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**As an Upstream Master Limited Partnership (MLP), QR Energy is Providing Investors with a Low-Risk Investment in Oil and Natural Gas by Focusing on Legacy U.S. Assets with Large Original Oil or Gas in Place, Low Declines and Long Lives**



QR Energy

Basic Materials  
Independent Oil & Gas  
(QRE-NYSE)



**Cedric W. Burgher**  
Chief Financial Officer

**BIO:**  
Cedric W. Burgher serves as the Chief Financial Officer of QR Energy,

where he leads the finance, accounting, tax, investor relations and information technology functions. Prior to joining QR Energy, Mr. Burgher served as a Managing Director of Quantum Energy Partners, a private equity firm, where he participated in the sourcing, financing and due diligence of upstream investment opportunities. Mr. Burgher has served as CFO of KBR, Inc. and Burger King Corporation. He previously held financial management positions with Halliburton Company, EOG Resources and Baker Hughes following several years in banking. Cedric holds a B.B.A. in Data Processing and Analysis from the University of Texas, an M.B.A. from the University of Dallas and is a Chartered Financial Analyst.

**Company Profile:**

QR Energy is a Houston-based upstream master limited partnership focused on delivering stable cash flow and growth to its limited partners through the exploitation of onshore oil and gas fields in the United States. For more information, visit QR Energy's website at [www.qrenergylp.com](http://www.qrenergylp.com).

**Interview conducted by:**  
**Lynn Fosse, Senior Editor**  
**CEOCFOinterviews.com**

**CEOCFO:** Mr. Burgher, what is the focus at QR Energy today?

**Mr. Burgher:** QR Energy is a Houston-based upstream master limited partnership (MLP) and our focus is on delivering stable cash flows and growth to our limited partners through the exploitation of oil and gas onshore

throughout the United States. Today we are in four key areas, but most of our production comes from the Permian Basin in West Texas and New Mexico.

**CEOCFO:** What is different about QR Energy that sets you apart from some of the other companies in your industry?

**Mr. Burgher:** We have a strong and experienced management team. We are an engineering-focused organization with a strong track record in the acquire and exploit strategy, which is our focus. We acquire mature, legacy assets and pursue development projects to maximize the oil and natural gas recovery from our properties. Our team is very strong operationally and technically. We also have unique growth opportunities. We have the ability to drop down assets from our sponsor, Quantum Resources, in addition to making third-party acquisitions.

**CEOCFO:** What is an example of how QR's technical excellence works?

**Mr. Burgher:** Our process of operational excellence begins when we first evaluate a new asset. We have a great deal of experience in acquiring, exploiting and operating oil and natural gas assets. We look for conventional, legacy properties where there is large original oil or natural gas in place. We are primarily focused on our existing core areas: the Permian Basin, Ark-La-Tex, Mid-Continent and Gulf Coast. For assets to fit an MLP (master limited partnership), they need to have a low-decline rate, so we typically look for an 8% to 12%

decline. We also look for a high PDP (Proved Developed Producing) percentage, typically 65% to 75% or more PDP content. We want to have low maintenance capital requirements for our properties, so in summary, we want to acquire very low-risk assets. We think of an MLP as being the lowest risk way to invest in the upstream energy space because we have these conventional, stable, predictable assets. We couple with that a robust hedging strategy that further protects the investor from a lot of the volatility of oil and gas prices.

**CEOCFO:** What is your geographic strategy?

**Mr. Burgher:** In addition to our core areas in and around Texas, there are other areas we would consider, but it would need to be a strategic entry with a large enough footprint for us to be able to manage our costs. We are in our core areas because they are ripe with conventional assets that fit our strategy. Our management team also has a lot of experience in our core areas. Therefore, we know better than most what to look for when it comes to evaluating assets.

**CEOCFO:** Has the QR Energy strategy changed over the last couple of years, or is it tried and true?

**Mr. Burgher:** No, it really has not changed. Our private company sponsor, Quantum Resources has a very similar strategy of acquiring and exploiting mature assets. However, our sponsor is oriented somewhat more towards property development projects like drilling development wells, which require more capital investment than QR Energy would like to make. As assets are developed and matured, they become a better fit for the MLP business model, which supports the drop down strategy and synergy between the two partnerships.

**CEOCFO:** Does it make a difference whether it is oil or gas, or is it opportunistic?

**Mr. Burgher:** It is opportunistic. It comes down to asset quality for us, but we are generally inclined to be

balanced between oil and gas; with a slight bias towards oil at this time. Because we hedge oil and gas prices, the majority of our production has a fixed sales price over the next five years. Our hedges insulate us from much of the commodity price risk that we would otherwise have.

**CEOCFO:** Is this a good time to find opportunity?

**Mr. Burgher:** We think it is a great time to find opportunity. Conventional assets are becoming available as many independent oil and natural gas companies pursue shale plays or other high growth areas. They initially seek outside financing for their capital-intensive strategies, but often times their capital needs lead to divestitures of more mature, conventional assets that fit our strategy per-

**We believe we are one of the lowest risk ways to invest in the upstream oil and gas space. We are somewhere between a stock and a bond in terms of the investment profile, risk and return. We distribute a high percentage of our cash flow each quarter, maintain a strong balance sheet and pursue a balanced use of debt and equity for future acquisitions. We believe this financial strategy fits the MLP structure in that it is conservative in nature.**

**- Cedric W. Burgher**

fectly. Having said that, it is also a very competitive market and there are a lot of competitors for any given asset.

**CEOCFO:** Tell me about your team.

**Mr. Burgher:** We have an experienced management team. CEO Alan Smith, and President and COO John Campbell have worked together for more than fifteen years at several different organizations. They have complimentary skill sets: they are both petroleum engineers who had operating experience early on in their careers. Then they moved in slightly different directions: John continued to focus on operations while Alan moved more toward the commercial side of the business, where he focused on acquisitions and divestitures. Under their leadership, QR Energy is an acquire and exploit and engineering-driven organization.

**CEOCFO:** You have been CFO for some well-known companies, what attracted you to QR Energy?

**Mr. Burgher:** I originally came to Quantum through the private equity firm Quantum Energy Partners (QEP). I joined QEP because it is one of the top performing energy private equity firms. They have attracted very high caliber people and as a CFO, you think carefully about whom you partner with. I was very attracted to the competence and the integrity of the senior team here at QR Energy and at Quantum.

**CEOCFO:** What is ahead for QR Energy?

**Mr. Burgher:** We look to grow the partnership through third-party acquisitions and drop downs from our sponsor. Our sponsor has nearly 14,000 Boe per day of production, most of which is suitable for an MLP.

**CEOCFO:** Does QR Energy do much investor outreach?

**Mr. Burgher:** We have participated in a few industry conferences. It is always difficult to find time while we are focused on running the business, but we do make some time to reach out to investors. We also work

hard to communicate fully and openly via our website and public filings, so investors can have a clear understanding of the business.

**CEOCFO:** What is your two-minute take on the energy industry?

**Mr. Burgher:** The energy industry has undergone an enormous amount of change over the last decade as commodity prices have risen significantly. Energy costs have become a much larger percentage of everybody's spending and therefore, there are big efforts being made to find lower cost energy solutions. I am encouraged by the efforts that energy companies like us are making to solve our long-term energy supply issues. I think QR Energy is a leader in this regard because we efficiently operate and exploit low cost energy assets. There is still a lot of oil in the ground and new technology is provid-

ing us with more economic ways out of extracting it. In terms of the outlook for commodity prices, I do not have much more understanding than anyone else does, but because we hedge a majority of our production for five years, our hedges mitigate one of the biggest risks that our investors have with upstream energy investing.

**CEOCFO:** What is the financial picture like for QR Energy today, and would you comment on your distribution yield?

**Mr. Burgher:** We believe we are one of the lowest risk ways to invest in the upstream oil and gas space. We are somewhere between a stock and a bond in terms of the investment profile, risk and return. We distribute a high percentage of our cash flow each quarter, maintain a strong balance sheet and pursue a balanced use of debt and equity for future acquisitions. We believe this financial strategy fits the MLP structure in that it is conservative in nature.

**CEOCFO:** In closing, why should potential investors choose QR Energy?

**Mr. Burgher:** QR Energy has unique avenues for growth via potential drop downs from our sponsor and acquisitions of third-party assets. We have a very experienced management team that has built their careers around the acquire and exploit strategy, which enables us to make prudent decisions on future acquisitions and capital expenditures. On top of that, we offer a very attractive yield of close to 8% which is attractive in today's market.

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