

ENERGY

THIRD QUARTER

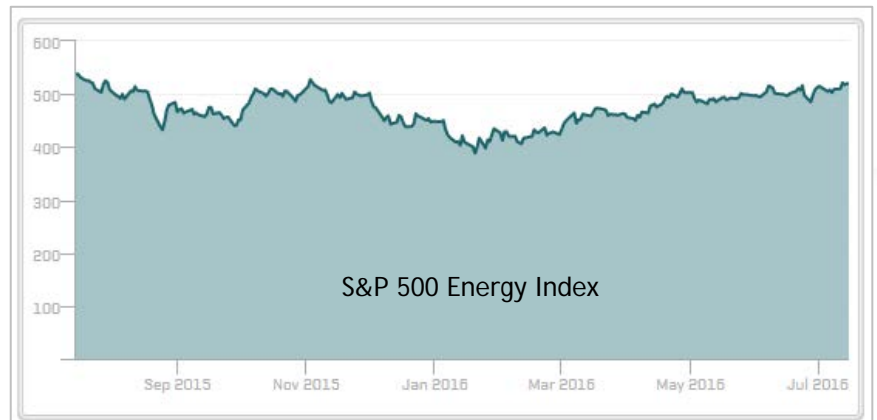
2016

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 Q2 2016 included 162 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$113 million.

The price of oil rallied in late Q2. The monthly average spot price of Brent crude oil increased by \$2 per barrel in June to \$48 barrel, which was the highest monthly average for Brent since October 2015. It was also the fifth consecutive increase in the monthly average Brent price, the longest stretch of its kind since May through September 2013.



On the M&A front, one of the largest deals announced during the quarter was Fort Worth, Texas-based oil and gas company Range Resources Corp. announcing in May that it had reached a deal to acquire independent oil and gas firm Memorial Resource Development Corp. in a deal valued at \$4.4 billion, including the assumption of debt.

On the public markets, energy stocks had a strong quarter driven in part by the slight increase in oil prices.

Transactional Overview

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

June 2016 - Holly Energy Partners LP acquired a 50% minority stake in Cheyenne Pipeline LLC, for US\$42.5 million in cash. Holly Energy Partners LP owns and operates petroleum product and crude pipelines, terminal, tankage and loading rack facilities, and refinery processing units that support the refining and marketing operations. Cheyenne Pipeline LLC owns and operates natural gas distribution pipeline.



MERGERS, ACQUISITIONS, AND
CAPITAL RESOURCES SINCE 1956

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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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May 2016 - FQ Disposal LLC acquired GreenHunter Resources Inc. for US\$18.3 million in cash and assumed US\$2.5 million of liabilities via bankruptcy auction. FQ Disposal LLC provides investment services. GreenHunter Resources, Inc. is a diversified renewable energy company, which focuses on water resource management in the unconventional oil and natural gas shale resource plays.

April 2016 - National Gas & Electric LLC acquired Major Energy Electric Services LLC and Major Energy Services LLC, for US\$80 million. National Gas & Electric LLC provides gas and electric services. It focuses on offering the right plans at the right prices. Major Energy Electric Services LLC provides retail energy services.

| Selected Q2 Closed Transactions | |
|---|--|
| Target/Issuer | Buyers/Investors |
| Dakota Prairie Refining LLC | WBI Energy, Inc. |
| T.C. Backhoe & Directional, Inc. | TC Infrastructure Services Ltd. |
| Stack Play Oil & Gas Assets | Kayne Anderson Capital Advisors LP; Triumph Energy Partners LLC |
| Trican Well Service Ltd. /Completion Tools Bus/ | National Oilwell Varco, Inc. |
| Hytop Well Servicing, Inc. | Petrocapita Income Trust |
| Rayco Energy, Inc. | Sunvalley Solar, Inc. |
| Two Eagles Resources, Inc. /East Texas Oil & Gas/ | West Texas Resources, Inc. |
| PetroLama Energy Canada, Inc. | Secure Energy Services, Inc. |

Industry Update

Pressured by continued low oil prices and a global supply glut, several leading US oil explorers are selling more than \$4 billion in assets. For companies still holding cash, it could be time to buy. Anadarko, Chesapeake Energy, Noble Energy, and Statoil ASA recently announced plans to sell assets totaling about \$4.3 billion. Marathon Oil has already sold \$1.3 billion worth of assets. Meanwhile, US rig counts continue to decline, as oil prices remain at less than half of their 2014 peak.

Utilities in several US states are piloting residential smart energy storage programs to reduce emissions and generation costs during peak times. Companies in Kentucky, New York, and Vermont -- Glasgow Electric Plant Board, Consolidated Edison, and Green Mountain Power -- are installing smart energy storage devices in selected customer homes. The devices capture power from the grid during periods of low demand and release power during high-cost peak demand periods, reducing the need to supply power from traditional generation plants. All three programs use software to remotely manage the residential units as if they are a single power source, according to UtilityDIVE; the model is called a virtual power plant. The utilities are partnering with device manufacturers Sunverge, SunPower, and Tesla Motors.

Industry Indicators

- The average US retail price for diesel and regular gas, which influences profitability for oil and gas companies, fell 14.2% and 20.5%, respectively, in the week ending July 11, 2016, compared to the same week in 2015.
- The spot price of crude oil, which affects profitability for oil and natural gas operations, fell 10.8% in the week ending July 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.

