



**BlackRidge** RESOURCE  
PARTNERS

# **BLACKRIDGE BEREA PARTNERS 2017, LTD.**

Oil & Gas Development Project in the Southern Appalachian Basin

August 2017

# Disclaimer

CIRCULAR 230 DISCLOSURE. TO ENSURE COMPLIANCE WITH THE REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE (THE "SERVICE"), WE INFORM YOU THAT ANY U.S. FEDERAL TAX ANALYSIS MENTIONED IN THIS SUMMARY DOES NOT DEAL WITH A TAXPAYER'S PARTICULAR CIRCUMSTANCES. THIS SUMMARY WAS PREPARED IN SUPPORT OF THE PROMOTION, MARKETING, OR RECOMMENDATION OF THE PRIVATE PLACEMENT TRANSACTION DESCRIBED IN THE PPM AND THIS SUMMARY. AN INVESTMENT IN THE PARTNERSHIP IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE INTERNAL REVENUE CODE, WHICH ARE DESCRIBED IN THE PPM UNDER "FEDERAL INCOME TAX CONSIDERATIONS." PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM BASED ON THEIR PARTICULAR CIRCUMSTANCES.

THE INFORMATION PROVIDED HEREIN IS FOR INFORMATIONAL PURPOSES ONLY AND ANY PERCENTAGES OR AVERAGES ARE NOT GUARANTEES OR INDICATIVE OF PROMISED RESULTS OR OUTCOME. THIS IS NOT AN OFFER TO SELL A SECURITY. ANY LITERATURE MUST BE READ IN CONJUNCTION WITH THE PRIVATE PLACEMENT MEMORANDUM ("PPM") IN ORDER TO FULLY UNDERSTAND ALL OF THE IMPLICATIONS AND RISKS OF INVESTMENT ASSOCIATED WITH THE OFFERING. SUBJECT TO FINAL REVIEW AND APPROVAL BY BLACKRIDGE RESOURCE PARTNERS LLC, SUBSCRIPTIONS WILL ONLY BE ACCEPTED FROM ACCREDITED INVESTORS, AS DEFINED IN RULE 501 OF REGULATION D OF THE SECURITIES ACT OF 1933 (THE "ACT"), WHO PROVIDE THIRD PARTY VERIFICATION OF THEIR ACCREDITED INVESTOR STATUS PURSUANT TO RULE 506(C)(2)(II) OF THE ACT.

THIS PRESENTATION MAY CONTAIN PROJECTIONS AND FORWARD-LOOKING STATEMENTS OR INFORMATION BASED UPON ASSUMPTIONS RELATIVE TO THE OIL AND GAS INDUSTRY. EXCEPT FOR HISTORICAL AND FACTUAL INFORMATION, ALL PROJECTIONS AND FORWARD-LOOKING STATEMENTS ARE BASED UPON ESTIMATES BY BLACKRIDGE RESOURCE PARTNERS LLC, AND ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT MAY BE BEYOND THEIR CONTROL AND MAY CAUSE RESULTS THAT SIGNIFICANTLY DIFFER FROM THE FORWARD-LOOKING STATEMENTS EITHER EXPRESSED OR IMPLIED

THIS DOCUMENT IS NOT TO BE REPRODUCED IN ANY MANNER.

# Management Team

*Our Managing Partners have worked together for nearly 25 years*



## **Bill Barr, Co-Founder & Managing Partner**

- Former Executive Vice President of NGAS Resources Inc.
- 40 years of experience in the oil & gas industry
- Board Member of Independent Petroleum Association of America (“IPAA”)
- Board of Trustees of the Energy and Mineral Law Foundation
- Member of the Kentucky Chamber of Commerce Energy and Environmental Policy Council
- Past President and current Board Member of Kentucky Oil and Gas Association (“KOGA”)



## **Bill Daugherty, Co-Founder & Managing Partner**

- Former Chairman, CEO and President of NGAS
- Kentucky Governor’s Representative to the Interstate Oil & Gas Compact Commission
- Board Member and Past President of KOGA
- Former Member of DOE’s Unconventional Resources Technology Advisory Committee
- Former IPAA Board Member
- Former Aircraft Owners and Pilots Association President’s Council and Board of Governors Member

# Proven Track Record

- Managing Partners built NGAS Resources, Inc. (NASDAQ-NGAS) and merged with NYSE-listed company in 2011
- NGAS assets included:
  - Interests in 1,400 wells
  - 600 miles of pipelines and natural gas gathering system
  - 350,000 acres
  - 63.1 Bcfe<sup>1</sup> of reserves<sup>2</sup>
  - Two natural gas utilities
- NGAS sponsored 38 drilling partnerships for a total of \$250 million raised



# Business Plan

- Drill up to four horizontal wells with multi-stage completions targeting the Berea Sandstone in the southern Appalachian Basin
- Create regular long-term income
- Utilize state of the art drilling, completion and production technologies to:
  - Maximize production rates and reserves, and
  - Generate cost-effective operations
- Provide tax advantaged structure

# Offering Summary

- Limited partnership
- Maximum Offering<sup>1</sup>: \$5,700,000
- Minimum Offering<sup>1</sup>: \$1,425,000
- \$25,000 per unit
- 228 units available

# Offering Summary

*(continued)*

- Tax write-offs of approximately 79.5% in 2017
- Wells to be spudded by March 30, 2018<sup>1</sup>
- Developmental drilling in well-delineated Berea Sandstone
- Monthly distributions
- Annual third-party engineering report evaluating oil and gas reserve value

# Offering Summary

*(continued)*

- Revenue sharing
  - Before Payout<sup>1</sup>:
    - 90% to the investing partners
    - 10% to BlackRidge
  - After Payout<sup>1</sup>:
    - 75% to the investing partners
    - 25% to BlackRidge
  
- Forecasted 46-month Payout from cash flow



# Forecast Summary<sup>1</sup>

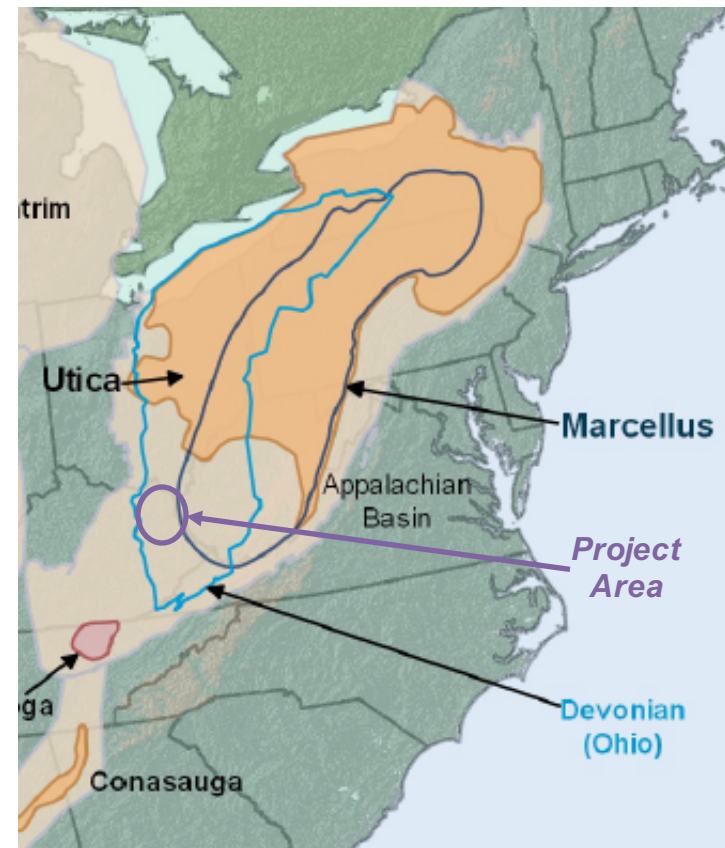
- Projection period: 10 years
- Initial Production Rate:
  - 125 barrels of oil per day, and
  - 100,000 cubic feet of natural per day
- Pricing<sup>2</sup>: Futures as of August 9<sup>th</sup>

	Investor Group	Per Unit <sup>4</sup>
<b>NPV - Future Cash Flow<sup>3</sup></b>	<b>\$7,316,233</b>	<b>\$32,089</b>
NPV/Investment Amount	1.3x	
<b>IRR</b>	<b>14.4%</b>	
<b>Payout from Cash Flow</b>	<b>46 Mos</b>	
<i>Production at Payout (net)</i>	<i>46.6 Bbl/d</i>	
<b>Cash-On-Cash Return</b>	<b>\$ 4,134,792</b>	<b>\$ 18,135</b>
<b><i>Cash-On-Cash (% of Investment)</i></b>	<b>72.5%</b>	

1. Net to Unitholders' interest.
2. As quoted by www.cmegroup.com.
3. 7.0% discount rate.
4. Based on 228 Units.

# The Appalachian Basin

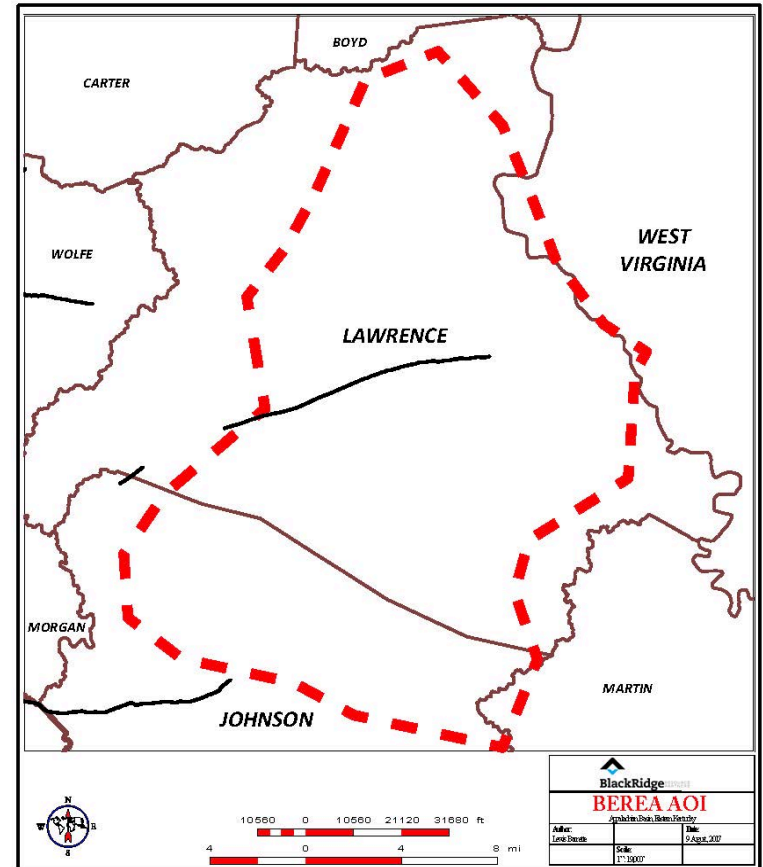
- Birthplace of domestic oil and gas production
- Managing Partners active in southern portion of the Appalachian Basin since the 1980s



EIA 2017

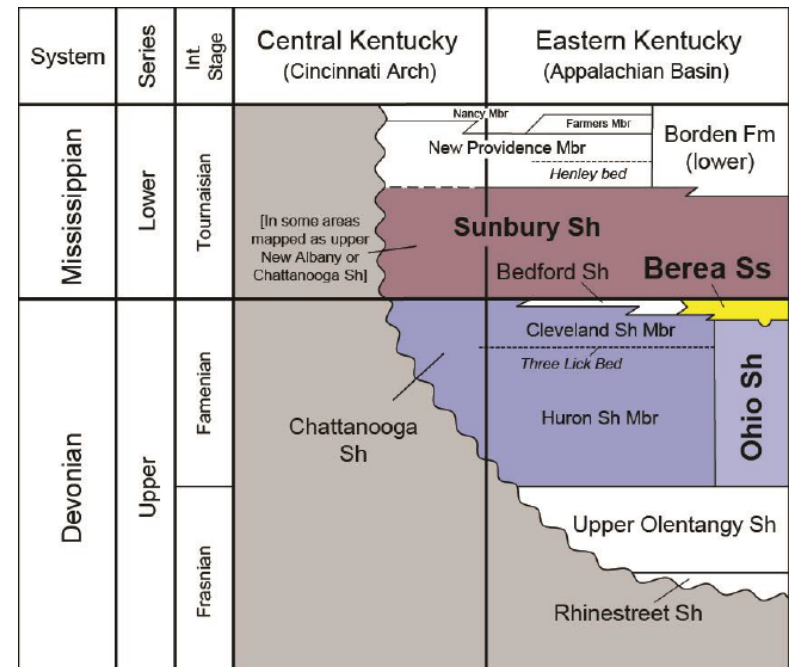
# The Project Area

- Located within the southern Appalachian Basin
- Targeting Berea Sandstone Formation
- Project Area centrally located in Lawrence and Johnson Counties, KY



# Berea Sandstone

- The Berea Sandstone is the upper-most Devonian age formation
- Historically vertically drilled
- Horizontal drilling and hydraulic fracturing are unlocking value
- Since 2010, 178 horizontal wells have been drilled and completed in the formation in eastern Kentucky



Kentucky Geological Survey, 2011



# The Project Wells

- Up to four horizontal wells extending 3,000 to 4,200 feet
- **Operated by BlackRidge**
- Applying modern technology
  - **Geosteering** to better control the horizontal wellbore in the target formation
  - Completion will use **plug and perf** system with high volume hydraulic fracturing to maximize production and reserves
- Estimated reserve life exceeds 20 years



# Tax Advantages

## *Deductions for Intangible Drilling Costs (“IDCs”)*

- IDCs are expenses necessary for the drilling and preparation of wells for production that do not have a salvage value
- Wells must be started prior to March 31, 2018, and drilled and completed in a timely manner
- IDCs are deductible against 2017 income or may at election of Investor be spread over 60 months

*IRC Sections 263(c), 59(e)*

# Tax Advantages

## *Passive Activity Exception*

- Major exception from “passive activity loss rules” by Investor General Partners (“GP”)
  - In general, passive activity means any activity:
    - Which involves the conduct of any trade or business, and
    - In which the taxpayer does not materially participate
  - Passive activity losses may only be deducted against passive income
- Passive activity does not include working interest in oil and gas properties held directly or through an entity which does not limit the liability of the Investor

*IRC Section 469(c)(3)*

# Tax Advantages

## *Depletion Allowance*

- Deduction of 15% of the Investor's **GROSS** income from the program without regard to Investor's basis
- Investor must be an "*independent producer*" (having average daily production of less than 1,000 barrels of oil per day equivalent)
- Limited to:
  - 100% of Investor's taxable income from the program
  - 65% of Investor's total taxable income from all sources

*IRC Section 611, 613A, 613A(c)(6)*

# Tax Advantages

## *Alternative Minimum Tax*

- Section 59(e) deductions are non-preference items
- IDCs may be used to reduce alternative minimum tax

# Significant 1<sup>st</sup> Year Tax Savings<sup>1</sup>

	No Investment	Oil & Gas Investment
<b>Taxable Income</b>	\$ 500,000	\$ 500,000
Energy Investment	-	100,000
IDC/Other 1st yr Deduction	-	79,500
<b>New Taxable Income</b>	<b>500,000</b>	<b>420,500</b>
<i>State Tax 6%</i>	<i>30,000</i>	<i>25,230</i>
<i>Federal Tax</i>	<i>143,231</i>	<i>111,749</i>
<b>Total Tax</b>	<b>173,231</b>	<b>136,979</b>
<b>Tax Savings</b>	\$ -	<b>\$ 36,252</b>



# Investment Risks

- Market risk – oil and gas price fluctuations
- Production risks – production and reserve volumes
- Operational risks
- General liability

# Risk Mitigation

- Application of modern technology to maximize production and reserve potential
- Daily on-site and remote well monitoring
- Primary and excess insurance coverage
  - *BlackRidge Berea Partners 2017, Ltd. is an additional named insured*
- Subcontractors have mandatory liability and workers' compensation insurance coverage
- GPs converted to LPs to limit exposure after drilling and completion phase

# Summary

- Up to \$5,700,000 raise
- \$25,000 units
- Significant tax advantages
- Up to four wells operated by BlackRidge
- Experienced management team
- Projected payout in less than four years

# Contact

## Corporate Office

---

301 East Main Street  
Suite 700  
Lexington, KY 40507

859.246.3200  
info@blackridgeusa.com  
www.blackridgeusa.com

## Contacts

---

Bill Barr, Managing Partner  
859.246.3211

Bill Daugherty, Managing Partner  
859.246.3201

Michael Hughes, National Sales  
Director  
949.233.5451



**BlackRidge** RESOURCE PARTNERS

# APPENDIX



# Forecast Summaries

## Futures Pricing

### BlackRidge Berea Partners 2017, Ltd.<sup>1</sup>: 4-Well Forecast

#### Summary:

Investment Amount	\$ 5,700,000
Payout (from Cash Flow)	46 Mos
NPV Cash Flows (7.0% disc)	\$ 7,316,233
IRR (10-year)	14.4%

#### Assumptions:

Crude Oil (\$/Bbl or Futures Date)	8/9/17 WTI	Success Rate	100.0%
Natural Gas (\$/Mcf or Futures Date)	8/9/17 HH	Water Ratio (to oil)	10.0%
NRI	82.5%		
Operator Initial Carried Interest	10.0%	Revisionary Interest	15.0%

Development Analysis	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Production Volumes:</b>										
Annual Oil Production (Net Bbbls)	37,510	35,075	21,258	17,479	13,594	11,613	11,014	10,594	10,268	9,964
Annual Gas Production (Net Mcf)	35,992	49,725	34,522	28,362	22,077	18,983	17,169	15,529	14,045	12,703
Revenue	\$ 2,068,043	\$ 1,966,259	\$ 1,207,620	\$ 1,005,023	\$ 796,312	\$ 430,179	\$ 666,835	\$ 648,296	\$ 631,187	\$ 611,015
Operating Expenses	173,362	203,258	150,047	135,386	112,283	87,765	99,916	98,300	96,853	95,284
<b>Gross Profit</b>	<b>\$ 1,894,681</b>	<b>\$ 1,763,001</b>	<b>\$ 1,057,574</b>	<b>\$ 869,637</b>	<b>\$ 684,029</b>	<b>\$ 342,415</b>	<b>\$ 566,919</b>	<b>\$ 549,996</b>	<b>\$ 534,334</b>	<b>\$ 515,731</b>
Cummulative Gross Profit	1,894,681	3,657,682	4,715,256	5,584,893	6,268,922	6,611,336	7,178,255	7,728,251	8,262,585	8,778,316
Average \$/Bbl Operating Cost	\$ 4.62	\$ 5.80	\$ 7.06	\$ 7.75	\$ 8.26	\$ 7.56	\$ 9.07	\$ 9.28	\$ 9.43	\$ 9.56

#### 10-Year Return Evaluation:

##### Assumptions:

Residual after	10	years
Oil Value	\$ 35,000	\$/Bbl
Nat Gas Value	\$ 3,000	\$/Mcf

(Investment Amount)	\$ (5,700,000)										
Allocable Gross Profit	1,894,681	1,763,001	1,057,574	869,637	684,029	342,415	566,919	549,996	534,334	515,731	
Residual Value	-	-	-	-	-	-	-	-	-	1,056,476	
<b>Total</b>	<b>\$ (5,700,000)</b>	<b>\$ 1,894,681</b>	<b>\$ 1,763,001</b>	<b>\$ 1,057,574</b>	<b>\$ 869,637</b>	<b>\$ 684,029</b>	<b>\$ 342,415</b>	<b>\$ 566,919</b>	<b>\$ 549,996</b>	<b>\$ 534,334</b>	<b>\$ 1,572,206</b>
Cummulative Return	\$(5,700,000)	\$(3,805,319)	\$(2,042,318)	\$(984,744)	\$(115,107)	\$ 568,922	\$ 911,336	\$ 1,478,255	\$ 2,028,251	\$ 2,562,585	\$ 4,134,792
<b>Percent of Original Investment (Annual)</b>		<b>33.2%</b>	<b>30.9%</b>	<b>18.6%</b>	<b>15.3%</b>	<b>12.0%</b>	<b>6.0%</b>	<b>9.9%</b>	<b>9.6%</b>	<b>9.4%</b>	<b>9.0%</b>

	Investor Group	Per Unit <sup>2</sup>
NPV - Future Cash Flow <sup>3</sup>	\$7,316,233	\$32,089
NPV/Investment Amount		1.3x
IRR		14.4%
Payout from Cash Flow	46 Mos	
Production at Payout (net)	46.6 Bbl/d	
Cash-On-Cash Return	\$ 4,134,792	\$ 18,135
Cash-On-Cash (% of Investment)		72.5%

1. Net to Unitholders' interest.
2. Based on 228 Units.
3. 7.0% discount rate.



# Forecast Summaries

## \$40.00/Bbl and \$2.50/Mcf Flat Pricing

### BlackRidge Berea Partners 2017, Ltd.<sup>1</sup>: 4-Well Forecast

Summary:		Assumptions:			
Investment Amount	\$ 5,700,000	Crude Oil (\$/Bbl or Futures Date)	\$ 40.00	Success Rate	100.0%
Payout (from Cash Flow)	69 Mos	Natural Gas (\$/Mcf or Futures Date)	\$ 2.50	Water Ratio (to oil)	10.0%
NPV Cash Flows (7.0% disc)	\$ 6,064,914	NRI	82.5%	Revisionary Interest	15.0%
IRR (10-year)	8.6%	Operator Initial Carried Interest	10.0%		

Development Analysis	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Production Volumes:</b>										
Annual Oil Production (Net Bbls)	37,510	35,075	21,258	17,479	15,505	13,936	11,942	10,594	10,268	9,964
Annual Gas Production (Net Mcf)	35,992	49,725	34,522	28,362	25,186	22,779	18,642	15,529	14,045	12,703
Revenue	\$ 1,670,343	\$ 1,595,907	\$ 976,534	\$ 802,903	\$ 712,250	\$ 640,481	\$ 546,994	\$ 483,131	\$ 466,098	\$ 450,345
Operating Expenses	152,366	183,751	137,904	124,758	117,901	112,489	99,063	89,654	88,228	86,915
<b>Gross Profit</b>	<b>\$ 1,517,977</b>	<b>\$ 1,412,157</b>	<b>\$ 838,630</b>	<b>\$ 678,145</b>	<b>\$ 594,349</b>	<b>\$ 527,992</b>	<b>\$ 447,931</b>	<b>\$ 393,477</b>	<b>\$ 377,870</b>	<b>\$ 363,430</b>
Cummulative Gross Profit	1,517,977	2,930,134	3,768,764	4,446,909	5,041,258	5,569,250	6,017,180	6,410,658	6,788,527	7,151,958
Average \$/Bbl Operating Cost	\$ 4.06	\$ 5.24	\$ 6.49	\$ 7.14	\$ 7.60	\$ 8.07	\$ 8.30	\$ 8.46	\$ 8.59	\$ 8.72

### 10-Year Return Evaluation:

#### Assumptions:

Residual after	10	years
Oil Value	\$ 35,000	\$/Bbl
Nat Gas Value	\$ 3,000	\$/Mcf

(Investment Amount)	\$ (5,700,000)										
Allocable Gross Profit	1,517,977	1,412,157	838,630	678,145	594,349	527,992	447,931	393,477	377,870	363,430	
Residual Value	-	-	-	-	-	-	-	-	-	1,056,476	
<b>Total</b>	<b>(\$ (5,700,000))</b>	<b>\$ 1,517,977</b>	<b>\$ 1,412,157</b>	<b>\$ 838,630</b>	<b>\$ 678,145</b>	<b>\$ 594,349</b>	<b>\$ 527,992</b>	<b>\$ 447,931</b>	<b>\$ 393,477</b>	<b>\$ 377,870</b>	<b>\$ 1,419,906</b>
Cummulative Return	(\$ (5,700,000))	(\$ (4,182,023))	(\$ (2,769,866))	(\$ (1,931,236))	(\$ (1,253,091))	(\$ (658,742))	(\$ (130,750))	\$ 317,180	\$ 710,658	\$ 1,088,527	\$ 2,508,433
<b>Percent of Original Investment (Annual)</b>		<b>26.6%</b>	<b>24.8%</b>	<b>14.7%</b>	<b>11.9%</b>	<b>10.4%</b>	<b>9.3%</b>	<b>7.9%</b>	<b>6.9%</b>	<b>6.6%</b>	<b>6.4%</b>

	Investor Group	Per Unit <sup>2</sup>
NPV - Future Cash Flow <sup>3</sup>	\$6,064,914	\$26,601
NPV/Investment Amount		1.1x
IRR		8.6%
Payout from Cash Flow	69 Mos	
Production at Payout (net)	37.9 Bbl/d	
Cash-On-Cash Return	\$ 2,508,433	\$ 11,002
Cash-On-Cash (% of Investment)		44.0%

1. Net to Unitholders' interest.
2. Based on 228 Units.
3. 7.0% discount rate.



# Forecast Summaries

**\$60.00/Bbl and \$3.50/Mcf Flat Pricing**

## BlackRidge Berea Partners 2017, Ltd.<sup>1</sup>: 4-Well Forecast

Summary:		Assumptions:			
Investment Amount	\$ 5,700,000	Crude Oil (\$/Bbl or Futures Date)	\$ 60.00	Success Rate	100.0%
Payout (from Cash Flow)	34 Mos	Natural Gas (\$/Mcf or Futures Date)	\$ 3.50	Water Ratio (to oil)	10.0%
NPV Cash Flows (7.0% disc)	\$ 8,555,981	NRI	82.5%	Revisionary Interest	15.0%
IRR (10-year)	20.3%	Operator Initial Carried Interest	10.0%		

Development Analysis	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Production Volumes:</b>										
Annual Oil Production (Net Bbls)	37,510	35,075	21,258	15,081	12,921	11,613	11,014	10,594	10,268	9,964
Annual Gas Production (Net Mcf)	35,992	49,725	34,522	24,484	20,988	18,983	17,169	15,529	14,045	12,703
Revenue	\$ 2,451,009	\$ 2,339,494	\$ 1,430,922	\$ 1,015,114	\$ 869,720	\$ 782,068	\$ 739,220	\$ 708,167	\$ 683,340	\$ 660,375
Operating Expenses	193,285	222,014	161,094	123,989	112,346	106,410	103,416	101,211	99,429	97,784
<b>Gross Profit</b>	<b>\$ 2,257,724</b>	<b>\$ 2,117,480</b>	<b>\$ 1,269,828</b>	<b>\$ 891,125</b>	<b>\$ 757,374</b>	<b>\$ 675,658</b>	<b>\$ 635,804</b>	<b>\$ 606,956</b>	<b>\$ 583,911</b>	<b>\$ 562,590</b>
Cummulative Gross Profit	2,257,724	4,375,204	5,645,031	6,536,156	7,293,530	7,969,188	8,604,992	9,211,948	9,795,858	10,358,449
Average \$/Bbl Operating Cost	\$ 5.15	\$ 6.33	\$ 7.58	\$ 8.22	\$ 8.70	\$ 9.16	\$ 9.39	\$ 9.55	\$ 9.68	\$ 9.81

## 10-Year Return Evaluation:

### Assumptions:

Residual after	<b>10</b> years
Oil Value	\$ 35,000 \$/Bbl
Nat Gas Value	\$ 3,000 \$/Mcf

(Investment Amount)	\$ (5,700,000)										
Allocable Gross Profit	2,257,724	2,117,480	1,269,828	891,125	757,374	675,658	635,804	606,956	583,911	562,590	
Residual Value	-	-	-	-	-	-	-	-	-	1,056,476	
<b>Total</b>	<b>\$ (5,700,000)</b>	<b>\$ 2,257,724</b>	<b>\$ 2,117,480</b>	<b>\$ 1,269,828</b>	<b>\$ 891,125</b>	<b>\$ 757,374</b>	<b>\$ 675,658</b>	<b>\$ 635,804</b>	<b>\$ 606,956</b>	<b>\$ 583,911</b>	<b>\$ 1,619,066</b>
Cummulative Return	\$(5,700,000)	\$(3,442,276)	\$(1,324,796)	\$(54,969)	\$ 836,156	\$ 1,593,530	\$ 2,269,188	\$ 2,904,992	\$ 3,511,948	\$ 4,095,858	\$ 5,714,924
<b>Percent of Original Investment (Annual)</b>		<b>39.6%</b>	<b>37.1%</b>	<b>22.3%</b>	<b>15.6%</b>	<b>13.3%</b>	<b>11.9%</b>	<b>11.2%</b>	<b>10.6%</b>	<b>10.2%</b>	<b>9.9%</b>

	Investor Group	Per Unit <sup>2</sup>
NPV - Future Cash Flow <sup>3</sup>	\$8,555,981	\$37,526
NPV/Investment Amount		1.5x
IRR		20.3%
Payout from Cash Flow	34 Mos	
Production at Payout (net)	53.8 Bbl/d	
Cash-On-Cash Return	\$ 5,714,924	\$ 25,065
Cash-On-Cash (% of Investment)		100.3%

1. Net to Unitholders' interest.
2. Based on 228 Units.
3. 7.0% discount rate.

