



ENERGY

FIRST QUARTER

2017

This Industry Practice Group was established to draw on the experience of CFA dealmakers, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Energy M&A

M&A activity for North American based target companies in the Energy sector for Q4 2016 included 118 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$271 million.

One of the largest deals in the quarter took place in November when RSP Permian, Inc. acquired Silver Hill Energy Partners LLC, a portfolio company of the private equity arm of Kayne Anderson Capital Advisors LP, for US\$1.2 billion in cash and stock. RSP Permian is an oil and natural gas company, which focuses on the acquisition, exploration, development, and production of

unconventional oil and associated liquids-rich natural gas reserves in the Permian Basin of West Texas. Silver Hill Energy Partners LLC acquires and develops oil and gas properties. It focuses on both lease and drill opportunities and strategic acquisitions in existing and emerging plays.

In the public markets, energy stocks had a strong quarter with the election of an oil and gas friendly administration. Exxon Mobil Corporation (NYSE:XOM) gained \$6 per share during the quarter.

Transactional Overview

Notable closed transactions for the period in the Energy sector include:

December 2016 - NGL Energy Partners LP acquired the assets related to port Hudson, Louisiana Terminal and Kingfisher, Oklahoma facility from Murphy Energy Corp, for US\$51 million. The transaction strengthens NGL Energy Partners LP's portfolio of existing liquids and crude oil segments and long term fee based contracts. NGL Energy Partners LP owns and operates a vertically integrated energy business. It operates through the following segments: Crude Oil Logistics, Water Solutions, Liquids, Retail Propane, and Refined Products and Renewables.



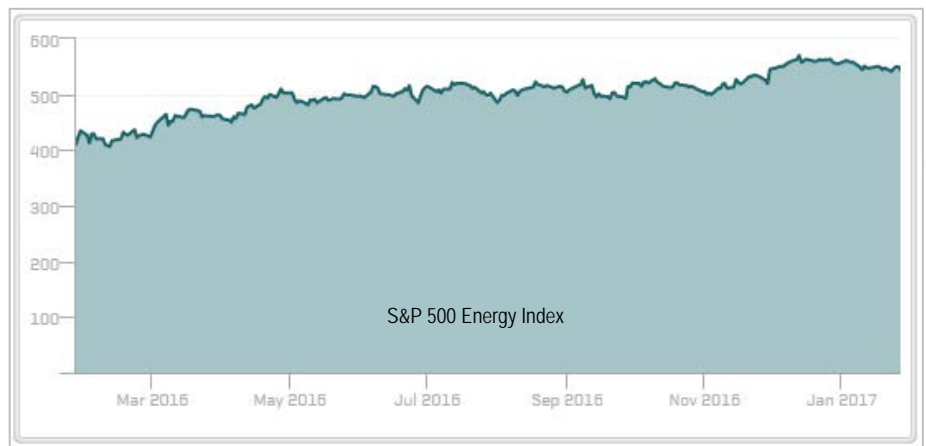
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October 2016 – Consolidated Edison, Inc. acquired the remaining 50% stake in Panoche Holdings LLC for US\$37 million in cash. Consolidated Edison is a holding company, which through its subsidiaries engages in the business of regulated electric, gas and steam delivery. Panoche Holdings and operates solar projects. It is currently developing a 240MW solar project in California.

October 2016 – Sanchez Production Partners LP acquired 50% minority stake in Carnero Processing LLC from SN Midstream LLC, a subsidiary of Sanchez Energy Corp, for US\$55.5 million in cash. Under the terms of the acquisition, Sanchez Production Partners LP would also assume US\$24.5 million of Carnero Processing LLC's capital contribution commitments. Sanchez Production Partners LP engages in the acquisition, development and production of oil and natural gas properties, as well as related midstream assets. Carnero Processing LLC provides cryogenic gas processing services. The company is headquartered in Houston, TX.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Appalachian Production Services, Inc.	Turning Basin Capital Partners LLC
Kemper Valve & Fittings Corp.	Caterpillar Oil & Gas
Precision Drilling Corp. /Canadian Coil Tubing Operations/	Essential Energy Services Ltd.
Horizon Well Testing LLC	Alpine 4 Technologies Ltd.
Titan CNG LLC	Minn Shares, Inc.
Isolation Technologies LLC	TEAM Oil Tools LP
Raging Bull Oilfield Services LLC	Trilantic Capital Management LP; Fluid Delivery Solutions LLC
Blackhawk Specialty Tools LLC	Frank's International NV

Industry Update

With oil prices making a slow recovery, US oil production activity is becoming increasingly concentrated in the Permian Basin. Spanning parts of western Texas and southeastern New Mexico, the Permian Basin's highly productive fields and substantial transportation infrastructure make it one of the few places for profitable oil production when prices are relatively low. (US oil prices, which were over \$100 per barrel as recently as August 2014, dropped below \$30 per barrel in early 2016 and averaged \$45 per barrel in the first week of November 2016.) The Permian now holds nearly as many active oil rigs as the rest of the US combined.

Industry Indicators

- Total US revenue for electric power generation, transmission and distribution rose 2.10% in the third quarter of 2016 compared to the previous year.
- The average US retail price for diesel and regular gas, which influences profitability for oil and gas companies, rose 24% and 25.3%, respectively in the week ending January 23, 2017, compared to the same week in 2016.
- The spot price of crude oil, which affects profitability for oil and natural gas operations, rose 50.3% in the week ending January 13, 2017, compared to the same week in 2016.

Collectively, the Energy Practice Group provides M&A advice to independent and integrated energy companies in all sectors of the energy industry, including power generation, oil & gas, utilities, mining and natural resources, renewable energy and businesses that serve the energy industry, in all aspects of oil and gas land-based transactions, mergers, acquisitions, joint ventures and financial resources.

