

OVERVIEW OF OUR FIRM

OUR FIRM

- Heikkinen Energy Advisors is an energy equity research firm focused on the highest quality independent research of E&P and OFS companies and assets.
- Our analysts actively cover 75+ publicly traded E&Ps (41), oilfield services (24) and midstream (11) companies, with plans to actively expand within those sectors.
- Employees located in Houston, Dallas, New Orleans, and Boulder.

OUR TEAM

- Our team of 23 professionals has over 200+ years combined of relevant industry experience.
- Our research team's ~100 years of cumulative industry experience is by-far the most of any of our peers.
- The average years of relevant experience for each of our analysts far exceeds that of the peer group.
- We provide unique access for our clients:
 - Conferences: There are too many generic conferences. We host topical events that are focused on timely questions and themes in the market and believe these events are relevant/helpful to both our clients and management teams.
 - Truck Tours: We meet with management teams on a regular basis in their offices and invite small groups of clients to attend those meetings.

OUR CLIENTS

- We are the trusted advisor to a group of clients consisting of 150+ of the largest and most specialized energy-sector investors including asset managers, pension funds, hedge funds, family offices and private equity investors.
- We have taken a different approach to who our clients are. By focusing more direct and customized attention to a select group of investors, we deliver increased value through more in-depth, thorough and thoughtful work.
- While we have limited our client relationships to just ~20% of energy investors, those clients represent 50%+ of total ownership of publicly traded energy equities.

OUR DIFFERENTIATED PROCESS

1. **What drives stocks?**
 2. **What problems do we solve?**
 3. **How do we solve problems?**
- **Detailed, best-in-class models:** We continue to believe that sell-side research is spread too thin.
 - **Think like engineers with basin understanding:** All acreage is not created equal. We think that understanding different operating areas is critical in understanding the E&P group.
 - **Balanced downside and upside with longer duration:** We think the sell-side overemphasizes upside potential versus downside risk. We highlight downside worries that investors should be aware of including valuations at lower commodity prices, balance sheet and debt covenant risk, operational risk (and its financial impact), etc.
 - **The “Stuff that Matters”:** From our extensive collective experience covering the stocks, we have compiled a long list of drivers (valuation, financial, operational, quantitative and qualitative) that drive stock prices. “Stuff” includes asset valuation, multiples, catalysts, balance sheet, free cash flow yield, hedges, asset focus, management, and operational expertise.
 - **Unique access:** We host year-round topical events, small company visits, and an annual conference.

MIDSTREAM STUFF THAT MATTERS

What makes us different?

- We use a force ranking system in our Stuff that Matters that enables us to remove bias when comparing companies. There are certain metrics that HEA uses to determine future stock performance. EBITDA and debt multiples along with coverage ratios and NAV/share are calculated and each metric is ranked leading to an aggregate rank by company. Our Stuff that Matters is a tool that we use to achieve our ultimate goal of quality, unbiased research.
- With unbiased research as our goal, we do not actively pursue banking revenue. Investment banking often can skew a company's sell-side research. Without banking as a primary source of revenue, we have removed that bias and have no hesitation to call out poor valuations or managerial decisions when we see them.

Performance by Sector									
	E&P			Midstream			Oilfield Services		
	Focus List	FL vs. MOIL	FL vs. BT	Focus List	FL vs. MOIL	FL vs. BT	Focus List	FL vs. MOIL	FL vs. BT
2018 YTD	6.4%	17.9%	-4.9%	16.0%	23.9%	7.2%	-5.6%	-11.7%	-14.4%
2017	-5.6%	10.6%	23.5%	16.0%	28.2%	31.5%	-17.4%	4.5%	-11.6%
Since Inception	1.8%	55.4%	79.1%	96.3%	97.2%	52.4%	2.3%	4.3%	-13.6%

Midstream Stuff that Matters														
5/31/2018			Valuation and Yield			Growth and Inventory			Balance Sheet		Profitability/Execution		Rate of Change	Stock Liquidity
Metric	Overall Weighted Ranking	Previous Ranking	2019 EV/EBITDA - Remove GP CF	2018 Yield	Upside/Downside to NAV	2019/2018 EBITDA Growth Est.	Non-modeled Dropdown Pipeline Value (% of EBITDA)	Asset Quality	2019 Debt/ EBITDA	2019 Distribution Coverage	2018-2019 Avg. ROIC	Above/Below Cons. 2018 EBITDA	Change vs. Last Update	Avg Daily \$ Trade (\$MM)
Weighting			10.0%	10.0%	15.0%	10.0%	5.0%	10.0%	10.0%	10.0%	5.0%	5.0%	5.0%	5.0%
A	1	1	7.9x	4.4%	14%	36.9%	41.8%	7	1.6x	2.7x	14.9%	6%	8%	9.0
B	2	2	11.5x	8.2%	16%	47.9%	0.0%	6	3.4x	1.1x	17.9%	2%	5%	38.1
C	3	4	13.1x	6.9%	28%	17.0%	0.0%	2	3.4x	1.3x	16.6%	-1%	1%	59.0
D	4	3	8.6x	8.9%	26%	27.7%	202.7%	11	2.2x	1.2x	8.9%	0%	0%	1.0
E	5	5	8.0x	7.3%	-2%	57.9%	47.9%	10	2.8x	1.7x	16.6%	1%	0%	1.4
F	6	8	9.8x	9.8%	5%	15.6%	0.0%	9	3.8x	1.3x	9.3%	2%	6%	12.9
G	7	7	10.5x	5.2%	3%	23.6%	0.0%	1	3.7x	1.6x	11.5%	-2%	-3%	66.6
H	8	9	10.7x	6.0%	-31%	25.9%	0.0%	8	2.3x	1.3x	19.0%	2%	0%	11.3
I	9	11	12.0x	7.7%	3%	4.9%	0.0%	4	4.8x	1.3x	14.1%	2%	0%	15.9
J	10	10	14.6x	7.6%	29%	11.1%	44.8%	5	4.2x	1.2x	9.7%	-1%	-8%	25.6
K	11	6	12.3x	7.8%	15%	13.2%	0.0%	3	5.2x	1.1x	8.0%	-3%	-6%	88.8
Median			10.7x	7.6%	14%	24%	0.0%	N/A	3.4x	1.3x	14.1%	1%	0%	15.9

ANALYSIS

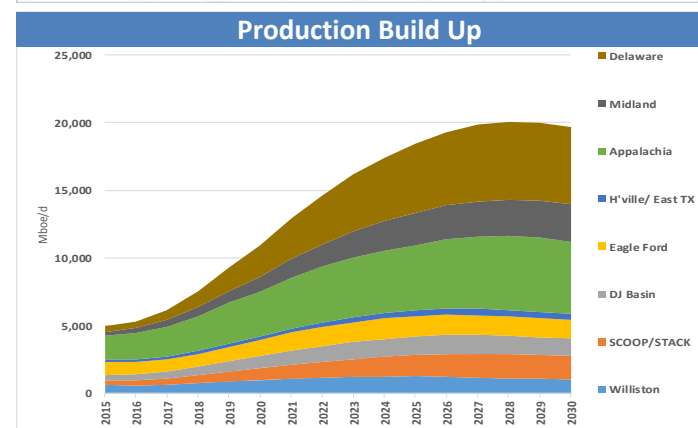
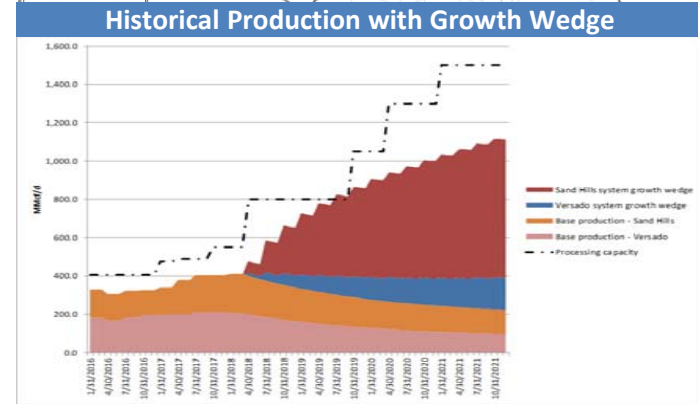
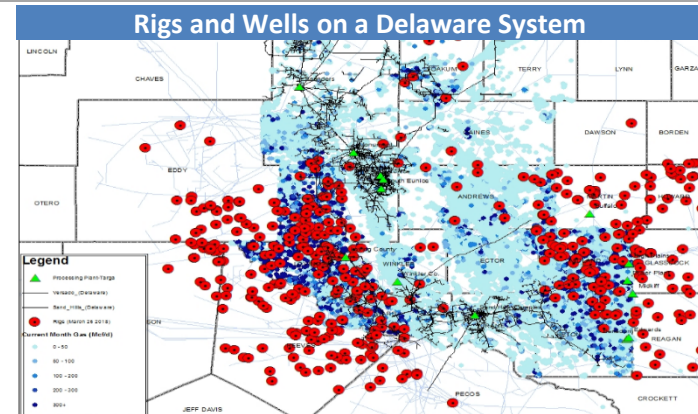
Midstream example:

1. Using a GIS mapping software and pipeline layer file, we build a map of a company's system. We allocate wells that we assume are producing into a company's system based on proximity to the gathering pipelines.
2. With these wells, we estimate a decline curve using the historical production. Now that the decline curve has been set, we determine the growth wedge.
3. With a similar process as wells, we look at rigs operating within a certain distance to the gathering system and allocate a rig count.
4. That rig count is then run through a rig-driven production model. Ultimately, we calibrate the production to generate a percent incline/decline rate for the company's future volumes.

Macro example:

Our approach to detailed E&P modeling allows us to use our micro analysis to form detailed macro views.

1. Each company's production model is made up of areas. Each area is linked to a basin.
2. We take the information from each company's area and look at the macro implications built into our model.
3. This analysis helps us check our own assumptions in our models, as well as sanity check the growth that E&P companies are forecasting.



Company Production by Area in Midland												
Midland	Company	Detailed Basin	Peak Prodn	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16	
A	Midland	Midland	12/31/2014	21.1	19.3	17.6	17.0	18.5	16.2	14.4	13.2	
B	Midland	Midland	12/31/2035	22.4	22.8	23.5	27.0	28.2	26.8	22.5	22.3	
C	Midland	Midland	6/30/2043	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	
D	Midland	Midland	9/30/2028	1.2	1.2	1.2	1.2	1.2	1.3	2.3	3.1	
E	Midland	Midland	6/30/2028	0.6	0.6	0.6	0.6	0.6	0.8	1.0	1.9	
F	Midland	Midland	12/31/2030	3.2	3.2	3.0	4.6	6.7	7.2	7.7	8.5	
G	Midland	Midland	12/31/2028	4.5	4.8	5.3	5.0	4.5	4.6	5.3	5.4	
H	Midland	Midland	3/31/2013	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Midland Total				9/30/2029	846.6	927.0	945.7	936.3	961.8	1025.5	1047.3	1071.7

VIEW OF PROD'N VS. PIPELINE CAPACITY

Permian constraints lead us to question volumes - The widening of current differentials as shown above is in large part a function of the currently high utilization of pipeline capacity and expectation of fully tapped send-out capacity in 2H18+. On our current company and resulting basin level production outlook, we show productive capacity outstripping pipeline capacity by ~125 Mbo/d beginning in 3Q18 and by an average of 500 Mbo/d from 4Q18 through 3Q19, which is illustrated below. From there the basin looks overpiped from 4Q19-2020. We also acknowledge that there is in reality an iterative nature to how production will actually play out as the physical constraints emerge in 3Q18 and that the resulting reduced output in 3Q18-1Q19 could drive lower production in 2Q19-3Q19+. That said, there is very clearly a material bottleneck that persists and carries with it a number of known and unforeseen risks.

