



**EXCO Resources, Inc.**

First Quarter 2012 Review  
May 2, 2012



## Management Participants

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**Doug Miller**

*Chairman and CEO*

**Steve Smith**

*President and CFO*

**Hal Hickey**

*Vice President and COO*

**Paul Rudnicki**

*Vice President*

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## Introduction

- **Since the end of 2011, we have made significant progress on our 2012 goals**
  - Reported average production of 533 Mmcfe/d for Q1 2012
  - Completed spacing test in Shelby
    - 215 Mmcfd gross volume from 14 wells; currently evaluating results
  - Resumed treating in Red River Parish, LA
  - Finalized borrowing base redetermination at \$1.4 billion
  - Added additional hedges for 2013 – 2015
- **Evaluating liquids potential on existing assets**
  - Evaluating Cline and Wolfcamp shale potential in the Permian on or around our current position
  - Negotiating processing agreements in ETX/NLA for high btu gas
- **The industry is responding to low natural gas price and we are no exception**
  - Haynesville rig count currently at 53 rigs from peak of 186 in Q2 2010; expectation of further drop throughout the year; total gas directed rigs at 613 from ~800 at year end
  - Reduced operated rigs from 23 at year end to 11 today
  - Curtailing volume from marginal Cotton Valley wells and restricting new Haynesville/Bossier wells
  - Reducing both capital and operating expenses
  - We plan to preserve our outstanding reserve base and target operating within cash flow with disciplined cost management
- **Progressing on potential monetizations**
  - All or part of TGGT
  - JV or sale of certain conventional assets
- **Demand catalysts are gaining momentum**



**EXCO Resources, Inc.**

Corporate Overview  
Steve Smith – President and Chief  
Financial Officer



## Corporate Highlights

	Q1 2012		Q1 2011		% Change
Average production (Mmcf/d)		533		408	31%
Average Realized Price (\$/Mcf)	\$	2.78	\$	4.40	-37%
Revenues including cash settlements	\$	184,993	\$	188,163	-2%
Direct Operating Costs	\$	22,796	\$	19,045	20%
Per Mcfe	\$	0.47	\$	0.52	-10%
Adjusted Net Income <sup>(1)</sup>	\$	6,748	\$	29,058	-77%
Per share <sup>(2)</sup>	\$	0.03	\$	0.13	
Adjusted EBITDA <sup>(1)</sup>	\$	110,510	\$	126,156	-12%
Cash flow from operations <sup>(1)</sup>	\$	95,496	\$	113,287	-16%
Per share <sup>(2)</sup>	\$	0.45	\$	0.52	

- Average production up 31% from 2011
- Direct operating costs of \$0.47 per Mcfe in 2012 down from \$0.52 in 2011, a 10% decrease
- General and administrative costs of \$0.44 per Mcfe in 2012 down from \$0.64 in 2011, a 31% decrease
- Adjusted net income excludes a \$276 million pre-tax non-cash ceiling test write-down and a \$19 million asset impairment included in equity earnings of TGGT

(1) Non-GAAP measure, please see the Investor Relations section of our website ([www.excoresources.com](http://www.excoresources.com)) under the tab Non-GAAP reconciliations

(2) Per share calculation based on below:

Period	Q1 2012	Q1 2011
Shares (000's)	214,596	217,110

## Quantifying 1<sup>st</sup> Quarter Progress

- Reduced operated rig count ahead of schedule; currently at 11 total rigs

	Q4 2011	Currently	% Change
Haynesville	18	7	-61%
Marcellus	4	3	-25%
Permian	1	1	0%
<b>Total Operated</b>	<b>23</b>	<b>11</b>	<b>-52%</b>

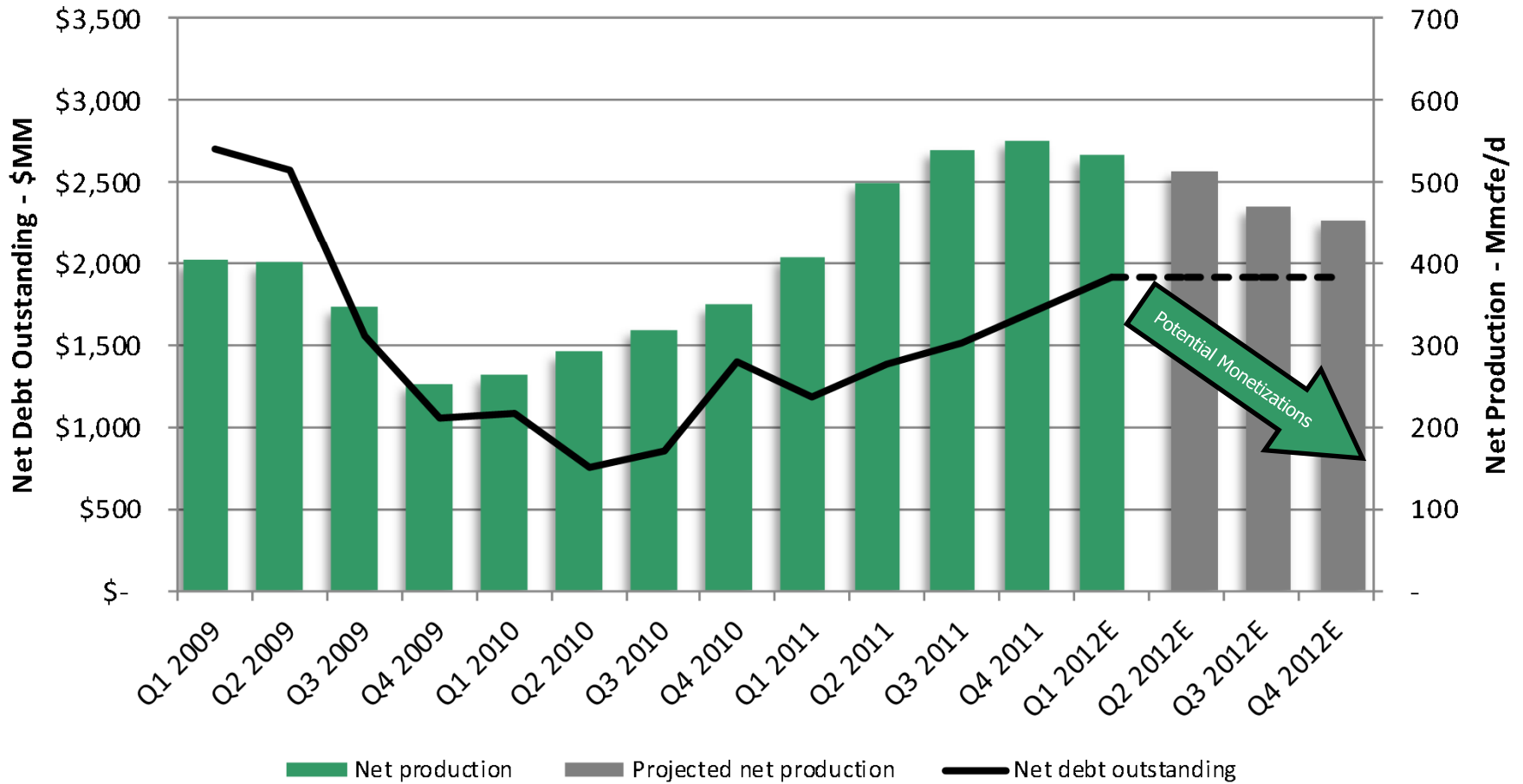
- Reduced Haynesville drilling and completion costs
  - Currently estimated at \$8.5 million with plan to reach \$8.0 million by year end, down from \$9.5 million at year end 2011
- Reduced costs and expenses
  - ~12% below Q4 2011 levels

	Q4 2011	Q1 2012	% Change
LOE	\$ 23.9	\$ 22.8	-5%
Gathering	27.8	26.2	-6%
G&A	28.2	21.5	-24%
<b>Total</b>	<b>\$ 79.9</b>	<b>\$ 70.5</b>	<b>-12%</b>

## Realized Significant Cost Reductions in Q1

- Drilling and Completion
  - Frac Cost
    - ~\$220K per stage to \$165K per stage, resulting in ~\$600K savings per well
  - Tubing design and installation procedure changes
    - ~\$200K savings per well
- Operating Cost
  - Renegotiated average salt water disposal cost in Holly area
    - From \$2.50 to ~\$1.30/bbl
  - Released wellhead compressors resulting in ~\$1.1 million net annual savings
  - Reduced Haynesville/Bossier field contract labor headcount from 125 to 66 during the 1<sup>st</sup> quarter
- General and Administrative
  - EXCO headcount down from 1,093 at year end to 1,036 currently
  - EXCO contractor headcount down from 443 to 360 during the 1<sup>st</sup> quarter

# Production and Debt Profile



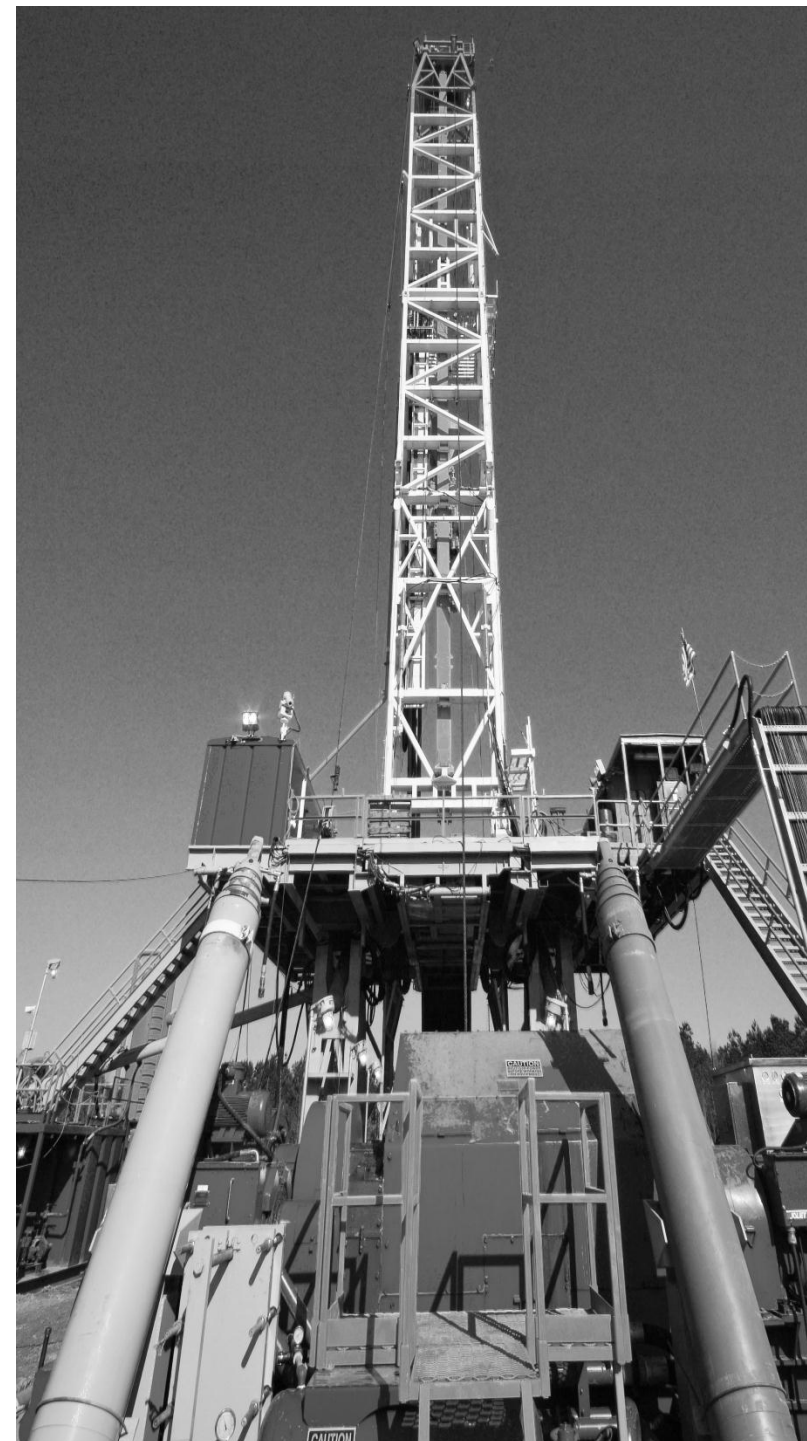
- Potential monetizations will be used to pay down existing debt



**EXCO Resources, Inc.**

# Financial Summary and Guidance

Paul Rudnicki – VP Financial Planning & Analysis



## Liquidity and Derivative Position

### Liquidity:

\$ in thousands	3/31/2012	4/25/2012
Cash and restricted cash	\$ 194,613	\$ 182,644
Bank debt (LIBOR + 1.75% to 2.75%)	1,177,500	1,147,500
Senior notes due 2018 (7.5%) <sup>(1)</sup>	750,000	750,000
Total debt	\$ 1,927,500	\$ 1,897,500
Net debt	\$ 1,732,887	\$ 1,714,856
Borrowing base	\$ 1,600,000	\$ 1,400,000
Unused borrowing base <sup>(2)</sup>	414,478	244,478
<b>Unused borrowing base plus cash<sup>(2)</sup></b>	<b>\$ 609,091</b>	<b>\$ 427,122</b>

- Borrowing base at 4/25/12 is proforma for sixth amendment closed on 4/27/12
- Entered into additional hedging transactions
  - Continue to evaluate more opportunities

### Derivative Position:

Swaps	NG Volume		Oil Volume		Equivalent Mmbtu/d	% Hedged <sup>(3)</sup>
	(Mmbtu)	Strike Price	(Bbls)	Strike Price		
Q2 2012	20,020,000	\$ 5.27	136,500	\$ 98.05	229	44%
Q3 2012	20,240,000	\$ 5.27	138,000	\$ 98.05	229	49%
Q4 2012	20,240,000	\$ 5.27	138,000	\$ 98.05	229	50%
2012	60,500,000	\$ 5.27	412,500	\$ 98.05	229	48%
2013 <sup>(4)</sup>	18,250,000	\$ 4.72	365,000	\$ 99.96	56	12%
2014 <sup>(4)</sup>	12,775,000	\$ 4.18			35	8%
2015 <sup>(4)</sup>	12,775,000	\$ 4.18			35	8%
<b>Total</b>	<b>104,300,000</b>	<b>\$ 4.91</b>	<b>777,500</b>	<b>\$ 98.94</b>		

(1) Excludes bond discount  
 (2) Net of \$8.0 million in letters of credit at 12/31/2011 and \$8.0 million at 3/31/2012  
 (3) 2012 based on midpoint of guidance; 2013 and beyond based on Q4 2012 midpoint  
 (4) Have sold an additional 35 Mmcf/d call at \$4.18



# First Quarter 2012 Guidance vs. Actuals

(dollars in thousands, except per unit amounts)	First Quarter 2012			Variance Explanations
	Guidance: Low	Guidance: High	Actual	
<b>Production:</b>				
Oil - Mbbls	184	190	192	
NGL - Mbbls	-	-	-	
Gas - Mmcf	46,144	47,913	47,381	
Mmcf	47,250	49,050	48,533	
Mmcf/d	525	545	533	
<b>Differentials to NYMEX:</b>				
Oil per Bbl	\$ (4.75)	\$ (4.15)	\$ (5.79)	Permian oil differentials widening
NGL per Bbl - % of NYMEX oil	0.0%	0.0%	0.0%	
Gas per Mcf	90.0%	92.0%	89.6%	
Lease operating expense	\$ 22,000	\$ 25,000	\$ 22,796	
Gathering expense - per Mcfe	\$ 0.50	\$ 0.60	\$ 0.54	
Production tax rate	3.5%	4.5%	5.3%	Reduced level of severance tax abatements and new Pennsylvania impact fee
Other income <sup>(1)</sup>	\$ 500	\$ 1,000	\$ 570	
DD&A rate per Mcfe	\$ 2.10	\$ 2.20	\$ 1.84	Reduction due to year end ceiling test write-down
Asset retirement obligation	\$ 900	\$ 1,000	\$ 947	
Cash G&A	\$ 20,500	\$ 22,500	\$ 18,641	
Non-cash stock based compensation - G&A	\$ 3,500	\$ 4,500	\$ 2,864	
Interest expense - cash	\$ 14,000	\$ 16,000	\$ 15,014	
Interest expense - non-cash	\$ 1,700	\$ 1,900	\$ 1,750	
Adjusted equity income - TGGT & other <sup>(2)</sup>	\$ 9,000	\$ 12,000	\$ 10,893	
Income tax rate	40%	40%	40%	
Income tax deferred	100%	100%	100%	
CAPEX	\$ 180,000	\$ 200,000	\$ 162,151	Timing of certain capital projects and reduction of Haynesville activity
Fully diluted shares outstanding	215,500	216,000	214,596	
Adjusted EBITDA at Midpoint <sup>(2)</sup> (Excludes Adjusted EBITDA of Equity Investments)	\$110,600		\$ 110,510	
EXCO's share of TGGT's Adjusted EBITDA <sup>(2)</sup>	\$ 14,500	\$ 17,500	\$ 17,367	

(1) Excludes amounts related to retroactive impact fee of approximately \$2.0 million

(2) Non-GAAP measure, please see the Investor Relations section of our website ([www.excoresources.com](http://www.excoresources.com)) under the tab Non-GAAP reconciliations



# Quarterly 2012 Guidance

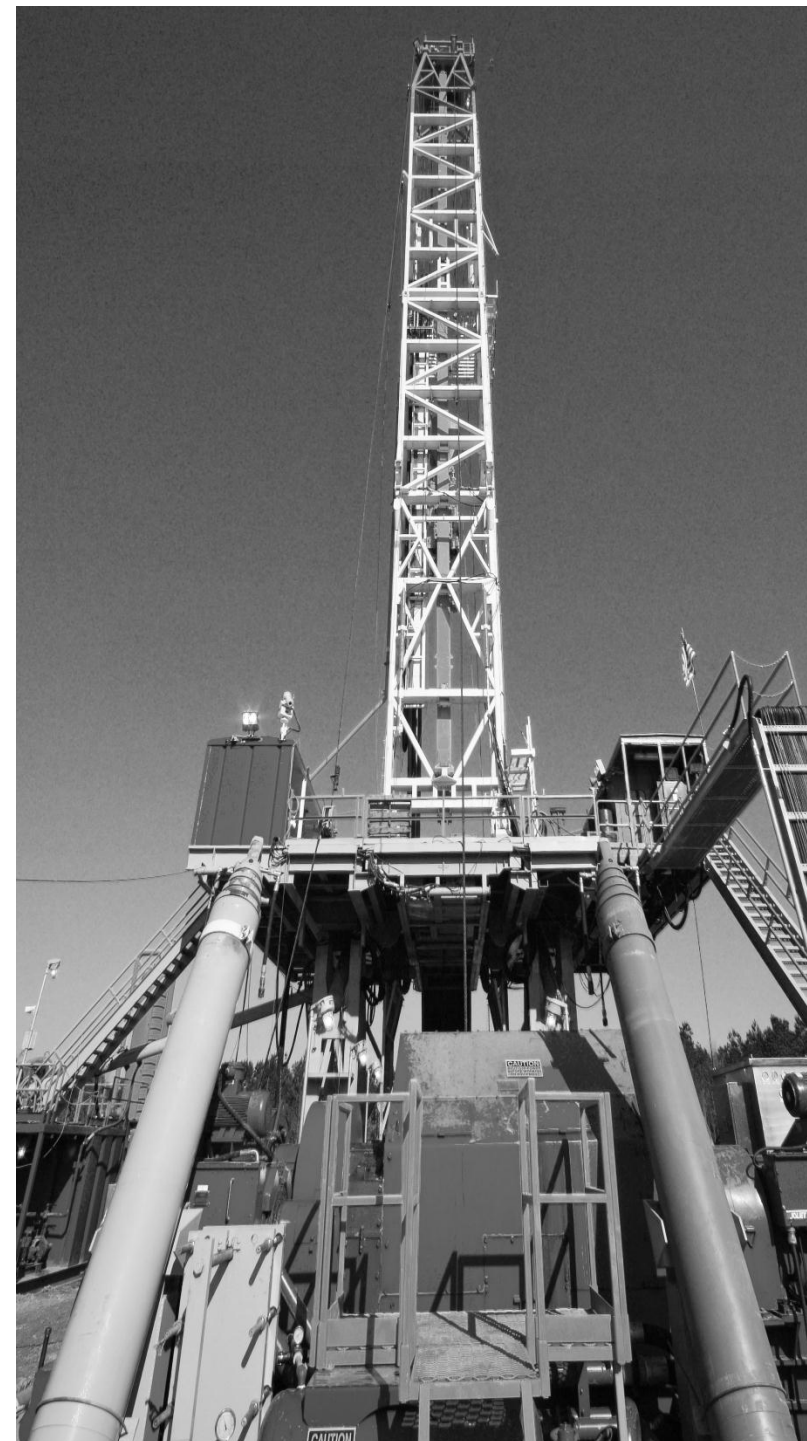
(dollars in thousands, except per unit amounts)	Q1 2012	Q2 2012E		Q3 2012E		Q4 2012E		2012E	
	Actual	Low	High	Low	High	Low	High	Low	High
<b>Production:</b>									
Oil - Mbbls	192	188	194	186	194	182	190	749	769
NGL - Mbbls	-	110	114	110	114	110	114	330	342
Gas - Mmcf	47,381	45,988	47,747	42,382	44,155	39,186	40,959	174,936	180,242
Mmcfe	48,533	47,775	49,595	44,160	46,000	40,940	42,780	181,408	186,908
Mmcfe/d	533	525	545	480	500	445	465	497	512
<b>Differentials to NYMEX:</b>									
Oil per Bbl	\$ (5.79)	\$ (6.00)	\$ (7.00)	\$ (6.00)	\$ (7.00)	\$ (6.00)	\$ (7.00)	\$ (5.95)	\$ (6.70)
NGL per Bbl - % of NYMEX oil		45%	55%	45%	55%	45%	55%	45%	55%
Gas per Mcf	89.6%	85%	90%	88%	93%	90%	95%	88%	92%
Lease operating expense	\$ 22,796	\$ 21,000	\$ 24,000	\$ 19,500	\$ 22,500	\$ 18,500	\$ 22,500	\$ 81,800	\$ 91,800
Gathering expense - per Mcfe	\$ 0.54	\$ 0.50	\$ 0.60	\$ 0.55	\$ 0.65	\$ 0.55	\$ 0.65	\$ 0.54	\$ 0.61
Production tax rate	5.3%	4.5%	5.5%	4.5%	5.5%	4.5%	5.5%	4.7%	5.5%
Other income <sup>(1)</sup>	\$ 570	\$ 500	\$ 1,000	\$ 500	\$ 1,000	\$ 500	\$ 1,000	\$ 2,070	\$ 3,570
DD&A rate per Mcfe	\$ 1.84	\$ 1.80	\$ 1.90	\$ 1.80	\$ 1.90	\$ 1.80	\$ 1.90	\$ 1.81	\$ 1.88
Asset retirement obligation	\$ 947	\$ 900	\$ 1,000	\$ 900	\$ 1,000	\$ 900	\$ 1,000	\$ 3,650	\$ 3,950
Cash G&A	\$ 18,641	\$ 18,500	\$ 20,500	\$ 18,500	\$ 20,500	\$ 18,500	\$ 20,500	\$ 74,140	\$ 80,140
Non-cash stock based compensation - G&A	\$ 2,864	\$ 2,500	\$ 3,500	\$ 2,500	\$ 3,500	\$ 2,500	\$ 3,500	\$ 10,360	\$ 13,360
Interest expense - cash	\$ 15,014	\$ 15,000	\$ 17,000	\$ 15,500	\$ 17,500	\$ 15,500	\$ 17,500	\$ 61,010	\$ 67,010
Interest expense - non-cash	\$ 1,750	\$ 1,600	\$ 1,800	\$ 1,600	\$ 1,800	\$ 1,600	\$ 1,800	\$ 6,550	\$ 7,150
Adjusted equity income - TGGT & other <sup>(2)</sup>	\$ 10,893	\$ 9,000	\$ 12,000	\$ 8,500	\$ 11,500	\$ 8,000	\$ 11,000	\$ 36,390	\$ 45,390
Income tax rate	40%	40%	40%	40%	40%	40%	40%	40%	40%
Income tax deferred	100%	100%	100%	100%	100%	100%	100%	100%	100%
CAPEX	\$ 162,151	\$ 104,000	\$ 120,000	\$ 103,000	\$ 113,000	\$ 83,000	\$ 93,000	\$ 452,150	\$ 488,150
Fully diluted shares outstanding	214,596	214,500	215,000	215,000	215,500	215,500	216,000	214,900	215,300
Adjusted EBITDA at Midpoint <sup>(2)(3)</sup> (Excludes Adjusted EBITDA of Equity Investments)	\$110,510	\$100,700		\$113,100		\$116,700		\$441,000	
EXCO's share of TGGT's Adjusted EBITDA <sup>(2)</sup>	\$ 17,367	\$ 15,500	\$ 18,500	\$ 15,000	\$ 18,000	\$ 14,000	\$ 17,000	\$ 61,867	\$ 70,867

(1) Q1 excludes amounts related to retroactive impact fee of approximately \$2.0 million  
(2) Non-GAAP measure, please see the Investor Relations section of our website ([www.excoresources.com](http://www.excoresources.com)) under the tab Non-GAAP reconciliations  
(3) 2012 estimates based on natural gas NYMEX prices of \$2.15 for Q2, \$3.00 for Q3, and \$3.50 for Q4; oil NYMEX prices of \$105.00 for Q2 - Q4



**EXCO Resources, Inc.**

Operational Update  
Hal Hickey – Chief Operating Officer



## 2012 Year to Date Accomplishments and Plans

### Achieved operational targets

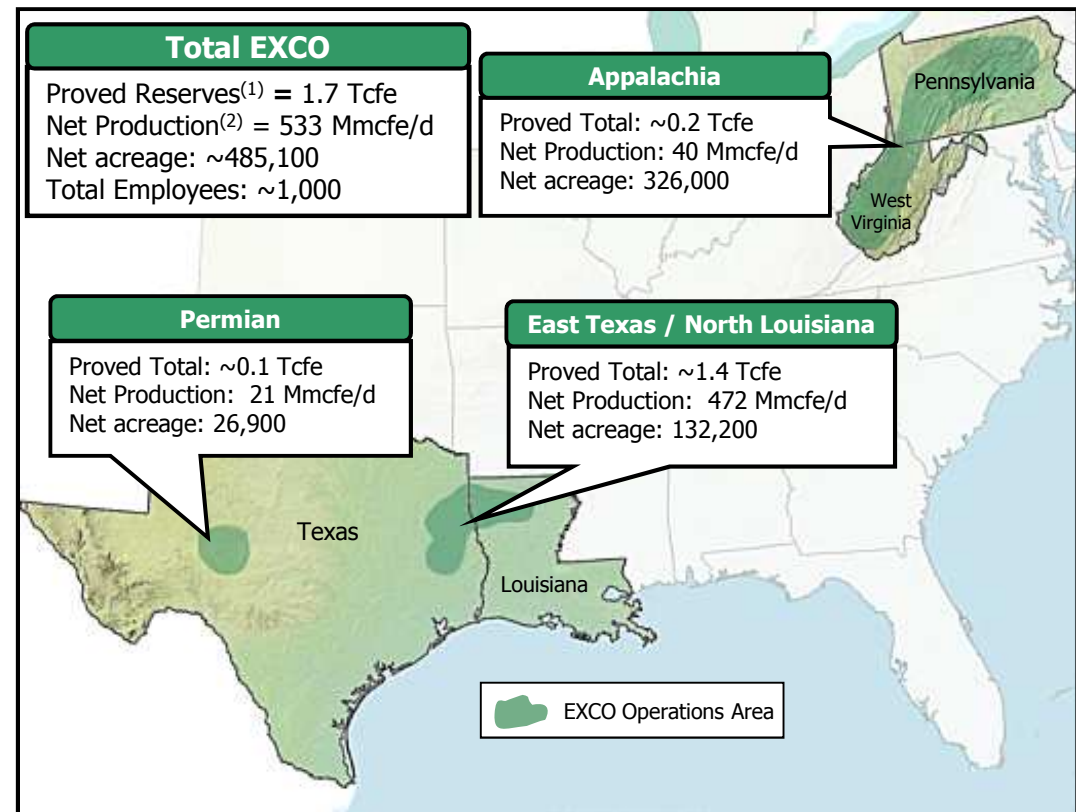
- Averaged 533 Mmcfe/d for Q1
- Direct operating costs decreased by 10% on a dollar per Mcfe basis from Q1 2011

### Haynesville/Bossier

- Continued manufacturing in DeSoto Parish; implementing a further restricted choke flowback program
- Delineated Shelby Area, held majority of leases, executed spacing test for Bossier and Haynesville across two units (now evaluating performance)

### Marcellus

- Focus on our development area in Northeast Pennsylvania
- Currently producing 116 Mmcf/d gross production
- Significant portion of water infrastructure in place to service operations; building more



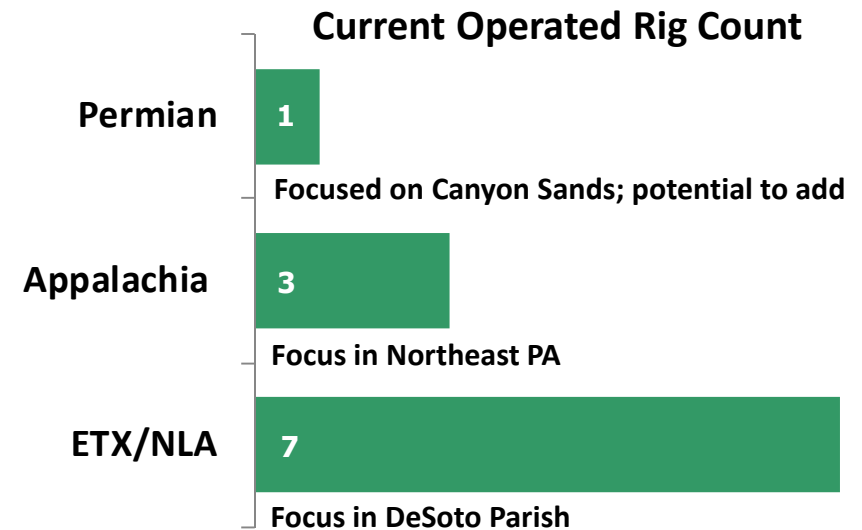
### Permian

- Continuing Sugg Ranch Canyon Sand development
- Testing underway in Wolfcamp and Cline Shales on our acreage
- Pursuing opportunities to increase acreage position

(1) Based on NYMEX forward pricing as of 3/30/12  
 (2) Production shown reflects the average for the quarter ending 3/31/12

## 2012 Capital Budget

- 2012 development plan focused on managing cash flow in a low natural gas price environment
- 2012 capital budget of \$470<sup>(1)(2)</sup> million is 54% less than 2011 capital spend
- Haynesville program targeting DeSoto Parish
- Marcellus program focused on development of Northeast Pennsylvania
- Permian focused on drilling Sugg Ranch and evaluating new shale opportunities



(\$ in millions)	Haynesville /		Appalachia	Permian	Corporate	2012 Total
	Bossier	Cotton Valley				
Drilling and completion	\$ 267	\$ -	\$ 60	\$ 30	\$ -	\$ 357
Field operations	10	9	13	1	-	33
Water pipelines / gathering	-	-	10	-	-	10
Land	1	-	11	5	-	17
Seismic	-	1	2	-	-	3
Corporate and other	-	-	-	-	25	25
Capitalized interest	-	-	-	-	25	25
<b>Total E&amp;P capital</b>	<b>\$ 278</b>	<b>\$ 10</b>	<b>\$ 96</b>	<b>\$ 36</b>	<b>\$ 50</b>	<b>\$ 470</b>

(1) \$470 million does not include TGGT capital which will be funded by TGGT's cash flow and revolver

(2) Appalachia drilling and completion capital is net of \$55 million for the BG carry; as of March 31, 2012 \$30 million of BG carry remains

## Cost Reduction Initiatives

### ■ Capital

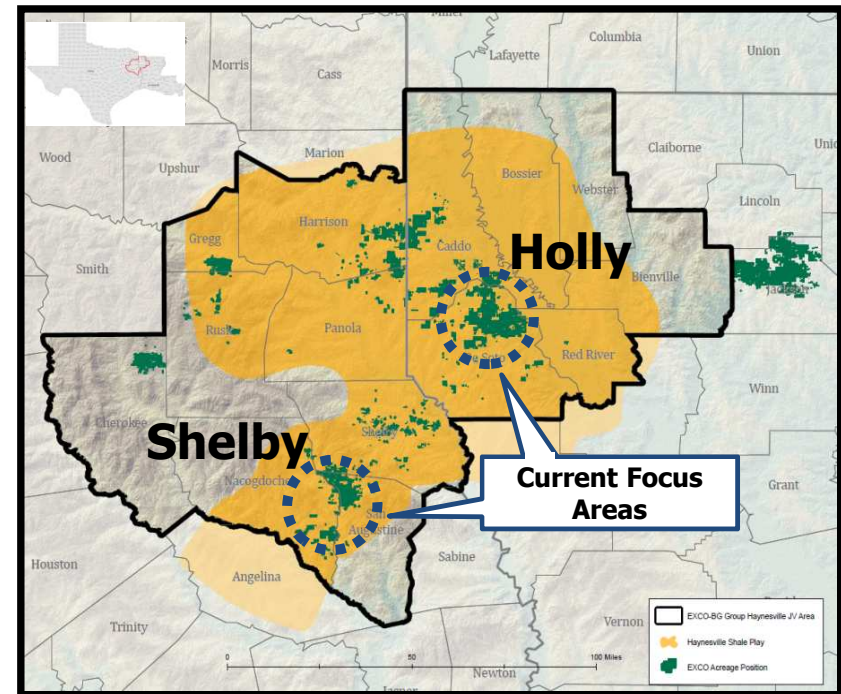
- Reducing operated rig count; now at 11 from high of 28 in 2011
- Focus on well development costs
  - Ended 2011 at \$9.5 million well cost in Holly Haynesville; estimating \$8.5 million currently and targeting further reductions to \$8.0 million by Q4 2012
  - Revised frac service contract resulting in ~\$600K reduction in Haynesville well cost
  - Negotiated 15% to 20% reductions for multiple Haynesville service costs (cranes, wireline, pump down services, coil cleanout, and tubing-conveyed perforating)
  - Targeting \$6.3 million well cost in Northeast Marcellus with additional reductions to less than \$6.0 million longer term; significant reductions will result from our new water infrastructure as well as drilling and completion efficiencies

### ■ Operating Expense

- Shut-in 165 conventional wells, resulting in a production decrease of only 1.2 Mmcfe/d net while reducing gross costs by ~ \$5 million
- Targeting significant reduction of workover program
- Initiatives underway to reduce operating expenses 10% to 20%; example of reductions include:
  - Company vehicles
  - Wellhead Compression
  - Labor costs

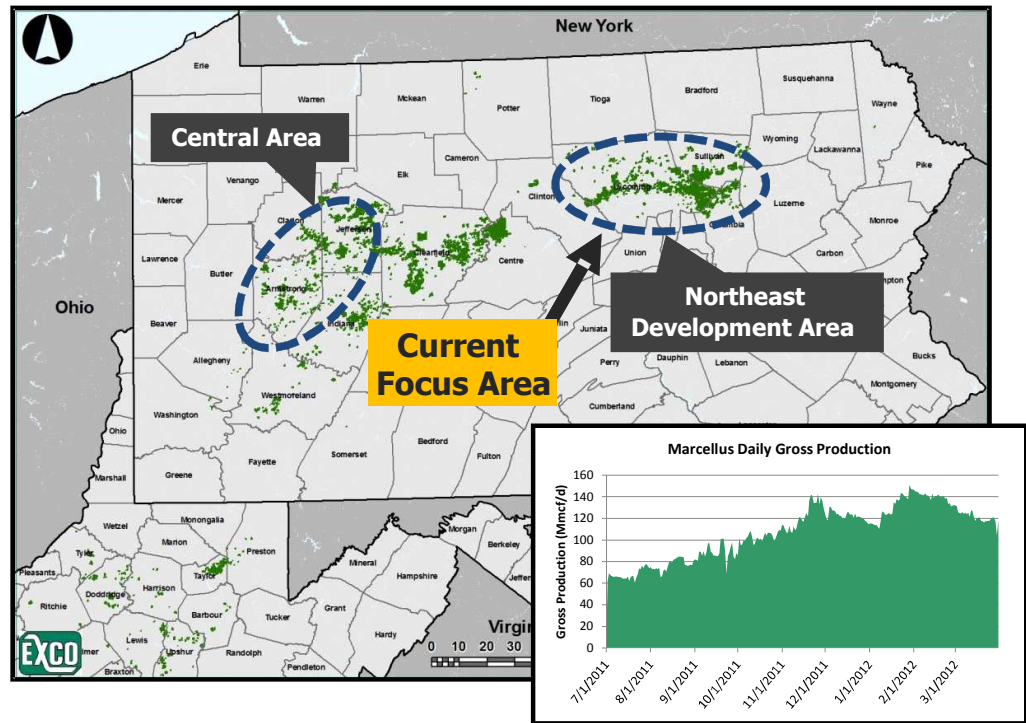
## East Texas/North Louisiana Haynesville and Bossier Shales

- ~264,000 gross acres (132,000 net) with 64,500 acres with Haynesville/Bossier shale potential
  - Majority of shale acreage is HBP
- Average gross operated shale production ~1.2 Bcf/d for Q1 2012
  - Including OBO (operated by others), net production averaged ~390 Mmcf/d for Q1 2012
  - 324 operated horizontal shale wells flowing to sales in Holly and Shelby Areas at 3/31/2012
  - ~72 Mmcf/d net volume on average was curtailed for either offset operations or well work during Q1
- Continuous improvement in drilling days and optimization of frac designs have reduced costs
- Major cost efficiency program underway
  - Targeting 15-20% reduction in capital costs (services, procedures, specifications, efficiencies)



# Appalachia

- 760,000 gross acres (325,000 net) with ~140,000 net acres with Marcellus shale potential
  - Significant held by production position
- Marcellus milestones:
  - Currently producing ~116 Mmcf/d gross
  - Reduced operated rig count to 3 for the remainder of 2012
  - Evaluating results and testing completion and production methods
- Major on-going evaluations could add substantial production in Q3 & Q4 2012; activities include:
  - Seasoning time
  - Completion methods
  - Managing simultaneous operations
  - Appraisal and delineation of our best acreage
- Currently have 56 operated and 10 OBO horizontal wells flowing to sales; 17 currently shut-in for either seasoning, simultaneous operation, or awaiting pipeline tie-in



	Q1	Q2	Q3	Q4	Full Year
<b>Well Activity</b>					
Spud	11	12	13	13	49
Completions	3	14	20	14	51
Turn to sales	-	7	18	24	49
<b>Well Inventory 3/31/2012</b>					
Wells being drilled	3				
Waiting on completion	33				
Waiting on turn to sales	8				
<b>Total well inventory</b>	<b>44</b>				

## Non-shale Assets

>1.0 Tcf of reserves and resources potential

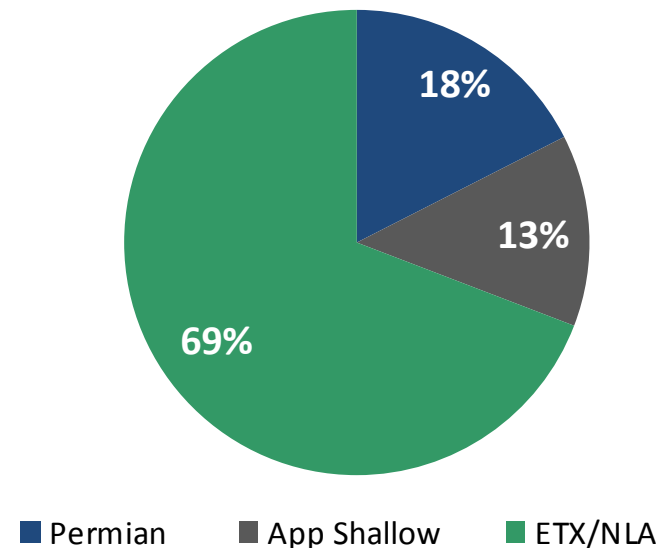
**Conventional assets represent ~23% of our net production<sup>(1)</sup>**

- Permian: ~4,000 Boe/d
- East Texas/North Louisiana: 83 Mmcfe/d
- Appalachia shallow: 16 Mmcfe/d

### Conventional strategy

- Only drilling in the Permian area (1 rig)
- Cotton Valley operations focused on cost management; recompletion and workover programs used to manage production declines
- Assets provide large operational footprint in our shale development areas
- Production provides cash flow and, particularly in the shale areas, assists in holding other horizons
- Significant inventory of drilling locations with improved gas prices
- Low cost behind pipe Cotton Valley projects have been encouraging and show liquid content
- Negotiating potential joint venture opportunity with private investors

Production Breakdown (Mmcfe/d)



(1) Conventional production shown as Q1 2012 average

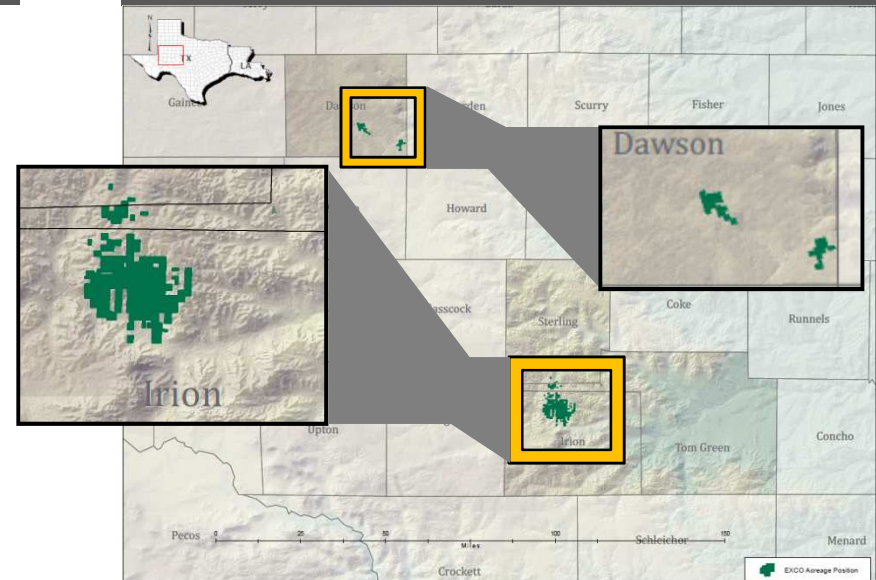
# Permian Basin

## Area Overview

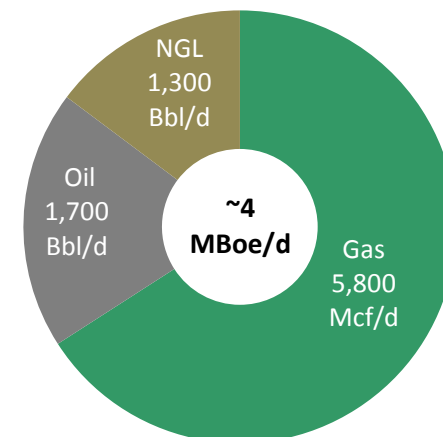
### Overview

- 26,900 net acres in the Permian Basin
- Long-life reserves in mature oil fields
  - Low operating cost with multiple reservoir potential
- Development focused on Canyon Sand; evaluating additional Cline, Grayburg, Clearfork and Wolfcamp upside
- Currently implementing waterflood project with forecast EUR of ~875 MBoe
- Oil production with liquids rich gas
  - Q1 2012 realized gas price of \$8.24/Mcf vs. \$2.74/Mcf Q1 average NYMEX
  - Cash margin of \$9.47/Mcfe (includes oil production)
- NGL reporting starting in Q2 2012

### Map of Operations



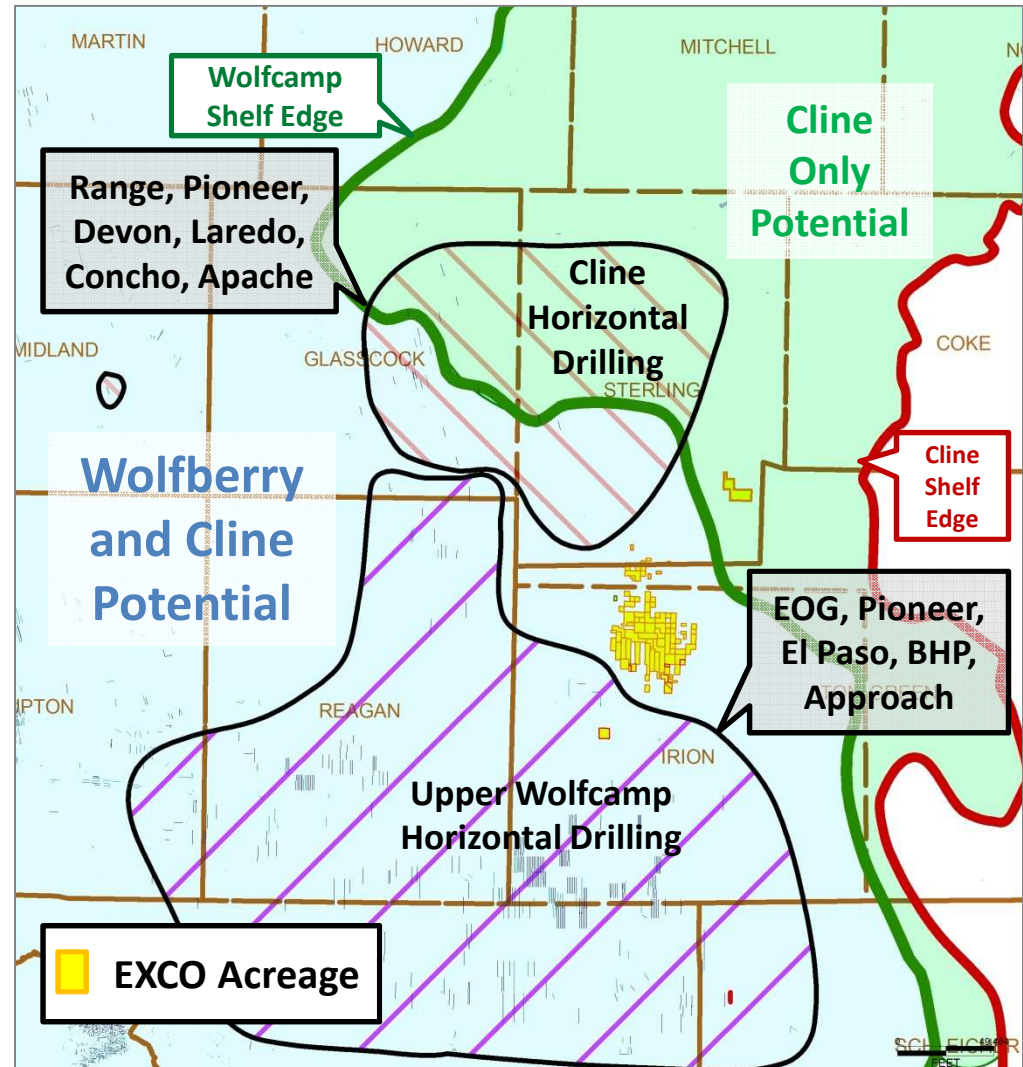
### Production<sup>(1)</sup>



(1) Production shown as Q1 2012 average

# Cline Shale and Horizontal Wolfcamp Activity and Potential

- Permian acreage prospective for Cline and Wolfcamp horizontal drilling
- Significant industry activity surrounding position
  - Industry Wolfcamp Horizontals as high as ~950 BOEPD 30 day IP's
  - Industry Cline Horizontals as high as ~800 BOEPD 30 day IP's
- Currently drilling vertical test well; taking core samples
- Plan 1<sup>st</sup> horizontal test in Summer 2012

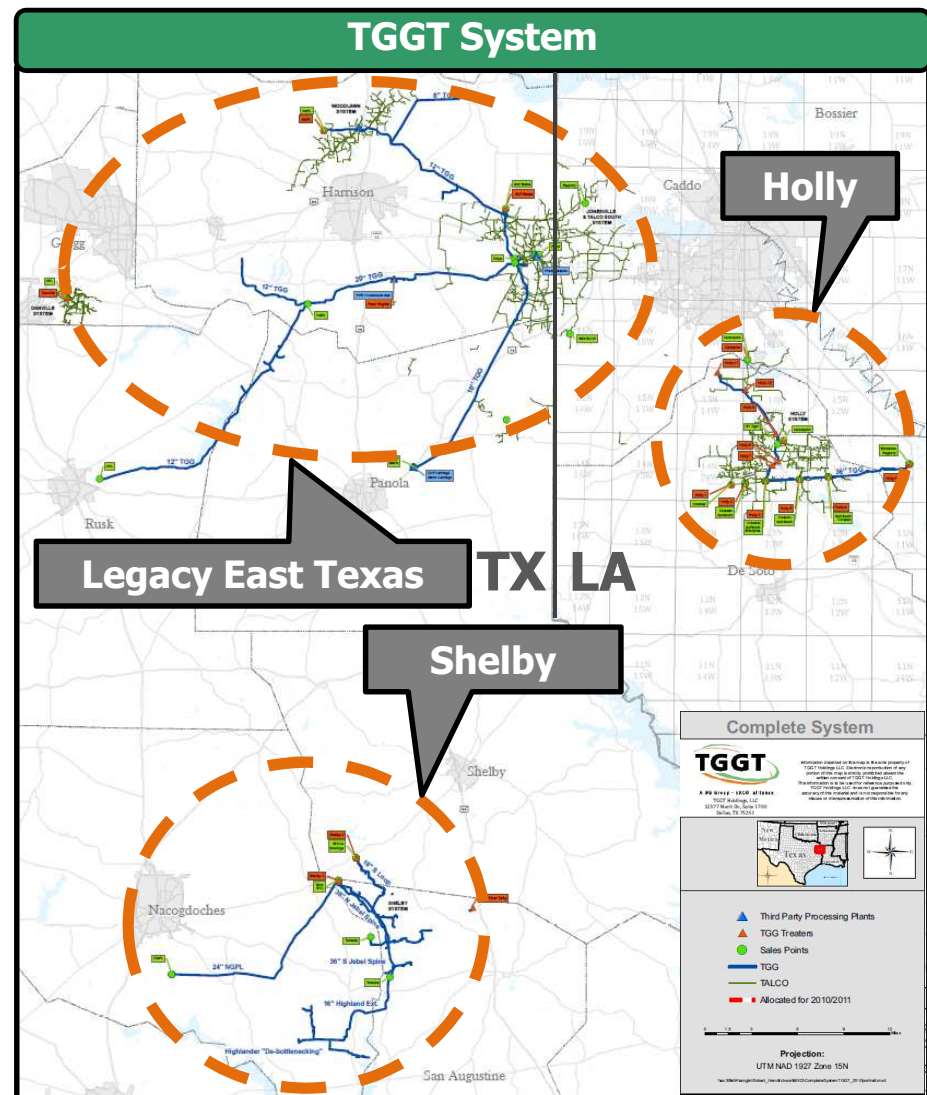


# TGGT Holdings, LLC

Throughput currently at **~1.6 Bcf/d**



- Average Q1 throughput exceeded 1.5 Bcf/d
  - Holly: 1,030 Mmcf/d
  - Shelby: 196 Mmcf/d
  - Legacy East Texas: 303 Mmcf/d
- Started treating facilities in Red River Parish, LA late in Q1 2012; existing treating capacity resulting in no current volume curtailment
- Shelby treating facilities currently online with treating capacity of ~250 Mmcf/d
- Increased credit facility to \$600 million in January 2012; ~\$495 net debt outstanding as of 3/31/2012
- Deferring certain major capital projects due to natural gas price environment and expected rig reductions
- Focusing on contracting 3<sup>rd</sup> party volumes
- Evaluating monetization



## Q&A



# Forward Looking Statements

This presentation contains forward-looking statements, as defined in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act. These forward-looking statements relate to, among other things, the following:

- our future financial and operating performance and results;
- our business strategy;
- market prices;
- our future use of derivative financial instruments; and
- our plans and forecasts.

We have based these forward-looking statements on our current assumptions, expectations and projections about future events.

We use the words "may," "expect," "anticipate," "estimate," "believe," "continue," "intend," "plan," "budget" and other similar words to identify forward-looking statements. You should read statements that contain these words carefully because they discuss future expectations, contain projections of results of operations or of our financial condition and/or state other "forward-looking" information. We do not undertake any obligation to update or revise publicly any forward-looking statements, except as required by law. These statements also involve risks and uncertainties that could cause our actual results or financial condition to materially differ from our expectations in this presentation, including, but not limited to:

- fluctuations in prices of oil and natural gas;
- imports of foreign oil and natural gas, including liquefied natural gas;
- future capital requirements and availability of financing;
- continued disruption of credit and capital markets and the ability of financial institutions to honor their commitments;
- estimates of reserves and economic assumptions;
- geological concentration of our reserves;
- risks associated with drilling and operating wells;
- exploratory risks, including our Marcellus shale play in Appalachia and our Haynesville and Bossier shale plays in East Texas/North Louisiana;
- risks associated with operation of natural gas pipelines, gathering systems and treating facilities;
- discovery, acquisition, development and replacement of oil and natural gas reserves;
- cash flow and liquidity;
- timing and amount of future production of oil and natural gas;
- availability of drilling and production equipment;
- marketing of oil and natural gas;
- developments in oil-producing and natural gas-producing countries;
- title to our properties;
- litigation;
- competition;
- general economic conditions, including costs associated with drilling and operation of our properties;
- environmental or other governmental regulations, including legislation to reduce emissions of greenhouse gases, legislation of derivative financial instruments, regulation of hydraulic fracture stimulation and elimination of income tax incentives available to our industry;
- receipt and collectability of amounts owed to us by purchasers of our production and counterparties to our derivative financial instruments;
- decisions whether or not to enter into derivative financial instruments;
- potential acts of terrorism;
- actions of third party co-owners of interests in properties in which we also own an interest;
- fluctuations in interest rates; and
- our ability to effectively integrate companies and properties that we acquire.

## Forward Looking Statements (continued)

We believe that it is important to communicate our expectations of future performance to our investors. However, events may occur in the future that we are unable to accurately predict, or over which we have no control. You are cautioned not to place undue reliance on a forward-looking statement. When considering our forward-looking statements, keep in mind the risk factors and other cautionary statements in this presentation, and the risk factors included in our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q.

Our revenues, operating results, financial condition and ability to borrow funds or obtain additional capital depend substantially on prevailing prices for oil and natural gas, the availability of capital from our revolving credit facility and liquidity from capital markets. Declines in oil or natural gas prices may materially adversely affect our financial condition, liquidity, ability to obtain financing and operating results. Lower oil or natural gas prices also may reduce the amount of oil or natural gas that we can produce economically. A decline in oil and/or natural gas prices could have a material adverse effect on the estimated value and estimated quantities of our oil and natural gas reserves, our ability to fund our operations and our financial condition, cash flow, results of operations and access to capital. Historically, oil and natural gas prices and markets have been volatile, with prices fluctuating widely, and they are likely to continue to be volatile.

The SEC permits oil and gas companies, in their filings with the SEC, to disclose not only "proved" reserves (i.e., quantities of oil and gas that are estimated to be recoverable with a high degree of confidence), but also "probable" reserves (i.e., quantities of oil and gas that are as likely as not to be recovered) as well as "possible" reserves (i.e., additional quantities of oil and gas that might be recovered, but with a lower probability than probable reserves). In addition unless otherwise noted, certain proved reserve numbers and other reserve numbers provided herein are not SEC "case" numbers using flat commodity prices, but a management case price deck using escalating prices for a period of time. As noted above, statements of reserves are only estimates and may not correspond to the ultimate quantities of oil and gas recovered. Any reserve estimates provided in this presentation that are not specifically designated as being estimates of proved reserves may include estimated reserves not necessarily calculated in accordance with, or contemplated by, the SEC's latest reserve reporting guidelines. Investors are urged to consider closely the disclosure in our Annual Report on Form 10-K, for the year ended December 31, 2011, which is available on our website at [www.excoresources.com](http://www.excoresources.com) under the Investor Relations tab or by calling us at 214-368-2084.