

# Alta Mesa Resources, Inc.

## Q4 2017 Earnings 2018 Operational Update and Guidance

March 29, 2018





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The information in this presentation and the oral statements made in connection therewith include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of present or historical fact included in this presentation, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this presentation, including any oral statements made in connection therewith, the words "could," "should," "will," "may," "believe," "anticipate," "intend," "estimate," "expect," "project," the negative of such terms and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on management's current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to the development, production, gathering and sale of oil, natural gas and natural gas liquids. These risks include, but are not limited to, commodity price volatility, low prices for oil and/or natural gas, global economic conditions, inflation, increased operating costs, lack of availability of drilling and production equipment, supplies, services and qualified personnel, processing volumes and pipeline throughput, uncertainties related to new technologies, geographical concentration of operations of our subsidiaries Alta Mesa Holdings, LP ("Alta Mesa") and Kingfisher Midstream, LLC ("KFM"), environmental risks, weather risks, security risks, drilling and other operating risks, regulatory changes, the uncertainty inherent in estimating oil and natural gas reserves and in projecting future rates of production, reductions in cash flow, lack of access to capital, Alta Mesa's and KFM's ability to satisfy future cash obligations, restrictions in existing or future debt agreements of Alta Mesa or KFM, the timing of development expenditures, managing Alta Mesa's and KFM's growth and integration of acquisitions, failure to realize expected value creation from property acquisitions, title defects and limited control over non-operated properties, our ability to complete an initial public offering of the KFM midstream business and the other risks described in our filings with the Securities and Exchange Commission (the "SEC"). Should one or more of the risks or uncertainties described in this presentation and the oral statements made in connection therewith occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this presentation.

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Reserve engineering is a process of estimating underground accumulations of hydrocarbons that cannot be measured in an exact way. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data and price and cost assumptions made by reserve engineers. In addition, the results of drilling, testing and production activities may justify revisions of estimates that were made previously. If significant, such revisions could impact our strategy and change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of oil and natural gas that are ultimately recovered. Estimated Ultimate Recoveries, or "EURs," refers to estimates of the sum of total gross remaining proved reserves per well as of a given date and cumulative production prior to such given date for developed wells. These quantities do not necessarily constitute or represent reserves as defined by the SEC and are not intended to be representative of anticipated future well results of all wells drilled on our STACK acreage.

## **USE OF PROJECTIONS**

This presentation contains projections for Alta Mesa and KFM, including with respect to their EBITDA, net debt to EBITDA ratio and capital budget, as well as Alta Mesa's production and KFM's volumes, for the fiscal years 2017, 2018 and 2019. Neither our, nor Alta Mesa's and KFM's independent auditors or Alta Mesa's independent petroleum engineering firm have audited, reviewed, compiled, or performed any procedures with respect to the projections for the purpose of their inclusion in this presentation, and accordingly, none of them expressed an opinion or provided any other form of assurance with respect thereto for the purpose of this presentation. These projections are for illustrative purposes only and should not be relied upon as being necessarily indicative of future results. In this presentation, certain of the above-mentioned projected information has been repeated (in each case, with an indication that the information is subject to the qualifications presented herein), for purposes of providing comparisons with historical data. The assumptions and estimates underlying the projected information are inherently uncertain and are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the projected information. Even if our assumptions and estimates are correct, projections are inherently uncertain due to a number of factors outside our control. Accordingly, there can be no assurance that the projected results are indicative of our future performance or that actual results will not differ materially from those presented in the projected information. Inclusion of the projected information in this presentation should not be regarded as a representation by any person that the results contained in the projected information will be achieved.

## **USE OF NON-GAAP FINANCIAL MEASURES**

This presentation includes non-GAAP financial measures, including EBITDA and Adjusted EBITDAX. Please refer to the Appendix for a reconciliation of Adjusted EBITDAX to net (loss) income, the most comparable GAAP measure. We believe EBITDA and Adjusted EBITDAX are useful because they allow us to more effectively evaluate our operating performance and compare the results of our operations from period to period and against their peers without regard to financing methods of capital structure. The computations of EBITDA and Adjusted EBITDAX may not be comparable to other similarly titled measures of other companies. We exclude the items listed in the Appendix from net (loss) income in arriving at Adjusted EBITDAX because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDAX should not be considered as an alternative to, or more meaningful than, net income as determined in accordance with GAAP or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDAX are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDAX. Our presentation of Adjusted EBITDAX should not be construed as an inference that its results will be unaffected by unusual or non-recurring items.

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This presentation has been prepared by us and includes market data and other statistical information from sources we believe to be reliable, including independent industry publications, government publications or other published independent sources. Some data is also based on our good faith estimates, which are derived from our review of internal sources as well as the independent sources described above. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.

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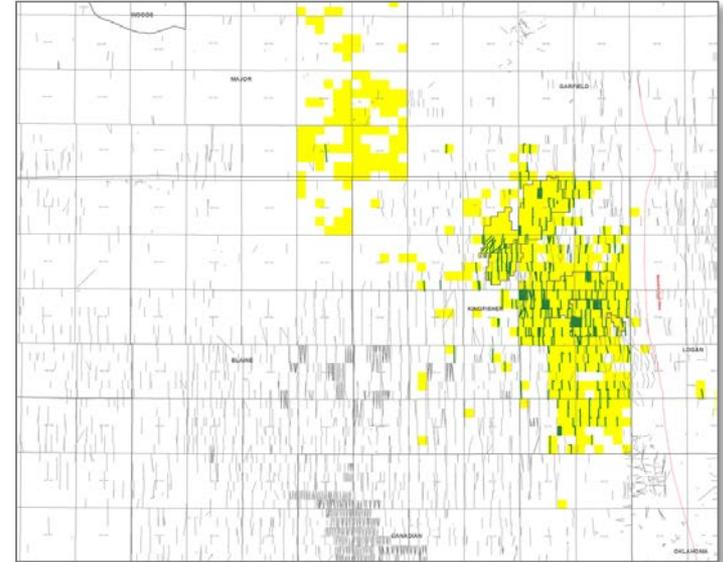


# Overview

## STACK Pure Play

### Sustainable, Advantaged Cost Structure

- 10+ year opportunity horizon in STACK Oil Window
- Contiguous ~130k net acres within >300 sq. mi. fosters operational efficiency
- Low leverage development plan designed to achieve positive free cash flow by YE 2019
- Investment de-risked by 250+ horizontal wells with resilient, repeatable well economics
- Consistency and geographic breadth of well results underscores repeatable development
- Multi-well development projects initiated in 2017
- Drilling, geoscience, completions and production teams delivering low cost, highly productive wells at > 2 wells per rig-month
- Capital and operating cost structure minimized with multi-well pattern development, supply chain management, water disposal and supply, artificial lift life-cycle management
- Additional focus on safety, continual learning for optimum performance and execution



### Kingfisher Midstream

- Purpose built plant, startup May 2016
- System de-risks production growth
- Processing capacity 350 MMCF/D
- 400+ miles of pipelines
- 300k+ gross acres dedicated
- Oil storage 50k bbl with 6 loading LACTs served by gathering system



# Full Year 2017 Operating Results

## PF STACK Summary Financials

Total Production (BOE/D)	20,600
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YoY Production <u>Oil</u> & <u>BOE</u> Growth	52%/58%
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Exit-to-Exit <u>Oil</u> Growth	29%
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Production Expense (\$/BOE)	\$5.32
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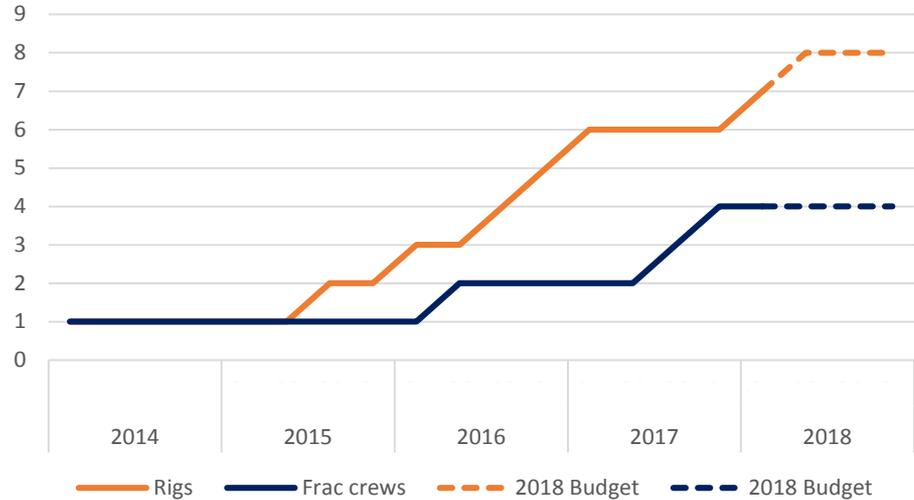
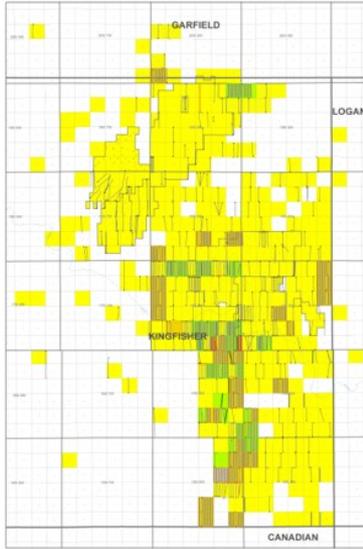
Full Year Capital Program (\$MM) <sup>1</sup>	\$356
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- De-risked asset base
- Grew production, reserves and acreage position
- Organic reserve replacement > 400%
- Expanded infrastructure

<sup>1</sup> Includes \$92.6MM Land and Acquisitions, \$49.0MM Infrastructure



# Transition from De-risk / Delineate to Development

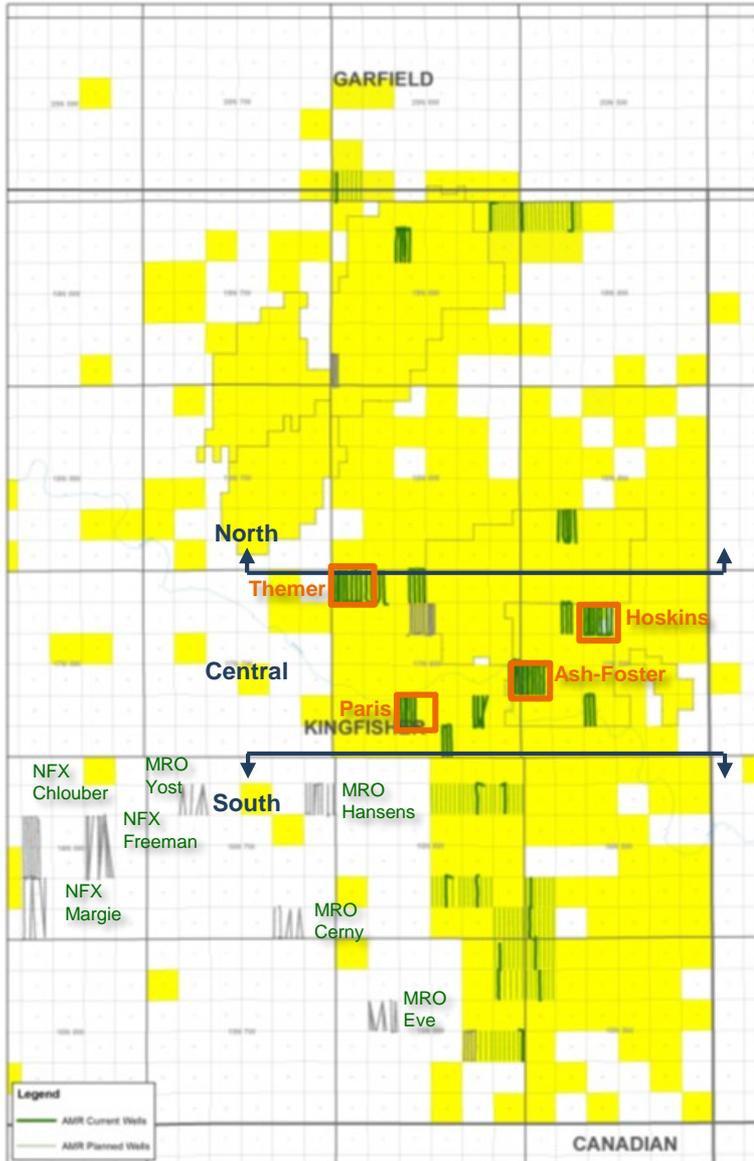


	2017 - Scaling Up	2018 - Development Mode
Annual Objectives	Delineate our acreage and test multi-well pattern spacing	Drilling program moving into manufacturing mode with large queue of multi-well DSUs ready to execute
Activity Level	Drilled 113 and completed 104 Hzl STACK wells	Budget designed to deliver 170+ wells for a total of 417 Hzl wells by year end
Program Focus	Infrastructure build out Scaling up staff and vendors	Full section DSUs utilizing 750ft spacing between wells
Operational Highlights	Drilled singles to delineate acreage Tested 7 different spacing configurations	>75% of drilling plan is multi-well development drilling

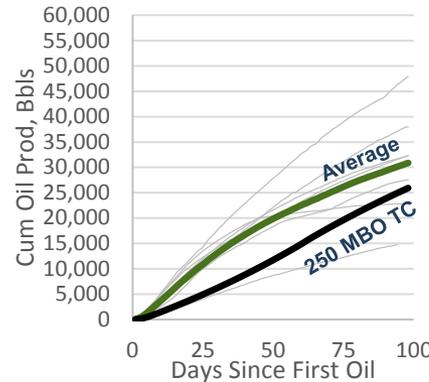


# Development Process Underway

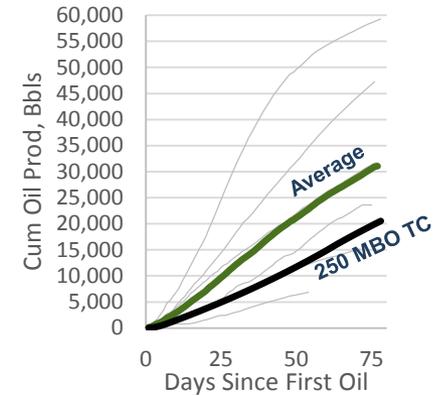
Transition from spacing pilots to multi-well pattern development



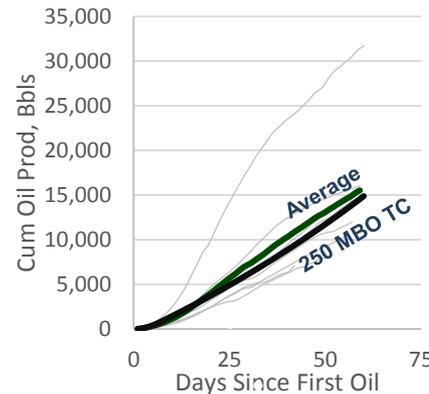
**Ash-Foster Flowback ~100 days**  
2 parent, 8 infill wells



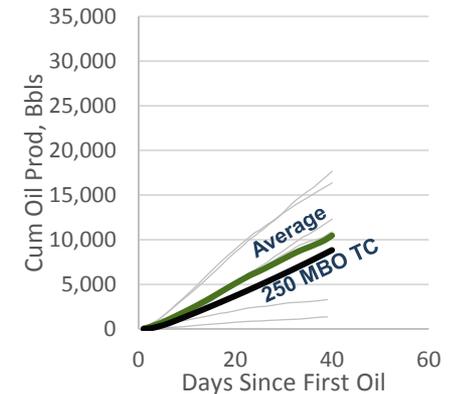
**Themer Flowback ~75 days**  
1 parent, 7 infill wells



**Hoskins Flowback ~60 days**  
1 parent, 7 infill wells



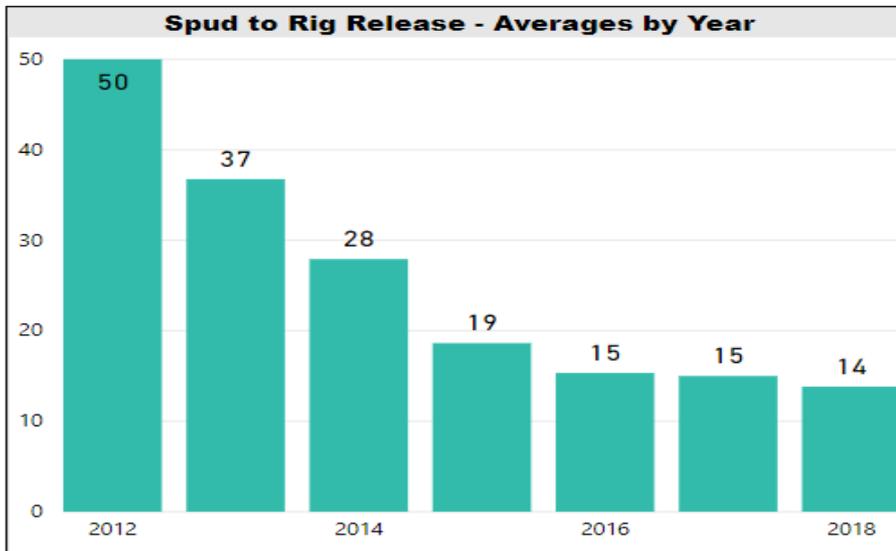
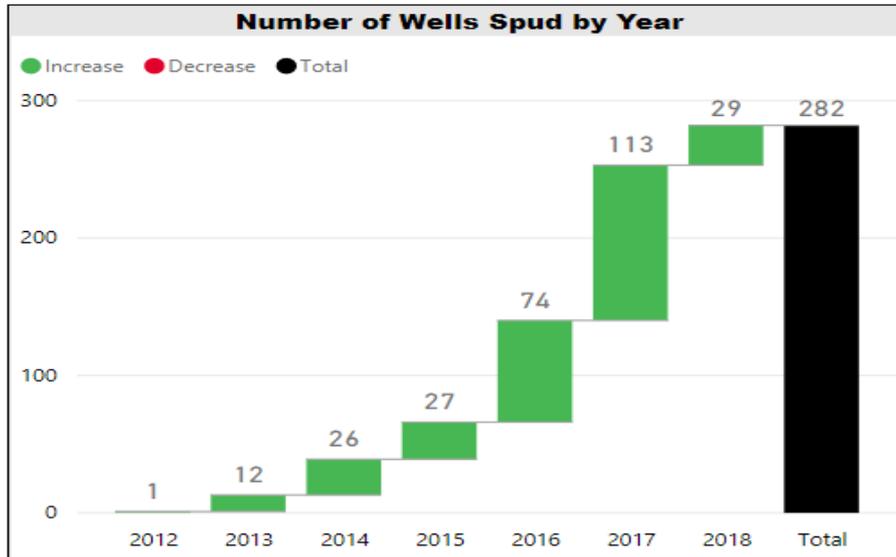
**Paris Flowback ~40 days**  
1 parent, 5 infill wells





# Drilling Highlights

*Building on over 250 STACK Horizontal wells in 5 years of development*



## Current Rig Fleet

- Omaha – Latshaw Rig 39
  - Well Count: 63
  - Footage: 763,426ft
- Utah – Latshaw Rig 12
  - Well Count: 52
  - Footage: 646,798ft
- Juno – Latshaw Rig 29
  - Well Count: 43
  - Footage: 529,850ft
- Gold – Latshaw Rig 13
  - Well Count: 32
  - Footage: 395,059ft
- Neptune – Latshaw 14
  - Well Count: 12
  - Footage: 146,132ft
- H&P 250
  - Well Count: 7
  - Footage: 88,589ft
- Latshaw 41
  - Well Count: 27
  - Footage: 331,320ft



# Production Optimization

Key driver to maximize ROI, EBITDA and optimize reserves

## Sustained Base Production Key to Long-Term Value

### Type Curve Impact

- Current type curve based on gas lift design
- GL flowing bottom hole pressure (FBHP) ~1,000 psi
- Other artificial lift methods can lower FBHP
- Identified matrix rock types should respond to lower FBHP
- Expect higher EUR, rate increase, lower decline for wells

### Gas Lift for Initial Well Design

- Flowback managed to 100 Bbl total fluid per hr
- Up to 50% oil EUR recovered via gas lift

### Shift from Gas Lift to Fit-for-Purpose Lift

- Lower FBHP, increased run-time
- Lower OPEX, extend economic limit, increase NPV over time

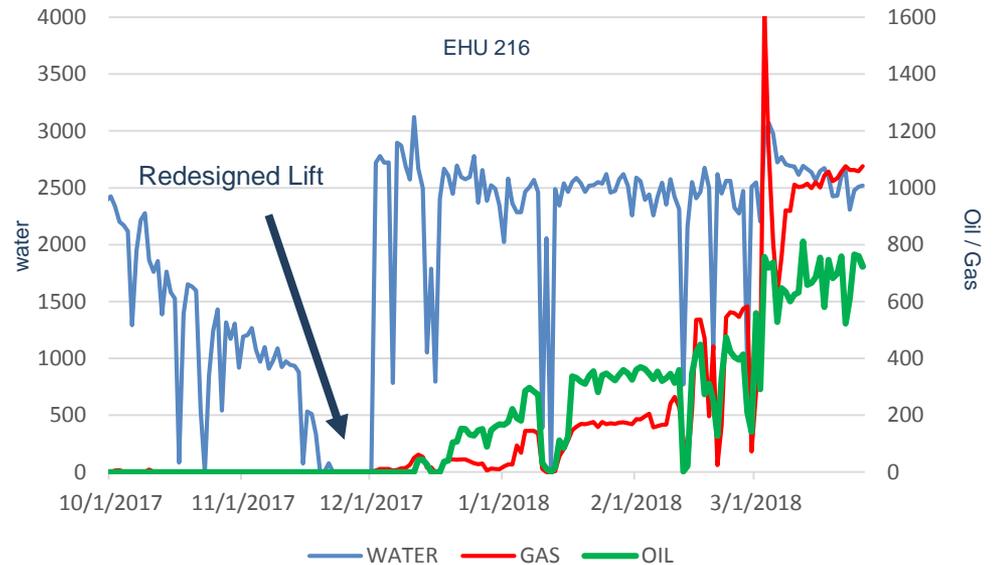
### Additional Drawdown Strategies

- Optimize gathering system pressures
- Several technologies in field trials

### Key Factors

- Fit-for-purpose / well-specific solutions
- Accelerated production / maximize NPV
- CAPEX and LOE per BOE for production gains

## Managing Well Life-Cycle





# 2018 Guidance Summary

## Upstream Key Financial Projections

Upstream	
	2018E
<b>Drilling Activity</b>	
Average rigs	8
Gross well count	170 - 180
<b>Net Volumes</b>	
Oil (BOPD)	18,000 - 21,000
Gas (MCFD)	58,000 - 68,000
NGL (BPD)	5,000 - 6,000
BOEPD	33,000 - 38,000
<b>Differentials</b>	
Oil (% WTI)	95%
Gas (% NYMEX HH)	93%
<b>Expenses</b>	
Total Operating Expenses	\$135mm - \$155mm
<b>CAPEX</b>	
Non-Acquisition CAPEX	\$550mm - \$580mm



# 2018 Guidance Summary

## Midstream Key Financial Projections

Midstream	
	2018E
<b>Processing Capacity</b>	
Cryogenic processing	260 mmcf/d
Processing Agreements	90 mmcf/d
<b>Inlet Volumes</b>	
Alta Mesa	90 - 100 mmcf/d
Third Parties	50 - 70 mmcf/d
<b>Average Rig count</b>	
Alta Mesa	8
Third Parties	5 - 15
<b>Operating Expenses</b>	
Operating Cost (\$/mmbtu)	\$0.20 - \$0.25 per mmtbu
G&A	\$5 - \$6mm
<b>CAPEX</b>	
Total Capex	\$175 - \$220mm
Plant construction and maintenance	\$25 - \$45mm
Existing area well connects and compression	\$70 - \$80mm
Expansion area well connects and compression	\$70 - \$80mm
Crude Gathering	\$10 - \$15mm
<b>EBITDA</b>	
EBITDA	\$95 - \$110mm

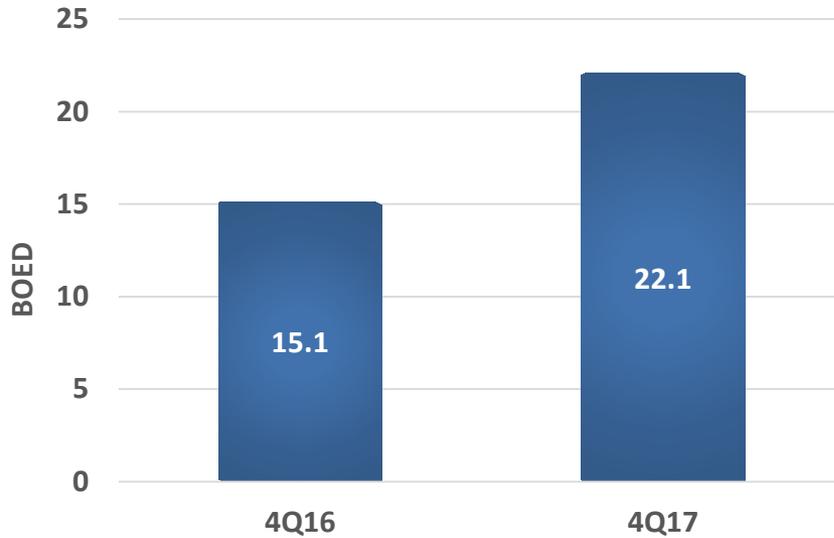
# APPENDIX



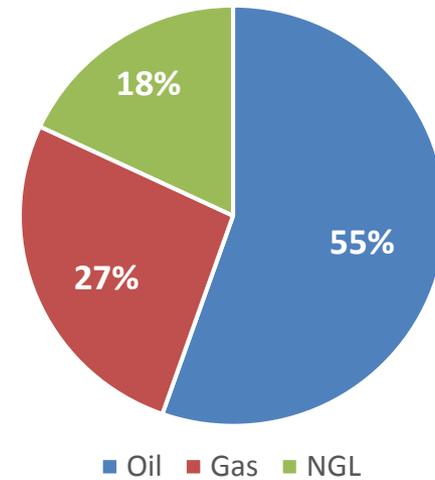


# Production Performance and Mix

*Production Volumes*



*4Q2017 Production Mix  
73% Liquids*



Realized  
Prices \$/Bbl

\$47.21

\$54.19

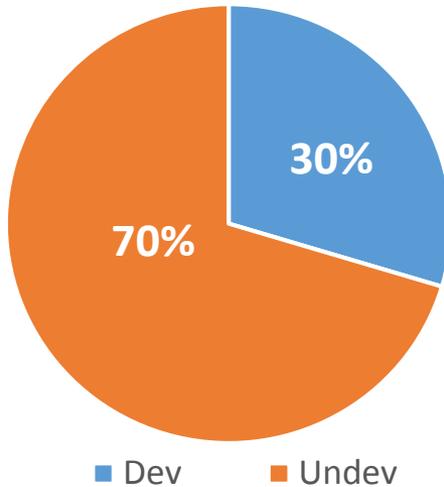


# Reserve Reconciliation, Category and Mix

## Reserve Reconciliation

	Oil MBbbls	Gas MMcf	NGL MBbls	MMCFE	MBOE
December 31, 2016 Reserves	52,889	294,260	27,651	777,499	129,583
Extensions/Discoveries/Additions	19,909	122,693	10,123	302,886	50,482
Acquisitions	709	4,642	383	11,195	1,866
Revisions	2,251	1,658	-764	10,581	1,764
Production	(3,907)	(13,973)	(1,277)	(45,077)	(7,513)
December 31, 2017 Reserves	71,851	409,280	36,116	1,057,084	176,181

Reserves by Category



Reserves by Product

