

ENERGY

SECOND 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

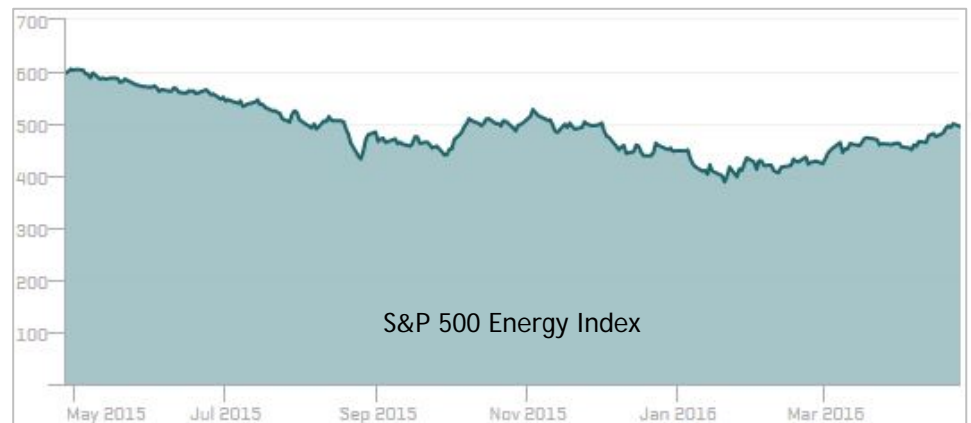
M&A activity for North American based target companies in the Energy sector for Q1 2016 included 64 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$195 million.

One of the biggest announcements of the quarter took place on February 1 when Dominion Resources, Inc. (NYSE: D) and Questar Corporation (NYSE: STR) announced an agreement for the companies to combine, in an all-cash transaction in which Dominion agreed to pay Questar shareholders \$25 per share - about \$4.4 billion - and assume Questar's outstanding

debt. Questar, headquartered in Salt Lake City, Utah, is a natural gas distribution, pipeline, storage and cost-of-service gas supply company. Dominion is one of the nation's largest producers and transporters of energy, with a portfolio of approximately 24,300 megawatts of generation, 12,200 miles of natural gas transmission, gathering and storage pipeline, and 6,500 miles of electric transmission lines.

Oil prices increased roughly 60 percent since late January. However, the global over-supply of oil worsened in March. According to data from the Energy Information Administration (EIA), the net surplus (supply minus consumption) increased to 1.45 million barrels per day in March. In February, the surplus increased 270,000 barrels per day. This is not a positive signal for an extended price recovery.

On the public markets, the Energy sector started out in decline with the rest of the market, but picked up significantly heading into the second quarter.



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Transactional Overview

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

February 2016 - Tidewater Midstream & Infrastructure Ltd acquired Altagas Northcentral Processing LP from AltaGas Ltd for CAD96.4 million (\$68.8 million). Tidewater Midstream & Infrastructure Ltd. engages in purchasing, selling and transportation of natural gas liquids throughout North America and export to overseas markets. Altagas Northcentral Processing LP provides energy infrastructure services.

February 2016 - CERF, Inc., acquired Zedcor Oilfield Rentals Ltd for CAD7.2 million (US\$5.1 million) in stock, notes and assumed liabilities and an undisclosed amount in preferred stock. CERF, Inc. engages in the equipment rental and the waste management business. The company operates in two divisions: Industrials Division and Energy Services Division. Zedcor Oilfield Rentals Ltd. provides oil and gas services.

January 2016 - Interstate Gas Supply Inc. acquired DPL Energy Resources Inc., a subsidiary of DPL Inc., ultimately owned by The AES Corp, for US\$75.5 million. Interstate Gas Supply, Inc. distributes natural gas and electric power. DPL Energy Resources, Inc. provides electricity generation, transmission and distribution services.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
Sanexen Environmental Services, Inc.	Logistec Corp.
Diverse Energy Systems LLC	Cimarron Energy, Inc.; Turnbridge
Zedcor Oilfield Rentals Ltd.	CERF, Inc.
Geronimo Energy LLC /Solar Power	Berkshire Hathaway Energy Co.
Austin Energy /East Pecos Solar	Southern Power Co.
Cactus Fuel LLC	Hastings Equity Partners LLC
DPL Energy Resources, Inc.	Interstate Gas Supply, Inc.
Technical Wireline Services, Inc.	Sagerider West LLC

Industry Update

If more exploration and production companies restructure under bankruptcy protection, attractive assets may be available to the survivors at a discount. 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.

With oil and gas prices remaining well below highs reached in mid-2014, major companies are cutting back on new exploration and drilling fewer wells. Only six new oil and gas development projects were approved in 2015, according to research from Morgan Stanley reported by The Wall Street Journal. Normally companies race to add to their reserves through exploration as fast as they pump oil from the ground. But the current glut of supply and corresponding low prices are discouraging companies from investing in exploration. The number of drilling rigs in the seven key US tight oil and shale gas regions -sources of the vast majority of recent production growth - has declined sharply, according to the US Energy Information Administration.

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.

