

CORPORATE BACKGROUND:

COSCO Capital Management LLC is an energy-focused investment and merchant bank, specializing in arranging private financing for energy companies and their projects. COSCO's technical and operational experience, coupled with its New York / Connecticut base and heritage, makes it unusually well qualified to develop sound, sustainable, and profitable relationships between the financial and operational segments of the energy business.

Since January 1992, COSCO has worked with most of the professionally managed, U.S. or Canadian-based sources of capital dedicated to, or with a history of, investing in the energy business. Over the past three years,



COSCO managing directors Cameron O. Smith, left, Lane W. McKay, middle, and William E. Weidner, right.

alone, COSCO has assisted investor clients to purchase or sell over \$300MM of portfolio companies and has worked with energy companies, themselves, to access approximately \$230MM of private capital (see table below). In addition, during this period,

COSCO has worked with over fifty buy and sell-side clients, assisting them with investment strategies, effecting mergers and acquisitions/sales, and arranging secondary placements of their securities.

In addition to its offices in New York and Hartford, COSCO has personnel and colleagues in Houston, Tulsa, Oklahoma City, and Calgary. The majority of COSCO's personnel, moreover, have worked within the energy business before joining COSCO. Two of COSCO's Managing Directors have advanced technical degrees in geology, one ran, built and sold private and public E&P companies in the US and Canada for over 15 years, and the third presided over 30+ M&A transactions in a 3 year period, on his way to

\$550+ Million — Energy Private Placements and Transactions (2001–2003)

A. Private Placements:

Client	Financing Source/Size	Purpose
CMP Funds (Toronto CA) December 2003	Undisclosed Common Shares of OPTI Canada worth \$8.8 MM (C)	Secondary Sale to Achieve Liquidity
Momentum Energy Corporation (Midland TX) October 2003	Natural Gas Partners Equity Units \$20MM (US)	Acquisition/Development in the Permian Basin
Vision Gas, Ltd. (Houston TX) October 2003	Undisclosed Limited Partnership Units \$7.3MM (US) Initial Drawdown	To Finance Natural Gas Exploration
Southern Pacific Petroleum N.L. (Brisbane AU) April 2003	Sandfer Capital Partners Secured Convertible Bonds \$30MM (US)	Development of Australian Shale-to-Oil Plant
Cannon Energy, Inc. (Tulsa OK) March 2003	Kayne Anderson Preferred Stock \$18.8MM (US)	Development of CBM Resources in Rocky Mountains
SKH Energy Fund, LP (Houston TX) January 2003	Various LP Units \$40MM (US)	Acquisition of Leasehold & Minerals
Purcell Energy (Calgary AB) Nov, Dec 2002	Crown Capital Partners Inc. And Others \$11.2MM (C)	For Exploration and Development in NW Territories and NE BC
Aurora Gas, LLC (Anchorage AK) May 2002	Kaiser Francis Oil Company Common Stock \$25.3MM (US)	For Development and Acquisitions in Cook Inlet AK
Carneros Energy, Inc. (Houston TX) May 2001	Warburg Pincus Common & Pref Stock \$75MM (US)	For Exploration and Acquisitions in California
Total 9 Placements	10 Capital Sources; \$230MM (US)	8 Equity; 1 Mezz.; 1 Secondary

B. Transactions:

Client	Transaction Size	Purpose
Purcell Energy (Calgary AB) May 2003	\$62 MM (C) Plan of Arrangement	Acquisition of BelAir Energy Corporation (Calgary AB)
Morgan Stanley Private Capital (New York NY) December 2002	\$200+MM (US) (Exact Amount Not Disclosed)	Purchase of Aquila Oil & Gas Mezzanine Portfolio
Mannix Oil Company, Inc. (Houston TX) April 2001	Williams Production \$36MM (US)	Sale of Company
Total 3 Transactions	\$320 MM (US)	3 Acq/Inv'ts, 1 Sale
Total Both: 12	\$550MM (US)	Various

building, taking public, and selling what is now the second largest insurance company in Canada. As a consequence, COSCO has unparalleled capacity to source investment opportunities and conduct primary due diligence on individuals, companies, and specific projects in the US and Canada, making it one of the preeminent energy investment specialists in North America.

COSCO SERVICES:

Capital Formation. COSCO specializes in assisting energy companies to raise private capital, particularly corporate equity and project or mezzanine debt. Often this capital is sourced from those very same professional investors to which COSCO provides advisory services. This establishes immediate credibility for COSCO's clients, but also imposes considerable responsibility and discipline on COSCO's selection of the entities, and particularly the management teams, it represents. COSCO ensures that each client has a realistic appreciation of its own value in the private marketplace and understands the full range of financing structures acceptable to the Private Capital community. COSCO assists clients to prepare necessary descriptive documents and marketing materials, arrange meetings with financing candidates likely to appreciate them and their business plans, negotiate term sheets and agreements, and close financings on terms fair to all stakeholders. COSCO typically invests in those equity financings it arranges.



Standing, from left, are Lane McKay, Bill Weidner, Cameron Smith, and Scott Kessey. Seated, from left, are Sharon Younger, Sam Hammons, and Reva White.

Advisory. COSCO provides financial, investment, and organizational advice to both professional investors and oil and gas companies, alike. For investors, these services include consultation on investment strategies and execution, specific due diligence, and intelligence regarding peer competition. Clients have included Warburg Pincus, Morgan Stanley Private Capital, Lime Rock Partners, and Emerging Markets Partnership, among others. For companies, services include generational succession planning and financial and business advice designed to focus managements on their own competitive advantages, business opportunities, and financing potential. Advisory clients within the Industry have included Shell Canada, Arena Energy, Crutcher Tufts Resources, Novus Petroleum, and Momentum Energy, among many others.

Mergers & Acquisitions/Divestitures, Secondary Placements. Because its personnel and strategic partners are located in almost all of the principal energy centers of North America, COSCO is well positioned to match industry clients with acquisition, divestiture, or merger candidates on a negotiated basis. COSCO's experience in structuring deals and in raising capital is often crucial in completing successful transactions. Also, because COSCO has close working relationships with almost all of the Private Capital sources in the US and Canada, it is particularly adept in arranging private placements of energy securities on behalf of investors in need of liquidity through the secondary market.

Principal Investing. COSCO for its own account and on behalf of affiliates since the mid 1980's has participated as an investor in seventeen of the equity financings it has arranged. On the eight investments monetized to date, it has realized an aggregate IRR in excess of 35%.

Education. From the outset, COSCO has worked diligently to inform the energy industry in the U.S. and Canada about the virtues of Private Capital. COSCO personnel write a quarterly column on private capital for *Oil and Gas Investor* and regularly contribute articles and interviews to it and other industry publications. COSCO has founded three annual private capital conferences, two of which it continues to host each year in Houston and Calgary.

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