



In 2017, US exports of crude, liquified natural gas and refined product continued to rise. The US Energy Information Administration estimates that U.S. crude oil production averaged 10.2 million barrels per day (b/d) in January alone. EIA estimates that production will average 10.6 million b/d in 2018, which would mark the highest annual average U.S. crude oil production level in history. EIA forecasts that 2019 U.S. crude oil production will average 11.2 million b/d likely surpassing Saudi Arabia and Russia. With Domestic production and exports up and rising and world reliance on imports from the Western Hemisphere also up, the Trump Administration’s energy dominance agenda seems destined for success.

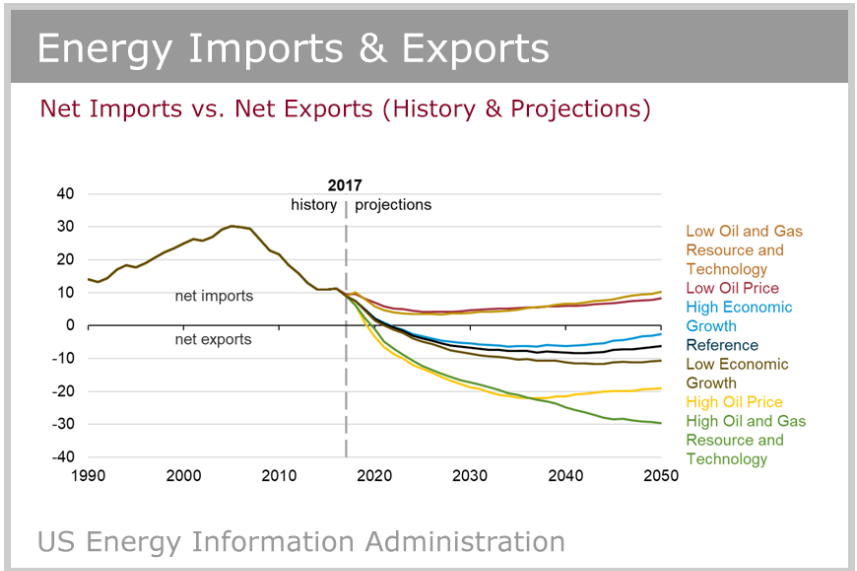


Figure 1

Though the nation’s economic health has had a strong impact on merger and acquisition (M&A) activity in most industry sectors, financial buyers are still slightly timid about investing in the energy sector. However, exploration and production companies have attracted their attention more than those in energy sub-sectors like Oil Field Services, Equipment and Supplies. From November 2017 through early February 2018, according to Pitchbook, a database of private transactions,

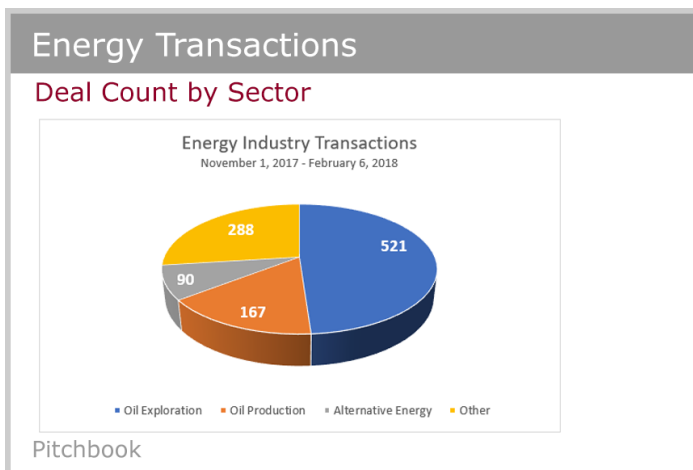


Figure 2

1066 deals were reported in the energy sector. Oil exploration companies accounted for nearly half of all transactions, with a reported 521 completed deals. Oil production companies and alternative energy companies accounted for 167 and 90 deals respectively. 288 transactions were completed in all other energy sectors combined. This trend will likely continue.

Valuations in the oil and gas industry mimic the average ranges one sees on other middle-market M&A deals of between 5x – 8x earnings, depending on company size, quality, management and a management solution post transaction.

FOR MORE INFO CONTACT:  
**Corporate Finance Associates**  
 Offices Worldwide

T/ 949.305.6510  
 F/ 949.305.6713  
 E/ info@cfaw.com

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