

Corporate Presentation

Howard Weil 42nd Annual Energy Conference



SANCHEZ
ENERGY CORPORATION



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- ◆ Sanchez Energy’s ability to successfully execute its business and financial strategies;
- ◆ Sanchez Energy’s ability to replace the reserves it produces through drilling and property acquisitions;
- ◆ the realized benefits of the acquisition of SN Marquis LLC, the Cotulla acquisition, the Wycross acquisition, and the TMS transaction referred to herein and the liabilities assumed in connection with these acquisitions;
- ◆ the extent to which Sanchez Energy’s drilling plans are successful in economically developing its acreage in, and to produce reserves and achieve anticipated production levels from, its existing and future projects;
- ◆ the accuracy of reserve estimates, which by their nature involve the exercise of professional judgment and may therefore be imprecise;
- ◆ the extent to which Sanchez Energy can optimize reserve recovery and economically develop its plays utilizing horizontal and vertical drilling, advanced completion technologies and hydraulic fracturing;
- ◆ Sanchez Energy’s ability to successfully execute its hedging strategy and the resulting realized prices therefrom;
- ◆ competition in the oil and gas exploration and production industry for employees and other personnel, equipment, materials and services and, related thereto, the availability and cost of employees and other personnel, equipment, materials and services;
- ◆ Sanchez Energy’s ability to access the credit and capital markets to obtain financing on terms it deems acceptable, if at all, and to otherwise satisfy its capital expenditure requirements;
- ◆ the availability, proximity and capacity of, and costs associated with, gathering, processing, compression and transportation facilities;
- ◆ the timing and extent of changes in prices for, and demand for, crude oil and condensate, natural gas liquids, natural gas and related commodities;
- ◆ Sanchez Energy’s ability to compete with other companies in the oil and natural gas industry;
- ◆ the impact of, and changes in, government policies, laws and regulations, including tax laws and regulations, environmental laws and regulations relating to air emissions, waste disposal, hydraulic fracturing and access to and use of water, laws and regulations imposing conditions and restrictions on drilling and completion operations and laws and regulations with respect to derivatives and hedging activities;
- ◆ developments in oil-producing and natural-gas producing countries;
- ◆ Sanchez Energy’s ability to effectively integrate acquired crude oil and natural gas properties into its operations, fully identify existing and potential problems with respect to such properties and accurately estimate reserves, production and costs with respect to such properties;
- ◆ the extent to which Sanchez Energy’s crude oil and natural gas properties operated by others are operated successfully and economically;
- ◆ the use of competing energy sources and the development of alternative energy sources;
- ◆ the extent to which Sanchez Energy incurs uninsured losses and liabilities or losses and liabilities in excess of its insurance coverage; and
- ◆ the other factors described under ITEM 1A, “Risk Factors,” on pages 26 through 52 of Sanchez Energy’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and any updates to those factors set forth in its subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K.

In light of these risks, uncertainties and assumptions, the events anticipated by Sanchez Energy’s forward-looking statements may not occur, and, if any of such events do, Sanchez Energy may not have correctly anticipated the timing of their occurrence or the extent of their impact on its actual results. Accordingly, you should not place any undue reliance on any of Sanchez Energy’s forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made and Sanchez Energy undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

Oil and Gas Reserves The SEC requires oil and gas companies, in their filings with the SEC, to disclose “proved oil and gas reserves” (i.e., quantities of oil and gas that are estimated with reasonable certainty to be economically producible) and permits oil and gas companies to disclose “probable reserves” (i.e., quantities of oil and gas that are as likely as not to be recovered) and “possible reserves” (i.e., additional quantities of oil and gas that might be recovered, but with a lower probability than probable reserves). We may use certain terms in this presentation, such as “resource potential” that the SEC’s guidelines strictly prohibit us from including in filings with the SEC. The calculation of resource potential, and any other estimates of reserves and resources that are not proved, probable or possible reserves are not necessarily calculated in accordance with SEC guidelines. Investors are urged to consider closely the disclosure in Sanchez Energy’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

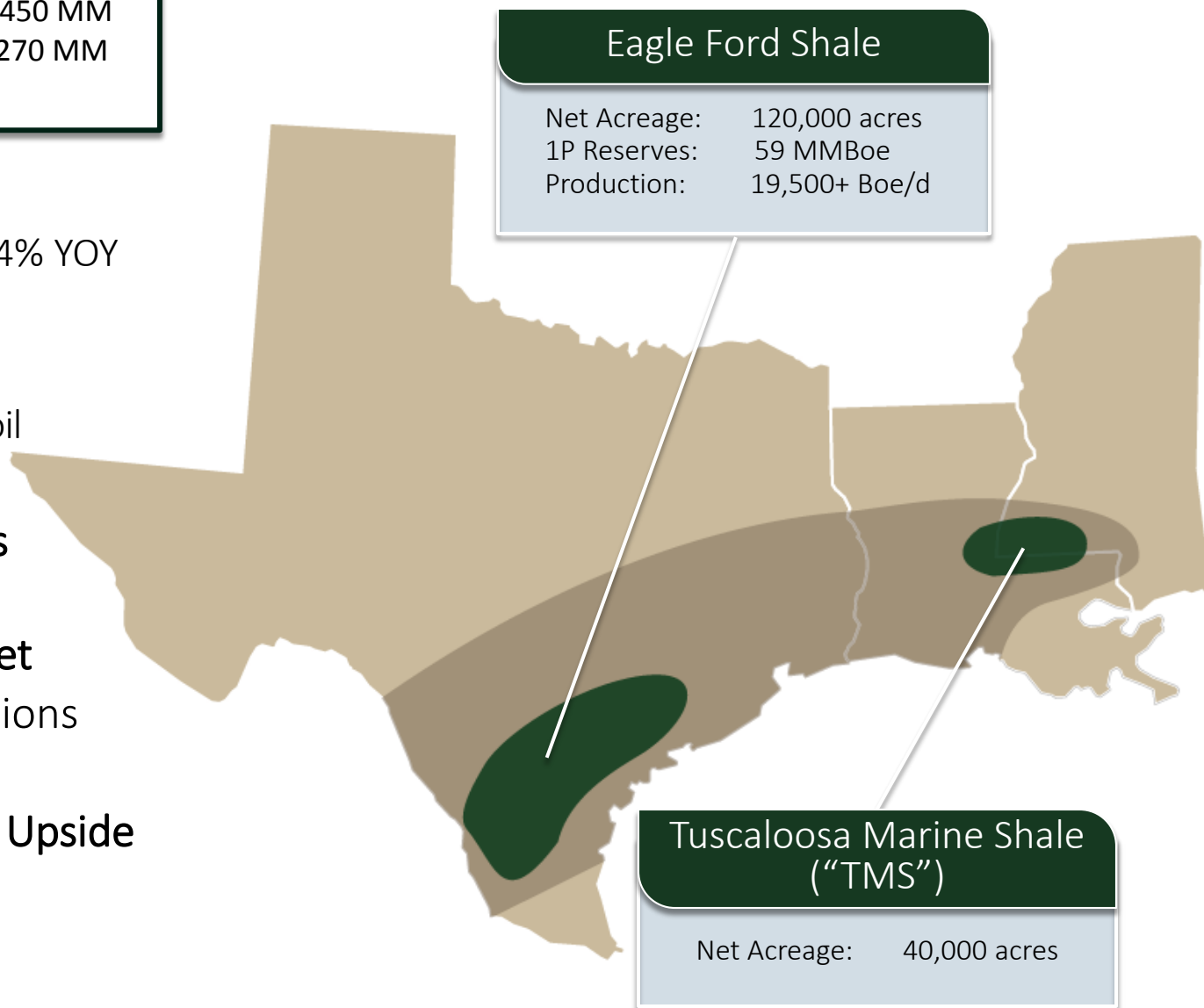
Non-GAAP Measures Included in this presentation are certain non-GAAP financial measures as defined under Securities and Exchange Commission Regulation G. Investors are urged to consider closely the disclosure in Sanchez Energy’s Annual Report on Form 10-K for the fiscal year ended December 31, 2012, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and the reconciliation to GAAP measures provided in this presentation.

Sanchez Energy Overview



Market Cap ⁽¹⁾ ~\$1,450 MM
Enterprise Value ~\$2,270 MM

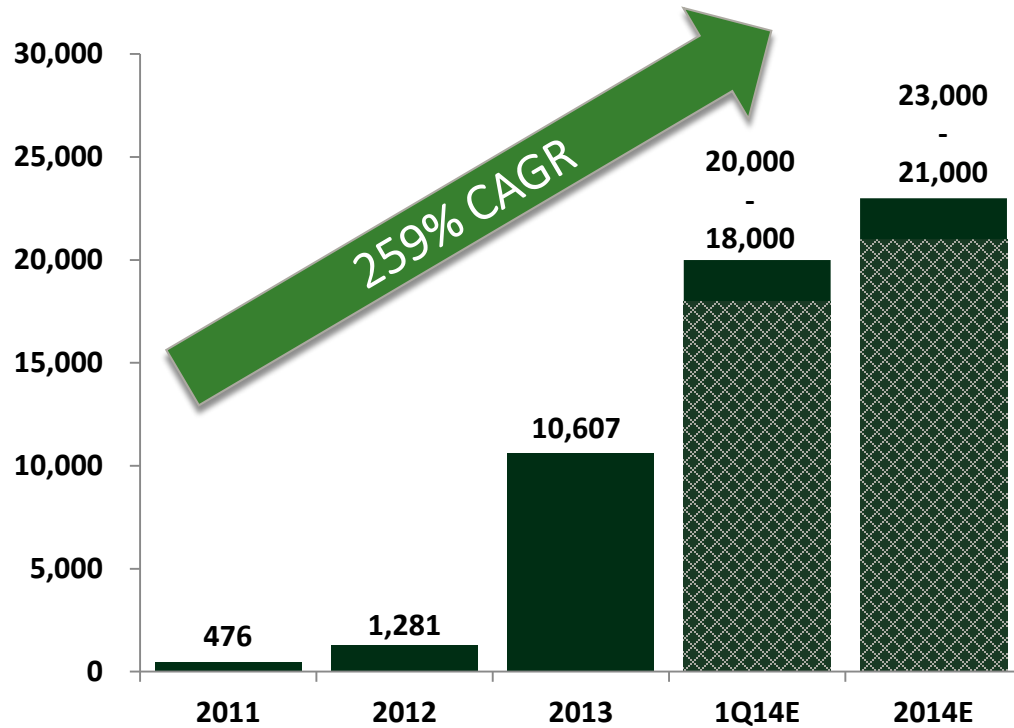
- ◆ **Significant Growth**
 - ❖ 4Q13 production grew 904% YOY
- ◆ **Oil Weighted Reserves**
 - ❖ 77% of reserves are crude oil
- ◆ **Industry Leading Margins**
- ◆ **Eagle Ford is flagship asset**
 - ❖ 1,800+ net drilling locations
- ◆ **Tuscaloosa Marine Shale Upside**
- ◆ **Ample Liquidity**
 - ❖ \$479 MM at 4Q13 ⁽²⁾



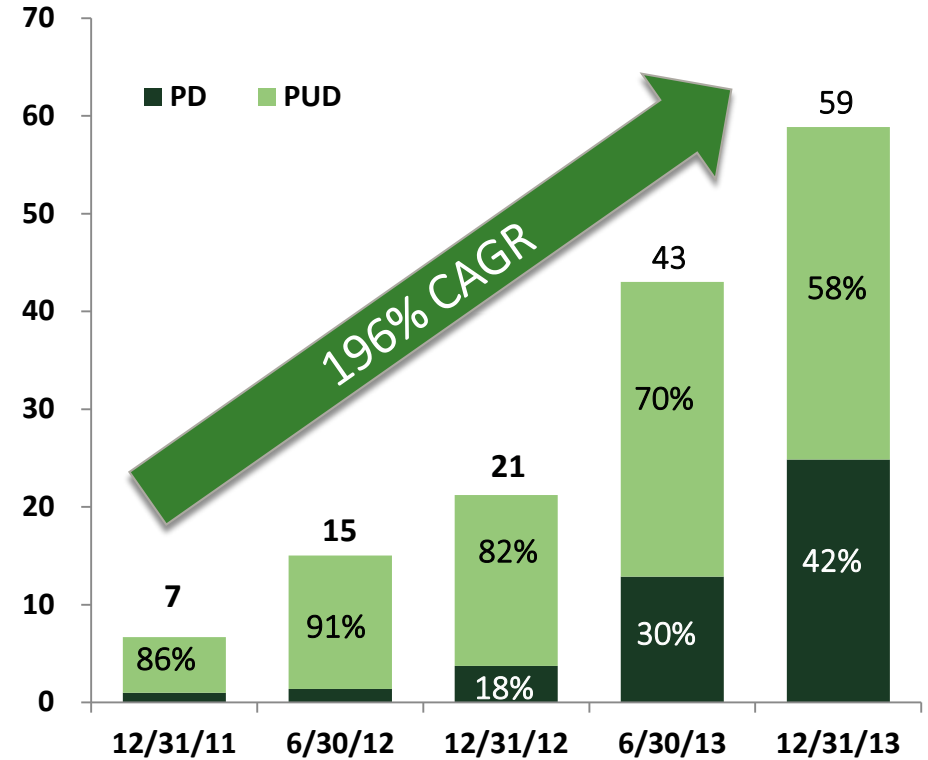
(1) Based upon a 3/24/14 closing share price of \$27.84 and 52.0 million shares outstanding
(2) Pro Forma for the recently increased borrowing base of \$400 million with an elected commitment of \$325 million

Strong Growth in Production and Proved Reserves

Average Daily Net Production (Boe/d)



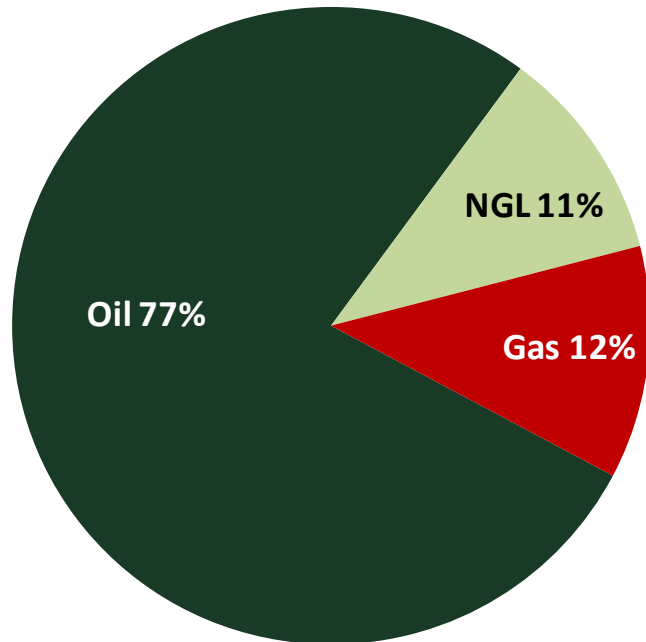
Proved Reserve Growth (MMBoe)



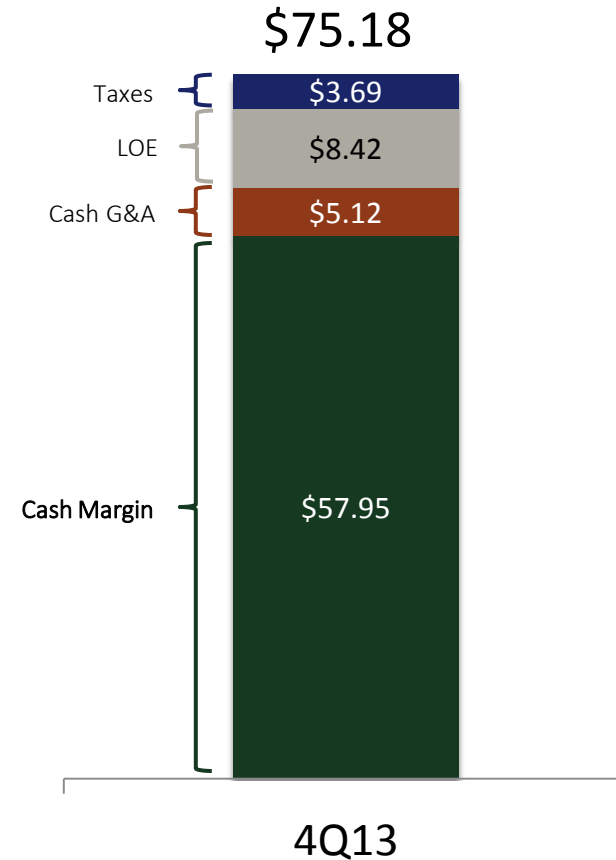
Oil Concentrated Reserves And High Cash Margins

Crude oil represents 77% of reserves (88% crude oil and NGLs)

Reserves by Product Mix



Realized Price Vs. Unhedged Cash Margins (\$/Boe)⁽¹⁾⁽²⁾



1. Cash G&A per Boe in the fourth quarter excludes \$0.1 million (\$0.08/Boe) of non-recurring acquisition expenses

2. Cash margin per Boe equals Adjusted EBITDA per Boe adjusted for the impact of realized losses on derivative instruments of \$1.6 million (\$0.94 / Boe)

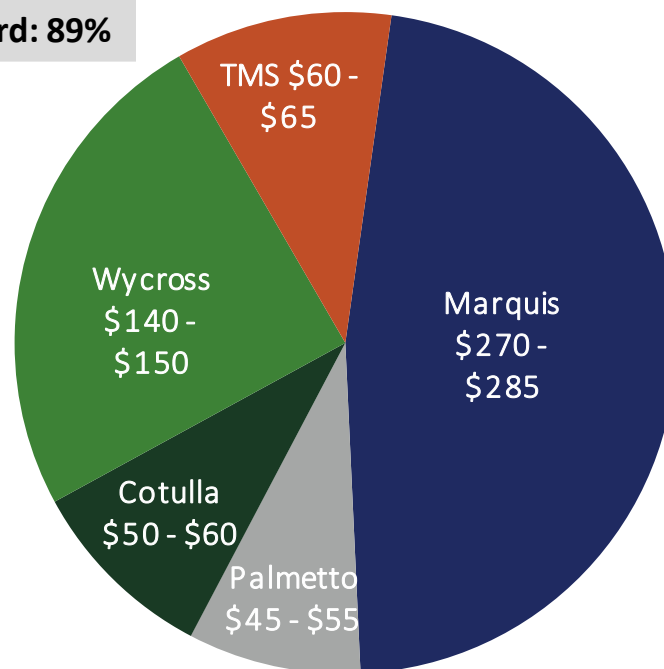
Capital Expenditures Focused On Eagle Ford

2014 Capital Plan (\$MM)

Project Area	Gross Full Year Rig Count	Net Wells Spud	Net Wells Completed	Capex			% of Capital Plan	% of D&C Capital Plan
Marquis	3.0	35	32	\$270	-	\$285	44%	47%
Palmetto	0.7	5	8	45	-	55	8%	8%
Cotulla	0.5	9	9	50	-	60	9%	9%
Wycross	1.5	19	19	140	-	150	23%	25%
TMS	1.3	2	2	60	-	65	10%	11%
Total D&C Capital Plan	7.0	70	70	\$565	-	\$615	94%	100%
Facilities, Leasing, and G&G					35		6%	
Total Capital Plan				\$600	-	\$650	100%	

2014 Drilling & Completion Capital Plan By Area (\$MM)

Eagle Ford: 89%



Full Year 2014 and 1Q14 Guidance

Full Year 2014 Guidance

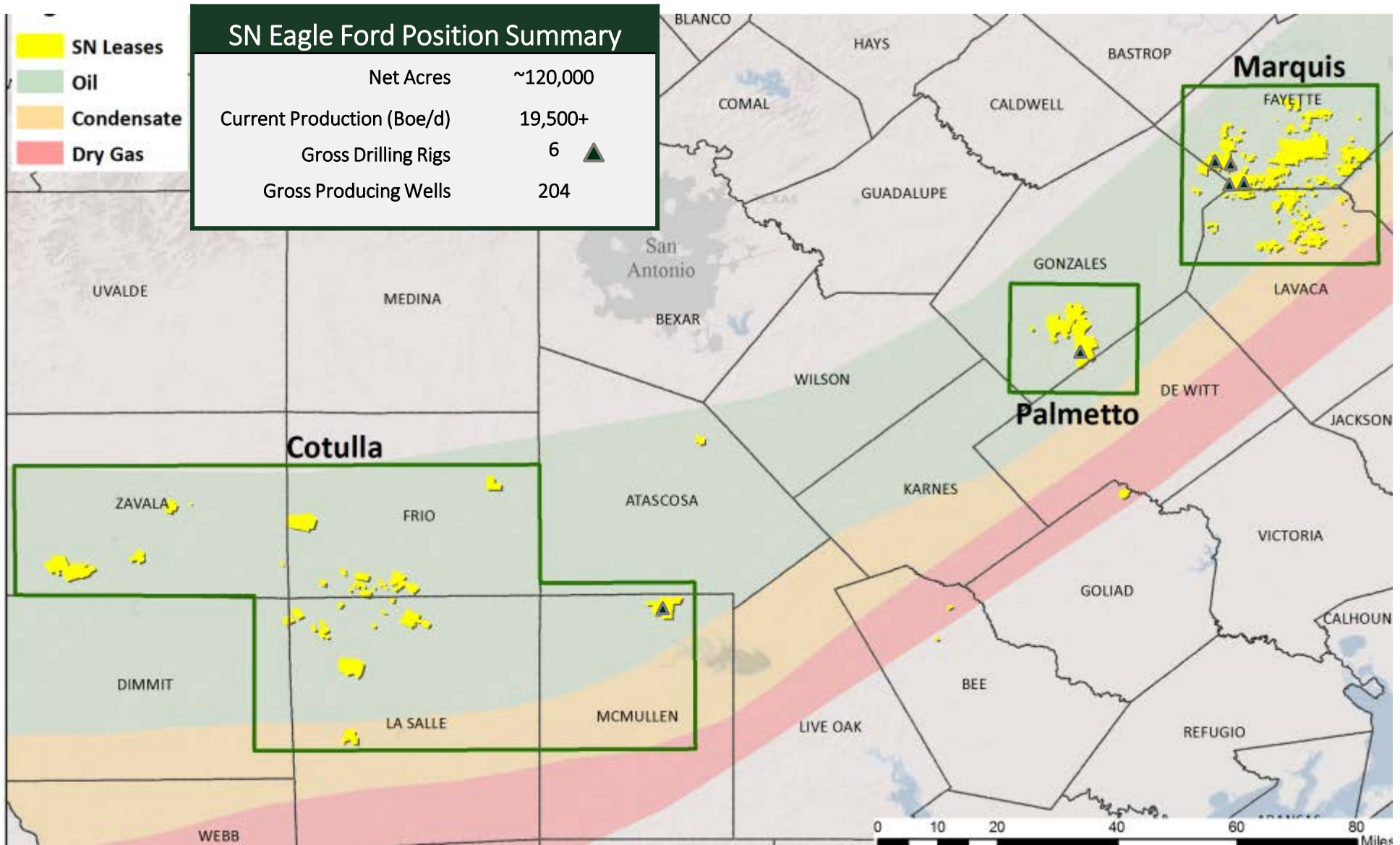
Metrics	Range
Production Guidance (Boe/d)	
Full Year 2014 Average	21,000 - 23,000
Full Year 2014 Operating Cost & Expense Guidance (\$/Boe)	
Oil & Natural Gas Production Expenses	\$9.00 - \$11.00
Production & Ad Valorem Taxes	\$5.00 - \$6.00
Cash G&A	\$4.00 - \$5.00

1Q14 Guidance

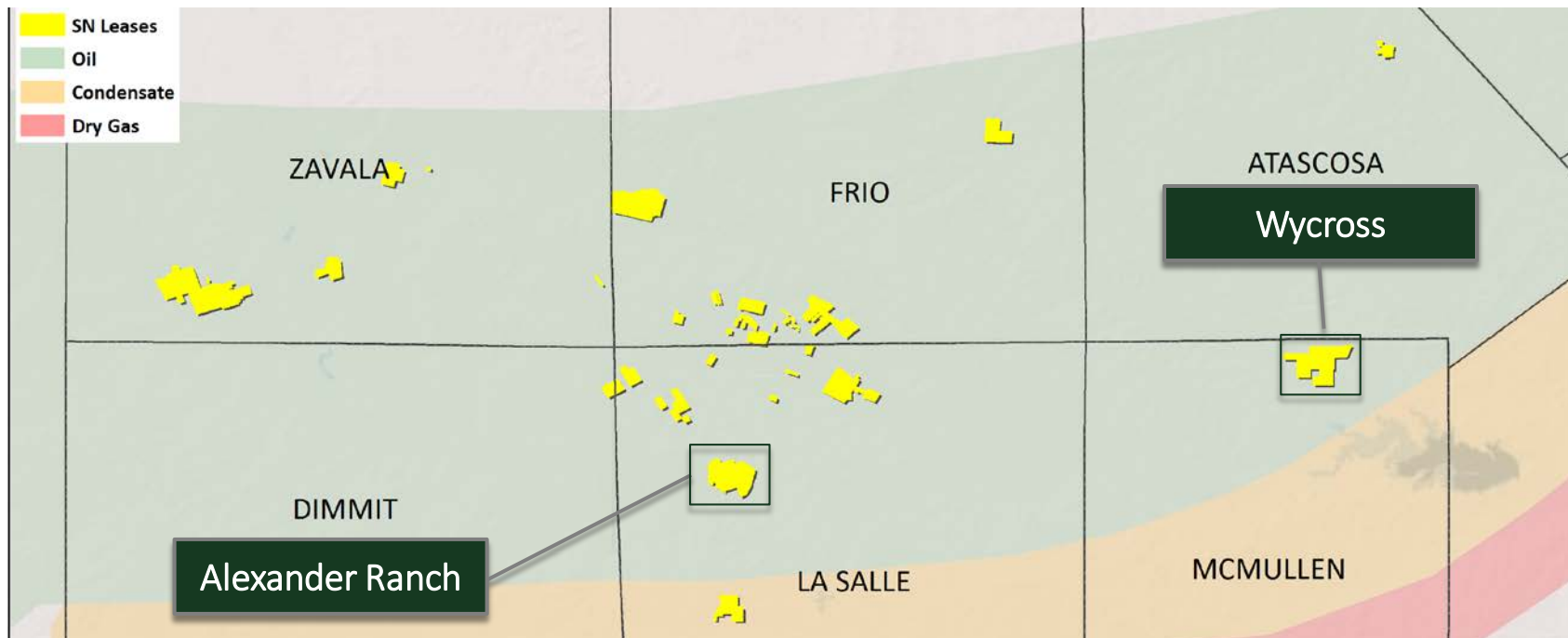
Metrics	Range
Production Guidance (Boe/d)	
1Q14 Average	18,000 - 20,000
1Q14 Operating Cost & Expense Guidance (\$/Boe)	
Oil & Natural Gas Production Expenses	\$8.50 - \$10.50
Production & Ad Valorem Taxes	\$5.00 - \$6.00
Cash G&A	\$5.00 - \$6.00

Eagle Ford Shale

The Eagle Ford Shale – Core Focus Area



Cotulla Overview



Cotulla Acreage & Inventory

Total Net Acres	~42,000
Average Working Interest	83%
Average Net Revenue Interest	63%
Planned Well Spacing (Acres)	40
Net Identified Drilling Locations ⁽¹⁾	760+

Operational Update ⁽²⁾

Gross Wells On Production	106
Awaiting / Undergoing Completion	4

Wycross 2014 Capital Plan

2014 Capital Plan (\$MM)	\$140 - \$150
Gross Full Year Rig Count	1.5
Net Wells Spud	19
Net Wells Completed	19

Wycross Well Economics

EURs (MBoe)	450 - 550
D&C Costs (\$MM)	\$7.5 - \$8.0
F&D Cost (\$ / Boe)	\$13.64 - \$17.78
IRR @ \$90 / Bbl	39% - 81%
NPV Per Well (\$MM)	\$4.3 - \$7.8

Other Cotulla 2014 Capital Plan

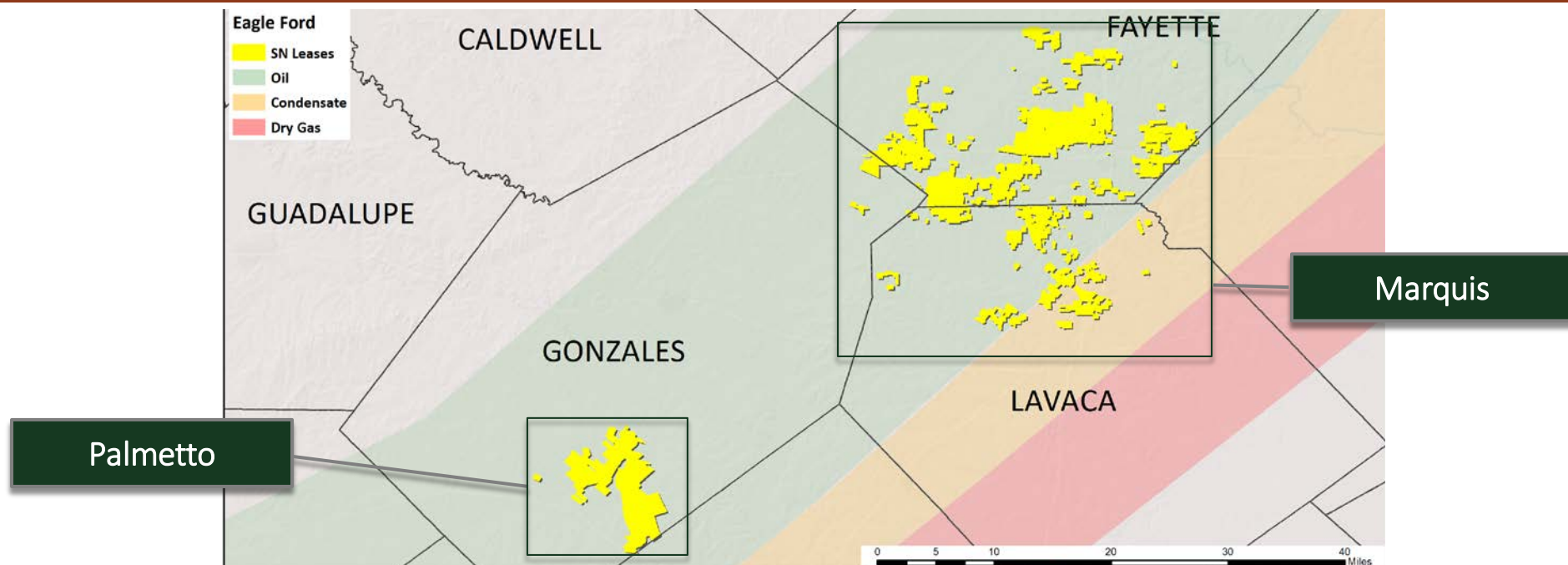
2014 Capital Plan (\$MM)	\$50 - \$60
Gross Full Year Rig Count	0.5
Net Wells Spud	9
Net Wells Completed	9

Alexander Ranch Well Economics

EURs (MBoe)	400 - 500
D&C Costs (\$MM)	\$5.5 - \$6.0
F&D Cost (\$ / Boe)	\$11.00 - \$15.00
IRR @ \$90 / Bbl	34% - 76%
NPV Per Well (\$MM)	\$2.8 - \$5.8

1. Assumes 80% of net undeveloped acres are drillable and spaced on 40 acres
 2. Well status as of 3/24/14

Marquis & Palmetto Overview



Marquis Acreage & Inventory

Total Net Acres	~69,000
Average Working Interest	100%
Average Net Revenue Interest	75%
Planned Well Spacing (Acres)	60
Net Identified Drilling Locations ⁽¹⁾	900+

Marquis 2014 Capital Plan

2014 Capital Plan (\$MM)	\$270 - \$285
Gross Full Year Rig Count	3.0
Net Wells Spud	35
Net Wells Completed	32

Palmetto 2014 Capital Plan

2014 Capital Plan (\$MM)	\$45 - \$55
Gross Full Year Rig Count	0.7
Net Wells Spud	5
Net Wells Completed	8

Palmetto Acreage & Inventory

Total Net Acres	~9,500
Average Working Interest	50%
Average Net Revenue Interest	37%
Planned Well Spacing (Acres)	40
Net Identified Drilling Locations ⁽²⁾	190+

Marquis Well Economics

EURs (MBoe)	450 - 550
D&C Costs (\$MM)	\$8.0 - \$8.5
F&D Cost (\$ / Boe)	\$14.55 - \$18.89
IRR @ \$90 / Bbl	33% - 67%
NPV Per Well (\$MM)	\$3.9 - \$7.4

Palmetto Well Economics

EURs (MBoe)	450 - 750
D&C Costs (\$MM)	\$7.0 - \$7.5
F&D Cost (\$ / Boe)	\$9.33 - \$16.67
IRR @ \$90 / Bbl	47% - 205%
NPV Per Well (\$MM)	\$4.4 - \$13.6

Marquis Operational Update ⁽³⁾

Gross Wells On Production	45
Awaiting / Undergoing Completion	7

Palmetto Operational Update ⁽³⁾

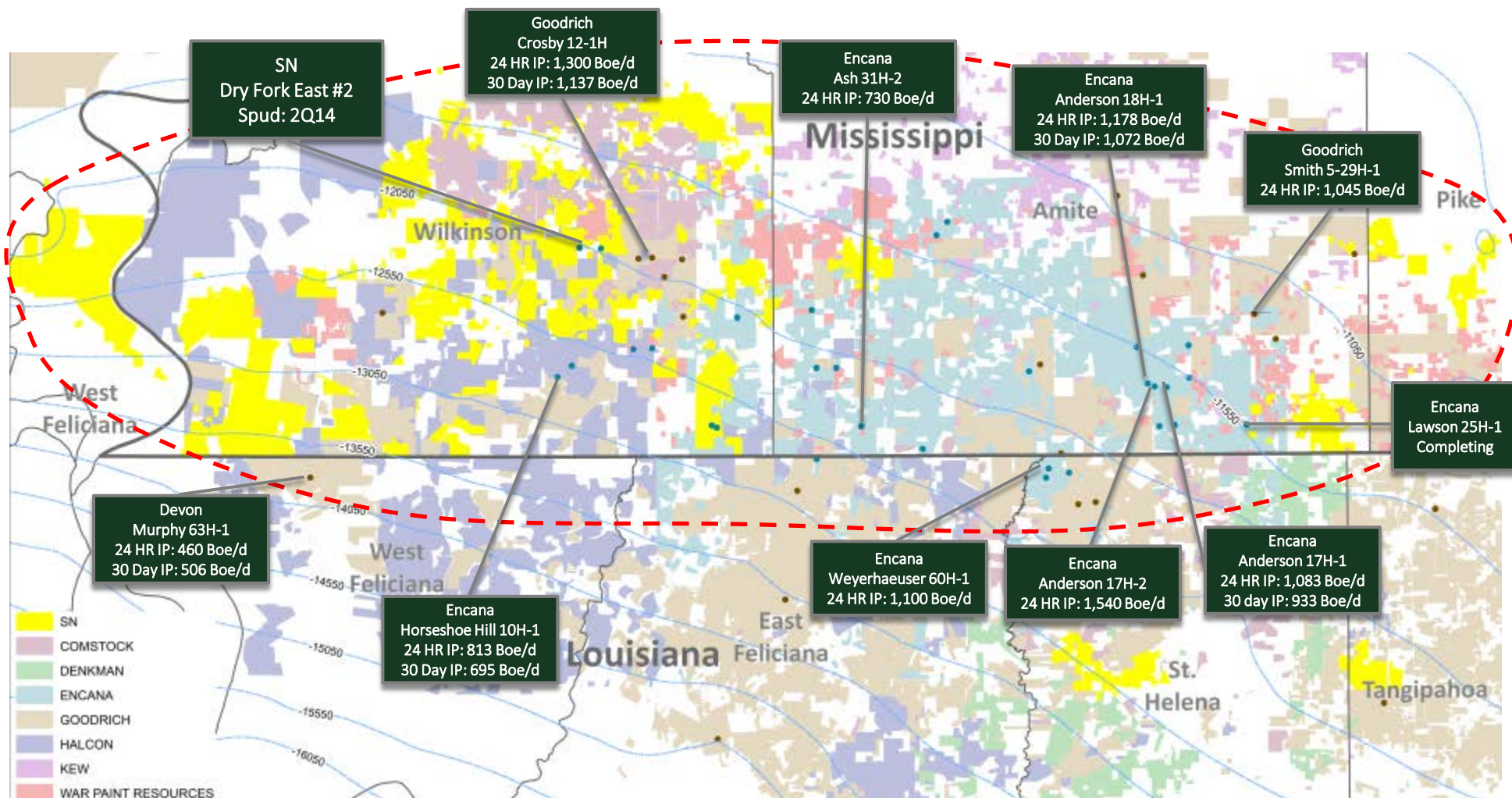
Gross Wells On Production	53
Awaiting / Undergoing Completion	6

1. Assumes 80% of net undeveloped acres are drillable and spaced on 60 acres
 2. Assumes 90% of net undeveloped acres are drillable and spaced on 40 acres
 3. Well status as of 3/24/14

Tuscaloosa Marine Shale

TMS Acreage Position and Activity

- ◆ ~40,000 net acre position in the core of the TMS
 - ❖ Contiguous blocky acreage with 3+ years of average remaining lease term
- ◆ SN anticipates spudding up to 4 gross (2 net) operated wells and participating in 10 - 15 gross non-operated wells with working interests ranging from 1% - 25%
 - ❖ First SN operated well (Dry Fork East #2) expected to be spud in the second quarter of 2014 in Wilkinson County, Mississippi
 - ❖ SN has a 2.25% working interest in Encana's Lawson 25H-1 well in Amite County, Mississippi



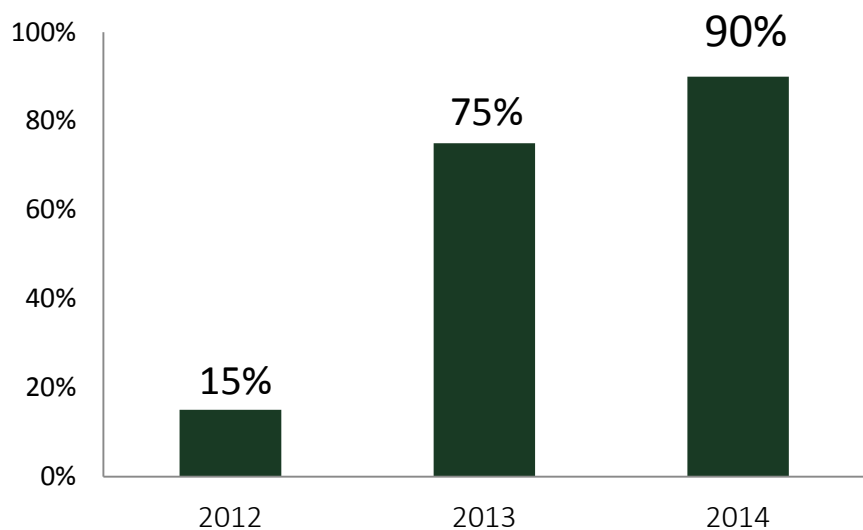
SN's acreage position is highlighted in yellow

Operations and Financial Overview

Operational Focus on Efficiencies

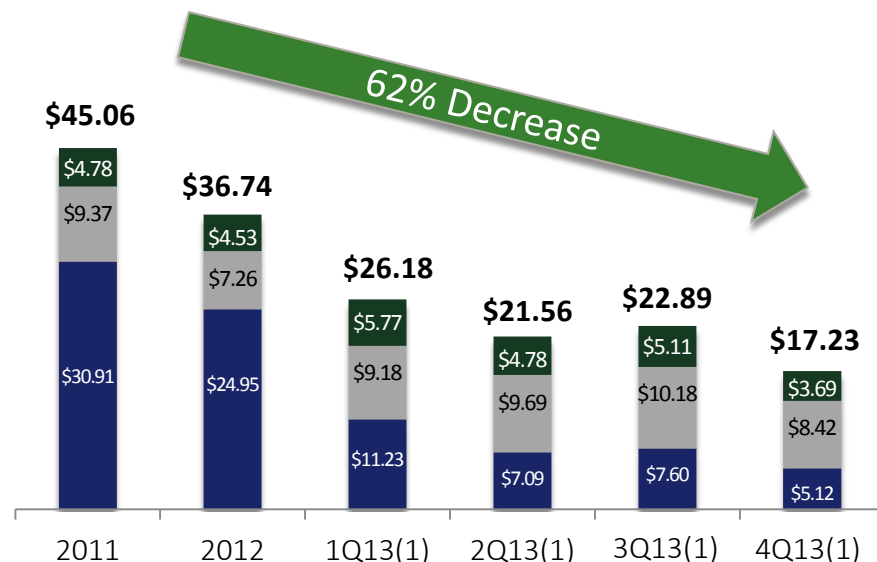
The move to pad drilling across our assets has reduced costs and increased efficiencies

Multi-Well Pad Drilling



■ Percent of Wells on Multi-Well Pads

Cash Operating Cost / Boe



■ Cash G&A ■ LOE ■ Taxes

40%
Decrease in
Spud to TD

35% Increase
in Average
Ft. Drilled
per Day

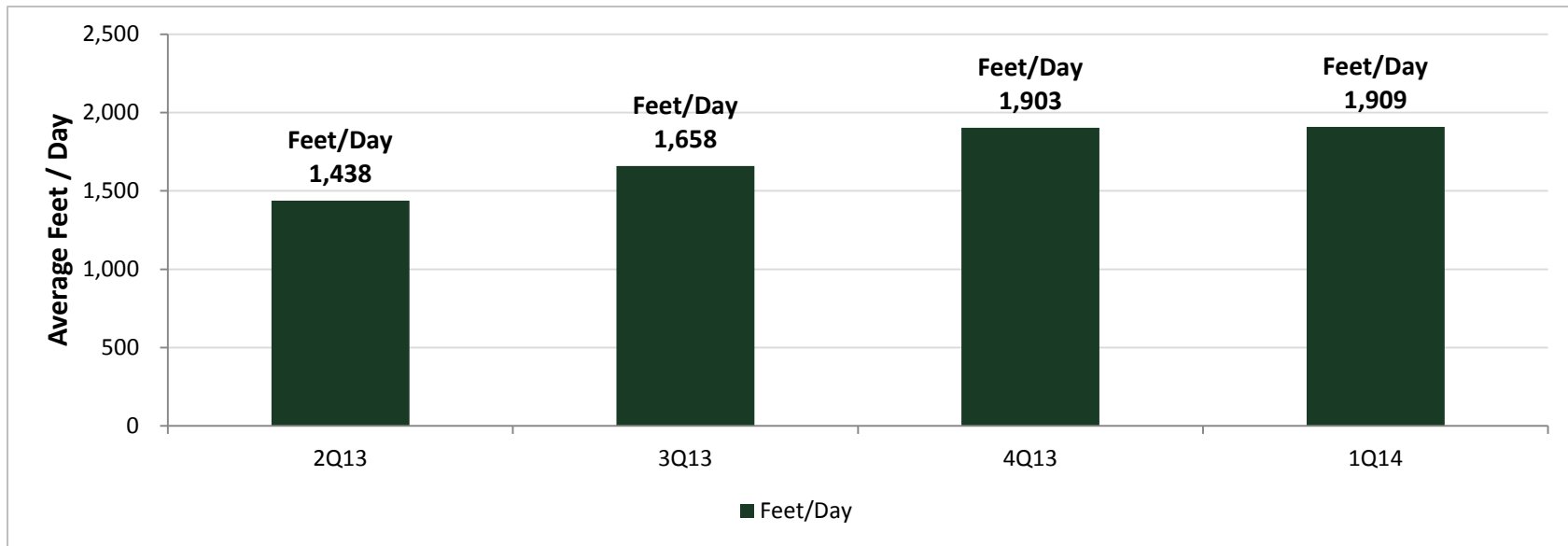
100% Increase
in number of
Frac Stages
Pumped per
Day

30%
Decrease in
Total Well
Cost across
assets

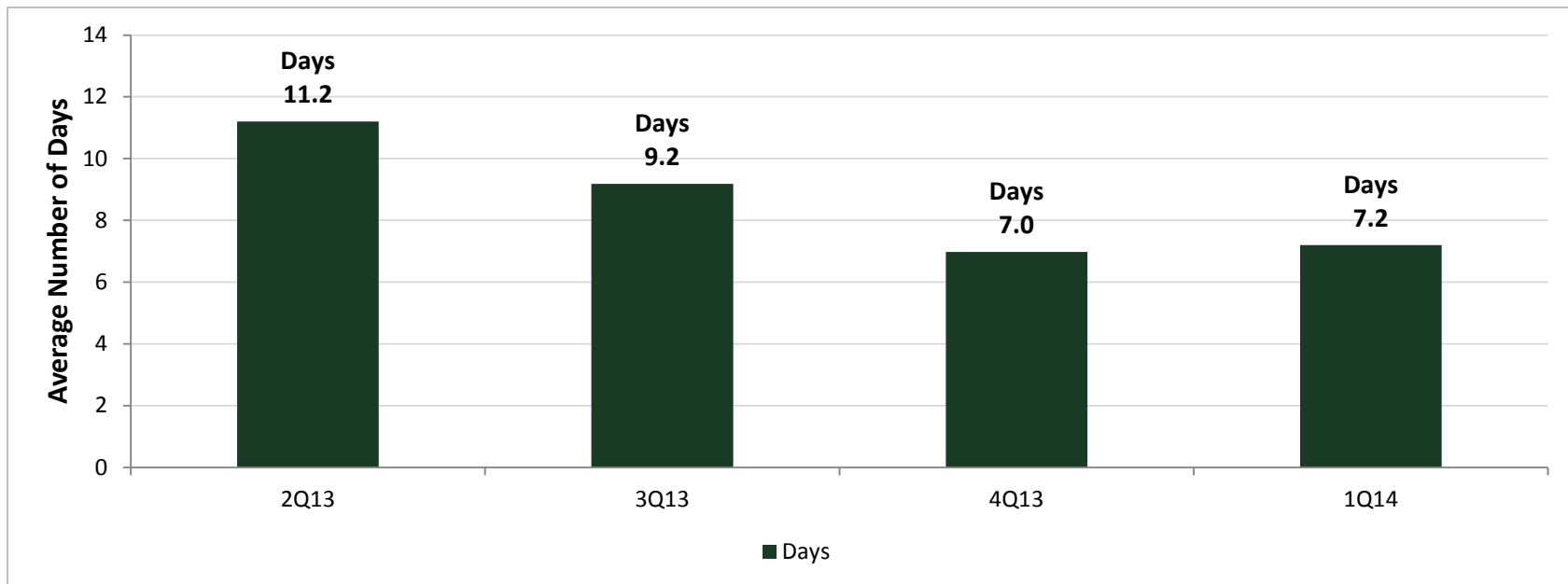
1. Cash G&A per Boe excludes the following non-recurring acquisition expenses: \$0.6 million (\$1.74/Boe) in 1Q13, \$3.1 million (\$6.25/Boe) in 2Q13, \$1.2 million (\$0.28/Boe) in 3Q13, and \$0.1 million (\$0.08/Boe) in 4Q13

Drilling Efficiency Example: La Salle County

Average Feet / Day (Spud to TD)

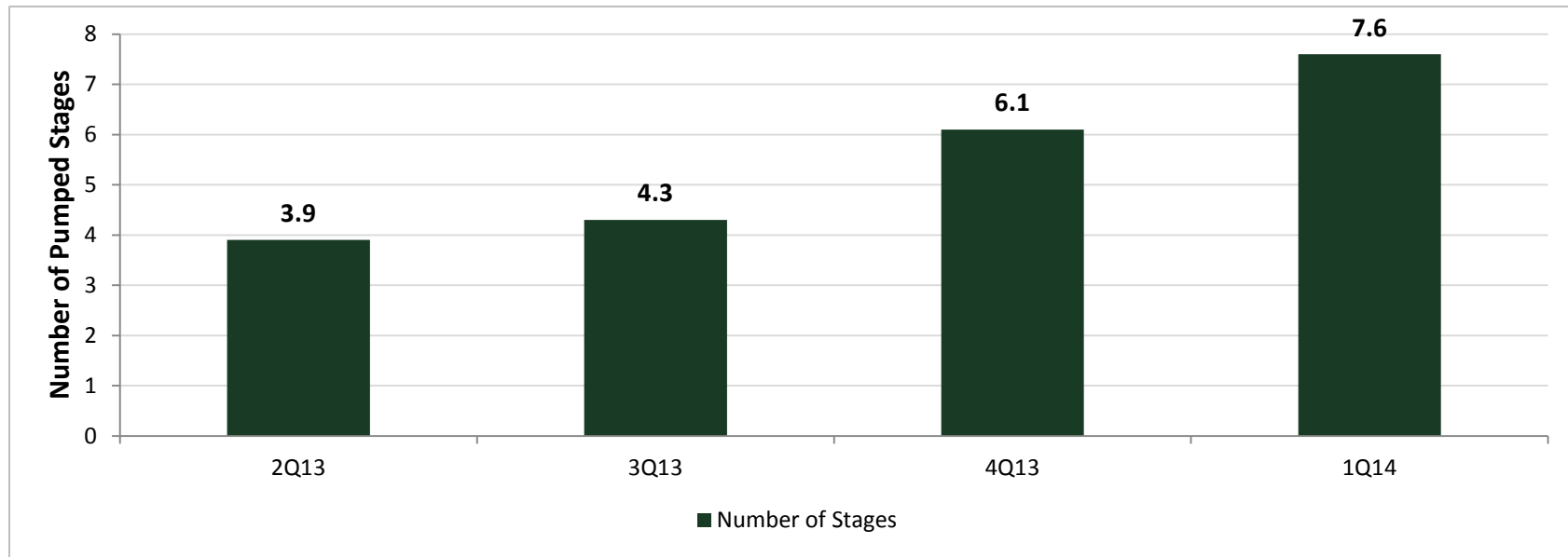


Average Days (Spud to TD)

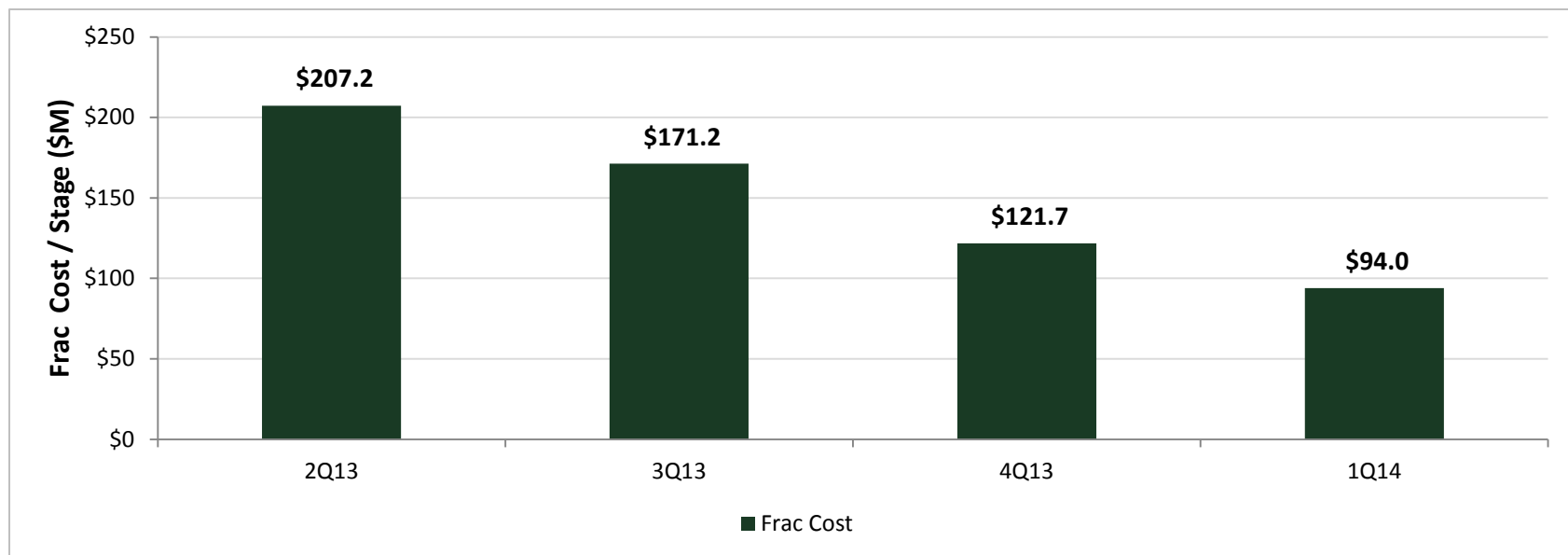


Completions Efficiency Example: La Salle County

Frac Stages Pumped / Day

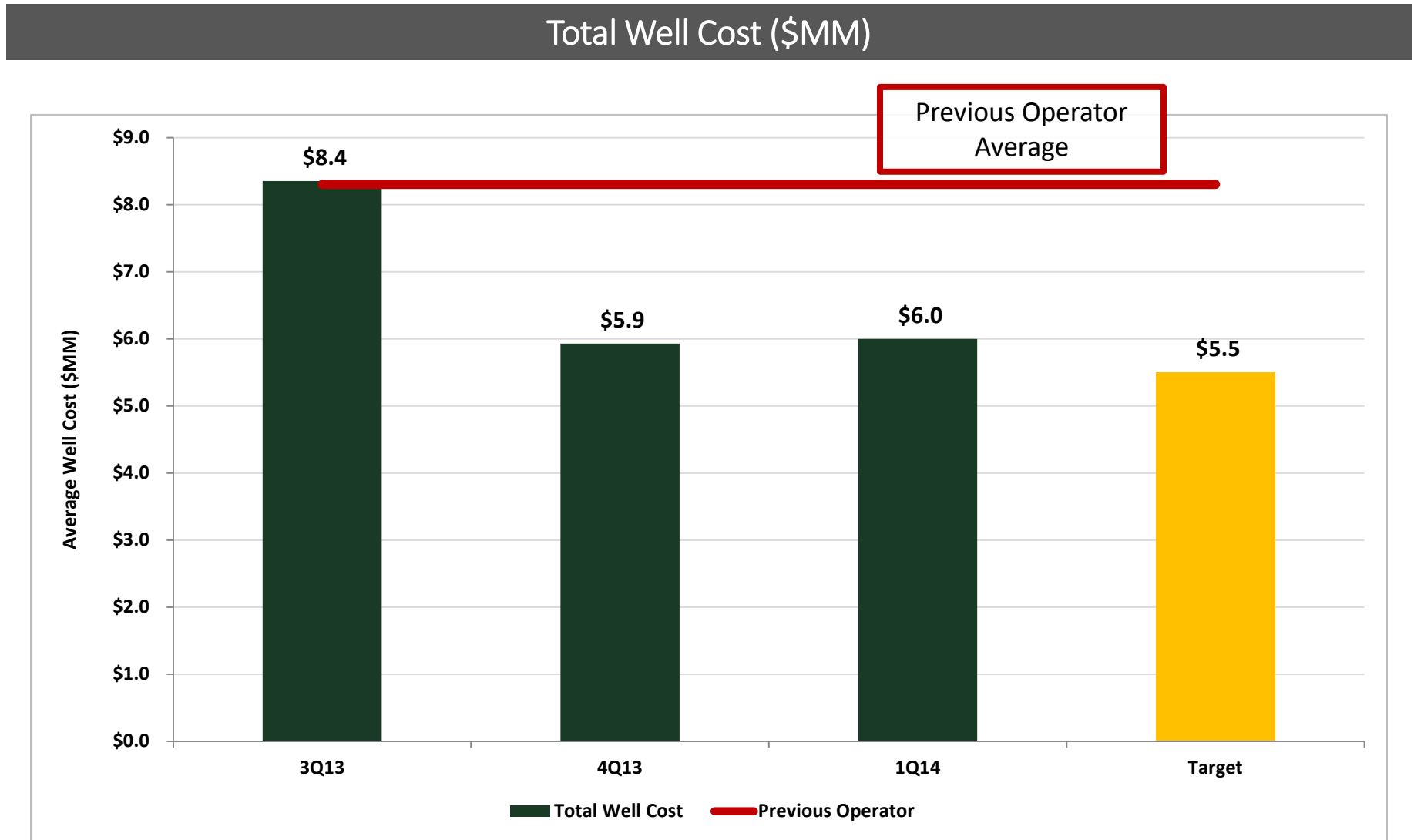


Frac Cost / Stage (\$M)



Total Well Cost Reduction: La Salle County

The last four wells in Alexander Ranch have hit SN's total well cost target of \$5.5 million



*Previous operator "Drill & Complete" cost ~\$8.3MM

*Includes production facility cost & estimated initial lift

Downspace Testing Across Portfolio

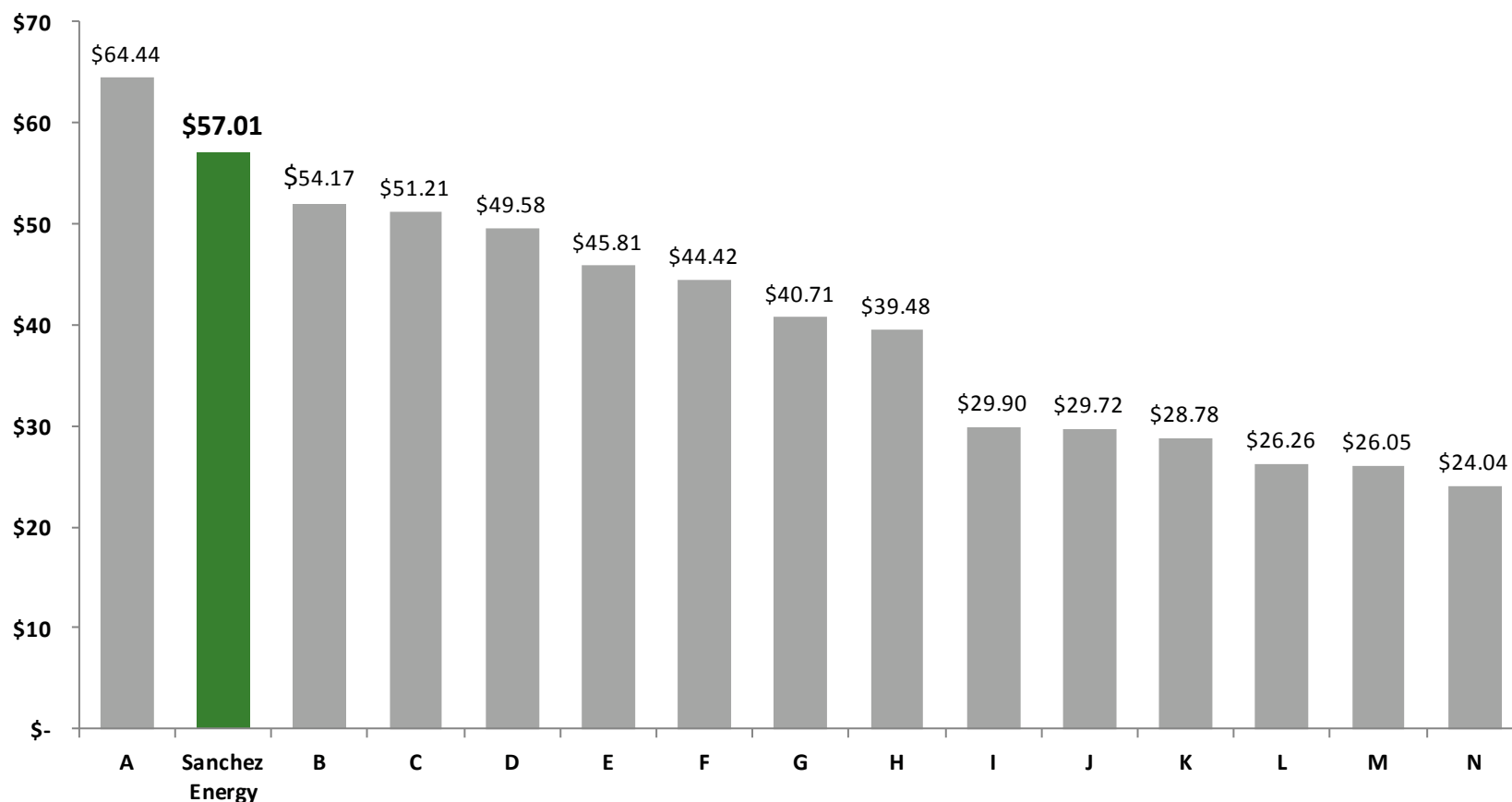
Area	Net PUD Locations Booked (12/31/13)	Reserve Report Spacing (Acres)	Current Number of 40 Acre Test Wells	Development Plan Spacing (Acres)	Utilizing Microseismic	3D Seismic Coverage
Palmetto ⁽¹⁾	49	60	13	40	✓	✓
Marquis	22	60	0	60	✓	✓
Wycross	31	60	4	40	✓	✓
Alexander Ranch	12	60	6	40	✓	✓

1. A limited number of PUD locations have been booked on 40 acres spacing.

Top Quartile EBITDA Margins

- ◆ Oil Driven Production – 73% of 4Q13 production was crude oil (86% including NGLs)
- ◆ Premium Pricing – 93% of oil is sold on LLS pricing
- ◆ Low Transportation Costs - ~50% of oil sold into pipelines; multiple sales options

4Q13 EBITDA / Boe: Sanchez Energy vs. Industry Peers ⁽¹⁾ ⁽²⁾



1. Peer information as of 4Q13 and sourced from public filings and CapitalIQ. Peers include: Approach, Athlon, Bonanza Creek, Carrizo, Comstock, Diamondback, EOG, Goodrich, Gulfport, Laredo, Penn Virginia, Rex Energy, Rosetta, and SM Energy
 2. SN's Adjusted EBITDA per Boe equals cash margin per Boe less the impact of realized losses on derivative instruments of \$1.6 million (\$0.94 / Boe)

Ample Liquidity To Fund Our 2014 Capital Plan

- ◆ Current liquidity of \$479 million
 - ❖ \$154 million in cash
 - ❖ \$400 million borrowing base with an elected commitment of \$325 million and \$0 million drawn
- ◆ No debt maturities until 2018
- ◆ Common shares outstanding as of 3/10/14:
 - ❖ Basic: 52.0 million
 - ❖ Diluted: 65.6 million

4Q13 Capitalization Table & Liquidity (\$MM)

	As of 12/31/2013
Cash and Equivalents	\$154
Revolving Credit Facility (\$325 MM Available)	-
Senior Notes	600
Total Debt	\$600
Net Debt	446
Perpetual Convertible Preferred Stock ⁽¹⁾	290
Common Equity	568
Book Capitalization	\$1,457
Market Value as of 3/24/14	
Perpetual Convertible Preferred Stock	376
Market Capitalization ⁽²⁾	1,449
Enterprise Value	\$2,272
Liquidity ⁽³⁾	\$479
Total Debt / Enterprise Value	26%
Net Debt / Enterprise Value	20%

1. Pro forma for SN's recent exchange of common stock for Series A and B convertible preferred stock

2. Market capitalization is calculated using the closing price of our common stock on 3/24/14 of \$27.84

3. Liquidity is equal to cash on hand plus availability under our revolving credit facility, which is currently \$400 million with an elected commitment of \$325 million

Summary Investment Considerations

- ◆ Rapidly growing base of production and proved reserves
- ◆ Focused on manufacturing efficiency and driving down costs
- ◆ ~120,000 net acres in the Eagle Ford with 1,800+ net identified locations
- ◆ Eagle Ford Shale: successful 40 acres pilots have expanded high quality inventory
- ◆ Top tier cash margins
- ◆ Significant upside potential from TMS acreage
- ◆ Management highly experienced with gulf coast trends and with resource play development

Appendix

Capitalization Summary

- ◆ **Revolving credit facility (due 2018)**
 - ❖ \$400 MM borrowing base with an elected commitment of \$325 million and an interest rate of LIBOR + 1.50% - 2.50%
 - \$0 MM drawn at end of 4Q13
 - ❖ Consortium of 10 banks
 - ❖ Restrictive covenant: Net Debt < 4.0x TTM EBITDA

- ◆ **\$600 MM of 7.75% senior unsecured notes (due 2021)**
 - ❖ No liquidity or performance based covenants

- ◆ **\$103 MM of 4.875% cumulative perpetual convertible preferred stock, series A**
 - ❖ Convertible into 4.8 million shares of common stock (\$21.51/share)
 - ❖ Mandatorily convertible after 10/5/17 if common stock trades above \$27.96 for at least 20 out of 30 trading days
 - ❖ No liquidity or performance based covenants

- ◆ **\$187 MM of 6.50% cumulative perpetual convertible preferred stock, series B**
 - ❖ Convertible into 8.7 million shares of common stock (\$21.40/share)
 - ❖ Mandatorily convertible after 4/6/18 if common stock trades above \$27.82 for at least 20 out of 30 trading days
 - ❖ No liquidity or performance based covenants

- ◆ **Common shares outstanding as of 3/10/14:**
 - ❖ Basic: 52.0 million
 - ❖ Fully diluted: 65.6 million (assuming full conversion of both series of preferred stock)

Hedge Summary & Philosophy

- ◆ We maintain an active hedging program to help support capital spending, protect cash flow, and ensure strong financial coverage metrics
- ◆ Currently have ~3.5 million barrels hedged for 2014 at an average swap/floor price of ~\$94 per barrel and ~3.3 Bcf of gas hedged for 2014 at an average swap/floor price of ~\$4.22 per MMBtu

Hedge Summary				
Commodity	Instrument	Period	Daily Volume (Bbls / MMBtu)	Average Price
Oil	Swaps	January 1 - December 31, 2014	4,498	\$93.30 WTI Swap
Oil	3-Way Costless Collar	January 1 - December 31, 2014	1,500	Short \$102.25 WTI Call / Long \$85 WTI Put / Short \$65 WTI Put
Oil	3-Way Costless Collar	January 1 - December 31, 2014	1,000	Short \$107.50 LLS Call / Long \$95 LLS Put / Short \$75 LLS Put
Oil	3-Way Costless Collar	January 1 - December 31, 2014	1,000	Short \$96.22 WTI Call / Long \$90 WTI Put / Short \$75 WTI Put
Oil	2-Way Costless Collar	January 1 - December 31, 2014	1,000	Short \$99.10 WTI Call / Long \$90 WTI Put
Oil	Put Spread	July 1 - December 31, 2014	1,000	Long \$90 WTI Put / Short \$75 WTI Put
Oil	Swaps	January 1 - December 31, 2015	4,000	\$89.13 WTI Swap
Oil	3-Way Costless Collar	January 1 - December 31, 2015	1,000	Short \$94.75 WTI Call / Long \$85 WTI Put / Short \$70 WTI Put
Oil	3-Way Costless Collar	January 1 - December 31, 2015	2,000	Short \$95 WTI Call / Long \$85 WTI Put / Short \$70 WTI Put
Gas	Swaps	January 1 - December 31, 2014	7,008	\$4.29 HHUB Swap
Gas	2-Way Costless Collar	January 1 - December 31, 2014	2,000	Short \$4.50 HHub Call / Long \$4.00 HHub Put
Oil	Total Oil Hedged	Calendar Year 2014	9,502	
Oil	Total Oil Hedged	Calendar Year 2015	7,000	
Gas	Total Gas Hedged	Calendar Year 2014	9,008	

Non-GAAP Reconciliation and Measures

Reconciliation of Net Income (Loss) To Adjusted EBITDA (\$M)

	3 Months Ended 4Q13
Net Income (Loss)	\$14,202
Plus:	
Interest Expense	13,321
Depreciation, Depletion, Amortization, And Accretion	58,478
Stock-Based Compensation	3,382
Net Losses On Commodity Derivatives	3,125
Net Cash Settlement Received (Paid) On Commodity Derivatives	(1,632)
Acquisition Costs Included in G&A	139
Income Tax Expense	7,654
Less:	
Interest Income	<u>(26)</u>
Adjusted EBITDA	\$98,643

Explanation of Non-GAAP Measures

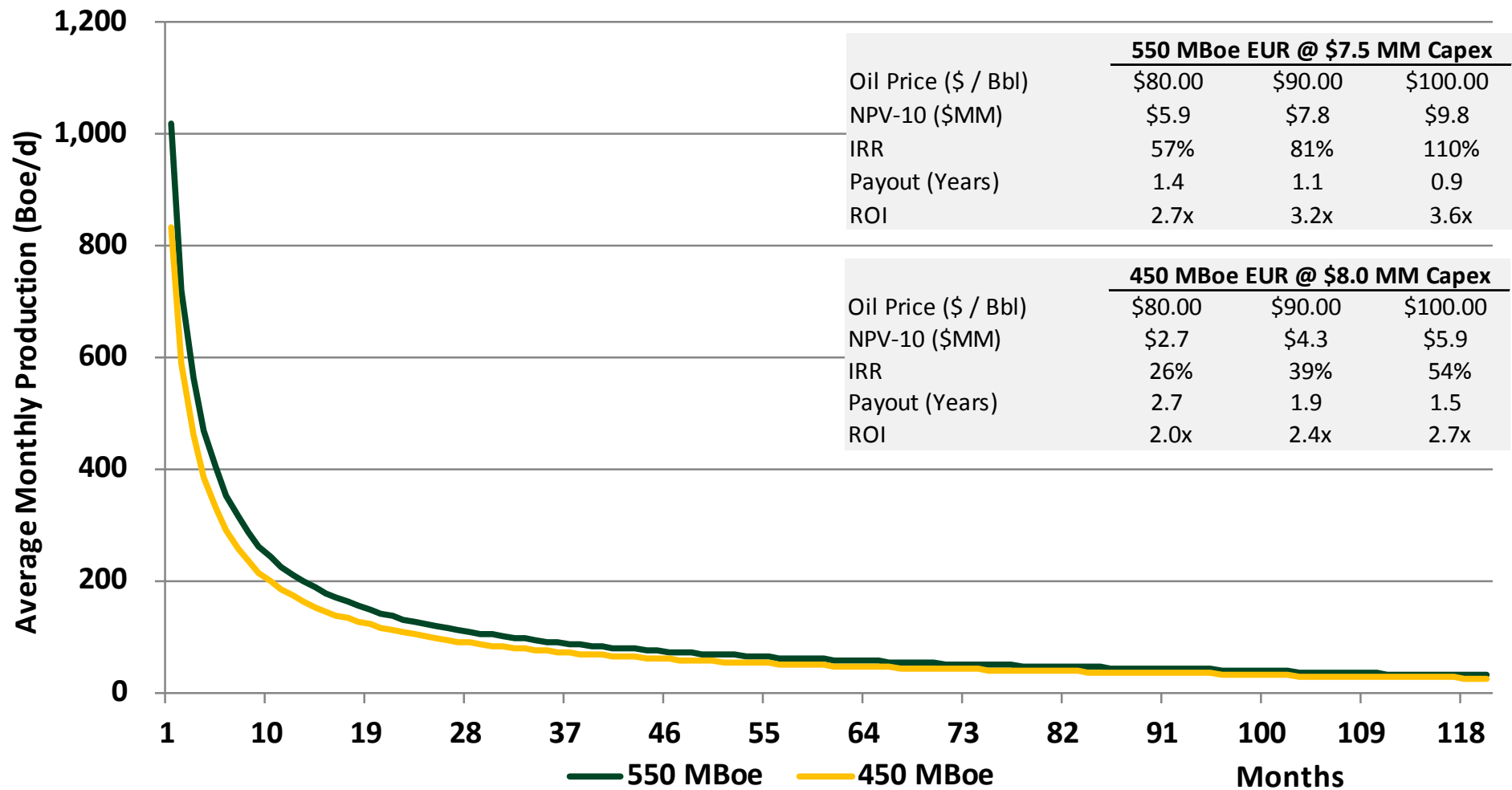
Adjusted EBITDA is defined by the Company as net income (loss) PLUS: (1) interest expense, including net losses (gains) on interest rate derivative contracts; (2) net gains (losses) on commodity derivatives; (3) net cash settlements received (paid) on commodity derivatives; (4) depletion, depreciation, amortization, and accretion; (5) stock-based compensation expense; (6) acquisition costs included general and administrative; (7) income tax expense (benefit); (8) loss (gain) on sale of oil and natural gas properties; (9) impairment of oil and natural gas properties; and (10) other non-recurring items that we deem appropriate; LESS: (1) interest income; and (2) other non-recurring items that we deem appropriate.

Adjusted EBITDA is used as a supplemental financial measure by our management and by external users of our financial statements, such as investors, commercial banks and others, to assess our operating performance as compared to that of other companies in our industry, without regard to financing methods, capital structure, or historical cost basis. It is also used to assess our ability to incur and service debt and fund capital expenditures.

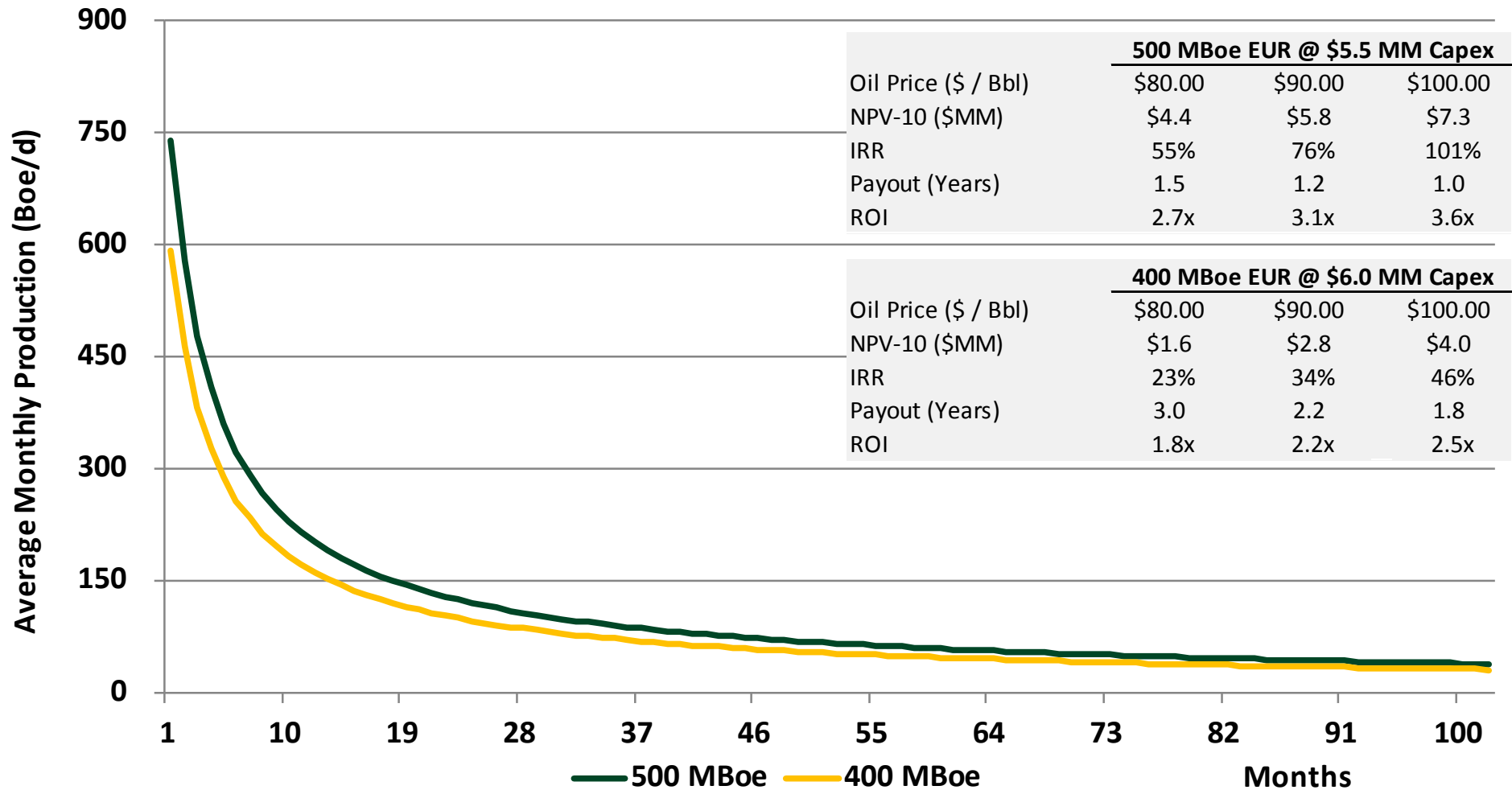
Our Adjusted EBITDA should not be considered an alternative to net income (loss), operating income (loss), cash flow provided by or used in operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Our Adjusted EBITDA may not be comparable to similarly titled measures of another company because all companies may not calculate Adjusted EBITDA in the same manner.

Project Area Type Curves

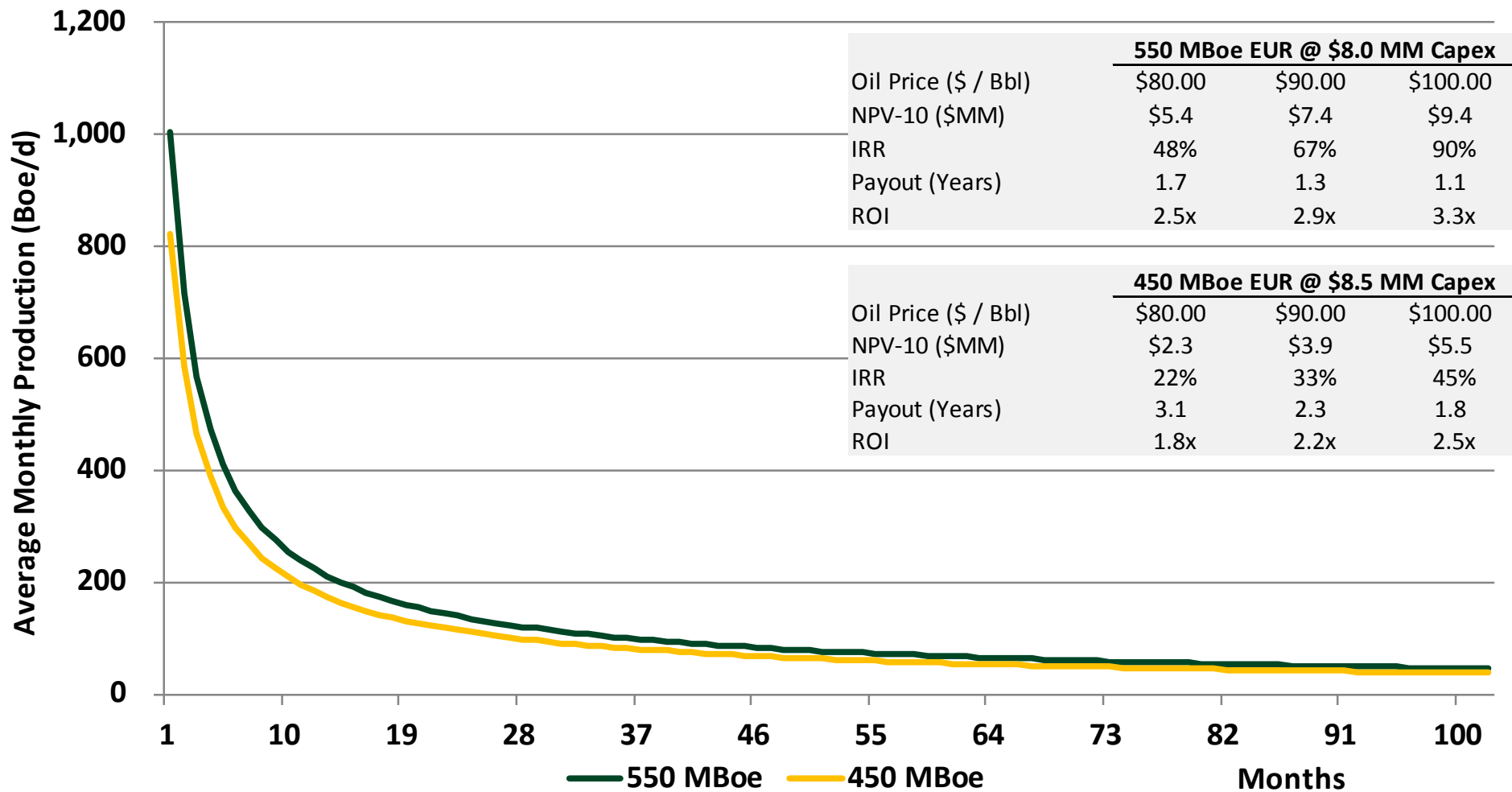
Wycross Area Type Curves & Economics



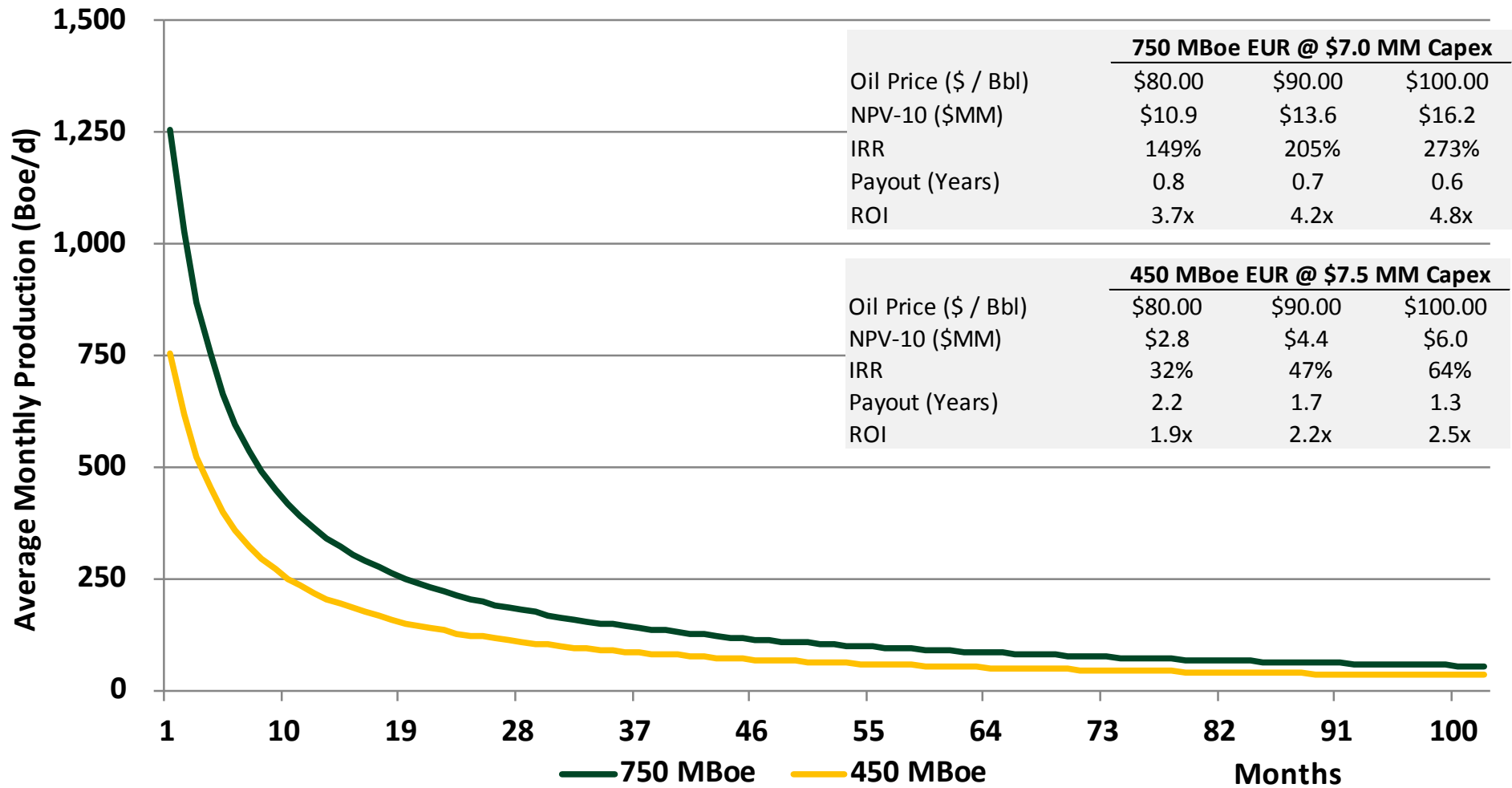
Alexander Ranch Area Type Curves & Economics



Marquis Area Type Curves & Economics



Palmetto Area Type Curves & Economics



TMS Area Type Curves & Economics

TMS Area Single Well Economics

	800 MBoe EUR @ \$15.0 MM Capex		
Oil Price (\$ / Bbl)	\$80.00	\$90.00	\$100.00
NPV-10 (\$MM)	\$5.9	\$8.9	\$11.8
IRR	27%	38%	51%
Payout (Years)	2.6	1.9	1.6
ROI	2.3x	2.6x	2.9x

	600 MBoe EUR @ \$15.0 MM Capex		
Oil Price (\$ / Bbl)	\$80.00	\$90.00	\$100.00
NPV-10 (\$MM)	\$0.4	\$2.6	\$4.8
IRR	12%	17%	24%
Payout (Years)	5.8	4.0	3.0
ROI	1.6x	1.9x	2.1x

TMS Area Development Well Economics

	800 MBoe EUR @ \$10.0 MM Capex		
Oil Price (\$ / Bbl)	\$80.00	\$90.00	\$100.00
NPV-10 (\$MM)	\$10.9	\$13.9	\$16.8
IRR	76%	103%	134%
Payout (Years)	1.2	0.9	0.8
ROI	3.4x	3.9x	4.4x

	600 MBoe EUR @ \$10.0 MM Capex		
Oil Price (\$ / Bbl)	\$80.00	\$90.00	\$100.00
NPV-10 (\$MM)	\$5.4	\$7.6	\$9.8
IRR	36%	50%	67%
Payout (Years)	2.0	1.6	1.3
ROI	2.5x	2.8x	3.2x

TMS Area Type Curve

