

The logo for Caerus Operating LLC features the word "CAERUS" in a large, stylized, gold-colored serif font with a black outline. The letter "C" is particularly large and has a wing-like flourish extending to the left. Below "CAERUS" is a black horizontal bar containing the words "OPERATING LLC" in white, uppercase, sans-serif font. The background of the slide is a grayscale photograph of an oil well derrick in a desert landscape with mountains and a cloudy sky.

CAERUS

OPERATING LLC

Caerus Piceance LLC

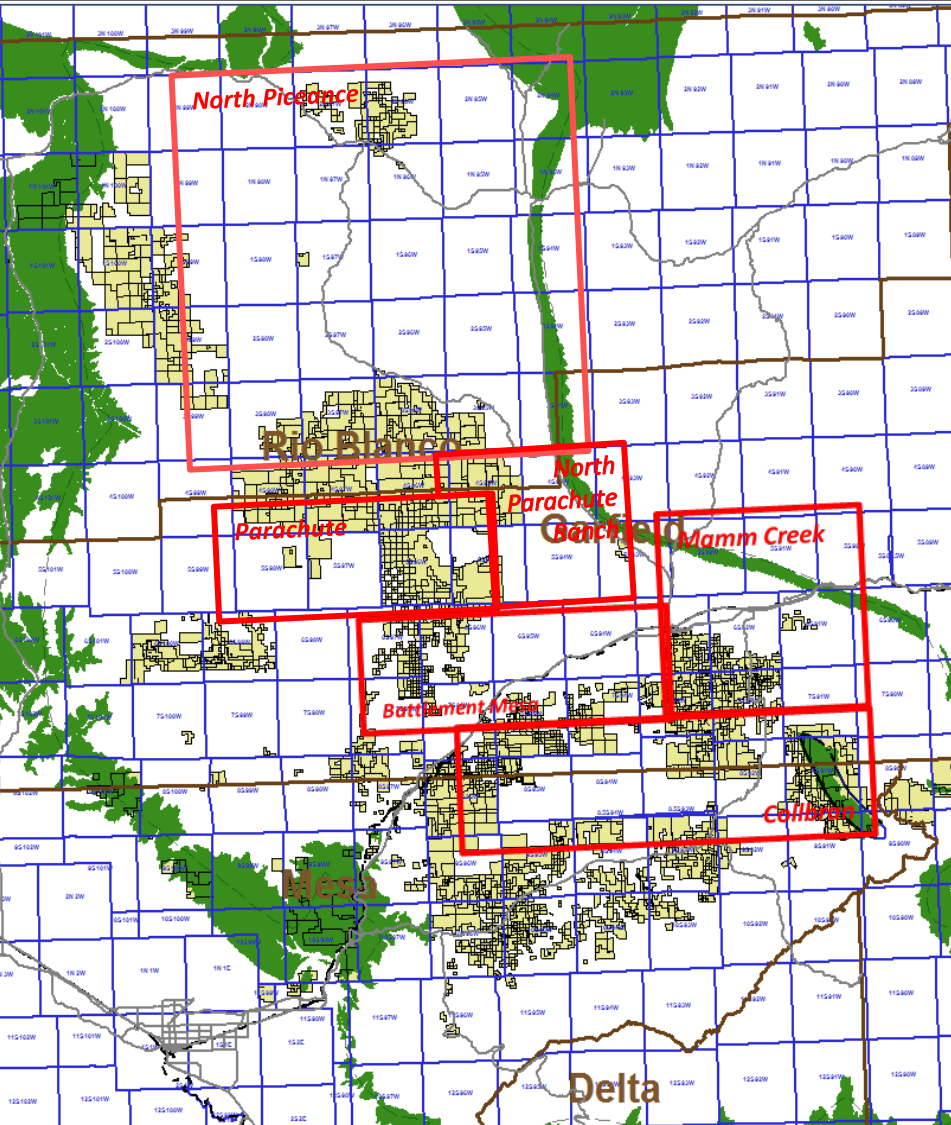
Energy Legislation Review Interim Study Committee

Grand Junction, CO
September 13 2019

Caerus Piceance LLC Snapshot



Operations



Company Information

Caerus Piceance LLC acquires, develops and produces affordable, clean burning natural gas in the Piceance Basin of western Colorado

- ▶ **Established:** 2009
- ▶ **Equity Sponsors:**
 - ▶ Oaktree Capital Management
 - ▶ Anschutz Investment Company
 - ▶ Old Ironsides Energy
- ▶ **Senior Management:**
 - ▶ Dave Keyte, Chairman and CEO
 - ▶ Bob Hea, Interim COO
 - ▶ Jeter Thomas, CFO and Treasurer
 - ▶ Allison Woolston, General Counsel
- ▶ **Total Employees:** 201 - 72 Denver / 129 Parachute
- ▶ **Total Acreage:** 608,000 gross / 476,000 net
 - ▶ Including 50,000 acres of Caerus-owned surface and minerals
- ▶ **Wells:** 4,200+ producing wells/8,000+ future locations
- ▶ **2019 Production Goal:** 382 MMCFED ~ 25% of the annual natural gas consumption in Colorado
- ▶ **Planned 2019 Operational Investment:** ~\$200,000,000
- ▶ **Safety Performance:** >3,300 days worked without a Lost Time Accident

Caerus by the Numbers



- 670 miles of gathering infrastructure,
- 457 miles of water gathering and distribution pipelines
- 5 water treatment and storage facilities - 1.2 million barrels of produced water storage capacity.
- 600,000 acres of leasehold and mineral rights
 - 50,000 acres of Caerus owned surface and minerals
 - Fee and BLM leasehold
- Over 4,200 producing wells, and nearly 8,000 future drilling locations in the Williams Fork formation
- 150 rig-years of development in the Williams Fork alone
- 200+ Employees

Large, rural land position with extensive infrastructure and enormous future development potential.

Commitment to Safety & Environmental Sustainability



➤ Safety

- ✓ *Since Caerus' inception in 2009, zero employee reportable lost-time incidents and zero OSHA violations.*

➤ GHG Management

- ✓ *We proactively manage our environmental footprint to limit methane emissions*
- ✓ *In 2018, Caerus decreased its CO₂e emissions by 7% over 2017 while at the same time increasing its production by 41%*
- ✓ *Caerus uses solar panels as an alternative energy source for on-location production equipment where feasible*

➤ Water Recycling

- ✓ *Caerus' extensive water recycling program allows it to use predominantly produced water for hydraulic fracturing operations*

➤ Wildlife

- ✓ *Wildlife Mitigation Plan: Caerus has partnered with the Colorado Department of Parks and Wildlife (CPW) on a best-in-class wildlife mitigation plan.*
- ✓ *Caerus participates in annual mule deer studies as part of CPW's statewide study on mule deer populations.*
- ✓ *Caerus engages with CPW on habitat restoration and studies on sensitive wildlife, such as the Native Cutthroat Trout and Sage Grouse.*

Caerus takes seriously its responsibility to future generations to limit its environmental footprint.

Importance of Oil and Gas Industry to Local & State Economies



- ▶ The oil and gas industry contributes \$1,083,361,743 to the regional GDP.
- ▶ The high wages this industry pays resonate with multiplier effects that support 3,479 jobs on the West Slope by spending alone.
- ▶ Counting supply chain effects and the direct employment numbers, the industry contributes or causes 10,959 jobs in the Western Slope.
- ▶ Along with healthcare, retail trade, and construction, the oil and gas industry is one of the top contributors to the local economy, measuring at 9.2% of Gross Regional Product.
- ▶ In 2018, Caerus paid \$18.8 million in ad valorem or property taxes to the counties in which it operates
- ▶ In 2018, Caerus paid \$5.5 million in production or severance taxes to the State
- ▶ The majority of this tax revenue goes to benefit the counties in which Caerus operates, funding schools, hospitals, libraries, and essential services, such as fire and emergency rescue, in Garfield, Mesa, and Rio Blanco counties.

Caerus is a significant economic contributor to the counties in which it operates and in which our employees live and work.

Importance of Oil and Gas Industry to Local & State Economies (continued)



Description	Total
Total employment	10,959.0
Support activities for oil and gas operations	2,180.1
Extraction of natural gas and crude petroleum	1,435.2
Drilling oil and gas wells	1,069.0
Extraction of natural gas liquids	954.4
Employment and payroll of local govt, non-education	556.9
Real estate	334.8
Limited-service restaurants	241.5
Full-service restaurants	228.9
Maintenance and repair construction of nonresidential structures	164.2
Hospitals	156.5
Wholesale trade	133.2
Retail - Food and beverage stores	110.6
Retail - General merchandise stores	110.4
Individual and family services	97.4
Offices of physicians	96.4
Services to buildings	96.1
All other food and drinking places	93.7
Retail - Nonstore retailers	91.9
Other financial investment activities	83.5

Description	Total
Automotive repair and maintenance, except car washes	79.7
Architectural, engineering, and related services	79.1
Legal services	75.9
Personal care services	73.6
Accounting, tax preparation, bookkeeping, and payroll services	72.5
Monetary authorities and depository credit intermediation	71.1
Other personal services	67.8
Nursing and community care facilities	65.8
Employment and payroll of state govt, non-education	61.1
Retail - Miscellaneous store retailers	60.5
Other educational services	56.6
Offices of other health practitioners	54.1
Retail - Motor vehicle and parts dealers	53.6
Employment services	52.8
Retail - Building material and garden equipment and supplies stores	50.2
Construction of new highways and streets	48.6
Construction of other new nonresidential structures	47.0
Transit and ground passenger transportation	45.6
Landscape and horticultural services	44.5
Management of companies and enterprises	43.0



- **Caerus has donated more than \$100,000 to Colorado non-profits including :**
 - **The Heart & Hand Center:** Provides after-school enrichment to children in grades K-8 in North Denver
 - **KATA Foundation:** Supports scientific and medical research to find effective treatments and a cure for Fanconi anemia
 - **National Western Scholarship Trust:** Provides scholarships to students studying agriculture, rural medicine, and veterinary science
 - Colorado Mesa University
 - Special Olympics
 - Garfield County 4H/ Mesa County 4H/ Rio Blanco County 4H
 - **Ducks Unlimited:** Conserves, restores and manages wetlands.
 - **Kids Aid Backpack Program:** Provides weekend food to children who would otherwise go hungry in Grand Junction, CO
 - **Riverside Educational Center:** Provides structured after-school tutoring and enrichment activities for K-12 students in Grand Junction, CO
 - **Youth Zone:** Provides support to at risk youth and their families
- **In Colorado, the oil and gas industry has donated over \$17MM to charitable causes.**

Caerus gives back to the communities in which it operates and its employees live and work

Natural Gas' role in Renewable Energy Future and Opportunities for LNG Exports



- The U.S. Energy Information Administration's (EIA) predicts that total world energy consumption will increase by 28% between 2015 and 2040. The United States has reduced greenhouse gas emissions 14 percent since 2005 primarily due to natural gas replacing carbon intensive fuels
- But worldwide CO2 emissions, largely due to increased energy demand in Asia, China, and India
- Liquefied natural gas (LNG) has the potential to assist the rest of the work in meeting its greenhouse gas (GHG) emissions goals
- LNG, like natural gas in the U.S., can provide a reliable baseload energy source to offset the intermittency of wind and solar.

Natural gas has played and will continue to play a significant role in reducing global CO2 Emissions.

The West Slope is Different



- West Slope operations are different than Front Range
 - Rural environment
 - Few operators
 - Private, investor backed companies
 - Clean-burning Natural Gas is primary product
 - Narrow operating margins due to low natural gas prices
 - The oil and gas industry is a valued member of the community

- COGCC rulemakings should consider these differences
 - One size does not fit all
 - Industry and stakeholders need time to work with COGCC to create rules that implement the sweeping changes of SB181
 - Legislature should allow the industry to regain stability before passing additional legislation



- **Natural Gas Prices**
 - \$2.00 per MCF = \$12/BBL
- **Regulatory Uncertainty**
 - Impact of SB 181
 - Rulemakings
 - Unwillingness of investors to commit capital to Colorado oil and gas development
 - COGCC Commissioners have no Colorado oil and gas operational experience
- **Additional costs associated with additional requirements for regulatory compliance layered onto already thin operating margins**