



September 13, 2016

To the Partners of the
BP Capital Energy Fund, LP &
BP Capital Energy Fund II, LP

Re: August 2016 recap

Downward momentum continued into the first few days of August with crude prices bottoming just below the \$40 level. Crude markets have spent several months in a \$40 to \$50 range as signs of rebalancing have been periodically hampered by varying concerns over demand growth and global product margins.

As discussed in last month's letter, we believe the fits and starts witnessed over the last several months are to be expected in a recovery which, for the first time in many years, is not being driven by OPEC supply management. While this inevitably draws out the rebalancing/tightening process, it makes for a stronger foundation for the following price recovery. While balance has arrived later than we originally expected, markets are now clearly in balance (or more likely slightly underbalanced) and seasonal factors dictate a larger imbalance as we approach peak demand in 4Q/1Q17. As inventory drawdowns become more visible to the marketplace as a whole, we expect price to have to send an appropriate signal to "call" on U.S. oil production growth.

Natural Gas is in the midst of the seasonal doldrums typically witnessed during the shoulder months. We continue to believe that storage congestion will be avoided and the winter months as well as the first half of 2017 as a whole will provide attractive opportunities. In the interim, we are patiently awaiting what we hope will be better entry points.

West Texas Intermediate crude began the month at \$41.60 and traded down to \$39.19, before recovering over the balance of the month to finish off inter-month highs at \$44.70. Brent performed similarly, beginning the month at \$42.46, trading as low as \$41.51 and as high as \$51.22, before closing the month at \$47.04. U.S. Natural Gas suffered in the early part of the month as well, but overall traded range bound finishing nearly flat for the month.

If you have any questions, give David, Brian or me a call.

Sincerely,

A handwritten signature in black ink that reads 'Boone'.

Boone Pickens