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Presentation to the Special Committee of



Discussion Materials

June 9, 2017

CYPRESS|ASSOCIATES LLC

CONFIDENTIAL

Confidential Material for the Special Committee of the Board of Directors

THE FOLLOWING PAGES CONTAIN MATERIALS PROVIDED TO THE SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS OF THE COMPANY (AS DEFINED HEREIN) BY CYPRESS ASSOCIATES LLC (“CYPRESS”) IN CONNECTION WITH THE PROPOSED TRANSACTION INVOLVING SANCHEZ RESOURCES, LLC (“SR”) AND SANCHEZ ENERGY CORPORATION (“SN” OR THE “COMPANY”). THIS PRESENTATION IS FOR DISCUSSION PURPOSES ONLY. THE ACCOMPANYING MATERIALS WERE COMPILED OR PREPARED ON A CONFIDENTIAL BASIS SOLELY FOR THE USE OF THE SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS OF THE COMPANY AND NOT WITH A VIEW TOWARD PUBLIC DISCLOSURE UNDER STATE OR FEDERAL SECURITIES LAWS OR OTHERWISE. NEITHER THIS PRESENTATION NOR ANY OF ITS CONTENTS MAY BE DISCLOSED OR USED FOR ANY OTHER PURPOSE WITHOUT THE PRIOR WRITTEN CONSENT OF CYPRESS. THE INFORMATION CONTAINED IN THESE MATERIALS WERE OBTAINED FROM SR AND PUBLIC SOURCES, AND WERE RELIED UPON BY CYPRESS WITHOUT INDEPENDENT VERIFICATION AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. ANY ESTIMATES OR PROJECTIONS CONTAINED HEREIN HAVE BEEN SUPPLIED BY SR, AND INVOLVE NUMEROUS AND SIGNIFICANT SUBJECTIVE ASSUMPTIONS AND DETERMINATIONS, WHICH MAY NOT BE CORRECT. NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION AND NOTHING CONTAINED HEREIN IS, OR SHALL BE RELIED UPON AS, A REPRESENTATION OR WARRANTY, WHETHER AS TO THE PAST OR THE FUTURE. IN ADDITION, THE ANALYSES SET FORTH HEREIN ARE NOT AND DO NOT PURPORT TO BE APPRAISALS OF THE ASSETS, SECURITIES, OR BUSINESS OF SR. CYPRESS MAKES NO REPRESENTATIONS AS TO THE ACTUAL VALUE WHICH MAY BE RECEIVED IN CONNECTION WITH A TRANSACTION NOR THE LEGAL, TAX OR ACCOUNTING EFFECTS OF CONSUMMATING A TRANSACTION.

NOTWITHSTANDING THE FOREGOING, INFORMATION PROVIDED BY SR AND DESCRIBED HEREIN AS BEING A FACTUAL STATEMENT “PER SR MANAGEMENT” WAS SUBJECT, IN EACH CASE, TO FOLLOW-UP DISCUSSIONS BY CYPRESS WITH SR MANAGEMENT. SUCH DISCUSSIONS WERE INTENDED TO ASSIST CYPRESS IN UNDERSTANDING THE SCOPE AND NATURE OF THE INFORMATION PROVIDED BY SR AND THE CONTEXT IN WHICH SUCH INFORMATION WAS COLLECTED OR OBTAINED. CYPRESS RELIED ON THESE FOLLOW-UP DISCUSSIONS WHEN PREPARING ITS VALUATION ANALYSIS.

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I SITUATION OVERVIEW

SITUATION OVERVIEW

Company Overview

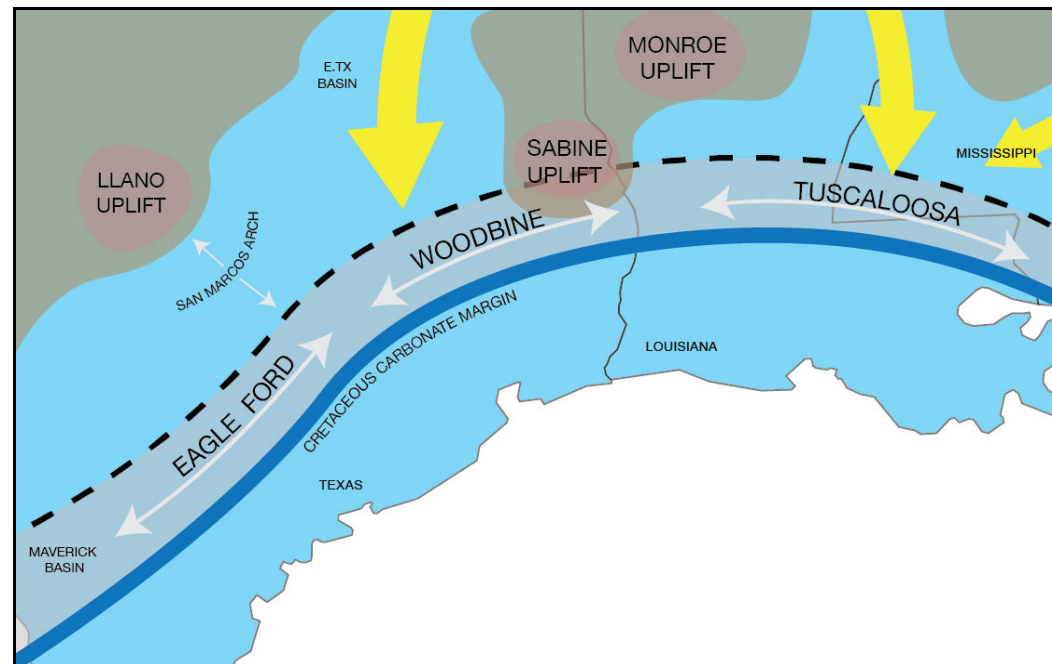
- Sanchez Resources (“SR”) is involved in the acquisition of, exploration for and development of oil and natural gas
- Current operations focus on conventional and unconventional shale resource plays in Louisiana and Mississippi with the shale play in the Tuscaloosa Marine Shale
 - At January 1, 2017 strip pricing with cost escalation, Mire & Associates estimated net proved, probable and possible reserves to be [REDACTED] MBO and [REDACTED] MMCF with proved reserves of [REDACTED] MBO and [REDACTED] MMCF¹
 - Proved reserves from conventional and TMS wells were [REDACTED] MBO and [REDACTED] MBO, respectively, with all MMCF reserves from the TMS
 - Probable and Possible reserves from conventional and TMS wells were [REDACTED] MBO/[REDACTED] MMCF and [REDACTED] MBO/[REDACTED] MMCF, respectively
 - SR has [REDACTED] producing wells ([REDACTED] TMS and [REDACTED] conventional), [REDACTED] PNP conventional wells and [REDACTED] PUDs ([REDACTED] TMS and [REDACTED] conventional)
- Sanchez Resources formed an area of mutual interest and 50/50 joint venture with Sanchez Energy Corporation
- While a number of leases have or will expire (e.g., conventional—[REDACTED] and TMS—[REDACTED]), management still expects that SR will be able to drill the wells on those leases

¹ Reflects reclassification of several wells from Probable to PUD per SR management. The Mire report had proved reserves of [REDACTED] MBO and [REDACTED] MMCF.

SITUATION OVERVIEW

Eagle Ford to TMS Trend

- TMS is age equivalent to the Eagle Ford Shale
 - Average depth: 11,000' to 13,000'
 - Thickness: 100' to 250'
 - Oil cut: ~90%
- SR's drilling cost in the TMS is estimated to be \$8.5mm versus \$3mm in the Eagle Ford¹



¹ The basis for SR's TMS well cost estimate is a three-string design with a 5,500' lateral, two to four wells per pad, 21 stages with approximately 1,500 pound/foot sand concentration density, and smaller hole sizes than wells drilled previously. Wilcox drilling cost is approximately \$1 million. All figures from SR management.

SITUATION OVERVIEW

TMS Acreage Positions



SITUATION OVERVIEW

TMS Acreage Position (Cont'd)

- The outlook for TMS development has changed substantially
 - Australis purchased Encana's position for \$80 million
 - Net oil production of 1,900 bbls/d as of November 1, 2016 contract effective date with 62,000 operated net acres (22,000 HBP) within permitted drilling units with 2C resource of 80.2 MMbbls
 - PDP reserves of 5.0 MMbbls with PV10 at \$95 million with forward strip as of 1/2/17 (\$55.31 increasing to \$58.41 by 2025)
 - Purchase price allocation: \$69 million to PDP at PV20, \$8 million to HBP TMS acreage and \$3 million to Permitted TMS acreage
 - Assumed \$10.8 million well cost¹
 - Halcón Resources assigned its TMS interest to Apollo as the cumulative preferred return due Apollo (\$219.9 million) was greater than the FMV of the assets (\$41.9 million)²
 - Goodrich Petroleum emerged from bankruptcy on October 12, 2016. Nearly 100% of the capex budget is allocated to Haynesville Shale. Management argues for option value in the Eagle Ford and TMS pending an oil price recovery.³
 - Comstock Resources is focused on Haynesville Shale and has no plans to develop its TMS acreage prior to expiration of the leases unless oil prices significantly improve in the near term.

¹ The Encana well design used a larger hole size that enabled them to drill longer laterals and included higher sand concentration in the frac completion, increasing costs.

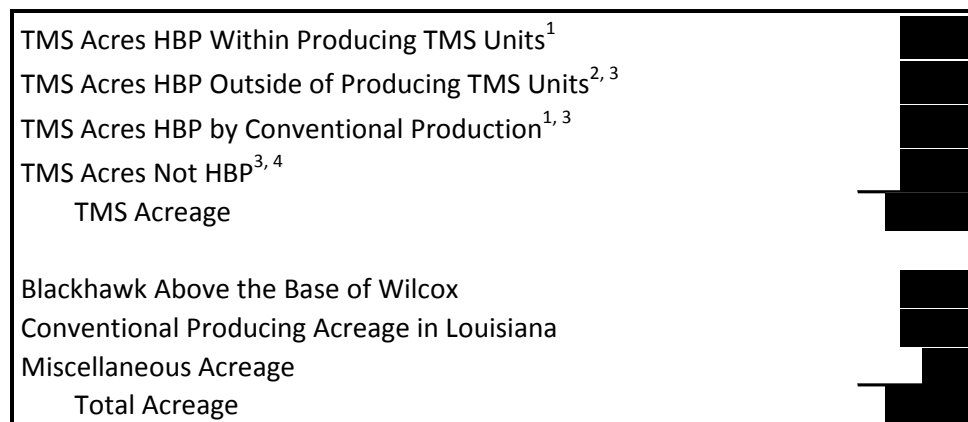
² Estimated fair value based on the anticipated cash flows associated with HK TMS, LLC's proved reserves, risked by reserve category and discounted using a weighted average cost of capital rate of 12.5%. HK TMS has 1.1 MMBoe of proved reserves as of December 31, 2015 using SEC pricing (\$50.25) as of such date.

³ Source: Goodrich Petroleum management presentation and Haynesville Shale overview for Q1 2017 earnings call.

SITUATION OVERVIEW

SR's Acreage Position

- SR's acreage position is as follows



- SR believes the company will maintain the ability to drill on expiring acreage

- [Redacted]
- For TMS expirations, given that two of its competitors are focused outside the TMS and SR has completed significant work on the leased acreage that others have not (geology, title check, etc.), SR expects to be able to drill on these locations

¹ SR generally holds leases at all depths allowing SR to hold leases by production at either conventional or unconventional (e.g., TMS) depths.

² Drilling occurs in specific units but leases may cover acreage both inside and outside of established drilling units, allowing acreage outside of drilled units to be held by production.

³ Per SR management any value from this acreage is not captured in the 3P reserve report.

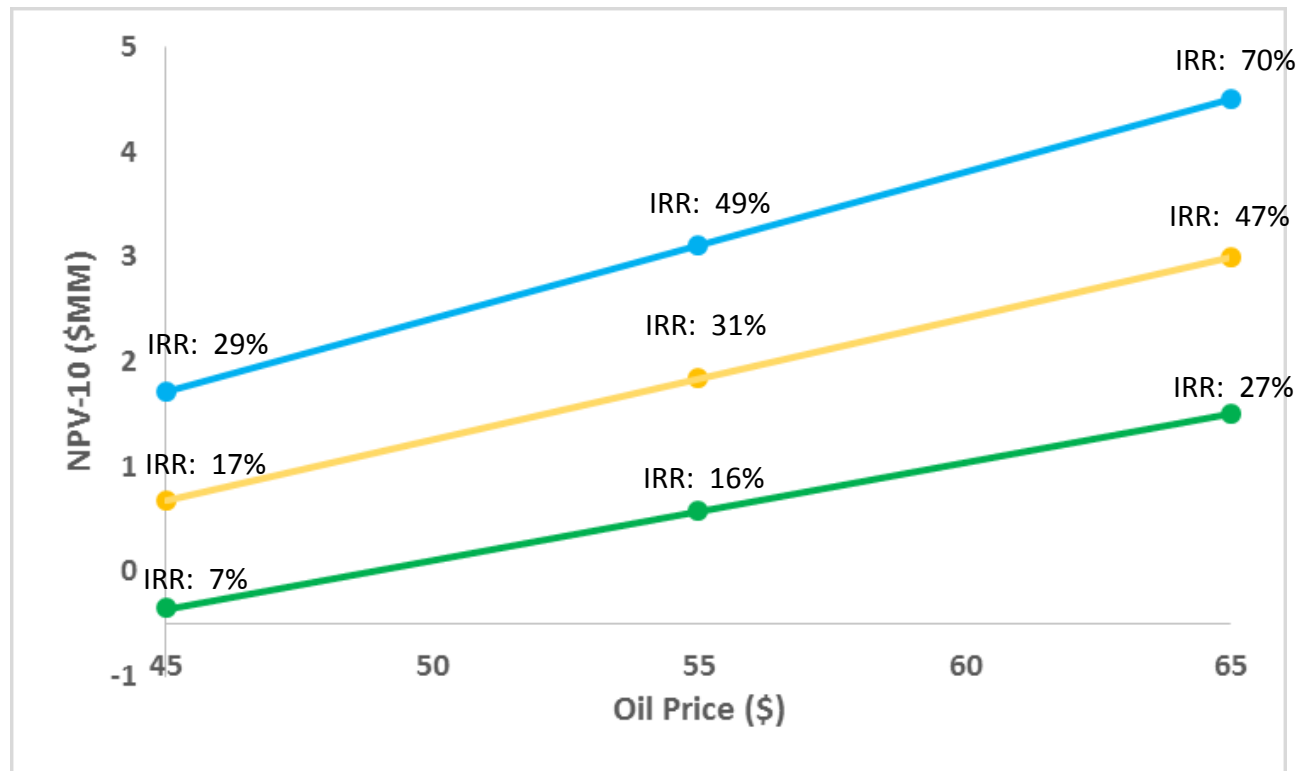
⁴ Leases expire between [Redacted].

SITUATION OVERVIEW

SR TMS Well Economics

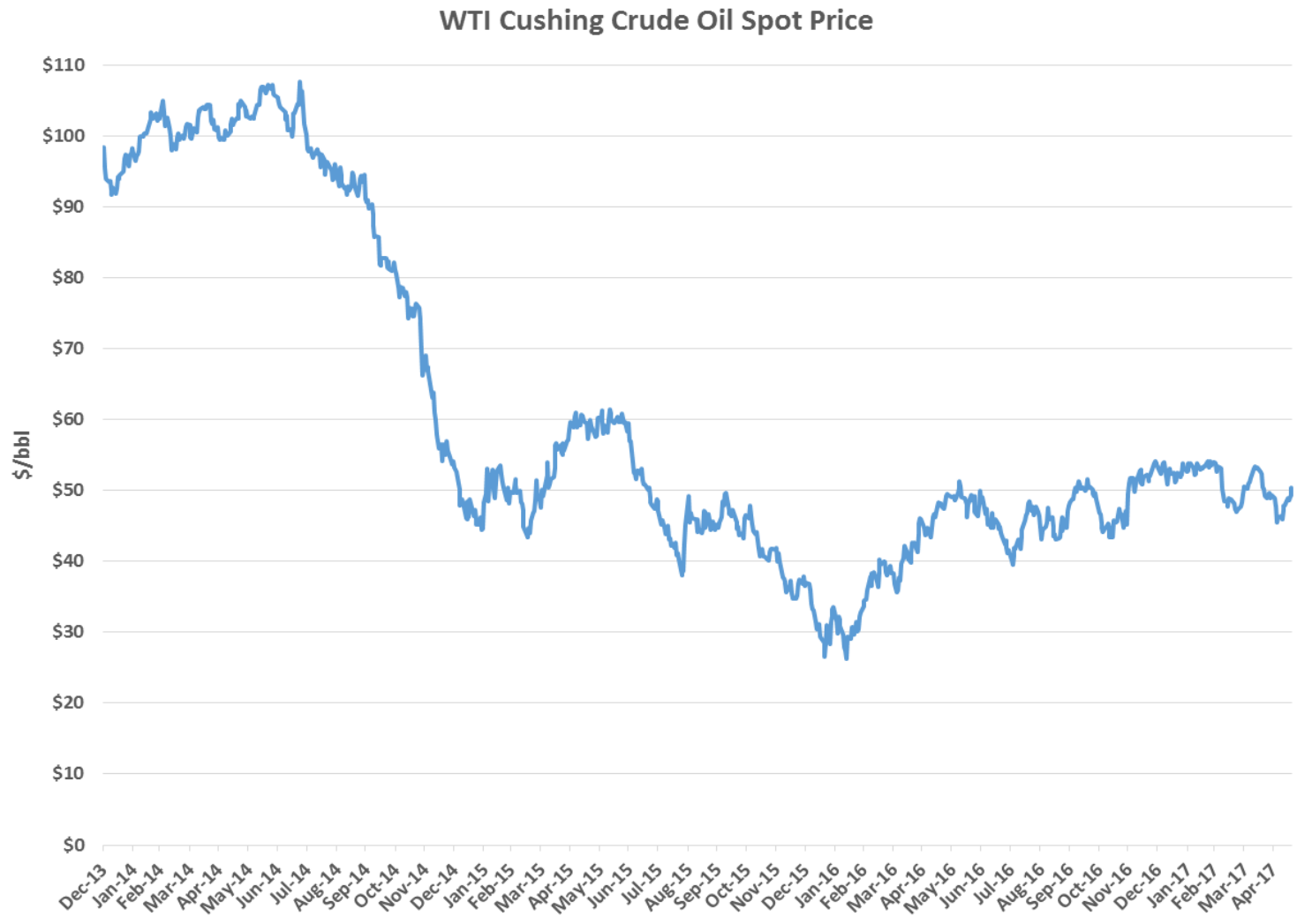
- While the TMS wells are economic at today's prices, SR would like to see better economics.

	High	Base	Low
Gross Well Capex (\$MM)	\$8.5	\$8.5	\$8.5
Initial 24-hour Rate (Bbl/d)	1,343	1,119	859
Gross EUR (MBO)	693	586	444
PV10 (\$MM)	\$3.106	\$1.840	\$0.575



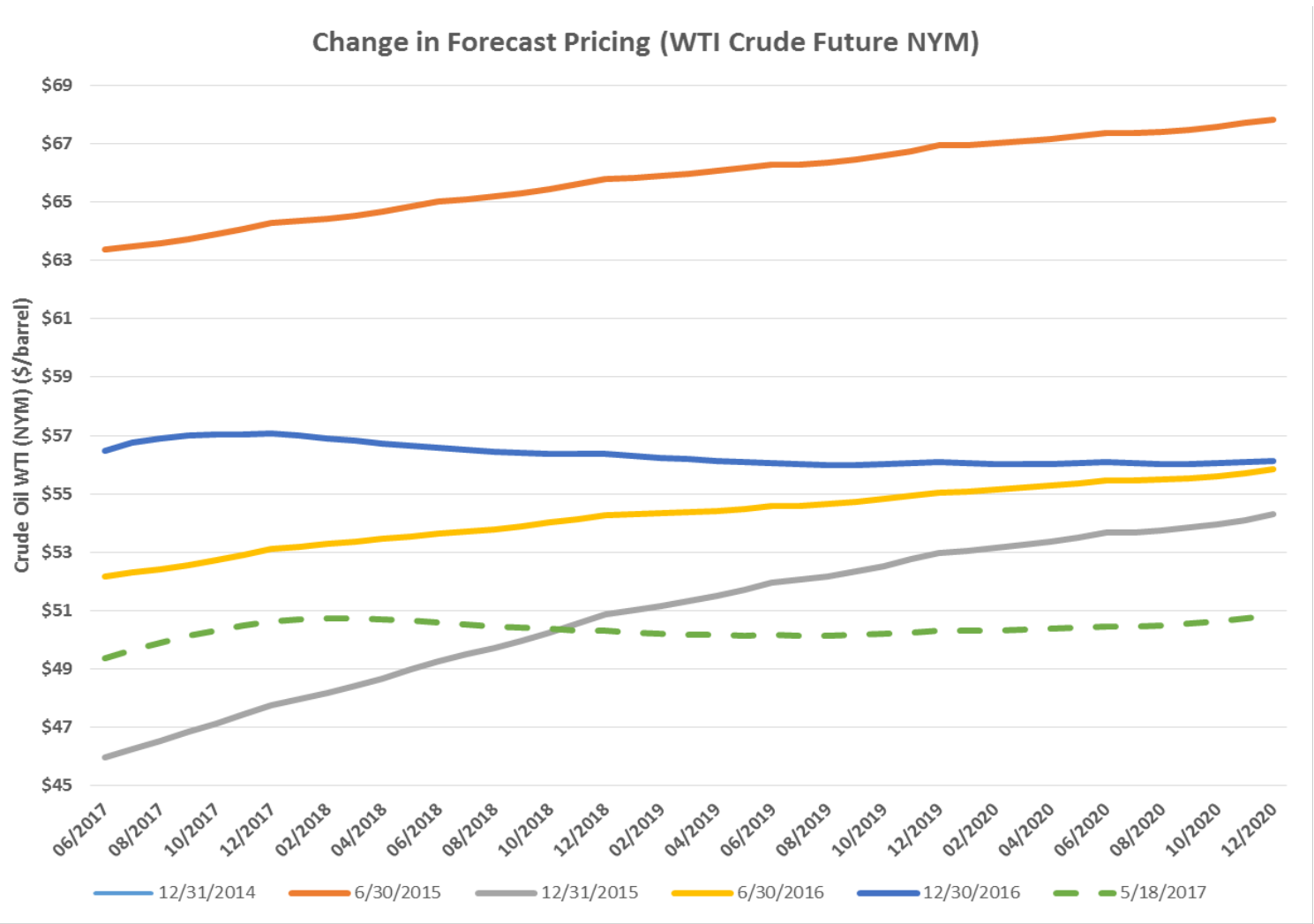
SITUATION OVERVIEW

Oil Price Trend



SITUATION OVERVIEW

Change in Forecast Strip Pricing





II VALUATION ANALYSIS

VALUATION ANALYSIS

Valuation Overview and Methodologies

- Cypress prepared a sum-of-the-parts analysis to estimate the Net Asset Value (“NAV”) of SR, which includes the following components:
 - 3P Reserves¹ valued at January 1, 2017 assuming cost escalation
 - 3.838% weighted average ORRI on [REDACTED] net acres excluded from 3P reserve report with Sanchez Oil & Gas the operator on [REDACTED] net acres and third parties accounting for the remaining [REDACTED] acres
 - TMS probable drilling of [REDACTED] wells by third parties – [REDACTED] – in [REDACTED] units based on [REDACTED] existing wells
 - No value was assigned to HBP TMS acreage²
 - Cash, working capital and debt as of March 31, 2017
 - Asset retirement obligation net of salvage value per SR management
- Cypress valued SR based on the NAV methodology, an industry standard approach to value oil and gas reserves for exploration and production companies
 - Estimates the value of 3P oil and gas reserves by risk-adjusting the cash flows expected to be generated by a company’s reserves
 - Cypress risk-adjusted SR’s reserves utilizing two methodologies – risk-adjusted discount rates and (ii) reserve adjustment factors applied to PV10 reserve values – with the adjustments based on the Society of Petroleum Evaluation Engineers 35th Annual Survey (June 2016)

¹ PUD designation based on SEC definition per SR management.

² SR has [REDACTED] HBP TMS acres whose value is not captured by the 3P reserve report. The acreage likely has option value that Cypress cannot calculate.

VALUATION ANALYSIS

Valuation Overview and Methodologies – Additional Acreage Value

- SR has [REDACTED] HBP TMS acres whose value is not captured by the 3P reserve report.
- Australis allocated a “nominal” value of \$8 million to 22,000 HBP acres acquired from Encana, or ~\$363.64 per acre
 - In allocating a nominal value of \$8 million to the HBP TMS acreage, Australis reduced the value of the PDP reserves by using a PV20 value
 - However, Australis also said that Ryder Scott’s PDP PV10 value was \$95 million
 - Walter Goodrich in Goodrich Petroleum’s March 2, 2017 conference, said “It looks to us like the entire Encana position went for something, at or less than PDP value, so picking up the acreage for very little. But the reality is that in our view that play work – starts to work in terms of new development at \$65 to \$70 a barrel.”
- Assuming Australis only paid for the 5.0 MMbbls of PDP reserves, Australis’s \$80 million purchase price was 16.0x the number of PDP barrels.
 - For SR’s [REDACTED] Mbbls of PDP reserves, this would imply a value of \$[REDACTED] million
 - The Mire reserve report’s PV10 value for SR’s PDP reserves is \$[REDACTED] million
 - This implies that Australis picked up the acreage option for free and is consistent with other TMS players’ plans to let their leases expire

VALUATION ANALYSIS

Net Asset Value – Risk-Adjusted Discount Rate Methodology

(US dollars in thousands)


	<u>RADR (a)</u>	<u>With Cost Escalation</u>
3P Reserves		
PDP	10%	
PNP	15%	
PUD		
Conventional	20%	
TMS	25%	
Probable		
Conventional	25%	
TMS (b)	30%	
Possible		
Conventional (b)	30%	
TMS	35%	
Total 3P		
Plus: Additional ORRI Excluded from 3P Reserve Reports (c)		
Plus: TMS Non-Operated Units Probable Wells	30%	
Plus: Cash (3/31/17)		
Total Asset Value		
Less: Working Capital (3/31/17) (d)		
Less: Debt (3/31/17)		
Less: Asset Retirement Obligation, Net of Salvage Value (e)		
Net Asset Value		\$16,712

(a) Median 2016 SPEE Survey Risk Adjusted Discount Rates

(b) Average of PV25 and PV35 figures from reserve reports.

(c) See ORRI valuation page for details.

(d) See schedule for adjustments.

(e)  asset retirement obligation as of March 31, 2017 net of salvage value (source: SR operations engineering).

VALUATION ANALYSIS

Net Asset Value – Reserve Adjustment Factor Methodology

(US dollars in thousands)

	PV10 With Cost Escalation	Reserve Adjustment Factors (a)		Valuation		
		Low	High	Low	High	
PDP						
Conventional	█	0.0%	0.0%	█		
Non - Conventional	█	0.0%	0.0%			
Total	█					
PNP						
Conventional	█	20.0%	10.0%			
Non - Conventional	█	20.0%	10.0%			
Total	█					
PUD						
Conventional	█	55.0%	45.0%			
Non - Conventional	█	55.0%	45.0%			
Total	█					
Probable						
Conventional	█	75.0%	65.0%			
Non - Conventional	█	75.0%	65.0%			
Total	█					
Possible						
Conventional	█	95.0%	85.0%			
Non - Conventional	█	95.0%	85.0%			
Total	█					
3P Total	█					
Plus: Additional ORRI Excluded from 3P Reserve Reports (b)						
Plus: TMS Non-Operated Units Probable Wells (c)						
Plus: Cash (3/31/17)						
Total Asset Value						
Less: Working Capital (3/31/17) (d)						
Less: Debt (3/31/17)						
Less: Asset Retirement Obligation, Net of Salvage Value (e)						
Net Asset Value						

(a) Range around median from 2016 SPEE Survey.

(b) See ORRI valuation page for details.

(c) PV30 value.

(d) See schedule for adjustments.

(e) █ asset retirement obligation as of March 31, 2017 net of salvage value (source: SR operations engineering).

VALUATION ANALYSIS

Comparison of Mire & Associates Reserve Reports¹

(US dollars in thousands)

	YE 2016 (\$42.75) SEC	1/1/17 Strip	
		With Cost Escalation	Without Cost Escalation
PDP			
PNP			
PUD			
Total Proved			

(a) According to management, SR did not request a PUD evaluation for the SEC pricing case.

¹ Note: Reflects reclassification of several wells from Probable to PUD per SR management.

VALUATION ANALYSIS

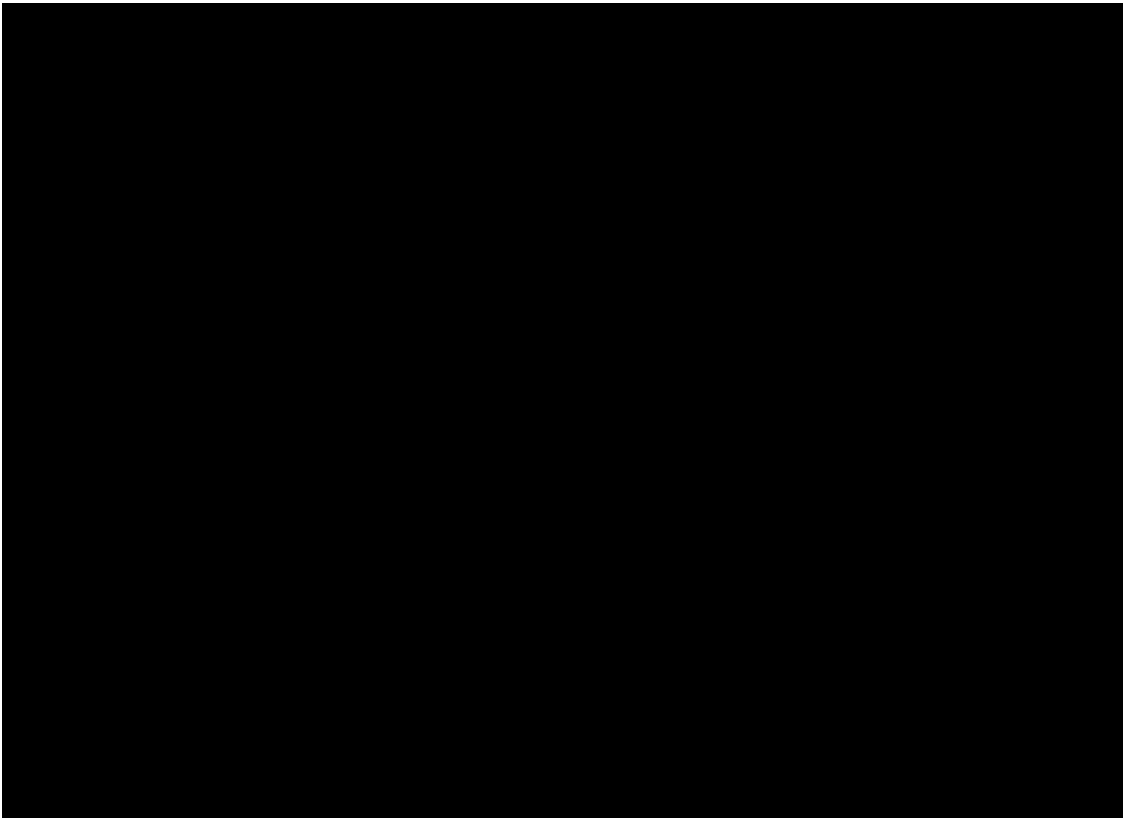
3P Mire & Associates Reserve Report Values with Cost Escalation¹ (US dollars in thousands)

	1/1/17 Strip Pricing With Cost Escalation									
	Discount Rates									
	8.00%	9.00%	10.00%	15.00%	20.00%	25.00%	35.00%	50.00%	70.00%	100.00%
PDP										
Conventional										
Non - Conventional										
PNP										
Conventional										
Non - Conventional										
Catahoula Lake (Expiring Conventional)										
PUD										
Conventional										
Non - Conventional										
Catahoula Lake (Expiring Conventional)										
Other Expiring (TMS)										
Probable										
Conventional										
Non - Conventional										
Catahoula Lake (Expiring Conventional)										
Other Expiring (TMS)										
Possible										
Conventional										
Non - Conventional										
Catahoula Lake (Expiring Conventional)										
PDP										
PNP										
1P Total at PV10										
3P Total at PV10										

¹ Note: Reflects reclassification of several wells from Probable to PUD per SR management.

VALUATION ANALYSIS

3P Mire & Associates Reserve Report Values without Cost Escalation¹ (US dollars in thousands)

	1/1/17 Strip Pricing Without Cost Escalation									
	Discount Rates									
	8.00%	9.00%	10.00%	15.00%	20.00%	25.00%	35.00%	50.00%	70.00%	100.00%
PDP										
Conventional										
Non - Conventional										
PNP										
Conventional										
Non - Conventional										
Catahoula Lake (Expiring Conventional)										
PUD										
Conventional										
Non - Conventional										
Catahoula Lake (Expiring Conventional)										
Other Expiring (TMS)										
Probable										
Conventional										
Non - Conventional										
Catahoula Lake (Expiring Conventional)										
Other Expiring (TMS)										
Possible										
Conventional										
Non - Conventional										
Catahoula Lake (Expiring Conventional)										
PDP										
PNP										
1P Total at PV10										
3P Total at PV10										

¹ Note: Reflects reclassification of several wells from Probable to PUD per SR management.

VALUATION ANALYSIS

Additional ORRI Value Not Captured by Reserve Reports

(US dollars in thousands)

- These Overriding Royalty Interests were not captured in the Mire reserve reports
- SOG is the operator on [REDACTED] acres and outside operators account for the remaining [REDACTED] acres.
- SR management's best estimate is that 85% of acreage will be included in units.
- SR management believes the probability of drilling is 50%.

SR Net Acres HBP with ORRI	[REDACTED]
Weighted Average ORRI	3.838%
Average Unit Size - Acres	1,750
Wells per Unit	12

Start Date	PV Value of 1% ORRI (\$000)						
	10.00%	15.00%	20.00%	30.00%	40.00%	50.00%	60.00%
2018	\$130.50	\$109.63	\$95.18	\$75.90	\$63.17	\$53.89	\$46.74
2021	\$97.27	\$70.36	\$52.63	\$31.21	\$19.36	\$12.35	\$8.02
2024	\$74.21	\$46.42	\$30.02	\$13.31	\$6.19	\$2.96	\$1.45

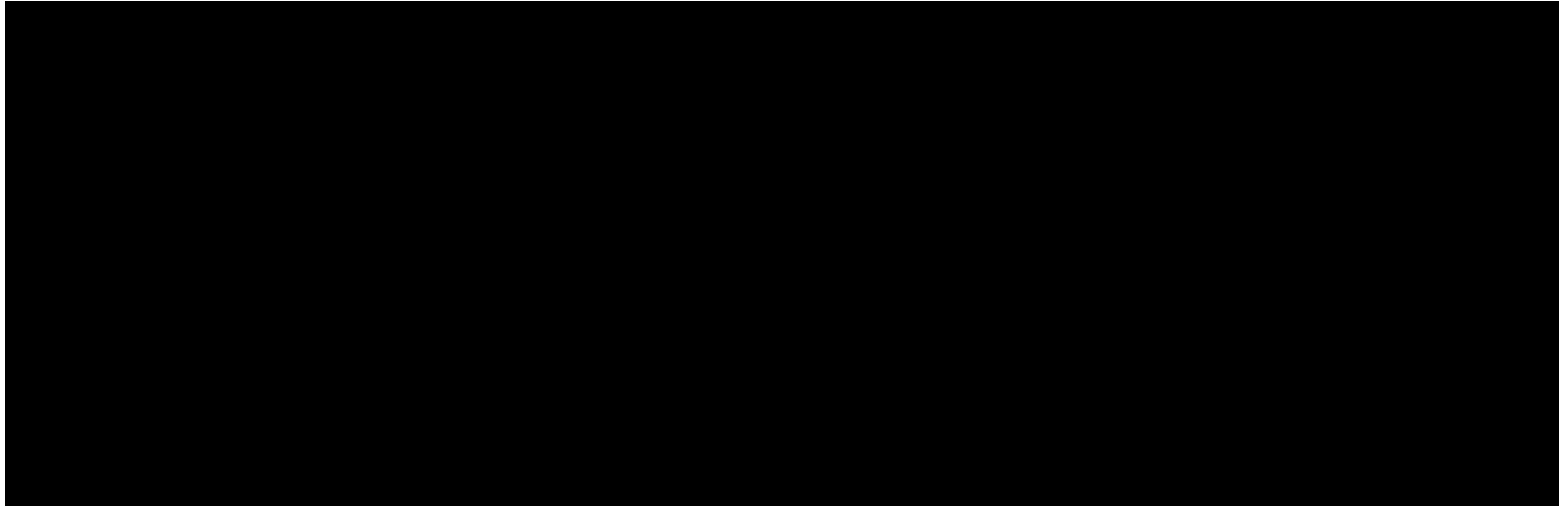
% Acreage Included in Units	Acreage Included in Units	Units	Wells	Values at Weighted Average ORRI of 3.838%											
				PV10			PV15			PV20			PV30		
				Initial Production Date			Initial Production Date			Initial Production Date			Initial Production Date		
				2018	2021	2024	2018	2021	2024	2018	2021	2024	2018	2021	2024
100%	[REDACTED]	6	77	\$38,734	\$28,871	\$22,027	\$32,540	\$20,884	\$13,778	\$28,251	\$15,621	\$8,910	\$22,528	\$9,264	\$3,951
90%	[REDACTED]	6	70	\$34,861	\$25,984	\$19,824	\$29,286	\$18,796	\$12,400	\$25,426	\$14,059	\$8,019	\$20,275	\$8,337	\$3,556
85%	[REDACTED]	5	66	\$32,924	\$24,541	\$18,723	\$27,659	\$17,751	\$11,711	\$24,013	\$13,278	\$7,574	\$19,149	\$7,874	\$3,358
80%	[REDACTED]	5	62	\$30,988	\$23,097	\$17,621	\$26,032	\$16,707	\$11,023	\$22,601	\$12,497	\$7,128	\$18,023	\$7,411	\$3,160
70%	[REDACTED]	5	54	\$27,114	\$20,210	\$15,419	\$22,778	\$14,619	\$9,645	\$19,776	\$10,935	\$6,237	\$15,770	\$6,485	\$2,765

PV10 at 85% Acreage Inclusion	\$18,723
Discount (Probability of Delay)	30.0%
ORRI Valuation	\$5,617

VALUATION ANALYSIS

TMS Non-Operated Units – Undeveloped Reserve Estimates – Single Well Estimates
(US dollars in thousands)

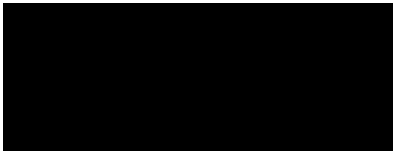
Non-Op Units	Single Well Economic Evaluation						Production	Operator
	<u>Wells</u>	<u>PV10</u>	<u>PV12</u>	<u>PV15</u>	<u>PV20</u>	<u>PV30</u>	<u>PV40</u>	



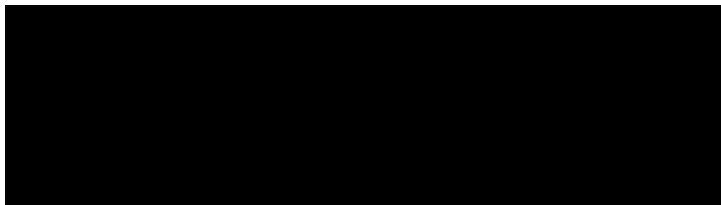
VALUATION ANALYSIS

TMS Non-Operated Units – Undeveloped Reserve Estimates – Total Assuming 8 Wells/Unit
(US dollars in thousands)

Non-Op Units	Unit Economic Evaluation						
	Wells to be Drilled	<u>PV10</u>	<u>PV12</u>	<u>PV15</u>	<u>PV20</u>	<u>PV30</u>	<u>PV40</u>



PV25 (Average of PV20 and PV30)



(a) Extrapolation based on the other well drilled in the unit. The extrapolation only includes 6 wells given the two existing wells.

VALUATION ANALYSIS

SR Working Capital as of March 31, 2017

(US dollars in thousands)

	<u>12/31/2016</u>	<u>3/31/2017</u>
Accounts Receivable - Oil & Natural Gas		
Accounts Receivable - Other		
Inventory - Crude		
Prepaid Assets		
Inventory - Pipe		
Accounts Payable		
Affiliates - Sanchez Oil & Gas Corporation		
Affiliates - Sanchez Energy Corporation		
Other		
Total Accrued Liabilities		
Net Working Capital		

- (a) Under the executed letter agreement, the balance of [REDACTED] as of March 31, 2017 will be written off by SOG and SR will not owe it if this transaction is consummated.

VALUATION ANALYSIS

SPEE Risk-Adjusted Discount Rates

(US dollars in thousands)

	Risk-Adjusted Discount Rates							
	SPEE June 2016 Survey				SPEE June 2015 Survey			
	<u>P90</u>	<u>Median</u>	<u>Mean</u>	<u>P10</u>	<u>P90</u>	<u>Median</u>	<u>Mean</u>	<u>P10</u>
PDP	9.0%	10.0%	11.2%	15.7%	8.0%	10.0%	24.4%	91.0%
PNP	10.0%	15.0%	14.7%	20.0%	10.0%	15.0%	26.1%	80.0%
PUD	15.0%	20.0%	20.6%	29.0%	12.0%	21.0%	28.6%	61.5%
Probable	20.0%	25.0%	67.6%	50.0%	13.0%	25.0%	53.5%	53.0%
Possible	20.0%	30.0%	83.2%	90.0%	0.2%	27.5%	60.4%	99.7%

P10: Probability that 10% of the results will be equal or greater than this result

P90: Probability that 90% of the results will be equal or greater than this result

2016 survey responses ranged from 22 to 32

2015 survey responses ranged from 41 to 56

VALUATION ANALYSIS

SPEE Reserve Adjustment Factors

(US dollars in thousands)

	Reserve Adjustment Factors													
	SPEE June 2016 Survey						SPEE June 2015 Survey							
	General				Unconventional		General				Unconventional			
	P90	Mean	Median	P10	Mean	Median	P90	Mean	Median	P10	P90	Mean	Median	P10
PDP	90.0%	95.6%	100.0%	100.0%	98.3%	100.0%	90.0%	96.4%	100.0%	100.0%	90.0%	97.4%	100.0%	100.0%
Proved Shut-in (a)	55.0%	82.0%	85.0%	100.0%	89.2%	87.5%	70.0%	80.2%	85.0%	95.0%	50.0%	82.9%	85.0%	95.0%
Proved Behind Pipe (b)	50.0%	74.7%	75.0%	95.0%	82.5%	75.0%	50.0%	74.5%	75.0%	90.0%	47.0%	75.2%	75.0%	96.0%
PUD	29.0%	58.6%	50.0%	90.0%	74.2%	67.5%	50.0%	59.3%	50.0%	90.0%	50.0%	63.2%	65.0%	89.5%
Probable Undeveloped	0.0%	32.1%	30.0%	56.0%	40.8%	45.0%	0.0%	29.0%	25.0%	50.0%	1.0%	32.6%	30.0%	50.0%
Possible Undeveloped	0.0%	12.6%	10.0%	30.0%	17.5%	12.5%	0.0%	12.1%	10.0%	25.2%	0.0%	12.2%	10.0%	25.0%

2016 general reserve survey responses ranged from 52 to 88 and unconventional survey responses numbered only 6.

2015 general reserve survey responses for ranged from 46 to 112 and unconventional survey responses ranged from 11 to 30.

P10: Probability that 10% of the results will be equal or greater than this result

P90: Probability that 90% of the results will be equal or greater than this result

(a) Mire SEC evaluation: For behind pipe cases reserve volumes were determined by volumetric calculations and by comparison to nearby reservoirs with similar production characteristics.

(b) Mire SEC evaluation: Several shut in wells awaiting repairs or salt water disposal access had reserves projected using the previous decline trends.