

PetroFunders

Offering a Modern Approach to Investing in Energy

Date: November 30, 2020

Industry: Oil & Gas

Summary:



petrofundersusa.com



2255 S. Wadsworth Blvd.
Suite 106
Lakewood, CO 80227



info@petrofundersusa.com



404-421-5373

Company Background:

PetroFunders was founded by Maurice Dukes and Ryan Werking in an effort to expand access to income producing investments opportunities in the oil and gas sector. After decades of evaluating and investing in private oil & gas deals, the team welcomed the opportunity to leverage their deep industry knowledge to benefit investors.

Current Stage

Stage of development:

- Entities are formed.
- Company is preparing to raise capital in preparation to launch first fund.

Exit Strategy:

- As both the investor community and demand for liquidity grows, the PetroExchange platform will be launched by the PetroFunders team.
- PetroExchange will be a secondary market to meet the demand for investors who wish to buy, sell, or trade oil and gas interests from their investments.

VALUATION:

Company Pre-Money:
\$12,186,981

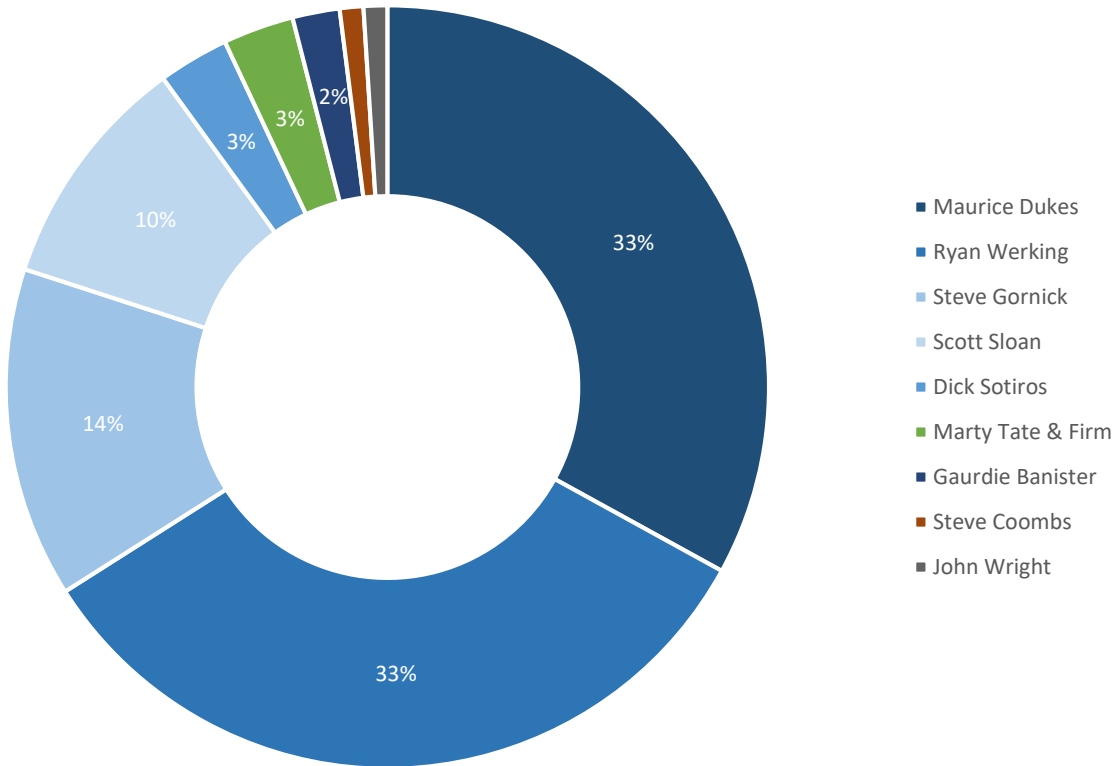
Company Post-Money:
\$13,254,172

**Clear Rating Valuation
Range:**
\$12,000,000 – \$14,000,000

- **SIC Code: 1389/6792**
- **Deal Structure Summary**
 - Crowdfunding
- **Round Size:**
 - \$1,067,191
- **Key Management:**
- **CEO / Co-Founder – (Maurice Dukes)**
 - B.S. in Petroleum Engineering from University of Oklahoma
- **COO / Co-Founder – (Ryan Werking)**
 - B.S. in Petroleum Engineering from Colorado School of Mines
- **CIO – (Steve Gornick, MS)**
 - B.S. in Petroleum Engineering, M.S. in Economics from Colorado School of Mines

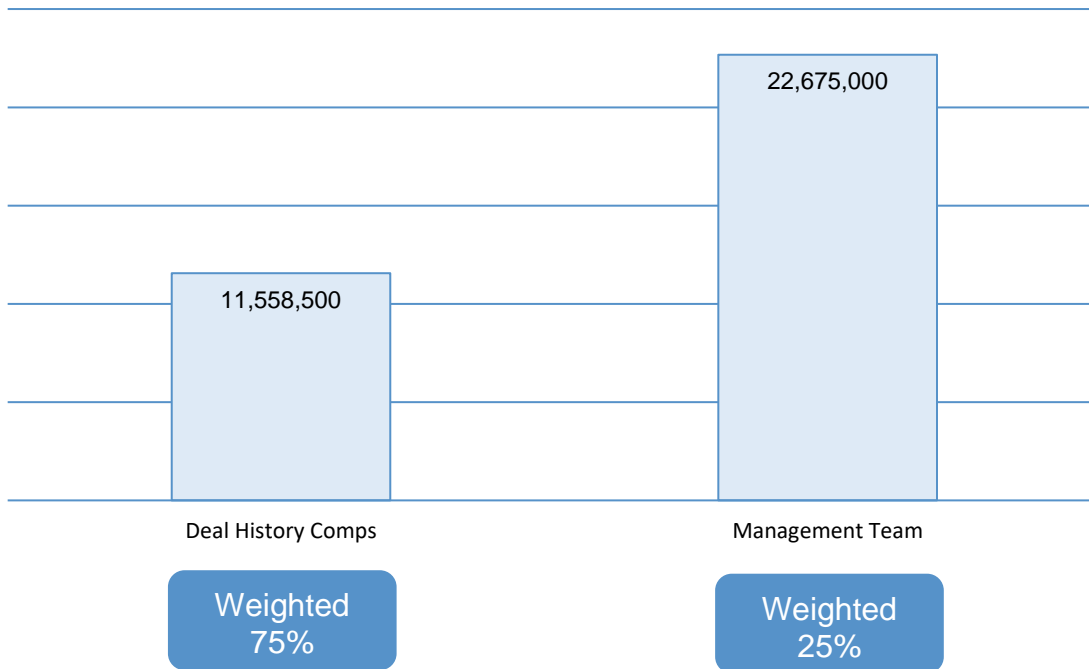
Valuated: November 30, 2020

Current Ownership



Ownership Description	
Maurice Dukes	Mr. Dukes co-founded PetroFunders in 2019. Previously, he held corporate reservoir engineering positions for a Caerus Oil & Gas, a private equity backed E&P company.
Ryan Werking	Mr. Werking co-founded PetroFunders in 2019. Previously, he founded a contracting company which specializes in robust financial modeling for various independents & national oil companies with projects ranging up to \$600 million.
Steve Gornick	Mr. Gornick has over 30 years of oil and gas experience, and has been directing operations, increasing production and proven reserves, and evaluating oil and gas reservoirs in North America since 1990.
Scott Sloan	Mr. Sloan has over 30 years of oil and gas experience. He brings deep knowledge of upstream A&D processes, partnerships and corporate governance with previous senior leadership roles including SVP of Strategy for Hess and President of BP Russia. Most recently he served as President and CEO of Vanguard Natural Res.

The Valuation



Valuation Method	Item / Descriptor	Value	Weight	Relevance Factor
Deal History Comps	Comparison to Seed and Private Equity Fundraising Rounds	\$11,558,500	75%	
Management Team		\$22,675,000	25%	
Weighted Average		\$14,337,625		
Equity Discount Rate	Risk Discount Factors <ul style="list-style-type: none"> • Early Round of Capital Raise • SEC Regulations • Energy Market Cycle 	Consolidated Risked Discount Factor		15%
		Multiplier of the Weighted Average of the Consolidated Valuations Methods		85%
Pre-Money Valuation		\$12,186,981		
Clear Rating Valuation Range: \$12mm – \$14mm				

PetroFunders Comps Method: \$11,558,500

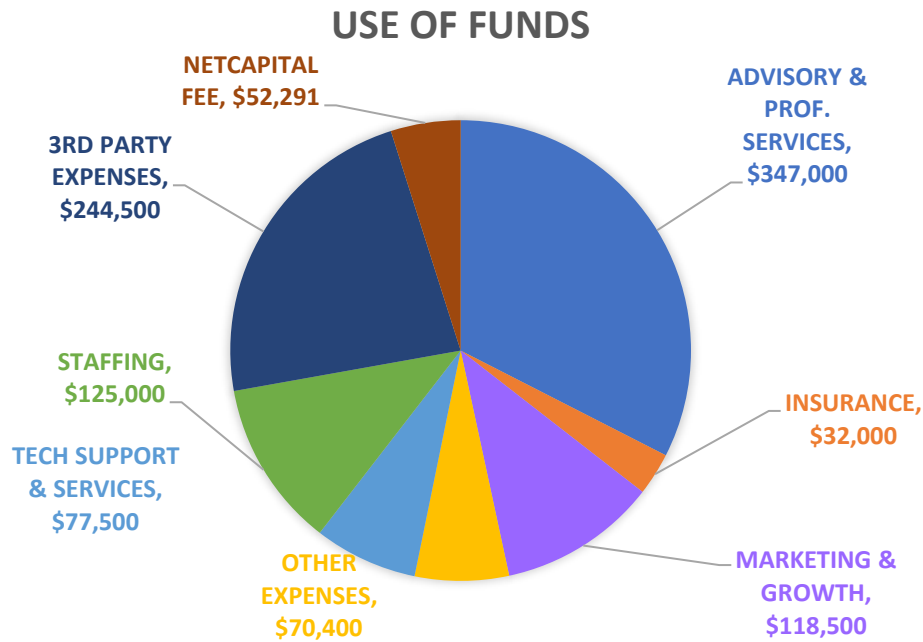
Total Revenue	Total Assets	Net Income	Profitability Ratio	Efficiency Ratio
Pre-Revenue	N/A	N/A	N/A	N/A

Company Name	Latest Deal Type	Date	Deal Size
PetroFunders	Crowdfunding	TBA	\$1,067,191
Energy Funders	Seed Round	02/01/2019	\$290,000
Energy & Minerals Group Fund V LP	Fund Raise	04/30/2020	\$215,300,000
Kimbell Royalty	Common Equity	01/09/2020	\$77,500,000
Kimmeridge Mineral Fund LP	Fund Raise	08/07/2019	\$118,040,000

Company Name	Weight (toward Comp Valuation)	Last Valuation/Market Cap	Relevance
Energy Funders	50%	\$10,000,000	\$10,000,000
Energy & Minerals Group Fund V LP	16.67%	\$720,000,000	\$18,000,000
Kimbell Royalty	16.67%	\$585,000,000	\$14,625,000
Kimmeridge Mineral Fund LP	16.67%	\$269,040,000	\$6,725,000
PetroFunders		Valuation: \$11,558,500	

Use of Funds

Capital Raise: \$1,067,191



Advisory/Professional Services (32.5%)

Work with law firm/landman to develop turn-key contracts with operators for the various fund products

3rd Party Expenses (22.9%)

SEC compliance, land/technical due diligence, marketing Reg. A+ offering, transaction costs

Staffing (11.7%)

Hire a marketing director and add additional customer support/investor relations roles

Marketing/Growth (11.1%)

NAPE Conference, social media ads (LinkedIn, Facebook, Instagram, etc.)

Tech Support/Services (7.3%)

- Upgrades and customary work to platform for better user experience
- Software required for managing royalty funds

Other Expenses (6.6%)

Travel to meet with investors

Netcapital Fee (4.9%)

Fee due upon completion of current round

Insurance (3.0%)

General liability insurance

Business Overview

Executive Summary

The Quick Pitch

PetroFunders has a fintech-powered platform that connects crowdfunding investors with attractive, energy-focused funds across multiple industry segments, while simultaneously providing traditional oil & gas companies access to a new, dynamic capital source.

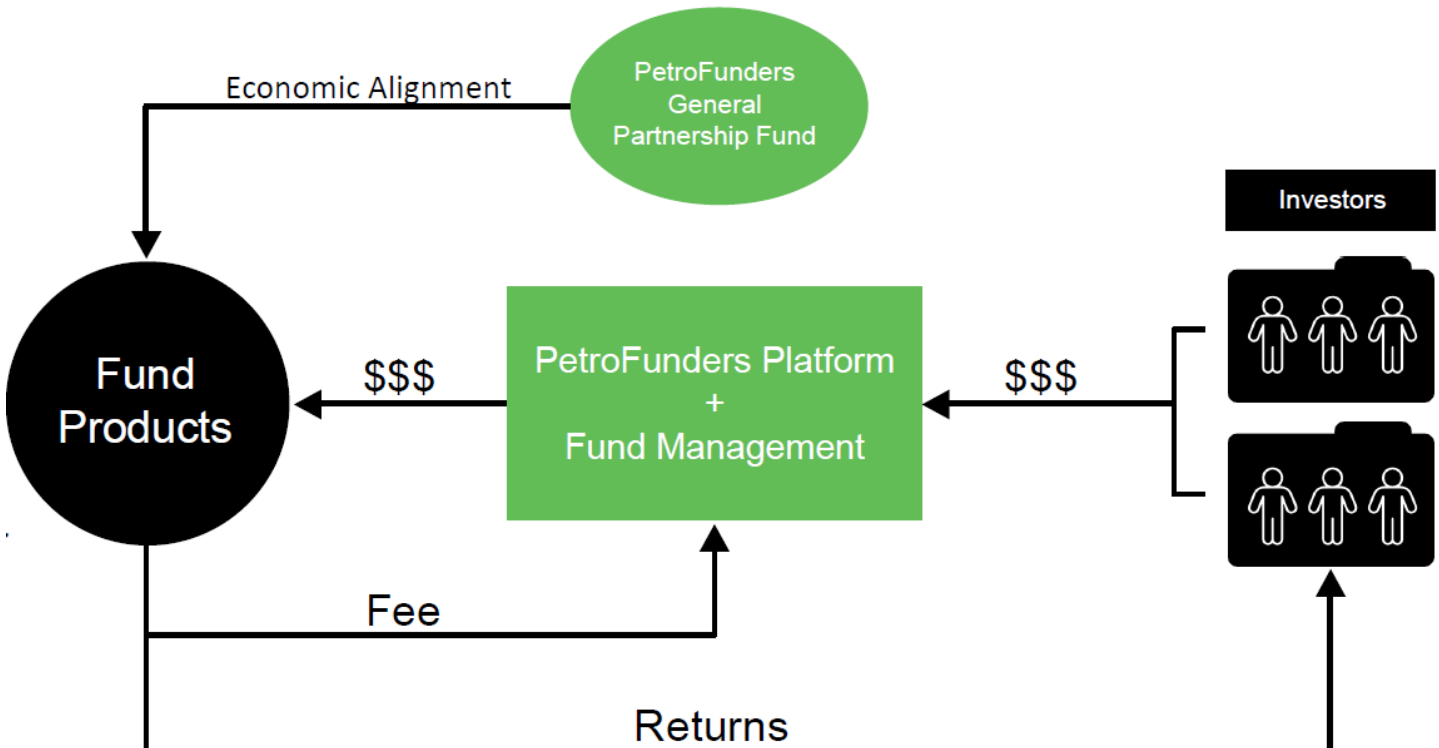
The Problem

The oil & gas industry is outdated when it comes to raising capital. Raising funds is challenging for small oil & gas companies seeking < \$25 million. Equity crowdfunding has not entered the oil & gas sector to serve small U.S. companies. Additionally, there is no easy way for investors to access tailored investment products in the oil & gas market.

The Solution

- Platform – An online platform where users can access oil & gas investment products
- Transparency – Simplified terms makes navigating oil & gas investments easier for all users
- Reduced Risk – Over 100 years of industry experience allows users to invest with confidence
- ESG Standards – Environmental, Social, and Governance standards cater to the socially conscious

Business Model:



Team & Organization

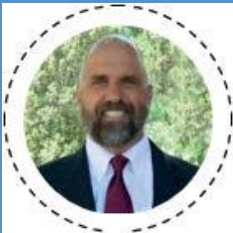
Management & Team



Mr. Dukes co-founded PetroFunders in 2019. Previously, he held corporate reservoir engineering positions for Caerus Oil & Gas, a private equity backed E&P company. At Caerus he was instrumental in maintaining and increasing the enterprise value exceeding \$1 billion. He has expert technical and A&D experience with oil & gas assets across Texas, Louisiana, North Dakota, Wyoming, Colorado and Utah. He has shown expertise in bringing forth material high value projects that meet or exceed acceptable market hurdle rates. During his time at QEP Resources he launched an industry leading refrac program in the Haynesville and oversaw \$35 million non-operated budget. He holds a B.S. in Petroleum Engineering from University of Oklahoma.



Mr. Werking co-founded PetroFunders in 2019. Previously, he founded a contracting company which specializes in robust financial modeling for various independents & national oil companies with projects ranging up to \$600 million. As an executive of the contracting firm, he led an effort to integrate international and state laws, well abandonment designs, and project management for domestic & international clients. He assisted with the 2nd edition of Oil and Gas Property Evaluations aka "The Blue Book". Mr. Werking holds a B.S. in Petroleum Engineering from Colorado School of Mines.



Mr. Gornick has over 30 years of oil and gas experience, and has been directing operations, increasing production and proven reserves, and evaluating oil and gas reservoirs in North America since 1990. Previously, Mr. Gornick was instrumental in expanding Whiting's production from around 10,000 barrels per day to over 150,000 barrels per day over a 10 year period. While at QEP Resources, he was responsible for adding 35 million barrels of proved reserves. Steve holds a B.S. in Petroleum Engineering and an MS in Mineral Economics/ Operations Research from the Colorado School of Mines.



Mr. Sloan has over 30 years of oil and gas experience. Most recently as President and CEO he oversaw the completion of over a dozen US onshore divestments by Vanguard Natural Resources to mostly private operators and gained relevant insights into PetroFunders' marketplace. Previously Mr. Sloan held senior leadership roles including SVP of Strategy for Hess and President of BP Russia; numerous corporate and business unit level CFO roles; and A&D oriented roles such as M&A Director for BP. Mr. Sloan has extensive experience in the board room as a director for companies including Vanguard Natural Resources, TNK and Medgaz. He graduated from Colgate University with BA in Economics (Honors) and from the University of Chicago with an MBA.



Mr. Sotiros has 36 years of experience in accounting. He has spent the past 15 years as a member of the accounting firm of Sotiros & Sotiros, LLC, Certified Public Accountants, which includes clients in the oil and gas industry. As a CPA, he has been part of M&A activity with various clients, aggregating \$50 million in deals. He was responsible for annual payments in excess of \$500 million for film and television participating interests. Mr. Sotiros has a Bachelor's Degree in business from the University of Colorado, Boulder.



Mr. Tate is a nationally recognized securities, finance and fintech attorney and counsels clients throughout the U.S. and internationally on structured finance, private and public securities offerings, fintech, initial coin offerings and tokens sales, SEC reporting, real estate financings, venture capital and angel financings, fund formation and compliance, business formation and corporate governance. Throughout his career, he has provided counsel in association with over \$500 million in debt and equity financings.

Products & Services

Investment Products/Funds

Investment Product	Projected Launch	Risk	Diversification	Target IRR	Description
Royalty Fund	Q1 2021	Lowest	Highest	Low-to-medium	<ul style="list-style-type: none"> Designed to purchase cash-flowing royalties for landowners or operators. Flexible to purchase either mineral rights, ORRI or VPP Pro-forma assumes a 7-year payback
Well Repair Fund	Q4 2021	Low-to-medium	High	Medium	<ul style="list-style-type: none"> Designed to help operators who have limited budget allocated towards their workover program Likely structured as limited term ORRI – PetroFunders/investors fund the workovers and keep ORRI until 2.5x ROI, then ORRI returned to operator
Development Fund	TBA	Medium-to-high	Medium	High	<ul style="list-style-type: none"> Designed to fund a variety of development projects
Acquisition Fund	TBA	Highest	Low	Highest	<ul style="list-style-type: none"> Designed to be an equity investment in >\$100mm asset acquisitions. As capital markets dry up, management teams are stuck with capital providers who have now become predatory in nature with their deal terms. This fund will aim to undercut that market.

Competitive Analysis

Feature Comparison – Market and Competition				
	PetroFunders	Energy Funders	Energy & Minerals Group	Kimmeridge Energy
Focused Oil & Gas Background	Yes	No	Yes	Yes
Targeting Retail Investors	Yes	Yes	No	No
Looks for Producing Assets ONLY	Yes	No	No	No
Diversification Into Each Major Basin	Yes	No	Yes	No
Proprietary Investing Software	Yes	Yes	No	No
Works with both accredited and non-accredited investors	Yes	No	No	No
Source: Clear Rating, and public sources				

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Valuations:

Bespoke reports and analysis on valuations, methods, structures and relevant issues. Reports are designed to assist a reader's understanding of company or project. The valuations are not designed as the sole instrument for decision-making purposes, but a piece of the due diligence process.

Ratings - Multidimensional Instrument Rating Methodology:

The proprietary methodology consists of factual and subjective modeling in three (3) areas that include management experience, revenue and cash flow analysis, and risk factors and mitigation.

X axis – Weighting 40%	Management experience and relevance.
Y axis – Weighting 35%	Project or company revenue and cash flow metrics and strength.
Z axis – Weighting 25%	Project or company risk factors and mitigation.

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