



Oil & Gas Group Deal Preferences

Reserve Classifications

PDP	Proved Developed Producing Minimum 70% of Asset Value
PDNP	Proved Developed Non-Producing Maximum 30% of Asset Value (including PUD)
PUD	Proved Undeveloped Maximum 30% of Asset Value (including PDNP)



Reserve Quality

- Long-lived oil or gas properties with R/P ratio greater than 3
- Low risk, primary/secondary production - No enhanced recovery
- Onshore preferred
- Established production histories (minimum 12 months on PDP)
- Positive cash flow (including capital expenditures)
- Non-concentrated property value - no more than \$5MM or 15% of aggregate transaction value concentrated in any one well
- Operating margin resiliency
- Ability to hedge commodity price risk, including basis differential, to a major index

Operations

- Partner with high quality established operator
- Acquire properties with well-established operating histories
- Ensure that majority of the asset value carries operational control
- Have Partnership step into control of operations upon acquisition
- Contract with general partner to perform operations on behalf of the Partnership



Reserve Definitions & Clasifications

The Securities and Exchange Commission, in SX Reg. 210.4-10 dated November 18, 1981, as amended September 19, 1989, requires adherence to the following definitions of “proved” oil and gas reserves.

PDP

Proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

- (i) Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.
- (ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the proved classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.
- (iii) Estimates of proved reserves do not include the following: (A) Oil that may become available from known reservoirs but is classified separately as indicated additional reserves; (B) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; (C) crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and (D) crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other such sources.

Proved developed oil and gas reserves. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as proved developed reserves only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

Proved undeveloped reserves. Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.



Reserve Definitions & Clasifications

PDNP

(3) Proved developed oil and gas reserves. Proved developed oil and gas reserves are reserves that can expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as “proved developed reserves” only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

PUD

(4) Proved undeveloped reserves. Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on un-drilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on un-drilled acreage shall be limited to those drilling units offsetting productive units that we reasonably certain of production when drilled. Proved reserves for other un-drilled units can be claimed only where it can be demonstrated with certainty there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

About GE Energy Financial Services

GE Energy Financial Services’ experts invest globally across the capital spectrum in essential, long-lived, and capital-intensive energy assets that meet the world’s energy needs. In addition to capital, GE Energy Financial Services offers the best of GE’s technical know-how, technology innovation, financial strength, and rigorous risk management. Based in Stamford, Connecticut, the GE business unit helps its customers and GE grow through new investments, strong partnerships, and optimization of its approximately \$20 billion in assets. For more information, visit <http://www.geenergyfinancialservices.com>.