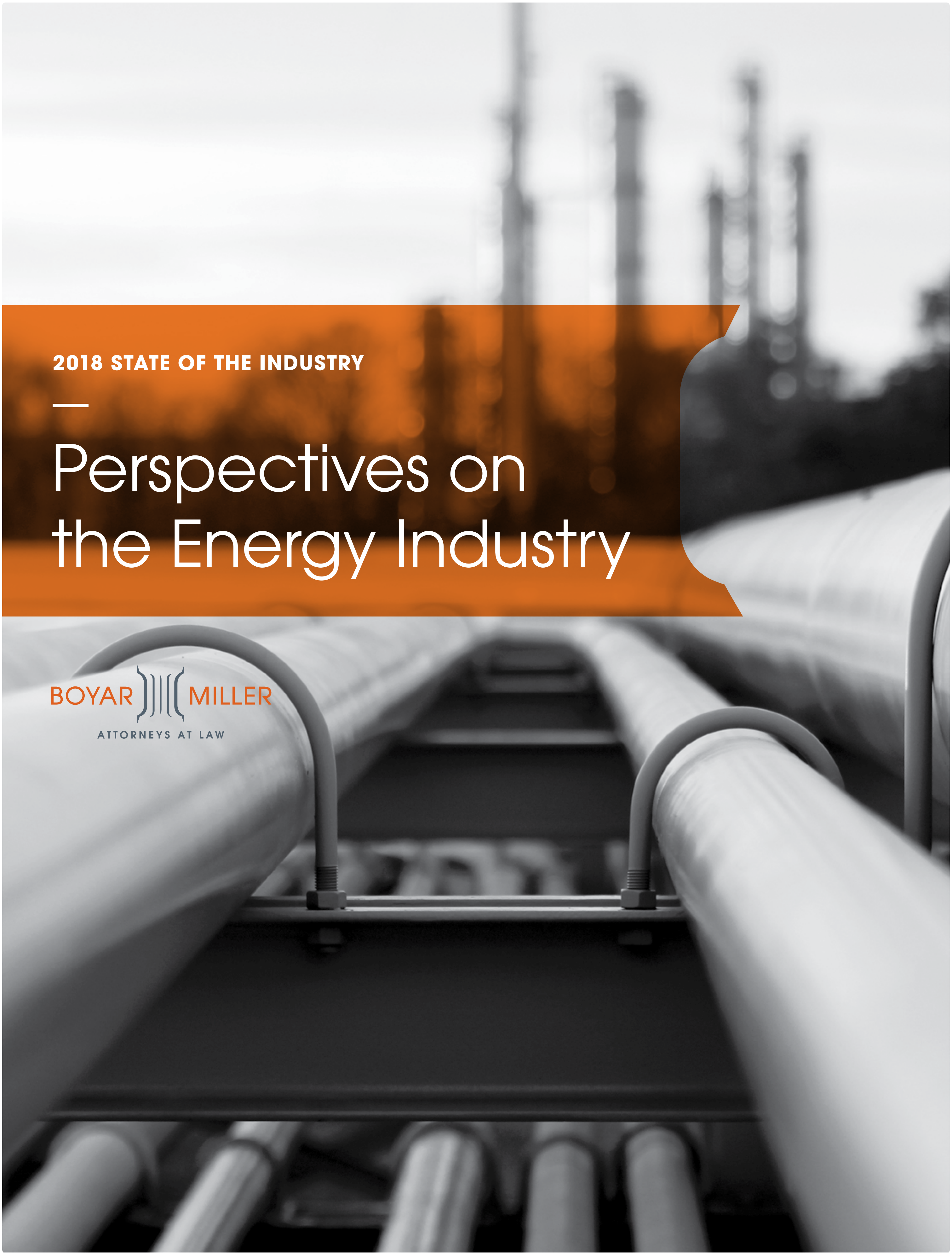


2018 STATE OF THE INDUSTRY

Perspectives on the Energy Industry

BOYAR MILLER
ATTORNEYS AT LAW

FRIENDS,

We have enjoyed bringing together remarkable leaders from the energy world at our BoyarMiller Energy Breakfast Forum for more than a decade. With the World Energy Congress returning to Houston in 2020, our city is perfectly positioned to take center stage well into the 21st century.

The intention of the breakfast forums is to inform, share and explore the best and the brightest strategies as the energy industry rebounds. This edition of our ebook encapsulates what's happening on the front lines of the 2018 global energy landscape by looking forward at how solar and new battery storage initiatives enhance alternative energy resources. We heard firsthand about how the energy industry is one of the most innovative and competitive in terms of technology. In a recent Bloomberg article, Kevin Crowley and Javier Blas note the rising importance of robotics to screw lengths of pipe together, saving seconds each time drill pipes are linked. Those seconds translate into millions in cost savings across Chevron's huge operation.

Our panel also shared how OPEC has impacted prices and the excitement in oilfield services as it supports healthy and robust completion-oriented businesses. We thank Paul Perea of Tudor, Pickering, Holt & Co., John Berger of Sunnova Energy and Sanjiv Shah of Simmons & Company International for their time and insights.

Feel free to forward the ebook to others who would find this knowledge of value. Please let us know how we can help you accomplish your goals.

My best,

Chris Hanslik

CHRIS HANSLIK
Firm Chairman

CONTACT

2925 Richmond Avenue, 14th Floor
Houston, Texas 77098

713.850.7766
Visit boyarmiller.com

LEARN MORE ABOUT THE FORUM

TABLE OF CONTENTS

BOYARMILLER BREAKFAST FORUM:
PERSPECTIVES ON THE 2018 ENERGY INDUSTRY

Part of the mystique of the oil business is that thrill a wildcatter knows and fortunately, we heard many more success stories this year. We learned that those layers of oil-soaked rock in the Permian have surpassed expectations, creating greater opportunities for sharing resources and amplifying profits through M&A and consolidations. New technologies have opened the door for cost savings and more efficient production in large-scale pure plays, all of which will steer this rebound safely to steady growth. A major factor in the cost realm has been the controlled reduction in oil output by major producers, plus military activity in politically unstable areas.

The Breakfast Forum Snapshot

As part of its ongoing breakfast series, BoyarMiller invited industry experts for a panel discussion highlighting shale importance to market dynamics, and how consolidations and technologies build efficiencies.

"Given the shale revolution, we're seeing a big ramp up in demand. There's long visibility on cheap gas prices. This has driven a lot of industrial back to the U.S. producing at an all-time high in the Permian."

SANJIV SHAH
Simmons & Company International, Energy Specialists of Piper Jaffray

"The Permian continues to be a key part of the conversation. There has been a lot of anticipation around consolidation in the Permian and the form that will take. This points to more corporate transactions, but how many more of those we will see is difficult to predict in light of the myriad issues that come into play in those types of transactions."

PAUL PEREA
Tudor, Pickering, Holt & Co.

"While traditional oil shows no signs of going away, alternative energy forms like solar have clearly demonstrated they are becoming a big part of the power grid, sooner than some expected."

JOHN BERGER
Sunnova Energy

"We had seven IPOs in the oilfield services sector in 2017—that was an all-time record, and now we have had five IPOs this year."

SANJIV SHAH
Simmons & Company International, Energy Specialists of Piper Jaffray

Expert Insights

Sanjiv Shah

Managing Director, Simmons & Company International, Energy Specialists of Piper Jaffray

"We've had a nice pickup in oil price since the beginning of the year that's been driven by a combination of OPEC compliance and geopolitical tensions in Syria and elsewhere. I think the ability for quick supply responses from shale plays and OPEC will dampen and mitigate any material price spikes. OPEC is controlling the price to prevent any price inflation."

ABOUT SANJIV

Sanjiv Shah joined the energy services and equipment investment banking team at Simmons & Company International, Energy Specialists of Piper Jaffray in early 2008, and has worked on approximately 100 successful M&A, strategic advisory and capital markets projects during that time. Shah was named a 40 Under 40 honoree by the Houston Business Journal.

By leveraging the collective knowledge of a growing team of professionals, Simmons & Company International stays on the forefront of the industry's trends, drivers and developments and are also positioned to access the most strategic opportunities for clients. Over the last four decades the Houston-based firm has established itself as a premier partner in virtually every energy sector, serving an international client base ranging from institutional investors, public and private companies and private equity firms. Its extensive market coverage and industry knowledge has not only profoundly shaped a unique perspective, but empowers clients to understand the energy sector in a new light.

Simmons & Company announced this month it will move to the new 48-story office tower at 609 Main. To learn more about additional sector coverage, visit the Piper Jaffray website or the Simmons & Company website.

- Current oil price is good for Saudi—much better than it has been in the last couple of years. We don't foresee any rocket ship back to $100/bbl absent a major geopolitical event.
- Oilfield service issuers have definitely increased materially. We had seven IPOs in the oilfield services sector in 2017—that was an all-time record, and now we have had five IPOs in January and February of this year. There are three or four companies on file publicly and many others are on file confidentially. The difference between oilfield services and the E&P and midstream sectors is lack of alternative financing other than going public.
- We are seeing smaller M&A, step-out M&A, and add-ons get done, mostly from energy-focused private equity firms. Generalist funds that do one or two deals, and bank lending markets, are basically closed to the oilfield markets.
- On the capital markets side, while we have seen issuance activity, the OSX index that tracks oilfield service large caps is currently trading just a little higher than it was in February 2016, so a 2.5x increase in oil prices during that timeframe has led to very little response in public equity prices.
- Given the shale revolution, we're seeing a significant improvement in demand. There's long visibility on cheap gas prices. This has driven a lot of industrial back to the U.S. producing at an all-time high in the Permian, but that doesn't mean solar doesn't have a place for residential use.
- We've seen heavy IPO discounts, ranging from 30–50 percent compared to 15 percent in a more normalized market. The alternative for that is to try and sell the company and there are simply no buyers above even heavily discounted IPO valuations. We hope that we'll see some consolidation moving forward, but really it's a function of buy vs. build economics and a lot of the older equipment not being fit to use.

Expert Insights

John Berger

Chief Executive Officer, Sunnova Energy

"There have been three big game-changers in the energy industry and Houston was fortunate to be effectively ground zero for the first, which was fracking. The second one is solar, and now solar is looking for a storage medium and you can see that happening with solar plus battery storage solutions as the third technology change. These technological changes are important to pay attention to as I would love to see Houston maintain its status as the energy capital of the world."

ABOUT JOHN

William J. (John) Berger is founder and chief executive officer of Sunnova Energy Corporation, a leading U.S. residential solar and storage service provider. With more than 21 years of energy industry experience, Berger also co-founded and served as chief executive officer at SunCap Financial, a residential solar system lease provider. Prior to SunCap, Berger co-founded Standard Renewable Energy (SRE), a top-10 provider of renewable energy and energy-efficient products and services for residential, commercial and government customers.

Founded in 2012 and headquartered in Houston, Texas, Sunnova is the leading U.S. residential solar + battery storage service provider. With nearly 60,000 customers across the U.S. and its territories, including Guam, Puerto Rico and the Northern Mariana Islands, Sunnova uniquely provides a 25-year service commitment with every homeowner's customized solar + storage system. Sunnova's goal is to provide the choice of low-cost, worry-free solar energy and battery storage technology that generates long-term value and savings for customers and facilitates continued business growth for its network of trusted partners. For more information, visit the company online at www.sunnova.com and follow the company on Twitter.

- Be on the lookout for the administration to subsidize coal and nuclear power plants. There is a very Byzantine structure regulatory wise because the federal government doesn't have a lot of power. The states do. We want a competitive power market, so will continue to advocate for an open market approach.
- Solar panel pricing has gone down 95 percent in costs. Incremental technologies have gotten the pricing down and increased the efficiency. The panels I put on my house ten years ago were $5.50 a watt; the ones I put on last year are roughly 40 cents a watt. Battery storage innovations are expected to come in and have that same result in the favorable price decline.
- Competition and consumer choice must provide the bedrock for a 21st century energy system. For too long, the power industry has been reliant upon an outdated system of centralization, subsidies and monopolies. But consumers are starting to demand more from their energy providers: more options, more flexibility, more service and lower costs.
- While traditional oil shows no signs of going away, alternative energy forms like solar have clearly demonstrated they are becoming a big part of the power grid, sooner than some expected.

Expert Insights

Paul Perea

Managing Director, Co-Head of Energy M&A,
Tudor, Pickering, Holt & Co.

"Our transactional business is good across the three subsectors – upstream, downstream and the oilfield services space. Broader energy M&A volumes are strong and have been high since 2016. Despite these factors, the upstream and midstream capital markets are quite dislocated and have not tracked the performance of commodity prices."

ABOUT PAUL

Paul Perea serves as managing director and co-head of Energy M&A in Tudor, Pickering, Holt & Co. (THP) investment banking, where he advises upstream, midstream, downstream and OFS clients and their boards of directors on mergers and acquisitions, related party transactions, joint ventures, contested matters, activist defense and alternative financing structures. The firm is headquartered in Houston, focuses exclusively on energy investments and has offices in Denver, New York and London.

Prior to joining TPH, Perea was a partner in the corporate department at Baker Botts L.L.P., where he spent more than 15 years. Perea holds a BA in government with high honors from the University of Texas at Austin and a JD from Vanderbilt University School of Law, where he served on the Law Review.

- The challenged capital markets have created an environment that is ripe for both shareholder activism and (friendly) private equity and alternative capital investing. There has been a big inflow of new 'technology' when it comes to investing.
- We've been involved in several situations as well as opportunities for alternative capital of all shapes and sizes, from straight private equity to structured products. There is a lot of opportunity at the asset level.
- The recently announced RSP-Concho combination, which will create a $35 billion Permian company, is a prime example of the current Permian consolidation.
- If you compared a map of the Permian basin today to a few years ago, you would see that the number of opportunities to acquire 'blocky' positions in asset transactions or from private sellers is down significantly. This points to more corporate transactions, but how many more of those we will see is difficult to predict in light of the myriad issues that come into play in those types of transactions.
- While OPEC is influential in the price of oil, OPEC's power is becoming considerably reduced which should keep prices level. We do see Saudi playing the long game with its presence in the Gulf Coast— it needs to diversify to play the long game.
- The United States is now the world's second largest oil producer behind only Russia. Thanks to fracking and the viability of sources on U.S. land, the oil business is on an unmistakable rebound, now producing more than double what it produced in 2008, more than 10 million barrels of crude a day.

Attorney Insights

Oil Is On the Move, and So Are Employees

CHRIS HANSLIK
Firm Chairman

ANDREW PEARCE
Shareholder, Litigation Group

At the BoyarMiller Energy Forum, Sanjiv Shah, managing director of Simmons & Company International, Energy Specialists of Piper Jaffray, spoke about the pickup in oil prices since the beginning of the year.

That pickup, in turn, has begun to "stimulate pretty significant upstream oil and gas hiring," according to Karr Ingham, Texas oil economist. Although the general expectation for Houston is for energy employment to be flat in 2018, the flatness will be the result of increased hiring in oilfield services coupled with layoffs in E&P and equipment manufacturing, according to the 2018 Houston Employment Forecast by the Greater Houston Partnership (GHP).

Any increased movement of employees in the energy sector means that the steps that employers and employees take when hiring, firing, and transitioning employment will become increasingly important as parties seek to protect their rights while avoiding litigation when and where possible.

Asking the right questions from the beginning can help employers and employees amicably separate, avoid costly fights, and achieve peace of mind. Some of the questions we recommend to our clients are:

FOR EMPLOYERS TERMINATING EMPLOYEES

- Do you have a plan in place to remind the terminated employee of any post-employment obligations, such as non-competition, non-solicitation, and/or non-disclosure obligations?
  - Do you have a standard exit interview process during which you require the employee to sign an acknowledgment of such obligations?
- Do you have a process for collecting any devices provided to the employee, such as laptops or cell phones?
  - Do you have the ability to review the devices to determine if any information was downloaded to an external storage device prior to the employee's termination?
- If the employee uses his or her own devices, do you have an agreement in place to allow you to review those devices and remove any information from them?
  - Do you have an understanding of what might be removed? Will you remove the employee's contacts from his/her phone? Do you consider such information to be confidential, or is it the general knowledge acquired by the employee during his/her employment?
  - Have you decided whether you want the employee to return information, or is it acceptable for the employee to destroy any information in his/her possession?

FOR EMPLOYEES SEEKING A NEW JOB

- Have you made sure to avoid taking any of your former employer's information, especially any confidential information – whether unknowingly kept in personal emails or random USB devices?
- Have you made sure to avoid telling your customers or co-workers about your new employment opportunity – especially if you are going to a competitor and discussing possible opportunities to work together when you begin your new job?
- Have you disclosed any post-employment obligations to your prospective employer?
  - Do you have an agreement with your prospective employer to defend you in the event of a lawsuit?

FOR EMPLOYERS SEEKING TO HIRE

- Have you required new employees to confirm they do not have any agreements that would restrict their potential employment?
- Have you required new employees to confirm that they are not bringing any confidential information from a prior employer?
  - If the former employer threatens a lawsuit against the former employee for violating his/her post-employment restrictive covenants, are you going to continue with the employment offer?
  - Do you have exposure to a claim by the former employer for tortuous interference, meaning you interfered with the former employee's compliance with his/her agreement with the former employer?

These questions may be more important than ever. Today, employers are faced with the fact that an employee has access to (and the ability to take) tremendous amounts of electronic information when leaving the company. And, once the genie is out of the bottle, it is nearly impossible to ever know with certainty that you have recovered all of it.

Likewise, with employees accessing their employers' electronic information at home, on their personal devices, and/or remotely on company-issued devices, an employee can often have significant amounts of company information on external devices or in personal emails that poses an unintended threat if not returned to the company upon the termination of employment.

There is no "one size fits all" approach to hiring, firing, and transitioning employment. More likely, employers and employees will make mistakes – often unintentionally – when handling these issues. Yet the more proactive and transparent you can be, the greater the likelihood that an employer and employee can amicably separate without the threat or need of subsequent litigation.

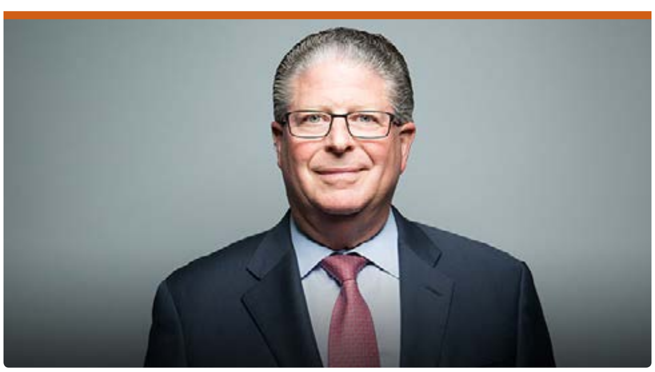
Energy Practice Leaders

CHRIS HANSLIK
Firm Chairman

Represents companies in all aspects of the energy sector, both domestically and internationally, in disputes ranging from breach of contract and fraud to misappropriation of trade secrets and employment-related disputes. Has secured favorable results in both state and federal courts, as well as international arbitration proceedings for energy clients.

STEVE KESTEN
Chair, Business Group

Represents multiple international energy and energy services clients with outbound expansion (i.e., U.S. companies expanding internationally) and inbound expansion (international companies expanding to the U.S.), including start-up expansion or expansion by acquisition, as well as in connection with financing and merger and divestiture transactions.



BILL BOYAR
Founding Shareholder, Business Group

Represents the various parties involved in the acquisition, disposition, capitalization and financing of national and international businesses. Served as lead counsel for numerous complex, multi-party acquisitions and project financings with significant experience in corporate finance, mergers and acquisitions, private equity and structure finance.

GARY MILLER

Founding Shareholder, Business Group

Represents numerous domestic and offshore-based companies in connection with acquisitions and divestitures, financings, joint ventures and general corporate matters in the United States.

GUS BOURGEOIS

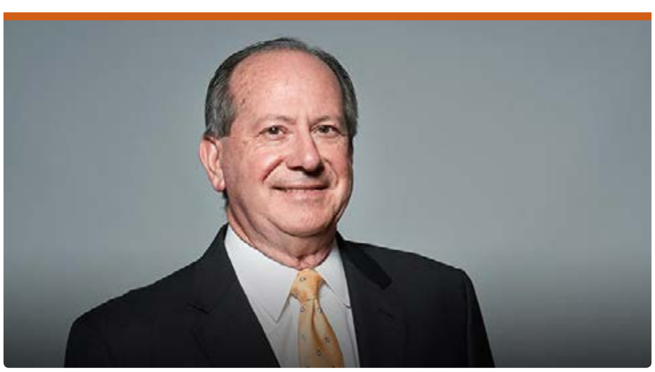
Shareholder, Business Group

Represents clients doing business domestically and internationally in connection with mergers and acquisitions, finance and multi-jurisdictional transactions, including negotiation of contracts for sales of goods and services (including master service agreements), technology licensing, joint venture agreements, and employment agreements, with significant experience in assisting foreign businesses in establishing and growing their U.S. operations.

ANDREW PEARCE

Shareholder, Litigation Group

Represents both individuals and corporations in all types of commercial and business litigation – including the oil and gas and chemical industries – for conflicts involving employment disputes, trade secrets and confidential information, breach of contract and more.



LAWRENCE E. WILSON

Shareholder, Business Group

Represents public and private businesses in acquisitions, divestitures, corporate finance and general corporate matters and provides corporate and commercial counseling – acting as an outside general counsel to various businesses – regarding complex mergers and acquisitions, initial capitalization and growth financing and restructuring transactions.

MATTHEW S. VEECH
Shareholder, Litigation Group

Represents clients in a variety of employment and business-related disputes, including matters relating to enforcement of non-compete and non-solicitation agreements, misappropriation of trade secrets and proprietary information, breach of fiduciary duties and breach of contract and related business torts.

PHILIP A. DUNLAP
Shareholder, Business Group

Represents clients for corporate and private securities transactions as well as serving as outside general counsel in a variety of matters, including mergers and acquisitions, financing, employment agreements and raising capital through private offerings.

DAVID STOCKEL
Shareholder, Litigation Group

Represents individuals and businesses in disputes involving employment and intellectual property, including trade secrets, trademark and non-compete claims, products and premises liability, and energy-related matters both onshore and offshore.