

COSCO CAPITAL MANAGEMENT LLC

CORPORATE BACKGROUND:

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

Since its establishment in 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-plus years, alone, COSCO has assisted investor clients to purchase or sell over \$400MM of portfolio companies and has worked with energy companies,



COSCO managing directors Cameron O. Smith, right, and William E. Weidner. Missing is Lane W. McKay, the newest managing director.

themselves, to access over \$350MM 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 generally assessing and improving management practices.

In addition to its offices in New York, Hartford, and Stamford, COSCO has personnel and colleagues in Houston, Tulsa, Oklahoma City, Phoenix, and Calgary. The majority of COSCO's personnel, moreover, have worked within the energy business before joining COSCO, and two of COSCO's three Managing Directors have advanced technical degrees in geology. COSCO, therefore, has an unparalleled capacity to source investment opportunities and conduct primary due diligence on individuals, companies, and specific projects, making it one of the preeminent investment banking energy specialists in North America.

COSCO SERVICES

Capital Formation. COSCO specializes in assisting energy companies to raise private capital, particularly corporate equity and project mezzanine debt. Often this capital is sourced from those very

\$750Million — Energy Private Placements and Transactions (January 2000—April 2003)

Industry Client	Financing Source/Size	Purpose
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 \$18.75MM (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
Mannix Oil Company, Inc. (Tulsa OK) April 2001	Williams Production \$36MM (US)	Sale of Company
Crutcher-Tufts Resources, L.P. (New Orleans LA) July 2000	Aquila Energy Secured Notes \$76.9MM (US)	For Private Partnership's Infill Drilling Program in California
Action Energy Corporation (Calgary AB) June 2000	Natural Gas Partners Common Stock \$7.2MM (C)	For Private Canadian Exploitation/Development Company
Mannix Oil Company, Inc. (Tulsa OK) January 2000	Shell Capital Inc. Secured Notes \$40MM (US)	For Coalbed Methane Development in Arkoma Basin
Capital Source/Client	Transaction Size	Purpose
Morgan Stanley Private Capital (New York NY) December 2002	\$200+MM (US) (Exact Amount Not Disclosed)	Purchase of Aquila Oil & Gas Mezzanine Portfolio
Emerging Markets Partnership (Washington DC) August 2000	\$30.7MM (US). Common & Pref. Stock	Investment in PAE Mauritius Ltd for Development and Acquisitions in Africa
Warburg Pincus (New York NY) April 1999	(Not Disclosed)	Sale of Canadian Portfolio Company

professional investors to which COSCO has provided 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 all equity financings it arranges.

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



In the COSCO team are, seated from left, William E. Weidner, and Cameron O. Smith. Standing, from left, are Reva White, Scott Kessey, Christopher Tasik, and Sharon Younger. Missing: Lane W. McKay (in Canada).

within the Industry include Shell Canada, Arena, Tufts, Novus, and Momentum, among many others.

Mergers & Acquisitions/Divestitures. 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 senior management members, moreover, have years of industry experience, permitting it insights into management and projects that often elude Wall Street or Bay Street investment bankers. COSCO's experience in structuring deals and in raising capital is often crucial in completing successful transactions.

Management. COSCO personnel have occasionally assumed interim responsibility as officers and directors of companies requiring restructuring or remedial

action. Members of COSCO's senior management have started, built, and managed successful energy companies in the U.S. and Canada. On behalf of clients, they have managed bankruptcies, as well as major reorganizations. As a result, COSCO is particularly effective for financial stakeholders who require alternate management perspectives, implementation of transition strategies, or experienced board members to oversee their investments.

Research. COSCO maintains current information on over one-hundred professional investors active in energy investment. These include energy specific funds and affiliates of corporations that allocate budgets each year to finance energy projects or provide capital to energy teams. COSCO is the only firm that through questionnaires and annual conferences collects critical data on these investors regarding their current investment criteria, capital availability, and investment activity. COSCO also has developed a calling base of over 500 institutional investors that regularly invest in energy, principally through these funds.

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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