



Capital Management Inc.

**Private Equity in Upstream
Canadian Oil Sector**

April 2017

Lex Capital Management Inc.

- Founded 2009
- Saskatchewan- HQ
- Raised in excess of \$290MM across 4 funds
- Last energy fund closed Dec. 2015: \$142.5MM
- 61% (\$87MM from US)
- Invest in Private; Oil; Canada



Why Canada?

- Large non-state owned, scalable resources infrastructure
 - ✓ WCSB approx. 500,000 sq. miles
 - ✓ Cdn. oil reserves #3 (US #11)
- Historically stable political and fiscal regimes
- Plug & Play infrastructure
 - ✓ 50+ years of energy infrastructure
 - ✓ Next door to world's largest consumer of crude
- Currency Hedge
 - ✓ CDN/US FX provides downside protection
- Sophisticated energy market
 - ✓ ~ 30% of public O&G companies Cdn. listed (market cap >\$300B)
 - ✓ Ranked #2 globally in access to O&G capital raised

Why Saskatchewan?

- ✓ 5 of top 10 oil plays in Canada in SK
- ✓ Oil rich basin - low gas-to-oil ratio
- ✓ Competitive & stable royalties
- ✓ Majority Crown-owned minerals (>80%)
- ✓ Reduced regulation vs. Alberta and B.C.
- ✓ Year-round access, favorable (flat) topography
- ✓ Extensive pipeline system
- ✓ Low population density
- ✓ Shallower plays = lower costs

2017 & Beyond: Why NOT Canada?

- Carbon taxes
- Increasing environmental regulation & opposition
- Lack of sufficient market access (US only)
- Lack of leadership/political will to solve access to tidewater
- Tax & regulatory uncertainty impacts capital
- Trump Whitehouse “pro-oil” and pro-business (Trudeau????)

2017 & Beyond: Why NOT Saskatchewan?

- SaskPower pricing & infrastructure
- Significant skilled labour shortage after 2+ years of inactivity
- RM Taxes & levies (296 RM's)
- Uncertainty regarding carbon taxes
- PST increased to 6% (AB has zero)