

Ventana Exploration and Production

Owner of non-operated oil and gas interests in Oklahoma's STACK/SCOOP/MERGE

INVESTMENT SUMMARY

EGI first partnered with Starwood Oil and Gas to capitalize Ventana ("VEP") in 2017. The company's strategy of acquiring non-operated oil and gas interests in Oklahoma's Anadarko Basin proved successful, and the partners launched a second fund in 2019, VEP II, to continue pursuing opportunities. Our early involvement in Ventana enabled us to take a substantial role in helping management build the company's infrastructure, including processes, metrics, tracking tools, acquisition parameters and discipline. EGI professionals hold two Ventana board seats.

INVESTMENT HIGHLIGHTS

POISED FOR GROWTH

The STACK/SCOOP/MERGE in the Anadarko Basin is experiencing exponential growth, somewhat similar to the Permian Basin in West Texas since 2013. Multiple benches below the land drive significant upside over time as operators believe up to 30 horizontal wells can be drilled per unit in the long-run. Acreage valuations in the Permian have quadrupled since 2013 despite the decrease in commodity prices due to this dynamic. The STACK/SCOOP could follow a similar trajectory.

LEVERAGING OPERATOR EXPERTISE

Ventana primarily purchases acreage operated by marquee oil and gas companies, so it makes the same bet as Big Oil at a lower entry cost.

DIVERSIFIED PORTFOLIO

Ventana's acreage spans across ~500 sections in the core areas of the STACK/SCOOP, primarily in the MERGE. The company generally purchases up to 5% of a particular section, so success is not tied to the performance of a concentrated block of acreage or any one operator.

PROVEN PIPELINE AT LOW ENTRY COST

Ventana takes advantage of the "forced pooling process," which is an Oklahoma-friendly statute that allows operators to unitize owners in a section to expedite development. Ventana runs organic mailing campaigns to target these owners. In addition, management generates proprietary deal flow through its strong local network and operator relationships. Operators typically look to sell down their non-operated acreage at substantially less than marketed packages. As a result, Ventana is able to acquire acreage at a significant discount to market.

PROPRIETARY DATA

Ventana benefits from all the well data it collects and analyzes through its owned acreage. The company's proprietary data is typically more timely and of higher quality than public data, which can often lag by 6-12 months. This intel proves valuable as Ventana evaluates additional acquisitions.

EXCEPTIONAL LOCAL MANAGEMENT TEAM

The Ventana management team is well experienced in the oil and gas space with a track record of success. The team is local, and their Oklahoman network is strong – a key differentiating factor.

