Desautels Capital Management

Energy Industry Overview

October 3, 2018

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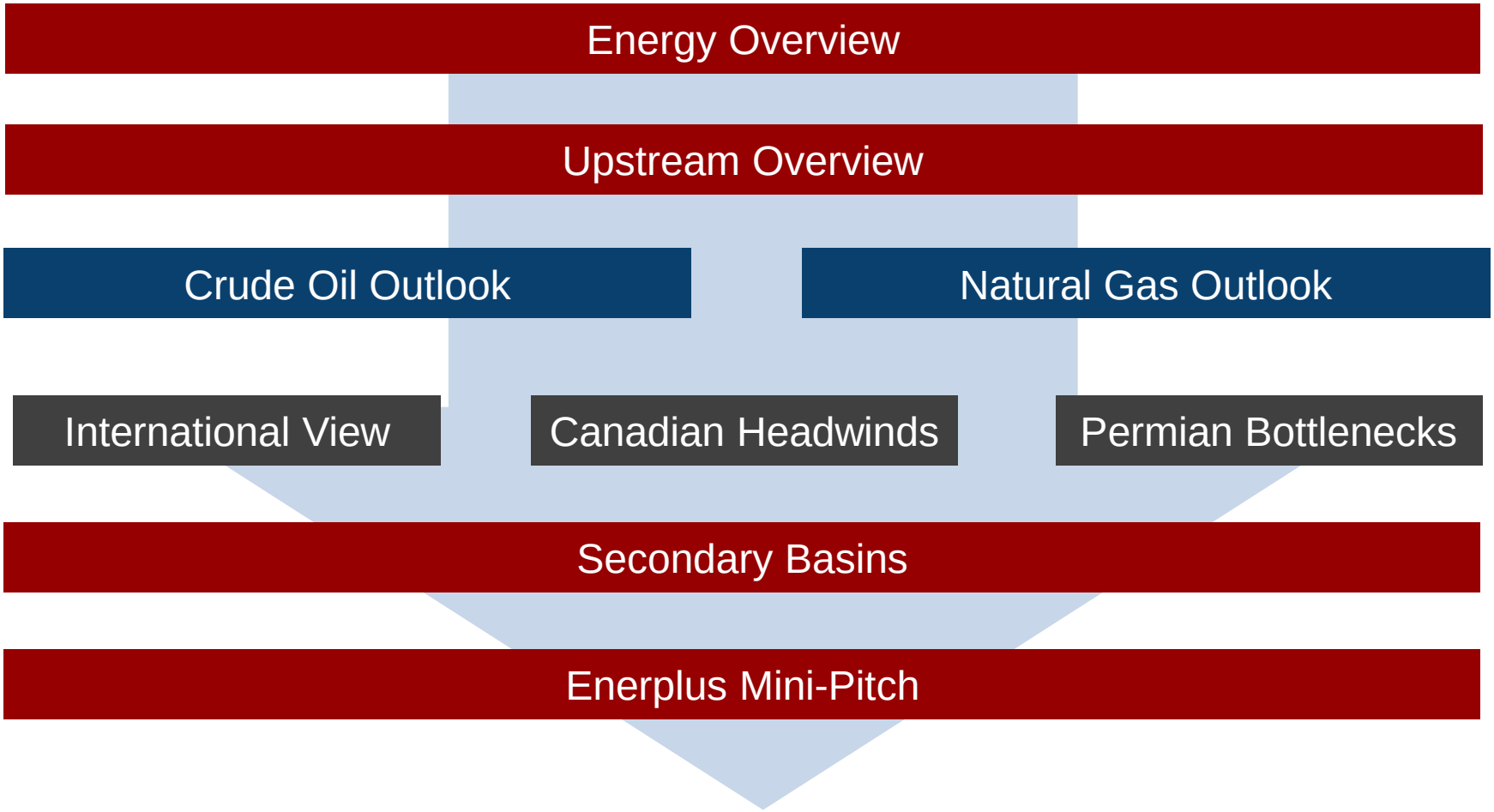
Executive Summary



Oil and Gas Overview

4 Verticals of Energy

Upstream	Midstream	Downstream	Oilfield Services
Exploration and Production companies that extract oil from the ground	Pipeline and transportation companies that carry crude oil and natural gas to refining customers	Refiners that produce the 'finished goods' of the sector and often act as marketers	Firms which provide equipment and services for production companies – drilling and completions

Holdings

ARC

PEMBINA

MARATHON

Emera

Prominent Players

TransCanada

Valero

HALLIBURTON

Source: Thomson Reuters, EIA

Power & Utilities

Industry Segments

Generators	Energy Network Operators	Electricity Traders & Marketers	Service Providers & Retailers
Create electrical power and market their output in unregulated markets	Grid, network, and distribution operators sell access to their network to retail service providers	Buying and selling futures and other derivatives, to help utilities/businesses secure a dependable supply of electricity at a stable price	Buy power from transmission operators and sell it to end users – often bundling with gas and water

Regulated

- Vertically integrated, own and control the flow of electricity
- Government regulates the price and consumers are required to pay a set price established by the company

Not Regulated

- Must purchase electricity during its generation stage before selling it to end users
- Government does not control prices as companies are able to set their own rates

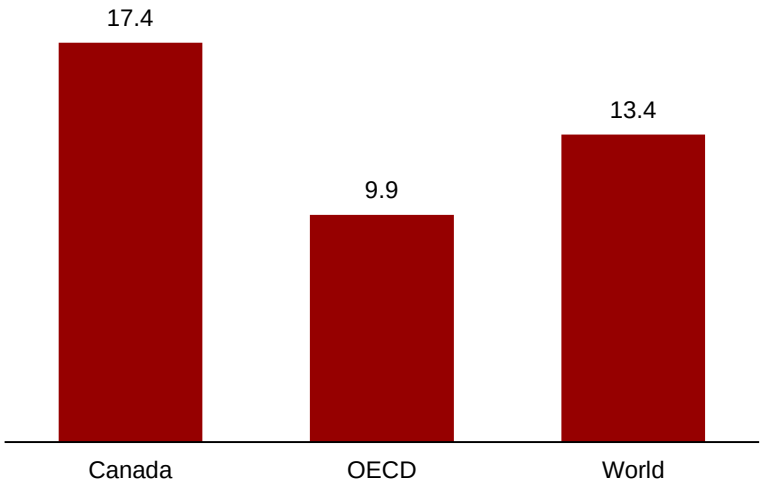
Source: Industry Research

Alternative Energy

Industry Segments

Nuclear	Coal	Wind	Solar
Generate electricity through nuclear fission reactions – very low carbon footprint but other issues exist	Sector that includes the mining, processing and sale of coal for electricity generation	Generation of electricity through the use of wind turbines	Harnessing solar radiation to produce electricity with photo-voltaic solar panels

Percent of Energy Supply Classified as Renewables



Increasingly Affordable, and Increasingly Demanded

- The cost of solar panels has decreased 99% since the 70's
- The cost of onshore wind facilities has dropped 96% in the same period
- A UK study in April 2018 conducted by the British government that 74% of Britons were concerned with climate change, with 85% being in favour of the increased use of renewable energy

Source: Natural Resources Canada, Thomson Reuters

Crude Oil Forecast

Macroeconomic Drivers

Demand

- India Growth (7.8%)
- Chinese Trade
- Increase Seafare Trade

Supply

- OPEC Internal Fighting
- Iran Sanctions → 1.5 million BoeD
- Lack of Upstream Exploration

Stability in the price of Oil

"OPEC and OPEC nations are, as usual, ripping off the rest of the world, and I don't like it. Nobody should like it. We defend many of these nations for nothing, and then they **take advantage of us by giving us high oil prices. Not good." - Trump**

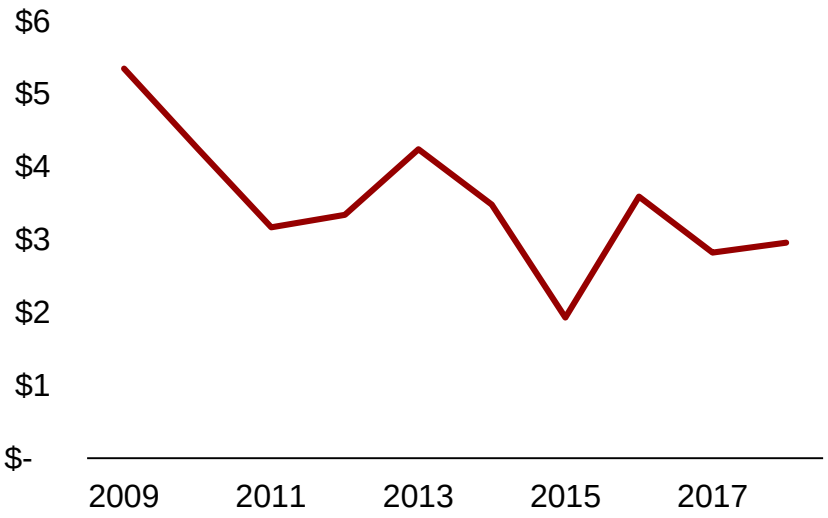
Both supply & demand tailwinds are favorable for the future of crude oil prices. Further, the market may be mispricing companies on perceived risk of Trump administration on Seafare Trade, despite record high levels.

Natural Gas Forecast

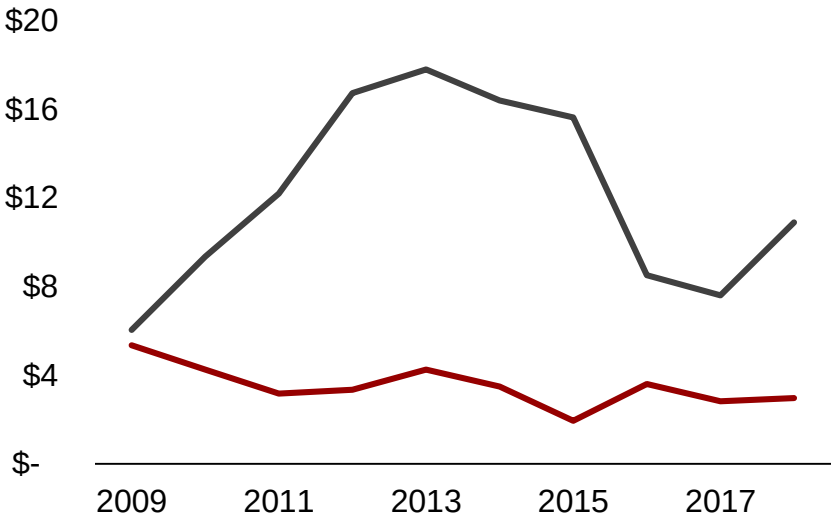
Natural Gas Demand Drivers

- Fracking Revolution
- Oversupply
- Stability in prices 3-4
- Recent Shell LNG Project

Henry Hub Price as Per EIA



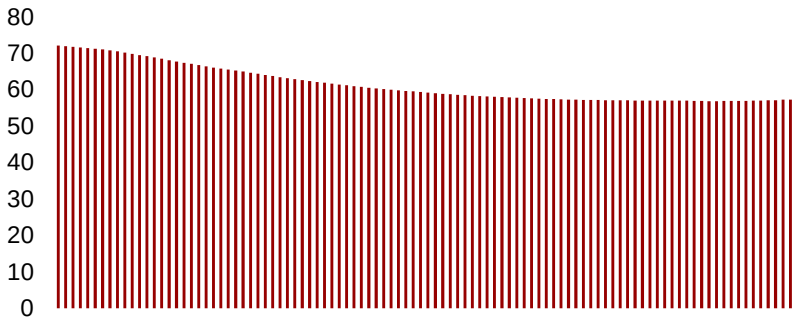
Japanese NG vs. Henry Hub

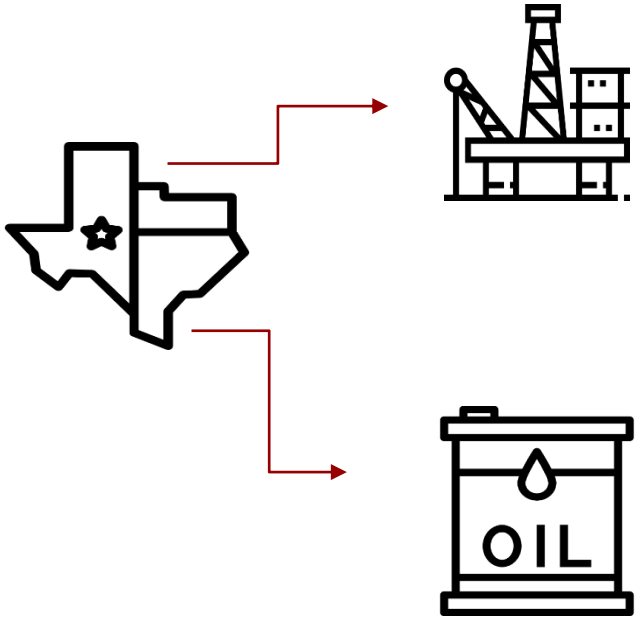


The oversupply of Natural Gas has lead to a stabilization in Henry Hub prices circa ~$3.00. Given the recent E&P expansion in the sector we expect for prices to remain low.

Why Upstream?

STRIP Pricing (Jan 2019 – Dec. 2019)





Strip pricing: daily historical volatility of any price series

Why Upstream

1. Market Mispricing amongst E&P players given the lack of E&P crude exploration
2. Asset Dependent Sector
3. Bullish position on Oil vis-à-vis strip pricing
4. Biggest Driver of value of the four verticals

I. Upstream Overview

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I. Understanding the Products

What are these companies looking for anyway?

Natural Gas

- Colourless, odourless and cleaner burning than petroleum products
- Largely composed of Methane (CH4)
- Measured in cubic feet (1000s) or BTUs
- Extracted conventionally or unconventionally
- Very similar verticals to petroleum

Natural Gas Liquids

- Also called associated hydrocarbons, essentially valuable by-products of NG
- Propane and condensate are common
- Useful in heating, crude refining, etc
- Previously “flared off”, now mainly captured and used
- An increasingly important percentage of production for upstream producers

Crude Oil

- Liquid hydrocarbon found in reserves beneath the earth’s surface
- Product quality and ease of extraction varies significantly
- 10% of the world’s crude reserves are in shale formation reserves

Sources: Naturalgas.org.

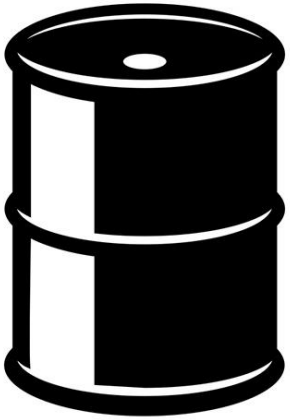
Upstream Industry

How is Oil & Gas Recovered?

Phases of Oil Production

Conventional production: Primary and Secondary recovery methods

- **Primary Recovery:** Rely on natural pressure to push crude oil to the surface
  - Allows about 5-20% of oil in reservoir to be recovered
- **Secondary Recovery:** Inject pressurized water and other substances into well to drive the residual crude oil and gas remaining after primary recovery
  - Allows additional ~10-20% of oil in the reservoir to be extracted
- **Tertiary/Enhanced Recovery:** When secondary recovery isn't enough to extract all profitable oil
  - **Ex.** Heating the oil to reduce its viscosity and make it easier to extract



Primary Recovery: 5-20%

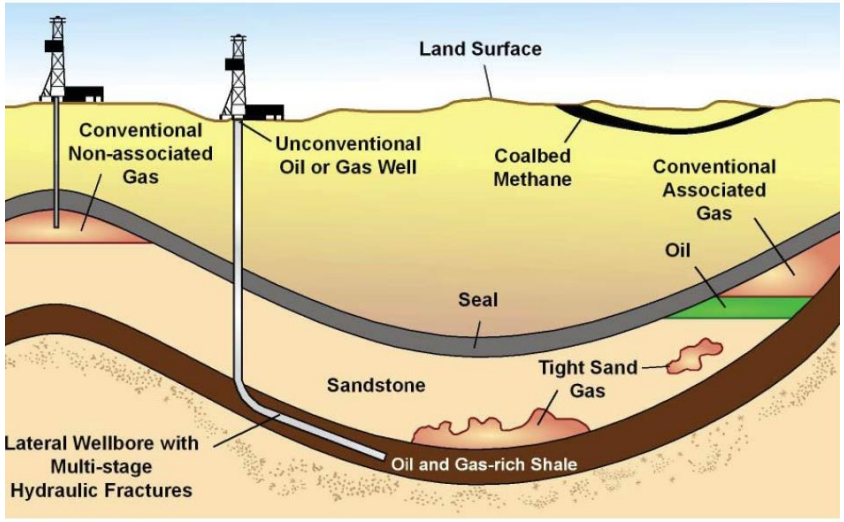
Secondary Recovery: 10-20%

Tertiary Recovery: 10-20%

Conventional vs. Unconventional Gas Production

- **Conventional:** Conventional natural gas production typically involves drilling vertically into sandstone and carbonate rock formations to release natural gas that has been trapped by a geologic seal
- **Unconventional (Shale):** Use due to low permeability of shale
  - **Hz Drilling:** Wells penetrate formation horizontally (see below)
  - **Fracing:** Once drilled into, the source rock is further fractured to increase the flow of fluids toward the wellbore (see below)

Geology of Conventional and Unconventional Oil and Gas



e: EIA

E&P's are innovating to extract more and more oil per bbl of reserves, through unconventional methods like Horizontal Drilling and Fracing

Source: RBC Energy Made Simple, Company filings.

II. Extraction Methods

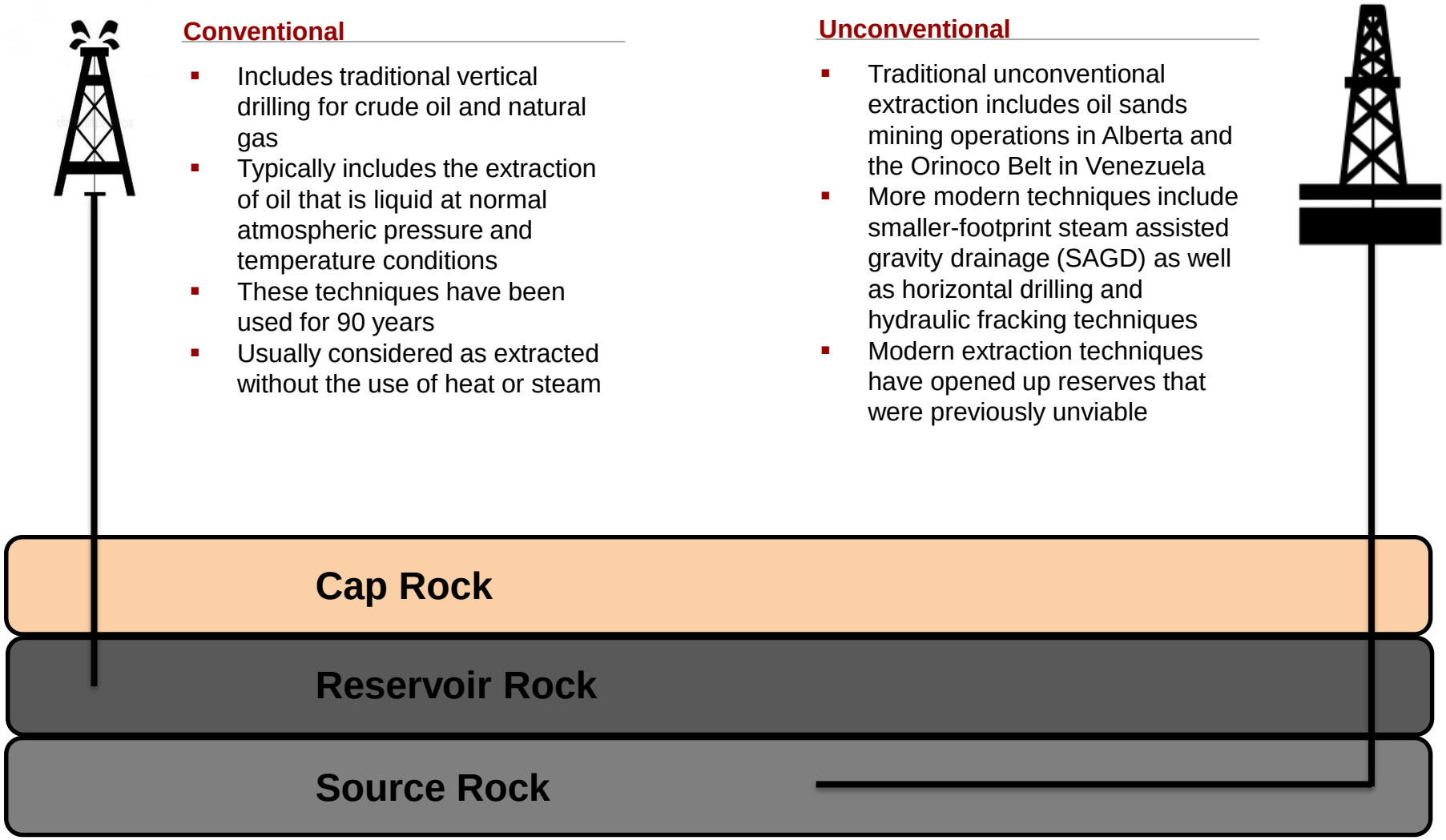
New and Old

Conventional

- Includes traditional vertical drilling for crude oil and natural gas
- Typically includes the extraction of oil that is liquid at normal atmospheric pressure and temperature conditions
- These techniques have been used for 90 years
- Usually considered as extracted without the use of heat or steam

Unconventional

- Traditional unconventional extraction includes oil sands mining operations in Alberta and the Orinoco Belt in Venezuela
- More modern techniques include smaller-footprint steam assisted gravity drainage (SAGD) as well as horizontal drilling and hydraulic fracking techniques
- Modern extraction techniques have opened up reserves that were previously unviable



Sources: Statcan, AER. EIA.

III. Key Metrics in Product Quality

Quality and Price

Sweet vs Sour

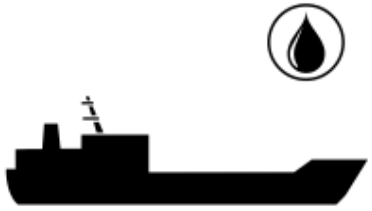
- “Sour” reserves have higher sulfur content, require more refining, and accordingly command lower prices
- New IMO sulfur-content regulations for maritime fuel have the potential to raise refining costs significantly
- “Sweeter” oil has less than 0.42% sulfur content

Light vs Heavy

- The liquidity of oil when extracted can make it more costly to refine if it has impurities or solids, and may require dilution
- The heaviest oil will come from the Orinoco Belt or the Athabasca Oil Sands
- Liquid petroleum with an API gravity less than 20° is “heavy”

Distance to Tidewater

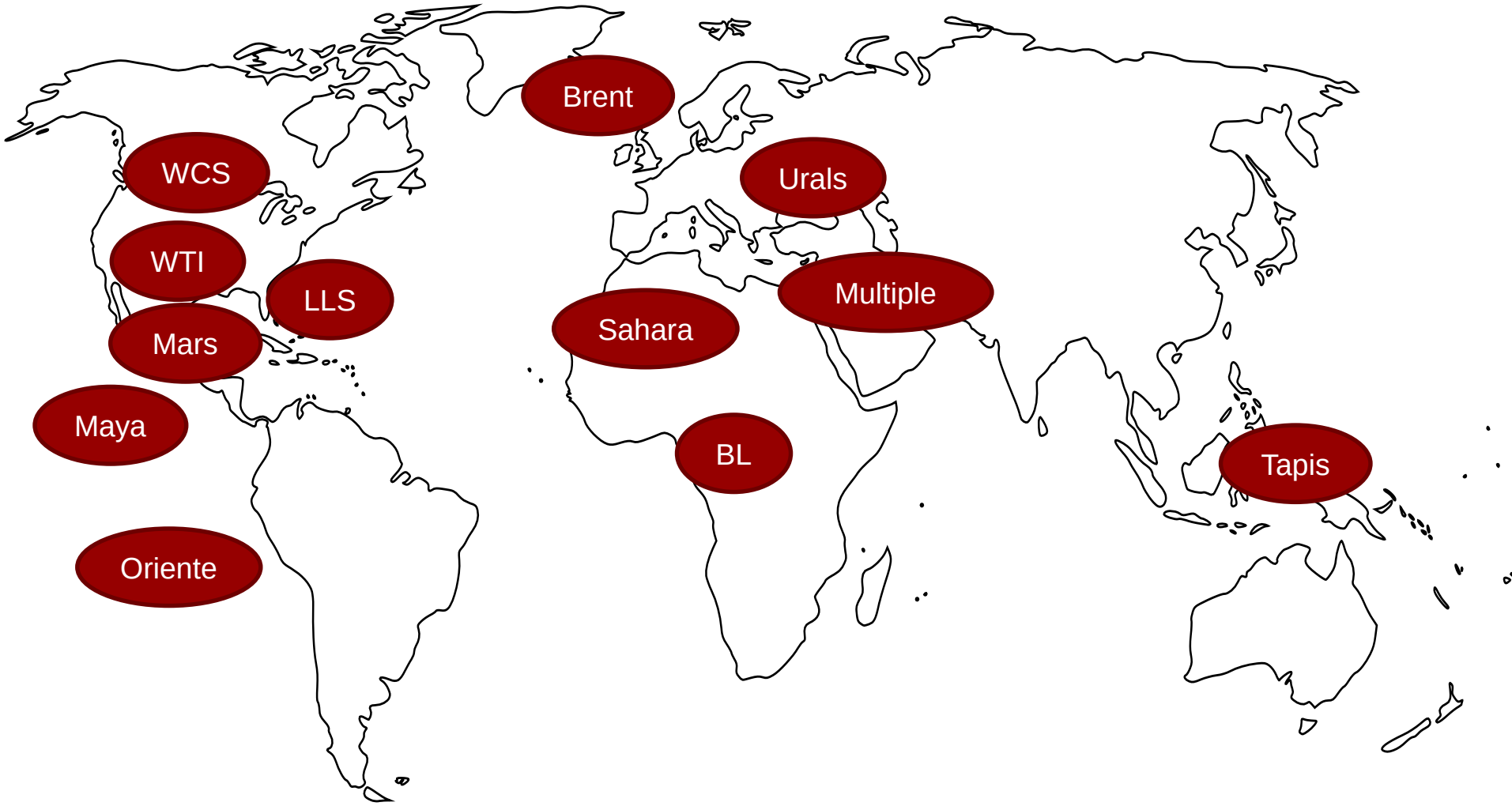
- How easy is it to get oil to a port, or a refinery? Transporting oil is difficult, costly, and dangerous
- Oil produced in a landlocked area will command lower prices
- WCS discount sitting at nearly $40 from WTI - pipeline politics and rail bottlenecks figure prominently in discounts



Sources: Bloomberg, New York Mercantile Exchange.

IV. Prices – Which to use, and where?

Benchmarks and Discounts



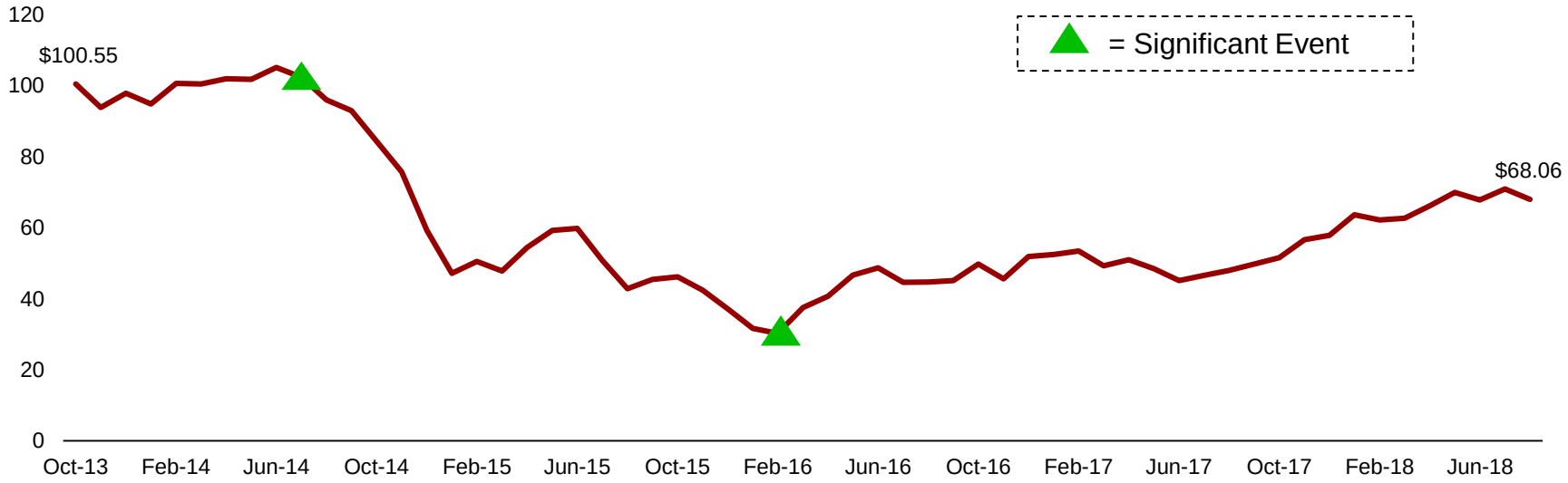
Various Different Oil Benchmarks throughout the world – understanding drivers of specific benchmark is key before making investment decision

Sources: EIA, Bloomberg

V. Price Outlook

$100 dollar oil?

WTI – 2013 to Present



- Constriction of supply by OPEC countries overshot targets this year, leading to a slight easing of the price increases
- Supply threats such as the continuing decline of Venezuelan production and the potential impacts of the Iran deal collapse on global supply mean that we forecast a continuation of the rise in the price of oil
- Saudi Arabia and OPEC partners are largely thought to be unable to counteract a supply shock from the Iran fallout – sharp rise in price is possible
- Pressure on China amid the trade war with the United States means that even those countries not allied with the USA might not purchase Iranian oil

Sources: CNBC Markets, Reuters, Bloomberg

Price Outlook

Supply and Demand

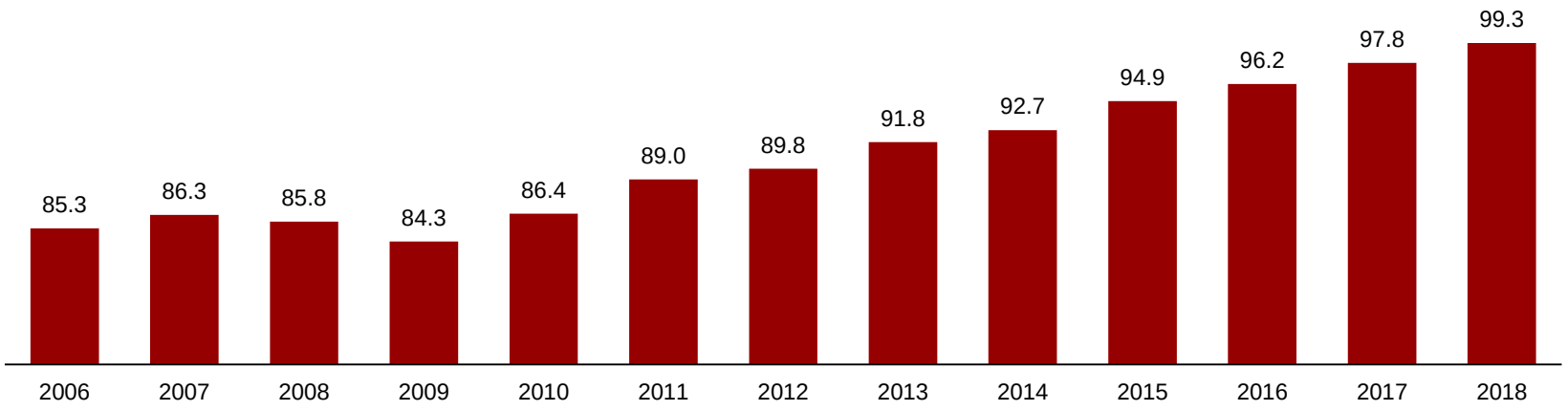
Supply Drivers

- Sustained continued growth in US Shale production remains a primary pressure driving up global production levels
- On June 22nd of this year, OPEC leaders met in Vienna to agree to increase production by 600-800,000 barrels per day to slow the rise in oil prices
- Constriction in supply from sanctions on Iran could depress supply by up to 2,000,000 barrels per day
- Venezuelan output has halved in two years

Demand Drivers

- Global demand reached 100 million barrels per day this year for the first time ever
- Massive economic growth in Asia continues to be the dominant driver in demand for oil
- OPEC foresees an almost 9% decrease in demand from OECD countries, but an almost 24% increase in demand from the developing world by 2040

Oil Demand (Mbarrels / day)



Oil demand isn't going away, due to tailwinds from emerging markets

Sources: CNBC, Oilprices, Statista

OPEC Production

OPEC has a disproportionate influence on the global price of crude.

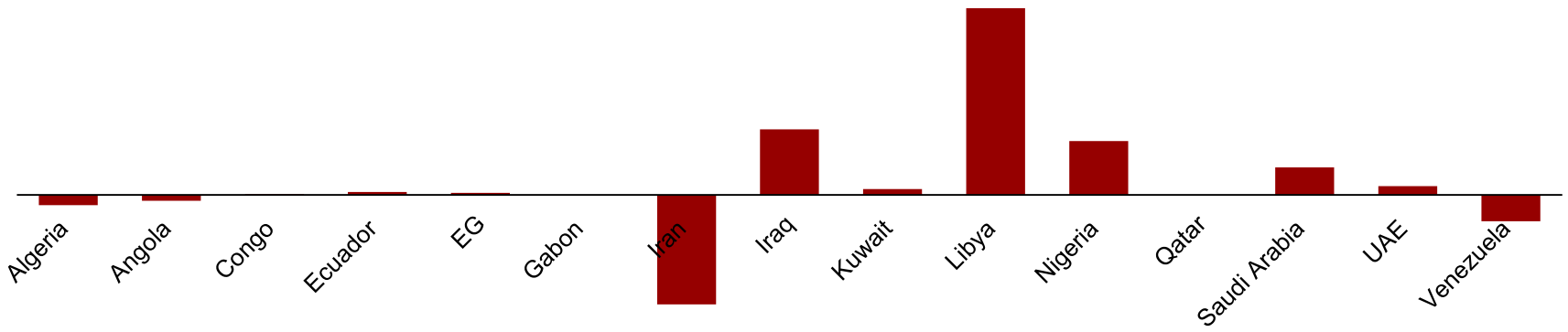
OPEC Countries with Largest Production Increase

1. Libya: 256,000 Boe/D
2. Iraq: 90,000 Boe/d
3. Nigeria: 74,000 Boe/d

OPEC Countries with Largest Decrease in Production

1. Iran: (150,000) Boe/D
2. Venezuela: (36,000) Boe/D
3. Algeria: (14,000) Boe/D

OPEC – Change in Oil Production (thousands BOE/D)



Can OPEC continually sustain the significant decrease in production by Iran?

Sources: OPEC,World Oil Supply, August

Natural Gas Outlook

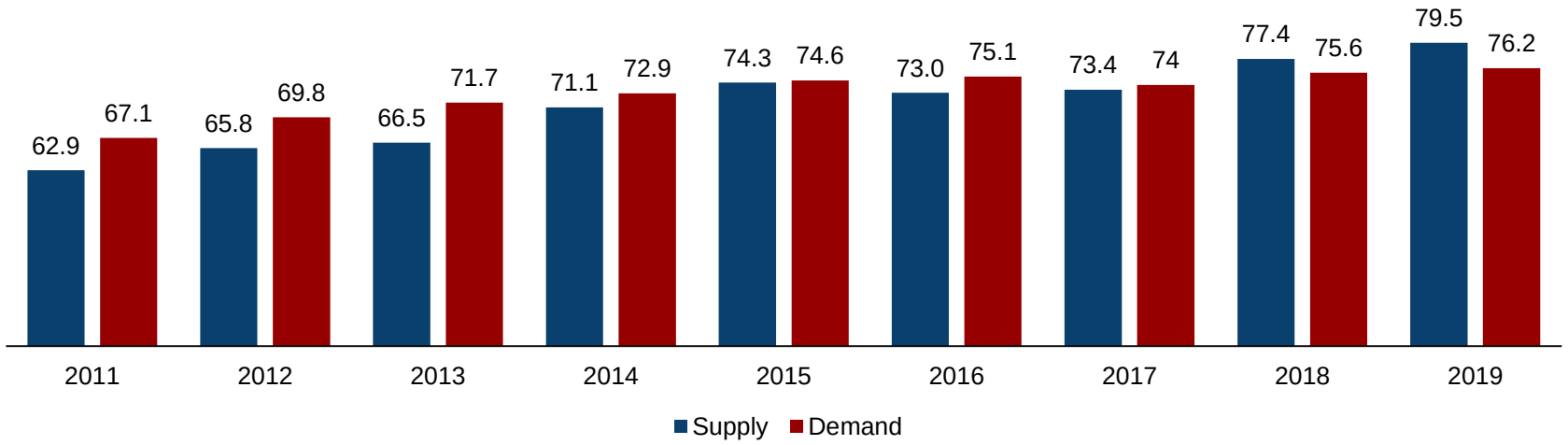
Shale Revolution

- Ending the 1973 ban on US oil exports allowed American producers to realise higher prices instead of selling at a discount to domestic refiners
- The US is poised to be the top oil and gas exporter in the world in 2019, in excess of the current Saudi Arabian level of 9.3 million barrels per day
- Unconventional fracking and horizontal drilling techniques allowed for a massive increase in viable reserves, 34% of US production is now from 'tight' sources

Pricing Outlook

- Supply growth will continue to outpace demand as producers develop North American basins while US power generation and other sectors do not meet expected demand
- Downward pressure on prices from sluggish US demand has kept prices near or below $3
- Seasonally cyclical prices of natural gas have been exaggerated this year, leading to a reduction in stored gas
- "Softening" impact of reserves against seasonal supply shocks may be limited – more volatility

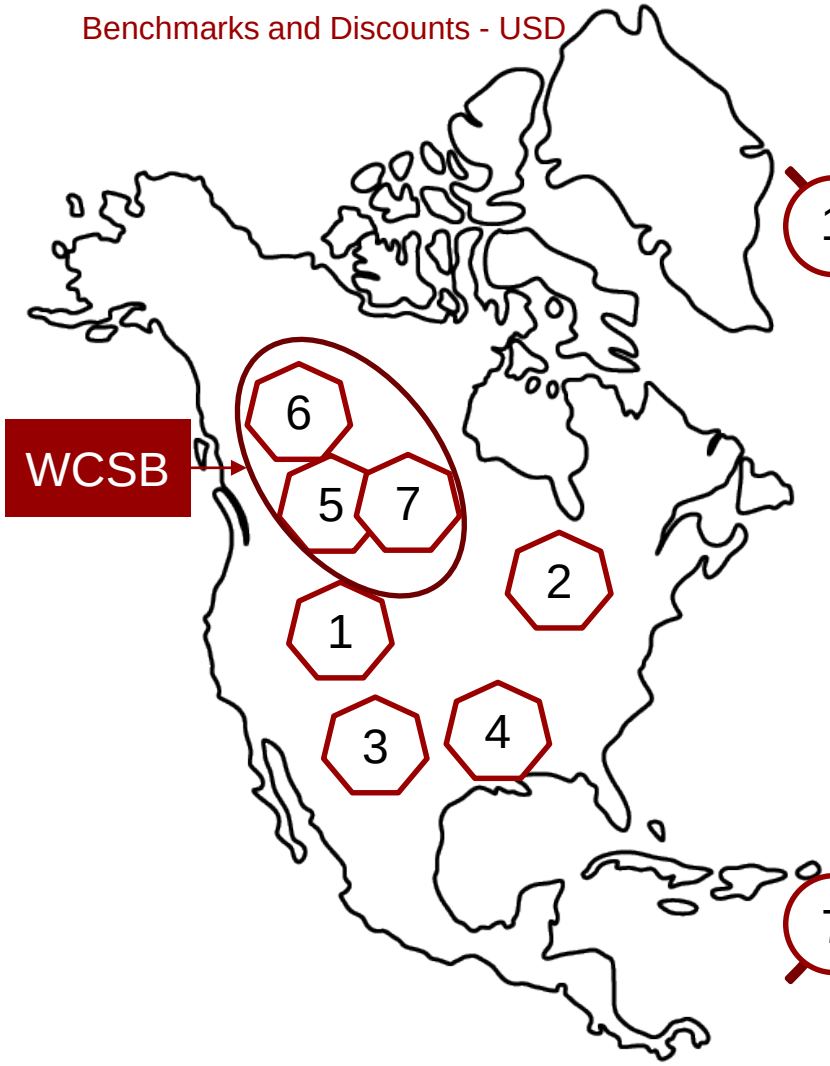
Natural Gas Supply and Demand (BCF/day) 2011 – 2019E



Sources: University of Texas at Austin, RBCCM

VI. North American Basins - Breakevens

Benchmarks and Discounts - USD



1. Bakken ~$50
2. Marcellus ~$2.8/mmBTU
3. Permian ~$35
4. Eagle Ford ~$45
5. Duvernay ~$90
6. Montney ~$45
7. Athabasca Oil Sands ~$40

WTI at Time of Presentation: $74.29 – Henry Hub: $3.16

Sources: Oilprice, Oil and Gas Republic

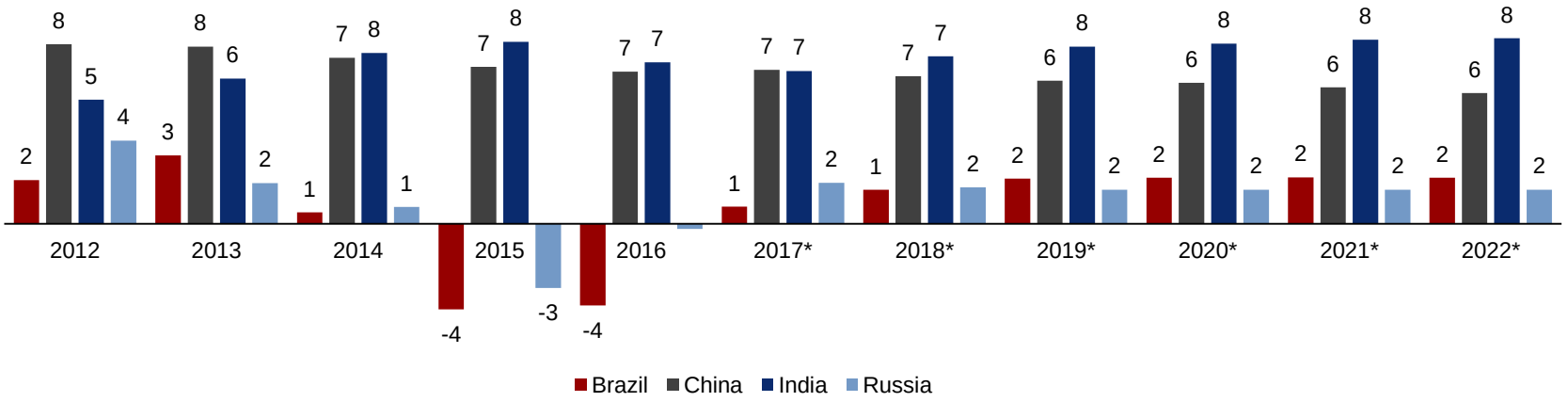
II. International Pressures – Friend or Foe?

Price of Oil effects on BRIC countries

An excessive peak in the price of oil could be equally as bad as a spike in the price of oil.

Brazil	Russia	India	China
Forecast of moderate growth	Stagnant growth under 3%	Main Growth Driver in BRIC countries	Unnecessary pessimism on Trade

BRIC GDP Growth (measured in %)



DCM anticipates higher growth from BRIC countries than the market anticipates with a change in government in Brazil. The market is fearful about the potential of a trade war with the United States meanwhile according to the World Bank seafare trade is at a record high. The only caveat is an excessive rise in the price of crude can hinder global demand.

III. Canadian Oil Sands - Outlook

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I. Pipeline Bottleneck (1/3)

Canada missing out on the oil price rally – regulatory hurdles and political wrangling

Keystone XL (TransCanada)

- Planned fourth phase **blocked** on November 6th, 2015 by President Obama after a political firestorm
- In January 2017, President Trump signed a memoranda which will revive and expedite the review process, construction expected in 2019
- Phase IV would bring 590,000 barrels per day to Midwestern refineries (500,000 secured)

All major pipeline projects blocked, without even mentioning Line 3, Northern Gateway,,,

Source: JWNenergy, CIBC, TransCanada`

I. Pipeline Bottleneck (2/3)

Canada missing out on the oil price rally – regulatory hurdles and political wrangling

TransMountain Expansion

- Owned by the crown corporation Trans Mountain Corporation after acquisition from Kinder Morgan since August 31st
- Expansion approved by the National Energy Board in 2013, but **overturned** by the federal court of appeal on August 31st
- “He conceded that it was possible that construction could re-start in 2019” – Financial Post, September 26th, of TMX CEO Ian Anderson

All major pipeline projects blocked, without even mentioning Line 3, Northern Gateway,,,

Source: JWNenergy, CIBC, TransCanada

I. Pipeline Bottleneck (3/3)

Canada missing out on the oil price rally – regulatory hurdles and political wrangling

Energy East (TransCanada)

- Cancelled October 25th, 2017, by TransCanada
- Planned as a 4,500 kilometer long pipeline between Eastern and Western Canada
- Dropped for “business reasons” after extensive political opposition along the route after the 2015 election

“In the last three years alone, $89 billion worth of pipeline and LNG projects were cancelled or abandoned, and Alberta has seen divestments by major oil companies to the tune of at least $27.6 billion.”

-JWN Energy

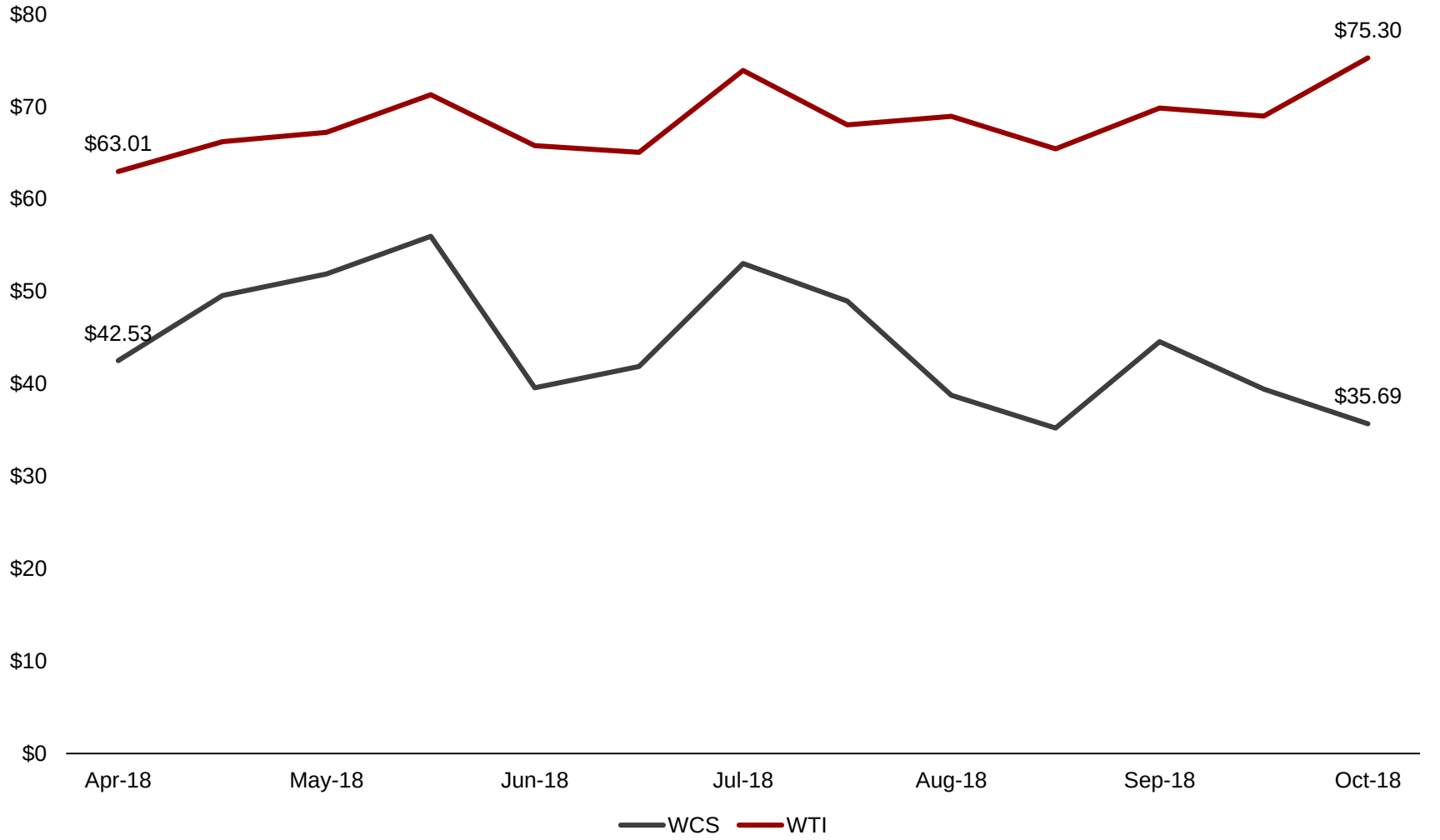
All major pipeline projects blocked, without even mentioning Line 3, Northern Gateway,,,

Source: JWNenergy, CIBC, TransCanada

II. WTI-WCS Differential

The growing divide

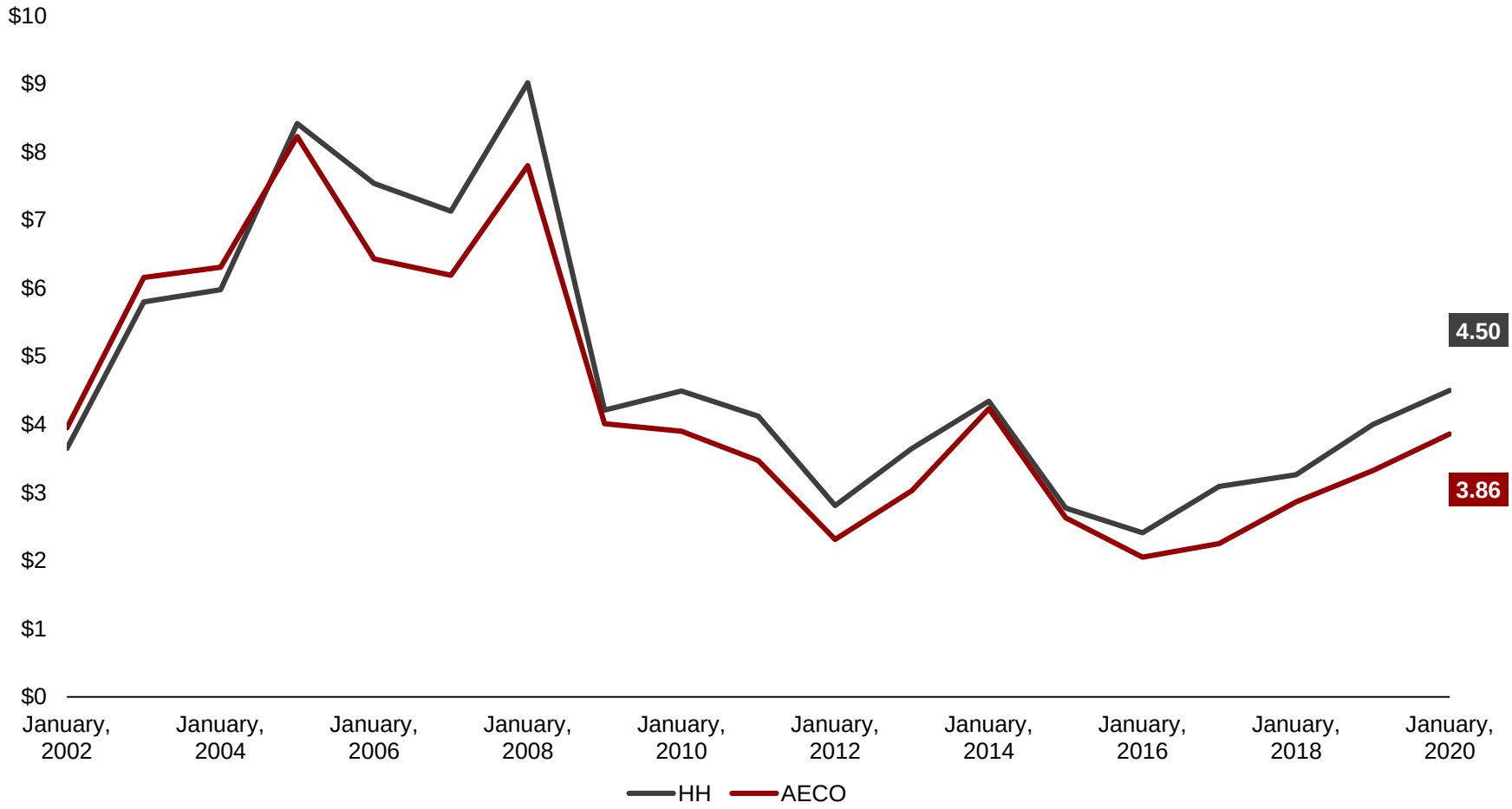
WTI-WCS April 2018-Present



Sources: Oilprices, Alberta Energy Regulator, EIA

II. AECO – Henry Hub Differential – January 2002 - January 2020 (projected)

Differential not as severe as with oil



Trend may be alleviated with the recent approval of Shell's LNG project at Kitimat

Sources: Thomson One, Alberta Energy Regulator

III. Who's Affected?

And how are Canadian producers dealing with the price differential?

1 Efficiency Gains

- **29%:** The amount that per-barrel emissions have declined since 2000
- "Suncor is building a fleet of 150 driverless trucks that will cut 400 jobs over the next six years" - Financial Post, Jan. 2018
- Oilsands producers have slashed costs in the last 4 years, using half as much steel and developing water-free techniques
- Breakevens comparable to US shale plays

2 Production Increasing

- Canadian production is still expected to increase significantly by 2035
- New mega-project oilsands mines have opened in Fort Hills (Suncor) and Long Lake (Nexen)
- LNG Canada partnership in Kitimat promises relief for bottleneck issues in NG – largest infrastructure investment in modern Canadian history
- Still huge room for growth in the Montney and especially the Duvernay formation, despite distance from markets

Key Players Affected

Canadian Natural

Syncrude

SUNCOR

CNOOC

nexen

A CNOOC LIMITED COMPANY

Husky Energy

Sources: Canadian Association of Petroleum Producers, Financial Post

Canadian Oil Sands Takeaways

DCM outlook for investing

1

Transportation backlog

- Canadian producers not realizing the gains in global oil prices due to lack of capacity
- Oil-by-rail of limited use in adding capacity, recent deal saw Cenovus shipping 100,000 barrels – less than a quarter of firm production
- Despite the lower quality of Albertan oil, lack of midstream capacity alone means at least $7 less per barrel to producers

2

Hostile regulatory and political environment

- Project approval timeline of 4 years in Canada, American average at ~2
- Bill C-69, the *Impact Assesment Act,* places significantly more emphasis on the sustainable criteria for resource development and transportation projects, including the “downstream impact” and would add another 8-10 months to the process length
- In front of the Canadian Senate for consideration, likely to pass with only 48 votes needed

3

Low valuations for Canadian producers

- Canadian O&G firms are valued poorly by analysts and investors
- Market placing more value on liquid-weighted American producers
- "Perhaps the differentials will improve over time as things change in the North American market but the budget isn't expecting anything substantial; it's largely linked to increased volumes,“ - Ben Brunnen of the Canadian Association of Petroleum Producers

Poor short-to-midterm outlook while infrastructure projects are backlogged and Canadian oil suffers

Source: CBC, Canadian Association of Petroleum Producers, Financial Post

IV. Permian Basin Disruption

The Permian Basin

"Welcome to the show" – Ryan Kates

"The basin in and of itself could **end up being the largest oil field in the world**, even bigger than Ghawar in Saudi Arabia" – Rob Thummel, Managing Director

Tortoise Capital Advisors

"The Permian Basin **has now become the crown jewel** of the world's oil and gas industry" – Scott Sheffield, CEO

PIONEER NATURAL RESOURCES

Exxon announced plans to **"triple its Permian production"** by 2025, which we believe remains in line with last year's guidance range and **is already anticipated by the market"**

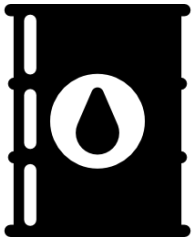
BMO Capital Markets

The market views the Permian as a marquee basin, and is expecting investment to continuously rise

Source: ThomsonOne, Bloomberg

Why The Permian?

The Permian is a basin primarily in Texas that produces both natural gas and crude

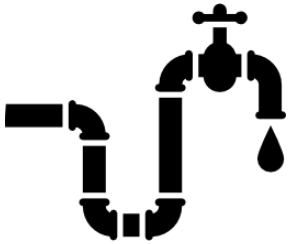


Reserves

- Largest number of proved reserves in the lower 48, with potential to be one of the largest in the world
- With Hydraulic Fracturing, the deep shale plays in this old basin are now accessible

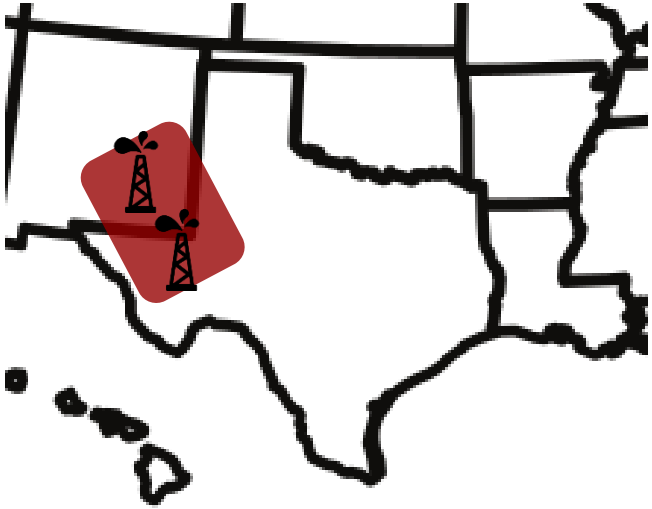
Netback

- Favourable geological conditions
- Low break even creates high netbacks



Transportation[1]

- Historically, the Permian has benefited from the multitude of pipeline within the region
- Proximity to the gulf is a catalyst

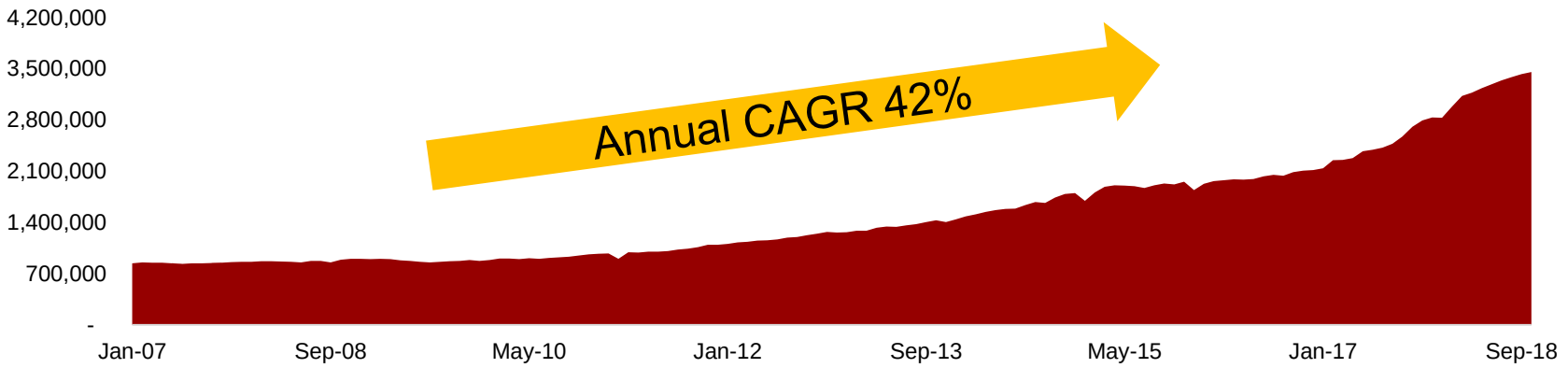


The Permian boasts strong fundamentals that have attracted international attention

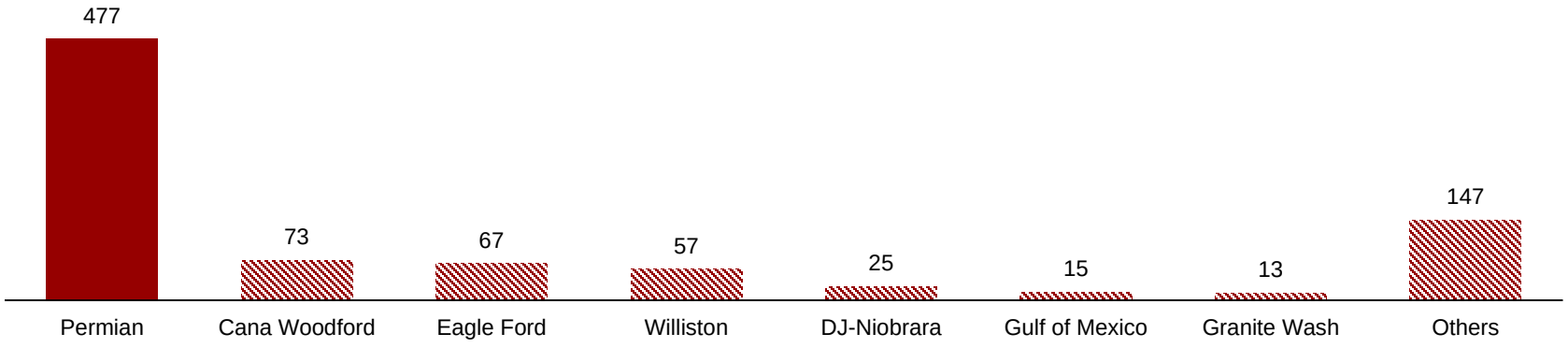
Source: CNBC, Street Research
1) Currently, the Permian is facing bottleneck issues

Permian Basin Historical Production

Production in BOE/d



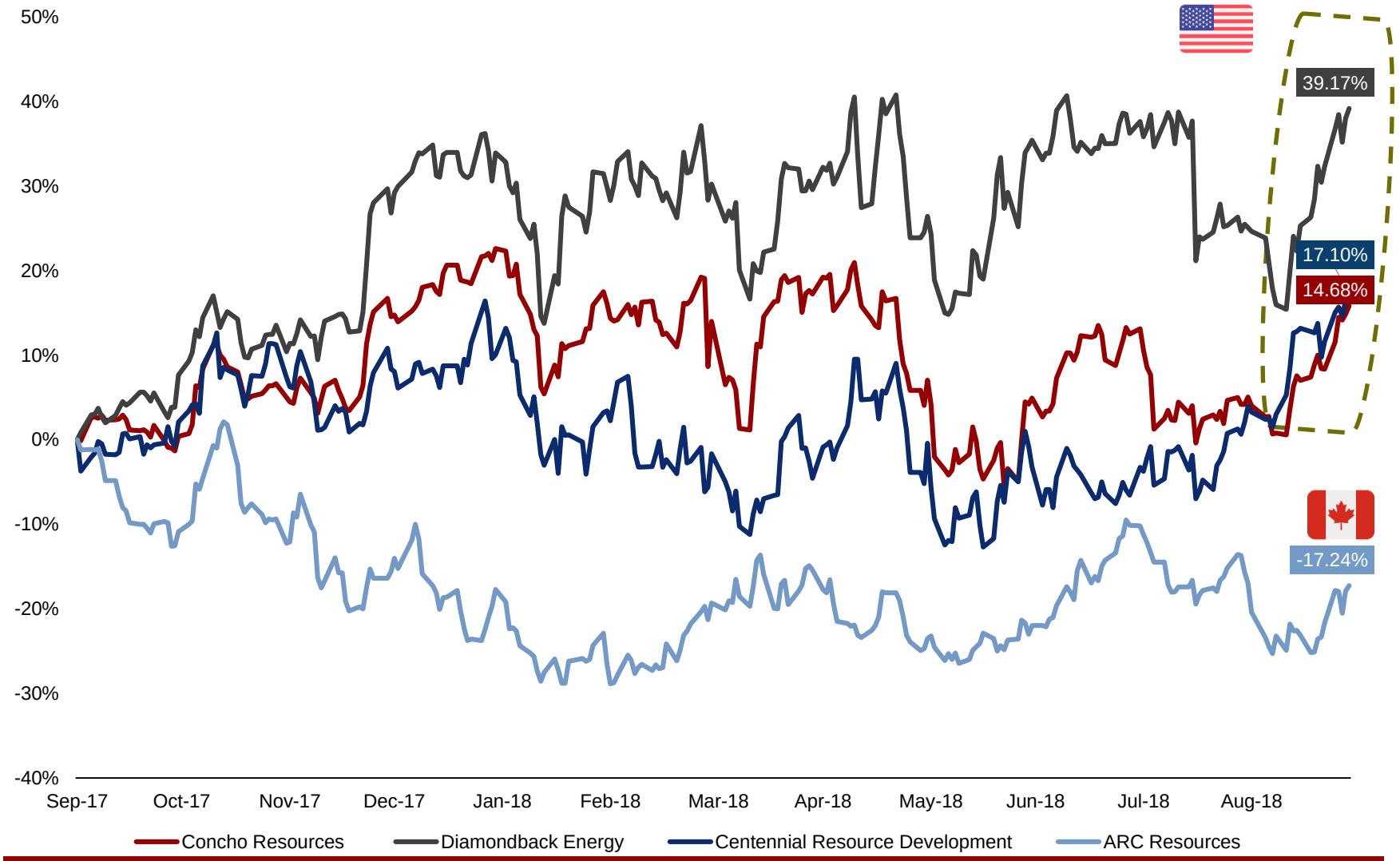
Permian Rig Count



The Permian accounts for over 30% of US crude production (3 mbbl/d) and produces 11 bcf of Natural gas per day

Source: US Energy Information Administration

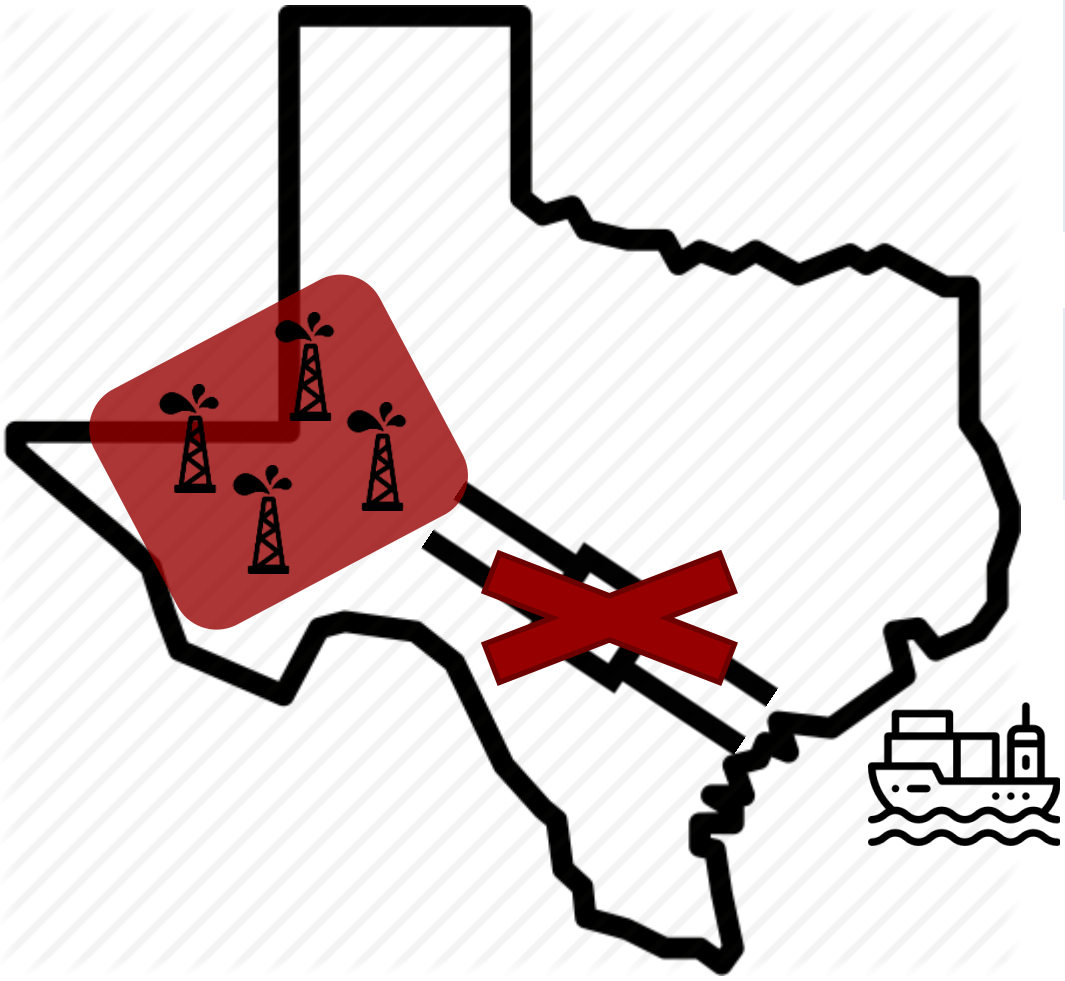
Public Market Performance of Key Permian Players



Market has rewarded pure-play Permian Players as of Late Despite Bottleneck Issues

Source: CapIQ

Permian Bottlenecks



"The Permian Basin has been so prolific that it's **overwhelmed pipelines**…. US **producers have become victims of their own success**" – Michael Tran

RBC Capital Markets

"Some companies will **have to shut off production**, some companies **will move rigs away**,……" – Scott Sheffield, CEO

PIONEER NATURAL RESOURCES

Overproduction

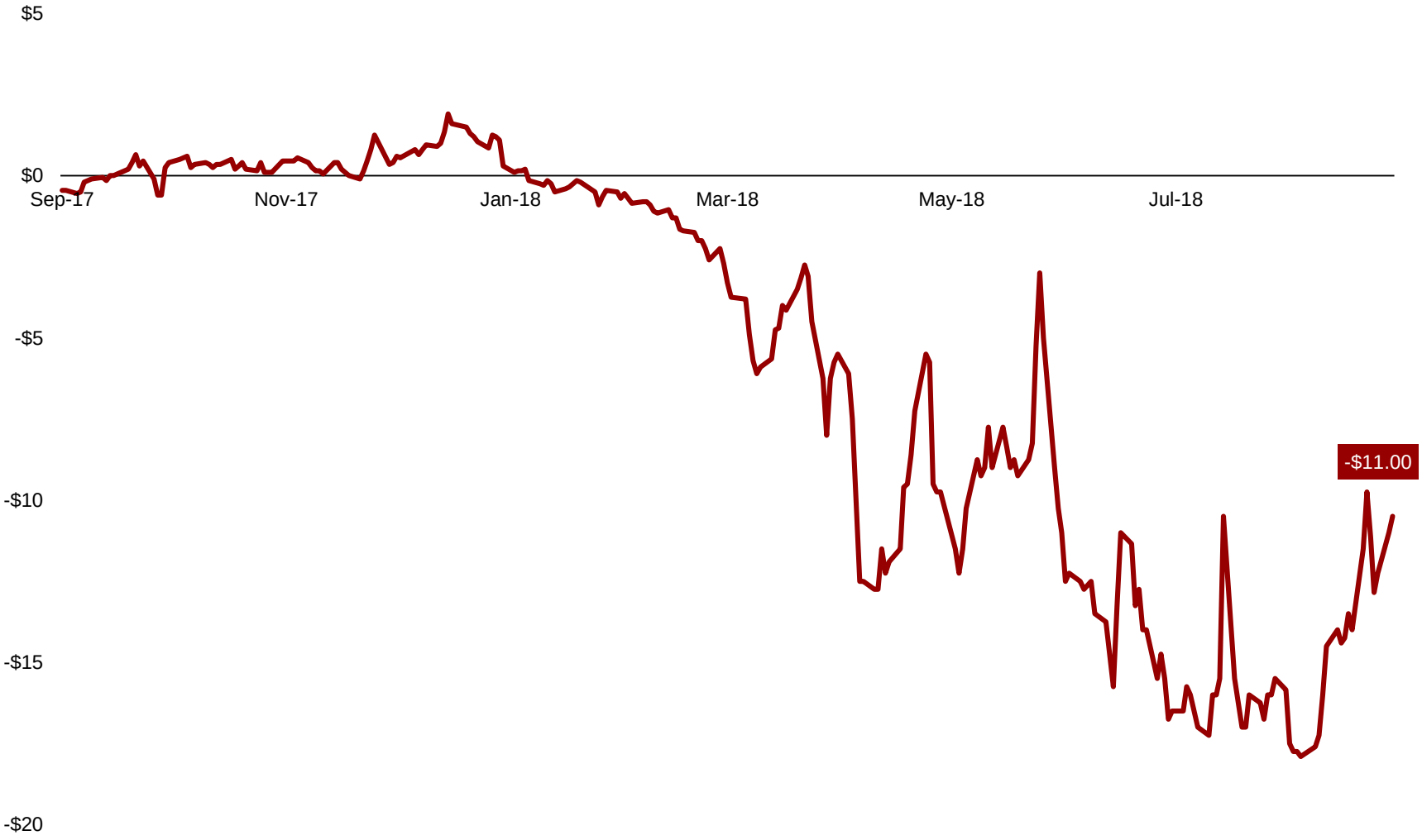
+

Limited Pipeline Infrastructure

Pipeline bottlenecks have created over a $10 price differential to WTI

Price Differential Between WTI Cushing and Midland

WTI Midland vs Cushing measures the average differential being realized from the Permian Basin (Midland area)



Pipeline bottlenecks have created over a $10 price differential to WTI Cushing

Source: Bloomberg

Potential Movements By Permian Players

Acquisitions & Divestitures

- Companies are buying assets across the globe
- Focus on acquisitions in “secondary” basins
- High equity value allows firms to pursue more acquisitions

Alternative Transportation

- Like the certain Canadian Basins, Permian players have begun to experiment with transporting oil/LNG through rail or road
- Remains clear that pipeline infrastructure is required

"The vast majority of the oilfield rail infrastructure **is designed for sand**,…..would cost over $15 / bbl” - Triepeke

ExxonMobil

Fighting for Arrangements with Midstream Companies

- Upstream companies in the West Texas region are fighting for supplier relationships, creating a gap between “Have and have-nots”
- Larger super majors have guaranteed volume to the pipeline companies in exchange for continued usage of their pipelines

“Pipeline agreements have created a **Have and Have-nots** among Permian producers…..” – Al Walker, CEO

Anadarko Petroleum Corporation

Source: DCM

DCM View on Future Actions on Permian Players

Acquisitions & Divestitures

- Companies are buying assets across the globe
- Focus on acquisitions in “secondary” basins
- Market has yet to place emphasis on this potential trend

Alternative Transportation

- Like the certain Canadian Basins, Permian players have begun to experiment with transporting oil/LNG through rail or road
- Remains clear that pipeline infrastructure is required

Fighting for Arrangements with Midstream Companies

- Upstream companies in the West Texas region are fighting for supplier relationships, creating a gap between “Have and have-nots”
- Larger super majors have guaranteed volume to the pipelines in exchange for continued usage of their pipelines

We think that the most effective way for firms to maintain production + earnings is acquire assets in high quality basins

Source: DCM

ConocoPhillips

Diversifying Production Exposure Provides OPTIONALITY for Upstream Producers

Transaction Overview

- In April, 2018 Conoco Philips announced plans to sell acreage in the Permian and expand to alternate basins
- They acquired acreage in the Montney, and Austin Chalk areas
- With acreage in the Permian selling for over $60,000 per acre it was accretive to sell expensive land then acquire assets in low cost liquid rich basins
- Conoco viewed these “secondary” basins as a unique opportunity to buy cheap land given the inflated asset prices in the Permian

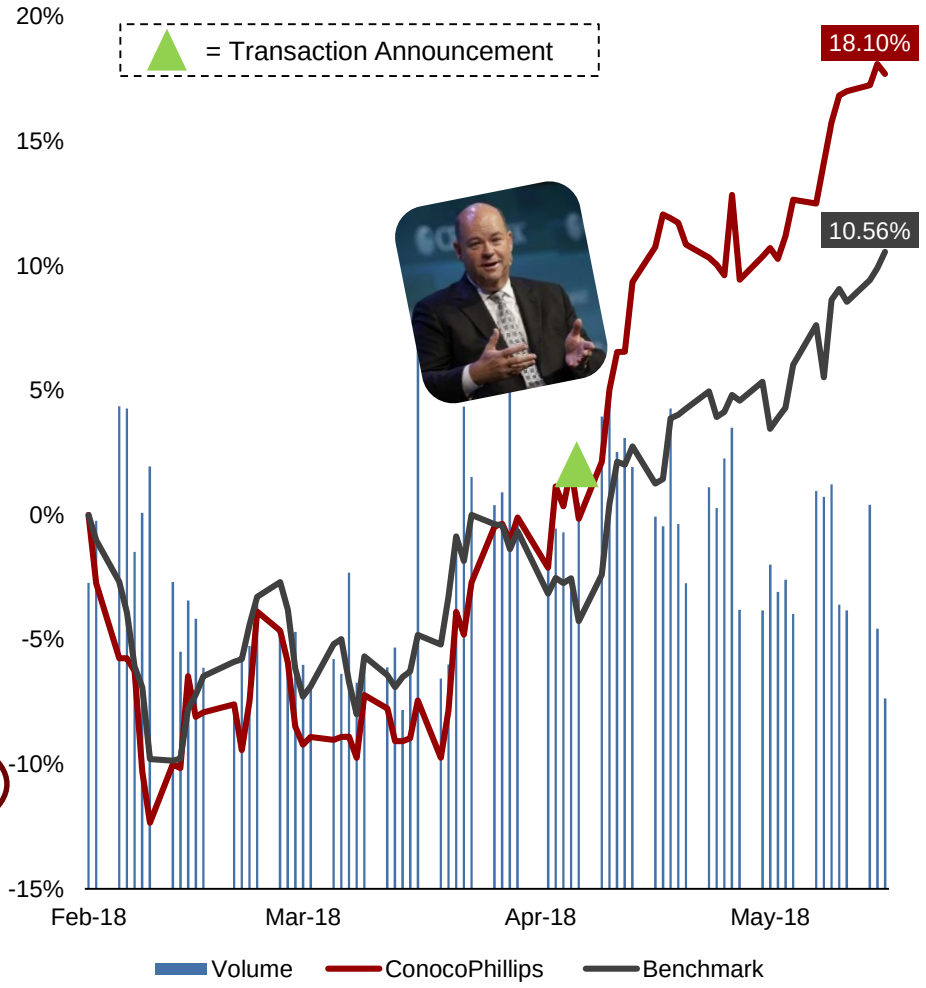
Investor Sentiment

- Following the announcement of acreage in the Permian basin and focusing on optionality of plays, Conoco stock price appreciated over **10%** in the following month

*“…We think these are both **early-cycle opportunities to watch over the coming years.”***

RBC Capital Markets

Public Market Performance



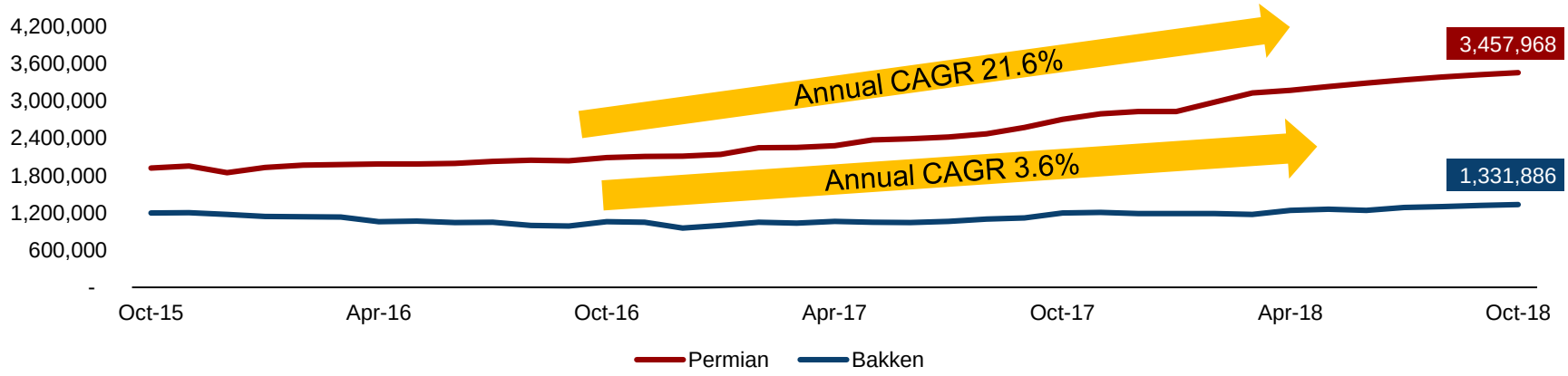
Source: DCM, Street Research, Company Filings

Secondary Liquid Focused Basins Selected By DCM

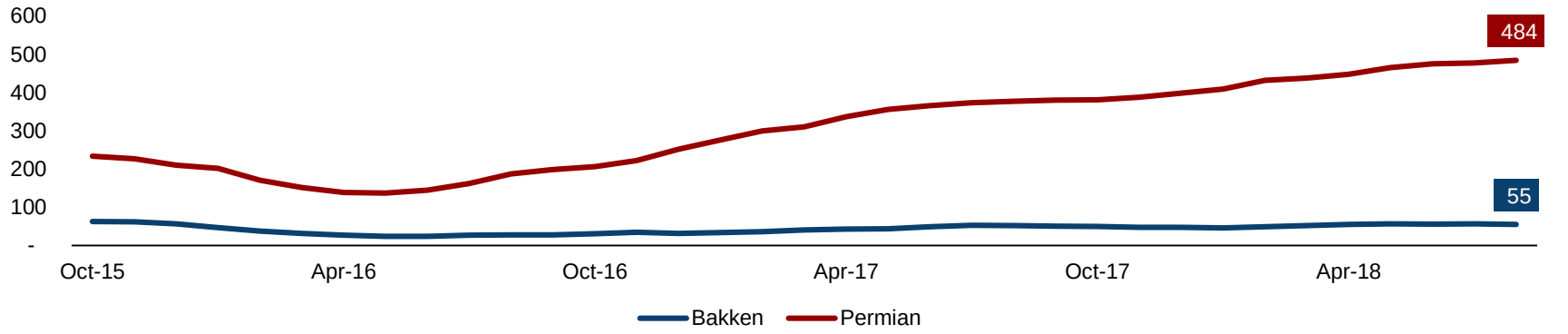
Eagle Ford and DJ basin suffer from various headwinds, while Powder River and Bakken appear primed for investment

Permian Production Increase vs. Bakken Production

Production in bbpd Permian vs. Bakken



Comparative Rig Count



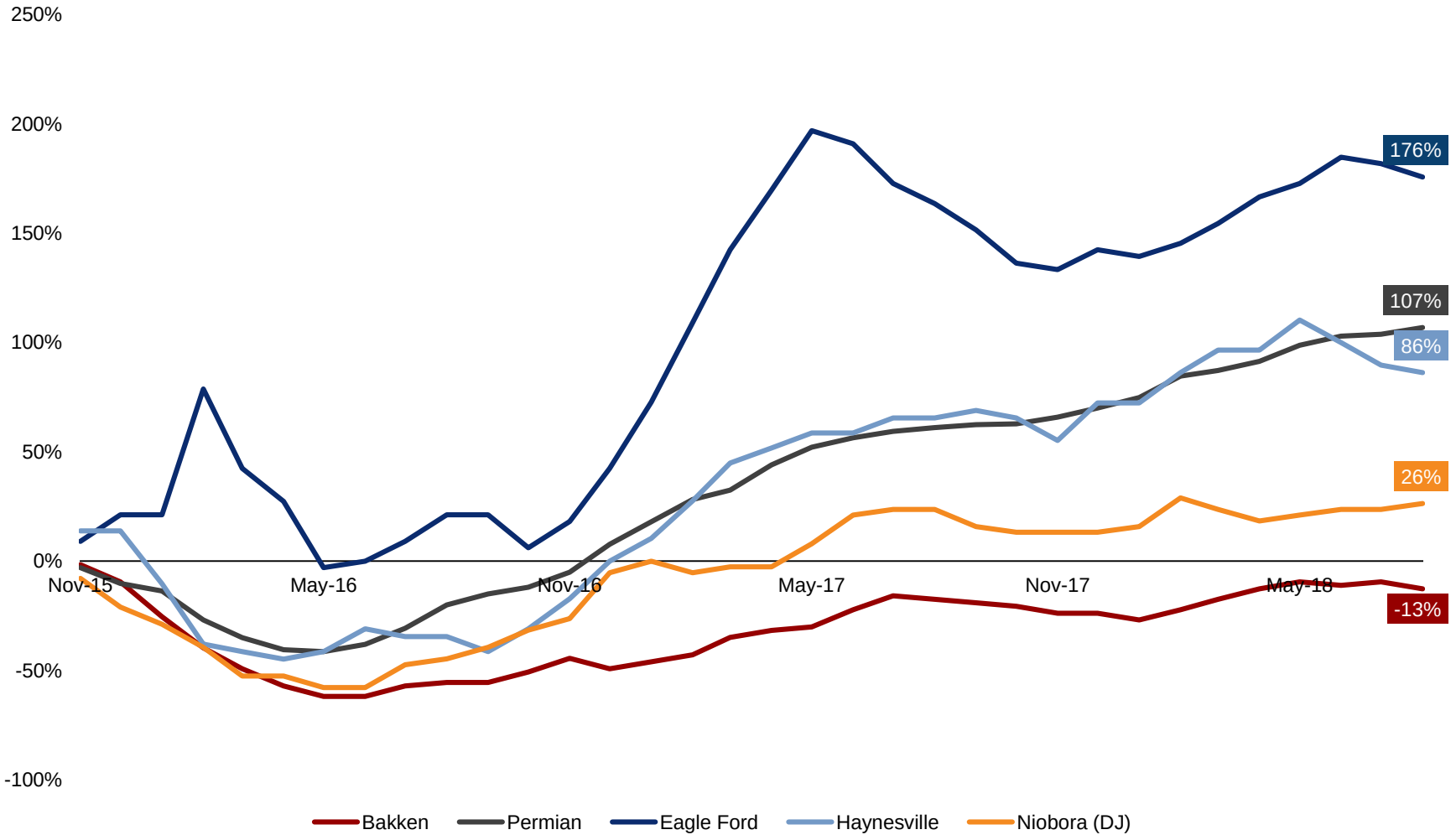
Secondary basins have lacked the investment that the Permian has seen – leaves large opportunity for future growth

Source: CapIQ

1) Appreciation also likely linked to WTI price appreciation

Is the Permian Production A Bubble?

Growth in Rig Count



All large secondary basins in the US have seen reasonable increase in rig count – opportunity in overlooked Bakken?

Source: eia.gov (US energy information administration)

Debate over the Bakken

New technology has allowed Bakken producers to optimize wells and access historically unattainable oil

"The technology's worked better there than it has anywhere else. **We're still in the third inning of the Bakken development,"** – Harold Hamm, CEO

Continental RESOURCES

"**New technology** has made the Bakken increasingly competitive, with wells that used to take as long as **80 days to drill now done in as few as 10.."** – Kathleen Neset, Founder

NCS NESET CONSULTING SERVICE

"The decline in Bakken oil production that started in January 2015 **is probably not reversible. New well performance has deteriorated,** gas-oil ratios have increased and water cuts are rising."

Forbes

Market is missing opportunity in overlooked Bakken basin – technological tailwinds have spurred growth

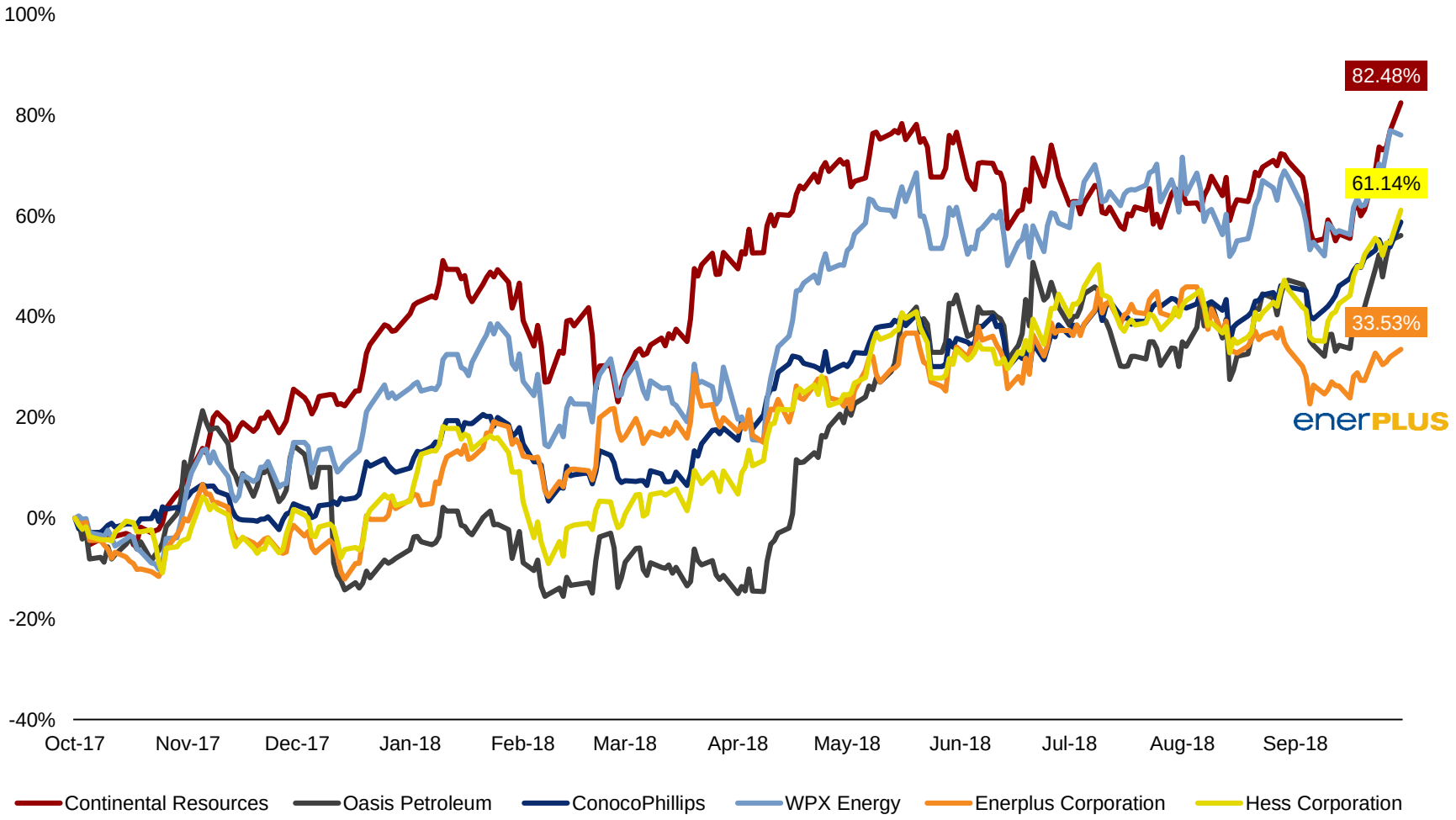
Technological Advances Spurring Growth in Bakken

Back to the Bakken

Market is missing opportunity in overlooked Bakken basin – pipeline tailwinds have created investment opportunity

Source: eia.gov (US energy information administration)

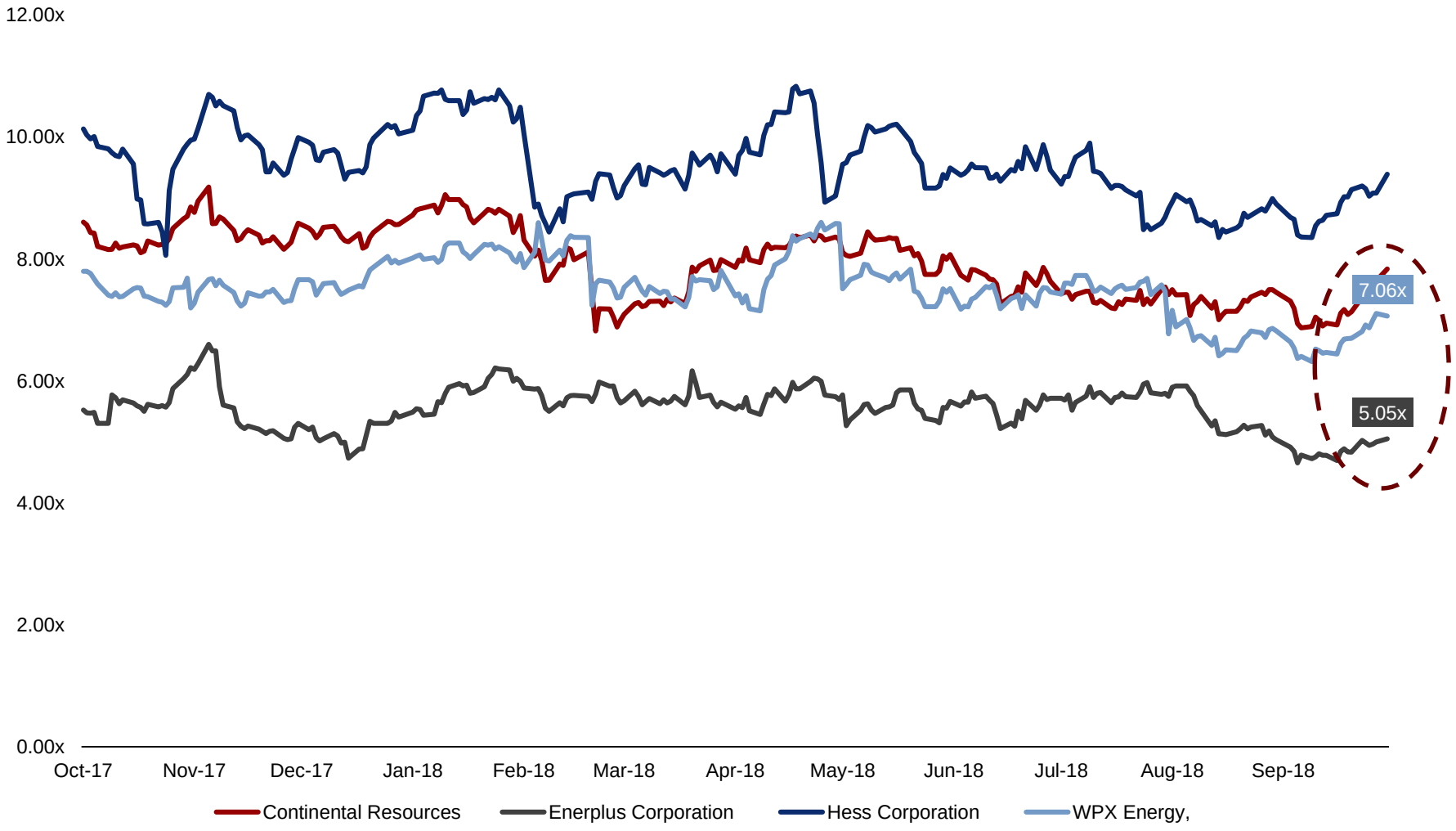
Key Players in the Bakken



Enerplus significantly underperformed fellow Bakken peers……

Source: capIQ

Forward EV/EBITDAX in the Bakken



Enerplus appears to be a potential undervalued value play

Source: capIQ

Initial Bakken Comps Screen

Enerplus is trading at a slight discount on EV / EBITDAX

Company	Mkt Cap ($CAD MM)	EV ($CAD MM)	Entreprise Value/ EBITDAX Adj	Entreprise Value/ EBITDA T12M	Production Netback/ BO	Net Debt / EBITDA
WPX Energy	10,867.92	13860.96	12.75x	14.22x	45.39	3.79x
Oasis Petroleum	5,320.48	9100.40	8.09x	8.18x	67.02	5.78x
Apache	23,812.05	35257.04	6.05x	6.83x	44.29	1.87x
Hess	27,640.14	34810.21	10.53x	13.25x	66.96	1.89x
Median	10,884.26	13871.42	8.09x	8.18x	45.39	1.89x
Mean	16,910.15	23257.15	9.36x	10.62x	55.92	3.33x
Enerplus	3,873.19	4184.98	7.54x	7.54x	25.29	0.54x

Low Leverage

CAVEAT: Comps need to be further reviewed for optimal NG/Crude Structure

At first glance Enerplus seems to be trading at a potentially unwarranted discount to peers

Source: capIQ

Enerplus – Canadian Comps

Enerplus trades at ~2 turn discount to peers despite similar asset mix and lower leverage levels

Company	Mkt Cap ($CAD MM)	EV ($CADMM)	EV / EBITDA	Production Netback/ BO	Net Debt / EBITDA
Parex Resources	3,327.86	2,916.43	5.70x	58.64	-0.74x
Whitecap Resources	3,320.30	4,601.82	5.07x	37.66	2.47x
Crescent Point	4,449.19	8,717.59	4.47x	40.75	2.24x
Meg Energy	3,258.78	6,317.80	17.91x	41.67	4.78x
Baytex Energy	2,042.62	3,789.31	6.02x	39.09	3.68x
Peyto	1,950.46	3,159.33	4.77x	9.29	2.00x
Gran Tierra	1,884.29	2,193.50	4.64x	61.96	0.78x
Seven Generations	5,872.18	7,906.38	4.50x	32.24	1.60x
Nuvista	1,679.04	1,907.56	6.86x	26.79	0.93x
Median	3,258.78	3,789.31	5.70x	37.66x	1.80x
Mean	3,087.19	4,612.19	6.66x	38.68x	1.97x
Enerplus	3,873.19	4,184.98	7.54x	25.29x	0.54x

Equity research comps puts them up against Canadian players

Oilsands are heavier and more dense than the Bakken explaining why Enerplus is trading to a premium vis-à-vis these competitors.

At first glance Enerplus seems to be trading at a potentially unwarranted discount to peers

Source: capIQ

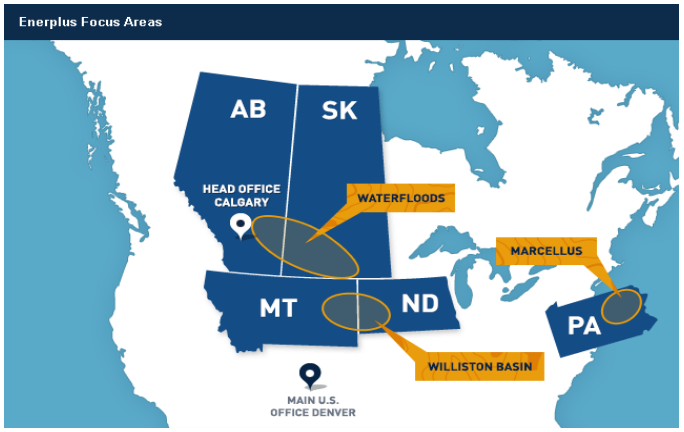
Enerplus

Oil and Gas: O&G

(in $ millions, unless noted)

Company Overview

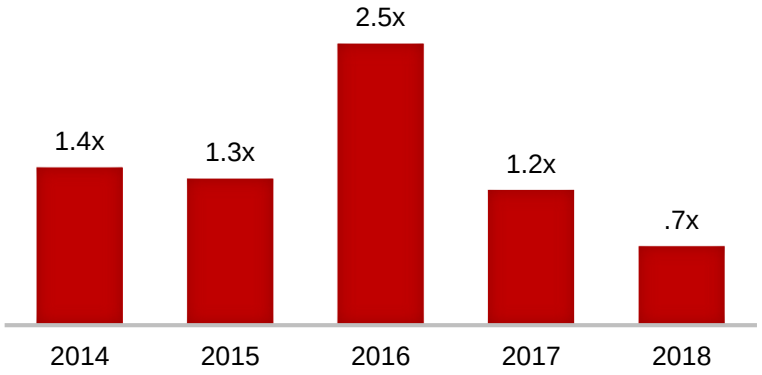
- Williston Basin
- Marcelus Shale Play
- Waterfloods
- DJ Basin



Asset Overview

- Share Price: 15.79$ (14.43 at Minipitch)
- Market Capitalization: 3.43 Billion
- Strong Balance Sheet
- Low debt levels for an Upstream Company, especially operating in the Bakken
- Opportunity for aggressive expansion and well protected to oil shocks given its solvency

Net Debt/EV



Enerplus is a *Canadian* Upstream player positioned in many of the most prolific plays in America

Source: Company Filings

Potential Rationale for Valuation Discount

"Next Steps" – Consumers 2017 - 2018

Production Split

- All competitors have a different focus on either Natural Gas or Crude Oil
- Currently Oil trades a premium to NG, so liquids focused players have received a valuation bump

Canadian Discount

- Potential market mispricing due to Canadian headquarters and historical production mix
- Canadian company, but has only ~10% production in Canada

Competitor Alternative Basins

- Competitor secondary assets may be viewed to be in more premium basins
- Market placing more value on pure-play Bakken players

"Enerplus is trading at a modest premin compared to **Canadian Peers ….**"

RBC Capital Markets

Before a full pitch, Energy aims to dive deeper into the company and understand if discount is warranted

Source: capIQ, Thomsonone, DCM

Potential Investment Theses + Key Takeaways

Potential Mispricing of Enerplus

1. DCM is bullish on Crude Oil price outlook and thus we want to invest in the Upstream vertical

+

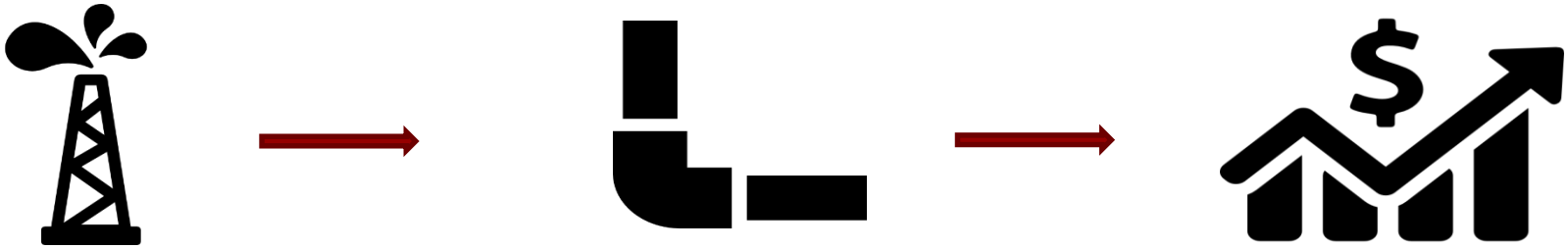
2. Many headwinds in the Canadian O&G space, which have depressed valuations. The market may have mispriced Enerplus, as it is headquartered in Calgary

+

3. DCM thinks “secondary” basins, such as the Powder River or Bakken will be hot spots for investment due to bottlenecks & overpriced acreage in the Permian

+

4. Potential Catalysts for Enerplus: M&A, further investment in Bakken or analyst re-rating to US producer

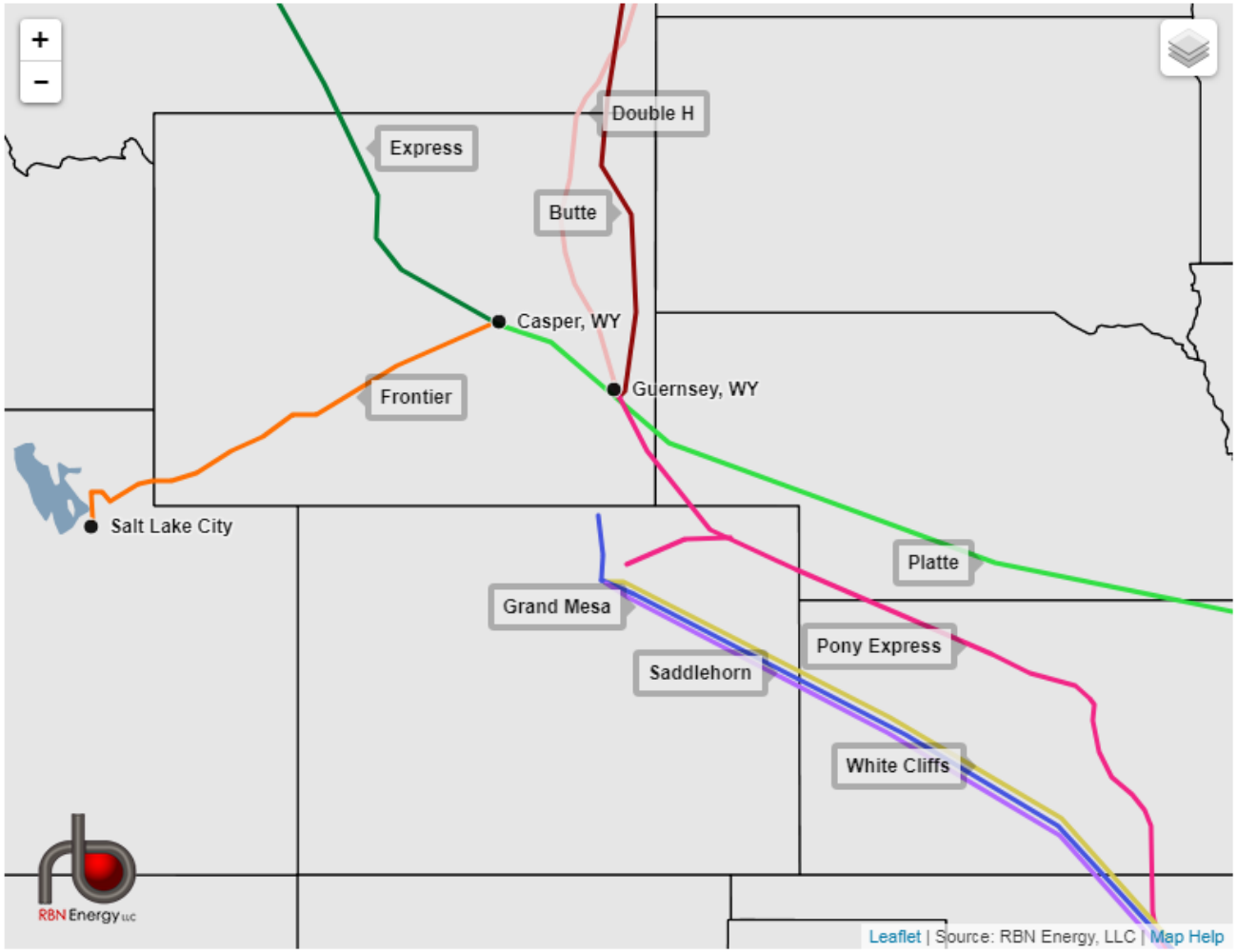


Appendix

DESAUTELS Capital Management
Gestion de capitaux

NYMEX Crude 12 Month Strip Index

Appendix: Wyoming vs. Colorado Pipeline Situation



Both Comps Tables Included

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Table of Contents

Work in progress and not all inclusive

= Riley

= Eric

= Alessio