

# ENERGY

SECOND QUARTER

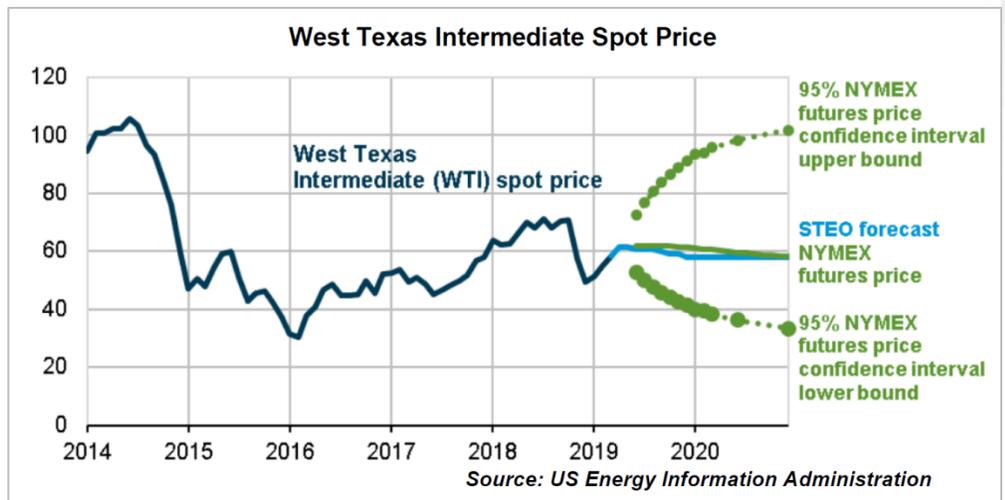
2019

The Energy Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Energy category. 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 2019 included 69 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions was announced in March when Diversified Gas & Oil Plc acquired gas assets, from HG Energy II Appalachia LLC, ultimately owned by HG Energy LLC for US\$400 million in cash. The acquisition is expected to increase the production capacity of Diversified Gas & Oil Plc. The assets to be acquired comprise 107 unconventional producing gas wells with a combined net daily production of more than 20,000boe. The wells are located in the West Virginia and Pennsylvania.



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## Transactional Overview

Notable closed lower middle market transactions for the period in the Energy sector include:

**March 2019** - Hess North Dakota Pipelines LLC, a subsidiary of Hess Midstream Partners LP, acquired Tioga Hydrocarbon Gathering Co LLC, a company formed to hold the interest and assets of the hydro carbon gathering business of Tioga Midstream LLC, a subsidiary of Meadowlark Midstream Co LLC, which is ultimately owned by Summit Midstream Partners LP for US\$68.2 million in cash and contingent payout. Hess North Dakota Pipelines engages in the production of crude petroleum and natural gas. Tioga Hydrocarbon Gathering Co. is an American company that engages in hydrocarbon gathering.

**March 2019** - Scout Energy Management LLC, acquired the assets related to the oil and gas properties located in Coke, Coleman, Fisher, Haskell, Jones, Nolan, Runnels, Stonewall and Taylor Counties from Mid-Con Energy Partners LP for US\$60 million in cash. Scout acts as an alternative investment manager. Mid-Con Energy is an American company involved in crude petroleum and natural gas.

**March 2019** - Kimbell Royalty Partners LP acquired the oil and gas royalty assets of Encap Investments LP for approximately US\$172 million in stock. Kimbell Royalty Partners engages in owning and acquiring mineral and royalty interests in oil and natural gas properties. Encap Investments invests in and acquires oil and gas assets.

Selected Q2 Closed Transactions	
Target/Issuer	Buyers/Investors
Midland Map Co. LLC	Drilling Info, Inc.
Tecton Energy Services Ltd.	KLX Energy Services Holdings, Inc.
XCEL NDT LLC	Pine Tree Equity Partners LLC; Crossbridge Compliance LLC
Kingsley Constructors, Inc.	MasTec, Inc.
Southern L P Gas, Inc.	Blossman Gas, Inc.
Super-Lube, Inc.	Driven Brands, Inc.; Roark Capital Group, Inc.
CVR Refining LP	CVR Energy, Inc.
Maximum Solar, LLC	Ameresco, Inc.

## Industry Update

Several factors are contributing to an increase in US liquefied natural gas (LNG) exports, driving up demand for oil and gas exploration and production over the next several years. A pipeline bottleneck out of the prolific gas-producing Permian Basin, as well as a lack of export infrastructure, have historically constrained US LNG exports. However, additional pipelines out of Permian have come online in recent months, and export facilities are complete or nearing completion in several states. Furthermore, the US governing body that approves export terminals is taking measures to expedite the lengthy process, and investors are responding by pouring money into LNG export projects, about \$366 billion. Global demand for LNG is expected to double by 2035 as people seek more clean affordable energy sources, according to Forbes. Meanwhile, population growth and pollution-control measures have increased gas-fired electricity generation in China, India, and Southeast Asia. Accordingly, there are nearly 30 global export terminals in the works, about half of which are in the US, according to Bloomberg New Energy Finance. The US Energy Information Administration expects natural gas production, prices, and exports to rise through 2020, and the US is expected to become the third largest LNG exporter behind Qatar and Australia as early as the end of 2019.

## Industry Indicators

- The average US retail price for diesel and regular gas, which influences profitability for oil and gas companies, rose 0.5% and 2.9%, respectively, in the week ending April 15, 2019, compared to the same week in 2018.
- The spot price of crude oil, which affects profitability for oil and natural gas operations, fell 2.9% in the week ending April 12, 2019, compared to the same week in 2018.

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. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

