THE A&D DEAL SHOWCASE 2008

ACQUISITION & DIVESTITURE CASE STUDIES

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THE A&D DEAL SHOWCASE 2008

Asset marketers and corporate-transaction advisors remain at full throttle in 2008 as myriad financial- and energy-market events and trends continue to make ownership of U.S. oil and gas assets and service companies a highly profitable experience.

In this showcase of recent deal-making, one start-up E&P, Sheridan Production Partners, received $1.3 billion in private-equity commitments in the summer of 2007 and had already deployed some 40% of this in its first six months. Its purchases have totaled some $950 million, and it tapped debt capital to leverage the deals.

As both public and private capital—and both equity and debt—remains plentiful to the oil and gas industry, and oil and gas prices are strong, the seller's market will not abate. Crude oil at press time was some $104, and natural gas was more than $9.

A new John S. Herold Inc. study summary issued at press time reports $154 billion in upstream M&A deals were made in 2007, nearly that of the $166 billion of 2006, which included some large corporate transactions, such as Anadarko Petroleum's purchases of Kerr-McGee and Western Gas Resources.

The average price for proved reserves per barrel of oil equivalent in 2007 was $9.99, according to the Herold review, and asset transactions grew to total $89 billion, involving 240 deals of which some 75% were for North American properties.

Some examples of this 2007 deal-making are featured here, as well as some of 2008 vintage.

–Nissa Darbonne,
Executive Editor

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The stronger the financial due diligence, the better the upstream E&P acquisition. Here's how to improve the results.

BY JOHN VANDERHIDER

A&D for domestic upstream E&P transactions in 2007 brought an estimated aggregate valuation in excess of $45 billion, an all-time record. Fueled by higher energy prices and the resultant cash flows, along with the re-advent of master limited partnerships as an effective source of capital, oil and gas companies and sponsors find themselves in an ever-increasing competitive acquisition market for solid, upstream E&P assets.

The need for strong and effective buyside financial due diligence has perhaps never been greater as acquisition costs escalate, given a landscape in which sellers have mandated terms.

Many of the advantages afforded by effective due diligence originate with crafting a fair and equitable purchase-and-sale agreement (PSA). Generally, the PSA has customary provisions for increases and decreases to the purchase price based upon findings identified during two critical periods–the first being from the date of execution of the PSA to the initial closing and funding, the second being from the date of initial closing and funding through the date of final settlement. The initial period is typically up to two months; the latter period, up to six months following closing, and occasionally a year for resolving any adjustments needed.

Typical financial adjustments to the purchase price between the buyer and seller will generally include: cut-off of revenues and expenses of the properties to the effective date; cut-off of capex to the effective date; environmental and title defects; merchantable hydrocarbons stored in tanks and pipelines as of the effective date; and amounts held in revenue suspense by seller as of the closing date, net of escheatable balances.

With the exception of environmental defects reviewed by engineering personnel, the financial due diligence team is deeply focused on verifying all other financial adjustments to the purchase price. It has been our experience that financial findings, or reductions to the purchase price, in this area of due diligence have without exception always exceeded the due diligence costs involved.

The financial due diligence team should fully understand each adjustment to the purchase price, particularly suspended funds for legal matters. Quite often amounts are in legal suspense due to challenges of rightful ownership or disputes regarding contract compliance. It would be an unfortunate surprise if cash flows pertaining to significant properties were tied up in suspense and the buyer was not aware of this controversy following the due diligence phase.

Cash-flow analysis verification**.** Besides sourcing cash savings to the buyer on the identification of purchase-price adjustments, one of the most critical values brought by the financial due diligence team is making sure the buyer is aware of the net cash flows and production volumes being generated from the subject properties.

For all properties identified for sale in the exhibits to the PSA, a comparison is initially made of the net revenues and production volumes generated during the interim period (from effective date through closing date) to those projected in the engineering acquisition-pricing model. Significant variations in volumes and cash flows are investigated with seller personnel.

Although all properties are evaluated for significant variations, it is customary that detailed analysis to the independent third-party purchaser remittance advices and state production reporting is performed for all properties representing the top 80% of allocated values.

On the revenue side, findings can have financial consequence, particularly if considerable purchase-price value has been allocated to specific proved developed producing properties that later are determined to be shut-in, or where there has been an unexpected decline or cessation of production.

Such findings might even suggest misrepresentations by the seller and result in other legal implications favorable to the buyer. Once again, this is a critical area of focus by the financial due diligence team.

On the expense side, the cash-flow focus is on lease operating expense (LOE) levels reported by significant property in the lease operating statements. Generally, a three-year history of LOE, by month, is secured for all of the properties, and magnitude of dollars and pricing metrics (rates per barrel of oil equivalent or thousand cubic feet of gas equivalent) are evaluated to determine if they are reasonable, given present operating conditions.

Current expense run-rates are evaluated relative to anticipated rates in the acquisition-pricing model to more closely fine-tune net cash flows to be expected. Financial due diligence primarily helps lock down expense rates by property; however, most financial adjustments related to operating expenses generally result from the cut-off testing performed as of the effective date.

Operational/financial concerns**.** A fundamental goal of financial due diligence is to achieve a clear understanding of the risks assumed in the purchase of the specific properties, including any commitments and contingencies existing at the time. Hopefully, any undisclosed risks identified in the performance of financial due diligence will result in some form of concession by the seller, whether it be as provided for within the PSA or through subsequent agreement.

Generally, to get a good understanding of binding obligations and commitments, the due diligence team should review most of the critical contracts pertaining to the operations and product sales arrangements for the properties. These agreements will include, but are not limited to, joint operating agreements, gas balancing agreements, product-sales and marketing contracts, and transportation agreements.

These agreements are typically read and briefed for buyer retention, and identified problem areas are communicated to the buyer. It is also important to determine which contracts are assignable or assumable, and which ones require consent for assignment. Although the legal team will generally sort out the assignability of contracts, it is important for the financial due diligence team to be able to identify financial risks and commitments embedded in these contracts.

The buyer may very well not want to assume all contracts if financial terms are not as favorable as can be achieved through alternative means.

One topic worthy of discussion is the assumption of obligations related to existing gas-balancing positions on the properties. Through decades of working financial due diligence acquisitions, experience has shown that companies in the upstream E&P sector overall do not do a good job of maintaining current gas-imbalance positions on their properties.

Some companies maintain pretty good record-keeping through year-end for audit purposes, while others try to maintain such information on a quarterly basis. In any event, stale data is virtually always received for existing gas-balancing positions as of the effective date, particularly on outside-operated properties. Sometimes the PSA provides for the full assumption by the buyer of existing gas-balancing positions, while other times there is a financial adjustment stated in terms of price per thousand cubic feet of gas for any variations from represented gas-balancing positions by property. This latter situation is ideal for financial adjustments favorable to the buyer.

Aside from financial adjustments for misrepresentations on gas-balancing positions, it is important to get a full understanding of gas-balancing positions for cash-flow purposes. Understanding the make-up provisions as defined in the gas-balancing agreement is critical to determining available cash flow to the buyer and, consequently, in getting a realistic discounted cash-flow valuation on the property.

Quite often, the allocated value of the property for acquisition purposes does not consider all gas-balancing nuances. For example, properties with inadequate reserves to settle the assumed balancing payable have been examined. In this case, gas-balancing agreements need to be reviewed to determine how the gas-balancing payable is settled when the well is projected to be plugged and abandoned.

Some agreements may stipulate the liability is settled at the historical cash prices received when the imbalances were created, while others may say the settlement is at a current-market gas price. Obviously, the disparity in these prices can yield a huge monetary difference on settlement of the liability.

In any event, the financial due diligence team should identify whether allocated values are appropriate, given misrepresented gas-balancing positions, and recourses need to be pursued by the buyer based upon relevant information discovered.

Payables are not the only focus of the due diligence team on gas-balancing matters. Gas-balancing receivables may be viewed as favorable assets to have, but what happens if the reserves are inadequate to settle the receivable? Furthermore, what happens if the credit worthiness of the debtor party is in question?

Financial settlement of the receivable may very well be remote. Once again, the financial due diligence team needs to first identify gas-balancing problems and then see if remedies are afforded by the PSA, or whether the buyer needs to renegotiate the purchase price to the extent possible.

In closing, as to operational and financial concerns, recent trends in negotiated upstream E&P deals reflect seller efforts to convey to the buyer more of the historical risks associated with the subject properties than ever before. For example, with royalty litigation on the rise, more sellers are attempting to be indemnified for all royalty amounts payable to third parties on account of production from the assets prior to the effective date, unless arising out of or attributable to identified litigation matters or specifically identified by the buyer during a negotiated period of time following the closing.

Transaction integration. Beyond cash savings on due diligence findings, arguably the greatest value provided by the financial due diligence team is the transfer of knowledge to the buyer as the sale is completed and the buyer assumes operations. Although the review of the closing and final settlement statements and the pursuit of cash savings generally garner the most attention during the due diligence phase, the acquisition will seldom be successful if a smooth integration of the operations and reporting responsibilities of the properties does not occur.

From the initial date of contact with the seller, the financial due diligence team makes a formal written request of all information that is germane to the properties, whether financial, operational, environmental or regulatory in nature. The request is generally in the form of an all-inclusive, multi-page oil and gas acquisition request list, customized for the specific attributes of the targeted acquisition.

Interviews are held with seller representatives to fully understand these matters and considerable time and energy are dedicated to documenting the processes and procedures that the seller goes through on a monthly basis to maintain the properties. Critical focus areas include state, federal and tribal regulatory reporting; royalty distributions; severance tax and state production reporting; product-marketing arrangements; and transportation and processing arrangements.

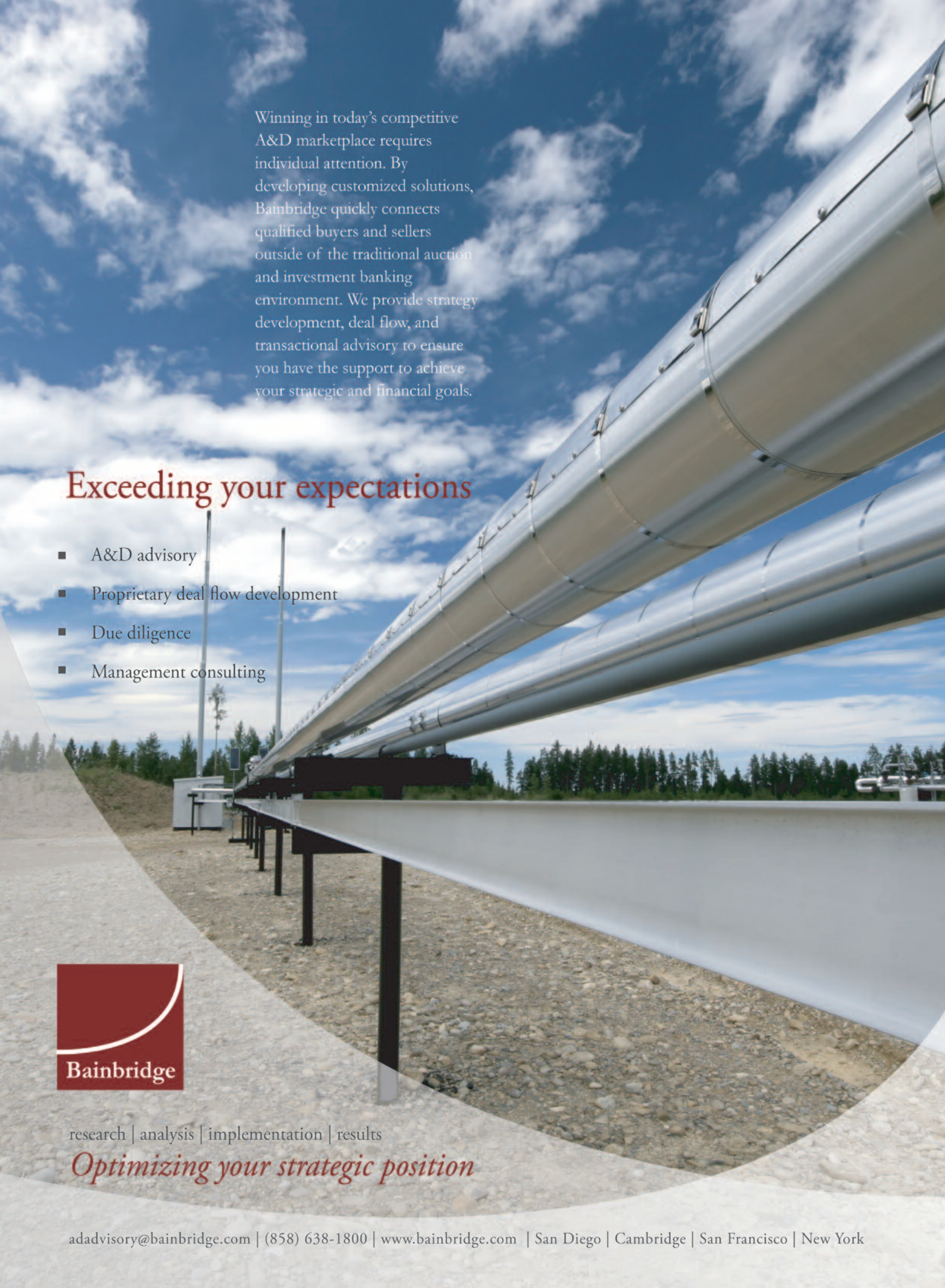
From an information perspective, the financial due diligence team should strive to be able to replicate current reporting requirements to state, federal and other regulatory bodies so transfer of such duties to the buyer's personnel is as seamless as possible.

Not only is current information reporting important to understand, but the financial due diligence team should be involved in creating the purchase-price entry, particularly given audit procedures performed on interim net proceeds received between the effective date and the closing date.

Finally, the due diligence team should be very involved in securing all of the assumptions and ultimately deriving the plugging and abandonment accruals by specific property, which is required as of the acquisition date under generally accepted accounting principles.

In closing, buyside financial due diligence is extremely important in mitigating risk in the upstream E&P acquisition arena. Fortunately, good deals are still getting done and strong financial due diligence is playing a critical role in the success of acquisitions, specifically in terms of monetizing transaction savings, assessing acquisition risks and securing effective integration of financial and operational responsibilities. ■

John Vanderhider is the partner in charge of the corporate finance group of Houston-based Opportune LLP, which offers financial due diligence on acquisitions, SEC filings, technical accounting research, energy trading risk management and dispute resolution.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THE DEAL Genesis Energy LP acquires five energy transportation-related businesses from the Davison family for $563 million after "off-market opportunity" was identified by Bainbridge's Capital Advisory Group in its capacity as advisor to Genesis.

RESULT Genesis acquires refinery services, petroleum marketing, terminal, trucking and fuel-procurement businesses.

THE PLAYERS Genesis (the buyer), the Davison family (the seller) and Bainbridge's Capital Advisory Group (advisor to the buyer).

The best potential acquisitions are not always advertised. Sometimes it takes market intelligence and a proactive process to know about possible matches outside the traditional auction environment.

Such was the case in Genesis Energy LP's recent $563-million acquisition of five energy-related businesses from the Davison family, which has owned and controlled energy-related transportation businesses in Ruston, Louisiana, since 1937.

Genesis Energy, a diversified midstream energy master limited partnership (MLP) headquartered in Houston, acquired the Davison assets, including a refinery-services business, terminal business, trucking business and a fuel-procurement business, after Bainbridge's Capital Advisory Group identified the "off-market opportunity."

Nick Chini, managing principal, Bainbridge Capital Advisory Group

"This transaction demonstrates the value of proprietary deal flow and of having a proactive process and an experienced business-development team," says Nick Chini, Bainbridge managing principal.

The firm is a boutique management-consulting and M&A-advisory firm based in San Diego. "The market value of this transaction at auction would easily have exceeded $800 million. Our process captured tremendous value for our client."

Bainbridge worked with the Genesis management team to identify and pursue specific assets that were outside the auction process. "The best deal, like this one, is the one the investment banks and brokers never see, one that is true proprietary deal flow," Chini says.

The Bainbridge team has developed an extensive database with prospective companies and relationships with their owners.

Bainbridge's past transactions and experience as a buy-side advisor in the upstream and midstream oil and gas industry proved to play a significant role in conducting proprietary development of deal flow for Genesis Energy. Bainbridge's search-and-analysis service provides clients with consistent, quality deal flow through services that include acquisition search, valuation, market-feasibility studies and negotiation-strategy development.

The Bainbridge team has developed an extensive database with prospective companies and relationships with their owners.

That team's members work as masters at market-intelligence gathering and in fostering relationships. At times, transactions are the result of years of work.

Here's one example. "We are working on a transaction now that was first developed in 2005. These are the best deals—the ones you have to pull to the negotiating table," Chini says.

The Genesis acquisition of the Davison assets was completed on July 25, 2007, and particularly key to the buyer. Genesis expects the transaction to allow it to move forward in negotiating several additional transactions with the owner of its general partner, Houston-based oil and gas producer Denbury Resources Inc.

Genesis anticipates the total value of these transactions with Denbury affiliates could exceed $350 million during the next year or two.

The Davison family now holds approximately 48% of Genesis' outstanding common units and James E. Davison Sr. and James E. Davison Jr. have been named to Genesis' board of directors.

Genesis operates in four segments of the energy value chain: pipeline transportation, refinery services, logistics and supply, and industrial gas. Genesis' operations are primarily in Texas, Louisiana, Arkansas, Mississippi, Alabama and Florida.

"Bainbridge provides clients with custom-tailored solutions," Chini says. "Unlike traditional investment-banking or consulting firms, Bainbridge combines strategic and financial advisory services to produce business results."

Bainbridge's Capital Advisory Group provides a range of services to E&P and midstream companies, including acquisition search, sellside advisory, market-feasibility studies and due diligence.

"Using primary-source research, our team works with private-equity groups to provide deal flow outside the auction environment, putting your firm in non-bidding situations for well-qualified candidates," Chini says. ■

To fund acquisitions and refinance debt that enabled the phenomenal growth of Pacific Energy Resources Ltd. during the past two years, the Long Beach, California-based E&P company turned to equity financing with Toronto-based D&D Securities Company.

K.A. (Andy) Gustajtis, managing director, D&D Securities Company

D&D has been extensively involved with Pacific Energy during that period. As a lead or co-lead agent, D&D has raised more than US$150 million in two equity financings and more than C$20 million in incentive-warrant financings, says Andy Gustajtis, managing director of D&D. The proceeds have been used by Pacific Energy to make two acquisitions, which have transformed the company from producing 300 barrels of oil a day to more than 7,000 barrels a day.

In March 2007, Pacific Energy made its first crucial acquisition of interest in the Beta Unit, a 600-million-barrel heavy-oil field 10 miles offshore Long Beach, California, from ExxonMobil Corp. and Shell Oil Co. In August 2007, the company made its second strategic acquisition of oil and gas assets, this time Alaskan, from Forest Oil Corp. in the Cook Inlet area.

"Pacific Energy has made two large transactions, one maybe the deal of a lifetime." said Gustajtis "They bought effectively a 600-million-barrel oil field with three huge offshore platforms with a replacement value of more than $1 billion all for a mere $1 from ExxonMobil and Shell offshore California.

"You don't do that every day. They needed to step into ExxonMobil and Shell's shoes and assume obligations that came with these acquisitions and that's where the US$85-million equity was raised by D&D Securities."

Included in acquired obligations was an estimated abandonment liability of about $127 million.

As for the Alaskan acquisition from Forest Oil, it "was much more aggressive," representing about 5,000 barrels of daily production, nearly doubling the enterprise size of Pacific Energy, Gustajtis says. The Alaskan assets, valued at $453.3 million at the time of the deal, included nine producing fields and nearly 1 million net acres covering multiple exploration prospects, and a 50% interest in Cook Inlet Pipe Line Co.

Pacific Energy now has more than 100 million barrels of proved and probable reserves, split between California and Alaska. Pacific Energy could be producing 12,000 barrels a day by the end of 2008, Gustajtis says.

In a presentation to investors in November, Pacific Energy president Darren Katic said the company was seeking $175 million of convertible preferred equity to pay down a portion of the bridge financing used to acquire the Alaskan assets, completed in August 2007, to fund capex and working capital.

"The deteriorating credit markets have made this financing option unattractive and D&D Securities arranged a US$65.5-million equity financing. The initial US$40 million of these proceeds were used to repay a portion of the debt associated with the acquisition of the Alaskan properties," Gustajtis says.

The balance of funds was used for continuing development properties offshore Alaska and California and for general working capital and business purposes.

On January 23, Pacific Energy announced successful completion of its incentive-warrant financing of more than C$20 million. This involved issuing an aggregate of 12,171,006 common shares and the same number of new incentive warrants. D&D continues as advisor to Pacific Energy.

THE DEAL D&D Securities Company, in a span of about two years, serving as lead or co-lead, raised more than US$150 million in two equity financings and more than C$20 million incentive-warrant financings for Pacific Energy Resources Ltd.

USE OF PROCEEDS The funding was used by Pacific Energy Resources Ltd., an E&P company, to make two major acquisitions that transformed it from a producer of 300 barrels of oil per day to one making more than 7,000 barrels per day.

THE PLAYERS Pacific Energy Resources Ltd. and D&D Securities Company

Gustajtis became acquainted with Pacific Energy in 2004 when he learned that the E&P company was planning to acquire the Eureka platform. Gustajtis, who is constantly on the lookout for "company-maker-type projects," thought it unusual that a company with a market cap at the time of about $30 million was in negotiations with behemoth producers ExxonMobil and Shell. Gustajtis contacted Pacific Energy and asked if it might be interested in working with D&D to obtain equity financing to fuel its growth and he received a positive response.

Gustajtis, who has been in the industry for about 30 years, says the offshore California project turned into the "most complicated" transaction of his career because of crossborder jurisdictional issues and regulations. Pacific Energy at the time was based in Canada and is now U.S.-based. It had to meet securities concerns in both countries.

Its shares are listed on the Toronto Stock Exchange as PFE and it is pursuing a U.S. listing sometime this year.

D&D Securities Company specializes in resource-focused investment banking, concentrating on emerging companies in oil and gas and mining, and a growing presence in alternative energy. In 2007, the firm closed more than 50 deals and raised some $500 million in equity financings, with more than $360 million raised for oil and gas companies.

D&D is bullish on E&P, believing oil and gas will become increasingly more expensive and harder to find, and producers will face more expenses, and regulatory and environmental hurdles, all requiring a growing need for capital. ■

For more than 10 years, Noble Royalties Inc. has minimized the risks for investors seeking positions in the energy sector through acquisition and management of income-generating oil and gas royalty properties—without exposure to the risks associated with drilling or operating.

Scott Noble, president, Noble Royalties Inc.

That model has been so successful that Noble anticipates its total investments during 2008 to date will top $1 billion. For 2008, it has budgeted more than $500 million for acquisitions.

Founded in 1997 by Scott Noble, an energy executive with intensive experience in all phases of the oil and gas industry, Noble Royalties has made a niche for itself as the largest privately owned oil and gas royalty acquisitions company in the U.S.

The guiding principle is to create value by exclusively acquiring interests in properties that have consistent production and proven reserves, creating a steady, more predictable return on investment than drilling or exploration. Noble Royalties does not drill or operate.

Representative of this, the company completed a $52-million divestment, consisting of more than 700 wells across 370,000 acres in 28 counties in five states in October. The properties, which Noble Royalties had aggregated from smaller packages, were sold to a master limited partnership (MLP).

"MLPs need to acquire to maintain and grow their distributions. The properties they acquire must be low-decline properties, hopefully, with a minimum of maintenance capex to therefore maximize distributable cash," says Jon Sisson, Noble Royalties chief operating officer.

Typical of its desire for long-lived assets, engineering analysis supports estimates of 40-plus years of remaining reserves on the properties. The mix is 82.3% gas.

Noble, through its wholly owned subsidiary Compass Royalty Management, will continue to manage the "back-office administration" on behalf of the buyer.

The transaction took approximately three months from initial contact to closing. "Noble Royalties performs all needed due diligence on the properties, so the seller knows exactly what to expect and the transaction can be completed quickly and with confidence for both parties," Sisson says.

The increase in commodity prices since October has meant monthly cash flow on the properties has exceeded expectations. For the buyer, the deal provided an accretive acquisition of stable long-lived properties with upside potential.

"Future growth will occur at no cost to the buyer, thereby maximizing future distributable cash flow, while helping dampen the overall portfolio decline curve and helping replace reserves with no maintenance fee as Noble Royalties' acquisition parameters are stringent," Sisson says.

Typically, the company's acquisitions are comprised of hundreds or thousands of producing properties, diversifying risk and reducing the effect of depletion that can adversely affect the performance of smaller properties with low well counts. In addition to acquiring royalty interests in producing wells, Noble Royalties acquires royalties on surrounding undeveloped acres, allowing investors to benefit from the capex of working-interest owners and operators, who drill new wells, develop additional reserves and increase production.

"We focus on acquiring properties that can deliver long-term performance to a broad range of investors. The potential for strong yield, coupled with diversification, allows this asset class to make sense for institutions, such as pension funds, hedge funds, endowments and real estate investors, high-net-worth individuals seeking income or energy assets in their portfolio, as well as MLPs," Sisson says.

"The result is long-term double-digit yields with stable or appreciating property value."

THE DEAL Noble Royalties Inc. sold properties valued at $52 million to a master limited partnership (MLP). The properties had previously been acquired and aggregated by Noble Royalties.

USE OF PROCEEDS The buyer, who wishes to remain anonymous, makes an accretive acquisition of long-lived reserves with future upside potential, adding dividend stability by replacing reserves with no maintenance fee.

THE PLAYERS Noble Royalties Inc. (the seller of aggregated properties); the MLP (the buyer); and a Noble subsidiary, Compass Royalty Management, contracted to manage the back-office administration on behalf of the buyer.

Private royalty owners are taking advantage of the current pricing environment, Sisson says, "and we have met that demand with a flexible, aggressive and transparent acquisition model capable of closing on packages that vary in size."

Noble Royalties has now made more than 190 acquisitions, totaling approximately $805 million. The purchases represent more than 127,000 royalty interests in producing wells in 30 states, the Gulf of Mexico and Pacific offshore.

"We are an asset-acquisition company structured to source, evaluate, package and manage royalty properties of all sizes," Sisson says.

The company creates value through extensive fundamental research and proven access to high-quality deal flow, he adds. "Our goal is to consistently deliver attractive risk-adjusted investment performance." Also of note: About 80% of the deals sourced by the company were never publicly advertised.

Headquartered in Dallas, Noble has a decentralized A&D office in Houston. It has a staff of 60 energy and financial professionals and a 25-person A&D team. "We exploit our expertise—the evaluation and acquisition of minerals and royalties. That is our core competency," Sisson says. ■

  

DAY ONE | JUNE 9

Energy Capital—The Workshop: Starting and Building an E&P Company

This half-day, pre-conference instructional program is designed as a tutorial on how to prepare to successfully secure funding for an E&P start-up, and at reasonable terms based on a specific business model.

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- Building the Right Team
- Who Are You And What's Your Business Model?
- You've Won The Financing; Now Hire An Accountant

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DAY TWO | JUNE 10

Oil and Gas Investor's *Energy Capital Forum*

Now in its 12th year, *Oil and Gas Investor's* Energy Capital Forum, formally the COSCO Private Capital for Energy Forum, is the must-attend instructional and networking forum for E&P, service and supply and other energy executives seeking in-depth discussion of funding trends and forecasts for future capital access.

This forum is for those seeking initial start-up capitalization, as well as for those whose businesses are well under way and are seeking to take the next step in the capital ladder.

Topics Include:

- Money For Nothing: Private Capital For The Start-Up
- Asset-Based Capital: Commercial and Mezz Money
- Public Blank-Check/SPAC, Institutional, Hedge Fund and Other Money
- Public Capital: Exit Or IPO?

DAY THREE | JUNE 11

Oil and Gas Investor's *Energy Capital Investment Symposium*

Investments in the energy industry remain boundless, and 2008 public-equity and debt-market resettling have resulted in even greater buying opportunities in the sector. On this day, E&P, oilfield-service, midstream, downstream, and alternative-energy executives will present their companies' market opportunities and strategies.

INVITATION TO PRESENT YOUR COMPANY TO POTENTIAL INVESTORS

Come face-to-face with the investment community on Day Three. We invite you to give a 20-minute presentation. *For more details on presenting your company to potential investors, contact* Attrice Hunt *at* ahunt@hartenergy.com.

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Richardson Barr & Co. had a dual challenge when selling East Texas reserves for its client, EnerVest Ltd., which operates some 11,000 oil and gas wells in 11 states.

Richardson Barr, through its market intelligence, including previous relations with Fidelity Exploration & Production, knew that company wanted to make an entry into East Texas to complement its production in the Rockies and in South Texas. Through the presentation of data, it had to demonstrate to Fidelity that the EnerVest properties were the right match for such a plunge.

Plus, it had to provide Fidelity with assurances and evidence that it could deploy 20-acre spacing for drilling on the reserves, rather than the usual 40-acre spacing by operators in the Cotton Valley, says Don Cordier, managing director of Houston-based Richardson Barr.

THE DEAL EnerVest Ltd. sold its Shiloh Field assets in East Texas for $235 million in a cash transaction.

THE PLAYERS Richardson Barr & Co., as exclusive advisor to EnerVest (the seller), and Fidelity Exploration & Production Co. (the buyer), a subsidiary of MDU Resources Group Inc.

Despite those challenges, Richardson Barr, acting as the exclusive advisor to EnerVest and its partners at Everstar Energy, brought Fidelity and EnerVest together, closing a transaction in January, about 18 weeks after launching the project, Cordier says. The task was made easier by the sophistication of both the buyer and seller and the fact that Fidelity had previously been a buyer of reserves sold by Richardson Barr.

The assets, according to Fidelity, include 97 billion cubic feet equivalent of proven reserves and 36 billion equivalent of estimated probable reserves.

EnerVest sold its Shiloh Field in Rusk County, Texas, for $235 million in a cash transaction. The assets, according to Fidelity, include 97 billion cubic feet equivalent of proven reserves and 36 billion equivalent of estimated probable reserves. Current net production is approximately 17.5 million cubic feet a day.

The purchase price equates to $2.42 per thousand cubic feet of proven gas reserves. The acquisition includes about 8,700 net acres. Production was primarily from the Cotton Valley, with additional upside in Travis Peak and Pettit.

A business of MDU Resources Group Inc., Fidelity will be the operator of the newly acquired assets and expects to drill approximately 25 wells in 2008 to develop the properties further. MDU president and chief executive Terry Hildestad says, "There is long-term development potential from these high-quality, proven reserves and upside potential from the unproven reserves."

Don Cordier, managing director, Richardson Barr & Co.

For Houston-based EnerVest, the divestment is part of its ongoing strategy of acquiring underperforming assets that have strong upside, and dramatically increasing production volumes and proven reserves, and then selling the properties at a significant profit, and moving onto another project to start the process all over again, Cordier says.

EnerVest had purchased the properties in mid-2005 when they were producing less than 1 million cubic feet equivalent per day. At that time, there was no production from the Cotton Valley.

An oil and gas property buyer can do two things when it acquires underperforming properties, Cordier says. It can provide the properties with capital to fund improvements. And, it can use advanced technologies. In the case of Shiloh Field, EnerVest did both, Cordier says.

Since EnerVest was organized in October 1992, it has generated annual rates of return in excess of 32%, despite the peaks and valleys of commodity prices. John Walker is EnerVest's president and chief executive officer, and Jon Rex Jones is chairman.

The sale of the properties to Fidelity was the fourth deal Houston-based Richardson Barr had done for EnerVest, the third in which EnerVest was a seller.

Richardson Barr is selective in choosing the number and caliber of transactions to steward, simply because it considers all clients worthy of top management's personal attention. Richardson Barr is a boutique business in that it has one focus—advise on oil and gas acquisitions and divestments. Every deal gets the personal attention of the firm's founders, Scott Richardson and Stephen Barr, who launched the practice in 2003.

Through February 2008, the company had completed 50 deals with a total value in excess of $5 billion. And, the firm is coming off its best year, 2007, in which it closed on deals totaling about $2.5 billion—or roughly half of the value of deals it has closed since founded.

Cordier says the firm expects 2008 will be at least as good, noting that it closed on three deals, totaling more than $500 million, in the first two months of the year and has three deals pending. ■

In July 2007, Taylor Energy Co. chairman and chief executive Phyllis Taylor made the difficult decision to sell the offshore assets of the company founded by her late husband Patrick F. Taylor in 1979. The New Orleans-based E&P grew to become one of the largest privately owned oil and gas producers in the Gulf of Mexico before his death in 2004.

On January 31, 2008, in what Phyllis Taylor called a "bittersweet" transaction, it was announced that Taylor Energy's oil and gas assets were being sold to a joint venture involving U.S. subsidiaries of Korea National Oil Corp. (KNOC) and Samsung Corp., both South Korean companies. Taylor Energy produces approximately 14,000 net barrels of oil equivalent per day. Financial terms were not disclosed.

While the decision to sell the company was difficult, Phyllis Taylor realized a partner or a financial backer was needed to expand. "When you decide to grow a company, it's always a question of equity," she says. "To make acquisitions, you're dealing with substantial dollars. I chose another route. I felt I could sell from a position of strength. The market was strong."

She hoped to hire an advisor that could help achieve her objectives. On August 10, 2007, Taylor retained Scotia Waterous to advise and assist in this divestiture.

THE DEAL Taylor Energy Co., New Orleans, one of the largest privately owned Gulf of Mexico oil and gas producers, sold its energy assets.

USE OF PROCEEDS Korean joint venture becomes operator of U.S. oil-producing assets for the first time and plans to use the acquisition as a platform for future growth and acquisitions. The acquiring company retains the employees of Taylor Energy and keeps an office in New Orleans.

THE PLAYERS Taylor Energy (the seller) and a joint venture of Korean National Oil Corp. and Samsung Corp. (the buyers). Scotia Waterous was Taylor Energy's advisor in the divestiture.

The late Patrick F. Taylor, founder of Taylor Energy Co.

While important to maximize value, she hoped the process would allow Taylor Energy employees to continue building on Patrick Taylor's vision and legacy and that buyers would be interested in maintaining a presence in the city of New Orleans. And, given that the Gulf of Mexico is an international energy basin, it was critical to retain an advisor with a global platform to allow for the possibility of a foreign buyer.

With seven offices around the world, including two in Asia,

Phyllis Taylor, the Taylor Energy Co. management team and representatives of Scotia Waterous

Scotia Waterous had long-standing relationships with key decision-makers at many international companies, and had recently completed Gulf of Mexico transactions involving three Asian buyers.

Phyllis Taylor says, "We wanted a firm that had a proven track record, expertise in oil and gas, existing relationships with potential buyers and a commitment to whatever time and effort was required to see the project to the end.

"In Scotia Waterous we found all these things and more. In the ensuing months, the Scotia Waterous team has built a rapport with those of us at Taylor Energy and assisted us with matters that went well beyond the normal scope of such transactions. They were always 'on call,' literally day and night."

Scotia Waterous managing director Shaun Finnie says, "The real task was to capture the going-concern value of Taylor Energy. However, most buyers prefer asset acquisitions as opposed to corporate acquisitions. A key attraction for many buyers in the Taylor process was the fact that, although structured as an asset deal, the buyer would have the potential opportunity to retain the management, the staff and the New Orleans office."

Scotia Waterous had a long history with KNOC and Samsung, including in the sale of Santos' U.S. subsidiary. Both companies were partners with Santos in Gulf state waters. On the Taylor offering, the dialogue between Scotia Waterous and KNOC and Samsung began almost immediately.

The Korean venture viewed the Taylor acquisition as a platform to grow its presence in North America. They plan to retain Taylor Energy employees and maintain a New Orleans headquarters. This represents a big win for New Orleans, a city still trying to recover from Hurricane Katrina.

"This is the largest investment ever made by Koreans in the U.S.," says H.E. Lee Tai-sik, Korean ambassador to the U.S.

"On behalf of Korean National Oil Corp. and Samsung, I would like to express our genuine excitement about this acquisition. This is the first step for our North American growth strategy," Joonbeom Lee, president of KNOC USA, said at the time of the acquisition announcement. The transaction was anticipated to close during March 2008. ■

Recent Gulf of Mexico Experience.

Company	Transaction	Size	Role	Date
Virgin Oil Company, Inc.	Advising on divestiture of Gulf of Mexico shelf assets		Financial Advisor	Current
Alamo Resources, LLC	Advising on divestiture of Gulf of Mexico shelf assets		Financial Advisor	Current
ConocoPhillips	Advising on divestiture of Gulf of Mexico shelf asset		Financial Advisor	Current
Sumitomo Corporation	Advising on divestiture of Gulf of Mexico shelf assets		Financial Advisor	Current
ConocoPhillips	Advising on divestiture of deepwater Gulf of Mexico asset		Financial Advisor	Current
Taylor	Advising on divestiture of Gulf of Mexico shelf assets	13,6000 boe/d	Financial Advisor	Pending
Bois d'Arc Energy	Advised the Board of Directors of Bois d'Arc on strategic alternatives	115 MMcfe/d	Financial Advisor	November 2007
Santos	Advised on divestiture of Gulf of Mexico, South Texas and Rockies assets	US$70,000,000	Financial Advisor	August 2007
Anadarko Petroleum Corporation	Advised on divestiture of deepwater Gulf of Mexico development project		Financial Advisor	July 2007
Range Resources	Advised on divestiture of Gulf of Mexico shelf assets	US$155,000,000	Financial Advisor	April 2007
Anadarko Petroleum Corporation	Advised on divestiture of deepwater Gulf of Mexico asset	US$1,200,000,000	Financial Advisor	March 2007
Total E&P USA, Inc.	Advised on swapping South Texas assets for Gulf of Mexico deepwater assets with Shell Exploration & Production	107 MMcfe/d	Financial Advisor	2006

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Private-equity investment firm Warburg Pincus and a management team led by acquisition specialist Lisa Stewart, the former vice president of business development for Apache Corp. and later president of El Paso E&P, teamed to form Sheridan Production Partners, an exploration and production company, with a $1.3-billion fund to invest in mature oil and gas assets in diverse basins across the U.S.

Since that formation in August 2007, Houston-based Sheridan has made two significant acquisitions from private companies totaling approximately $950 million, which were funded 50-50 with equity contributions from institutional limited partners and bank debt. The company has invested nearly 40% of its initial funding in only six months of operations.

"We now operate some 800 wells in three states—Texas, Oklahoma and New Mexico—and have hired more than 100 employees, about equally split between Houston and the field, with operating offices in Midland and Oklahoma City," says Stewart, chief executive officer.

Sheridan's net daily production is some 7,200 barrels of oil equivalent per day and Stewart expects that figure to increase as it implements its operating plans for the properties.

"We continue to be in the acquisition market with a remaining war chest of $1.3 billion (debt plus equity). We hope that sellers will view us as an acquirer of choice, due to our ability to move quickly and pay a fair price without any financing contingencies."

THE DEAL Pensions, foundations and private investors provided $1.3 billion in private-equity funding, allowing Sheridan Production Partners to acquire mature oil and gas assets.

USE OF PROCEEDS Since August 2007, Sheridan has closed two acquisitions from private companies totaling $950 million and is producing approximately 7,200 barrels of oil equivalent per day.

THE PLAYERS Lisa Stewart, Jim Bass, Eric Harry and Tim Blaine, along with private-equity firm Warburg Pincus.

Sheridan's largest acquisition, a $780-million deal for long-lived oil properties in West Texas and southern Oklahoma, was closed 28 days after signing the purchase and sale agreement, while the company's initial transaction was acquired preemptively by combining two sales packages into a single transaction.

Sheridan's business plan is to acquire a portfolio of mature producing properties and optimize operations through accelerated production, recovery enhancement and additional development drilling. "We continue to focus on mature assets and believe the quality operating team we've built can generate significant upside from acquired properties for the long-term benefit of our investors.

Lisa Stewart, Sheridan Production Partners chief executive officer

"Our approach differs from a traditional E&P in that Sheridan investors measure success solely upon rate of return. We don't have stated production- or reserve-growth targets that must be met within a specified timeframe, which sets us apart from public E&P companies. In addition, we won't drill high-risk exploration wells. Instead, we hope to work with industry partners willing to invest their capital to develop exploratory ideas while Sheridan retains some upside exposure," Stewart says.

Most of the basins in the U.S. are on decline, so Sheridan has been structured to own those types of mature assets that otherwise are a drag on public E&P companies' ability to grow their production and reserves.

"At Sheridan, we've matched up mature assets that generate significant but declining cash flow with institutional investors who have a long-term view and focus on real cash-on-cash rates of returns. Our capital structure is ideally suited for these assets.

"Mature properties are predictable from a reserve-estimation perspective, generate significant cash flow and offer both capital-reinvestment opportunities and potential efficiencies to enhance rate of return as you work the assets."

The company's leverage comes from a reserve-based borrowing facility originally backed with aggregate commitments of $500 million from a handful of large commercial banks. Having nearly exhausted those initial commitments in November, only three months after closing, Sheridan recently completed a successful syndication effort to bring in additional commitments and double the facility's size.

Sheridan also hedges a significant portion of future oil and gas production on a secured basis among its bank group to protect investor returns. "Assuming success in this first round, our vision is to form additional investment funds and continue to execute our strategy with increased institutional capital. The exit strategy is really just producing out the assets and returning cash to the investors," Stewart says.

Sheridan's management team, and many of its key technical and operations personnel, has successfully worked together in the past. In addition to Stewart, both Jim Bass, executive vice president and chief operating officer, and Eric Harry, executive vice president of acquisitions and general counsel, worked together at Apache and El Paso.

Tim Blaine, executive vice president and chief financial officer, worked with the team during his years as audit partner at Apache before joining Kerr-McGee Corp. in 2002.

"The four of us have incredibly complementary skillsets," Stewart says. "We know how to work together and have implemented successful acquisition and exploitation strategies as a team for many years. We view this as an advantage that has helped Sheridan get up to speed quickly." ■

With a large footprint in the energy industry, the son and daughter of legendary investor W.R. (Witt) Stephens Sr., founder of the Stephens family businesses, are determined to follow in the steps of their late father.

Following a reorganization of the family businesses in May 2006, Witt Jr. and his sister, Elizabeth Stephens Campbell, are co-chairs of The Stephens Group LLC, formed to pursue private-equity investments and focus on principal investing. They have increasingly been investing in energy-service and energy-infrastructure companies.

"We look forward to carrying on the investment legacy our father began," says Witt Jr., Stephens Group chief executive officer.

The Stephens Group, which seeks both minority and majority control positions across multiple industries, has invested about $400 million, with about $300 million of that in energy deals, since the businesses were reorganized.

"This started faster than we thought, but we found attractive opportunities to partner with strong management teams," says Witt Stephens Jr. The Stephens Group is well acquainted with the energy sector through the Stephens family's long ties to the oil and gas business.

Notable are the investments in J.V. Industrial Cos. and Spitzer Industries Inc., which have announced plans to merge. The merger positions the new entity to expand and improve its fabrication and specialty welding businesses, particularly for petrochemical, refining, subsea, deepwater, and non-truckable and modular applications. The merged entity is expected to have annual sales in excess of $1 billion. Combined, the merged company can provide customers with design, fabrication and installation services.

The merger is expected to be completed by the end of June. The Stephens Group will own about 40% and JV and Spitzer management teams will share the balance. Rick Turner, senior managing director for The Stephens Group, moved from Little Rock, Arkansas, where The Stephens Group is headquartered, to Houston to help coordinate the merger.

The Stephens Group owns a significant minority stake in JV Industrial, a La Porte, Texas-based industrial-services company. JV is one of the largest domestic turnaround contractors for the refining and petrochemical industries. It provides specialty welding, pipe installation, scaffolding, and engineering analysis and design services primarily to these industries.

The company's offerings include pressure vessel repair; turnkey services for heat exchangers and towers; scaffold design and implementation, as well as inventory rental; and engineering, construction, procurement and technical support.

JV Industrial was founded in 1998 by the current management team, led by Joe Vardell and John Durham. Revenues have grown from $4 million the first year to $90 million in 2003, and then skyrocketing to more than $825 million. The company now looks for even further growth through the synergies and merger with Spitzer.

Vardell credits JV's association with Witt Stephens Jr. and his team for providing the capital, which has allowed the company to aggressively expand. "Going from $90 million to $827 million in four years, that's phenomenal, and an unheard-of compound annual growth rate of over 80%," Turner says. He manages the day-to-day activities of The Stephens Group's private-equity practice and has been with the Stephens' family since 1983.

A multi-slot subsea oil and gas manifold with electric and hydraulic controls and automated valves for a field tie-back in the Gulf of Mexico. Subsea manifolds gather flow from multiple wells in working pressures up to 15,000 psi in water depths to 10,000 feet.

The Stephens Group provided recapitalization financing and acquired a majority stake in Spitzer, a Houston-based custom fabricator of oil and gas production equipment. Spitzer is a leading custom fabricator of specialized equipment and systems, pressure vessels and other custom weldments for gas transmission and processing, onshore/offshore oil and gas production, and subsea oil and gas tie-back.

"When we began exploring partnership opportunities, we were very selective in the groups with whom we talked," says Cullen Spitzer, chief executive officer who founded the company in 1996. "We were looking to partner with someone who would not only provide strong financial support and expertise, but, most importantly, would fit culturally with our company.

"Furthermore, the decision to bring in a partner was influenced by our desire to ensure that our employees would continue to have security and opportunities throughout our contemplated growth. In The Stephens Group, we found a partner that met all of our criteria. We had taken the company from start-up to over $50 million in revenue and now believe we are poised to take our next step as a company with The Stephens Group at our side."

Prior to its association with the Stephens businesses, Spitzer had not made an acquisition "and really didn't know how to go about doing one," Spitzer says. Association with The Stephens Group gave the company instant credibility and stature in acquisition discussions, and its involvement enabled Spitzer to concentrate on

Cullen Spitzer, chief executive officer, Spitzer Industries Inc.

Rick Turner, senior managing director, The Stephens Group LLC

Most notable is the investments in JV Industrial Cos. and Spitzer Industries Inc., which have announced plans to merge. The merger is to position the new entity to expand and improve its fabrication and specialty welding businesses, particularly for petrochemical, refining, subsea, deepwater, and non-truckable and modular applications. The merged entity is expected to have annual sales in excess of $1 billion. Combined, the merged company will provide design, fabrication and installation services.

running its business, rather than being bogged down in acquisition or financing discussions.

As a result, Spitzer was able to acquire Curtis Kelly Inc., a Houston-based company specializing in design and fabrication of process equipment from high alloys and stainless steel. Concurrent with the Curtis Kelly acquisition, The Stephens Group and the management teams of both Spitzer and JV Industrial acquired the former Brown & Root Deck Building on the Houston Ship Channel where a portion of Curtis Kelly's operations are located.

The acquired waterfront facility is on Greens Bayou and has four bays, each 100 feet wide by 400 feet long. One-hundred-ton-capacity cranes are in each bay with 95 feet under hook, Spitzer says. Outside-contract service companies can be used to lift equipment in excess of 1 million pounds. The facility includes two barge slips and deepwater access for loading. The waterfront facility is an asset that both JV and Spitzer say provides growth opportunities and synergies.

Spitzer, noting that it has been forced to subcontract or no-bid approximately $100 million worth of customer inquires in the past 18 months, it believes capacity expansion will provide significant growth for the company.

Spitzer has another acquisition pending as it plans to acquire Brookshire, Texas-based Orizon Industries Inc., a leader in fabricated structural and miscellaneous steel for the power, petrochemical, refining, mining, drilling, gas compression, and production equipment industries. Orizon has more than 250,000 square feet of fabrication space, giving Spitzer a total of 540,000 square feet of fabrication space.

Turner says of Spitzer, "The company's strong reputation for fabricated product, outstanding management team and impressive momentum position it extremely well for continued rapid growth. Under Cullen Spitzer's leadership, the company has established itself as one of the premier fabricators within the industry."

Spitzer expects to have annual sales of more than $200 million in 2008, Turner says.

The combination of the four organizations—JV Industries, Spitzer Industries, Curtis Kelly and Orizon—creates a company that can collectively provide turnkey services offering design, fabrication and installation services. Turner says the merged companies complement each other, fitting well without any overlap. Each will retain its name, as they are well known in their markets, although a name may be given to a holding company, Turner says.

Other recent energy-related investments The Stephens Group has made since May 2006, include investing approximately $50 million in a private-equity deal with Seminole Energy Services LLC, a Tulsa-based gas-marketing, -gathering and -processing firm that operates in 13 states in the Midcontinent. Seminole is using proceeds for organic growth and selective, strategic acquisitions.

Seminole bought gas from the Stephens family previously and had known the Stephens people through Stephens Production Co. for about 20 years, says Bob Rosene Jr., Seminole chief executive. "This was the first time I've taken outside money. I've always used personal equity or traditional bank financing. It was a significant step for us," Rosene says.

A partnership with The Stephens Group was attractive because of its perspective on investing and its disdain of management fees and other forms of "front-end profiteering," Rosene says. Other private-equity firms often have

Refinery FCCU reactor vessel with new cyclones installed. Heavy-lift (200-plus tons) and cyclone change out by JV Industries Cos.

time horizons of three to five years, but The Stephens Group did not push for such timeframes, he says.


Installation of new nozzle (alloy material) on an existing refinery vessel by JV Industries Cos.

Other deals in which The Stephens Group has been involved includes the acquisition of a majority stake in Multi-Shot LLC, an independent directional-drilling firm based in Conroe, Texas. It provided subordinated debt financing to the company, which has grown through Texas, Louisiana and into the Rockies and Montana, while successfully establishing itself as a premier directional-drilling company.

It is also involved in The Sterling Group Ltd., Houston, in which it acquired a majority stake in Houston-based BTec Turbines Ltd. BTec specializes in refurbishing, repairing and packaging large gas-turbine and turnkey power-plant design, construction, commissioning and support.

THE BUSINESS

The family business can be traced to 1933 when Witt Stephens Sr. initiated it primarily in municipal bonds trading. It later grew into a family-owned merchant bank and Witt Sr.'s brother, Jackson (Jack), joined the company and eventually became its CEO. Along the way, Witt Sr., who died in 1991, and Jack, who died in 2005, invested in numerous businesses together across a variety of industries, including consumer, telecommunications, financial services, power, and oil and gas.

A year after Jack died, Witt Jr. and Elizabeth sold their interest in Stephens Inc., the investment bank, and established The Stephens Group LLC. Witt and Elizabeth continue to share ownership in the family's historical investments and Witt continues to manage the combined families' energy assets, including Stephens Production Co., one of the largest privately owned, independent natural gas E&P companies in the U.S.

Headquartered in Fort Smith, Arkansas, Stephens Production is active in Arkansas, Oklahoma, Texas, Louisiana, Mississippi, Colorado, Wyoming and the Gulf of Mexico.

The intertwined Stephens family investment portfolio remains intact through the company in which the families remain 50-50 partners. The holding company owns interests in companies such as Conn's Appliances, Stephens Media Group (*Las Vegas Review Journal* and other newspapers) and Viking Range Corp. The family also owned a large stake in Alltel, a wireless telephone company recently purchased by Goldman Sachs and Texas Pacific Group in a transaction that converted Alltel from a publicly held to privately owned company.

Other recent and notable transactions the Stephens family has been involved with the energy space include Energy Transfer Partners, a public master limited partnership (MLP) that trades on the NYSE as ETP, and its general partner Energy Transfer Equity (NYSE: ETE), and North American Energy Partners (NYSE: NOA), a heavy construction, mining, piling and pipeline-service company in the oil sands of Western Canada. The Stephens family maintains its ownership stake in these companies and Turner serves on their boards.

The reorganization of the Stephens family businesses grew out from a desire by Witt Jr. and Elizabeth to focus on investing their own capital via private-equity transactions. Witt Jr. says the reorganization was a natural evolution of the family business.

Witt Jr., 39, and Elizabeth are not novices to the business. He held numerous positions within the family organization and, since 2000, oversaw the combined Stephens family's energy and natural resources investment activities, including Stephens Production Co., which is managed day-to-day by Bill Walker, a director of The Stephens Group, and third generation of his family to run the company. Elizabeth has spent more than 25 years with the combined Stephens family businesses.

In addition to Witt Jr., Elizabeth and Turner, the Stephens Group managers include Jon Jacoby, vice chairman and senior managing director; Bob Schulte, CFO; Ron Clark, general counsel; managing directors, Kent Sorrells and Jim Jacoby Jr.; and principal, Hunter Carpenter. "This team has a combined 150-plus years of private-equity experience and a long history of creating substantial wealth," Witt Jr. says.

PRINCIPAL MONEY

The Stephens Group puts its money where its mouth is. "We invest our own money, not that of others, enabling us to be long-term builders of value," says Turner. That allows The Stephens Group to think in terms of future value, rather than present value, as it is more interested in earning high returns on capital over long periods of time, than in generating realized internal rate of return over specific investment periods.

"We can present unique investment proposals and structures tailored to a company's specific goals and situations," Turner says. "We invest in management and its strategy, not just a company. With no mandated long-term investment horizon, we are able to take the long-term perspective."

He adds, "We are investors, not operators, who will go deep to learn management's strategy and then leverage our resources to help drive value in concert with management."

"We emphasize partnerships over portfolio companies. We do not charge transaction fees, management fees or director's fees when we are the sole equity partner. We believe our approach puts us on the same side of the table as our partner. Companies and their management teams appreciate our partnership philosophy," Turner says. ■

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1954

www.redcedargathering.com

Equity Investment in Red Cedar, a natural gas gathering company

September 1994

www.energytransfer.com

Equity Investment in LaGrange Energy (later became Energy Transfer Equity, NYSE:ETE), general partner of Energy Transfer Partners (NYSE:ETP)

October 2002

www.naepi.ca

Equity Investment in North American Construction Group, which later became North American Energy Partners (NYSE:NOA)

November 2003

www.jvpiping.com

Equity Investment in JV Industrial Companies, a specialty contractor company serving the industrial plant community

January 2005

www.seminoleenergy.com

Convertible Preferred Investment in Seminole Energy Services, a gas marketing and gathering company

August 2006

www.btecturbines.com

In partnership with The Sterling Group, an equity investment in BTEC Turbines LP, a power generation services company

September 2006

www.spitzerind.com

Equity Investment in Spitzer Industries Inc., a custom fabricator for the oil and gas industry

January 2007

Equity and Subordinated Debt Investment in Multi-Shot, LLC, a directional drilling services company

April 2007

From drill bit to burner tip, we are looking for good partners.

The Stephens Group is a private, family-owned firm that invests its capital in companies with exceptional management teams to build long-term value. Our principals have particular expertise in the energy sector, with decades of successful investments.

If you're looking for a good partner to grow your business, we invite you to explore the qualities that set The Stephens Group apart.

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Will-Drill Resources, Inc., et al.
has sold its assets in
Woodardville Field Area
Bienville Parish, Louisiana
to
QUESTAR
The undersigned provided divestment and technical services to Will-Drill Resources, Inc., et al. in connection with this sale.
The Oil & Gas Asset CLEARINGHOUSE

Cimarron Production Company, Inc.
has sold its assets in
Ellis County, Oklahoma
to
Encore Acquisition Company
The undersigned provided technical and marketing services to Cimarron in connection with this sale.
The Oil & Gas Asset CLEARINGHOUSE

Samson Resources Company
has sold its assets in
Jennings Townsite Field
Jefferson Davis Parish, Louisiana
to
Texas Petroleum Investment Company
The undersigned provided divestment and technical services to Samson Resources Company in connection with this sale.
The Oil & Gas Asset CLEARINGHOUSE

LMP Petroleum, Inc., et al.
has sold its assets in
Mission Valley West Field
DeWitt & Victoria Counties, Texas
to
Hurd Enterprises, Ltd.
The undersigned provided divestment and technical services to LMP Petroleum, Inc., et al. in connection with this sale.
The Oil & Gas Asset CLEARINGHOUSE

Dominion Exploration & Production, Inc.
has sold its assets in
NE Thompsonville Field
Jim Hogg County, Texas
to
An Undisclosed Buyer
The undersigned provided divestment and technical services to Dominion Exploration & Production, Inc. in connection with this sale.
The Oil & Gas Asset CLEARINGHOUSE

$3.1 Billion in Negotiated Transactions since 1999

Swift Energy Operating, LLC
has sold its assets in
Garcia Ranch
Willacy & Kenedy Counties, Texas
to
Dominion Exploration & Production, Inc.
The undersigned provided divestment and technical services to Swift Energy Operating, LLC in connection with this sale.
The Oil & Gas Asset CLEARINGHOUSE

Denali Oil & Gas, et al.
has sold its assets in
South Bearhead Creek
Beauregard Parish, Louisiana
to
Swift Energy Company
The undersigned provided divestment and technical services to Denali Oil & Gas, et al in connection with this sale.
The Oil & Gas Asset CLEARINGHOUSE

EnerQuest Oil & Gas, LLC
has sold its assets in
N. Shongaloo – Red Rock Field
Webster Parish, Louisiana
to
XTO Energy
The undersigned provided divestment and technical services to EnerQuest Oil & Gas, LLC in connection with this sale.
The Oil & Gas Asset CLEARINGHOUSE

EnerQuest Oil & Gas, LLC
has sold its assets in
Kerlin Pettet "A" Unit Waterflood
Columbia County, Arkansas
to
RiverStone Energy
The undersigned provided divestment and technical services to EnerQuest Oil & Gas, LLC in connection with this sale.
The Oil & Gas Asset CLEARINGHOUSE

GREENSTAR ENERGY PRODUCTION
has sold its assets in
Ochiltree & Hansford Counties, Texas
to
Texas American Resources
The undersigned provided divestment and technical services to Greenstar Energy Production, LLC in connection with this sale.
The Oil & Gas Asset CLEARINGHOUSE

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