



wynn
CROSBY

A U N I Q U E A P P R O A C H



A U N I Q U E A P P R O A C H

Wynn-Crosby is a private company engaged in the acquisition, development and production of oil and gas. The company focuses on low-risk, high-return investments for its dividend-oriented limited partners. Using a carefully constructed and contrarian model for acquiring and divesting properties, the company achieved annual returns^a ranging from 22% to 228%. Returns^a over the company's ten-year history (1995-2004) averaged 62%.

These returns are the product of an ability to identify and acquire quality-undervalued properties. Wynn-Crosby employs a fundamentally different approach to its acquisition model. Large numbers of acquisition opportunities are screened quickly to identify the best and most undervalued assets, often embedded within large groups of oil and gas producing properties. The more opportunities reviewed, the better the chance of finding that "high return" acquisition.

Wynn-Crosby has acquired assets at attractive prices via its willingness to buy packages with large well counts, geographic diversity and a significant nonoperated and/or royalty component. Once an acquisition is completed Wynn-Crosby quickly sets in motion its plan for further development of the properties. The company remains ever mindful of both the property's life and value cycle, overlaid upon the commodity price cycle with an eye toward the arbitrage (sales opportunities) created by changes in these cycles.

^a Annual cash distributions expressed as a percentage of average capital employed.

A Contrarian Acquisition Model

Absent the confinements and dictates of Wall Street, Wynn-Crosby has developed a business plan and acquisitions model enabling it to provide exceptional returns to its investors. Wynn-Crosby's business plan is not riskier—it's just different from those followed by most of its peers, both private and public.

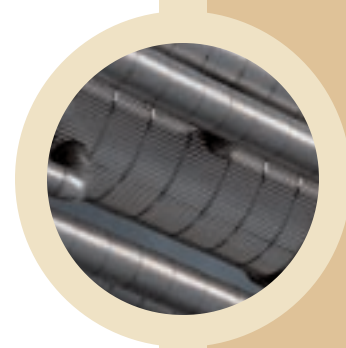
Wynn-Crosby prefers to acquire packages having large well counts and geographic diversity. Buying these types of packages reduces the risk associated with "concentration of value" issues as well as increasing the probability of acquiring but not paying for unidentified upside. Additionally, Wynn-Crosby is not opposed to acquiring packages having a disproportionate amount of nonoperated and/or royalty interest properties. Generally, a nonoperated interest sells at a discount to an operated interest in the same field thereby yielding a higher return to Wynn-Crosby's investors and enabling the company and its investors to stretch their acquisition dollars.

From 1995 through 2004, Wynn-Crosby acquired \$249 million (\$219 million net of purchase adjustments) in producing properties.

Property Development

To minimize investor capital risk, acquisitions take place only after satisfying stringent evaluation criteria. The evaluation includes the assessment of development potential and associated risk. Post acquisition the development is undertaken in an orderly fashion with low- to moderate-risk, higher-reward opportunities undertaken first. Other more risky projects are deferred until such time as the outlays for these projects will not jeopardize the target returns. Wynn-Crosby continuously alters its development programs taking into consideration its successes and failures, changes in the market cycle for the property being developed and changes in commodity prices. Critical to the entire process is cyclic timing, patience and a continual balancing of short-term results with a long-term outlook.

Over its ten-year history Wynn-Crosby expended an additional \$116 million in the further development of the properties acquired. Over its first decade, Wynn-Crosby achieved a combined acquisition and development program cost of \$0.64 per Mcfe.





The Role of Divestitures

Divestitures are a significant component of the Wynn-Crosby business model. As with the acquisition and development programs, Wynn-Crosby continually evaluates opportunities to enhance the return to its investors through divestitures. The old adage of “buying low and selling high” is consistent with the business plan and philosophy of Wynn-Crosby.

From 1995 through October 2004, Wynn-Crosby generated approximately \$120 million in proceeds through the sale of properties. In November 2004 Wynn-Crosby sold its eight partnerships for \$425 million.

Performance

2004 was a significant year in the ten-year history of Wynn-Crosby. In an environment of increasing crude oil and natural gas prices, Wynn-Crosby provided its partners with a significant liquidating event when its eight limited partnerships were sold for \$425 million.

Over the ten-year history, Wynn-Crosby and its investors deployed \$132 million in equity capital. Over this same period \$226 million was returned to the investors in the form of monthly cash distributions. The sale of the partnerships in November 2004 provided a liquidating distribution of \$372 million^a resulting in cumulative distributions of \$598 million.

Cumulative Equity Contributions by Partners—\$132 million

Feb 1995—Nov 2004

Cumulative Cash Distributions to Partners—\$598 million

Feb 1995—Nov 2004

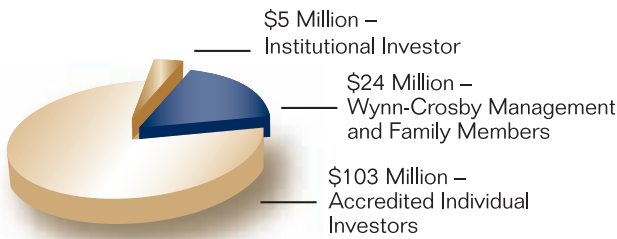
| | |
|--------------------------|----------------------------|
| Feb 1995—June 2004 | \$226 million |
| Liquidation—Nov 2004 | \$372 million ^a |
| Cumulative distributions | \$598 million |

Cash Dist
a Percent
Contrib
Avg. Ca

^a Includes a projected \$1.9 million distribution to be paid in November 2006 attributable to the settlement of an unsecured claim in the Enron bankruptcy.

In February of 1995, Wynn-Crosby formed its first limited partnership with \$10 million of equity provided by management, family members and individuals. Over the next nine years, Wynn-Crosby employed an additional \$122 million of equity through the formation of seven additional limited partnerships.

Equity Makeup

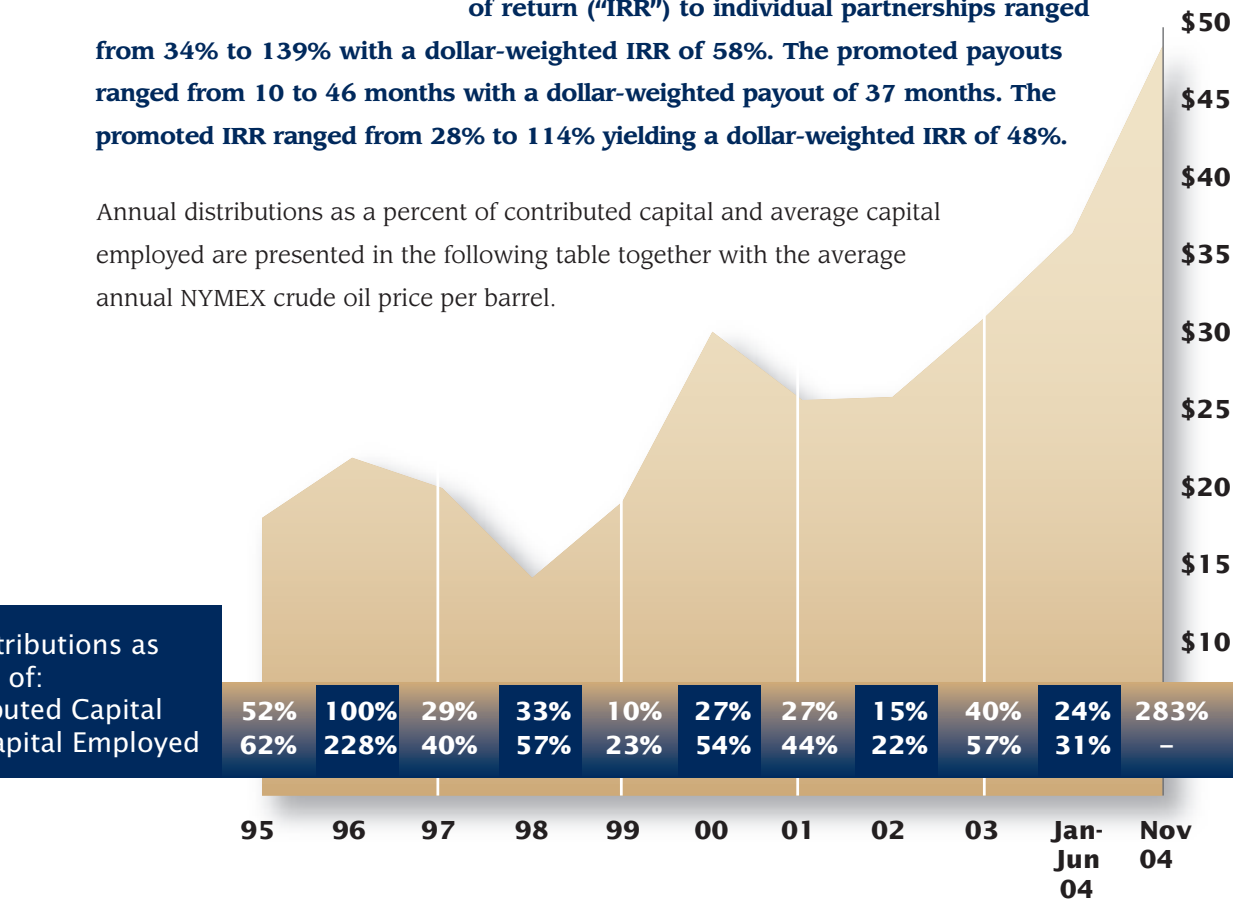


With the exception of the last partnership, which was formed in December 2002, all the partnerships achieved equity payout prior to the November 2004 sale. The eighth partnership achieved payout concurrent with the sale.

With equity payouts ranging from 10 to 42 months, the dollar-weighted payout was 32 months and the internal rates of return ("IRR") to individual partnerships ranged

from 34% to 139% with a dollar-weighted IRR of 58%. The promoted payouts ranged from 10 to 46 months with a dollar-weighted payout of 37 months. The promoted IRR ranged from 28% to 114% yielding a dollar-weighted IRR of 48%.

Annual distributions as a percent of contributed capital and average capital employed are presented in the following table together with the average annual NYMEX crude oil price per barrel.



Average Capital Employed in the average of the annual beginning and ending net partners' capital including retained earnings.





Expertise in the Industry

The founding and key members of Wynn-Crosby's management and technical teams continue to be diligently involved in the day-to-day operations. The mainstay of the company's acquisition operations is a team that possess an extensive educational and experience base. This experience is drawn from years of consulting to help clients purchase and sell properties in every major producing basin in the lower 48.

Equipped with a broad knowledge, the engineering team quickly and efficiently evaluates packages with large property counts and geographic diversity. The capacity to quickly identify opportunities and act decisively creates an efficiency that is difficult to replicate in larger companies. Much of the company's success is attributed to an ability to select sets of properties most likely to result in successful acquisitions.

The primary objective of most oil and gas companies is production and reserve growth. In contrast, Wynn-Crosby is a dividend-oriented company willing to defer its reserve growth objectives over a longer time horizon. This affords Wynn-Crosby the latitude to meet return-of-capital goals not only through property acquisition and development activities, but also through property sales which might temporarily reduce reserves.

Wynn-Crosby recognizes the recent rise in commodity prices may limit future upside attributable to higher prices. The ability to reduce operating and drilling costs may also be difficult due to rising costs. Both these developments put additional pressure on the need to accurately identify and quantify reserve volume upside. In such an increasingly demanding environment Wynn-Crosby intends to continue to apply principals that have succeeded in the past, chief among them are:

- geographic diversification;
- smaller interest in more wells as opposed to a larger interest in fewer wells;
- increase exposure to reserve upside through various strategies including unconventional coal gas and shale gas development; and the
- use of financial derivatives to reduce price risk.



5500 W. Plano Parkway, Suite 200

Plano, Texas 75093

T 972.380.5500 F 972.380.9570