

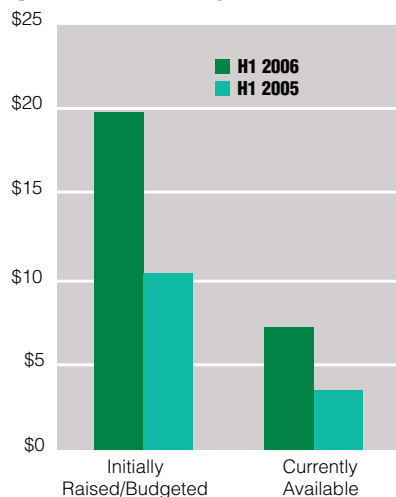
# COSCO PRIVATE CAPITAL ENERGY INDEX

For the past eight years, COSCO Capital Management LLC has surveyed a cross-section of professionally managed sources of private capital (The COSCO Index) about the funds they have available for investment in the energy industry, their investment preferences and their activities for the relevant period. The following figures reflect the responses for the first half of 2006 provided by 20 out of the 22 currently in The COSCO Index.

**Capital availability.** As shown in the graph, The COSCO Index reported having \$19.9 billion in funds or budgets active during the first half of 2006. (All dollar values are U.S.; Canadian dollar values converted at C\$1=US\$0.8969 as at June 30, 2006.)

This is a phenomenal 92% increase from the figure reported a year earlier. Furthermore, of this amount, \$7.2 billion was characterized as available at the end of June 2006 for investment in energy, more than double the \$3.4 billion for the first half of 2005. This substantiates the overwhelming anecdotal evidence that a truly significant amount of capital is currently available from private sources for investment in energy.

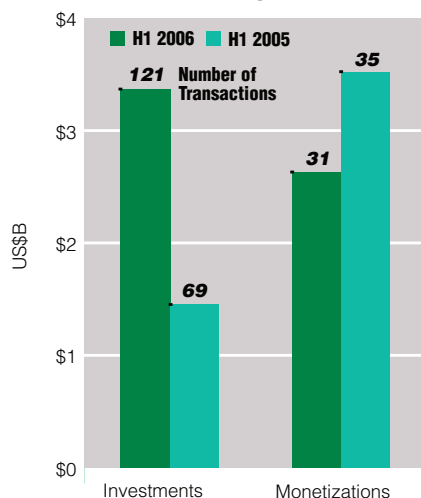
### The COSCO Index: Capital Availability



**Transaction activity.** The additional graph compares the investment and monetization levels of The COSCO Index in first-half 2006 with that of first-half 2005. Obviously, current activity levels are running well ahead of the same period last year: 75% for number

*Editor's Note: Twice a year, we will publish The COSCO Index report to indicate the level of private capital available and current energy investment activity.*

### The COSCO Index: Transaction Activity



of investments, 132% for aggregate size and 32% for average size. This significant increase in activity can be attributed to the sheer amount of funds private capital sources have available to deploy—and the fact that its managers are under real pressure from their institutional investors to put it to work—as well as the continued reorganization of the industry itself, which, through mergers and acquisitions, is liberating many new, competent teams that are legitimate candidates for private capital.

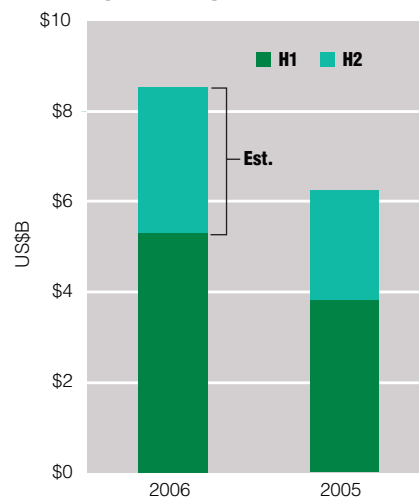
Add to this the significant number of private-capital portfolio companies that have, themselves, been monetized during the past year and the level of new commitments is not surprising.

Finally, the substantial increase in product prices during the past three years and advancements in drilling and completion technologies during the past decade have unlocked vast unconventional and bypassed resources, whose risk profiles many financial investors find compatible.

Also shown is the monetization activity for The COSCO Index during the study periods. These figures alone, of all those reported, indicate a slowing this year versus last year: an 11% decline in the number of divestitures, and a 25% decrease in the aggregate amount. This may indicate that private-capital managements are becoming less concerned about cycle rotation and more about their reinvestment risks, thus opting for longer holds and less turnover, a trend most portfolio managements will cheer.

**Funding activity.** Finally, as shown in a last graph, the increases in capital available to The COSCO Index for investing

### The COSCO Index: Funding Activity



in energy are directly attributable to the \$8.6 billion of new capital they have raised, or expect to raise, in 2006, added to the \$6.3 billion they raised in 2005.

—Cameron O. Smith and  
Craig M.I. Campbell,  
COSCO Capital Management LLC

### The COSCO Index Members Table

Equity Sources (16)	Mandate
ARC Financial Corp. (Canada)	Energy
Altira Group LLC	Energy
Avista Capital Partners	Energy
The Blackstone Group	General
Energy Trust Partners LP	Energy
First Reserve Corp.	Energy
Goldman Sachs & Co.	Energy
Greenhill Capital Partners LLC	General
HM Capital Partners LLC	General
Kayne Anderson Capital Advisors LP	Energy
Kern Energy Partners Management Ltd. (Canada)	Energy
Lime Rock Management	Energy
Metalmark Capital LLC	General
Quantum Energy Partners	Energy
Riverstone Holdings LLC	Energy
Touradji Capital Management LP	Energy
Mezzanine Sources (6)	
Constellation Energy Commodities Group	Energy
GasRock Capital LLC	Energy
NGP Capital Resources Co.	Energy
Petrobridge Investment Management LLC	Energy
Prospect Energy Corp.	Energy
TCW Asset Management	Energy
<b>Total COSCO Index</b>	<b>22</b>