



From Wildcatters to Wall Street: The Role of Independents and Small Operators in Today's Oil Patch

Monika Ehrman
Locke Liddell & Sapp LLP

**American Association of Petroleum Geologists
2007 Annual Convention**

Outline

- Importance of independents
- Lessons to learn
 - Define scope
 - Set measurable goals
 - Become an expert
 - Market and communicate to stakeholders
- Conclusions

Importance of independents

- Energy demand increasing
- Focus on domestic growth
- Estimated 90% of oil and gas wells in United States are drilled by independents

Lesson 1: Define scope

- Define geographic focus
 - EnCana
 - North American resource plays
 - Divested non-core divisions
- Define operating area
 - Southwestern Energy
 - Investment in Fayetteville Shale
- Avoid empire building

Lesson 2: Set measurable goals

- Determine risk levels
 - Geographic risk
 - Operational risk
 - Political risk
- Set financial limits
- Perform routine measurement

Lesson 3: Become an expert

- Numerous ways to become an expert
 - Acquire expertise
 - Devon's acquisition of Mitchell Energy
 - Industry partnerships
 - Develop own expertise
 - Dale Resource Partners and urban development
- Utilize appropriate technology
 - Unconventional resources may require R&D
 - Mature fields may just require basic technology

Lesson 4: Market and communicate

- Market the company to stakeholders
 - Chesapeake's general public relations
 - Dale Resource Partner's town hall meetings
- Size of company is not related to need to communicate

Conclusions

- Independents offer valuable lessons
- Each company should adopt lessons or strategies to its own advantage
- Adaptation and evolution to industry fluctuations are vital

Contact Information

Monika Ehrman
Locke Liddell & Sapp LLP
Dallas, Texas

mehrman@lockeliddell.com
(214) 740-8653