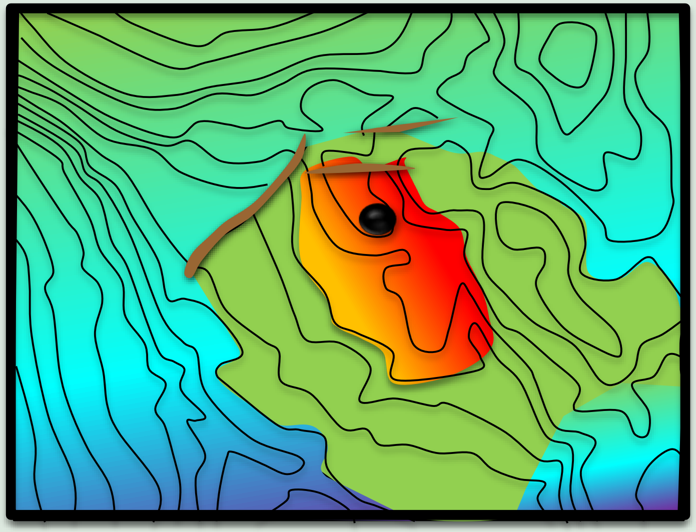
# Highly Selective and Leveraged 2015 Exploration Program





## Vernaccia

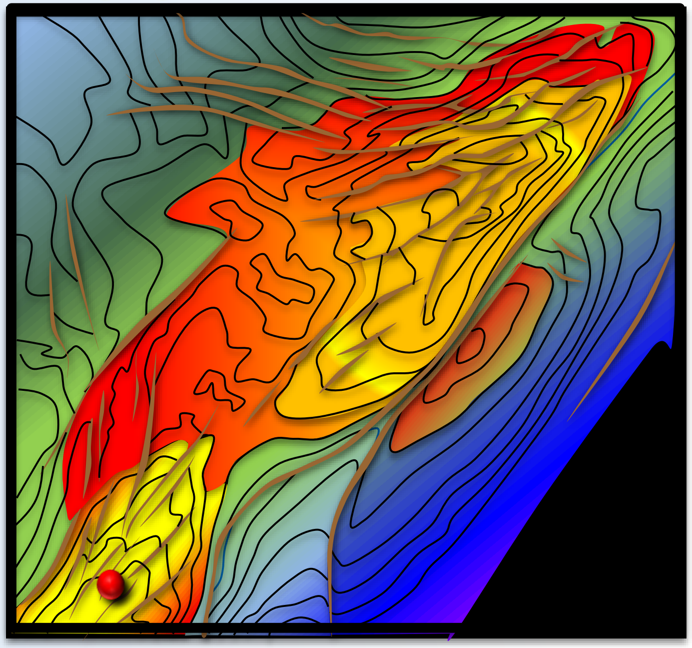
- SGY 32% W.I.
- Eni operated
- Pompano tieback potential
- 8 - 124 mmboe gross
- DHC $29 mm net

## Drago

- SGY 10%
- LLOG Operated
- Petronius Tieback
- 4 – 18 mmboe gross
- DHC $0 mm net
- Drilling

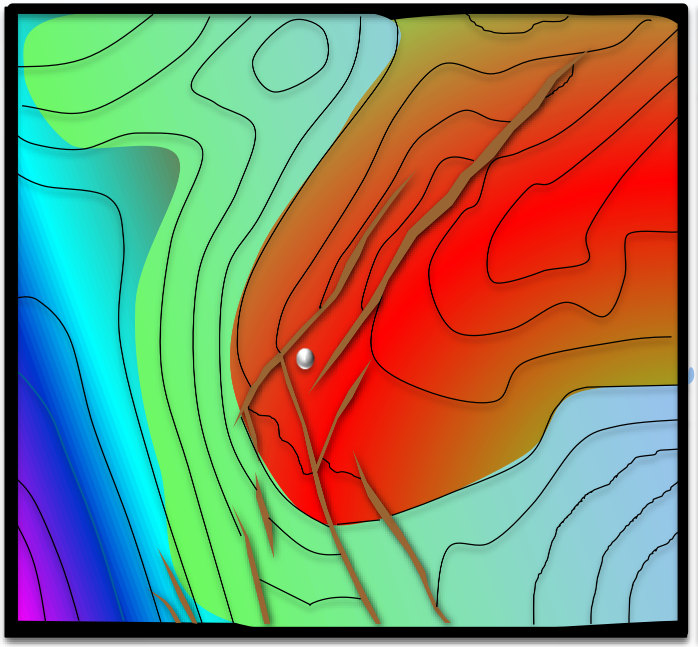
# Robust GOM Deep Water Prospect Inventory

## Lamprey



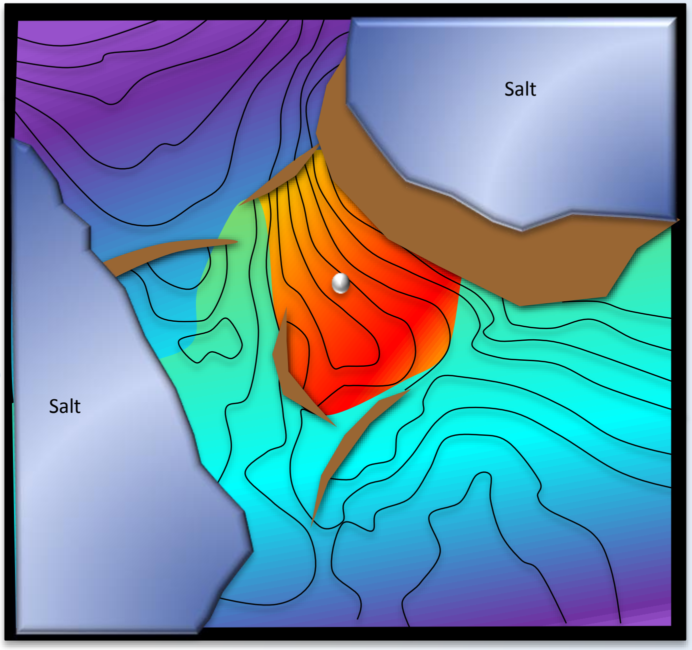
| Prospect | WI | EUR* mmboe |
|---|---|---|
| Lamprey | 100% | 104-547 |

## Derbio



| Prospect | WI | EUR* mmboe |
|---|---|---|
| Derbio | 100% | 16-94 |

## Apple

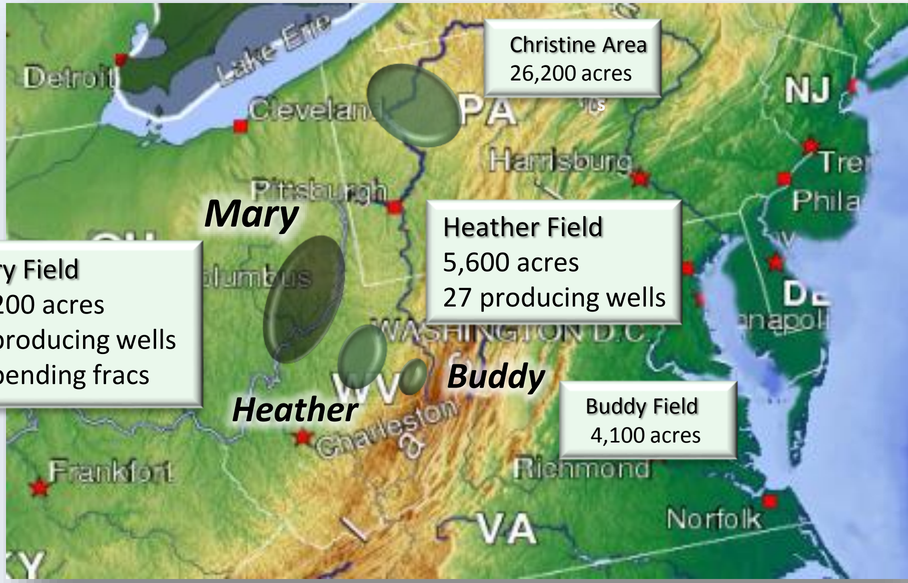



| Prospect | WI | EUR* mmboe |
|---|---|---|
| Apple | 100% | 38-407 |

| Prospect | WI | EUR* mmboe | Prospect | WI | EUR* mmboe |
|---|---|---|---|---|---|
| Rampart | 100% | 11-70 | Rialto | 50% | 14-175 |
| Kuskulana | 33% | 12-67 | Goodfellow | 13% | 88-800 |

** Gross, P90 - P10 internal estimate*

# Decades of Investment Opportunity In Low Supply Cost Appalachia



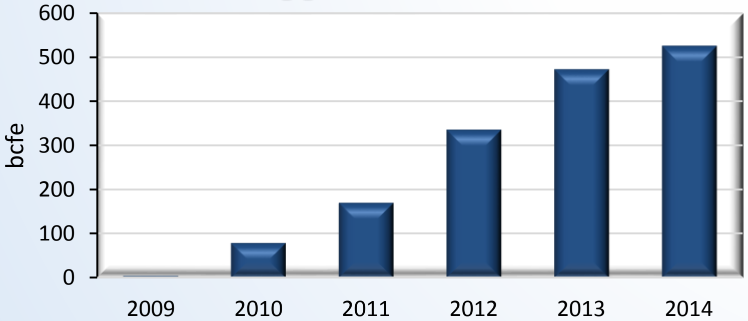

## Marcellus

- Proved Reserves: 526 bcfe
- Probable & Possible: 531 bcfe
- Potential Undrilled Locations 250

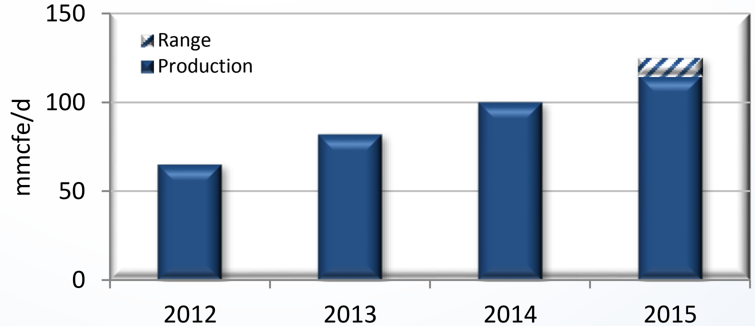
- Short Term High Price Differentials
- Drilling & Completion Time Out 2015

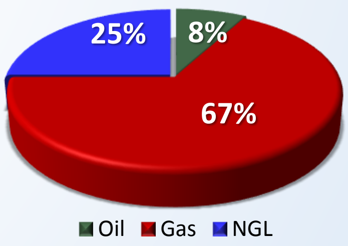
- F&D: $1.15 per mcfe
- LOE: $0.40 per mcfe

## Appalachia Reserves

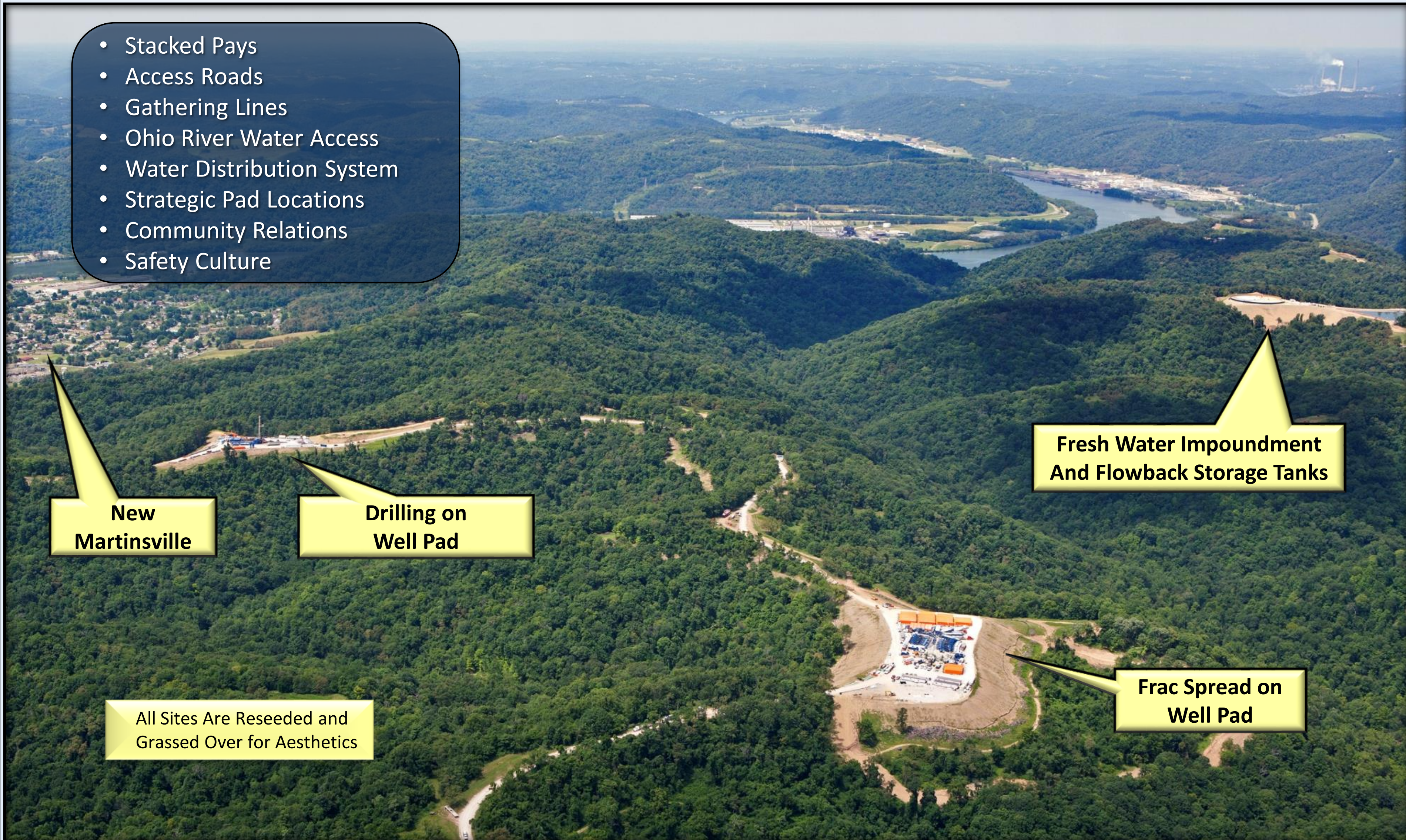



## Appalachia Production



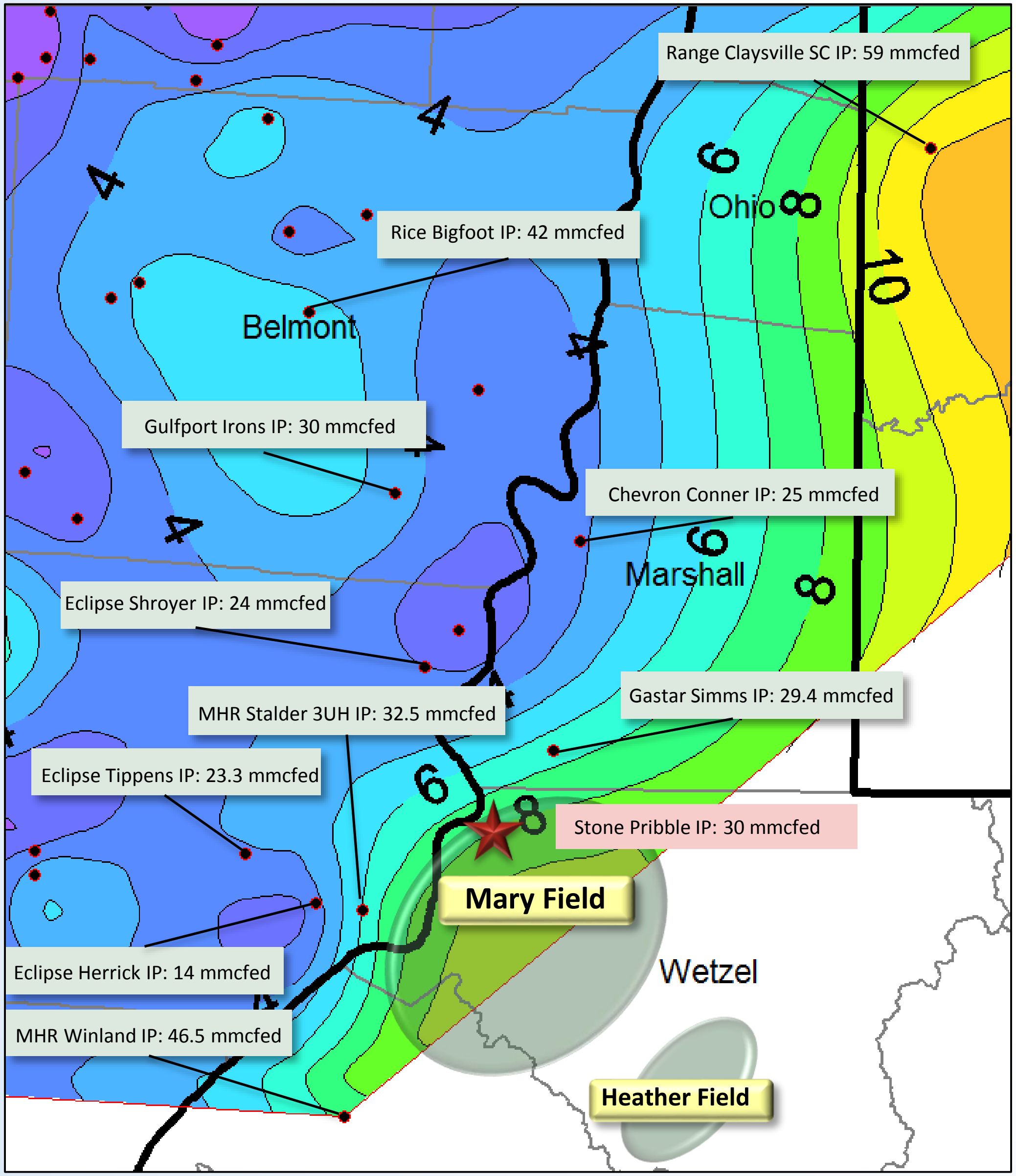



# SGY Is Positioned For Long Term Success In Marcellus and Utica



# Multi-year Investment Opportunity In Low Cost Appalachia Utica

Achieving Milestones




## Utica Dry Gas

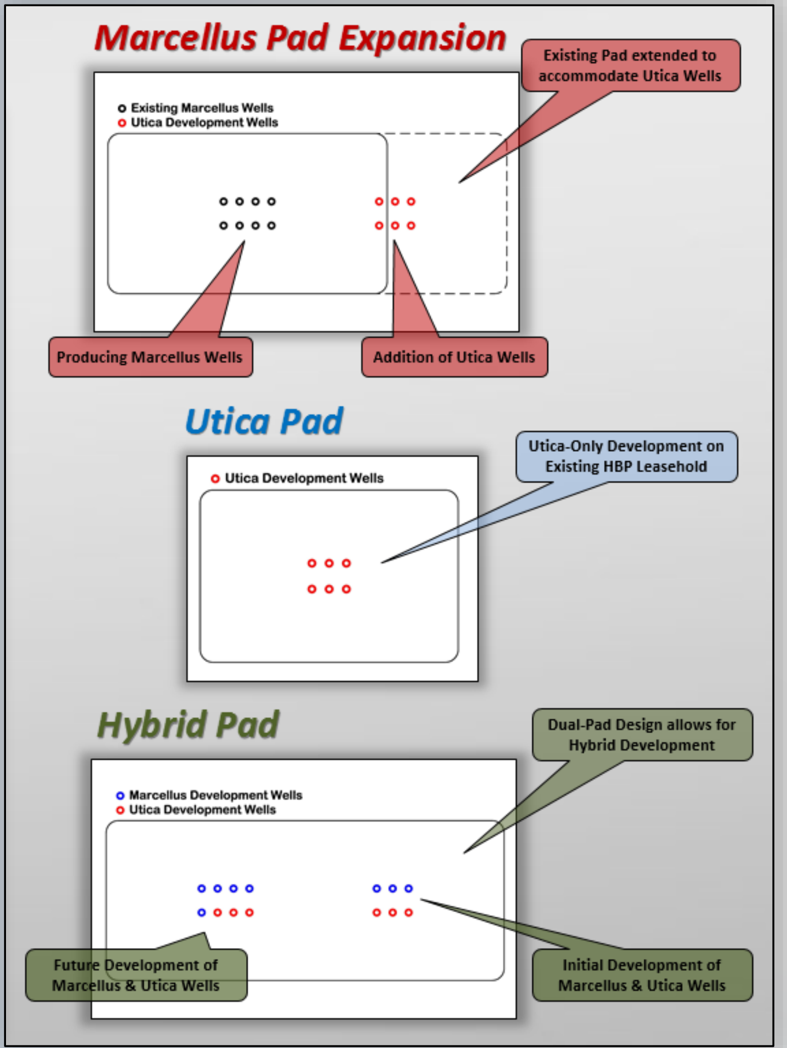
- 35,000 Net Acres
- Potential 2016 Development
- Over 200 Potential Well Locations
- 3 - 4 TCF Ultimate Resource Potential
- Mary, Heather & Buddy Fields

- Est F&D Cost $0.67 MCF
- Est LOE $0.10 MCF

| Operator | Pad | Reported Rate (Mcfd) | Lateral Length (ft) | Rate Per 1,000 ft |
|---|---|---|---|---|
| Range | Claysville SC | 59,000 | 5,420 | 10.89 |
| **Stone** | **Pribble** | **30,000** | **3,605** | **8.32** |
| Gastar | Simms | 29,400 | 4,447 | 6.61 |
| Mag. Hunter | Stalder | 32,500 | 5,050 | 6.44 |
| Rice Energy | Bigfoot | 42,000 | 6,957 | 6.04 |
| Gulfport | Irons | 30,000 | 6,629 | 4.53 |
| Eclipse | Tippens | 23,300 | 5,850 | 3.98 |
| Chevron | Conner | 25,000 | 6,451 | 3.88 |
| Eclipse | Shroyer | 24,000 | 7,422 | 3.23 |
| Eclipse | Herrick | 14,000 | 5,761 | 2.43 |

**Source: Third party operator announcements and public filings for offset wells*

# Progressing Optimal Utica Development Plan During Drilling Time Out




## Marcellus Pad Expansion

- Initial Utica Exploration Sites
- Existing Roads and Infrastructure
- Valid Existing Title Opinions
- Produce While Drilling

## Utica Pad

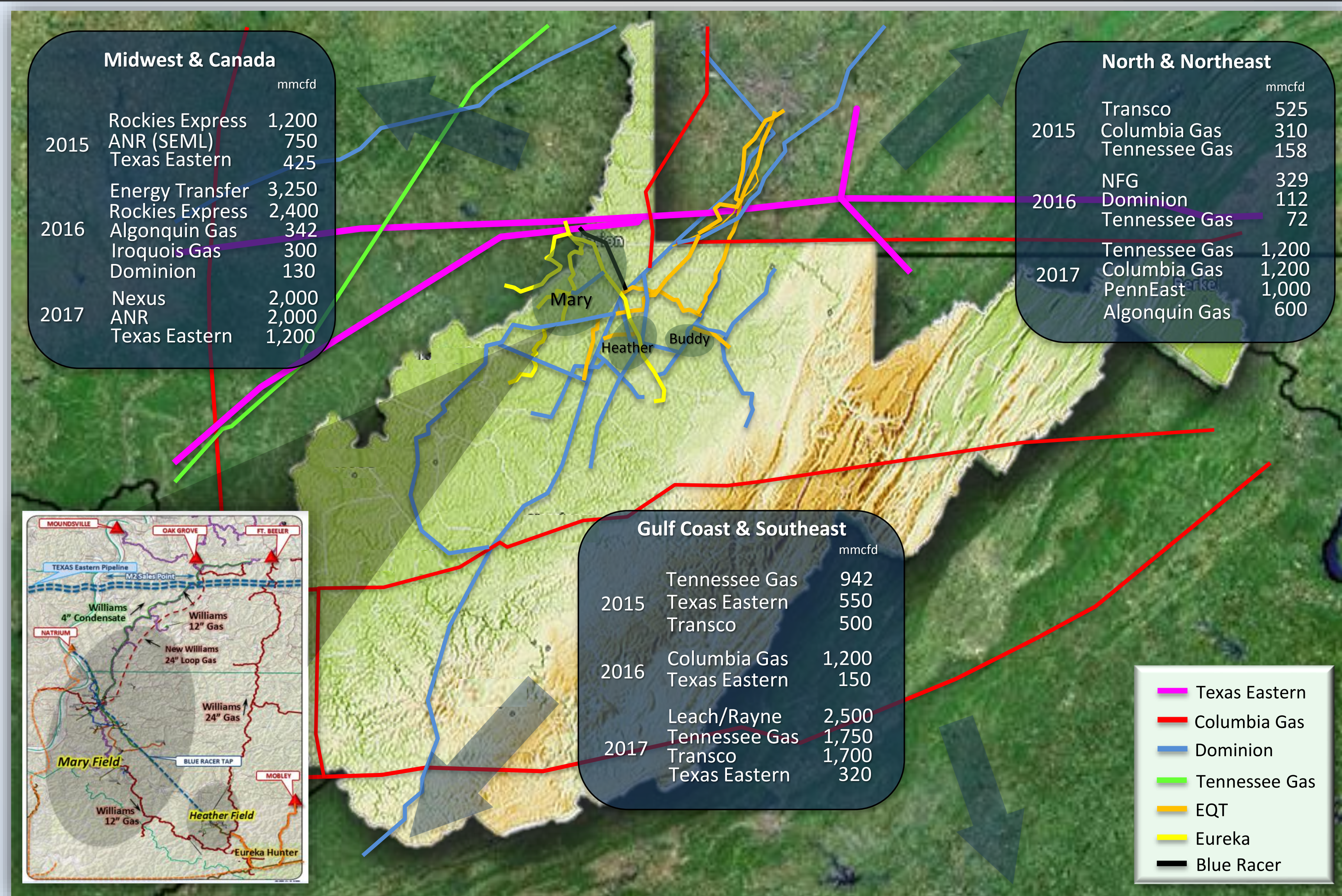
- Development on Marcellus HBP Leasehold
- Proximate to Infrastructure
- Existing Title Opinions

## Hybrid Pad

- Undeveloped Leasehold
- Facilities Optimization
- Reduced Pad Cost
- Produce While Drilling

# Additional Infrastructure Expected To Reduce Future Differentials






**Midwest & Canada**

| | | mmcfd |
|---|---|---|
| 2015 | Rockies Express | 1,200 |
| | ANR (SEML) | 750 |
| | Texas Eastern | 425 |
| 2016 | Energy Transfer | 3,250 |
| | Rockies Express | 2,400 |
| | Algonquin Gas | 342 |
| | Iroquois Gas | 300 |
| | Dominion | 130 |
| 2017 | Nexus | 2,000 |
| | ANR | 2,000 |
| | Texas Eastern | 1,200 |

**North & Northeast**

| | | mmcfd |
|---|---|---|
| 2015 | Transco | 525 |
| | Columbia Gas | 310 |
| | Tennessee Gas | 158 |
| 2016 | NFG | 329 |
| | Dominion | 112 |
| | Tennessee Gas | 72 |
| 2017 | Tennessee Gas | 1,200 |
| | Columbia Gas | 1,200 |
| | PennEast | 1,000 |
| | Algonquin Gas | 600 |

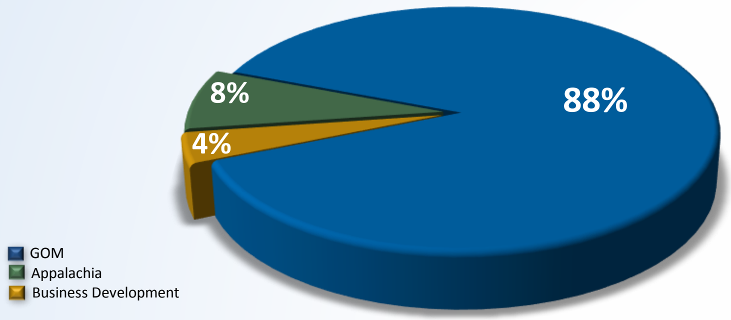
**Gulf Coast & Southeast**

| | | mmcfd |
|---|---|---|
| 2015 | Tennessee Gas | 942 |
| | Texas Eastern | 550 |
| | Transco | 500 |
| 2016 | Columbia Gas | 1,200 |
| | Texas Eastern | 150 |
| 2017 | Leach/Rayne | 2,500 |
| | Tennessee Gas | 1,750 |
| | Transco | 1,700 |
| | Texas Eastern | 320 |

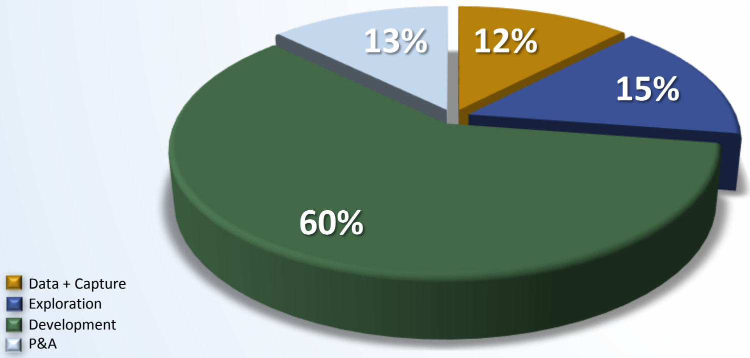
*Source: EIA, Credit Suisse, Company reports*

# Diversified, Liquid, Disciplined Company With Decades Visible Growth In Low Cost Basins

CapEx $450 mm




Most Capital to Deep Water




Most Capital to Development

## Disciplined Capital Program With Catalysts

Gulf of Mexico

- Drill Cardona No 6, Online 4Q15
- Complete Amethyst, Online 1Q16
- Pompano Platform Rig Year End
- Required Abandonments

Appalachia

- Investment Intermission
- Ready Utica Development Plan
- Construct Fit For Purpose Utica Rig

Leveraged Exploration

- Vernaccia
- Drago

# *Appendix*



# Hedging Transactions

| | Oil Volume (Bbls/d) | Price | | Natural Gas Volume (Mmbtu/d) | Price |
|---|---|---|---|---|---|
| **2015** | **1,000** | **89.00** | **2015** | **10,000** | **4.01** |
| **2015** | **1,000** | **90.00** | **2015** | **10,000** | **4.12** |
| **2015** | **1,000** | **90.25** | **2015** | **10,000** | **4.15** |
| **2015** | **1,000** | **90.40** | **2015** | **10,000** | **4.17** |
| **2015** | **1,000** | **91.05** | **2015** | **10,000** | **4.22** |
| **2015** | **1,000** | **93.28** | **2015** | **10,000** | **4.26** |
| **2015** | **1,000** | **93.37** | | | |
| **2015** | **1,000** | **94.85** | | | |
| **2015** | **1,000** | **95.00** | | | |
| | ***9,000*** | ***91.91*** | | ***60,000*** | ***4.15*** |
| **2016** | **1,000** | **90.00** | **2016** | **10,000** | **4.11** |
| | | | **2016** | **10,000** | **4.12** |
| | ***1,000*** | ***90.00*** | | ***20,000*** | ***4.12*** |

# Key Statistics

| | 12 Months Ending 3/31/15 |
|---|---|
| Net Income | $ (543) |
| Interest expense | 41 |
| Income taxes | (297) |
| DD&A | 344 |
| Accretion | 27 |
| Impairment | 843 |
| EBITDA | $415 |

(In Millions)

| | |
|---|---|
| Market Capitalization [2] | $910 Million |
| Enterprise Value [2] | $1.8 Billion |
| Trailing 12 Month EBITDA [1] | $415 Million |
| EV/EBITDA [2] | 4.4x |

Extended Debt Maturities:

$300 Million 1 ¾% Convertible Notes due 2017

$775 Million 7 ½% Senior Notes due 2022

*1 - EBITDA is defined as net earnings plus interest expense, income taxes, DD&A, property write-downs, one time items net of tax and accretion.*

*2 - As of NYSE market close on 5/4/15.*

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