



# Brean Capital, LLC E&P Best Ideas Conference

November 07, 2012





# Cautionary Language

Cautionary Note to U.S. Investors: This presentation includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The opinions, forecasts, projections or other statements, other than statements of historical fact, are forward-looking statements. Although Warren Resources ("Warren" or "WRES") believes that the expectations reflected in such forward-looking statements are reasonable, they can give no assurance that such expectations will prove to have been correct. Additionally, in its filings with the SEC, Warren is permitted to disclose only proved reserves, which are reserve estimates that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Warren uses certain terms in this presentation, such as "potential", "possible" and "recoverable" in relation to reserves, which SEC guidelines strictly prohibit from being included in filings with the SEC. Estimates of "potential", "possible" and "recoverable" reserves which may potentially be recoverable through additional drilling or recovery techniques are by their nature more uncertain than estimates of proved reserves and accordingly are subject to substantially greater risk of not actually being realized by the Company. Investors are urged to consider closely Warren's disclosure of its proved reserves, along with certain risk factors and uncertainties inherent in its business set forth in its Form 10K, Forms 10Q and other filings with the SEC.

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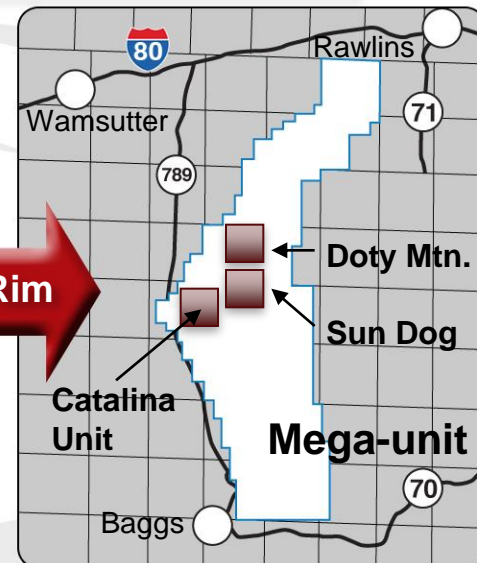
# Areas of Operations



## Warren Resources, Inc.

- Proved Net Reserves as of 12/31/11:  
22.3 mmboe (15 oil, 7.3 natural gas)
- 46% oil reserve growth in 2011
- Current Average Net Production:  
5,500 boepd (~3500 bopd oil, 2000 boepd gas)

- ★ Reserves
- Offices
- Areas of Exploration and Development Activities



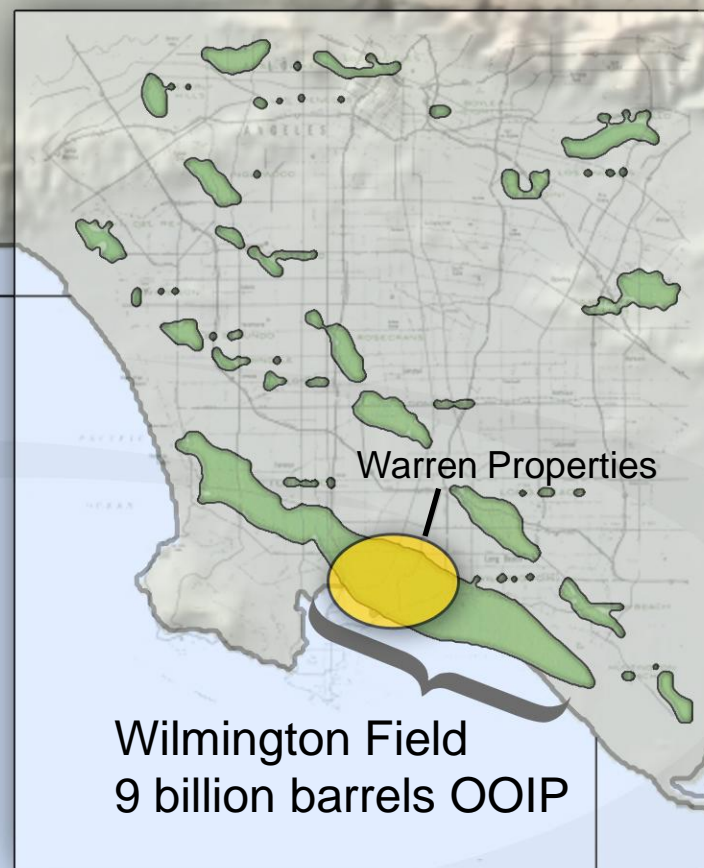
# California: Wilmington Oil Field

## Overview

### Warren Property Highlights

- Within the 3rd largest U.S. oilfield
- Shallow waterfloods in the Tar, Ranger and Upper Terminal formations
  - 9° - 17° gravity oil
- Deeper Ford formation with light oil potential drilled in late 2011
  - 30° - 35° gravity oil
- Stacked pay from 2600' to 8000'
- Target Rate of Return of 60% at \$80 Midway Sunset oil pricing and over 100% at \$100 Midway Sunset price

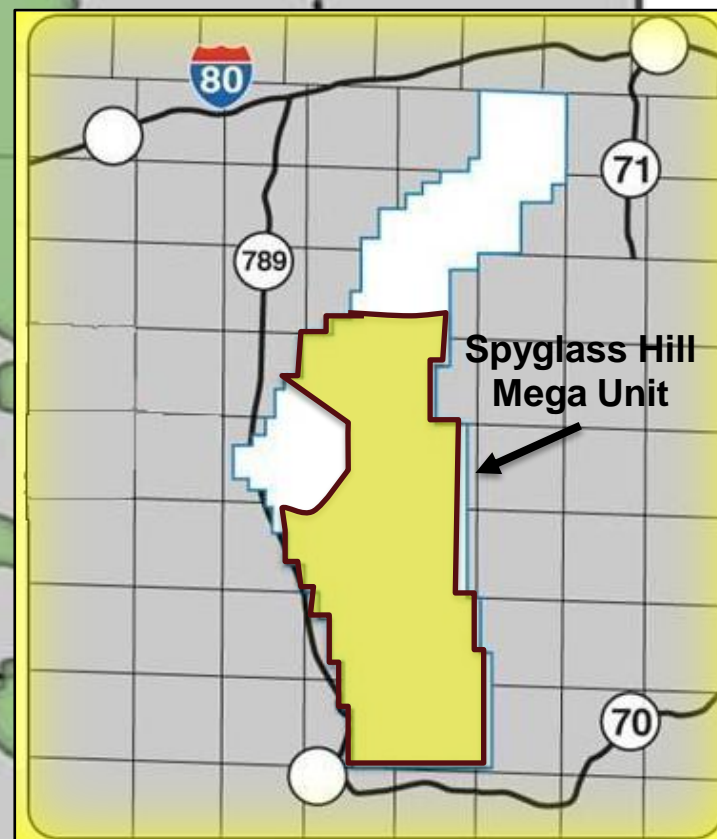
## Los Angeles



# Wyoming: Atlantic Rim CBM Gas

## Warren Property Highlights

- **Spyglass Hill Mega Unit: 113,000 gross acres**
- **25-well per year Unit drilling commitment for 10 years**
- **1 Bcf estimated EUR per 80 acre well location @ \$700k per well**
- **Continued success with CBM fracture stimulation program**
- **Niobrara exploratory drilling being evaluated**





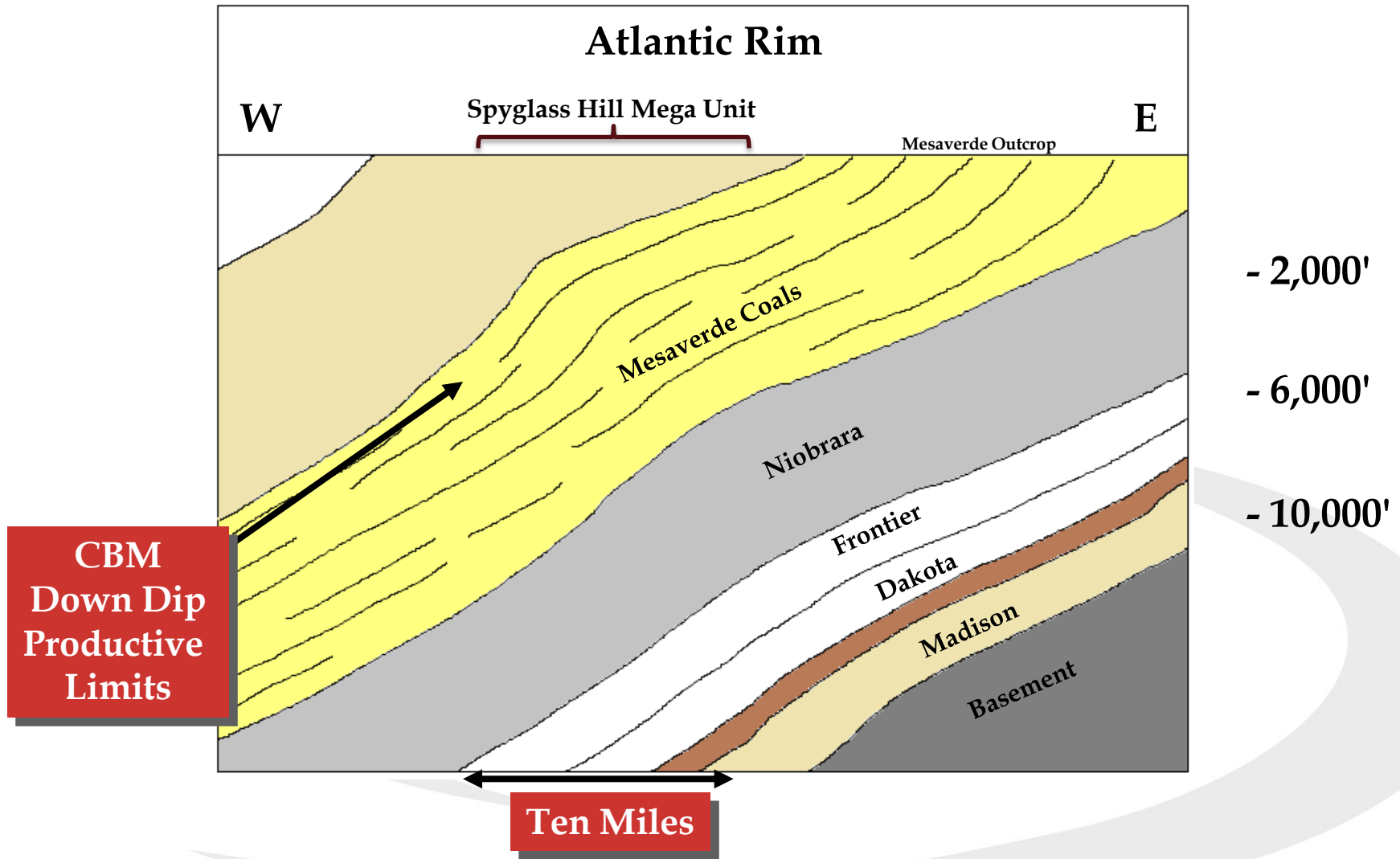
## Acquisition of Anadarko Interests – Atlantic Rim

On October 9, 2012 Warren acquired:

- 79% of Anadarko's oil and gas working interest (41.5% working interest) in the Spyglass Hill Unit
  - 26.5% of its interests in the Catalina Unit in the Atlantic Rim project in WY, and
  - 100% of Western Gas Resources' interest in the midstream pipeline and compression assets in the Atlantic Rim
- 
- Purchase price for oil and gas assets: \$12.1 million
  - Purchase price for midstream assets: \$4 million
  - Purchased producing gas reserves for approximately \$1,500 per flowing Mcf
  - Adds of approximately 7 Mcf/day of production
  - Potential operating costs reductions
  - Hedged 7 MMbtu/day with swaps at \$ 3.39 per MMbtu for 2013 and \$3.78 per MMbtu for 2014



# Atlantic Rim Producing Zones



# Reasons to Invest

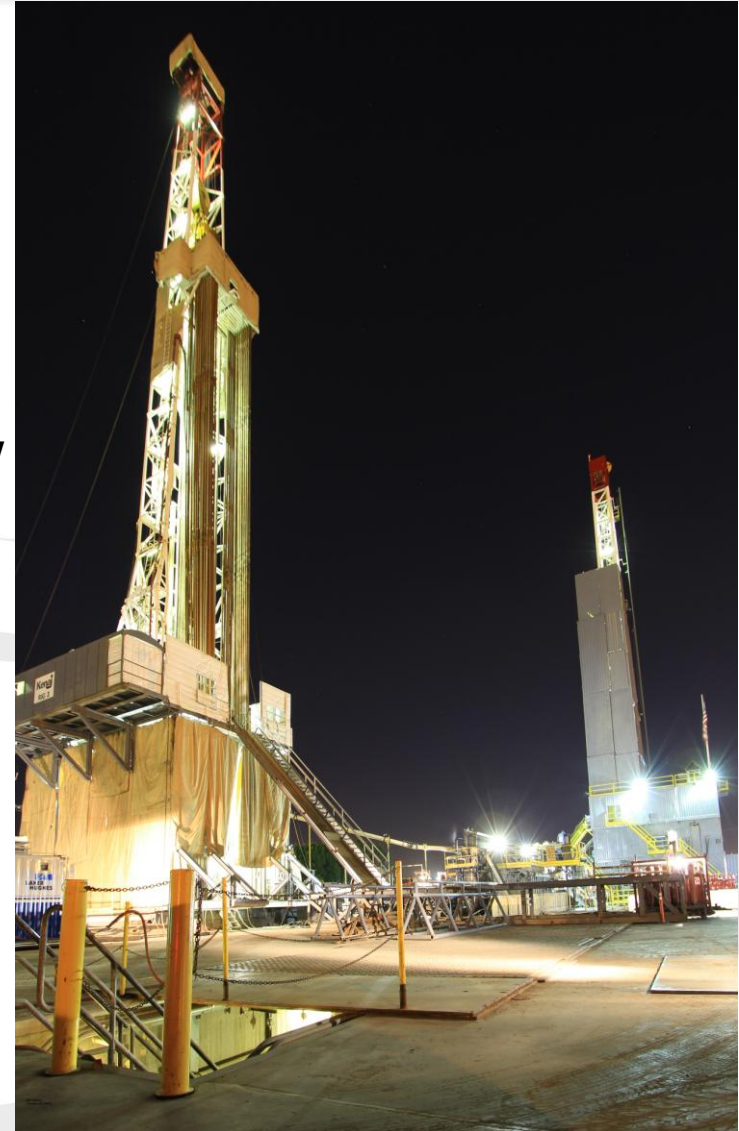
- **Oil-weighted producer: 90% by revenue**
  - **22% CAGR 6-year oil production growth**
  - **Top quartile Total Shareholder Return vs Peers over past 3 years**
  - **>60% rate of return targeted for 2012 new wells**
- **Attractive Oil Assets in #3 U.S. Field**
  - **15 mmbo proved, plus 25-30 mmbo potential**
  - **200+ identified producing well locations:**
    - **30-40 Tar, 60-70 Ranger wells**
    - **60-70 Upper Terminal, 50-60 Ford wells**
  - **2013: 3D Seismic shoot could identify wells in the 237, Schist and deeper horizons**
  - **Daily production of 4,000 bopd (gross)**
  - **Strong Brent-like oil pricing; 99% WI**
- **CBM Natural Gas production with Niobrara exploratory oil shale potential in Wyoming**
  - **CBM gas holds 70,000 acres in oil shale**





# Business Strategy

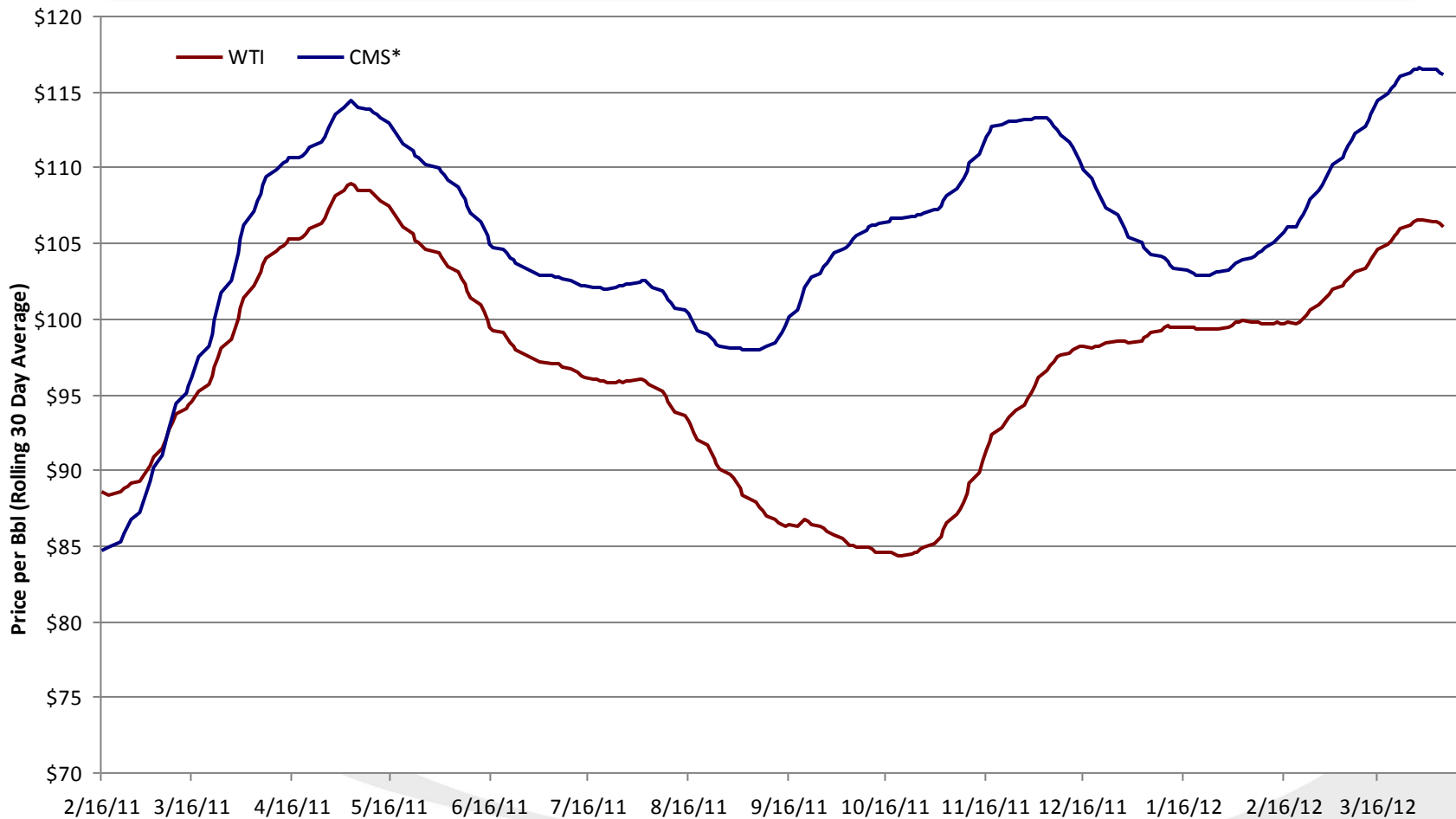
- **Production & Reserves Growth**
  - 6-8 year oil drilling inventory in CA with 25-30 mmbo net reserve additions potential
  - 46% oil reserve growth in 2011
  - 20+ year gas drilling inventory in Wyoming
- **Fund 2012 capex of \$68mm within cash flow**
- **Drive production and unit cost performance**
  - 22% CAGR 6-year oil production growth
  - Lease operating expenses declined 26% from 2005 to 2011
- **Hedge at least 50% of annual oil production**
  - 2012: 500,000 barrels of oil downside protection with puts at \$90 Brent pricing (no price ceiling on oil hedges)





# WTI-CMS Historical Prices

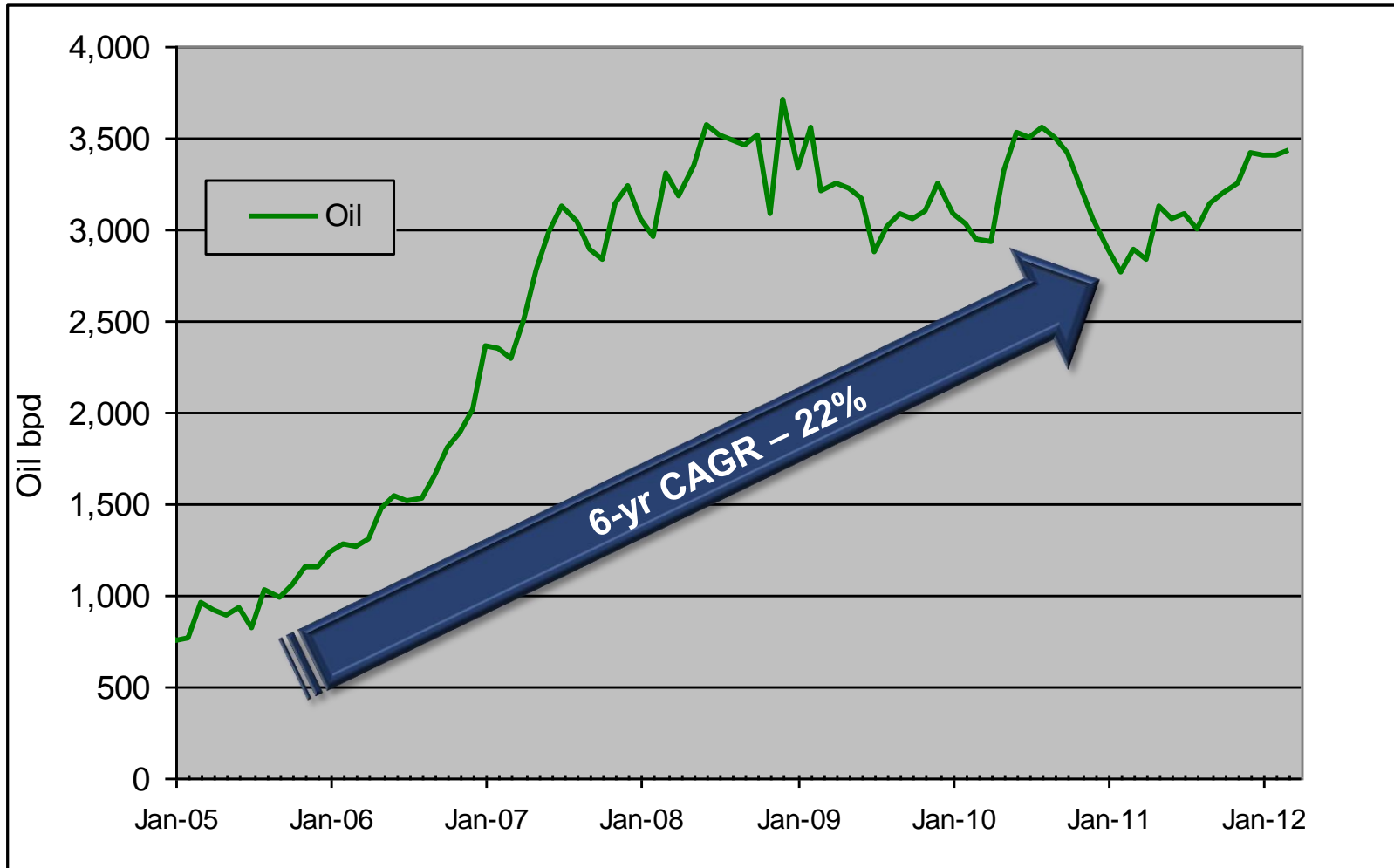
## WTI-CMS Historical Prices



\*CMS (California Midway Sunset) price was found by averaging the price Chevron-Texaco and Exxon-Mobil pay for CMS

# California: Recent Oil Production

## Warren California Oil Production

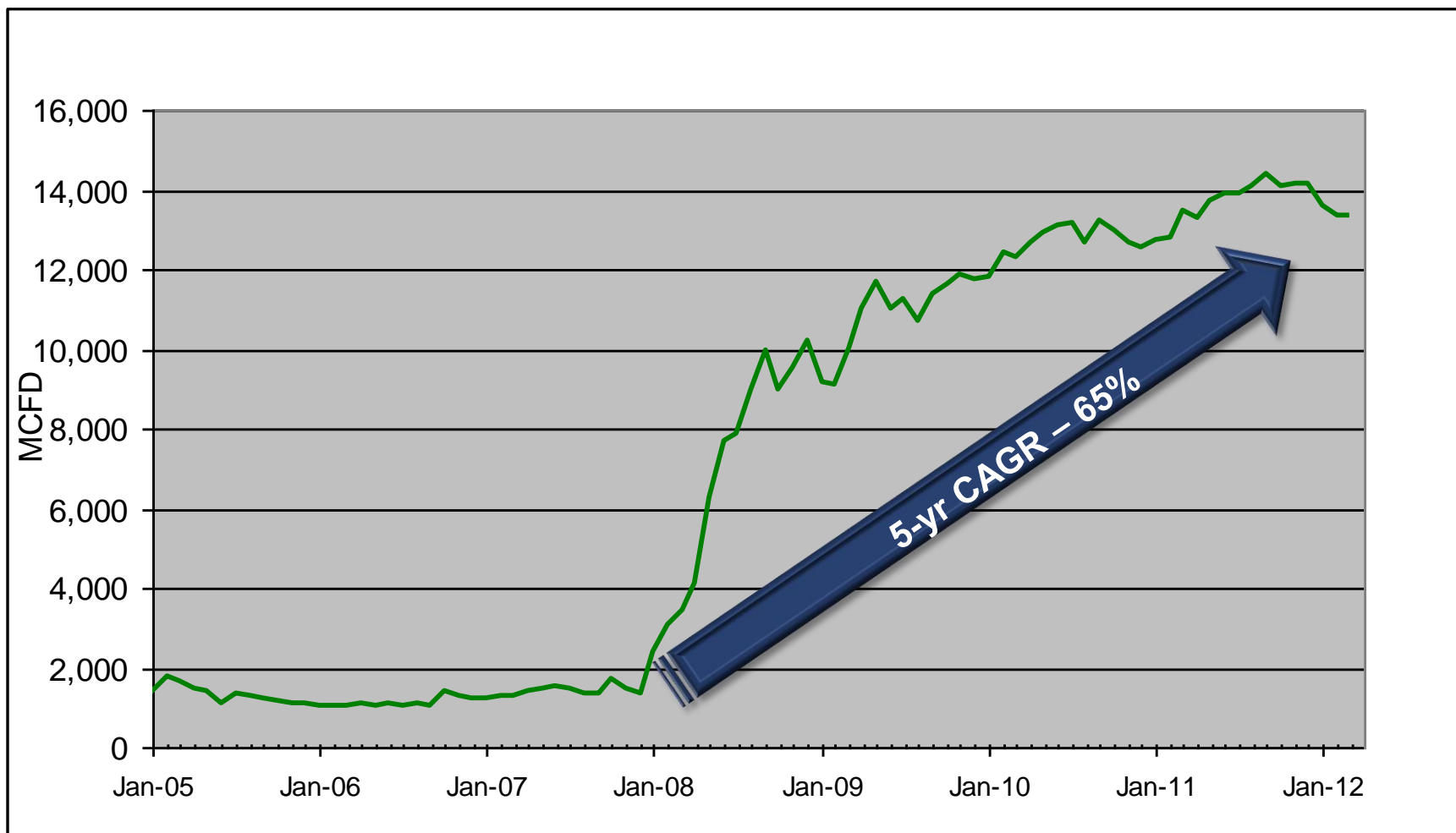






# Wyoming: Recent Gas Production

## Warren Production



# California Oil Development

## WTU Redevelopments since 1937

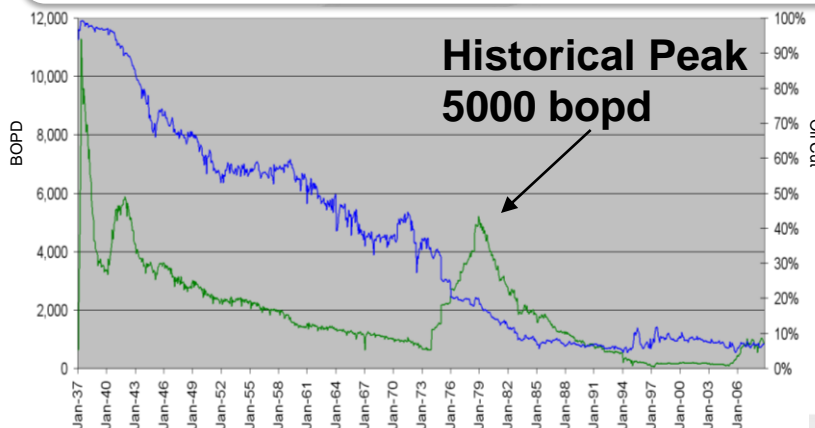
### Description

- Warren succeeded in redeveloping the Tar interval with targeted horizontal drilling, increasing production to 2,000 BOPD, equaling the primary peak
- Upper Terminal and Ranger zones are targeted for horizontal redevelopment with significant production potential

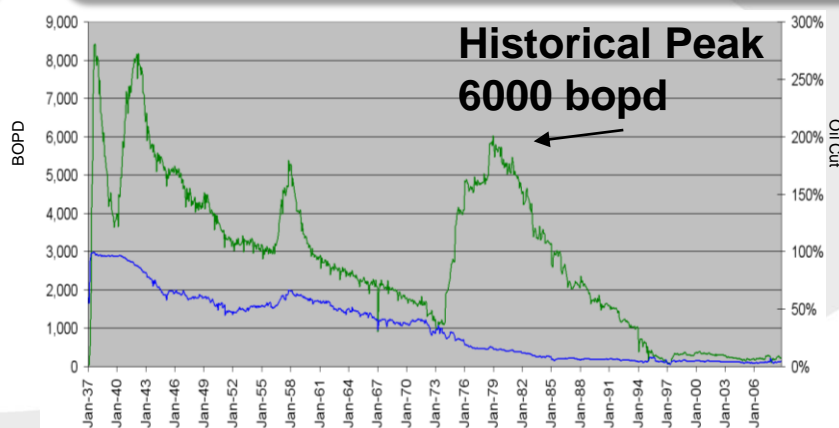
### Tar Historical BOPD



### Upper Terminal Historical BOPD



### Ranger Historical BOPD





# California: Wilmington Townlot Unit







# California Oil: Environmentally Friendly



**WTU CENTRALIZED DRILLING AND PRODUCTION CELLARS**

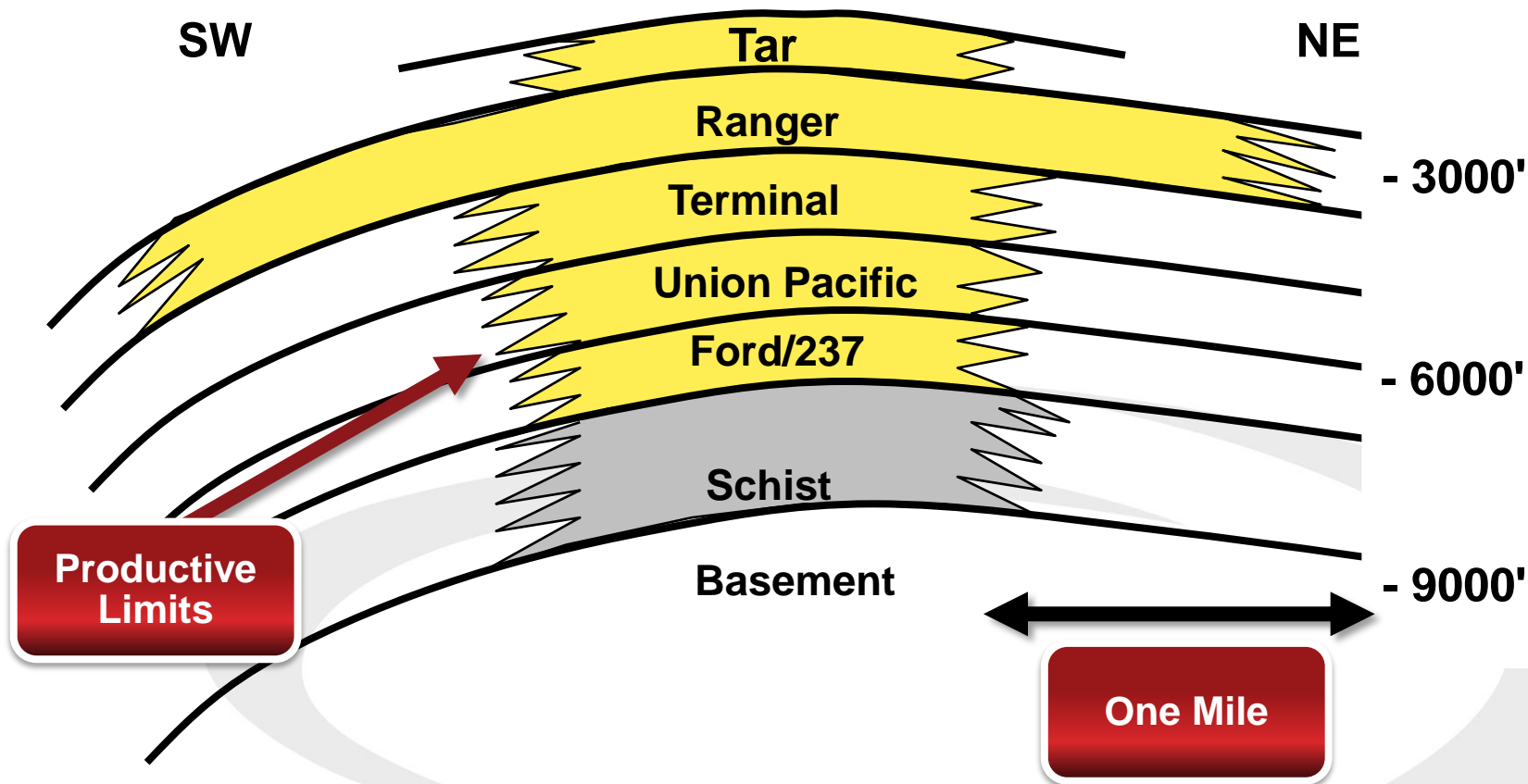
**\* Warren's drilling cellars received the IOGCC 2011 Environmental Stewardship Award for independent oil companies.**

WTU Cellar 1

# California Oil: Environmentally Friendly



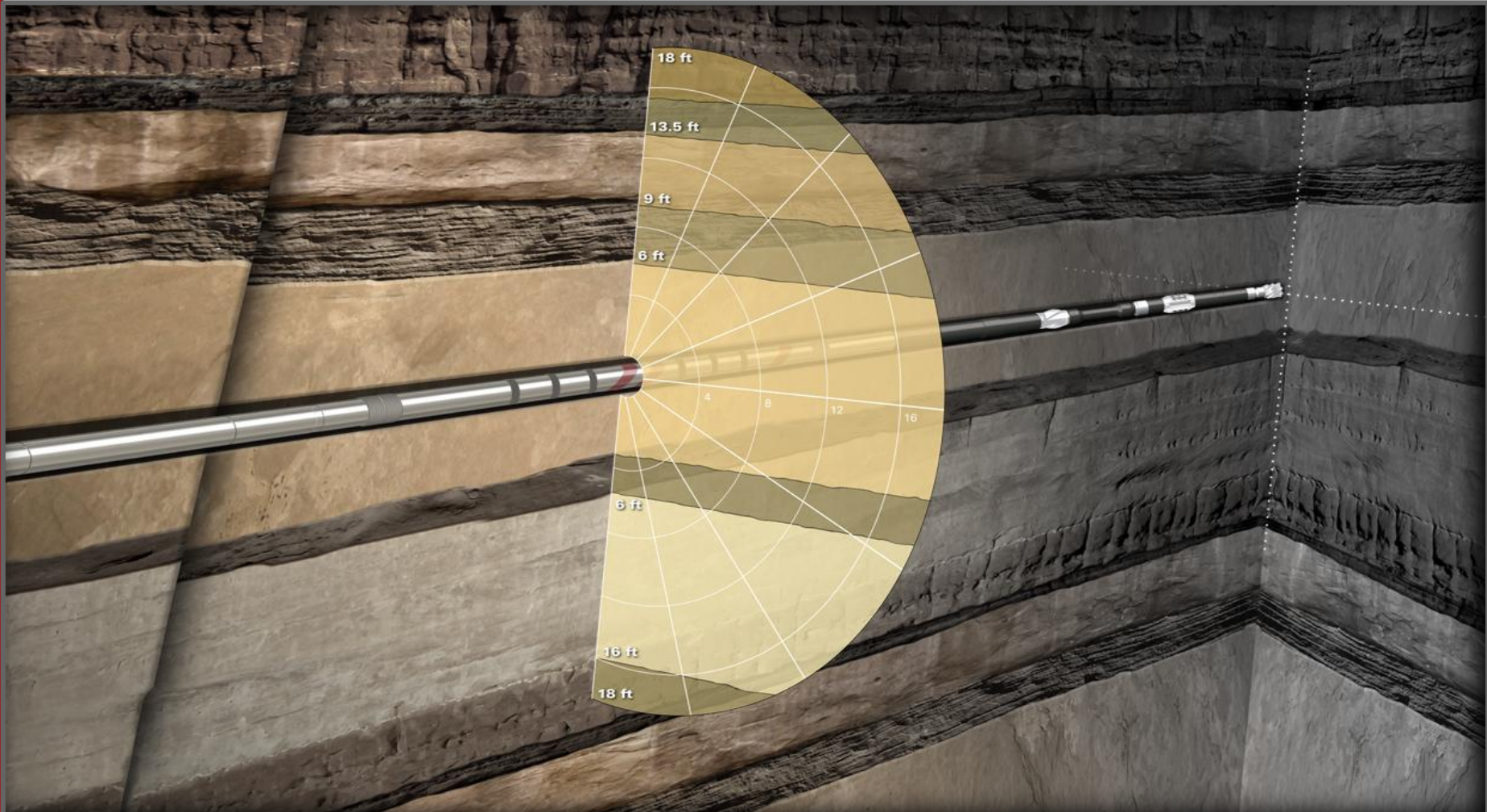
# California Oil: Wilmington Field Producing Zones





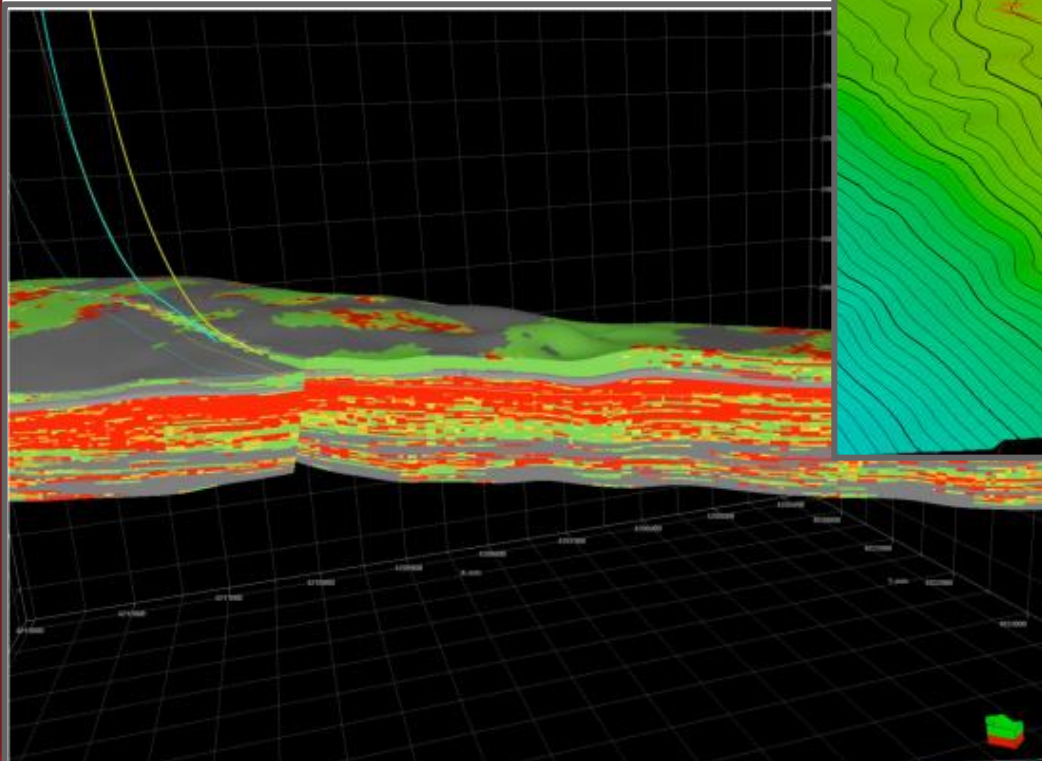
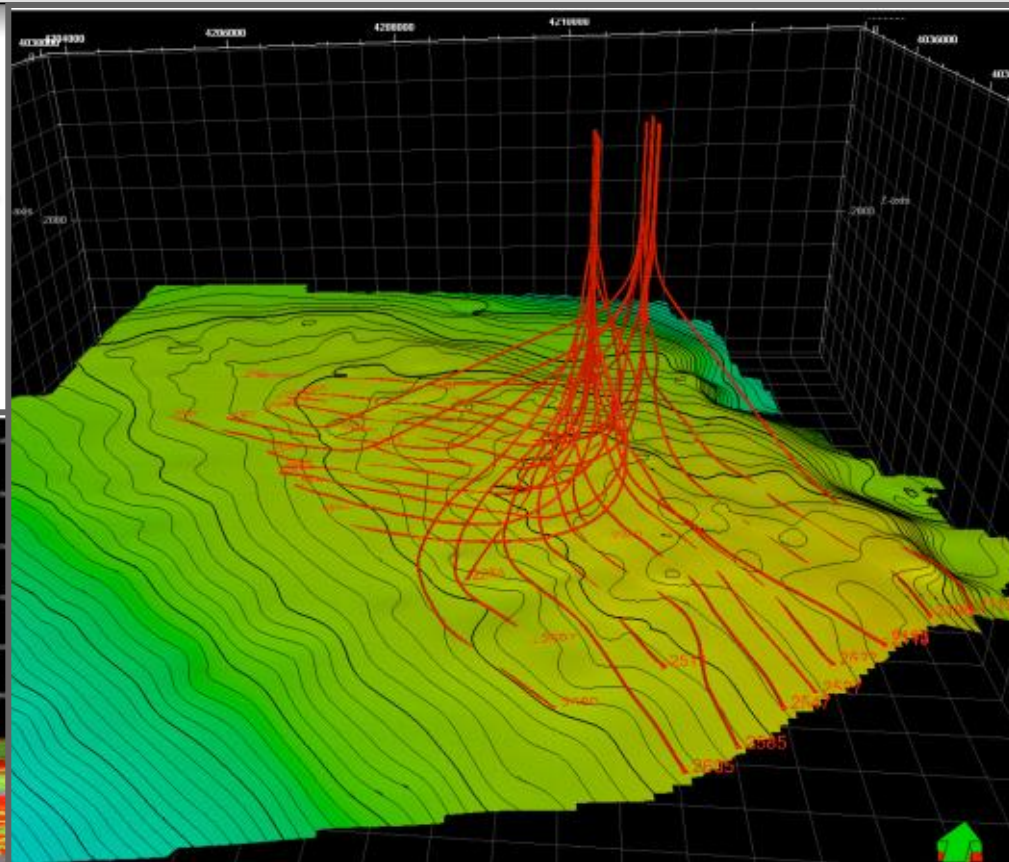
# California Oil: Reservoir Modeling and Drilling Technology

## Well Placement Utilizing State-of-the-Art LWD Technology



# California Oil: Tar Reservoir

**Tar Reservoir  
Horizontal  
Development**



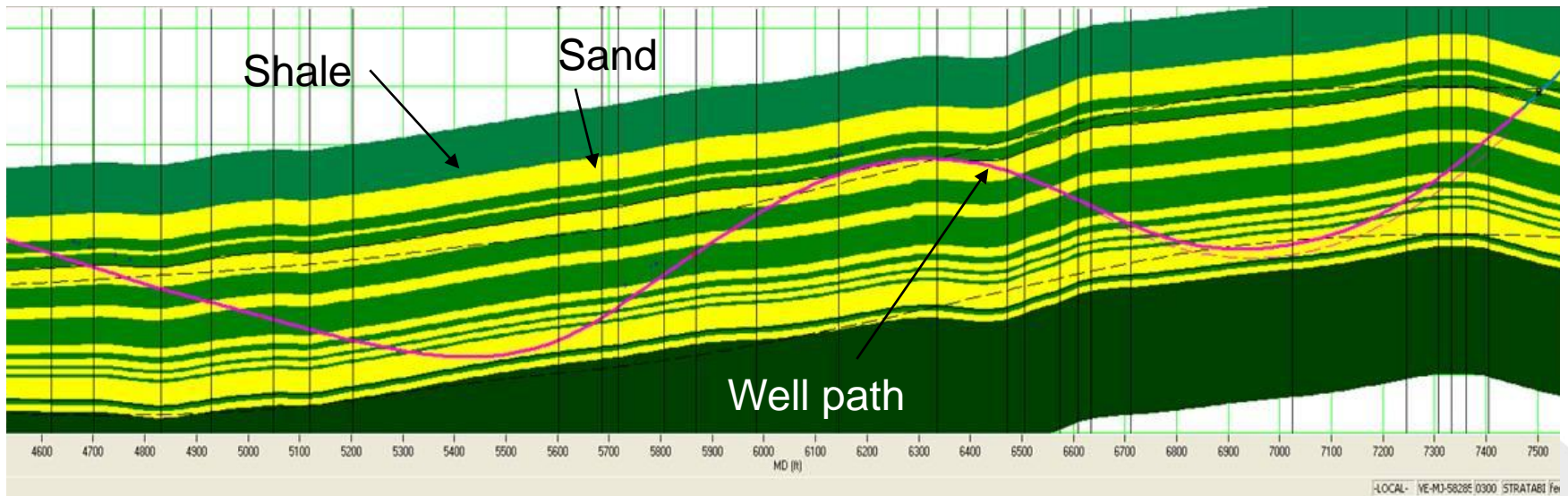
**Cross-section  
showing saturations  
in NW area of Tar**





# Targeted Sinusoidal Drilling

Actual NWU Ranger well path shown



- 180' amplitude Sinusoidal well shown above

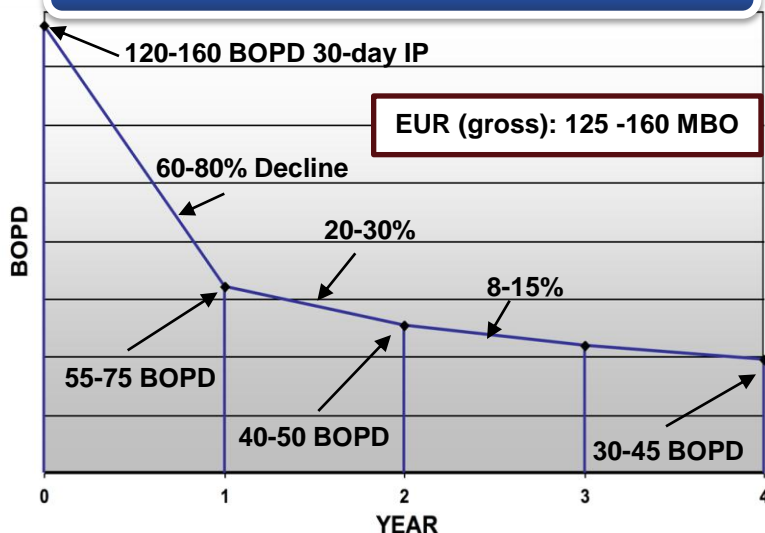


# California Oil: Tar 'Type Well'

## Illustrative Economics (1)

NYMEX Oil Price	\$80
Sales adjustment	<u>10%</u>
Realized Price (Boe)	\$72
LOE, Gathering & Transportation	(\$17.50 )
<b>Cash Flow</b>	<b>\$54.50</b>

## WTU Tar Type Curve



## IRR @ \$80 NYMEX = 100+%

<b>NYMEX Price Required for 10% ROR</b>	<b>\$45</b>
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## Illustrative Drilling and Completion Costs (1)

<b>BOE</b>	
EUR (gross in 000's)	148
NRI	81%
EUR (net in 000's)	121
Drilling (\$MM)	1.2
Completion (\$MM)	0.3
Total (\$MM)	1.5
<b>Development costs (\$/BOE)</b>	<b>\$12.40</b>



# 2012 Milestones

- **6 California DOGGR injection well permits received in 2012**
  - ✓ **Improved reservoir pressure maintenance will shallow production decline**
- **17 WTU oil wells drilled in 2012**
  - ✓ **Rate of return for 2012 new well drilling targeted at 60-100%**
- **First ever 3D Seismic shoot of WTU and NWU scheduled for Q1 2013**
  - ✓ **Interpretation by late 2013 could enhance reservoir characterization and identify deeper oil potential**
- **Secure 2<sup>nd</sup> drilling rig and begin drilling Ranger wells at NWU in Q1 13**
  - ✓ **Builds upon our successful 2008 6-well pilot**
- **Advance WTU Ranger, Upper Terminal and Ford drilling from the concept stage in 2011 to full-field development in 2013**
- **2012 oil production target growth of over 20%**
- **California oil prices correlating more with higher priced Brent crude**

# Strong Assets & Significant Accomplishments

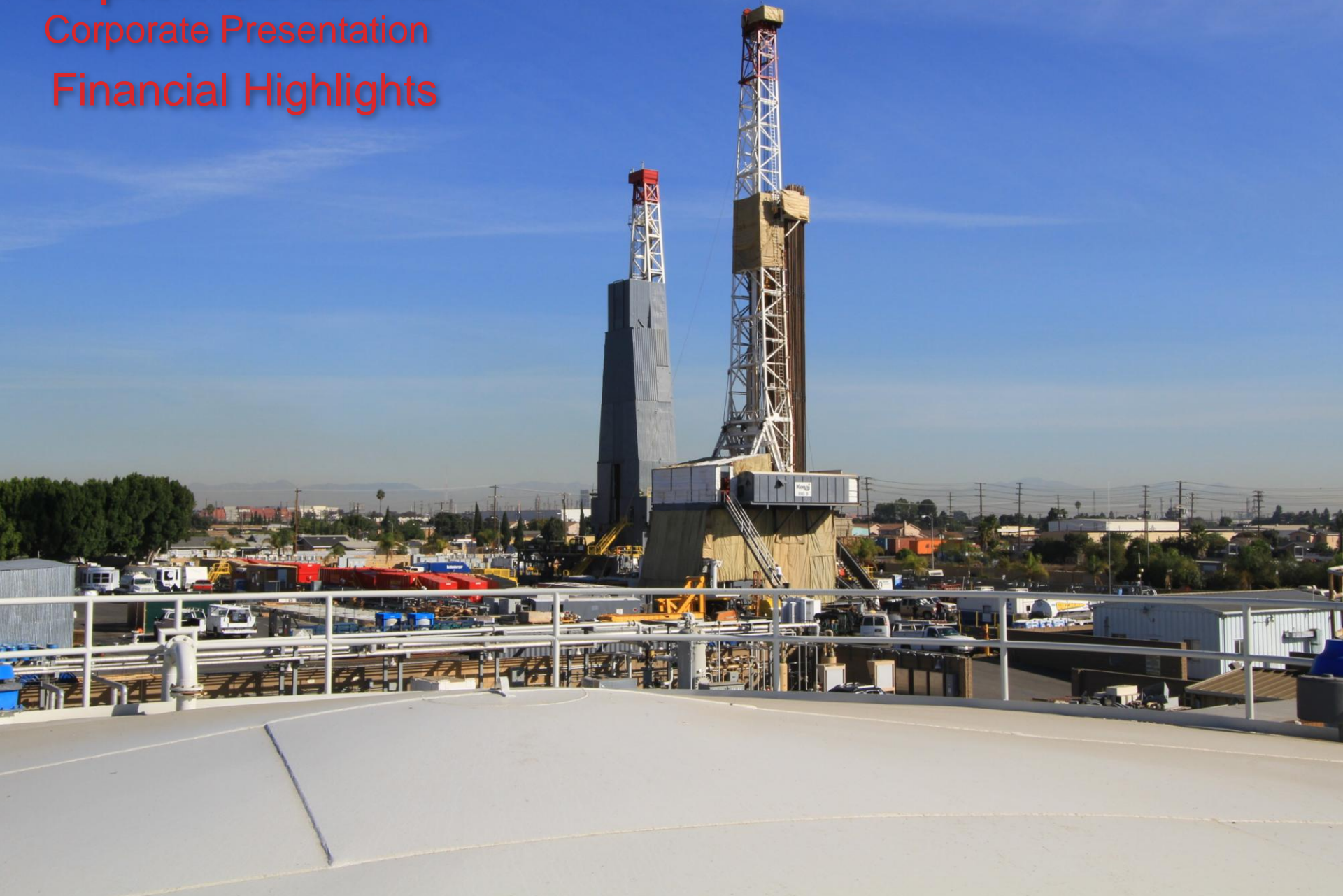
- **World Class Assets**
  - 25-30 mmbo oil reserves potential California
  - 250-300 bcf gas potential in Wyoming
- **Strong Growth Track Record**
  - 22% CAGR 6-year oil growth rate
  - 60-100% rate of return target on oil drilling
- **Technical Accomplishments**
  - Sinusoidal horizontal drilling
  - Geologic modeling with latest technology
  - Highly Targeted Wells
  - Industry-leading oil & gas facilities
  - A company-owned, modern drilling rig
  - A model for urban oil development in LA
- **Strong Leadership and Technical Teams**
  - Core team together for over 5 years with almost 175 years of industry experience
  - A track record of sound decision-making
  - A focus on improving & economic success



# September 2012

## Corporate Presentation

### Financial Highlights





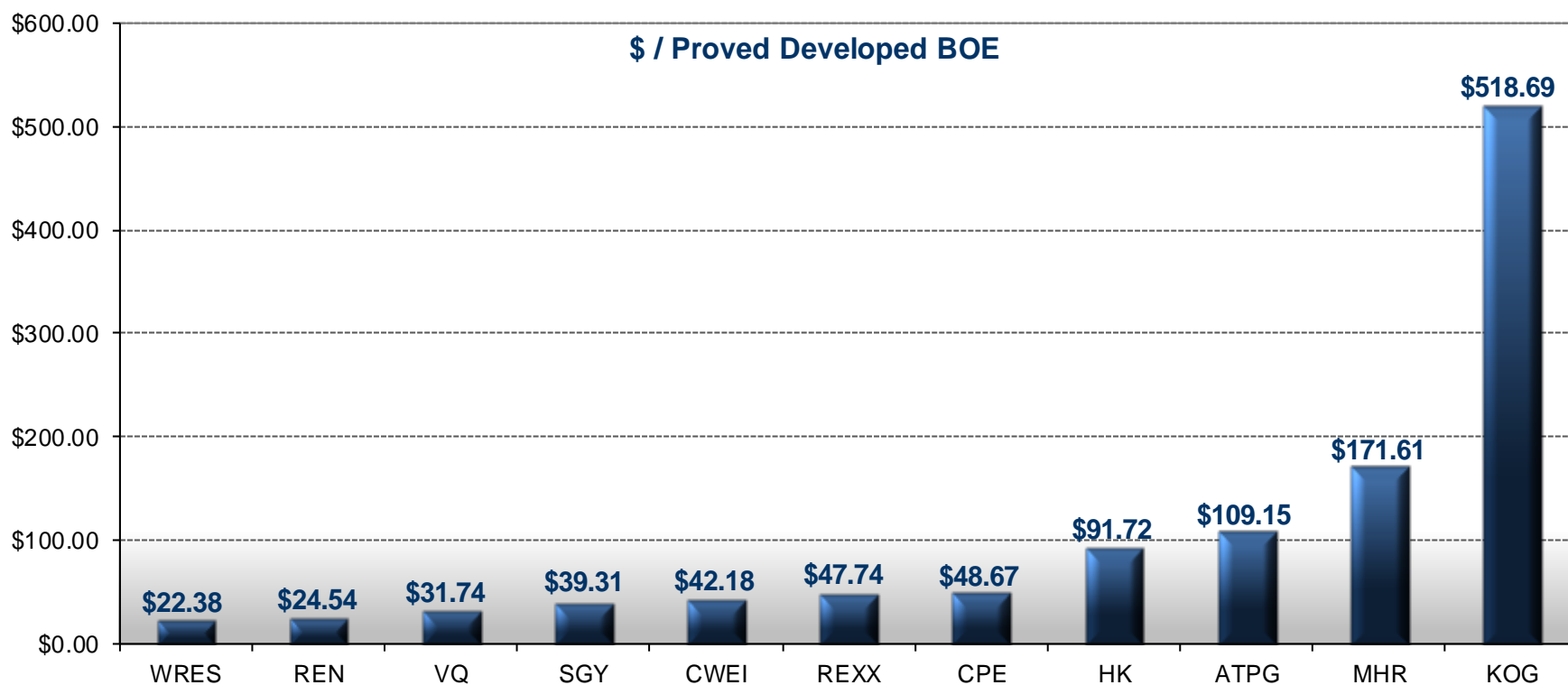


# Historical Financial Performance

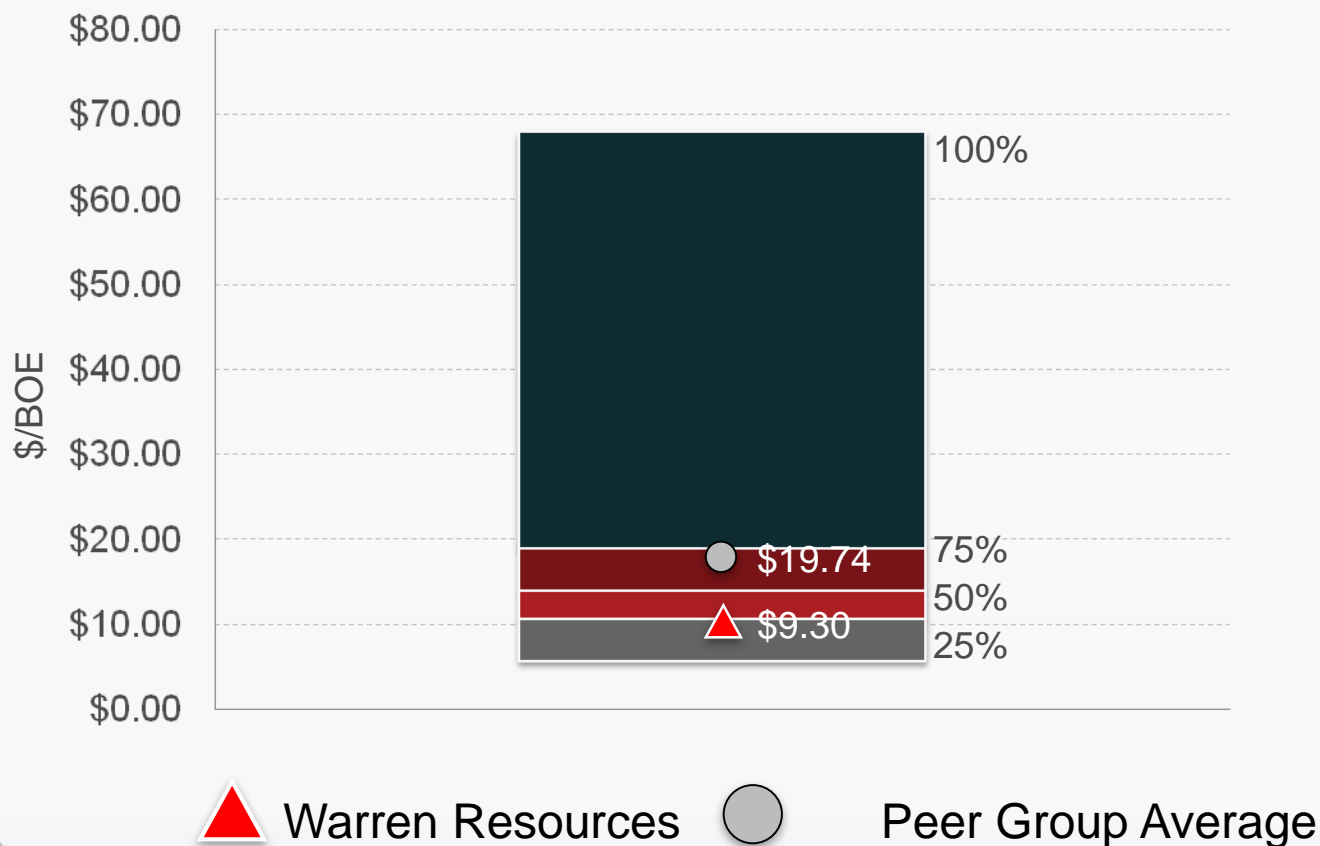
	6 months Ended 2012	Year Ended 2011	Year Ended 2010	Year Ended 2009
Total production (MBOE)	954	1,748	1,744	1,600
Adjusted EBITDAX	\$31,667	\$50,511	\$52,061	\$25,581
<u>Balance Sheet Information</u>				
Cash and Cash Equivalents	\$8,131	\$10,614	\$11,092	\$17,238
Total Long-Term Liabilities	\$119,788	\$110,327	\$87,280	\$103,713
Total Stockholders' Equity	\$184,058	\$174,091	\$150,673	\$128,758
Total Capitalization	\$303,846	\$284,418	\$237,953	\$232,471
<u>Key Credit Statistics</u>				
Current assets/Current liabilities (min 1:1)	1.8x	1.8x	3.2x	3.8x
EBITDAX / Interest expense (min 2.5:1)	21.5x	19.1x	16.3x	4.6x
Debt / Total capitalization	34%	34%	29%	39%

# Peer Valuations

## Enterprise Value per Proved Developed BOE



## Peer Analysis: 2-Year F&D

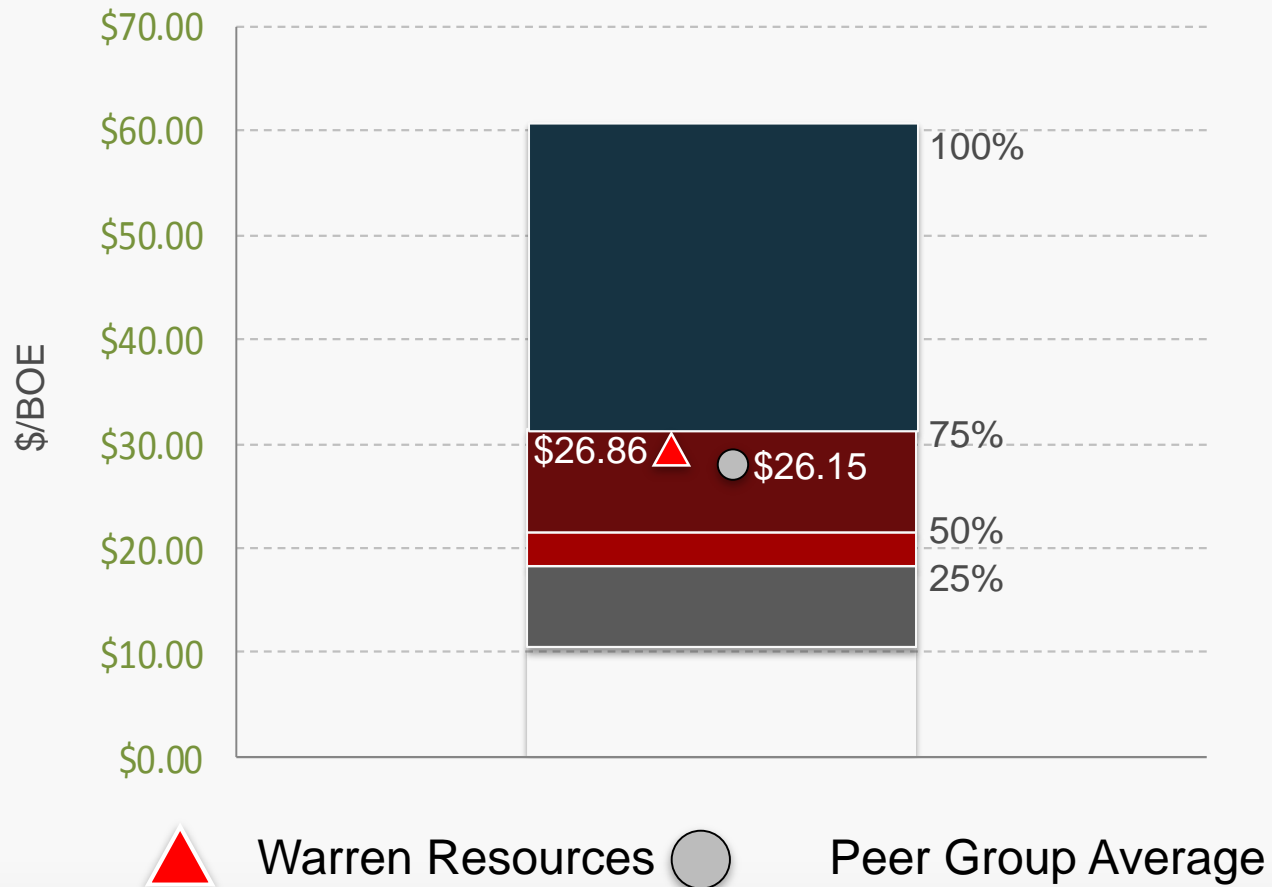


Source: EnerCom, Inc. Five Factor Model™

\* Costs incurred divided by the sum of extension, discoveries, revisions and purchases.



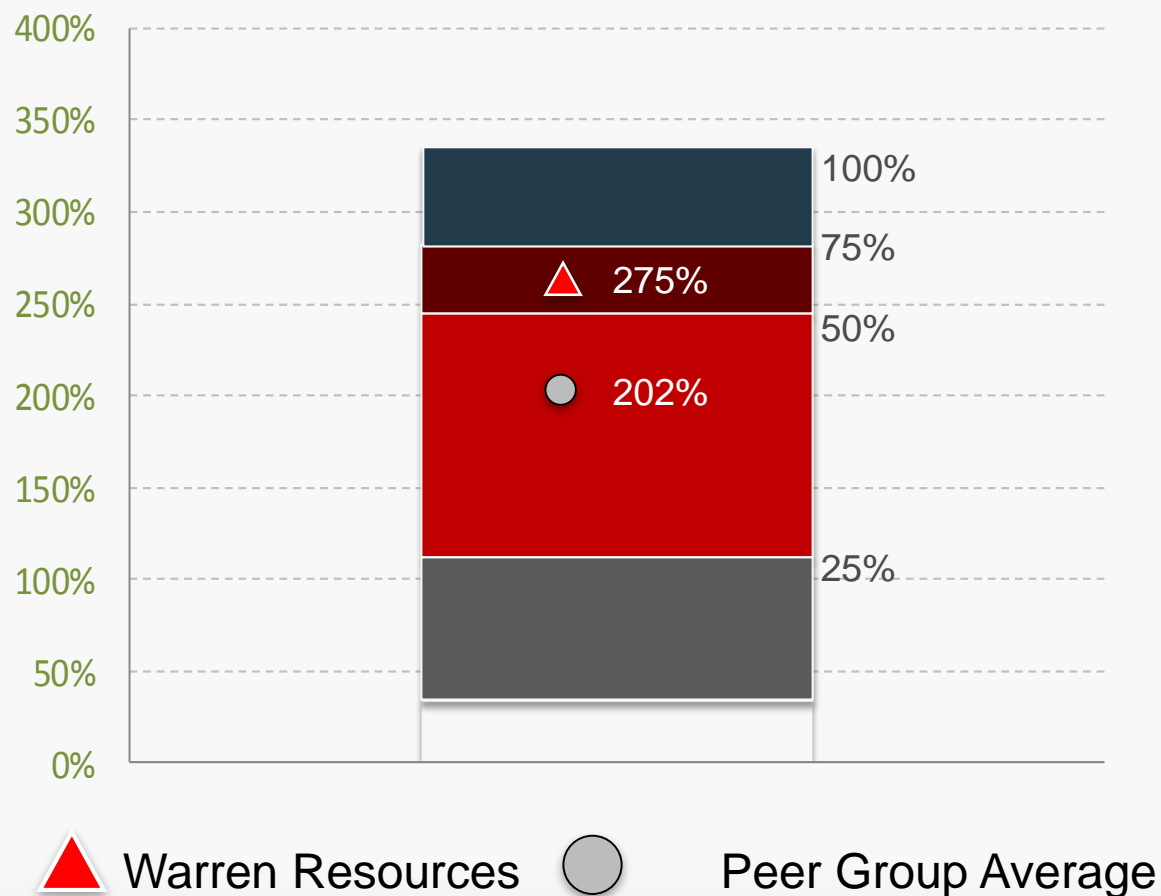
## Peer Analysis: TTM OPEX/G&A



Source: EnerCom, Inc. Five Factor Model™

\* (OPEX + G&A) divided by production from continuing operations.

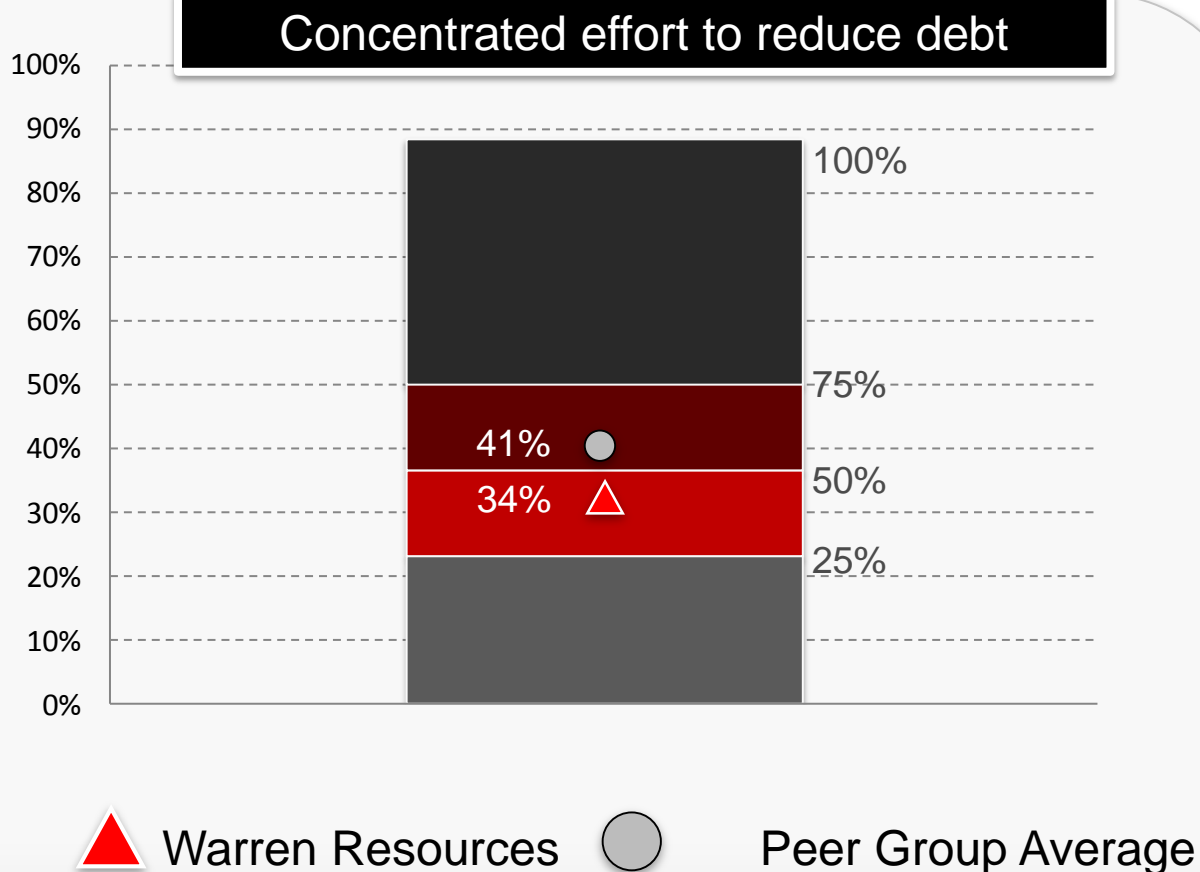
## Peer Analysis: TTM Capital Efficiency



Source: EnerCom, Inc. Five Factor Model™

\* (TTM EBITDA divided by TTM production) divided by 2-year F&D costs.

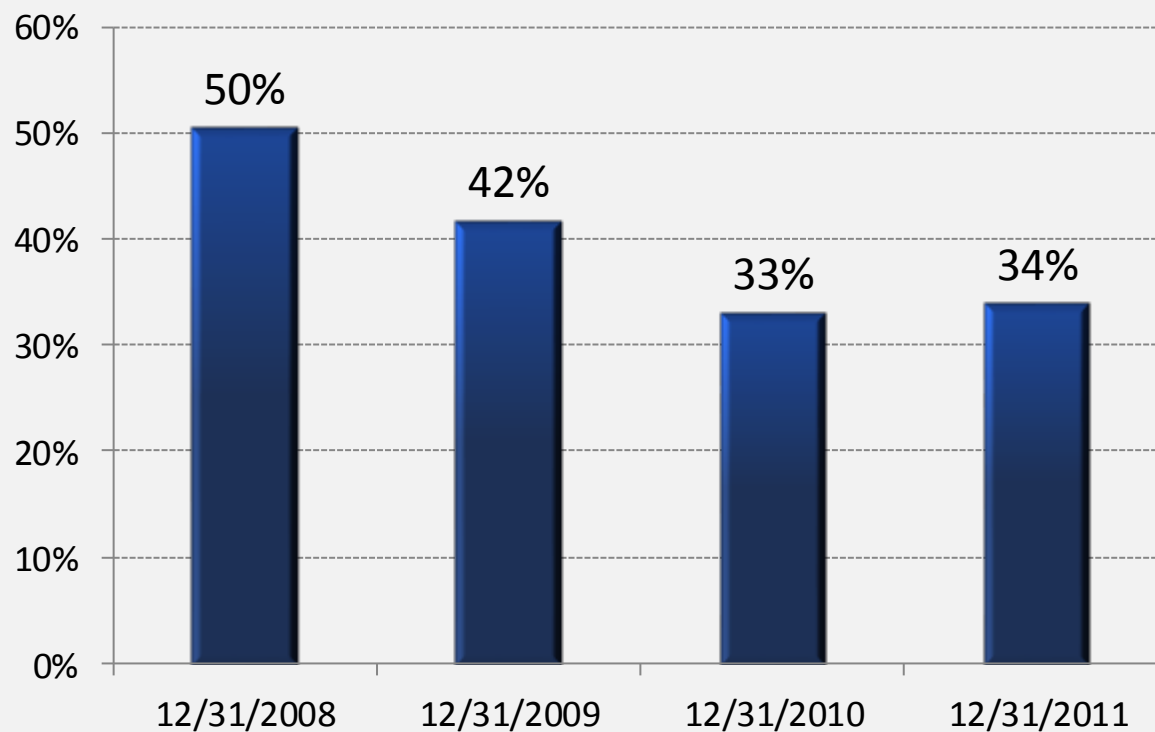
# Peer Analysis: Debt / Total Cap



Source: Bloomberg

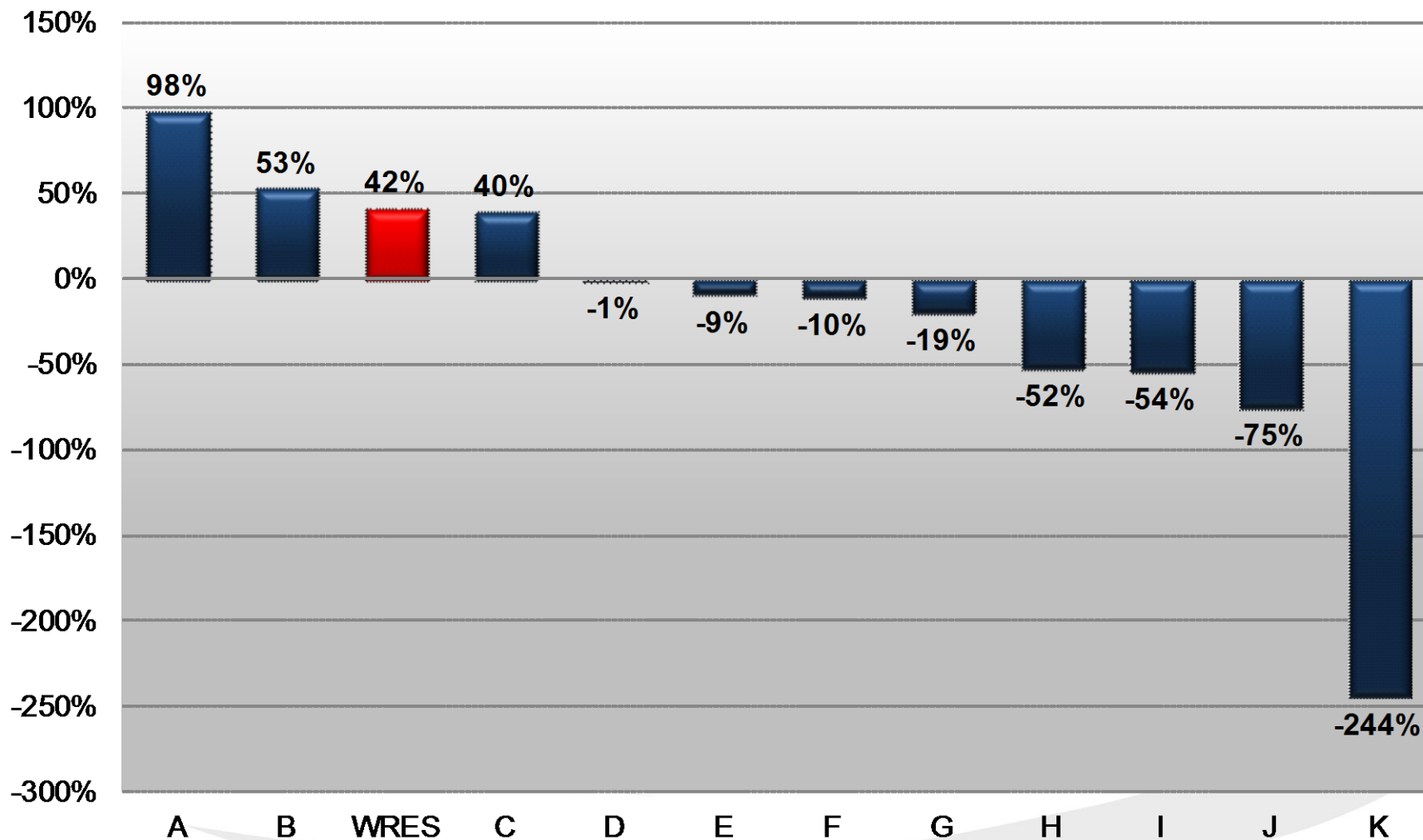


# Debt / Total Cap



Source: Bloomberg

## Debt-Adjusted Production Growth Per Share





# Warren Resources, Inc.

