PARKER GLOBAL STRATEGIES

MLP Flash Report

October 2013

New Technical Renaissance In Fracing Could Increase Recoverable Reserves 50%-75%

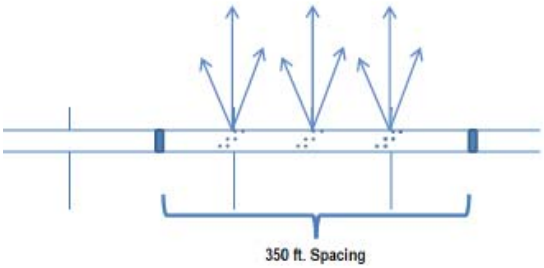
NEW FRACING DESIGN LEADING TO LARGE ESTIMATED RESERVE INCREASES

Implementation of a new fractionation design may increase recoverable reserves by more than 50% over recent estimates according to industry experts. **EOG Resources Inc. (EOG)** has referred to this new method as a "technical renaissance" that has "dramatically brought the EUR (estimated ultimate recovery) per well up" and **Cabot Oil & Gas Corporation (COG)** estimated that this cutting edge fracing design increased their average EUR in the Marcellus from 8 Bcf to 14 Bcf (+75%). In March, **Whiting Petroleum Corporation (WLL)** experimented with this technology in the Bakken Shale and indicated that potential reserves per well and IRR increased by ~50%. The new methodology is applicable to ***all horizontal*** resource plays and therefore could lead to large increases in future production forecasts. If forecasts continue to outpace the already robust estimates now circulated in the market place, then significant additional organic growth opportunities to transport and process increased production would materialize and positively impact energy related MLPs.

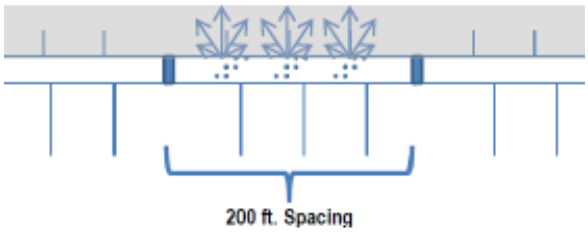
EVOLUTION OF FRAC STAGE SPACING

The new fracing design along with enhanced implementation techniques appears to generate a more effective stimulation of the shale to improve output of recoverable oil and gas. The new method distributes the fracture stimulation more evenly and closely along the lateral which thereby connects more rock to the well. The original technology fractured far out, away from the wellbore leaving a large amount of the reservoir un-stimulated. Physical changes, due to this new technique, include cementing the casing along the lateral, 3x-4x more sand to stimulate the rock, more frac stages, more perforation clusters, more water and pumping the frac at a lower rate. The E&P companies utilizing this new technology indicate it is no more expensive, but significantly more productive. It is clear that this method leads to more wells in the inventory, higher EURs and better economics all of which should benefit continued midstream infrastructure build out in the United States.

Original Frac Design: Longer frac stages with smaller fracs (less sand, less water) that penetrate further into the reservoir



New Frac Design: Shorter frac stages with bigger fracs (more sand, more water) that are closer to the wellbore.



Source: COG March 2013 company presentation and JP Morgan

Should this new technique be applied widely across the E&P industry and generate similar 50%-75% increases in production, the current EURs are dramatically understated and the US energy revolution may be significantly larger than previously understood.