

HD PRESS RELEASE: \$41 Billion in Oil & Gas Deals in First Quarter 2014

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London (PLS Inc.)--16Apr2014 17:27 This press release is published as it was received HOUSTON, TX -- (Marketwired) -- 04/16/14 -- Total value of global transactions healthy and unchanged at \$41 billion quarter-to-quarter Stable to rising commodity prices, strong private equity flows and portfolio focus driving deal activity US takes 36% share, Canada, Europe and Australia rebound, Africa slips Slower pace of Asia and China buying viewed as a pause US valuation benchmarks are \$100,000/boepd and \$5,300/Mcfepd Inventory of Deals in Play also stable at \$132 billion suggesting deal pace to continue at recent levels PLS Inc., a leading Houston-based research, transaction and advisory firm, in conjunction with its international partner Derrick Petroleum Services, reports that global upstream oil and gas M&A activity for Q1 2014 totaled \$40.7 billion spread across 192 transactions (including 133 with deal value disclosed).

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This brings aggregate deal value up 1% from the Q4 2013 total of \$40.4 billion, achieved through closing 226 deals, and up 65% year-over-year from the Q1 2013 total of \$23.5 billion across 260 deals. The vigorous year-over-year growth this Q1 is moving closer to the average quarterly deal value of \$43.4 billion recorded since 2007.

Table 1

Quarterly Global E&P Mergers & Acquisitions

Q1-2013 Q2-2013 Q3-2013 Q4-2013 Q1-2014 Deal Value (US\$MM)

\$23,531 \$29,300 \$44,806 \$40,390 \$40,733 Deal Count (Total)

260

296

286

226

192 Deal Count (w/Values)

141

172

187

165

133 Source: PLS Derrick M&A Database. Brian Lidsky, PLS Managing Director, stated, "In Q1, the global M&A markets for upstream oil and gas assets remained at a consistent and healthy level on trend with the second half of 2013, after a very slow start earlier in 2013. Another positive signal during Q1 was that the average deal size eclipsed \$300 million, up 25% over Q4 2013 and up 80% year-over-year. Contributing factors include stable to upward trending oil and gas prices, strong capital flows from the private equity sector and continued activity among US resource players in the A&D markets to focus corporate activity on stable, large and executable long-term drilling inventories. Critical to the success for these mega-projects is the emphasis on execution and cost control." Examples of these contributing factors in

the M&A markets are exemplified by some of the largest transactions of the quarter. The largest deal in Q1 is the proposed \$7.1 billion sale of Germany's RWE oil and gas subsidiary, RWE Dea, to an opportunistic newly formed Russian company, LetterOne Group headed by Russian billionaire Mikhail Fridman. This transaction allows RWE to de-lever the balance sheet and focus on core businesses while LetterOne strikes its first large deal to take advantage of an optimistic viewpoint on oil and gas pricing going forward, particularly in Europe. While the timing of the LetterOne deal is not optimal given deteriorating relations between Russia and the West over Ukraine's Crimea region, the fact that LetterOne is not a state company should lessen any opposition to finalizing the deal. Private equity coffers remain large and oil and gas presents a compelling investment in today's capital market environment. A case in point in Q1 is private-equity firm TPG Capital, with \$59 billion of capital under management, which backed Maverick American Natural Gas' \$1.8 billion purchase of a premier long-lived legacy natural gas asset from Encana. The assets consist of 351 MMcfed (92% gas) and 1.5 Tcfe of proved reserves in Wyoming's famous Jonah field. Maverick is a newly-established company managed by Dan Allen Hughes Jr, Thomas Hart III and Craig Manauagh. TPG Capital initially committed up to \$1 billion in November 2011 to target onshore North America conventional natural gas and remained patient for the right set of assets and market conditions. For Encana, the transaction unlocks value to provide capital to pursue five identified core focus areas. Global Activity by Region Regionally, North America's \$23.2 billion in oil and gas M&A activity (Table 2) continued to lead the global M&A market with a 56% share. Europe (18%) and Australia (8%) follow as the globe's most active regions for deals. Rebounds this quarter occurred in Europe and Canada. In Europe (including North Sea), based almost entirely on the strength of the \$7.1 billion RWE/LetterOne transaction, deal activity rebounded to \$7.3 billion from just \$0.9 billion in Q4 2013, and compares historical quarterly average of \$2.4 billion. Canada also rebounded to \$8.4 billion, more than double the \$4.1 billion reported in Q4, and surpassed its average \$7.6 billion in deals announced quarterly since 2007. The largest Canadian deal was Canadian Natural Resources \$2.8 billion (C\$3.1) buy of Devon's western Canada conventional gas portfolio. The Australia region took 8% of global deal value, or \$3.3 billion, a 50% increase over its full year 2013 value of \$1.9 billion, which was a record low. This region has not accounted for over 5% of global deals since 2009. LNG projects are driving the increased activity as Shell sold an interest in the Wheatstone LNG project to Kufpec for \$1.1 billion and Pacific LNG sold an interest in the Elk/Antelope fields in Papua New Guinea to Oil Search for \$0.9 billion. South and Central America kept steady pace with 7% of global deals, an average the region has consistently held since 2011. In contrast, African activity slowed to \$1.1 billion in Q1 or 3% of the market, after tapering off to \$2.4 billion (6%) in Q4 but showing a historic high of 16% for the full year 2013.

Table 2

Global Oil and Gas M&A Deals -- Q4 2013 and Q1 2014

Q4 2013

Q4 2013

Q1 2014

Q1 2014 Region

Deal Value Deal Count Deal Value Deal Count

(US\$ MM)

(US\$ MM) Africa

\$2,380

5

\$1,131

4 Asia

\$3,928

6

\$1,790

3 Australia

\$1,083

4
 \$3,290
 9 Europe
 \$900
 9
 \$7,343
 9 Former Soviet Union
 \$10,460
 8
 \$1,000
 1 Middle East
 \$2.1
 1
 \$1,000
 1 North America
 \$18,917
 126
 \$23,217
 99 South America
 \$2,720
 4
 \$2,961
 6 TOTAL
 \$40,390
 165
 \$40,733

133 Source: PLS Derrick **M**&A Database. Number of deals above is for deals with price disclosure. According to Derrick Petroleum Services director Mangesh Hirve, "North America's market share jumped to 57% from 46% quarter-to-quarter. While Asian companies continue to be active buyers, striking \$4.8 **billion** of deals in Q1 or 12% of the market, the pace is down from Q4's \$14.5 **billion** or 36% of the market. The largest Asian deal this past quarter is Indian **Oil** Corporation partnering with **China**'s Sinopec to pay \$2.3 **billion** for a 25% interest in Canadian Montney gas assets from Malaysian NOC Petronas subsidiary Progress **Energy**. We certainly view this slower pace as a pause as Asia's share of the global deals markets rose to 23% last year from 14% in 2011. Since 2007, **Chinese** and Asian NOCs have bought \$184 **billion** in assets, accounting for 15% of the overall market." "There were 12 deals which topped \$1 **billion** during Q1, tied with Q4 2013 but(... Press release has been abridged for publication)

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