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PLS CAPITAL MARKETS

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ENERGY FINANCE

Williams & Access raising $4.2 billion for Chesapeake deal

Williams and **Access Midstream Partners LP** have gone on a capital raising flurry that will gross a combined $4.2 billion or more when all is said and done. Williams plans to use proceeds to fund a portion of its $2.17-2.40 billion purchase of a 25% stake (via 34.5 million LP units) in Access and a 50% interest in its general partner **Access Midstream Partners.**

Williams paying up to $2.4 billion for quarter stake in Access' LP.

The combined Access businesses comprised a big chunk of **Chesapeake's** midstream portfolio, which was acquired in June by PE firm **Global Infrastructure Partners** for $4.0 billion under the assets' previous monikers **Chesapeake Midstream Partners** and **Chesapeake Midstream Development.** Global will receive $1.82 billion cash from Williams and retain a 43% stake in Access LP. Also, both Global and Williams agreed to jointly purchase $350-580 million worth of Access paid-in-kind equity as part of the deal.

Meanwhile, Access is buying "a substantial majority" of Chesapeake's remaining midstream assets for $2.16 billion cash. Continues On Pg 4

Exxon sees net North American energy exports by 2025

ExxonMobil's latest annual energy outlook holds a number of positive predictions for development and the industry, with the biggest projection for those at home being an expectation that North America will be a net energy exporter by 2025. Exxon anticipates regional supply-demand patterns to shift in the coming decades leading the entire global energy picture to "evolve significantly." North American liquids supply is expected to grow 40% by 2040 led by the Bakken, deepwater GOM and Canadian oil sands. Over half of global unconventional gas production should derive from North America over the next two decades and satisfy 80% of North American demand by 2040.

North American liquids grow 40% by 2040 on Bakken, US GOM & oil sands.

Lest export expectations spark fears of aggressively lower prices, Exxon expects global energy demand to grow 35% from 2010 levels by 2040 (the end of its projection window). Some of that demand will occur in the US, with cheap gas providing "a strong foundation" for growth in energy, chemicals (global chemical demand including feedstock is projected to rise 50% by 2040), steel and manufacturing. Continues On Pg 10

Carlyle levers deeper into energy with NGP move

Mega-PE firm **Carlyle Group** has taken a $424 million, 47.5% revenue interest in gas-heavy natural resource investor **NGP Energy Capital Management. Barclays Natural Resources Investments** is selling the bulk of the position accounting for 40% revenue interest, while NGP management is divesting the remaining 7.5% interest. Payment consisted of $384 million cash, $25 million in Carlyle partnership units and another $15 million in contingent units. Carlyle will also have representation on NGP's investment committee.

Acquires a 47.5% stake in the natural resource investor, mostly from Barclays.

The transaction also includes a 7.5% carried interest in future funds starting with **NGP XI,** a right to buy an additional 7.5% revenue interest which would bring its interest to 55%, and an option to acquire Barclays' 40% carried interest in the current $3.586 billion flagship **NGP X** fund and future funds.

With $157 billion in AUM, Washington-based Carlyle is the second-largest manager of alternative assets including private equity, hedge funds and real estate. The firm raised $671 million in its IPO last year. Continues On Pg 6

Even after cliff deal, loss of tax breaks a real possibility

Wells Fargo analysts noted in a recent report that talks with their contacts in Washington lead them to believe industry tax incentive reform "could potentially be a part of a broader corporate tax reform" in late 2013. Cuts to benefits such as expensing of intangible drilling costs, percent of depletion deductions and other incentives have been raised by President Obama and other members of the Democratic Party over the past four years, but until now those efforts have been without much expectation of real policy impacts by prognosticators.

IDCs & other tax incentives could be at risk in overall tax reform debate.

Although the report was released before the fiscal cliff deal was reached in Washington, Wells Fargo correctly predicted that those negotiations would not affect the industry tax perks.

Continues On Pg 17

Top five stock winners & losers

Deviating from recent trends, upside winners significantly beat out losers. **BPZ Resources** gained the most over the past month, with shares jumping 32% on news that the Peruvian government will allow the company's partner **Pacific Rubiales** to be added on the license for the offshore Block Z-1 containing the Corvina oil discovery. BPZ chief Manolo Zuniga said obtaining the decree before year's end would allow the companies to begin the new year "intently focused" on production growth in the block.

BPZ got approval to add Pacific Rubiales to Peruvian offshore license.

Shares of **Synergy Resources** rose 27% on the completion of a $42 million acquisition from **Orr Energy** of Wattenberg assets including 36 producing oil and gas wells and a number of undeveloped leases on 3,196 net acres. The wells are producing 360 boepd net to Synergy, which is the operator on 35 of them. Synergy sees the potential to drill an additional 75 vertical wells using 20-acre spacing and 55 new horizontal wells with 80-acre spacing.

Goodrich Petroleum shares are up 24% during the tracked period, partially boosted by 2013 capex guidance. Goodrich plans to spend $175-200 million, down from 2012's $250 million, but the company is shifting focus from gas toward the Eagle Ford and Tuscaloosa shale. The Eagle Ford will see $115-137 million in spending, while the company's Tuscaloosa holdings will benefit from $25-50 million. Goodrich projects a 40-60% YOY increase in oil volumes while cutting gas production ~10%.

Goodrich anticipates 40-60% higher oil production this year.

Big 2012 mover **Bonanza Creek Energy** continued its run into the new year with a 24% gain over the past month. Shares were supported by an Arkansas Oil and Gas Commission report announcing four new drilling permits for January-February kickoff, two completions and one recompletion for the company in its second most active operating area. Shares received another boost when the company announced a 32% YOY capex budget increase to $394 million (80% targeting the Wattenberg), alongside a projected ~59% YOY increase in annual production.

To the downside, **Cobalt International Energy** shares dropped a net 7% over the past month. The stock fell off on news of a $1.2 billion convertible senior note offering with an option for an additional $180 million to fund capex. The offering represents a massive increase to corporate long-term debt, as Cobalt reported only $168 million in long-term debt as of Q3. Fortunately for the company, shares have since recovered 6% from the month's lows.

US Upstream Stock Movers—Last 30 Days

Source: **Capital IQ**

	Company	Ticker	$/Share 1/09/13	"$/Share 12/10/12	% Change
Top 5	BPZ Resources	BPZ	$3.11	$2.35	32%
	Synergy Resources	SYRG	$5.74	$4.53	27%
	Goodrich Petroleum	GDP	$10.15	$8.16	24%
	Bonanza Creek Energy	BCEI	$31.21	$25.18	24%
	Par Petroleum	PARR	$1.20	$1.00	20%
Bottom 5	EXCO Resources	XCO	$6.85	$7.63	-10%
	Miller Energy Resources	MILL	$3.75	$4.03	-7%
	Cobalt International Energy	CIE	$25.90	$27.71	-7%
	Endeavour International	END	$6.09	$6.40	-5%
	Ultra Petroleum	UPL	$18.46	$19.13	-4%

Note: Data includes public, US-based companies operating in the oil & gas space, limited to companies >$100MM market cap & >$1.00/share.

Public Equity & Debt Briefs

• **Gasco Energy** was notified by the NYSE that it no longer qualifies to be listed on the exchange because the company's common stock has traded at a low price per share for a "substantial period of time." NYSE said in order for Gasco to remain listed it would have to complete a reverse split of its common stock by June 6, 2013. Gasco said it has not determined what course of action to take.

• **Memorial Production Partners** closed its 10.5 million-unit offering at $17.00/unit, also announcing underwriters had exercised an additional 1.475 million-unit option for total units sold at 11.975 million and an additional $24.1 million in net pre-expense proceeds. Total net proceeds of $195.6 million are supporting Memorial's recent $271 million acquisition of certain producing offshore Southern California assets from **Rise Energy Partners LP. Raymond James, Citigroup, BofA Merrill Lynch, Barclays, RBC** and **Wells Fargo** were lead underwriters.

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Public Equity & Debt Briefs

• **Richfield Oil & Gas** shares are now trading on the OTC:QB electronic exchange with **Alpine Securities** as its initial market maker, and others expected to become active late this month. The company also announced engagement of **Global Hunter Securities** as financial advisor regarding a proposed financing which will help it accelerate Utah and Kansas production plans and meet revenue targets. Financing is expected this quarter.

• **SandRidge** announced expiration of the exchange offer for $275 million in unregistered 7.5% senior notes issued in August and due 2021 for an equal amount of registered but otherwise essentially identical notes. The offer was extended six days to allow additional time for tender. Ultimately, 100% of notes were tendered.

Private Equity & Debt Briefs

• **Atlas Resource Partners** announced a $100 million revolver borrowing base increase to $410 million following the $255 million acquisition of **DTE Energy's** Fort Worth Basin assets. **Iberia Capital Partners** estimates current Atlas liquidity at $232 million. The Fort Worth deal was financed through a $175 million equity raise and revolver capacity. Partial exercise of a 1.14 million unit underwriter option (at 298,210 units) resulted in additional net proceeds of $6.6 million, which is also supporting the acquisition.

• **Cubic Energy** received a three-month extension (to March 31) for a $5 million convertible term note and ~$20.9 million outstanding under a revolver both owed to **Wells Fargo Energy Capital.** It received a similar extension to April 1 on a $2 million debt owed to Cubic affiliate Calvin Wallen III.

Public Equity & Debt

Gulfport raises $468 million for Utica buy & 2013 capex

Gulfport Energy announced equity and debt issuances grossing a combined $468 million. Equity proceeds will fund a $372 million acquisition of 37,000 net Utica acres, with the remainder along with all of the debt proceeds going to general corporate purposes, which the company said may include funding its projected $415-425 million 2013 capex plan.

Gulfport took the equity route to raise most of its needed capital. It issued 11 million shares (upsized from a previously announced 9 million) at $38.00/share for gross proceeds of $418 million and projected net proceeds of $399.6 million. An as-yet-unexercised 1.65 million share underwriter option could increase gross proceeds by $62.7 million. The offering will amount to a 19.7% dilution to equityholders, assuming no exercise of the option. Gulfport priced the offer 3.5% below the prior day's trading price, and shares dropped 4.9% on the news to $37.45. **Credit Suisse** was the lone underwriter.

Gulfport plans to spend 83% of its $415-425 million 2013 capex in Utica.

As for debt, Gulfport is selling $50 million in its 7.75% senior notes due 2020 via private offering at 101% of par. The notes are a follow-on offering to an otherwise identical $250 million in notes issued in October. Adding the October debt raise to Gulfport's Q3 reported long-term debt of $143 million (for $393 million total) reflects that the follow-on offer grows Gulfport long-term debt by 12.7%.

Of Gulfport's proposed $415-425 million in 2013 capex, 83% will be spent in the Utica, 10% in West Cote Blanche Bay and 6% in the Hackberry.

Freeport McMoRan investors raise conflict concerns

Freeport McMoRan Copper & Gold's conference call following the announcement of a planned ~$20 billion (including assumed debt) acquisition of **McMoRan Exploration** and **Plains E&P** showcased evident discontent among Freeport investors, some of whom raised conflict-of-interest concerns given overlapping management of Freeport and McMoRan. At a 74% premium on McMoRan, the deal values co-chairman James Moffett's stake in the company at $73.3 million and co-chair Richard Adkerson's stake at $6.2 million. Four other McMoRan directors who sit on Freeport's board hold positions in the company as well; most hold larger stakes than Adkerson.

McMoRan co-chair James Moffett's stake is worth $73 million after premium.

BlackRock managing director Evy Hambro said shareholders should have had a say in the matter, asserting, "I presume that everybody on the call from your side is conflicted because of the various different roles." BlackRock recently held 72.7 million Freeport shares. And portfolio managers from **T. Rowe Price** and **Van Eck Global Hard Assets Fund** (with the funds recently owning 7.1 million and 2.2 million Freeport shares, respectively) also raised conflict concerns, with Van Eck's Shawn Reynolds saying, "We're not happy." Adkerson acknowledged "complexities" due to overlapping management but said special committees from both Freeport's and McMoRan's boards negotiated the terms of the deal.

BlackRock, T. Rowe Price & Van Eck asserted conflicts on conference call.

Despite concerns, shareholders have no say as no vote is required by securities law. Acquisitions are being made by non-public Freeport subsidiaries, the company is not authorizing new shares as part of the deal, and Freeport is not issuing over 20% of existing shares. The factors combine to keep shareholders out of the picture.

Public Equity & Debt

Williams & Access raising $4.2 billion for deal Continued From Pg 1

Access Midstream Partners CEO J. Mike Stice said the acquired assets—largely in the Marcellus, Utica, Eagle Ford, Haynesville and Niobrara—will make Access the largest gathering and processing MLP by invested capital and throughput.

Both Williams and Access are pursuing combined debt and equity offerings, with Williams expecting to gross $2.29 billion and Access anticipating $1.91 billion. **Barclays** and **Citigroup** advised Access, **Tudor Pickering** advised its conflicts committee, and **Citi** advised Global. **Jefferies** and **Goldman Sachs** are advising Chesapeake on the sale.

With the option, Williams would gross $1.7 billion on 54 million-share sale.

The larger part of Williams' raise is a massive 46.5 million offering of common shares priced at $31.00/share, which should gross $1.44 billion. An underwriter option for another 6.98 million shares could gross another $216.23 million. Williams priced the shares essentially flat with the prior day's close of $31.13, and shares closed two cents above the sale price despite the associated 7.4% equity dilution (8.5% if the option is exercised). Citigroup, Barclays and **UBS** are joint book-running managers.

On the debt side, Williams is conducting a public offering of $850 million in 3.7% senior notes due 2023 priced at 99.722% of par, using the same underwriters as are involved in the equity piece. Williams reported $9.51 billion in long-term debt as of Q3, so the offer amounts to an 8.9% increase. Until all financing is final, Williams established a $2.5 billion bridge loan to fund payment in full. The company reaffirmed dividend growth guidance and said the deal should be slightly dilutive to 2013 earnings and cash flow, but accretive beginning in 2014.

Access paying over a full percentage point more for debt than Williams.

Meanwhile, Access is leaning more heavily on debt markets, selling $1.4 billion worth of 4.875% senior notes via a public offering. With $1.38 billion in Q3 long-term debt, Access is essentially doubling its debt under the current offer. Besides the Chesapeake buy, Access will use proceeds to repay part of its outstanding $180.5 million balance (as of Q3) on its 2.02% Q3 average interest rate revolver and for general partnership purposes. Lead book-runners are Citigroup, Barclays, UBS and **Wells Fargo.**

Access' equity offering consists of 16.0 million common units priced at $32.15/unit, alongside an option for an additional 2.4 million units. The partnership should gross $514.4 million on the base offering alone and another $77.2 million should the option be exercised. The offering was upsized from an originally announced 13.75 million-unit base and 2.06 million-unit option. Beyond financing the acquisition, remaining proceeds will be used for general partnership purposes. Citigroup, Barclays, UBS, **BofA Merrill Lynch, Morgan Stanley** and Wells Fargo are underwriting. Access has commitments for a $1.0 billion bridge loan until long-term financing is secured.

Private Equity & Debt Briefs

• Following its semi-annual review, **Constellation Energy Partners** announced that its borrowing base has been reduced from $90 million to $85 million. With $84 million in outstanding borrowings, facility liquidity was reduced to $1.0 million. However, as of December 28 Constellation had $1.8 million in cash and equivalents.

• **Legacy Reserves** reported the borrowing base under its $1.0 billion secured revolver was increased 33% from $600 million to $800 million on completion of its $520 million acquisition of certain Permian assets from **Concho Resources.** The syndicate is now 20 institutions strong. The assets are estimated to contain proved reserves of 25.6 MMboe (71% PDP). Legacy funded the buy with a combination of debt and equity. Legacy chief Cary Brown said the properties "should add significant scale to our operations and should provide decades of cashflow for our unitholders."

• Houston PE firm **Main Street Capital** invested $35.1 million in two lower middle market service product-makers. Main Street invested $14.8 million in debt and $6.3 million in equity in Odessa, Texas-based tubing and casing maker **Bond-Coat Inc,** which focuses its operations on the Permian Basin. Main Street also invested $14.0 million in marine building fabricator **Marine Shelters Holdings** and subsidiary **LoneStar Marine Shelters.** Debt/equity breakdown on the latter investment was not disclosed.

• **Warren Resources** announced that the lender syndicate for its $300 million senior secured credit facility increased Warren's borrowing base from $130 million to $140 million under the facility's fall 2012 redetermination. Warren had $99.5 million drawn as of December 26 (the same level as that reported with Q3 earnings), with $40.5 million remaining undrawn.

Private Equity & Debt

QR Energy equity offering brings in $215 million

QR Energy LP undertook a 12 million-unit equity offering priced at $16.24/unit. After factoring in the subsequent exercise of a 1.8 million-unit underwriter option as well as a general partner contribution sufficient to maintain its 2% stake, net proceeds are expected to be $214.9 million. Net proceeds will be used to repay outstanding credit facility borrowing and support general corporate purposes. QRE reported $325 million in outstanding borrowings and another $100,000 in letters of credit outstanding out of a total $655 million borrowing base under the facility in Q3.

Includes option exercised to add $29.2 million in gross proceeds.

The offering was priced at a 4.0% discount to the prior day's closing unit price of $16.91 and shares dropped to the offer price on the news. Post-offering equity interest is being diluted 30.9%.

Proceeds paying down $325 million in outstanding revolver debt.

RBC, Barclays, JP Morgan, UBS, Wells Fargo, Raymond James, Citigroup, Credit Suisse and **Goldman Sachs** were joint book-running managers. Co-managers were **Baird, BMO, Janney Montgomery Scott, Oppenheimer, Wunderlich Securities, Ladenburg Thalmann** and **MLV.**

Resolute funds Permian deals with $150 million debt raise

Resolute Energy raised $150 million in 8.5% senior notes due 2020 via private offering priced at 101.25% of par. Resulting yield to maturity is 8.268%. Net proceeds of $147.8 million were primarily used to fund a $120 million purchase of producing Permian assets in Howard County, Texas and Lea County, New Mexico from **Celero Energy.** Proceeds were also used to pay down Resolute's revolver and for general corporate purposes. Resolute reported $18.0 million in outstanding debt under its $330 million borrowing base revolver as of Q3, with a weighted average interest rate of 2.62%.

Reported $18 million in debt under $330 million revolver as of Q3.

Subsequently Resolute closed another $125 million Permian buy in Ector and Midland counties, Texas from multiple private parties, with funding from its newly replenished revolver. Resolute acquired 32% WI in the properties and also bought a $5.7 million option to acquire the remaining interests for ~$261 million before March 18. CEO Nicholas Sutton said Resolute worked hard to close the deal prior to year's end, and that the new properties are largely self-funding.

Public Equity & Debt

Chesapeake near another $2.8 billion in debt paydowns

With closure of the $2.16 billion **Access Midstream Partners** deal (see story on pages 1 and 4) and other smaller recent or planned divestitures adding up to a total $2.76 billion, **Chesapeake** will have raised $10.8 billion from 2012 asset sales toward a previously stated goal of $13-14 billion. Apparently anticipating it would not meet this goal by the time it reported Q3 earnings, Chesapeake combined the goal with its 2013 divestiture aim of $4-5 billion and began speaking in terms of a two-year goal of $17-19 billion in sales. Chesapeake reported $13.9 billion in Q4 long-term debt net of cash pro forma for the company's Permian Basin sale, but not factoring in any impacts resulting from this latest round of divestiture proceeds. It hopes to reduce net long-term debt to ~$9.5 billion by year-end 2013. It has $464 million in 7.625% senior notes coming due this year, with no additional debt maturing until 2015.

About to reach $10.8 billion in divestitures toward $13-14 billion goal.

Final closure of $2.16 billion midstream sale not yet announced.

In addition to the $2.16 billion sale of "a substantial majority" of the company's remaining midstream assets to Access Midstream Partners (which itself is a collection of former Chesapeake midstream assets), Chesapeake announced the recent divestiture of additional Oklahoma and Texas midstream assets for $175 million. Presumably this amount includes a $125 million purchase of South Texas Eagle Ford assets announced by **Plains All American Pipeline LP.** Finally, Chesapeake anticipates selling another $425 million worth of assets comprising the entirety of its remaining midstream holdings and including certain Mid-Continent assets by the end of 1Q13.

Chesapeake now speaking in terms of a 2-year, $17-19 billion divestiture goal.

Combined with midstream divestitures earlier in 2012, total midstream exit proceeds will be $4.875 billion, down from a previously projected ~$5.0 billion. **Baird** calculates that the reduction was due solely to delays in closing from the original overall midstream divestiture announcement in September. **Wells Fargo** reported some sources indicated the Access deal could fall through or be delayed, so interpreted news of the deal positively despite a slight valuation discount to other recent midstream deals.

The company is working on its balance sheet in other ways as well, announcing a voluntary separation program for ~275 employees, with eligibility based on age and years of service. Chesapeake explicitly said the deal was intended to improve efficiencies and reduce costs. Separations will occur next month.

Private Equity & Debt

Lime Rock gives $100 million equity stake to Endurance

Energy-focused PE firm **Lime Rock Partners** made a $100 million equity investment with Dallas-based E&P company **Endurance Resource Holdings** to support acquisition of Endurance-operated producing and development assets and additional opportunities in the Bone Spring in Lea and Eddy Cos., New Mexico.

Endurance owns and operates producing assets in southeast New Mexico and Texas with 16,000 net acres (all HBP) featuring "excellent" horizontal prospectivity in the Bone Spring and Delaware formations. CEO Don Ritter has over 30 years experience including senior engineering management positions with **Mobil** and **GeoMechanics International.** CFO Garrett Smith was previously CFO of **Pioneer Natural Resources** and a portfolio manager at **BP.**

Lime Rock managing director J. McLane said Endurance had an impressive asset base in the heart of the Bone Spring as well as a unique combination of technical, industry and Delaware Basin expertise. Lime Rock, with nearly $5.0 billion in private AUM, called the Delaware "one of the most exciting oil basins in the world."

Carlyle levers into energy with NGP move Continued From Pg 1

NGP Energy Capital Management is a leader of private investments in natural resources with $12.1 billion of current assets under management. Its primary focus is its $10.8 billion Natural Gas Partners series of funds focusing on PE investments in E&P, midstream, oilfield services and the power sector.

Carlyle is strengthening its global natural resources investing platform and regards this transaction with NGP as the cornerstone of that effort. Prior to the move, Carlyle had $1.4 billion of asset under management in the energy mezzanine market, a 55% stake in $2.2 billion in commodities market assets via its October **Vermillion Asset Management** acquisition and $1.1 billion in power and infrastructure as part of **Carlyle Infrastructure Partners.** The NGP deal vaults Carlyle into a leadership position in US energy investing, and Carlyle is undergoing some restructuring to reflect its energy focus as well. The firm is forming a natural resources committee with representatives from its mezzanine group, power and infrastructure group, members of NGP and its commodities hedge fund group (Vermillion).

The NGP deal further strengthens Carlyle's resource investment platform.

Since 2000, Carlyle has frequently partnered with **Riverstone Holdings** in the energy investment arena, raising ~$17 billion together via six funds. However, Riverstone recently opted to fly solo for the first time, attempting to raise a fresh $6.0 billion energy fund. The move may have influenced Carlyle's decision to seek a new partner.

Six-time partner Riverstone opted to raise a $6.0 billion energy fund solo.

According to Carlyle Co-CEO and CIO William Conway, "NGP's investing excellence in the US oil and gas, midstream and oilfield services sector coupled with our established capabilities in commodities, power generation, mezzanine financing and-most recently-refineries allows us to take full advantage of the energy revolution sweeping America." Carlyle COO Glenn Youngkin called NGP "a spectacular fit with us. … They're primarily North American-focused and they're investing right into the teeth of the big exploration and production developments over the last five to eight years – shale, tight oil, all the big trends." On the conference call discussing the deal Carlyle co-CEO David Rubenstein called "carbon-related energy … the single most attractive global area in which to invest today."

And NGP chief Kenneth Hersh said his investors would now benefit from Carlyle's global reach, debt financing and capital markets expertise and extensive network. Hersh noted the deal has "tremendous long-term benefits" including the contingent performance incentives which should encourage high levels of performance over a very long period.

Magnum Hunter raising $172 million to lower debt

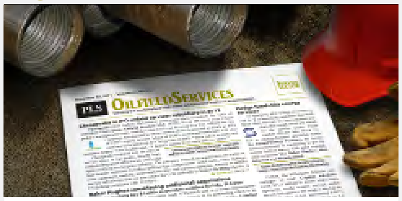
Magnum Hunter Resources announced pricing of a private offering of $150 million in 9.75% senior notes due 2020 at 102% of par. Proceeds will repay a portion of outstanding revolver debt and are intended to assure Magnum "has more than sufficient liquidity" this year to continue active drilling in its five shale plays while pursuing ongoing strategic initiatives. The notes will be issued as a follow-on offering of a previous $450 million in identical notes sold in May. Magnum Hunter reported $680 million in Q3 long-term debt, with the current offering equating to a 22% increase.

Most of capital raise consisted of $150 million 9.75% note offering.

The company is also raising $22.4 million net through a public offering of 1.0 million depositary shares at $23.50/share. Each share amounts to a 1/1,000 stake in a share of 8% Series E Magnum cumulative convertible preferred stock. Net proceeds will repay revolver debt, and Magnum noted the deal also satisfied obligations to **Viking International Resources** shareholders who received ~2.8 million depositary shares as part of Magnum's acquisition of that company in November. Joint book-runners are **UBS, MLV & Co.** and **Wunderlich Securities.**

Subsequently Magnum spent $30 million cash through sub **Bakken Hunter** to buy ~20,000 net Williston acres from **Samson Resources.** It then committed to a three-year, $200 million Marcellus/Utica JOA through sub **Triad Hunter LLC** with **Eclipse Resources I LP** expecting to drill 12 horizontal wells in each play.

Sign Up Today!



Latest Service Sector News

- Transocean settles below estimates at $1.4 billion
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- Tilted rig has ripple effects for jackup deliveries
- Gas rig count rising, oil falling & new permits at 2012 lows
- Hercules sees jackup rates on the rise in GOM & Africa
- Anadarko & partners award Mozambique FEED contracts
- IDE wins $350-400 million offshore platform rig deal
- Oil States buys Tempress
- Helix exiting upstream to focus on intervention & robotics
- Standard sells 5th of 7 jackup newbuilds for $220 million
- FMC garners four subsea orders totaling $339 million
- Scorpio charters three tankers & orders six more
- Frac water recycling on upswing
- Subsea 7 takes two supermajor wins worth $180 million

Earnings & Capex

Houston oil & gas spending may see correction in 2013

Houston's oil and gas companies spent a combined $88.8 billion through Q3 of 2012, up 34% YOY, 58% vs. 2010 and 107% vs. 2009 according to analysis by the Houston Business Journal. The newspaper considered oil and gas companies from the city's 100 largest public companies in its analysis. The growth trend may not continue at the same pace going forward, however. For example, the service sector ramped spending a lot over the past two years and overcapacity has emerged in a number of segments.

In E&P **Raymond James** projects up to a 20% drop in spending, although it is on the bearish end of the forecast spectrum with others expecting small cuts or flat spending. One driving concern is US economic instability. We are past the fiscal cliff, but recovery has been modest and another battle in Washington with possible broad economic implications is brewing over increasing the debt ceiling, with the showdown slated for February. **Simmons & Co.'s** Guy Baber said that due to this instability "you're not going to see continued substantial increases you've seen in the past." These factors will also impact the local job market. **Comerica Bank** chief economist Robert Dye said the Houston job market would still be strong, but less so than in 2012.

Houston oil/gas spending grew 34% YOY through Q3; 58% vs. 2010.

Oil prices are another key factor and upward pressures appear to be waning. Growing US supply, economic-related demand concerns and possible diminution of the Middle East fear premium are all potential price headwinds. Raymond James' bearish capex forecast is based on these factors gaining prominence and "even if gas prices get better, [oil] is more meaningful to cash flows." Even if oil can hold a $90 handle this year and gas $4, **Deutsche Bank** still sees E&P spending 152% of operating cash should the sector maintain 2012 capex levels. At this point, industry price confidence appears somewhat vulnerable, with small and mid-cap E&Ps hedging 46% of 2013 oil production according to **Credit Suisse.**

RJ said E&P capex could drop 20% on economic & supply concerns.

After what was likely a record year in Houston, M&A may also be taking a breather on lower demand again driven by economic unease, according to **Gulfstar Group's** Colt Luedde. However, midstream should continue to thrive due to the need for infrastructure and E&P should at least stay flat supported by oil, said Luedde.

Enerplus cuts capex 19% YOY cut to $685 million

Fresh from agreeing to acquire an additional 20% working interest in its operating leases in the Sleeping Giant area of Montana for $121 million, **Enerplus** provided 2013 guidance announcing capex of $685 million, 19% below 2012's $850 million. Meanwhile, Enerplus projects 2% YOY production growth to 82,000-85,000 boepd after adjusting for A&D activities.

Enerplus expects to cut North Dakota capital spending 25% to $340 million in the coming year. The company anticipates running a two-rig program focused on the Bakken and Three Forks formations and expects to bring 20-25 mostly horizontal wells on stream at Fort Berthhold, North Dakota. The company expects non-operational spending to represent ~15% of total spending in the area for 2013.

Production guidance anticipates 2% increase to 82,000-85,000 boepd.

In the Marcellus, Enerplus plans to cut capex by over 50% to $80 million while production is expected to grow ~36% to 75 MMcfd by year's end. The company will continue to invest in the Deep Basin region on both operated and non-operated leases in 2013, with ~$75 million toward development of gas projects with associated liquids.

Overall capital spending breaks out to $555 million on development drilling and completions, $70 million on plants and facilities, $30 million on maintenance, and $30 million on exploration and seismic studies.

Earnings & Capex

ConocoPhillips capex nearly flat at $15.8 billion

ConocoPhillips announced 2013 capital spending of $15.8 billion, up only 2% vs. last year's $15.5 billion. The company allotted 60% of that total to North America in support of unconventional reservoir drilling and infrastructure development in the Eagle Ford, Bakken, Barnett and Niobrara. Conoco expects production in the Eagle Ford shale to reach 100,000 boepd this quarter. The company expects to spend ~40% of total capex on legacy exploration, including programs in its 21 million net acres of onshore leasehold in the Lower 48 and Canada. Separately, ~35% of capex will go toward major projects which include further development of Canada's FCCL and Surmont oil sands projects and Norwegian North Sea expansion efforts. The remainder of capex will support worldwide exploration and appraisal (15%) and base maintenance (10%).

ConocoPhillips to use 40% of capex on exploration, primarily in North America.

ConocoPhillips is currently undergoing a reorganization which included the spin off of its **Phillips 66** refinery sub and will likely result in the sale of ~$20 billion in assets. Recently, the company agreed to sell its Nigerian business unit, including two offshore properties, for $1.79 billion. The deal is expected to close by mid-2013.

Eyeing Eagle Ford, Rosetta raises capex to $700 million

Rosetta Resources provided capex guidance saying 2013 spending will increase 9% over last year's $640 million to $700 million with more than 85% going toward activities in the liquids-rich Eagle Ford shale and $55 million of that supporting facilities projects. Additionally, ~10% is allocated to project evaluation outside the Eagle Ford.

Rosetta expects Eagle Ford production to grow ~30% percent YOY, while noting liquids now represent over 60% of its current production. Rosetta's capital program is based on a five-rig average, including the drilling of 75 wells and completion of 62 Eagle Ford wells.

Rosetta expects 30% production growth in the Eagle Ford this year.

The company also gave overall production guidance for the year, projecting 46,000-50,000 boepd or ~30% YOY growth. The 2013 exit rate is expected to be 52,000-56,000 boepd, including 32,000-35,000 boepd in liquids production. During Q1 an additional 50 MMcfd of Eagle Ford wet gas capacity will become available.

Capex will be funded by internally generated cash flow supplemented by borrowings under Rosetta's current credit facility.

Bonanza Creek ups capex 32% with Wattenberg focus

Bonanza Creek Energy announced planned 2013 capex of $394 million (up 32% from 2012's $298 million), with 80% targeting the Wattenberg (representing a $140 million or 77% annual increase in the play) and 20% targeting southern Arkansas. Overall average 2013 production is projected at 14,500-16,000 boepd, up 59% at midpoint from 2012's projected 9,100-10,000 boepd.

Wattenberg spending of $323 million will include $282 million for drilling, with the remainder supporting non-operated wells, seismic and maintenance. The Wattenberg program should utilize two rigs, increasing to four by Q2, to result in drilling 64.5 net operated horizontal wells. Chief Michael Starzer said the company will focus particularly on downspacing the Niobrara "B" Bench (56 wells) and developing the "C" bench and Codell formation (four wells apiece), as well as the application of extended reach laterals.

Wattenberg spending will grow by $140 million or 77% YOY.

Bonanza Creek is spending $70 million in Arkansas (down from 2012's ~$87 million), including ~$60 million to drill 30.6 net wells and recomplete 98.2 net wells. The remainder will support testing of possible 5-acre spacing in the Dorcheat-Macedonia and bring the third phase of its gas processing facilities online in Q1 for total processing capacity of 40 MMcfd.

PDC capex guidance up 12.5% YOY to $324 million

PDC Energy provided 2013 guidance, saying it will increase capex this year 12.5% from last year's $288 million to $324 million, with 90% going toward asset development and 10% toward acquisitions, exploration and other costs. Nearly all of the budget (95%) will support liquids-rich organic growth. In Wattenberg field, where it made a sizeable acquisition last year, PDC will spend $254 million (78% of total capex), while $53 million (16%) will be spent in the Utica. Factoring in the Wattenberg acquisition, capex would be down 47% YOY from a total $615 million.

Wattenberg will receive 78% of capex; Utica will get 16%.

Aside from PDC's formal corporate capex, the company plans to devote another $48 million toward its 50% stake in its Marcellus-focused **PDC Mountaineer** JV to support drilling, completion and infrastructure. That sum will be funded by JV cash flow and JV revolver borrowings.

Production expected to grow 9% or more with 45% liquids.

PDC gave production guidance for this year, projecting 151-156 MMcfed with range reflecting uncertainty regarding third party Wattenberg gathering and processing. Expansions in the region are slated for mid- to late 2013. At midpoint projection exceeds 2012 guidance by 9%, likely beating 2012 expectations by an even greater margin since the company reported in Q3 it did not expect to meet its 2012 guidance due to uncertainty regarding Wattenberg line pressures. Exit rate 2013 production is expected to be 175 MMcfed with 45% crude and NGLs.

Capital Markets News

Eagle Ford capex to reach $28 billion in 2013

Oil and gas companies will invest ~$28 billion in the South Texas Eagle Ford this year—roughly 27% of the industry's total capex in the Lower 48—according to **Wood Mackenzie.** The spending will support drilling, fracking, pipeline construction and expansion of refineries.

Crude and condensate will continue to drive growth in the play. Eagle Ford "sweet spots" include Gonzalez, DeWitt and Karnes counties which now account for over 50% of daily liquids production.

Liquids production including NGLs has grown from ~100,000 boepd to ~700,000 boepd since 2011 with average 3Q12 production over 1.0 MMboepd, Wood Mackenzie said. The biggest three players are **EOG Resources, BHP Billiton** and **ConocoPhillips** with a combined ~$30 billion in remaining planned drilling capex targeting the Eagle Ford. BHP projects spending $6.5 billion in the Eagle Ford this year, up 41% vs. last year's $4.6 billion.

Planned 2013 Eagle Ford capex equal to ~27% of total Lower 48 capex.

"While outperforming companies in the Eagle Ford shale achieve their success in different manners, all of them hold premium acreage and have quickly moved to large-scale development," said Wood Mackenzie analyst Callan McMahon.

Wood said during 2012-2015 total Eagle Ford capex should exceed the $116 billion needed for the entire Kashagan mega-project in Kazakhstan.

Capital Markets Briefs

• The Interior Department disbursed $12.15 billion in revenues related to energy production on public lands and offshore areas in fiscal 2012, an 8.9% YOY increase. Funds were transferred to state, federal and tribal accounts in support of jobs initiatives, power and water development in the West, infrastructure, education and conservation. The Bureau of Indian Affairs and the Office of Special Trustee for American Indians received $717.5 million to be disbursed to 34 American Indian tribes and 30,000 individual Indian mineral owners, a 33% increase YOY.

ICE combines with NYSE Euronext in $8.2 billion deal

In a landmark deal and after much wrangling, **NYSE Euronext** is being sold to the **IntercontinentalExchange** for $8.2 billion in cash and stock. At $11.27 and 0.1703 ICE share per NYSE Euronext share the buy comes to $33.12/share, or a 38% premium to share closing price prior to the news. Current NYSE shareholders would own ~36% of the resulting enterprise, while ICE CEO Jeffrey Sprecher would retain his role and Euronext chief Duncan Niederauer would become president, as well as CEO of business unit NYSE Group. The NYSE brand, building and trading floor will be maintained. NYSE's Liffe derivative business, which ICE will integrate into its trading and clearing platform, appears to have been a primary draw, and NYSE's commercial technology business was also mentioned. However, ICE is considering an IPO of Euronext and its European stock operations depending on market conditions and European regulatory support.

ICE paying a 38% premium in cash & stock for NYSE Euronext shares.

The owner of the 220-year-old New York Stock Exchange has been in play for some time, but closure of a deal continually ran into antitrust problems. ICE previously attempted to partner with **Nasdaq OMX** in an $11 billion combined hostile takeover, but this was prevented by the US Department of Justice. NYSE Euronext itself tried to join with **Deutsche Borse,** but European antitrust regulators blocked that deal. But since ICE focuses on commodities trading and the NYSE focuses more on stocks and derivatives, conflicts seem less apparent.

Deal follows US & European regulatory blocks of prior consolidation moves.

Niederauer told employees that scale was imperative for their industry and that consolidation was inevitable. He said the deal was strategically and economically beneficial to NYSE and would generate a meaningful return to investors.

ICE was advised by **Morgan Stanley, BMO, Broadhaven Capital Partners, JPMorgan Chase, Lazard, Societe Generale** and **Wells Fargo. Perella Weinberg Partners, BNP Paribas, Blackstone, Citigroup, Goldman Sachs** and **Moelis & Co.** advised NYSE Euronext. Closure is expected in 2H13.

Buffet, Icahn arrive at fracking boom—by rail

Billionaire investors Warren Buffett and Carl Icahn are finding (through respective companies **Union Tank Car Co.** and **American Railcar Industries**) that hauling tight oil by rail pays serious dividends. Rail lines have begun filling the pipeline transportation gap from new production hot spots in earnest.

Buffet opts to lease Union Tanks cars his company builds & lease them.

Union Tank Car reported being at full capacity while American Railcar has a backlog through 2014. Icahn's company said Q3 orders for tank cars hit 8,800 across the industry which is almost double the amount it could deliver. Car order backlog attributed to energy producers through Q3 stood at 46,700, accounting for ~75% of the industry's unfilled orders. "People who want to ship oil can't get [railcars]," said Toby Kolstad, consultant with **Rail Theory Forecasts.** "They're desperate to get anything to move crude oil."

Tank car backlog from E&Ps accounts for three-fourths of industry orders.

As a result, Union Tank Car is keeping all the tank cars it turns out, opting to lease rather than sell them. The company's plants near Houston and Alexandria, Louisiana turn out 6,240 units a year working at full capacity. Meanwhile, Icahn has expressed intentions to expand operations and tried to buy railcar manufacturer **Greenbrier Companies,** but the deal (which would have created the largest railcar manufacturer in the US) fell through in December. Industry-wide tank car shipments of crude grew to 66,000 in 2011, up nearly sevenfold from 2008's ~9,500 shipments. Apparently showing no signs of slowing, the number is believed by the Association of American Railroads to have topped 200,000 last year.

Capital Markets News

Exxon sees net energy exports by 2025 Continued From Pg 1

The company expects future energy needs to be met through greater efficiency, less carbon-intensive fuel including natural gas, nuclear and renewables and the tapping of previously inaccessible unconventional resources. Exxon believes North American production and associated more-competitive domestic manufacturing will bring about new trade opportunities with both Europe and the Asia Pacific region, which rely on international markets to meet energy needs.

Exxon also expects oil and gas to meet 60% of global energy demand by 2040 vs. 2010's 55%, benefiting from advanced technologies. As conventional oil production declines slightly, Exxon sees all oil production gains stemming from unconventional methods including deepwater, oil sands and tight oil, with overall liquids demand reaching 113 MMboed by 2040 (up 30% vs. 2010) and only 55% stemming from conventional crude. By 2025, gas should surpass coal as the second-most used fuel globally after oil. And by 2040 global gas demand will have increased 65%, with 20% of global production in North America.

Global energy demand up 35% by 2040.

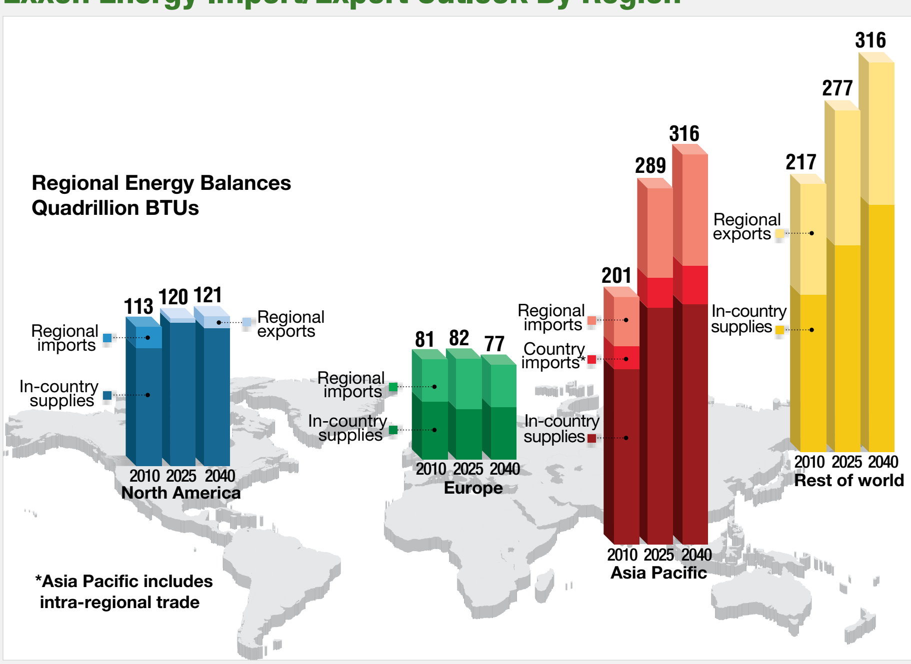
Oil & gas meet 60% of global energy demand by 2040 vs. 55% in 2010.

Electricity generation is expected to grow 50% globally by 2040, with an 85% increase in demand led by a 150% increase in non-OECD countries. As for gas' share of the electricity mix, Exxon believes it will grow to 30% globally vs. today's 20% due to its low carbon benefits. As for renewables, wind is expected to grow sevenfold to 7% of global electricity supply while solar grows over 20-fold to ~2% of supply.

Global electricity demand up 50% led by 150% jump in non-OECD nations.

Greater energy efficiency stemming from vehicle improvements (hybridization, vehicle downsizing, powertrain improvements and body/accessory advancements), high-efficiency gas power plants and other technologies is expected to grow OECD economic output 80% without increasing total energy use. Cars in use globally should double while heavy duty transportation demand should grow 65%, but fuel demand should have plateaued and begun to decline by 2040 due to smaller vehicles and improved fuel efficiency. Natural gas is also expected to reach 4% of the global transportation fuel mix by 2040, quadrupling from a current 1%.

Exxon Energy Import/Export Outlook By Region



Source: ExxonMobil November 30 Presentation via **PLS docFinder www.plsx.com**

Norway's sovereign wealth fund hits US real estate

Norway's $682 billion **Norwegian Government Pension Fund Global** (GPFG) the world's largest sovereign wealth fund, has been exploring real estate investments in the New York, Washington and Boston markets, and recently gave fund manager **Norges Bank Investment Management** approval to begin making deals. GPFG CIO Karsten Kallevig told The Wall Street Journal that a first US deal, likely focusing on high-end retail or office space, could come as soon as this quarter. Kallevig said positions would likely come via domestic REITs in which GPFG would hold up to a 49% stake for tax purposes. The fund is seeking long-term, well-funded partners and expects to hold assets for decades.

Large scale of sought investments may mean low number of competitors.

The oil and gas revenue-powered fund has $34.5 billion allocated for real estate investment with up to 1/3 (~$11.2 billion) allocated toward US deals according to Kallevig. But given GPFG's strong growth rate it could take until 2021 to reach that allocation target. Despite high comparative strength in the targeted East Coast markets and competition from other international investors, real estate investors say major US cities have historically been a smart play. Although **Winthrop Realty Trust** has not worked with GPFG, CEO Michael Ashner told The Wall Street Journal the fund is looking for a stable, low-risk asset stream to support pension obligations. Kallevig said the specific markets targeted have solid population and economic growth prospects and an apparent lack of supply.

Fund could invest up to $11.2 billion along East Coast by 2021.

The fund began making real estate moves in 2011, seeking to diversify beyond stocks and bonds. It holds assets in London, Berlin, Frankfurt, Paris and Zurich. After it develops a US position, Kallevig said GPFG plans to expand to Asia.

Midstream Capital

CorEnergy funds Ultra buy with $89 million in equity

CorEnergy Infrastructure Trust completed the sale of 14.95 million shares of common at $6.00/share for ~$89 million in net proceeds. The sale included exercise of a 1.95 million underwriter option which contributed ~$11 million to the total net. Proceeds will support CorEnergy's $130 million share of the $225 million acquisition of **Ultra Petroleum's** liquids gathering system in Wyoming's Pinedale field. **Prudential Capital Group** subsidiary **Energy Finance Group** will contribute another $30 million, with the remainder to be funded through non-recourse debt. Given that CorEnergy initially proposed an 18.5 million-share offering with a 2.76 million option, it is possible that the debt portion may need to be increased.

Prudential Capital's Energy Finance Group is also taking a stake in the system.

Ultra will continue to operate the system, paying annual rent of $20 million under a 15-year initial term lease, with additional rent based on liquids volumes.

The equity offering dilutes previous equity interest by 163% from a prior 9.19 million-share public float. Share price dropped 22% the two days following news of the offering to below the offer price at $5.85/share. Underwriters were **BofA Merrill Lynch, KeyBanc, RBC, Wells Fargo** and **Stifel Nicolaus.**

Midstream Capital Briefs

• **Eagle Rock Energy Partners'** lender commitments under its senior secured credit facility were increased $145 million (~21%) to $820 million. The facility was also amended to allow a temporary increase in total leverage ratio from 4.50x to 4.75x and set a new senior secured leverage ratio of 2.85x, both through Q3, while also increasing permitted "other investments" under the agreement. CFO Jeffrey Wood said the facility was increased to reflect Eagle Rock's recent growth and would provide additional flexibility. **Whitney Bank** was also added to the partnership's lender group.

QEP Resources to move forward with midstream MLP

After exploring two possible routes for monetizing some of its midstream assets, either an MLP or sale of a minority stake to a partner, **QEP Resources** has opted for the MLP route. With plans to contribute the majority of its gathering assets in Wyoming and North Dakota to the partnership, the company plans to file a registration statement for an IPO in Q2. QEP will sell a minority stake in the partnership and expects to gross $300-400 million from the offering. Proceeds will pay down QEP's credit facility and support general corporate purposes. In December, company chief Chuck Stanley said QEP was looking at various ways of de-levering following its recent $1.4 billion Three Forks/Bakken acquisition.

IPO of midstream assets expected to gross $300-400 million.

In an analyst's note, **Wells Fargo** speculated that the Pinedale gathering and pipeline assets and the Blacks Fork processing complex and fractionation assets in southwest Wyoming would be rolled into the MLP. The MLP is intended to support the growth of QEP's midstream segment and maximize shareholder value, and Wells Fargo's David Tameron agrees with the move. Even though proceeds might have been higher and realized more quickly via a partner, the MLP route should hold more long-term upside for the company. Energy was the most active sector for IPOs in 4Q12, producing 10 deals, eight of them MLPs.

Western Gas Equity Partners IPO option exercised

Recent **Anadarko** midstream IPO **Western Gas Equity Partners LP** put a bow on its banner public debut with full exercise of a ~2.6 million-unit underwriter option which increased gross proceeds $56.7 million (or 15%) higher than originally projected to $435.1 million. The offering had already outperformed by several measures, with the base offering having been upsized 15% from a previously announced 15.0 million units to 17.2 million units and units pricing 10% above the midpoint of an expected range of $19-$21/unit at $22/unit. Shares then surged 26% on their first day of trading to $27.75/unit, the highest single-day MLP IPO jump in years according to **Dealogic.** Proceeds are being used to buy units of **Western Gas Partners LP,** which Equity manages as its general partner.

Additional $56.7 million in proceeds will be used to buy LP units.

MarkWest cuts interest payments with $1.0 billion debt refi

MarkWest Energy Partners LP and sub **MarkWest Energy Finance Corp.** are selling $1.0 billion in 4.5% senior unsecured notes due 2023 and priced at par. Part of net proceeds, combined with remaining cash from a ~$437 million net proceed November equity sale, will be used to redeem all ~$81 million (as of Q3) in outstanding 8.75% senior notes due 2018 and an unspecified portion of MarkWest's $499 million in 6.5% senior notes due 2021 and $700 million in 6.25% senior notes due 2022. The remainder will fund capex, general working capital and general partnership purposes.

Underwriters are **Barclays, BofA Merrill Lynch, Citigroup, Goldman Sachs, JP Morgan, Morgan Stanley, Natixis, RBC, SunTrust, UBS, US Bancorp** and **Wells Fargo.** MarkWest reported $2.52 billion in outstanding long-term debt as of Q3.

Oilfield Service Capital

Seacor raises $300 million & pays special dividend

Seacor Holdings executed a $300 million private offering of 2.5% convertible senior notes due 2027, granting purchasers an option to buy up to an additional $50 million of the notes. The base offering was upsized 20% from a previously announced $250 million. Net proceeds are expected to be $291.8 million, or $340.5 million if the option is exercised in full. Of that, $125 million will be used to pay down the company's revolver, for which Seacor reported $240 million in outstanding borrowings in Q3 with another $164 million in available liquidity. Another $50 million will be used to repurchase common stock from purchasers of the convertible notes in privately negotiated transactions at $88.54/share (closing share price the day prior to the announcement). Such a buyback would equate to ~565,000 shares if executed in full, or 2.7% of public float. At the time, Seacor said possible uses for the remainder of proceeds including any option proceeds included possible additional common share buybacks or a special dividend to take advantage of then-current effective tax rates. The company chose the latter as explained further below.

Net debt proceeds are ~$292 million, assuming no option exercise.

Proceeds pay down revolver, buy shares & fund special dividend.

The notes are convertible on satisfaction of certain conditions at a rate of 9.2 shares per $1,000 in principal, or $108.59/share. This was modified from an original 8.7 shares per $1,000 in principal ($115.10/share, or a 30% premium to the prior-day closing price) due to Seacor's declaration of a $5.00/share special dividend. On conversion, Seacor may cash out noteholders with any combination of cash and stock.

The special dividend was payable to shareholders of record as of December 17, and the company also accelerated employee restricted stock vesting slated for 2013 or 2014 to just prior to the record date so employees would benefit from the move as well. That acceleration will result in a $12.2 million charge for Seacor in Q4. Seacor said restricted shares slated to vest 2015 or later will also participate in the dividend in accord with company plans. Executive chairman Charles Fabrikant explained the dividend saying Seacor's current liquidity exceeded immediate and projected business needs and cited the aforementioned shareholder tax benefits of making such a payment at that time. given Q3 public float, the special dividend would amount to a $104.3 million payment.

Downstream Capital

Phillips 66 to form MLP & IPO a minority stake

Phillips 66 will form an MLP next year which it said could consist of assets such as pipelines and terminals, rail cars and infrastructure and NGL assets. The company expects to file for the IPO in 2Q13 and sell a minority stake of the MLP during 2H13, raising $300-400 million.

Looking to raise up to $400 million with IPO of MLP stake during H2.

Phillips 66 has a 2013 planned capex program of $3.7 billion, representing a 6% increase YOY, including $1.8 billion in capital spending by **DCP Midstream, Chevron Phillips Chemical** and **WRB Refining.** Remaining capex includes $1.39 billion toward refining and marketing, $361 million for midstream and $161 million for corporate and other programs.

The company expects to improve margins as it increases service to growing international refined products markets. Phillips 66 has several projects planned or online to increase export capabilities from Gulf Coast and West Coast refineries by 100,000 bpd by 2014. Phillips 66 plans to reduce debt by $2 billion by the end of next year, which combined with expected equity growth should improve the company's debt-to-capital ratio to its target range of 20-30% by year's end.

In the interim, Phillips is also sharing the wealth with shareholders, doubling its share buyback program to $2.0 billion and increasing its annual dividend 25% to $1.25/share.

Oil States upsizes its debt offering 33% to $400 million

Oil States International priced a $400 million private offering of 5.125% senior unsecured notes due 2023 at par, upsized 33% from a previously announced $300 million. Net proceeds will be used to repay all outstanding borrowings under its US revolver and for general corporate purposes.

Oil States had $276.3 million in revolver debt in Q3, of a total available $500 million. Weighted average interest was 2.7%. Total Q3 long-term debt and related items were $1.15 billion. Assuming Q3 revolver debt paid in full, net combined long-term debt and related items would increase 8% as a result of the new offering. The company also funded its recent $52.5 million **Tempress Technologies** acquisition with its revolver, so pro forma borrowings and use of proceeds for that purpose would have been at least $328.8 million.

Flotek grows credit facility & redeems convertible notes

Flotek Industries expanded its credit facility with **PNC Bank,** including a debt limit increase from $35 million to $50 million. PNC also gave Flotek a $25 million term loan to refi existing convertible notes slated to be redeemed next month. Flotek said interest on the new facility will be significantly lower than the 5.25% note coupon. Both revolver and loan mature in 2017. Flotek then announced repurchase of $50 million in convertible notes (~90% of outstanding) at 100.59% of par.

Flotek will have redeemed all $55 million in convertible notes by February.

Flotek chief John Chisholm said current cash was nearly $30 million, with outlook for strong cash generation, balance sheet improvement and strategic initiatives to enhance shareholder value this year. With the note repurchase, Chisholm said Flotek reduced its debt by over $70 million in 2012. On February redemption of the remaining $5.0 million in convertible notes the company should have only $25 million in debt outstanding.

Commodities

Coal projected to near oil consumption levels in 2017

Coal's slice of the global energy pie will continue to grow and within five years will come close to supplanting oil as the world's top energy source, according to a report by the International Energy Agency. Driven by rising demand for electricity generation in China, India and other increasingly industrial Asian nations, 2017 global coal consumption is expected to reach ~30.24 Bboe vs. ~30.8 Bbbls of oil, projections show.

Report foresees 1.2 billion tons more consumed coal used per year by 2017.

Medium-term coal market projections portend well for top coal producers such as China's **Shenhua Group, Coal of India, Glencore** and **Peabody Energy** showing the upward trend continuing. About 1.2 billion more tons of coal will be burned annually by 2017 compared to 2012 levels, even as the explosive rate of consumption growth over the past decade slows from 4.3% to 2.6% annually. The resulting consumption increase is equal to current coal use by the US and Russia combined.

Coal consumption expected to increase 2.6% annually, down from recent 4.3%.

IEA noted that unless carbon prices climb substantially, only cheap gas might reduce coal demand. "The US experience suggests that a more efficient gas market, marked by flexible pricing and fueled by indigenous unconventional resources that are produced sustainably, can reduce coal use," said IEA executive director Maria van der Hoeven.

As US coal use declines—likely by 14% over the next five years—its exports to Europe continue to increase. However, this trend is near its peak according to IEA, with demand expected to drop to near 2011 levels by 2017 as renewables increase and old coal plants are decommissioned.

www.plsx.com

Peabody Energy

US crude sees huge draw; gas also healthy downtick

US crude stocks fell a massive 11.12 million barrels the week ending December 28 according to EIA, well above Platts consensus estimates of 1.0 MMbbl. It is not uncommon to see large decreases at the end of the year as refiners work down inventories for tax purposes, but this draw was large even under that dynamic. Over three weeks ending January 13, 2012 stocks dropped 8.84 MMbbl, while the last week of 2010 saw a 7.51 MMbbl draw.

Refiners often drive large year-end draws, but this one exceeded recent years.

Other supply-demand dynamics support the refiner explanation, as distillate supplies rose 4.57 MMbbl (beating analyst expectations of 1.6 MMbbl), gasoline supplies rose 2.57 MMbbl (beating expectations of 2.3 MMbbl) and imports dropped 931,000 bbl (12% sequentially) to 7.1 MMbbl. Moreover, the majority of the draw took place on the US Gulf Coast, site of the majority of US refining capacity. Despite these moves, Cushing stocks rose 573,000 bbl to a new 49.75 MMbbl all-time high.

Next few weeks' weather is key for 2013 natural gas price outlook.

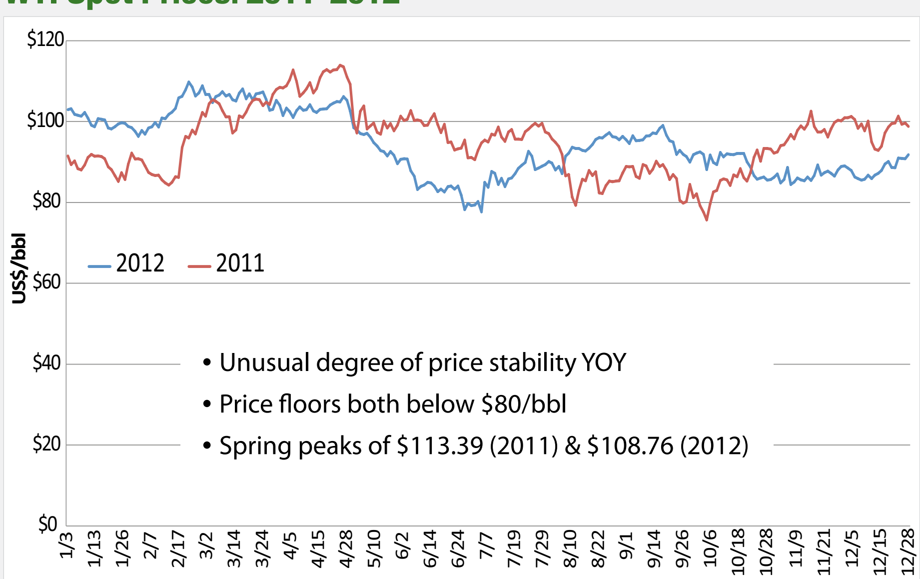
Gas also saw a solid draw of 135 Bcf, beating consensus estimates of 130 Bcf and the five-year average of 113 Bcf. However, analysts are quite cautious regarding winter weather impacts on pricing. **Tudor, Pickering, Holt & Co.** called this winter "disappointing" so far, at 8% warmer than the 10-year average and even 1% warmer than last year when measured by heating degree days. That said, Tudor notes winter is just over 40% complete so there is still time for a turnaround, although to reach "normal" would require ~6% colder than normal temps for the remainder of winter. Since January accounts for about one-fourth of winter cold, Tudor said the next few weeks are pivotal.

WTI shows high degree of stability over past 2 years

The West Texas Intermediate front-month contract may have dropped 7% vs. 2011 levels, but when WTI spot data for both 2011 and 2012 is considered concurrently, a remarkable degree of price stability for the two-year period is apparent.

Both 2011 and 2012 WTI spot had price floors under $80/bbl, with 2012 bottoming at $77.72 and 2011 hitting $75.40. Both years also saw spring annual highs, with 2012 topping at $108.76 on March 1 and 2011 reaching $113.39 on April 29. As such, last year also proved to be less volatile than 2011 in terms of WTI spot pricing.

WTI Spot Prices: 2011-2012



Source: US Energy Information Administration

Who's Hot, Who's Not—As of January 8

Analysts' view on select stocks

Key: Ticker/Current Price/52-Week Low/52-Week High/Market Cap

Upgrades:

- **Access Midstream Partners LP** (ACMP/$34.76/$22.50/$37.57/$5.14B) from Neutral to Buy by UBS.
- **Bill Barrett** (BBG/$18.03/$15.42/$35.45/$851.95M) from Hold to Buy by Wunderlich.
- **Concho Resources** (CXO/$85.02/$76.17/$116.82/$8.8B) from Outperform to Top Pick by RBC Capital Markets.
- **Diamond Offshore Drilling Inc.** (DO/$70.94/$55.83/$73.50/$9.86B) from Market Perform to Market Outperform by Howard Weil.
- **Duke Energy** (DUK/$64.90/$59.63/$71.13/$45.71B) from Hold to Buy by Deutsche Bank.
- **Ensco PLC** (ESV/$61.78/$41.63/$62.90/$14.35B) from Hold to Buy by Jefferies.
- **EPL Oil & Gas Inc.** (EPL/$23.51/$14.56/$23.37/$918.98M) from Accumulate to Buy by Global Hunter Securities.
- **FMC Technologies Inc.** (FTI/$42.97/$36.89/$55.19/$10.22B) from Market Perform to Market Outperform by Howard Weil.
- **FMC Technologies Inc.** (FTI/$42.97/$36.89/$55.19/$10.22B) from Neutral to Buy by Sterne Agee.
- **Hess Corp.** (HES/$55.41/$39.67/$67.86/$18.76B) from Hold to Buy by Deutsche Bank.
- **Royal Dutch Shell PLC** (RDS-A/$68.84/$60.62/$74.52/$216.32B) from Market Perform to Market Outperform by Howard Weil.
- **Superior Energy Services Inc.** (SPN/$22.26/$17.54/$31.88/$3.51B) from Sector Perform to Outperform by RBC Capital Markets.
- **Transmontaigne Partners LP** (TLP/$39.49/$29.89/$39.70/$570.91M) from Hold to Buy by Stifel Nicolaus.
- **Weatherford International Ltd.** (WFT/$11.56/$8.84/$18.33/$8.84B) from Neutral to Buy by Guggenheim.

New Coverage:

- **Alon USA Partners LP** (ALDW/$21.98/$16.84/$25.33/$1.37B) at Neutral by Citigroup.
- **Atlas Energy LP** (ATLS/$36.87/$23.51/$39.35/$1.89B) at Neutral by Robert W. Baird.
- **Atlas Pipeline Partners LP** (APL/$31.75/$27.32/$38.50/$1.71B) at Outperform by Robert W. Baird.
- **Atlas Resource Partners LP** (ARP/$22.77/$20/$31.97/$908.77M) at Outperform by Robert W. Baird.
- **Cimarex Energy** (XEC/$61.14/$46.19/$87.85/$5.29B) at Buy by Global Hunter Securities.
- **Cobalt International Energy Inc.** (CIE/$25.90/$16.81/$36.51/$10.53B) at Buy by Global Hunter Securities.
- **Continental Resources** (CLR/$80.31/$61.02/$97.19/$14.76B) at Buy by Deutsche Bank.
- **Energen Corp.** (EGN/$48.21/$40.13/$58.24/$3.48B) at Buy by Wunderlich.
- **Halcon Resources** (HK/$7.35/$5.26/$13.35/$1.59B) at Outperform by Robert W. Baird.
- **Hornbeck Offshore Services** (HOS/$35.35/$31.68/$43.83/$1.25B) at Buy by Citigroup.
- **ION Geophysical Corp.** (IO/$6.80/$5.29/$8.79/$1.06B) at Buy by BGB Securities.
- **LRR Energy LP** (LRE/$17.79/$12.25/$21.62/$399.39M) at Buy by Ladenburg Thalmann.
- **Oil States International Inc.** (OIS/$74.63/$60.03/$87.65/$4.1B) at Buy by Standpoint Research.
- **Sanchez Energy Corp.** (SN/$20.39/$16.37/$25.37/$683.7M) at Buy by C.K. Cooper.
- **Tidewater Inc.** (TDW/$45.69/$42.33/$63.27/$2.26B) at Buy by Citigroup.
- **Triangle Petroleum** (TPLM/$5.84/$4.63/$8.26/$259.06M) at Outperform by Robert W. Baird.
- **Triangle Petroleum** (TPLM/$5.84/$4.63/$8.26/$259.06M) at Buy by Canaccord Genuity.
- **Vanguard Natural Resources LLC** (VNR/$27.97/$22.81/$30.22/$1.65B) at Buy by Ladenburg Thalmann
- **Western Gas Equity Partners LP** (WGP/$31.70/$27.12/$32.40/$6.94B) at Overweight by Barclays.

CEO Fred Barrett resigns as company continues oil shift

Bill Barrett CEO Fred Barrett has resigned, effective immediately, and has been replaced on an interim basis by COO Scott Woodall. Woodall will retain his COO responsibilities while the company searches for a new leader. Barrett, who has served on the board of the company founded by his father (and the firm's namesake) for its entire 11-year history, has been CEO and chairman since 2006.

The gas-focused E&P firm has struggled in recent years, with shares down nearly 50% since year-end 2011 before gas prices imploded. It is cutting capex by over $400 million this year to $475-525 million, focusing on Uinta and DJ Basin oil.

Wells Fargo anticipates that if the leadership change has any impacts, the primary one will be a smaller emphasis on exploration "because the company's namesake, Bill Barrett was an old school wildcatter, and his sons, who are geologists, were cut from the same rug." Combined with 2013 capex plans, the company may shift focus to existing resource development.

People Briefs

• **Cimarex Energy** appointed *Floyd R. Price* to its board. He serves as chairman of **Gastar Exploration** and **Tamarack Valley Energy.**

• **Energen** appointed *Frances Powell Hawes,* CFO of **New Process Steel,** to its board.

• **Quantum Technologies** appointed president and CEO *W. Brian Olson* to its board.

• **Shell** announced the retirement of non-executive director *Jeroen van der Veer,* effective May 2013. *Gerrit Zalm* has been appointed as non-executive director.

Service Capital Briefs

• Houston PE firm **Freestone Partners** and Dallas' **Orix Corporate Capital** partnered to buy steel plate processor **Cyclone Steel Services** for an undisclosed price. Cyclone CEO Steve Lesikar and existing management will stay on, with Lesikar retaining a "substantial" stake in the company. Birmingham, Michigan I-bank **Quarton Partners** was exclusive advisor to Cyclone.

Who's Hot, Who's Not—As of January 8

New Coverage:

- **Western Gas Equity Partners LP** (WGP/$31.70/$27.12/$32.40/$6.94B) at Outperform by RBC Capital Markets.
- **Whiting Petroleum Corp.** (WLL/$46.10/$35.68/$63.97/$5.42B) at Market Outperform by Howard Weil.
- **WPX Energy** (WPX/$15.11/$13.22/$19.74/$3.01B) at Neutral by Robert W. Baird.

Downgrades:

- **Baker Hughes** (BHI/$42.36/$37.08/$52.96/$18.62B) from Market Outperform to Market Perform by Howard Weil.
- **Baker Hughes** (BHI/$42.36/$37.08/$52.96/$18.62B) from Overweight to Equal-Weight by Morgan Stanley.
- **Baker Hughes** (BHI/$42.36/$37.08/$52.96/$18.62B) from Outperform to Sector Perform by RBC Capital Markets.
- **Baker Hughes** (BHI/$42.36/$37.08/$52.96/$18.62B) from Buy to Neutral by Sterne Agee.
- **Basic Energy Services Inc.** (BAS/$11.74/$8.52/$22.50/$470.41M) from Market Outperform to Market Perform by Howard Weil.
- **Bonanza Creek Energy Inc.** (BCEI/$31.21/$13.76/$31.22/$1.25B) from Focus Stock to Market Outperform by Howard Weil.
- **Dresser-Rand Group Inc.** (DRC/$56.96/$41.01/$59.69/$4.31B) from Market Outperform to Market Perform by Howard Weil.
- **Endeavour International Corp.** (END/$6.09/$4.66/$13.48/$279.12M) from Buy to Accumulate by Global Hunter Securities.
- **Energen Corp.** (EGN/$48.21/$40.13/$8.24/$3.48B) from Focus Stock to Market Outperform by Howard Weil.
- **FMC Technologies** (FTI/$42.97/$36.89/$55.19/$10.22B) from Outperform to Sector Perform by RBC Capital Markets.
- **Forum Energy Technologies Inc.** (FET/$26.22/$18.60/$26.59/$2.18B) from Market Outperform to Market Perform by Howard Weil.
- **Halliburton** (HAL/$36.19/$26.28/$39.19/$33.58B) Buy to Hold by Standpoint Research.
- **Harvest Natural Resources Inc.** (HNR/$9.97/$4.85/$10.83/$393.06M) from Buy to Hold by Wunderlich.
- **National Fuel Gas Co.** (NFG/$49.51/$41.57/$55.66/4.13B) from Market Outperform to Market Perform by Howard Weil.
- **National Oilwell Varco Inc.** (NOV/$69.40/$59.07/$89.95/$29.63B) from Buy to Neutral by Guggenheim.
- **National Oilwell Varco Inc.** (NOV/$69.40/$59.07/$89.95/$29.63B) from Outperform to Sector Perform by RBC Capital Markets.
- **PDC Energy** (PDCE/$36.27/$19.33/$40.26/$1.07B) from Buy to Hold by Canaccord Genuity.
- **Phillips 66** (PSX/$51.59/$28.75/$55.31/$32.29B) from Market Outperform to Market Perform by Howard Weil.
- **Plains Exploration & Production Company** (PXP/$47.30/$30.12/$48/$6.1B) from Market Outperform to Market Perform by Howard Weil.
- **Precision Drilling Corp.** (PDS/$8.79/$5.82/$12.89/$2.43B) from Market Outperform to Market Perform by Howard Weil.
- **Rowan Companies Inc.** (RDC/$33.77/$28.62/$39.40/$4.19B) from Focus Stock to Market Outperform by Howard Weil.
- **SandRidge** (SD/$6.97/$4.81/$8.98/$3.32B) from Hold to Sell by Canaccord Genuity.
- **SandRidge** (SD/$6.97/$4.81/$8.98/$3.32B) from Buy to Hold by KeyBanc Capital Markets.
- **SandRidge** (SD/$6.97/$4.81/$8.98/$3.32B) from Buy to Hold by Wunderlich.
- **Stone Energy Corp.** (SGY/$22.18/$19.27/$35.47/$1.07B) from Buy to Accumulate by Global Hunter Securities.
- **Southwestern Energy Co.** (SWN/$32.73/$25.63/$36.87/$11.44B) from Buy to Hold by Dahlman Rose.

Continues On Pg 16

Financial Takes

Our **CapitalMarkets** editors are working hard to keep their fingers on the pulse of the latest funds, pricing, news and professional opinions pertaining to the oil and gas finance sector. Whether it's through a one-on-one interview, heard-it-on-the-street feedback or energy conference coverage, each issue of the CapitalMarkets contains insights about how things are shaping up for current and future financial trends. Below is a round up of current thoughts from some of the sector's well-known analysts and portfolio managers. Read On!

Western Gas Equity Partners (WGP; $29.95–Dec. 31; Overweight; PT: $35)

Initiating at OW and $35 price target. WGP is the general partner of Western Gas Partners (WES), a high-growth, low-risk MLP with a strong public market track record. **We forecast WGP will grow distribution 41% in 2013 and 30% in 2014 (exit rates), based on 15% and 10% exit rate growth at WES, implying 2.4x GP/LP leverage.** WES's growth is driven by a large and growing inventory of drop down-able assets at APC, which we estimate to be worth $2.4+ billion translating into 5 years of inventory based on our $500 mm/yr drop down assumption. As a pure play GP with 100% of its cash flows coming from LP/GP interests in WES, WGP does not need to fund its growth, meaning WGP unitholders will be spared from periodic stock overhangs common with high-growth MLPs. Importantly, we believe the underlying MLP has fairly limited funding risk given WES's history of maintaining a strong balance sheet and liquidity. Our target yield reflects a 40 bps premium versus the lowest yielding MLP in our comp group, given WGP's strong growth and its limited risk profile. A key risk includes the health of APC, which holds a 90% WGP interest and accounts for 80% of revenues at WES. —Heejung Ryoo, **Barclays**

Pioneer Natural Resources (PXD; $109.75–Jan. 2; Outperform; PT: $121)

PXD remains our top Permian pick. PXD's first "southeastern Wolfcamp extension" well, Rocker B 74H, posted a 24-hour IP of 1,250 boe/d (90% oil), more than double the 520 boe/d average from PXD's first 16 horizontal Wolfcamp wells. The Rocker sits in a previously untested area. Three additional southeastern stepout results should be announced over the next few months. The southeast extension in Reagan and Irion counties account for 50,000 of the 200,000 net acres PXD plans to JV. Our pre-Rocker DCF model yielded $15,000 per acre valuation based on 30-day IPs of 440 boe/d. Assuming a 24- hour to 30-day decline rate of 25%, the Rocker should post a peak month rate of 950 boe/d. **Extrapolating the Rocker result across the 50,000 net southeastern acres boosts our DCF-driven JV valuation to over $20,000 per acre.** Multiple Catalysts on the Horizon – PXD plans to announce the industry's first two long lateral Midland County completions on the 4Q call. 24-hour IP results could reach 2,000 boe/d given the industry's first Midland County well posted a 24-hour rate of 900 boe/d after being completed with just a 3,700 ft lateral. Other 2013 catalysts include PXD's first Martin County completions, first lower B-bench test, and first C and D bench tests. —Eli Kantor, **Iberia Capital Partners**

Who's Hot, Who's Not Continued From Pg 15

Downgrades:

- **Statoil ASA** (STO/$25.15/$22/$28.95/$80.01B) from Market Outperform to Market Perform by Howard Weil.
- **Superior Energy Services Inc.** (SPN/$22.26/$17.54/$31.88/$3.51B) from Buy to Neutral by Sterne Agee.
- **Tenaris** (TS/$40.74/$29.79/$44.88/$24.05B) from Overweight to Equal Weight by Barclays.
- **Tesco Corp** (TESO/$11.78/$8.70/$16.88/$456.42M) from Buy to Hold by Dahlman Rose.
- **Tesoro Corp.** (TSO/$41.40/$20.77/$45.44/$5.78B) from Focus Stock to Market Outperform by Howard Weil.
- **Valero Energy** (VLO/$34.67/$19.72/$35.66/$19.19B) from Market Outperform to Market Perform by Howard Weil.

Key: Ticker/Current Price/52-Week Low/52-Week High/Market Cap Source: **Yahoo! Finance**

Legal & Regulatory

Black Elk hires investigator after GOM platform explosion

Black Elk Energy has hired **ABS Consulting** to investigate a November explosion that caused the death of three workers and several injuries on the company's West Delta 32 Block platform ~17 miles southeast of Grand Isle, Louisiana in the Gulf of Mexico.

Contractor Grand Isle rejects notion that workers with torch were responsible.

Black Elk CEO John Hoffman said workers may have used a torch to cut a water line and accidentally ignited either flammable vapors or oil which set off the blast in connected oil tanks. While the Chemical Safety Board hasn't yet decided whether to launch a formal inquiry, **Grand Isle Shipyards,** a contractor on site at the time of the explosion, has rejected Hoffman's possible explanation.

The platform used exclusively for pumping oil to the surface had been shut in since August. Black Elk and the safety board said about 480 bbl of oil were lost in the fire, but less than 1.0 bbl was spilled.

After cliff deal, loss of tax breaks a possibility

Continued From Pg 1

Wells Fargo still categorizes the chances of 2013 enactment of repeals as "unlikely" but called the possibility "more real today than ever." If the repeals do occur, the I-bank expects them in late 2013 or 2014, most likely as part of an overall tax reform package. The industry-centric reforms would only cut the deficit by ~$27 billion over a 10-year span during which time the cumulative deficit is expected to be ~$10 trillion. And even if such reforms are passed, Wells Fargo predicts implementation could be delayed.

If repeals were to occur, timing is expected to be late 2013 or 2014.

Should such reform occur, impacts could be meaningful with first-year cash-flow impacts of 20-25% and IRRs pushed down as much as 20% on the IDC repeal alone. As a result, the industry would require $0.65/Mcfe Marcellus natural gas and $10/bbl Bakken crude price upswings in order to maintain PV-10 breakevens. Wells Fargo also cited **IPAA** estimates of 25-35% capex spending cuts by independents. The most likely candidates for repeal in the I-bank's view are expensing of IDCs, the percentage-of-depletion deduction, manufacturing credit and pool-of-capital doctrine. Elimination of LIFO accounting might also materially impact refiners and majors.

Wells Fargo said cash flows could be hurt by 20-25% & IRRs by up to 20%.

Wells Fargo said impacts would vary significantly by company, and firms with operating loss carry forwards could shield some producers initially. It sees **Devon, Concho** and **Pioneer** as the most exposed within its coverage universe.

Wells Fargo Estimates Of Tax Reform Impact On IRRs

Play	Pre-Tax Current	Post-Tax Current[1]	Remove IDC Expense[2]	Remove All Deductions[3]
Bakken	55%	54%	37%	31%
Marcellus (Dry)	21%	27%	22%	19%
Wolfcamp	34%	36%	26%	21%
Eagle Ford	47%	46%	33%	28%

1. Uses generic type curves and assumes 80% of drilling costs are IDCs.
2. Assumes 100% of D&C Costs are capitalized and amortized over 5 years
3. Assumes 100% of D&C Costs are capitalized and amortized over 5 years and percentage depletion allowance and domestic manufacturing exclusion are repealed
Source: Wells Fargo December 18 report

PERMIAN BASIN

WEST TEXAS PRODUCTION
5-Active Wells. 860-Acres Leasehold.
MIDLAND & HOWARD CO.
"WOLFBERRY" PLUS STRAWN,
-- ATOKA & MISSISSIPPIAN
Potential Upside in 7 Additional Wells.
100% OPERATED WI; 75% NRI
Gross Prod: 140 BOPD & 869 MCFD
Avg Net Cash Flow: $101,840/Month
CONTACT AGENT FOR UPDATE
PP 1956DV

PP
140 BOPD

MIDCONTINENT

NESS CO., KS LEASES
PLS
~25,000-Net Mineral Acres.
HORIZONTAL MISSISSIPPIAN OIL
Chat/Basal Penn Conglomerate Upside
Also Potential In Cherokee & Lansing.
Located On Flanks of Central KS Uplift.
Excellent Well Control In County (>4,500).
100% OPERATED WI; 80% NRI
CALL PLS AGENT FOR DETAILS
L 5015DV

L
MISSISS-IPPIAN

SOUTHERN KANSAS ACREAGE
48,671-Gross Acres. 45,334-Net Acres.
COMANCHE & CLARK CO.
MISSISSIPPIAN LIME PLAY
MULTIPAY OPPORTUNITY
Typical Well: 9,700' (MD) 5,400' (TVD)
3-D Seismic Data Available in Clark Co.
50% OPERATED WI; ~80% NRI (Lease)
CONTACT DALLAS AGENT FOR INFO
L 1812DV

L
MISS LIME PLAY

GRAY CO., TX PROJECT
PLS
10+ Potential Wells. 3,200-Acres.
TX PANHANDLE - ANADARKO BASIN
THORNDIKE (GRANITE WASH) FIELD
Obj 1: Thorndike/Hogshooter. 7,800 Ft.
Obj 2: Missouri E/Cleveland. 8,300 Ft.
Lateral Lengths: 2,000 Ft. to 4,200 Ft.
100% OPERATED WI; 75% NRI
Correlated to CHK Horn Well (IP at 7,000
-- BOED in Hogshooter Zone) Nearby.
Reserves(Hogshooter): 350 MBOE/Well
Rsrvs(Cleveland): 130 MBO & 2.1 BCF/Well
AFE Drill & Complete:
Hogshooter-$4.6 MM; Cleveland-$3.0 MM
CONTACT PLS FOR SHOWING
DV 1870RE

DV
GRANITE WASH

MIDCONTINENT

GRAYSON CO., TX PROJECT
14-Total Wells. 3,235-Net Acres (HBP).
MULTIPLE UPSIDE OPPORTUNITIES
Surrounds Big Mineral Creek Field
Oil Creek, Dornick Hills, Viola & Davis.
Depths Range: 3,500 Ft. to 12,500 Ft.
Exploration Opportunities into Deeper --
-- Horizons of the Woodford Shale & Viola
Avg ~81% OPERATED WI; ~68% NRI
Gross Prod: 1,064 MCFD & 52 BOPD
Avg Net Sales: 821 MCFD & 41 BOPD
Operating Net Cash Flow: $165,121/Mn
Additional Upside:
- Recompletions in Existing Wells
- Waterflood Potential Over Multiple Zones
CONTACT AGENT FOR UPDATE
PP 1864DV

PP
821 MCFD

SOUTHERN OKLAHOMA PROJECT
42-Wells. ~37,200-Net Acres.
CARTER, LOVE, MARSHALL & BRYAN
ARDMORE BASIN - LAKE MURRAY
Arbuckle, Bromide, Caney, Deese
Dornick Hills, Goddard, Hunton, Sycamore,
Springer, Viola, Simpson & Woodford.
Upside: Woodford, Goddard & Simpson
Average 27% NonOperated WI; 21% NRI
Net Sales: 1,443 MCFD & 6.0 BOPD
Proprietary 3-D Seismic Shoots Available.
Operating Net Cash Flow: $109,023/Month
CONTACT AGENT FOR UPDATE
PP 1917DV

PP
1,443 MCFD

WEST OKLAHOMA PROPERTY
117-Wells. 28,360-Acres. 51-HBP Sections
BECKHAM, CUSTER & WASHITA CO.
WEST TURKEY CREEK AREA
Des Moines Granite Wash, Hogshooter,
Cottage Grove, Red Fork, Atoka & Morrow
13%-63% NonOperated & OPERATED WI
Average Leasehold Delivered 80% NRI
Avg Net Sales: 765 BOPD, 9,935 MCFD
Operating Net Cash Flow: $3,234,018/Mn
CA Required to View Data Room
CONTACT AGENT FOR UPDATE
PP 1963DV

PP
9,935 MCFD

ROCKIES

ROCKIES SALE PACKAGE
34-Active Wells. 2-SWD.
NORTH DAKOTA & MONTANA
WILLISTON BASIN
Producing from Madison Formation.
4 NonOperated Behind Pipe Opportunities.
LOW RISK, LONG LIFE PRODUCTION
NonOperated & Operated WI Available
13-81% WORKING INTEREST FOR SALE
Net Production: ~260 BOED (86% Liquids)
Sale Does Not Include Bakken/TF Interest
CONTACT AGENT FOR UPDATE
PP 1896DV

PP
~260 BOED

ROCKIES

NORTH DAKOTA BAKKEN ACREAGE
5-Total Leases. 271-Net Acres.
WILLIAMS COUNTY
WILLISTON BASIN
Middle Bakken Primary Objective.
Also Three Forks Potential.
WILL DELIVER 78.5% NRI
Area IPs: >1,000 BOED
Offset Activity by Whiting & Hess.
Leases Have a Right of First Refusal.
CALL PLS FOR MORE INFO
DV 1940

PLS
DV
WILLISTON

NIOBRARA CO., WY PROPERTY
8-Active Wells. 2-Potential Locations.
NORTH ANT HILLS FIELD
Multiple Wells w/ Reserves Behind Pipe
Lakota Marine Bar & Lakota Channel Sand.
5.5% ORRI in 2 Leo Formation Oil Wells
--Option to Convert ORRI to 30% WI APO
100% OPERATED WI; Avg 82% NRI
Gross Production: 128 BOPD
11-Mn Net Cash Flow: $230,077/Month
Est Recoverable Reserves: 250-400 MBO
CONTACT AGENT FOR UPDATE
PP 1880RR

PP
128 BOPD

WEST COAST

YOLO CO., CA PROJECT
38-Natural Gas Wells. 4,500-Acres.
TODHUNTER LAKE GAS FIELD
Significant Development Opportunity
Forbes Formation. 6,000-10,000 Ft.
5-New Wells to be Drilled and --
-- Numerous other Recompletions Exist.
3-D Seismic Data Available
80% OPERATED WI FOR SALE
Current Production: 150 MCFD
EXCELLENT GAS CONTRACT IN PLACE
Project Reserves: 7.4 BCF (Proved)
Total Est. Project Cost: $6,150,000
CONTACT AGENT FOR DETAILS
PP 1785DV/RE

PP
150 MCFD

MULTISTATE & CROSS REGION

MULTISTATE ROYALTY PACKAGE
118-Wells. 5-States.
TEXAS, OKLAHOMA, KANSAS --
-- LOUISIANA & MISSISSIPPI
Production from 5 New Wells.
3 Wells in Completion Stages
Plus 4 Wells Funded for 2012-2013 Drill.
Various NonOp WI, ORRI & RI
100% COMPANY STOCK SALE
Gross Prod: 1,145 BOPD & 8,959 MCFD
5-New Wells: 216 BOPD & 429 MCFD
Avg 9-Month Net Cash Flow: $33,985/Mn
CONTACT AGENT FOR UPDATE
RR 1861PP

RR
8,959 MCFD

DALLAS DEALMAKERS PROSPECTS & PROPERTIES EXPO

INEXPENSIVE
PRICED RIGHT
MULTIPLE **SHOWINGS**
PROFESSIONAL
EXPOSURE
EFFECTIVE MARKETING
SIZED RIGHT

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- 80-120 booths
- Unique opportunity for showing deals
- Intimate atmosphere for deal discussion
- Focused setting; Perfect to show deals

Things to do:

- Sell your prospect or property
- Find capital for your project
- Meet new partners
- Sell working interest or overrides
- Negotiate & structure deals
- Learn about capital markets
- Connect with like-minded buyers & sellers

8 Expos In 2013

DALLAS	WED	JAN 16
DENVER	THUR	APR 18
CALGARY	TUE	APR 30
HOUSTON	WED	MAY 15
DALLAS	THUR	JUL 18
CALGARY	THUR	SEP 19
HOUSTON	WED	OCT 02
DENVER	TUES	NOV 05

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☐ Service Companies & Other Vendor Booths	+10 Passes	$2,500	×		
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NAME 2	TITLE E-MAIL	
NAME 3	TITLE E-MAIL	
NAME 4	TITLE E-MAIL	
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CITY	STATE	ZIP
PHONE	FAX	

☐ VISA ☐ MasterCard ☐ AMERICAN EXPRESS ☐ **Check** (Payable to PLS Inc.)

NAME (AS APPEARS ON CARD)	CARD №	EXP DATE	CCV
SIGNATURE OF CARDHOLDER ✗			

PLS

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DALLAS

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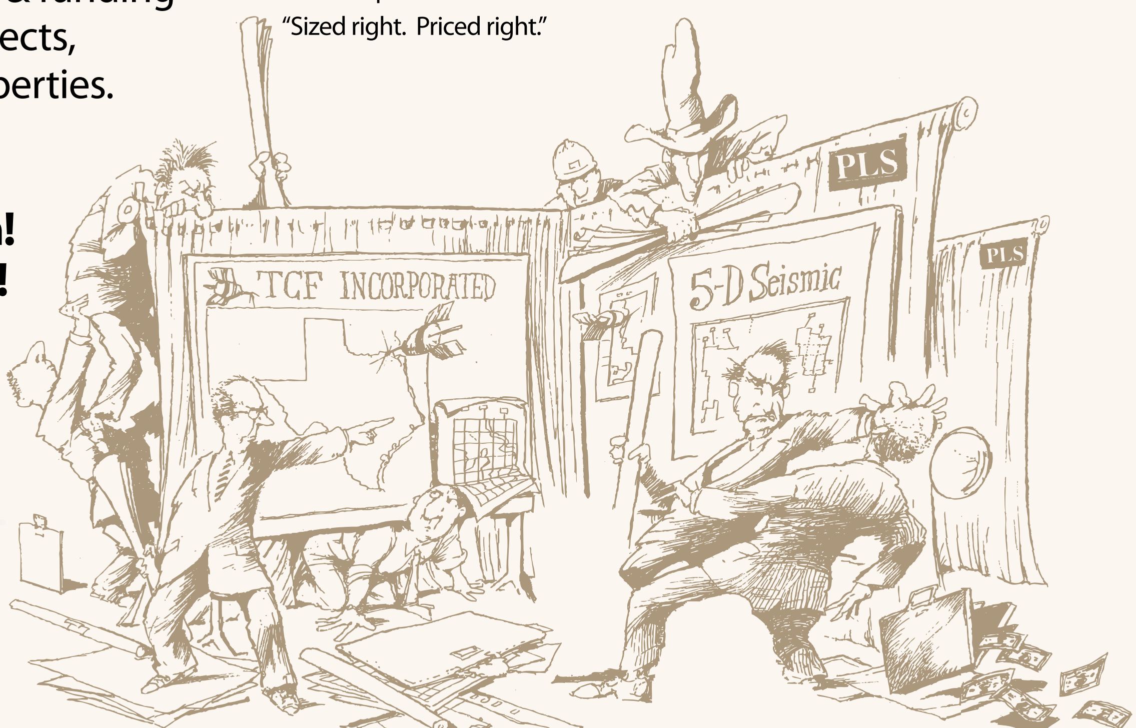

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