Q1 2015 Crude Oil Price and Price Recovery Strategy Outlook

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SEM Q4 2014 Look Back

- Our #1 thesis of Q4 2014 was that the increasing US Dollar value had a negatively correlated impact on Crude Prices (Dollar Up, Crude Down)
- Raymond James Published their 2015 Energy Outlook on January 5th, 2015 which named the USD increase as the primary reason for the initial and continued selloff in Crude through 2H 2014 (see next slide)
- We also mentioned that any break below $70, which was a long term support level, would cause us to consider hedging or capital preservation in our Funds.
- As we are currently not in a large production situation in our Fund I, we remained in capital preservation mode throughout Q4 2014 in order to set up our Q1 and Q2 2015 strategy

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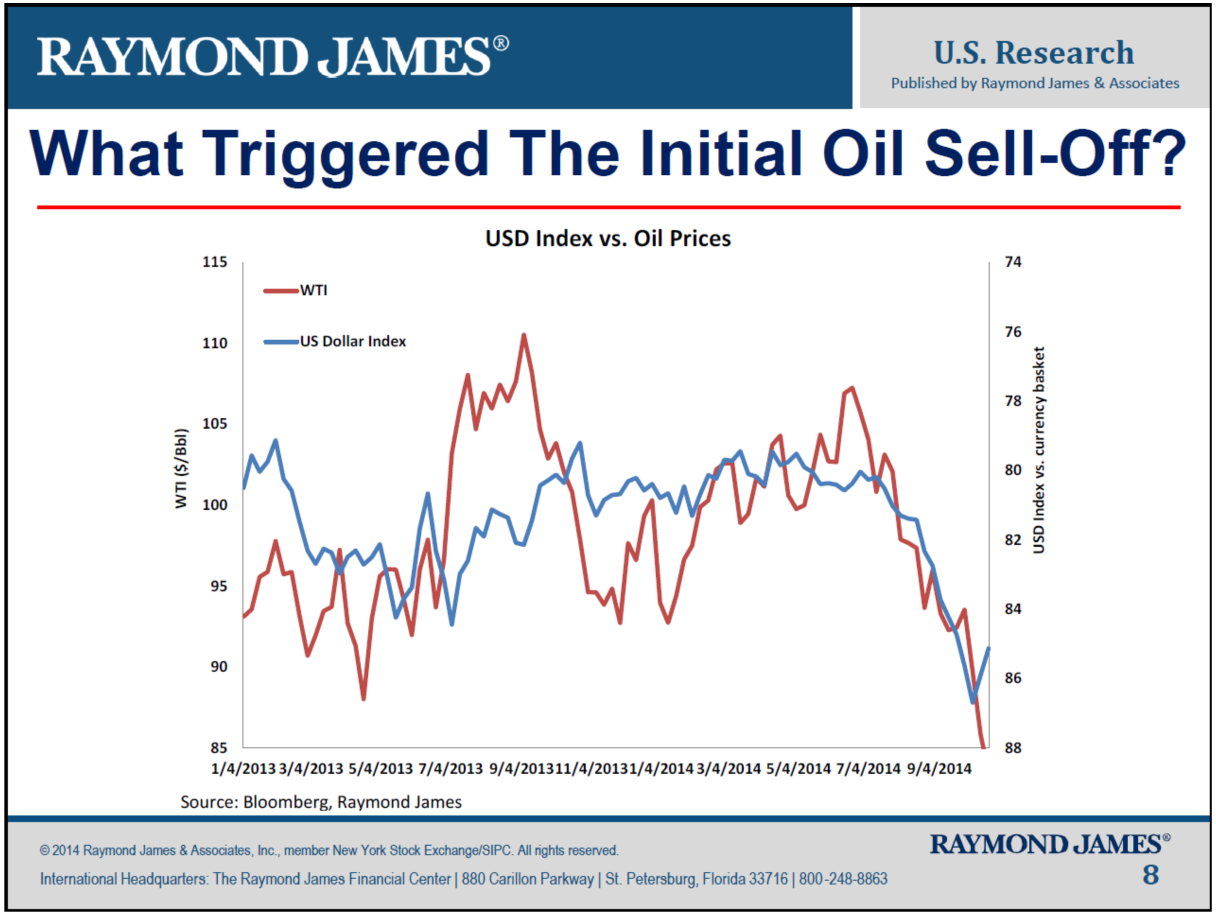

Source: Raymond James Energy Group, 2015 Energy Outlook, January 2015

The WTI Crude Price, in red, is negatively correlated with the USD Index, in Blue (right axis is inverted).

As we will show, we believe for several reasons, that this trend has run its course for now and the USD has run out of steam.

This impact along with production cuts will result in Crude price stabilization.

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SEM 1st Half 2015 Recovery Based Strategy

- **Take advantage of depressed crude assets being marketed.**
  - Forced selling (Debt multiples in excess of bank covenants)
  - Buy Low/Sell High
- **Take advantage of depressed costs of drilling**
  - As rigs lay down, costs will decrease and therefore decrease our investment cost basis resulting in risk spreading and higher averaged ROI/project
  - Drill shallow conventional oil wells in Texas Gulf Coast (area of company familiarity) with prominent industry partners which are feasible at or below $40-$50 Crude
- **Take advantage of depressed forward Crude curve prior to unconventional production decline in order to maximize timing of pricing deficiencies perceived in the market**
- **Mezzanine Financing on a Project Financing Collateralized basis**
  - Mezzanine Financing to oilfield services with equity/debt hybrid structure (Fund III Only)
- **Volumetric Production Payments (VPP's) – Cash payments to producers for future production collateralized by production**
  - Gives Funds forward price exposure at discounted production curves for limited time frames

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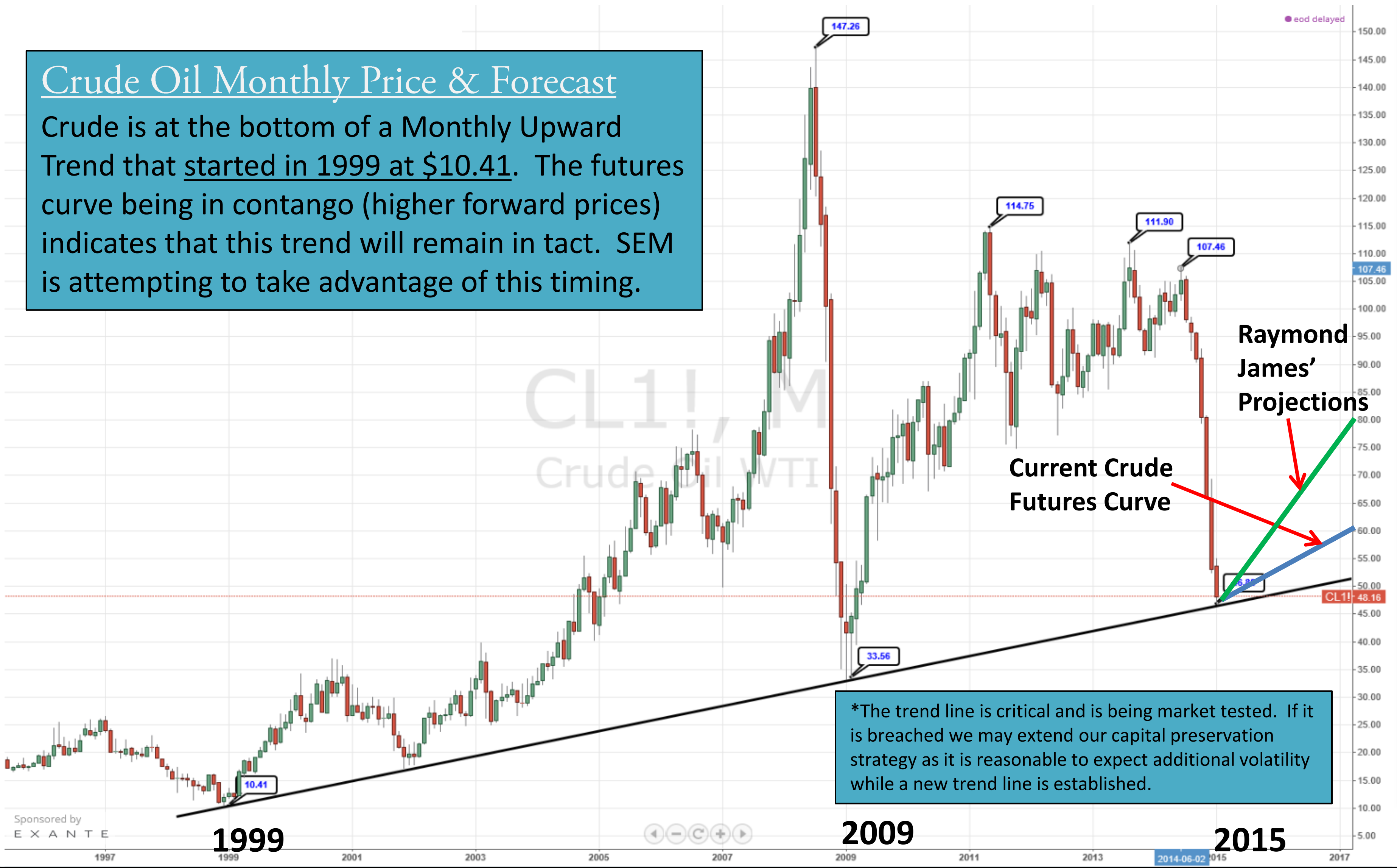
Crude Oil Monthly Price & Forecast

Crude is at the bottom of a Monthly Upward Trend that started in 1999 at $10.41. The futures curve being in contango (higher forward prices) indicates that this trend will remain in tact. SEM is attempting to take advantage of this timing.



*The trend line is critical and is being market tested. If it is breached we may extend our capital preservation strategy as it is reasonable to expect additional volatility while a new trend line is established.

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US Dollar/Month Price

So if the dollar got us here, what is going on?

We are currently at an 11 Yr High on the USD Index. It is our position that the Fed may relax it's stance towards the dollar in order to prevent systemic risk of default in foreign debt denominated in $USD which has increased substantially in cost.

We are currently at a resistance point on the USD Index as well coupled with support on Crude.

See a theme?!

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SEM Q1 15 Outlook

Crude/Dollar Relationship

The major item to note here is the continued inverse relationship of the Dollar (Blue Line) to Crude. The other main note is the length of the last major dip was 6 months, which is where we currently stand now.

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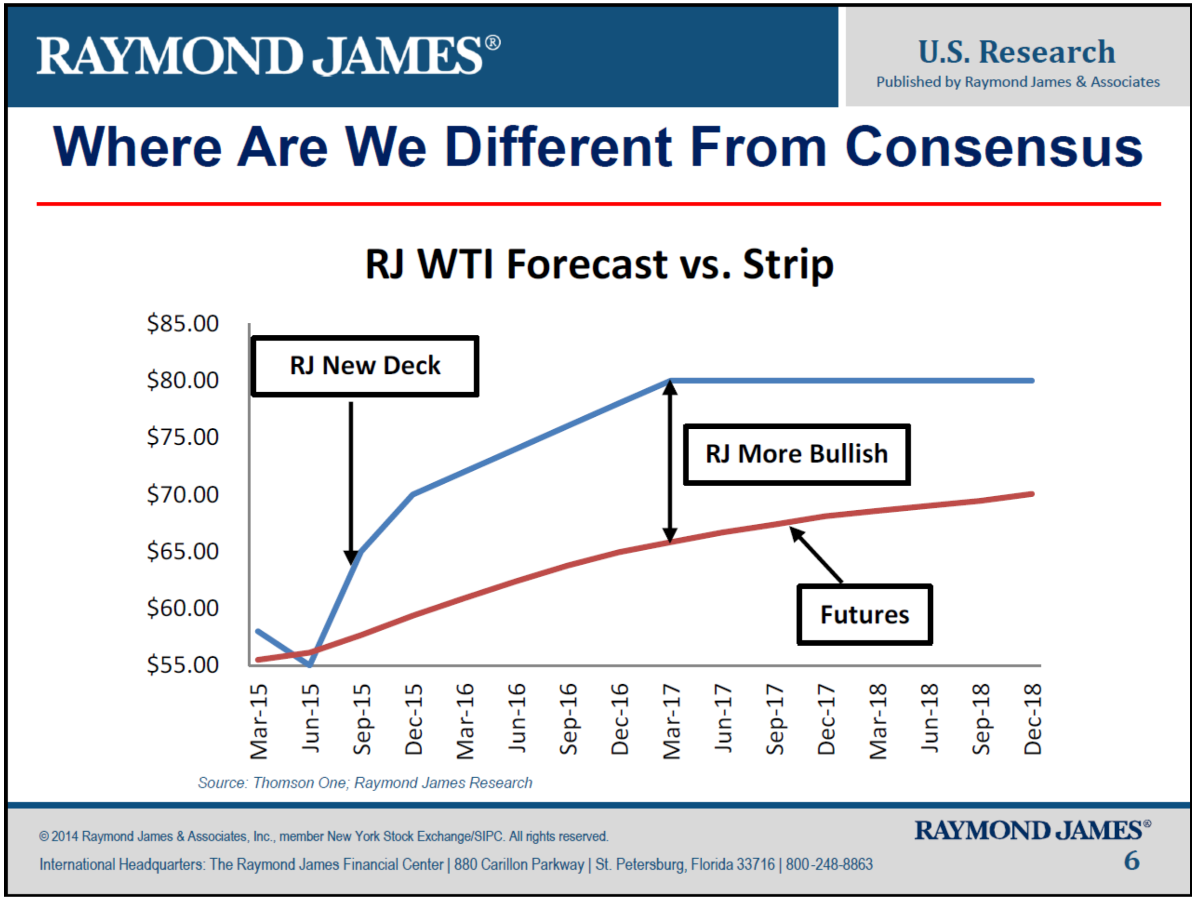

Source: Raymond James Energy Group, 2015 Energy Outlook, January 2015

As stated on the previous slide, the Crude Futures curve (red line) agrees with the thesis that the upward monthly trend in Crude will remain intact.

The more interesting argument, in which Raymond James analysts agree with us, is that the production decline will far outpace the current curve and lead to an opportunity which is more bullish than currently projected.

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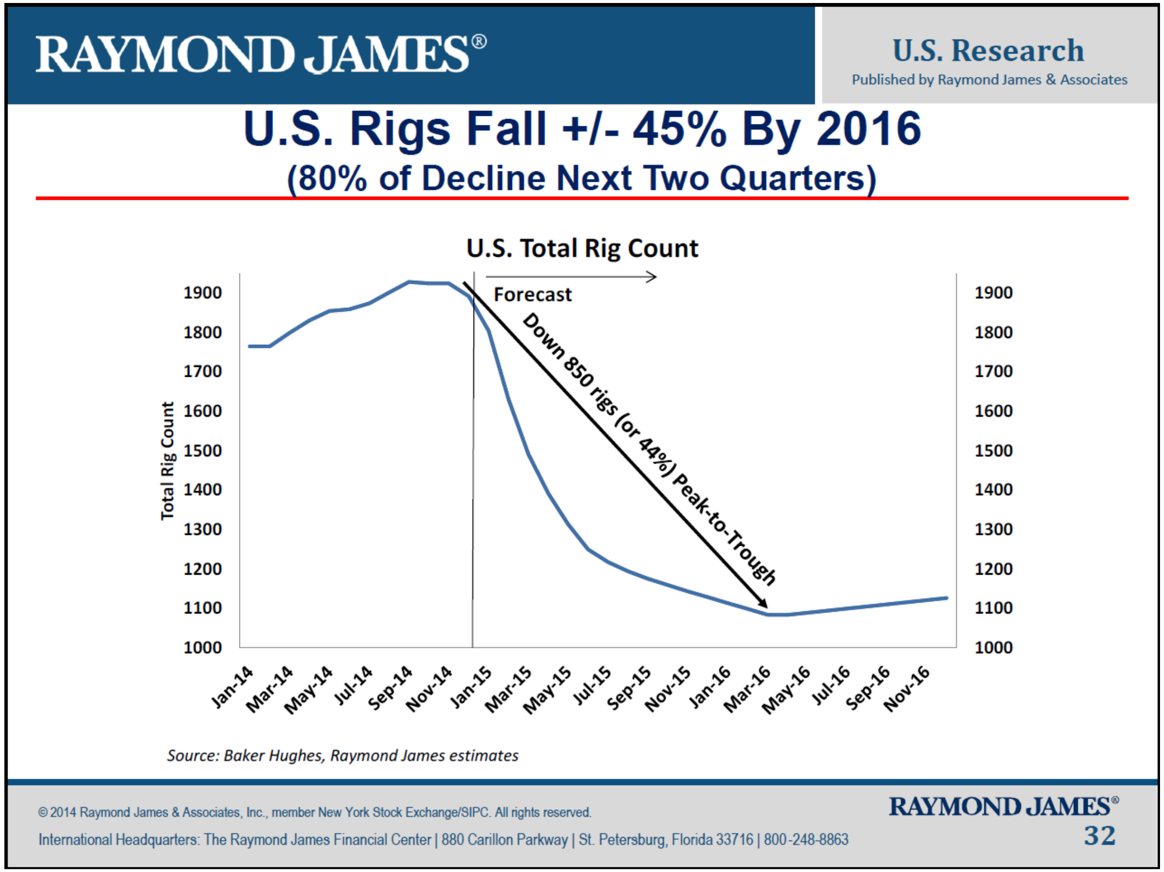
Rig Count & Future Production



Source: Raymond James Energy Group, 2015 Energy Outlook, January 2015

As rigs come off line, with a projection by Raymond James analysts of 850 rigs by 2016, we will see production fall, along with costs. Both of these will benefit the previously mentioned recovery based strategies of SEM.

Out of the 44% drop in rigs, 42% of those, approx 95% will be from horizontal plays. As these wells have higher decline rates, current production will decline much faster in these plays, thereby drastically reducing the recent gains in Barrel of Oil/Day from the shale basins in the US.

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Conclusion

- **SEM believes the #1 influence on current Crude pricing and continuation trends will be the US Dollar** followed by unconventional field production declines and capital cuts. We will continue to monitor the situation and react accordingly.

- **As evidenced we are currently at major long term support levels for Crude and resistance levels for the $USD.** We will monitor and react accordingly, but our belief is a rebound is likely in play and we are in position for our investors to benefit.

- **We remain flexible and ready to pivot with more data.** As previously stated, if the major long term Crude support and $USD resistance levels are breached, we will reassess and may continue capital preservation.

- **We remain ready to deploy a large amount of capital in the 1st Half of 2015** from Fund I due in large part to our successful capital preservation program in the 2nd half of 2014.

- **We will look to take advantage of distressed financial trends** and others as they become available in the energy sector.

- **We are currently capitalizing Fund III** to participate in several 2015 projects as well as our strategy for Q1 and Q2 deployment readiness.

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