HEDGEYE RISK MANAGEMENT

EV ENERGY PARTNERS (EVEP): BEYOND THE YIELD

HEDGEYE ENERGY

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ABOUT EVEP

EV Energy Partners (EVEP) is a $1.9B* market cap upstream MLP with producing assets in the Barnett Shale (59% of 1P reserves) and multiple legacy, conventional fields; undeveloped acreage in the Utica Shale; and nascent midstream investments.

E&P private equity firms EnerVest and EnCap created EVEP in 2006 shortly after LINN Energy (LINE, LNCO) went public. EnerVest (71.25%), EnCap (23.75%), and EV Investors (5%) own 100% of EVEP's General Partner (GP), "EV Energy GP," and all incentive distribution rights (IDRs). All EVEP board members are either directly affiliated with EnerVest or were appointed by EnerVest or EnCap.

EnerVest's operating base includes ~3 Tcfe of 1P reserves and ~550 Mmcfe/d of production; EnerVest operates 93% of EVEP's assets.

In typical E&P MLP form, EVEP acquires low decline assets with a high percentage of PDP reserves; since 2006 the Company has completed $1.9B of acquisitions - the two largest coming in 4Q10 and 4Q11 in the Barnett Shale ($695MM combined). EVEP often acquires assets *from* EnerVest and/or EnCap-sponsored companies ("drop downs"), or acquires assets from unaffiliated parties (Encana, Petrohawk, Range Resources, EXCO, Anadarko) *alongside* EnerVest.

At YE12, EVEP had 905 Bcfe of 1P reserves (76% developed, 67% gas, 24% NGLs, and 9% oil) with an after-tax PV-10 of $867MM. In 2012 EVEP produced 163 Mmcfe/d (71% gas, 18% NGLs, 11% oil), and has guided 2013 production to -1% y/y on E&P spending of ~$100MM.

EVEP has ~170,000 net acres prospective for the Utica Shale, and has been trying to monetize ~104,000 of them since 1Q12; so far, it's been an unsuccessful effort. EVEP has now broken that package into 13 separate packages (by county) to attract more interest. We believe that the majority of EVEP's Utica acreage that is for sale is in the "oil window" (or west of it), where Chesapeake, Anadarko, Consol, and Devon have had limited success to date. Monetizing this acreage and then completing a 10-31 exchange with EnerVest for producing assets is EVEP's main priority, though we're not convinced this comes to fruition.

EVEP owns minority stakes in two Utica midstream companies, "Utica East Ohio" and "Cardinal Gas Services." EVEP will invest $335 - $395MM into these companies over the next 5 years, with $230 - $250MM in 2013 alone. These assets are expected to generate ~$65MM of annual EBITDA net to EVEP by 2016/2017.

We added short EVEP to our "Best Ideas" list on 4/26/13 at $47/unit.

**At $44.75/unit*

Sources: Hedgeye estimates; EVEP filings and presentations

THESIS

Since 1Q 2011, EVEP has **overpromised and under-delivered with respect to a monetization of its Utica acreage package**. All the while, well results in the "oil window" - where ~75% of EVEP's acreage for sale is located - have disappointed to the point where Chesapeake and Devon are liquidating their large positions, and Anadarko has reportedly ceased activity.

For much of 2011 and 2012 EVEP management guided the street to a price tag on its Utica package of **+$15k/acre**. In February 2012, EVEP did an equity raise at $68/unit, implying ~$14k/acre, by our estimate. We believe that the sell-side is *now* looking for a deal around $7k/acre and the buy-side more realistic at ~$5k/acre, but still too high. Our conversations with industry experts (land men, operators) suggest a price closer to ~**$3k/acre**. We expect this sale process to continue to disappoint expectations (which we believe management set way too high) with respect to price and timing.

EVEP's Utica Shale sale has been a distraction for management, analysts, and investors. When it does get done, what's left? EVEP's producing asset base consists of the Barnett Shale (59% of proved reserves) and legacy, conventional fields - the value of which has eroded considerably since 2011 (particularly with the collapse of NGL prices), to the point where **EVEP's most recent after-tax PV-10 of $867MM barely exceeds its net debt of $852MM.** We believe that the erosion of value of the core asset base has been ignored due to the noisy Utica sale process, as well as the propensity for upstream MLP analysts to ignore the underlying assets and value these companies based on arbitrary yield targets. **We note that Quicksilver Resources (KWK) - the pure play Barnett E&P C-Corp - has lost 83% of its equity value over the last two years.**

Financially, dire straights are not far away, and **we believe that EVEP's distribution is at risk (by our calculation, the 2013 distribution is only 69% "covered," using EVEP's methodology)**. First, EVEP's lucrative hedge book is rolling off - we estimate that EVEP will realize a hedge gain of $31MM in 2013 and $32MM in 2014 compared to $115MM in 2012. Second, the company is set to outspend CFFO in 2013 and 2014 *before acquisitions* by an aggregate $170MM due to major midstream investments. Third, EVEP is already highly-levered at 4.4x net debt/EBITDA, and leverage ratios will likely tick higher during 2013 and 2014 as EVEP's capex and distribution commitments exceed CFFO by +$400MM.

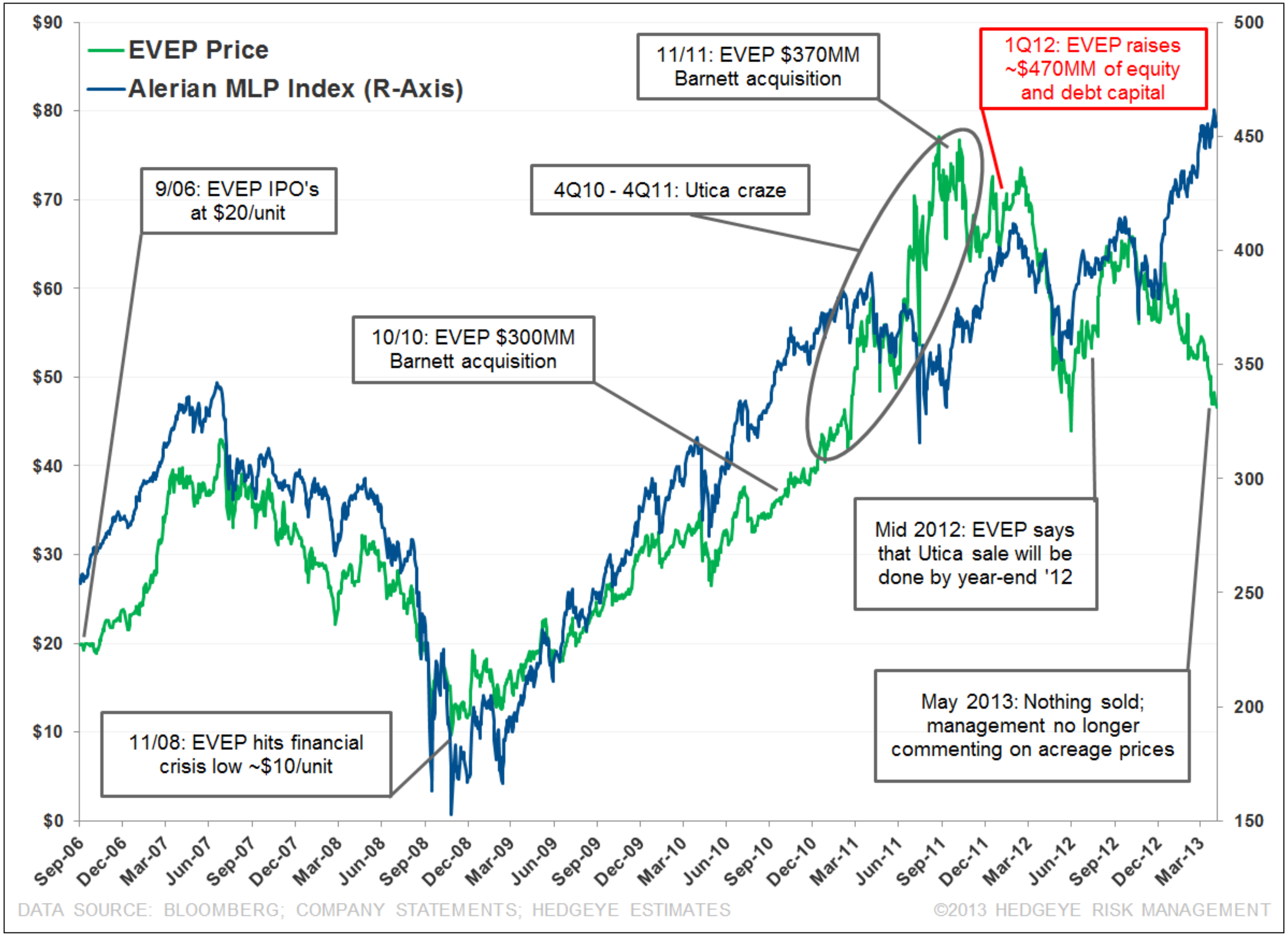
We believe that EVEP will have to do at least one of the following in 2013: raise equity; take on additional debt ($360MM available on the revolver); use any Utica proceeds to fund capex and/or the distribution (instead of acquiring additional assets); or cut the distribution.

In our view, fair value for EVEP is ~$27/unit, implying 40% downside from the current price.

Part I: Introduction

Sources: Hedgeye estimates; EVEP filings and presentations

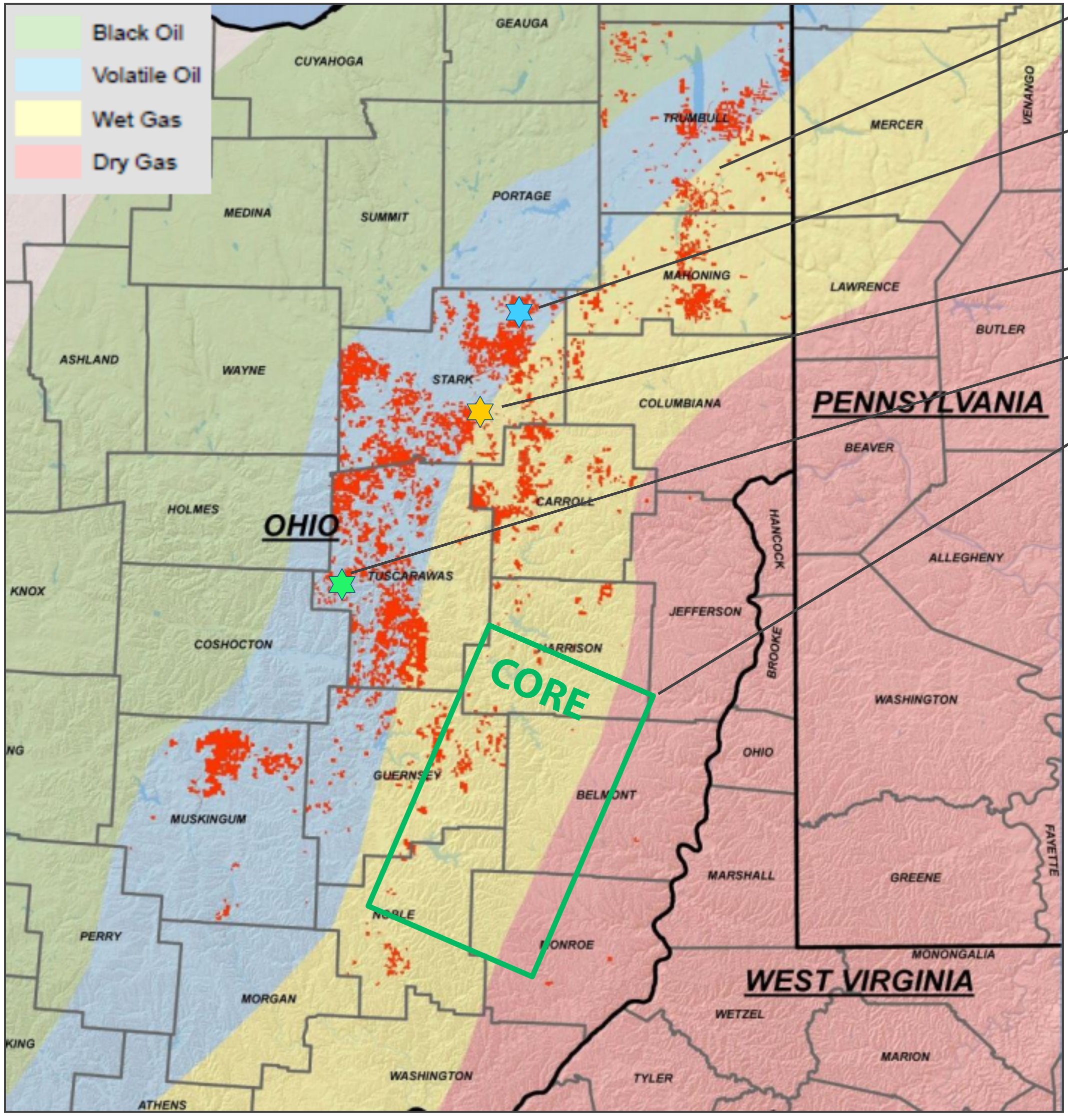
KEY EVENTS SINCE IPO



Part I: Introduction

Sources: Hedgeye estimates; EVEP filings and presentations

EVEP'S MARKETED UTICA ACREAGE



Trumbull and Mahoning Counties: Halcon acquires acreage for $6k/acre in August 2012

EnerVest Frank 2H well: IP 1,690 boe/d (78% liquids); "hasn't done great," "declined reasonably steeply."*

CHK Drevon well: no result published

Consol Tusc 3A well: IP 400 bbl/d

Core Utica acreage leasing for +$10k/acre. GPOR/Wexford deals at $10k/acre.

MARKETED ACREAGE

County	Net Acres
Carroll	10,900
Guernsey	4,600
Harrison	1,700
Mahoning	4,400
Muskingum	6,200
Noble	1,000
Stark	40,300
Trumbull	12,300
Tuscarawas	21,800
Other	500
Total	***103,700***

Part II: Utica Shale

*Sources: Hedgeye estimates; EVEP filings and presentations; *EVEP management comments at recent industry conference*

EVEP'S UTICA TIMELINE

- 2009 - 2010: EnerVest/EVEP acquire leasehold in Ohio prospective for the Knox and Clinton formations (from Exco and Range Resources).
- Late 2010: Utica craze begins with CHK leading the way.
- Throughout 2011: Utica land grab; other producers take positions around CHK.
- December 2011: CHK and Total sign Utica joint venture in the "wet gas window" at a headline price of $15k/acre.
- December 2011: EVEP says that $15k/acre is the "base price" and that it's "going to get much better in the oil window."
- February 2012: EVEP sells 4MM units at $68/unit for net proceeds of $268MM "to repay indebtedness under its existing revolving credit facility."
- March 2012: EVEP prices $200MM of 8.0% senior notes due 2019 "to repay a portion of the outstanding balance under its credit facility."
- Throughout 2012: Utica further delineated. "Core" found to be in the wet gas window near NW Noble County/eastern Belmont County. Success is limited in the oil window.
- August 2012: EVEP acquires "additional working interests" in Utica Shale acreage for $75.2MM (we estimate ~20,000 net acres for ~$3,750/acre).
- February 2013: Devon puts its Utica "oil window" acreage up for sale.
- March 2013: Anadarko rumored to suspend all drilling activities in the Utica's "oil window."
- April 2013: CHK puts its Utica "oil window" acreage up for sale.
- 2Q13: EVEP breaks down Utica package into 13 separate packages (by county); nothing sold.

Part II: Utica Shale

Sources: Hedgeye estimates; EVEP filings; Bloomberg transcripts

UTICA YOUTUBE

EVEP MANAGEMENT ON THE UTICA SALE PROCESS…

- 10/12/2010: *"Right below the Clinton the source rock is the Utica. And since we've closed these acquisitions, we've become very popular for people that are in shale plays. As you might imagine we've had a lot of foreign people contact us and the other obvious players. This play comes through us because we're the dominant player. As we drill every Knox well, we've been coring the Utica.* ***We know more about it than anyone****. It does have a very distinct oil window, condensate window and natural gas window."* - John Walker, Executive Chairman

- 11/9/2010: *"I can say that we are coring the Utica, as we drill Knox well and are encouraged by the results in the oil and natural gas windows today."* - John Walker

- 3/1/2011: *"Probably our major unrealized asset is the Utica/Point Pleasant in Ohio . . .* ***We have a pretty clear understanding of where this play is and the quality of play*** *. . . From the evaluation work we've done so far, much of EVEP's approximately 150,000 net acres at this early stage appears to be in the oil and liquids window."* - Mark Houser, President and CEO

- 4/12/2011: *"And then I'll talk some about the Utica, and we've be getting a few calls lately about the Utica and it is exciting;* ***it's possible that if the play works out that we literally could double our asset value****."* - John Walker

- 8/10/2011: *"It's our belief that the majority of EVEP's acreage falls within the emerging core of this play. I caution all of you to be skeptical of reports and statements from sources or participants with limited factual data and I think most of* ***our competitors have limited factual data****."* - John Walker

- 8/10/2011: *"****Chesapeake and we really dominate the core of the play****."* - John Walker

- 9/27/2011: *"You should anticipate that* ***sometime in the second half of '12*** *that we will create our own joint venture, we will sell or we will do a tax rate exchange."* - John Walker

- 11/9/2011: ***"$15,000 per acre is an extremely good price for the NGL window. We think that, again, that it's setting the base****."* - John Walker

Part II: Utica Shale

Source: Bloomberg transcripts

UTICA YOUTUBE (PART 2)

EVEP MANAGEMENT ON THE UTICA SALE PROCESS…

- 12/6/2011: *"We need more PDP and obviously the Utica, if we do a tax free exchange, if you think about doubling our assets with Utica, **at least doubling our assets for the Utica**, it will diminish the exposure to the Barnett."* - John Walker
- 12/6/2011: ***"If I had to pick out a county where I think the most value is going to occur, I would pick out Stark County."*** - John Walker
- 12/6/2011: *"**$15,000 an acre I think is the base price and we think that the price is going to get much better in the oil window** and somewhat better in the NGL window."* - John Walker
- 3/6/2012: *"We're selling right now or marketing about 100,000 net working interest acres. **The proceeds from those sales are going to enable us to basically to purchase assets on a tax-fee, equity-free, debt-free basis**. Our intent is to monetize these acreage over the course of the **next few months**."* - Mark Houser
- 4/16/2012: *"We believe that with our large number of participants in our data room and therefore the large number of bidders that came out of that, that **we would get the sale done by year-end or at least by now**."* - John Walker
- 5/9/2012: *"**We think that the best rock in the play is probably in Stark County**."* - John Walker
- 11/9/2012: **Analyst:** *"And finally, a question I always ask. John, you've said on more than one occasion that you felt the wet gas portion of Utica would get something more than $15,000 an acre and that the oil portion would get quite a bit more than that. Do you still feel comfortable of those estimates?"* **John Walker:** ***"I just can't comment on that, sorry."***
- 11/9/2012: [On closing a Utica deal] *"Our goal continues to be year end."* John Walker
- 3/1/2013: *"I want to share with you that I am disappointed that we've not executed the purchase and sale agreement yet."* - John Walker
- 3/1/2013: *"I think things evolve in markets, and **we're not really going to comment** on what the [acreage] market is for given areas."* - Mark Houser

Part II: Utica Shale

Source: Bloomberg transcripts

UTICA VALUATION

- Should EVEP trade at the peer group average yield (9.3%) <u>excluding</u> its Utica package for sale, the market is currently valuing the acreage ~ $4,500/acre.

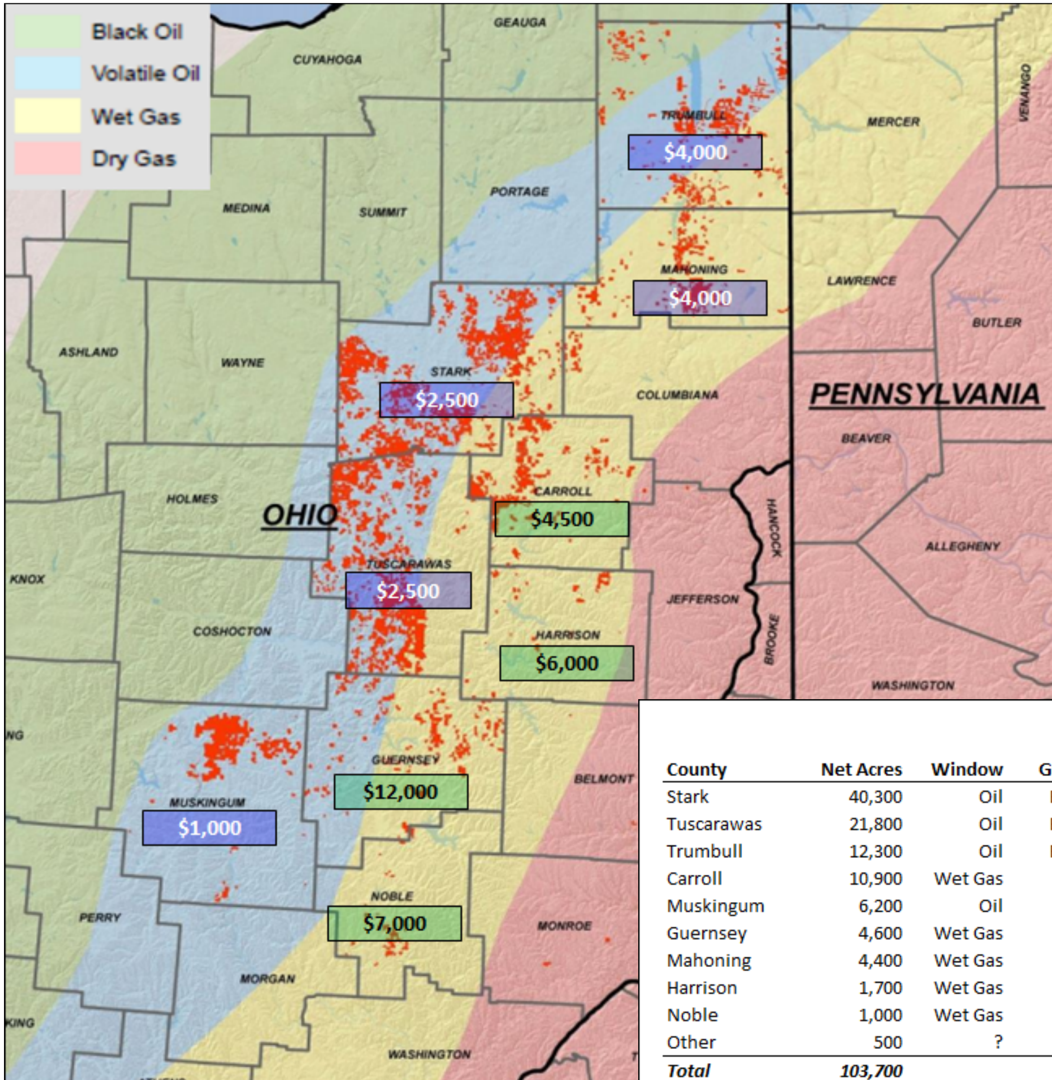
Current Price	$	44.75
2013E Distribution (Consensus)	$	3.15
Yield		7.0%
Yield ex. Utica		9.3%
Price ex. Utica	$	33.84
Market value for Utica ($/unit)	$	10.91
Shares out (MM)		42.6
$MM	$	465
Net Acres for Sale		103,700
$/acre	**$**	**4,482**

Upstream MLP	NTM Yield (Consensus)
EVEP	6.8%
LINE	7.7%
PSE	8.0%
MCEP	8.2%
LGCY	8.7%
VNR	8.8%
ARP	9.3%
BBEP	9.4%
MEMP	10.7%
QRE	10.8%
LRE	11.6%
Average ex. EVEP	***9.3%***

Part II: Utica Shale

Source: Hedgeye estimates; Bloomberg data

COUNTY-BY-COUNTY VALUATION



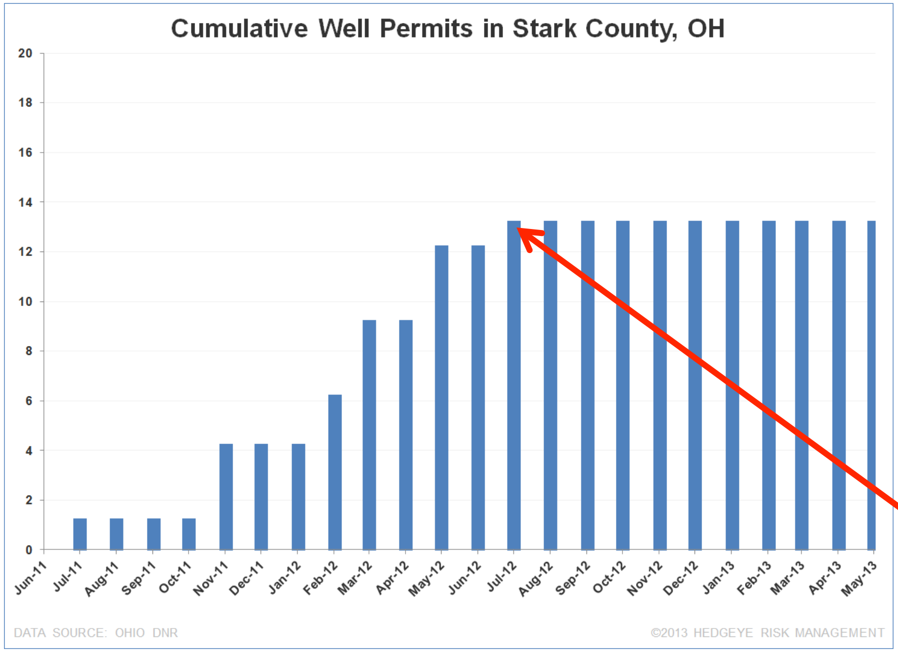
<u>If</u> EVEP sells all the Utica acreage that it's marketing, we estimate that the base case price is $350MM ($3,400/acre). Our bull case estimate is $440MM ($4,200/acre).

				--- ACREAGE PRICE ESTIMATES ---					
County	Net Acres	Window	Grade	bear $/acre	base $/acre	bull $/acre	bear $MM	base $MM	bull $MM
Stark	40,300	Oil	B/C	$ 1,875	$ 2,500	$ 3,125	$ 76	$ 101	$ 126
Tuscarawas	21,800	Oil	B/C	$ 1,875	$ 2,500	$ 3,125	$ 41	$ 55	$ 68
Trumbull	12,300	Oil	B/C	$ 3,000	$ 4,000	$ 5,000	$ 37	$ 49	$ 62
Carroll	10,900	Wet Gas	B	$ 3,375	$ 4,500	$ 5,625	$ 37	$ 49	$ 61
Muskingum	6,200	Oil	C	$ 750	$ 1,000	$ 1,250	$ 5	$ 6	$ 8
Guernsey	4,600	Wet Gas	A	$ 9,000	$ 12,000	$ 15,000	$ 41	$ 55	$ 69
Mahoning	4,400	Wet Gas	B	$ 3,000	$ 4,000	$ 5,000	$ 13	$ 18	$ 22
Harrison	1,700	Wet Gas	A	$ 4,500	$ 6,000	$ 7,500	$ 8	$ 10	$ 13
Noble	1,000	Wet Gas	A	$ 5,250	$ 7,000	$ 8,750	$ 5	$ 7	$ 9
Other	500	?	?	$ 750	$ 1,000	$ 1,250	$ 0	$ 1	$ 1
Total	***103,700***			***$ 2,53[illegible]***	***$ 3,377***	***$ 4,221***	***$ 263***	***$ 350***	***$ 438***

Part II: Utica Shale

Source: Hedgeye estimates

UTICA HEADWINDS



Selling this acreage will be a struggle…

- Expectations are too high (because management set them there).
- Management has now broken the big Utica package into 13 separate packages (by county) - that's going to open it up to more buyers - but the process will take longer, and some of the packages may not get monetized.
- Current <u>oversupply</u> of Utica oil window acreage (CHK, DVN, EnerVest, and possibly APC selling large blocks). See Appendix 1.
- Only CHK and EnerVest have drilled wells in Stark County, neither with commercial results. Only 2 producers in Stark County.
- There has not been a new well permitted in Stark County since July 2012.
- CHK - with the best information - is selling out of its Stark County acreage.
- CHK's has demonstrated recently that it's not afraid to sell acreage at surprisingly low prices (Miss Lime and Marcellus)

Part II: Utica Shale

Source: Ohio DNR

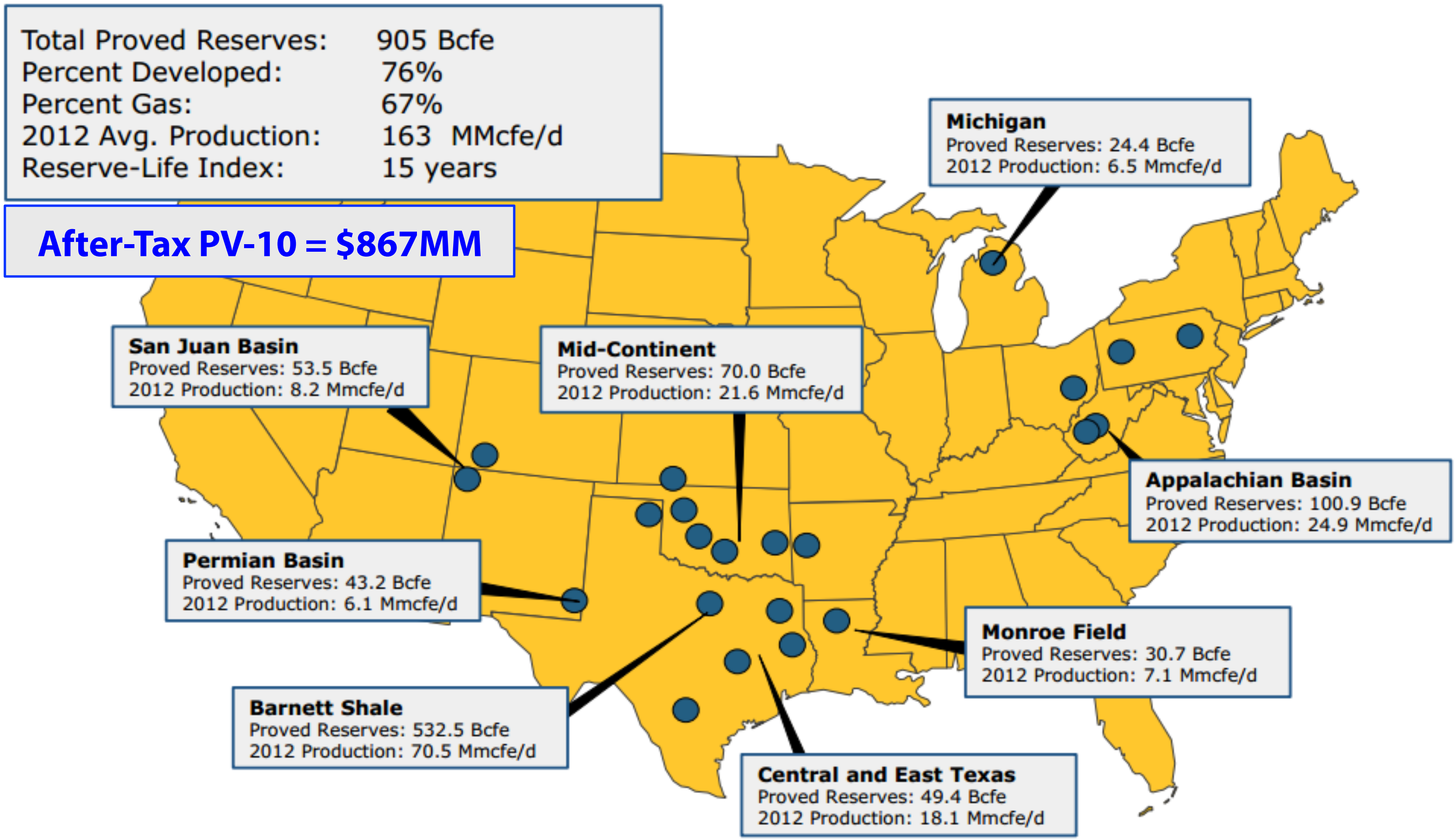
TOO MUCH UTICA FOCUS

- Again, our base case valuation for EVEP's Utica package is ~ $350MM, **only ~13% of the Company's current enterprise value**.

- While investors and analysts have been focused on little else beside EVEP's Utica sale process, both the value of EVEP's core assets and its financial standing have deteriorated without much notice.

- There's more to this story…

EVEP'S CORE ASSETS



Part III: Core Assets

Source: EVEP presentation and 2012 10-K filing; Hedgeye

BUILT VIA ACQUISITION

- EVEP has acquired ~$1.9B of oil and gas assets since inception. The table below details the notable deals:

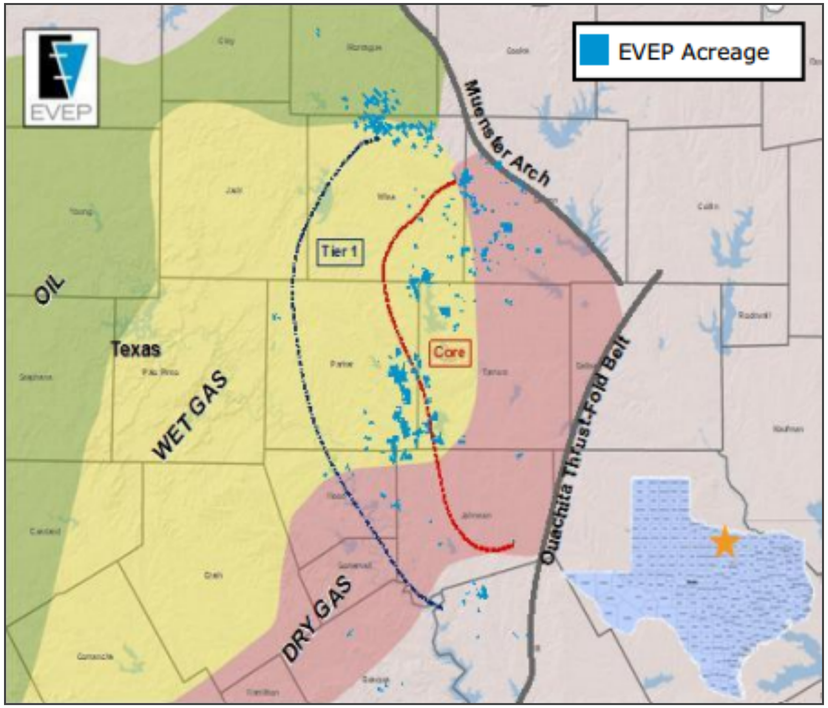
EVEP Notable Acquisitions	Seller	Date Announced	Closing Price ($MM)	Bcfe	MMcfe/d	$/Bcfe	$/Mcfe/d
Louisiana/Oklahoma/Texas	Five States Energy Company	11/13/2006	$ 27.8	14.4	3.1	$ 1.93	$ 8,968
Michigan natural gas	EnerVest	1/9/2007	$ 71.6	56.0	6.9	$ 1.28	$ 10,453
Monroe Field natural gas	EnerVest	3/7/2007	$ 95.3	65.4	7.6	$ 1.46	$ 12,539
Austin Chalk (alongside EnerVest)	Anadarko (APC)	4/16/2007	$ 97.0	39.0	13.8	$ 2.49	$ 7,029
Permian Basin	Plantation Petroleum (EnCap company)	7/18/2007	$ 155.8	79.1	11.2	$ 1.97	$ 13,911
West Virginia natural gas	EnerVest	11/19/2007	$ 59.5	28.0	4.3	$ 2.13	$ 13,837
Charlotte Field (Atascosa County, TX)	Undisclosed	4/14/2008	$ 17.8	8.0	0.8	$ 2.21	$ 21,190
Multiple (San Juan Basin, TX Panhandle, WV)	EnerVest and EnCap	8/12/2008	$ 202.7	88.0	12.9	$ 2.30	$ 15,713
Austin Chalk (alongside EnerVest)	Undisclosed	6/10/2009	$ 11.7	9.0	1.8	$ 1.30	$ 6,500
Austin Chalk (alongside EnerVest)	Undisclosed	7/22/2009	$ 5.3	3.4	1.0	$ 1.58	$ 5,300
Appalachia (alongside EnerVest)	EXCO Resources (XCO)	9/29/2009	$ 25.0	11.4	2.5	$ 2.19	$ 10,000
Appalachia (alongside EnerVest)	Range Resources (RRC)	2/8/2010	$ 137.9	69.6	11.3	$ 1.98	$ 12,204
Mid-Continent legacy properties	Petrohawk Energy (formerly HK)	8/9/2010	$ 119.9	74.5	15.5	$ 1.61	$ 7,735
Barnett Shale	Talon Oil & Gas (EnCap company)	10/26/2010	$ 295.9	328.5	27.0	$ 0.90	$ 10,959
Barnett Shale (alongside EnerVest)	Encana (ECA) & undisclosed seller	11/3/2011	$ 345.6	405.0	43.0	$ 0.85	$ 8,037
Bolt-on acquisitions in Mid-Con, Ohio, Barnett	Undisclosed	11/3/2011	$ 116.0	62.0	8.0	$ 1.87	$ 14,500
Additional undeveloped Utica acreage	Undisclosed	8/15/2012	$ 75.2	-	-	-	-
In Aggregate (ex. Utica acreage)			***$ 1,784.8***	***1,341.3***	***170.7***	***$ 1.33***	***$ 10,456***
Assets acquired from EnerVest and/or EnCap			*$ 880.8*	*645.0*	*69.9*	*$ 1.37*	*$ 12,610*
Assets acquired from unrelated/undisclosed parties (ex. Utica acreage)			*$ 904.0*	*696.3*	*100.8*	*$ 1.30*	*$ 8,965*

Sources: Hedgeye estimates; EVEP filings and statements

Part III: Core Assets

BIG IN THE BARNETT SHALE

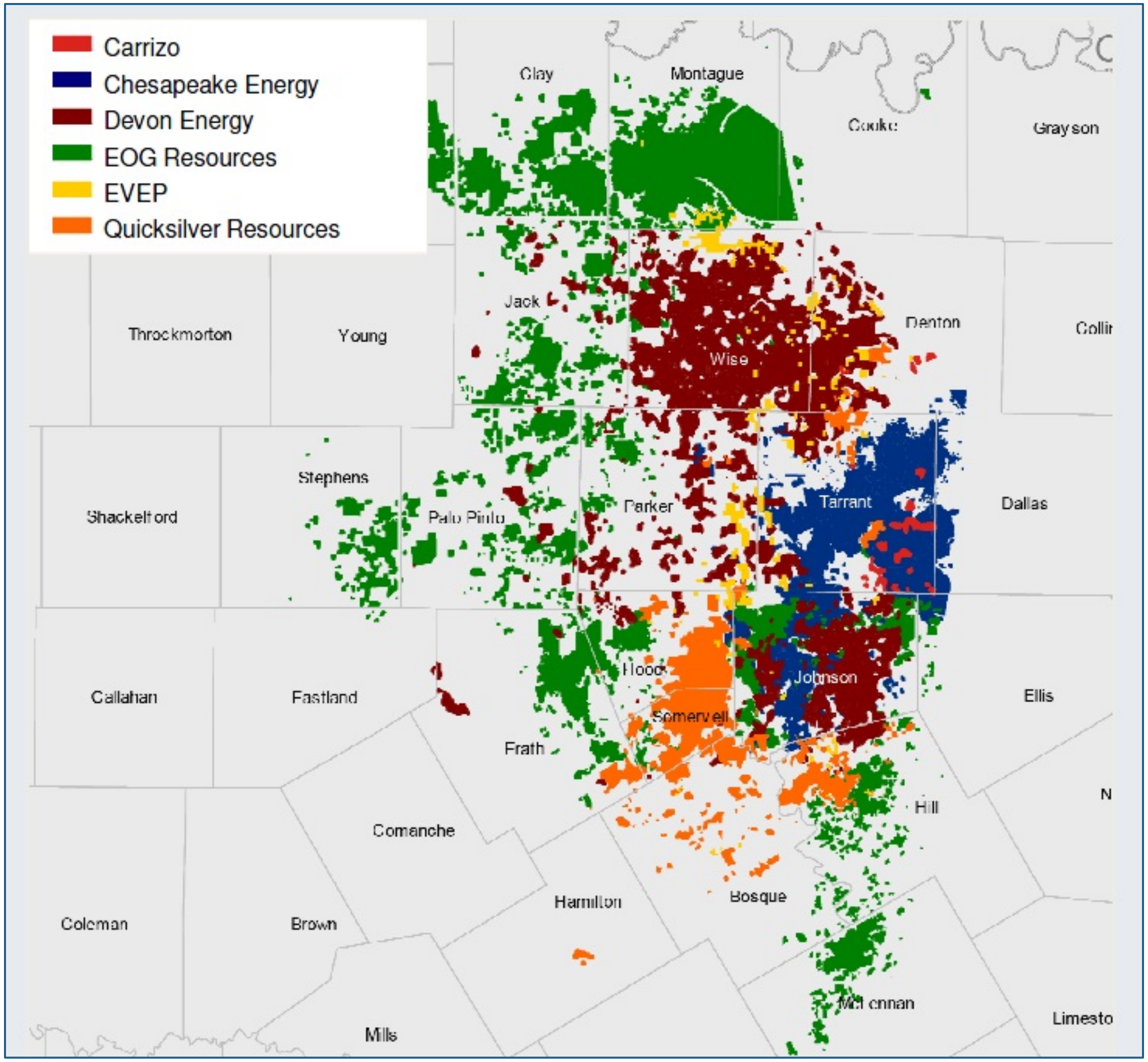
- EVEP's key asset is the Barnett Shale:
  - 59% of total 1P reserves
  - 88% of total PUD reserves
  - 45% of total production
  - 60% of upstream capex in 2013
- Acquired from Talon Oil & Gas (an EnCap company) in late 4Q10 and Encana (ECA) in 4Q11 for ~ $700MM cash.
- Current production ~72 MMcfe/d (74% gas, 24% NGLs, 2% oil)
- Base decline ~15%



Part III: Core Assets

Sources: Hedgeye estimates; EVEP filings and presentations

KEY BARNETT PLAYERS

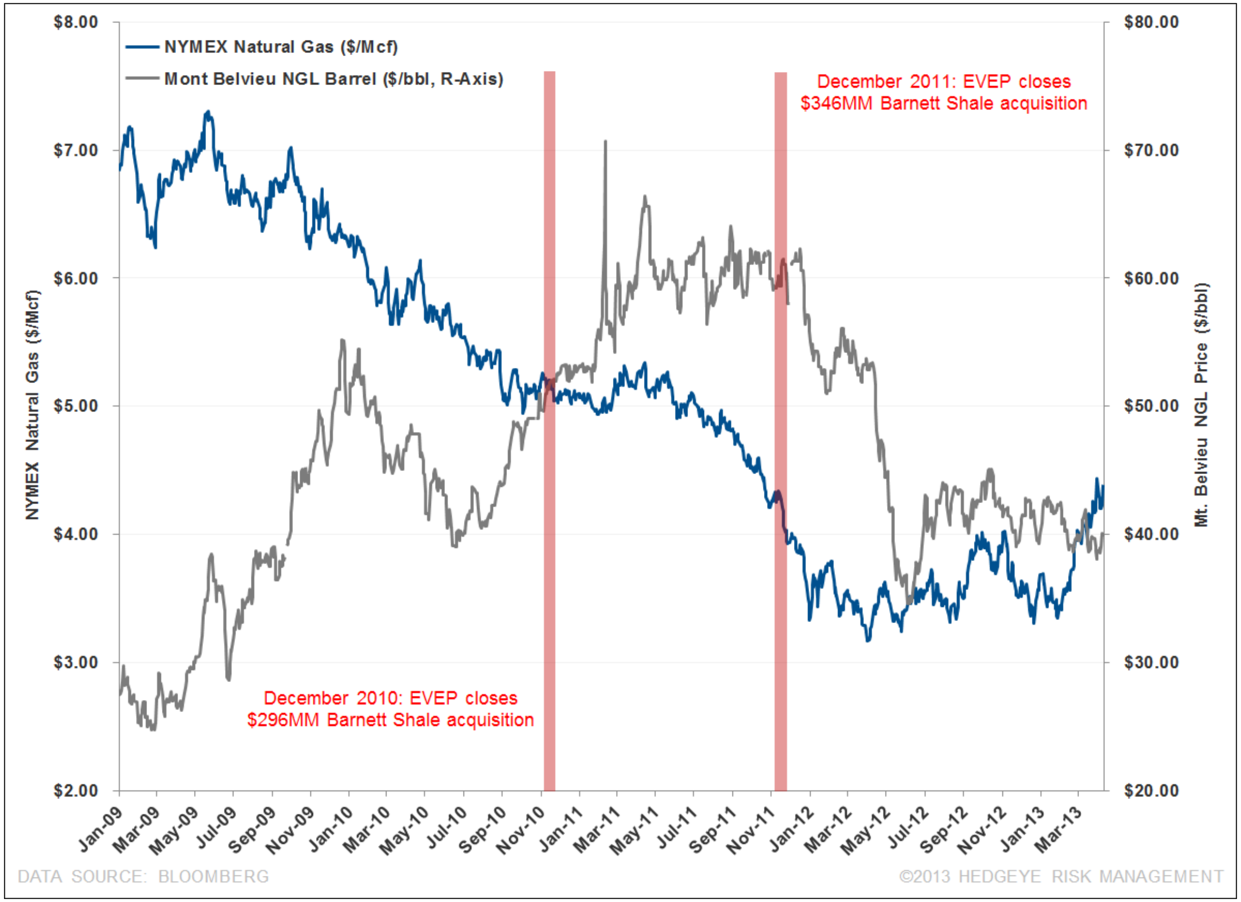


Part III: Core Assets

Source: shaleexperts.com

BAD TIMING

- EVEP acquired its core assets in the Barnett Shale just before gas prices collapsed in 2011 and NGL prices collapsed in 2012. ~24% of EVEP's Barnett production is NGLs.

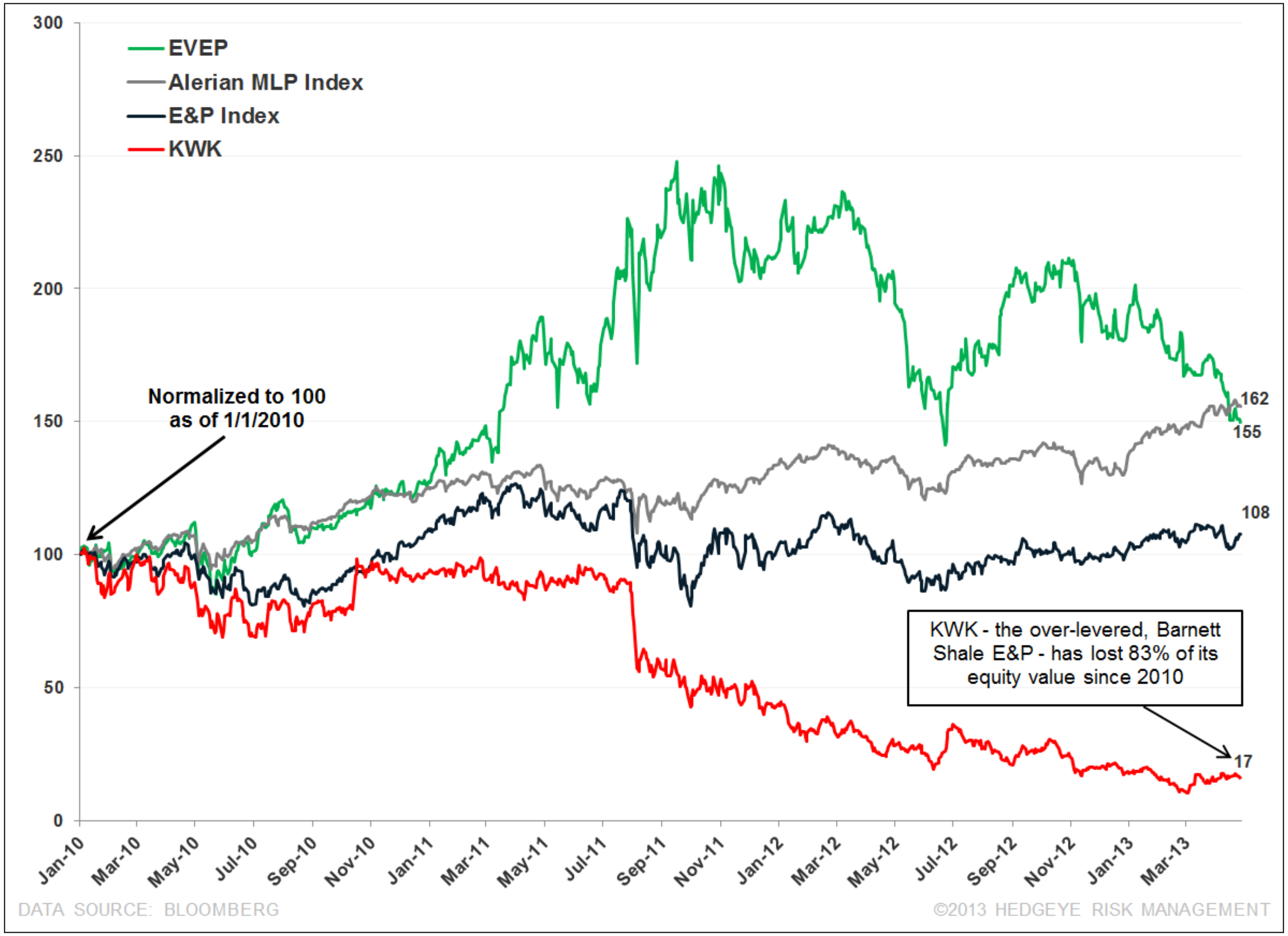


Part III: Core Assets

Sources: Hedgeye estimates; EVEP filings; Bloomberg data

EVEP VS. KWK

- Quicksilver Resources (KWK) - an over-levered Barnett Shale E&P company (much like EVEP) - has lost ~83% of its equity value since 2010…



Part III: Core Assets

Sources: Bloomberg data

KWK'S BARNETT DEAL

- KWK just sold down its Barnett properties to pay down debt…
- After marketing the asset for over a year, including considering spinning out a Barnett MLP, on **May 1, 2013**, KWK closed the sale of a 25% interest in its Barnett Shale assets for $463MM to Tokyo Gas, implying a valuation of $1.85B for the entire asset… **These deal multiples imply a valuation on EVEP's Barnett Shale assets ~$550MM (~$13/unit).**
- ***It was a good price…*** *"People are scratching their heads on how we got the price that we did for the Barnett sale, well, our partner there, Tokyo Gas, looked at more than just "1P" or "proved." They looked at the total potential asset base that we put a fence around." - Glenn Darden, CEO of KWK*

	KWK Barnett		EVEP Barnett
Production (MMcfe/d)	247		72
% natural gas	*25%*		*26%*
YE12 Proved Reserves (Bcfe)	1,188		532
% natural gas	*72%*		*69%*
% developed	*85%*		*64%*
Net Acres	*127,091*		32,159
% developed	*60%*		*87%*
KWK/TG Deal Valuation ($MM)	**$ 1,852**		
Deal Multiples			
$/MMcfe/d	$ 7,498	*Value ($MM) at deal mutiple --->*	$ 540
$/1P Bcfe (including FDC)	$ 1.69	*Value ($MM) at deal mutiple --->*	$ 647
$/undeveloped acre @ $6,000/MMcfe/d	$ 7,278	*Value ($MM) at deal mutiple --->*	$ 462
		Average	***$ 550***
Sources: Hedgeye estimates; KWK filings; EVEP filings		***$/unit***	***$ 12.90***

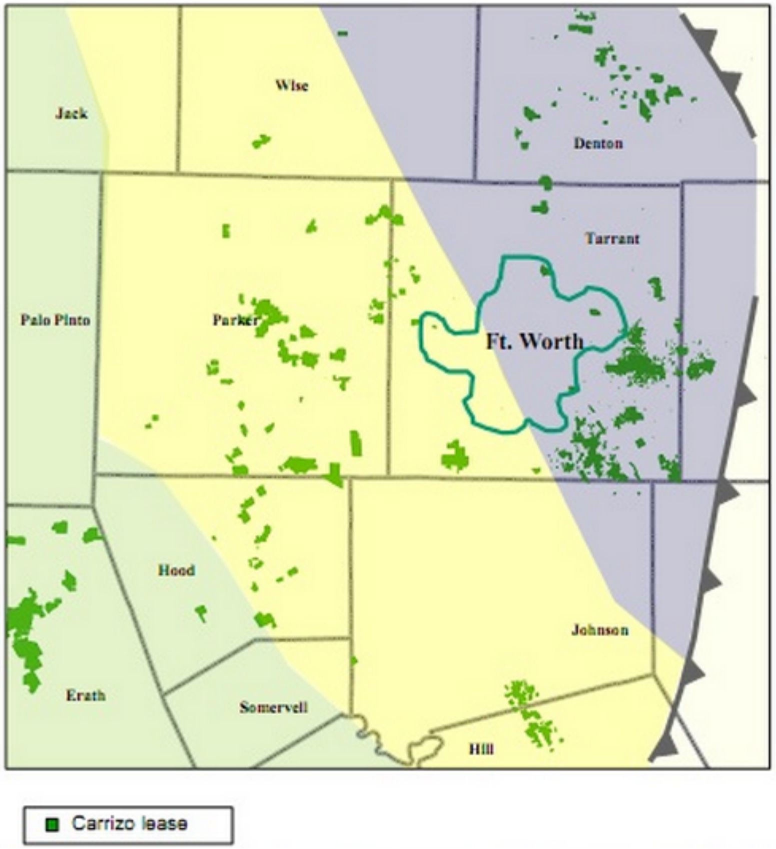
Part III: Core Assets

Sources: Hedgeye estimates; KWK filings; EVEP filings and presentations

CRZO'S BARNETT DEAL

In March 2012, Carrizo Oil & Gas (CRZO) sold Barnett Shale assets to Atlas Resource Partners L.P. (ARP) for $187MM.

- The deal included 35 MMcfe/d of production (mostly dry gas in Tarrant County), and 312 Bcfe of 1P reserves (57% developed).
- Simple deal metrics = $5,343/MMcf/d or $1.05/PD Bcfe …
- ***EVEP's Barnett Shale assets is worth ~ $300 - $400MM on these deal multiples…***



Part III: Core Assets

Sources: Hedgeye estimates; CRZO filings and presentations

EVEP MIDSTREAM

- EVEP owns minority, non-op stakes in two midstream companies…
  - 21% of **"Utica East Ohio,"** which will gather/process/fractionate wet gas from CHK/EV/ Total JV production
  - 9% of **"Cardinal Gas Services,"** a low pressure gathering/compression company in the Utica
  - EVEP will invest \$335 - \$395MM in these companies over the next 5 years
  - Should generate \$60 - \$65MM of annual EBITDA by 2017
  - Plans to divest when completed.
  - We value at \$129MM (\$3.04/unit).

Midstream Economics (\$MM)	**2013**	**2014**	**2015**	**2016**	**2017**
EBITDA	\$ 5.0	\$ 35.0	\$ 55.0	\$ 65.0	\$ -
Growth Capital Expenditures	\$ (240.0)	\$ (65.0)	\$ (25.0)	\$ -	\$ -
Maintenance Capital Expenditures	\$ -	\$ (5.0)	\$ (10.0)	\$ (15.0)	\$ -
Proceeds from Sale (8x EBITDA)	\$ -	\$ -	\$ -	\$ -	\$ 520.0
Free Cash Flow	\$ (235.0)	\$ (35.0)	\$ 20.0	\$ 50.0	\$ 520.0

Discount Rate	*10%*
NPV (\$MM)	**\$129**
NPV per unit	**\$3.04**
IRR	***23%***

Part III: Core Assets

Sources: Hedgeye estimates; EVEP filings and presentations

BASIC FINANCIALS

- Keeping it simple… Below we show our cash flow estimates for EVEP assuming the Company gets 0 proceeds from its Utica acreage and pays 0 distributions to unitholders. This is indicative of EVEP's ability to generate free cash flow, and fund its distribution, **organically**.
  - The "funding gap" for 2013 is ~$164MM. We assume EVEP funds it with a draw on the revolver.
  - We estimate that EVEP will generate ~$1.20 in FCF/unit in 2015+. That would be a sustainable distribution.

	2013	2014	2015	2016	*Cumu*
Sources of Cash					
Cash on balance sheet	$ 7.5	$ -	$ -	$ -	
CFFO	$ 138.4	$ 161.3	$ 178.2	$ 191.0	*$ 668.9*
Realized Hedge Gain	$ 30.6	$ 31.5	$ 29.3	$ -	*$ 91.5*
Proceeds from Utica sale	$ -	$ -	$ -	$ -	*$ -*
Total Sources of Cash	$ 176.5	$ 192.8	$ 207.5	$ 191.0	*$ 767.9*
Uses of Cash					
E&P capital expenditures	$ 100.0	$ 110.0	$ 120.0	$ 120.0	*$ 450.0*
Midstream capital expenditures	$ 240.0	$ 70.0	$ 35.0	$ 15.0	*$ 360.0*
Acquisitions	$ -	$ -	$ -	$ -	*$ -*
Distibutions to unitholders	$ -	$ -	$ -	$ -	*$ -*
Total Uses of Cash	$ 340.0	$ 180.0	$ 155.0	$ 135.0	*$ 810.0*
Cash Surplus (Deficit)	$ (163.5)	$ 12.8	$ 52.5	$ 56.0	*$ (42.1)*
per unit	$ (3.80)	$ 0.29	$ 1.17	$ 1.22	

Part IV: Financials

Sources: Hedgeye estimates; EVEP filings

BASIC FINANCIALS (PART 2)

- Now we assume that EVEP sells its Utica acreage for $350MM cash ($250MM in 2013 and $100MM in 2014) and does not acquire new assets with the proceeds; and EVEP maintains its $3.07 annual distribution.
  - **The distribution is still not funded**. EVEP needs to raise another ~$45MM of capital in 2013, and $240MM in aggregate '13 - '16, or cut its distribution.
  - EVEP does not generate enough **FREE CASH FLOW** to fund the current distribution without continually selling new equity or increasing debt.
  - EVEP's distribution is a return **OF** capital, not a return **ON** capital

	2013	2014	2015	2016	*Cumu*
Sources of Cash					
Cash on balance sheet	$ 7.5	$ -	$ -	$ -	
CFFO	$ 138.4	$ 161.3	$ 178.2	$ 191.0	*$ 668.9*
Realized Hedge Gain	$ 30.6	$ 31.5	$ 29.3	$ -	*$ 91.5*
Proceeds from Utica sale	$ 250.0	$ 100.0	$ -	$ -	*$ 350.0*
Total Sources of Cash	$ 426.5	$ 292.8	$ 207.5	$ 191.0	*$ 1,117.9*
Uses of Cash					
E&P capital expenditures	$ 100.0	$ 110.0	$ 120.0	$ 120.0	*$ 450.0*
Midstream capital expenditures	$ 240.0	$ 70.0	$ 35.0	$ 15.0	*$ 360.0*
Acquisitions	$ -	$ -	$ -	$ -	*$ -*
Distibutions to unitholders	$ 131.9	$ 135.0	$ 138.1	$ 141.1	*$ 546.1*
Total Uses of Cash	$ 471.9	$ 315.0	$ 293.1	$ 276.1	*$ 1,356.1*
Cash Surplus (Deficit)	$ (45.4)	$ (22.2)	$ (85.5)	$ (85.2)	*$ (238.2)*
per unit	$ (1.06)	$ (0.50)	$ (1.90)	$ (1.85)	

Part IV: Financials

Sources: Hedgeye estimates; EVEP filings

MAINTENANCE CAPEX

- EVEP defines maintenance capex as *"generally amounts we estimate we will need to spend in the future to **maintain our production levels over the long term**."*
- EVEP does play the maintenance capex game, but not to the extent that LINN Energy does.
- **EVEP has guided 2013 production to DOWN 1% YoY on total E&P spending of $100MM … That implies that "maintenance capex" *should be more* than $100MM.**

	2007	2008	2009	2010	2011	2012	2013G	'07-'12 Cumu
Production (Bcfe)	11.8	20.5	24.2	27.9	41.2	59.6	*58.9*	***185.2***
y/y growth		*73%*	*18%*	*15%*	*47%*	*45%*	*-1%*	
Capital Spending ($MM)								
Maintenance Capex	$ 21.7	$ 38.2	$ 35.4	$ 35.2	$ 51.0	$ 74.6	*No guide*	***$ 255.9***
y/y growth		*76%*	*-7%*	*-1%*	*45%*	*46%*		
DD&A	$ 19.8	$ 38.0	$ 52.0	$ 55.2	$ 74.7	$ 113.7	*No guide*	***$ 353.5***
Non-Acquisition E&P Capex	$ 10.5	$ 33.0	$ 14.3	$ 26.5	$ 75.9	$ 129.8	*$ 100.0*	***$ 290.1***
$/Mcfe								
Maintenance Capex	$ 1.84	$ 1.87	$ 1.46	$ 1.26	$ 1.24	$ 1.25	*No guide*	***$ 1.38***
DD&A	$ 1.67	$ 1.86	$ 2.15	$ 1.98	$ 1.81	$ 1.91	*No guide*	***$ 1.91***
Non-Acquisition E&P Capex	$ 0.89	$ 1.61	$ 0.59	$ 0.95	$ 1.84	$ 2.18	*$ 1.70*	***$ 1.57***
Drill Bit F&D Cost (ex. revisions)	$ 4.55	$ 13.34	$ 2.09	$ 18.96	$ 6.59	$ 2.76		***$ 4.16***
Future PUD Development Cost						$ 1.30		
Maintenance Capex as a % of Non-Acquisition Capex	*205%*	*116%*	*248%*	*133%*	*67%*	*57%*		

Sources: Hedgeye estimates; EVEP filings and guidance

Part IV: Financials

Sources: Hedgeye estimates; EVEP filings

COVERAGE ISSUE

- Even using EVEP's definition of "Distributable Cash Flow" and a generous "Maintenance Capex" assumption ($80MM in 2013) the 2013 coverage ratio is only 0.69…

	2012A	2013	2014	2015	2016
EBITDAX	$ 251.1	$ 202.9	$ 226.7	$ 241.4	$ 224.9
add back: stock based compensation	$ 16.4	$ 16.1	$ 16.1	$ 16.1	$ 16.1
Adjusted EBITDAX	**$ 267.5**	**$ 219.1**	**$ 242.8**	**$ 257.5**	**$ 241.0**
Minus:					
Cash income taxes	$ (0.2)	$ (0.2)	$ (0.2)	$ (0.2)	$ (0.2)
Cash interest expense	$ (46.3)	$ (48.0)	$ (48.0)	$ (48.0)	$ (48.0)
Maintenance capex	$ (74.6)	$ (80.0)	$ (90.0)	$ (100.0)	$ (100.0)
Distributable Cash Flow	**$ 146.4**	**$ 90.9**	**$ 104.6**	**$ 109.3**	**$ 92.8**
DCF/unit	**$ 3.49**	**$ 2.11**	**$ 2.38**	**$ 2.43**	**$ 2.02**
Coverage Ratio (vs. current $3.07 distribution)	*1.14*	*0.69*	*0.77*	*0.79*	*0.66*

Sources: Hedgeye estimates; EVEP filings

Part IV: Financials

Sources: Hedgeye estimates; EVEP filings

BASIC VALUATION STATS

- **EVEP trades at very rich multiples**:
  - 1.8x book value (recall that the majority of its assets were acquired over the last 5 years)
  - 45x 2013e earnings (with no organic growth)
  - 15.5x Adj. EV/2013e operating EBITDA
  - 13.7x Adj. EV/2014e operating EBITDA
  - 3.1x Adj. EV/2012 standardized measure

EVEP Basic Valuation Statistics

Unit Price	$	44.75	Book Value per Unit	$	24.88
Units Out		42.6	*Price/Book*		*1.8*
Market Cap	**$**	**1,906**			
			2013e EBITDA (ex-hedges)	$	172
Cash	$	(7)	2014e EBITDA (ex-hedges)	$	195
Debt	$	859	*Adj. EV/13e EBITDA*		*15.5*
Enterprise Value	**$**	**2,758**	*Adj. EV/14e EBITDA*		*13.7*
Net Derivative Liability (Asset)	$	(87)	2012 Standardized Measure	$	867
Adjusted Net Debt	$	765	*Adj. EV/Standardized Measure*		*3.1*
Adjusted Enterprise Value	**$**	**2,671**			
			Adj. Net Debt/13e EBITDA		4.4

Part V: Valuation

Sources: Hedgeye estimates; EVEP filings; Bloomberg data

CONSENSUS VALUATION

EVEP is mainly covered by MLP analysts. This is representative of the amount of analysis that goes into a typical valuation or price target:

Question 1: What's management guiding the distribution to?

- $3.07/unit

Question 2: What "should" EVEP yield?

- 8% seems about right

How Consensus Values EVEP		$MM		$/unit	Rationale
Value of Core Business	$	2,486.8	$	58.38	*$3.07 distribution at an 8% yield plus net debt*
Utica package for sale	$	728.0	$	17.09	*104k net acres at $7,000/acre*
Net Debt	$	(852.0)	$	(20.00)	
Net Asset Value	**$**	**2,362.8**	**$**	**55.46**	

Part V: Valuation

Source: Hedgeye estimates

OUR VALUATION

- We believe that fair value for EVEP is ~$27/unit.
- The amount of cash that EVEP *decides* to pay unitholders says nothing of the intrinsic value of the assets, the present value of future free cash flows.

EVEP Net Asset Value

Producing Assets		2012 PV-10	Multiple		$MM	Notes
Barnett Shale	$	342	1.8	$	615	*May 2013 KWK/Tokyo Gas deal metrics suggest valuation ~$550MM*
Appalachian Basin	$	165	1.3	$	214	*Conventional gas assets in Ohio and W Virginia (Knox and Clinton formations)*
Mid-Continent	$	123	1.3	$	160	*Multiple plays in OK, TX, AR, KA, and LA; 6% of acreage is undeveloped*
Central and East Texas	$	118	1.3	$	153	*Primarily Austin Chalk; 3% of acreage is undeveloped*
Permian Basin	$	67	1.3	$	87	*Only 10% of 1P reserves are oil; 4% of acreage is undeveloped*
San Juan Basin	$	49	1.5	$	73	*50% of acreage is undeveloped*
Antrim Shale, Michigan	$	9	2.0	$	17	*100% dry gas*
Monroe Field	$	3	3.0	$	10	*Northeast Louisiana, 100% dry gas*
Producing Value	**$**	**874**	**1.5**	**$**	**1,329**	

Other Assets	Net Acres		$/acre		$MM	
Marketed Utica Acreage	103,700	$	3,377	$	350	*Our estimate, see prior slide*
Midstream Interests				$	129	*NPV of expected free cash flows at a 10% discount rate*
Utica ORRI				$	100	*Estimated; 2.0% ORRI in 880,000 gross acres, majority in oil window*
FV of Derivatives				$	87	*FV as of Dec. 31, 2012*
Total Asset Value				$	1,996	
Net Debt				**$**	**(852)**	
Net Asset Value				**$**	**1,144**	
Units Outstanding					*42.6*	
NAV per unit				**$**	**27.00**	
% downside from current price					*-40%*	

Part V: Valuation

Sources: Hedgeye estimates; EVEP filings

RISKS AND CATALYSTS

Key risks to our short thesis…

- EVEP monetizes its Utica package for significantly more than we anticipate ($260MM - $440MM).
- EVEP uses its overpriced equity to acquire producing assets (a near-term positive, but not a long-term solution).
- Commodity price risk - mainly natural gas and NGLs.

Catalysts to keep in mind…

- EVEP 1Q13 earnings on 5/9
- News on CHK's Stark County acreage sale
- News from other Utica oil window players - HK, DVN, APC, Consol

Part VI: Conclusion

Source: Hedgeye

PERCEPTION VS. REALITY

PERCEPTION

- *EVEP trades on yield.*
- *The yield is supportive.*
- *Cash flow valuation metrics like PV-10s and EV/EBITDA multiples don't matter.*
- *A Utica monetization will allow EVEP to acquire new producing assets without raising capital.*

REALITY

- EVEP has traded on yield, creating the mispricing.
- EVEP will trade on yield until it doesn't.
- The distribution is sustained by capital raises. EVEP offers investors a return ***OF*** capital, not a return ***ON*** capital.
- It's May 2013 and EVEP has not sold anything in the Utica. Any proceeds are likely to go to funding capex and the distribution.
- Poor corporate governance.
- IDRs limit distribution upside.

Part VI: Conclusion

Source: Hedgeye

QUESTIONS?

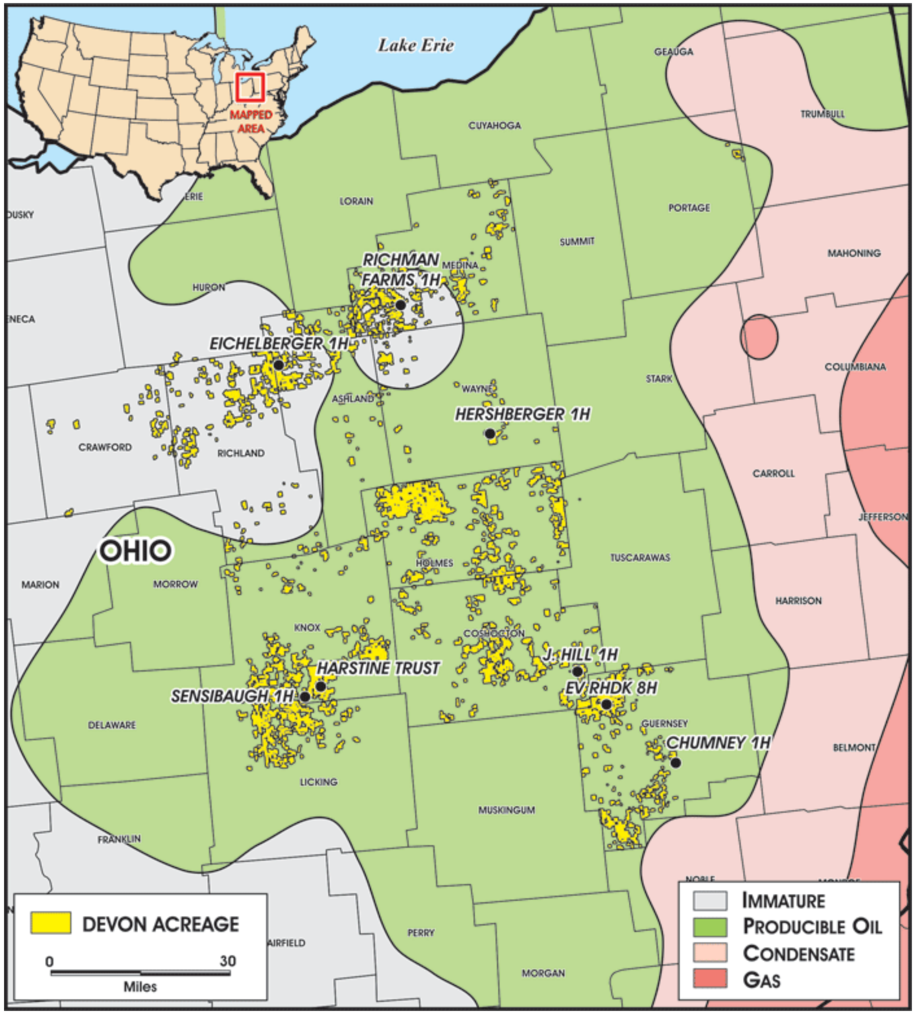
Thank you.

Email questions to QA@Hedgeye.com

APPENDIX 1A

Devon's Utica acreage on the block

- 195,000 net acres with 80% NRI
- Key counties: Guernsey, Coshocton, Holmes
- Well result: Devon Chumney Family Trust 1H: 448 bbl/day + 1,203 Mcf/day (Guernsey County)
- Bid Date: March 13, 2013



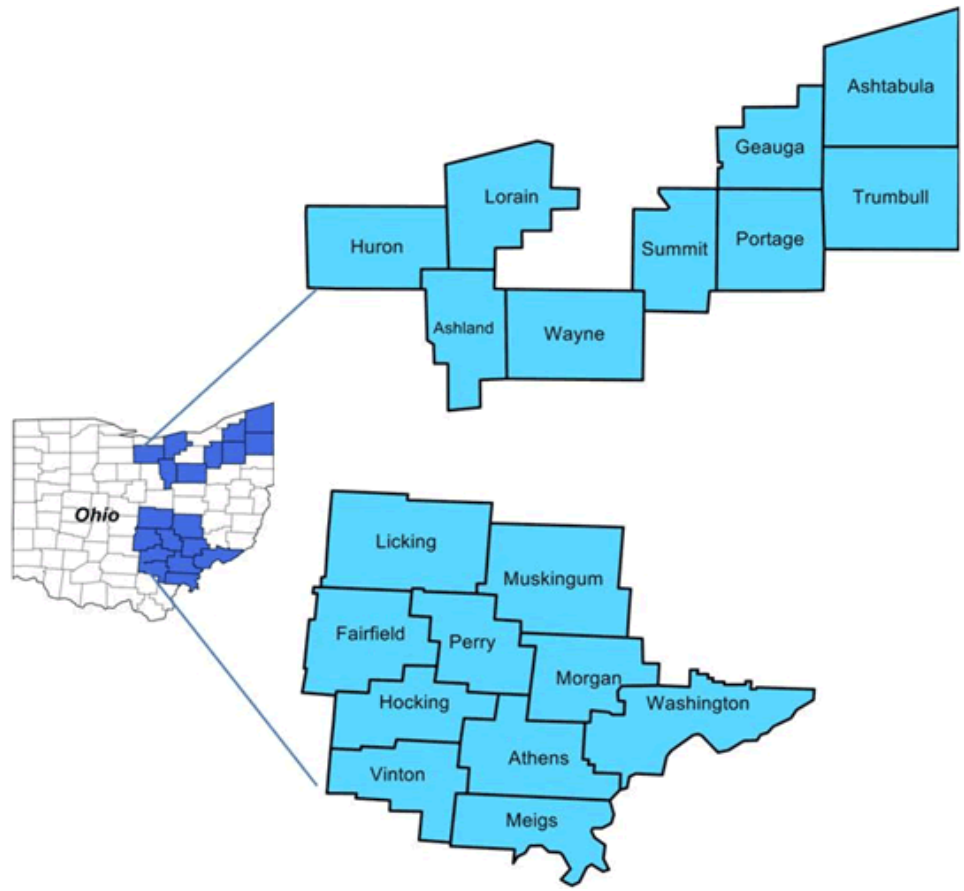
Part VII: Appendix

Source: Scotia Waterous

APPENDIX 1B

CHK's Utica package 1 on the block

- 337,0481 net acres with 85% NRI, 80% HBP
- Key counties: Trumbull, Portage, Muskingum, Washington
- Rationale for selling: *"The Company has altered its plans to develop all of its highly prospective acreage and instead will focus its development on those counties where its land ownership is more concentrated than the land ownership in the counties being offered for sale."*
- Bid Date: July 11, 2012



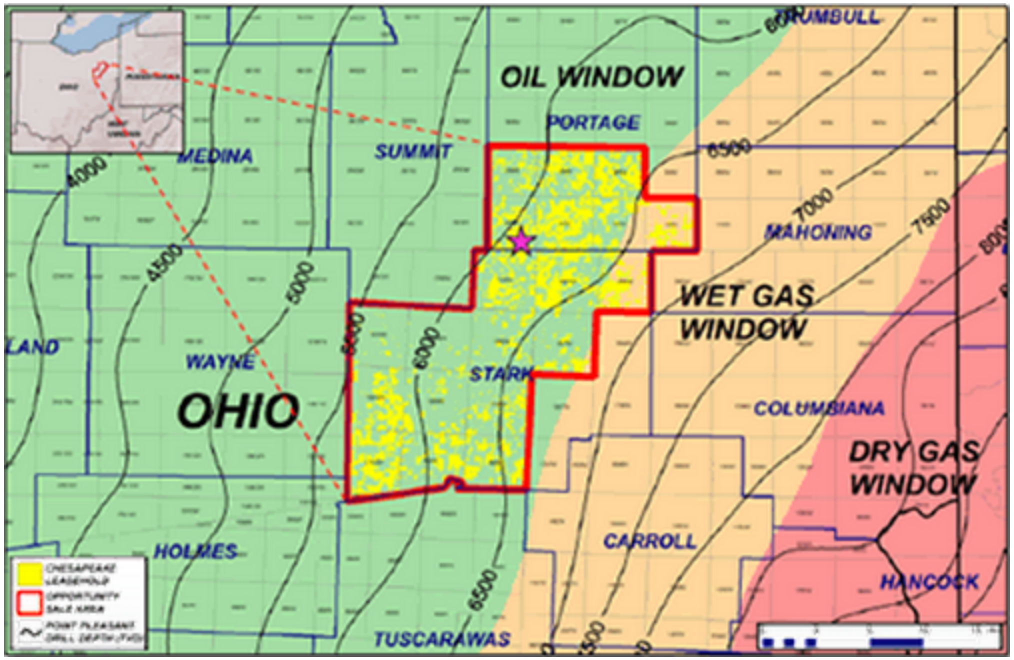
Part VII: Appendix

Source: Meagher Energy Advisors

APPENDIX 1C

CHK's Utica package 2 on the block

- 94,205 net acres with 85% NRI, 53% HBP
- Key counties: Stark, southern Portage
- Includes 2 op wells and 1 non-op well
- Bid Date: May 16, 2013



Source: Meagher Energy Advisors

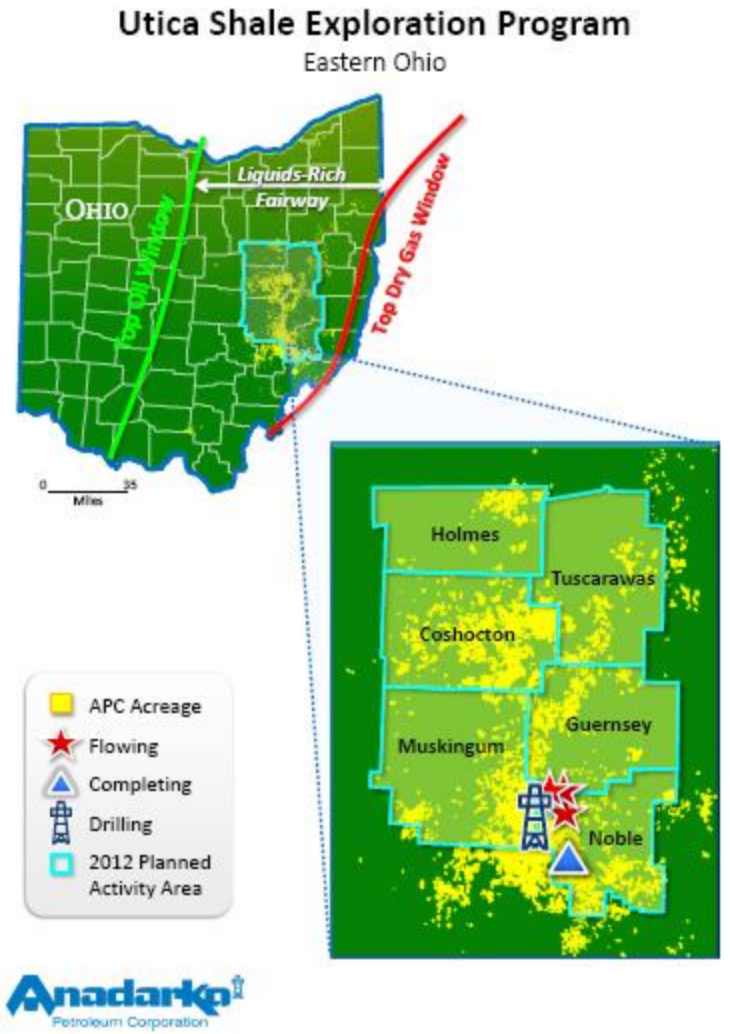
APPENDIX 1D

Anadarko is reportedly no longer drilling…

"Tom Stewart, vice president of the Ohio Oil and Gas Association, said that [Anadarko] has stopped drilling activities in the state.

'The results that they've gotten from their initial wells do not meet their risk profile,' Stewart said." - Columbus Dispatch, March 2013

- Tested 7 wells (most came on in 4Q12)
- Key counties: western Guernsey, western Noble, Muskingum, Coshocton, Tuscawaras



Part VII: Appendix

Sources: Columbus Dispatch; Anadarko presentation

APPENDIX 2

Key financial results:

	4Q06	2007	2008	2009	2010	2011	2012	*Cumulative*
Net Income	$ 3.4	$ 11.2	$ 225.5	$ 1.4	$ 106.1	$ 102.6	$ (16.3)	*$ 433.8*
DD&A, non-cash derivative activity, other	$ (0.5)	$ 44.9	$ (121.1)	$ 108.1	$ 16.3	$ 64.6	$ 225.9	*$ 338.2*
Cash Flows from Operations	$ 2.9	$ 56.1	$ 104.4	$ 109.5	$ 122.4	$ 167.2	$ 209.5	*$ 772.0*
Acquisitions of oil and natural gas properties	$ (69.5)	$ (456.5)	$ (177.0)	$ (39.6)	$ (568.4)	$ (463.6)	$ (120.0)	*$ (1,894.8)*
Capital expenditures	$ (1.2)	$ (10.5)	$ (33.0)	$ (14.3)	$ (26.5)	$ (75.9)	$ (129.8)	*$ (291.2)*
Investments, proceeds from sales, other	$ (0.0)	$ -	$ -	$ -	$ 44.4	$ 20.6	$ (23.7)	*$ 41.3*
Cash Flows used in Investing	$ (70.7)	$ (467.1)	$ (210.0)	$ (53.9)	$ (550.6)	$ (519.0)	$ (273.5)	*$ (2,144.7)*
Proceeds from equity offerings	$ 81.1	$ 215.6	$ -	$ 149.0	$ 205.0	$ 147.1	$ 262.8	*$ 1,060.6*
Proceeds from borrowing	$ 17.7	$ 242.0	$ 197.0	$ (165.0)	$ 317.0	$ 333.5	$ (94.0)	*$ 848.2*
Distributions Paid	$ (24.1)	$ (25.1)	$ (45.3)	$ (65.0)	$ (92.9)	$ (115.1)	$ (128.9)	*$ (496.5)*
Other	$ (4.9)	$ (13.2)	$ (14.6)	$ 2.6	$ 3.5	$ (6.6)	$ 1.3	*$ (31.9)*
Cash Flows provided by Financing	$ 69.7	$ 419.3	$ 137.0	$ (78.3)	$ 432.5	$ 358.9	$ 41.2	*$ 1,380.3*

Part VII: Appendix

Sources: Hedgeye estimates; EVEP filings

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