Haynesville History and Activity Update

Presented by Frank Tsuru
Chief Executive Officer
Indigo Natural Resources
4-17-2019
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Haynesville Basin Today

**Today**

- World class resource base attracting public and private operators
- 58 active rigs in the Haynesville\(^{(1)}\)
- 304 Tcf of Mid-Bossier and Haynesville resource per the United States Geological Survey ("USGS")\(^{(2)}\)
- Stacked pay delivering 2+ BCF/1,000’
- Premium product pricing with proximity to the Gulf Coast and regional demand growth (LNG export, petrochem)

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\(^{(1)}\) Rig data per Baker Hughes as of 3-15-19.
\(^{(3)}\) Data on map per IHS and Drilling Info as of 3-15-2019.
A Brief Haynesville History: Introduction

Haynesville Basin Gross Gas Production

- **Discovery**
  - 2007 – 2008

- **Acreage Capture**
  - Rapid development
  - A well in every section
  - 2009 – 2012

- **The Lean Years**
  - Low gas prices
  - Low rig count
  - Testing new ideas
  - 2013 – 2016

- **Reinvention**
  - The “New” Haynesville
  - Growing production
  - Adoption of longer laterals
  - More proppant
  - 2017 – Today

BCF/day

Timeline:
- 1/1/2008
- 7/1/2008
- 1/1/2009
- 7/1/2009
- 1/1/2010
- 7/1/2010
- 1/1/2011
- 7/1/2011
- 1/1/2012
- 7/1/2012
- 1/1/2013
- 7/1/2013
- 1/1/2014
- 7/1/2014
- 1/1/2015
- 7/1/2015
- 1/1/2016
- 7/1/2016
- 1/1/2017
- 7/1/2017
- 1/1/2018
- 7/1/2018
Discovery: 2008

Initial Testing
- Initial drilling scattered across ETX and NLA
- Testing the viability of the Haynesville
  - Average lateral 3400’ with 2 MM lbs. proppant per well
  - No long laterals
Acreage Capture: 2009 - 2012

Rapid Development / Hold Leases

- High gas prices stimulated development
- Over 160 rigs active in the basin and drilled nearly 3000 wells
- Production grew to over 7 BCFD
- Single section development (<5000’) with 5 MM lb proppant per well
The Lean Years: 2013 - 2016

Low Gas Prices / Efficient Development

* Gas prices dropped below $2.50/MMBTU
* As few as 12 rigs in the basin
* Operators tested longer laterals and larger stimulations
* Most public companies exit the basin
* Production drops to 4 BCF/day

![Map of Texas and Louisiana with well locations marked in blue.](image)
Reinvention: 2017 - Present

Long Laterals and Big Proppant Volumes

- Widespread adoption of long laterals and significantly larger stimulations (25 MM lb/well)
- “Core” Haynesville has expanded significantly, Bossier horizon economic
- Basin will pass 2012 peak production in 2019 at over 7 BCF/day
Longer Laterals and Larger Stimulations Have Transformed the Haynesville

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<tbody>
<tr>
<td>Gen 1</td>
<td>4,200’ Laterals</td>
<td>700 lb/ft</td>
<td>11 frac stages</td>
<td>EUR: 4 BCF</td>
<td>BCF/1,000’: 1.0 BCF</td>
<td>EUR: 6 BCF</td>
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<td>1,200 lb/ft</td>
<td>13 frac stages</td>
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<td>EUR: 9 BCF</td>
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<td>2,700 lb/ft</td>
<td>21 frac stages</td>
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<td>BCF/1,000’: 2.0 BCF</td>
<td>EUR: 16 BCF</td>
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<td>Gen 4</td>
<td>7,500’ Laterals</td>
<td>3,100 lb/ft</td>
<td>36 frac stages</td>
<td>EUR: 16 BCF</td>
<td>BCF/1,000’: 2.1 BCF</td>
<td>EUR: 18+ BCF</td>
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<td>Gen 5</td>
<td>7,500’ – 10,000’ Laterals</td>
<td>3,800 – 5,000 lb/ft</td>
<td>36 - 100 frac stages</td>
<td>EUR: 18+ BCF</td>
<td>BCF/1,000’: 2.4 BCF</td>
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Note: Historical data represents internal estimates for regional EURs.
Indigo’s gross production growth tells our North Louisiana story

- Aggressive drilling program
- Efficient completions
- Midstream infrastructure
- Water solutions
- Low cost sand
**Active & Efficient Drilling Program**

**Grow with the drill bit**

- Most active driller in North Louisiana
  - Running 7 rigs and 2 stimulation crews
- Drilled 13 wells with over 8,000’ of lateral
  - Average lateral 7,250’ in 2018
- Placed 3,275 stages in 2018
  - Utilized 1.3 bln lbs. of proppant in 2018
- Current net production approx. 1.0 Bcfe/d
  - Proved reserves over 4.7 TCFe
Building Midstream Infrastructure

Greenfield gathering system provides runway for growth

- Gathering system currently provides lean gas and rich gas services
- ~370 miles of primarily large diameter pipelines
- Multiple centralized amine treating facilities
- System designed to accommodate Indigo’s future growth and 3rd party producers
**Integrated Business**

**Indigo and Momentum integrated footprint**

- Largest Haynesville operator per PLS
  - 950 net / 1,250 gross MMcfe/d
- Most active driller with 8 rigs running
  - 435,000 effective net acres
- 168 employees

- Integrated midstream joint venture
  - Large scale midstream system in service
  - Sand mine online late 2019
  - Fresh and produced water services
- 80 employees
Haynesville gas initially flowed east and north to access traditional demand centers

- Prior to the Haynesville and US Shale boom natural gas flowed from the Gulf Coast to demand centers in the Northeast, Midwest and Southeast

- Initial Haynesville development required new pipelines to move gas east to Perryville to access existing pipeline infrastructure

- US LNG facilities were import terminals providing supply to offset perceived shortfalls in future US production
Appalachia production growth displacing traditional Haynesville markets

- Appalachia production growth completely changed the US gas market
  1. Saturated the Northeast heating demand market
  2. Reversed traditional north-to-south pipeline flow
  3. New pipelines built to access Midwest and Southeast markets

- Shale Gas development led to reversal of LNG facilities – import-to-export – and new greenfield sites
  - 9.5 Bcf/d in-service or under construction today
Haynesville positioned to access growing LNG demand center on the US Gulf Coast

- LNG demand on the US Gulf Coast to increase 10+ Bcf/d by 2030
- Haynesville proximity to the US Gulf Coast provides superior margins relative to competing dry gas basins
- New large diameter pipelines required to connect Haynesville to LNG demand

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<thead>
<tr>
<th>Basin</th>
<th>Gathering</th>
<th>Transportation</th>
<th>Cost to Market</th>
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<tr>
<td>Haynesville</td>
<td>- $0.30</td>
<td>- $0.20</td>
<td>- $0.50</td>
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<td>Oklahoma</td>
<td>- $0.30</td>
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<td>Appalachia</td>
<td>- $0.45</td>
<td>- $0.85</td>
<td>- $1.30</td>
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LNG Market Share

Appalachia (Marcellus/Utica) - $1.30