

ENERGY

FIRST QUARTER

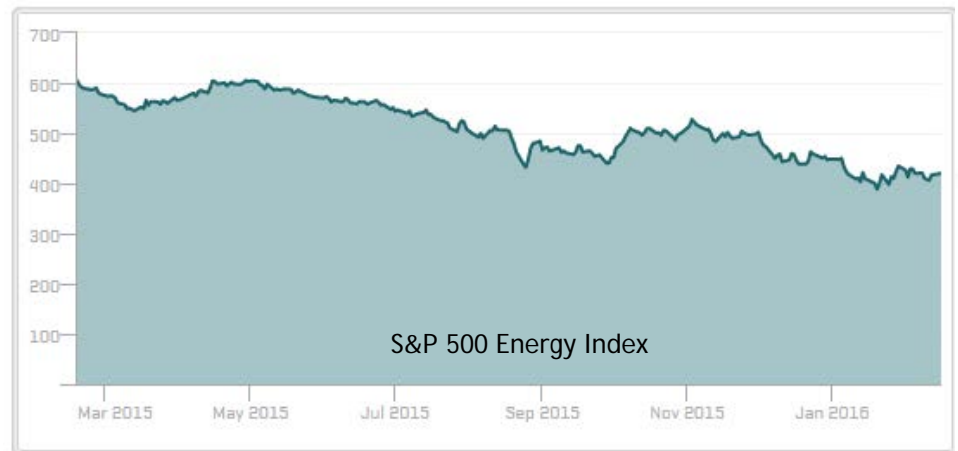
2016

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 2015 included 44 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$225 million.

The largest deal of the quarter was Duke Energy's acquisition of natural gas distributor Piedmont Natural Gas, its partner in the \$5 billion Atlantic Coast Pipeline, for \$4.9 billion in cash. Duke followed the lead of other utilities like Southern Co., Emera Inc. and Black Hills Corp., which also acquired gas distributors over the past 12 months.



In the public markets, the Energy sector declined in the second half of 2015 and into early 2016 as the steep decline in the price of oil continued to put downward pressure on equities.

Transactional Overview

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

December 2015 - Suburban Propane Partners LP acquired Propane USA Inc. for US\$45 million in cash. Suburban Propane Partners LP engages in the market and sale of liquefied petroleum gas. It operates through the following segments: Propane, Fuel Oil & Refined Fuels, and Natural Gas & Electricity. Propane USA, Inc. owns and operates gas services to residential, commercial, and new construction industry.

December 2015 - Raging River Exploration Inc. acquired Anegada Energy Corp for CAD95.4 million (US\$70.3 million) in stock and CAD30 million (US\$22.1 million) in assumed liabilities. Raging River Exploration, Inc. is a junior oil and gas producer currently focused in the Kindersley area of Saskatchewan. Anegada Energy Corp. provides exploration and production of oil and gas. The company is headquartered in Calgary, Canada.



MERGERS, ACQUISITIONS, AND
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For over 50 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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November 2015 - Gran Tierra Energy Inc. acquired Petroamerica Oil Corp for CAD145.3 million (US\$109.5 million) in cash and stock, via plan of arrangement. Gran Tierra Energy, Inc. is an international oil and gas exploration and production company. The company currently holds interests in producing and prospective properties in Colombia, Argentina, Peru and Brazil. Petroamerica Oil Corp. is engaged in the business of oil and natural gas exploration, development and production in Colombia.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
US Power Generating Co. LLC	ArcLight Capital Holdings LLC
Erick Flowback Services, LLC	Erick's Holdings LLC
Rod's Production Services LLC	Erick's Holdings LLC
Specialized Energy Solutions, Inc.	CleanSpark LLC
K12 Solar, Inc.	Tri Global Energy LLC
Fluid Inclusion Technologies, Inc.	Schlumberger NV
Red Rock Biofuels LLC	Rusnano OJSC; Joule Unlimited
Spectraseis, Inc.	Engineering Seismology Group

Industry Update

As many as one-third of US oil and gas producers may seek bankruptcy protection by mid-2017 if oil prices remain near current levels, according to a forecast by Wolfe Research reported by The Wall Street Journal. A host of factors, from China's economic slowdown to the dollar's rise to producers themselves continuing to flood the market, have pushed oil prices lower and lower since mid-2014. Prices below \$40 per barrel are viewed as unsustainable for the vast majority of US operators, especially those with significant debt loads.

Oil and gas companies are revising production targets and cutting capital spending amid a global slump in oil prices. Royal Dutch Shell, which posted a \$6.1 billion loss in third quarter 2015, cut its losses related to some major projects, resulting in \$7.9 billion in charges. The company has decided to abandon an Arctic exploration well off the coast of Alaska, as well as construction of an oil sands project in Western Canada. Although Chevron and Exxon Mobil were profitable during Q3, both companies announced plans to cut capital spending in an effort to weather the price slump; Chevron will also cut up to 10% of its workforce, according to The Wall Street Journal. The US Energy Information Administration projects Brent crude prices will remain below \$60 a barrel until mid-2016. Prices averaged more than \$100 a barrel as recently as August 2014.

Removal by the US Interior Department of some of the remaining obstacles to drilling in the Arctic creates a new market for oil and gas field services companies, but key restrictions remain. Arctic oil drillers must keep active rigs at least 15 miles from wildlife, which could make transport between drilling sites more burdensome.

Industry Indicators

- The average US retail price for diesel and regular gas, which influences profitability for oil and gas companies, fell 28% and 7.4%, respectively, in the week ending January 18, 2016, compared to the same week in 2015.
- The spot price of crude oil, which affects profitability for oil and natural gas operations, fell 29% in the week ending January 8, 2016, compared to the same week in 2015.

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.

