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ENERGY FINANCE

McMoRan shares nearly double in Freeport takeover

McMoRan & Plains acquired by Freeport in ~$20 billion deal

McMoRan Exploration shares surged 87% on December 5 undergoing a rescue of sorts by **Freeport-McMoRan Copper & Gold,** which announced a re-entry into the upstream space with news it would acquire McMoRan and **Plains Exploration & Production** for a combined ~$20 billion in cash, stock and assumed debt. Plains will be acquired for $6.9 billion in cash and stock ($25.00 and 0.6531 Freeport shares per Plains share, for a total 39% premium to prior-day close), as well as $10.3 billion in assumed debt. Cash consideration will be $3.4 billion, while stock will be 91 million Freeport shares. McMoRan will sell for $3.4 billion cash (at $14.75/share, a 74% premium to prior-day close), but factoring out the combined 36% interest Freeport and Plains hold in McMoRan equity, cash payout comes to $2.1 billion. Post-interest total premium will be $900 million. Freeport will also assume McMoRan total debt of $560 million.

Freeport & Plains already held a combined 36% interest in McMoRan.

Continues On Pg 12

Chevron selling $4.0 billion in notes for debt refinance

Chevron announced sale of a total $4.0 billion in new debt, consisting of $2.0 billion in 2.355% notes due 2022 and $2.0 billion in 1.104% notes due 2017, all priced at par. Chevron said net proceeds would be used for general corporate purposes including refi of a portion of the company's $6.1 billion commercial paper borrowings (as of October 31) and redemption of all $2.0 billion in its 3.950% notes due 2014. Total Chevron long-term debt as of Q3 was $10.07 billion.

When the shelf registration occurred but before the size of the offerings was disclosed, **Oppenheimer** suggested Chevron might be loading up for a large acquisition. Production continues to slow, while cash is no problem for the company, whose $22 billion represents the industry's largest cash position. It is also more than twice Chevron debt and 10% of market value. Oppenheimer suggested large, highly levered companies needing cash to eliminate high-cost debt could be particularly compelling to Chevron.

Proceeds will pay down commercial paper and redeem 3.950% 2014 notes.

Continues On Pg 4

Western Gas GP debuts with a bang

Western Gas Partners LP ("Western") general partner and **Anadarko** vehicle **Western Gas Equity Partners LP** ("Equity") launched its IPO of 17.2 million units priced at $22.00/unit, for possible gross proceeds of $378.4 million. Not only was the offering increased 15% from a previously proposed 15 million units, but units were priced a dollar above a previously projected range of $19-$21/unit. According to underwriters and investors, the offering was even moved a week earlier than scheduled due to the level of demand. When units ultimately began trading, they opened 24% above the offer price at $27.18, resulting in the largest single-day jump for an MLP since 2007 according to **Dealogic.** As it stands, gross proceeds will exceed original filing expectations, but exercise of a 2,577,150-unit option could push them $56.7 million higher to $435.1 million.

Offer & price increased, units still jumped when they began trading.

Net proceeds will be used to purchase units of Anadarko Rockies-focused midstream MLP spinoff Western. Equity previously planned to buy 6.0 million common Western units and 122,391 GP units.

Continues On Pg 4

Canada approves CNOOC & Petronas buys, limits NOCs

After debate, the Canadian government approved $21 billion worth of NOC hydrocarbon takeovers including the C$15.1 billion purchase of **Nexen** by China's **CNOOC** and a C$5.2 billion acquisition of **Progress Energy Resources** by Malaysia's **Petronas**. Foreign dealmaking has been on the upswing in Canada which has generally exhibited less-protectionist outright ownership policies than the US when it comes to NOCs while offering comparable hydrocarbon riches.

PM Harper says Canada not 'for sale' to foreign governments.

But rather than opening the floodgates for future activity, it appears that at least the CNOOC deal may mark the end of large-scale foreign ownership in the Great White North where oil sands are concerned.

Continues On Pg 14

Stock winners & losers

The biggest moves in E&P over the past month have been more heavily weighted to the upside. Small-cap **ZaZa Energy** led the pack with a 47% gain during the period, largely stemmed from record Q3 revenues and net income alongside news of a strong $48.7 million cash position and expectations of an additional $29-$33 million in working capital through year's end. Share movement was buttressed the day after earnings by announcement of sale of ZaZa's French subsidiary to **Vermilion Energy** for $85.8 million.

ZaZa reported record income, strong cash & sale of French sub.

Shares of **Plains Exploration & Production** were up 29% on news the company is being acquired by **Freeport-McMoRan Copper & Gold** for $6.9 billion in cash and stock plus assumed debt. Purchase price amounted to a 39% premium to the prior-day's close. See Page 1 of this issue for full coverage. Although co-acquisition **McMoRan Exploration** shares were up 74% from their prior-day's close when the news broke, a month ago they were well above the lows at which the deal was announced, so the Davy Jones-beleaguered company did not quite make our list this month.

SandRidge activist shareholders showcase asset value & push sale.

SandRidge Energy is up 27% over the past month, bouncing back from recent downward pressure resulting from activism by multiple large shareholders (for full coverage see this issue and last issue of **PLS's** Capital Markets newsletter). Despite criticism of management and corporate strategy the attacks may have contained the seeds for the rebound as well, since the value of SandRidge's underlying assets was highlighted and pressures toward sale or divestiture could lead to operational improvement or at the least, a per share acquisition premium.

Cobalt moved higher on another big find, this time in the US GOM.

Shares of **Cobalt International Energy** rose 24% vs. prices a month ago on a big oil find in the deepwater US Gulf of Mexico. Cobalt announced "several hundred feet of net oil pay" at a well in the North Platte Basin, in which it holds a 60% WI. **Total E&P USA** holds the remaining 40% stake.

Conversely, **Crimson Exploration** is down 21% over the past month, continuing a downward trend running three months now. Recent declines are likely impacted by Q4 guidance of 34-37 MMcfed compared to Q3 production of 38.8 MMcfed, while Crimson expects LOEs of $4.2-4.5 million compared to $3.3 million in Q3.

US Upstream Market Movers—Last 30 Days

Source: **Capital IQ**

	Company	Ticker	$/Share 12/12/12	$/Share 11/12/12	% Change
Top 5	ZaZa Energy	ZAZA	$2.02	$1.37	47%
	Plains Exploration & Production	PXP	$45.21	$34.98	29%
	SandRidge Energy	SD	$6.84	$5.39	27%
	Halcon Resources	HK	$6.81	$5.38	27%
	Cobalt International Energy	CIE	$25.45	$20.47	24%
Bottom 5	Crimson Exploration	CXPO	$2.57	$3.24	-21%
	ECA Marcellus Trust I	ECT	$16.67	$19.93	-16%
	Contango Oil & Gas	MCF	$40.40	$47.17	-14%
	Transglobe Energy	TGA	$9.98	$11.63	-14%
	North European Oil Royalty Trust	NRT	$23.85	$27.63	-14%

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

Public Equity Briefs

• Billionaire activist investor Carl Icahn increased his stake in **Chesapeake** to 9.0%, from a 7.6% position this summer. SEC filings reflect that Icahn spent ~$951 million to build the 9.6 million share position. Icahn and Chesapeake's other top shareholder **Southeastern Asset Management** (with 13.5%) selected four board seats at the company. Analysts at **Baird** and **Oppenheimer** interpret the position increase as Icahn's growing confidence in Chesapeake's direction.

• Securities filings indicate Kenneth Griffin's value-focused hedge fund **Citadel Advisors** increased its position in **Halcon Resources** from 4.2% (in Q3) to 5.2%, for a total 11.2 million shares. Between Q2 and Q3, Citadel nearly tripled its position to 8.9 million shares. It is Halcon's second-largest shareholder.

• **Kodiak Oil & Gas** completed an exchange offer of $800 million in unregistered 8.125% senior notes due 2019 for a similar amount of registered but otherwise substantially identical notes. All holders of the original notes tendered their notes for exchange.

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Public Equity & Debt

TPG-Axon taking SandRidge fight to shareholders

Activist investors increased pressure on **SandRidge** to maximize value. Hedge fund and 6.5% stakeholder **TPG-Axon Management** sent a second shareholder letter to the company stating outright sale of the company would be best to restore shareholder value "that has been destroyed." Alternatively, a major corporate overhaul has been proposed, including cutting overhead 75%, selling "extraneous" assets including recent $1.28 billion Gulf-focused acquisition **Dynamic Offshore,** and reducing future spending. TPG said it intends to obtain shareholder consent to amend bylaws to allow de-staggering of the board, director removal without cause and possible replacement of the entire board.

TPG pushing for outright sale or major overhaul of SandRidge.

TPG first voiced its displeasure three weeks prior to the latest missive, and 4.5% stakeholder **Mount Kellett Capital Management** soon voiced its support. In its second letter, TPG reasserted its position that the company's stock is "dramatically undervalued" and that one of the stated options could yield "dramatic upside."

Private Equity Briefs

• **Caza Oil & Gas** announced a £6 million Standby Equity Distribution Agreement and $12 million SEDA-backed 9% loan with **YA Global Master SPV,** managed by **Yorkville Advisors Global LP.** The facilities will provide flexibility for Bone Spring capex and drilling costs. Caza took a $2.2 million draw on the loan, with another $1.8 million available at Caza's discretion. Additional draws may be made by mutual agreement, with Yorkville receiving an 8% implementation fee and a number of three-year common share warrants per draw, exercisable at 125% of market prices.

Activist Clinton Group pushes Abraxas to divest

Following on the heels of launch of a non-core divestiture program, **Abraxas Petroleum** investor **Clinton Group** sent a shareholder letter pushing Abraxas to quickly divest more non-op and undeveloped acreage the firm believes could yield another $160 million, in addition to $22 million in already announced deals. Clinton notes shares have dropped 32% over the past six months, while peers' shares have risen ~30%. Clinton values Abraxas shares at $4.35 on a sum-of-parts and cash flow basis. Shares closed at $2.03 prior to publication of the letter.

Shares trading over 50% below Clinton estimates of value.

Clinton said share declines are, in part, caused by overdiversification, and said consolidation and focusing on economies of scale in a few key high-WI operated basins—the Bakken, Eagle Ford and Permian were mentioned—would help reverse the trend by improving focus, providing capital and supporting production growth. Suggested divestitures include PRB, Western Alberta and select Permian assets. Debt reduction is also a priority of both Clinton and Abraxas itself. Clinton said achieving this would further support remaining asset development and could enable an entirely new credit facility for further flexibility. By incorporating such changes, Clinton believes Abraxas can generate $65 million in 2013 EBITDA, well above Street consensus estimates of $54 million.

Clinton wants Abraxas to focus on Bakken, Eagle Ford & Permian.

Clinton also said Abraxas should provide more production guidance and real-time drilling results. Abraxas reacted quickly on this request, providing Q4 and 2013 production guidance (with the latter up 21-28% YOY) days later.

Clinton has over $2.5 billion in AUM and a history of shareholder activism. Including this latest matter, Clinton has launched nine shareholder campaigns since 2008 according to **S&P Capital IQ** (although this is the first in the energy sector). Of these, five matters have been closed, with four settled to Clinton's benefit. Clinton told Abraxas that it should "expect to hear more" from Clinton if action was not taken quickly.

Clinton said Abraxas should use 3rd-party rigs & water disposal.

Clinton Group Valuation Of Abraxas

Name	Formation	Est. Acres	Est. Price Per	Total
Williston	Bakken/Three Forks	23,300	$7,500	$174,750,000
Onshore Gulf Coast	Eagle Ford	7,300	$12,500	$91,250,000
Permian - Spires	Strawn/Frio/Yates	5,600	$4,000	$22,400,000
Canadian Stealth	TBD	20,000	$3,000	$60,000,000
Assets To Be Sold[1]				$181,604,500
Total		**56,200**		**$530,004,500**

Metric	Production	Split	Price Per	Implied Value
Liquids Production (boe/d)	2,200	53%	$60,000	$132,000,000
Gas Production (mcfe/d)	11,700	47%	$6,000	$70,200,000
Net Debt				-$143,190,000
Net Asset Value (NAV)				$589,014,500
Applied Discount				30%
Adjusted NAV				$412,310,150
Per Share				**$4.42**

Includes Nordheim ($20MM), Alberta Basin ($2.85MM) and other assets ($159.3MM).
Source: Clinton Group November 27 Shareholder letter to Abraxas Petroleum

Public Equity & Debt

Apache sells $2.0 billion in public debt

Apache priced a total $2.0 billion in public debt via two separate offerings. The larger consists of $1.2 billion in 2.625% notes due 2023, while the smaller is an $800 million offering of 4.25% notes due 2044. Net proceeds of $1.97 billion will be used to repay outstanding commercial paper debt and for general corporate purposes.

Apache reported $1.79 billion in commercial paper debt in Q3, up from zero at YE11. As commercial paper is considered short-term debt, the offering will grow long-term debt 19% vs. Q3's reported $10.67 billion.

Joint book-running managers were **BofA Merrill Lynch, Citigroup, Goldman Sachs, JP Morgan, BMO, BNP Paribas, Credit Agricole, Deutsche Bank, HSBC, Mitsubishi UFJ Securities, Mizuho Securities, RBC, RBS, UBS** and **Wells Fargo.**

Chevron selling notes for debt refinance Continued From Pg 1

The subsequently stated use of proceeds to refi debt does not necessarily obliterate Oppenheimer's thesis, as lower interest rates on long-term debt will reduce interest payments and improve cash growth, while paying down commercial paper creates the possibility of tapping the resource again in the future.

The notes are all being issued via shelf registration under a 1995 indenture with **Wells Fargo Bank.** Joint book-running managers for both tranches were **Barclays, Morgan Stanley, JP Morgan, Merrill Lynch** and Wells Fargo. Co-managers were **BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, Banca IMI, Mitsubishi UFJ, Mizuho Securities, Ramirez & Co., RBC, RBS, Siebert Capital Markets, Societe Generale, Standard Chartered** and **The Williams Capital Group LP.**

Chevron may be positioning for large, debt-levered acquisition.—Oppenheimer

Frade nearing resolution—

Chevron's positioning appears to be improving in Brazil. The company got its first piece of positive Brazilian news in some time as an appeals court judge overturned an injunction preventing Chevron from operating in or offshore the country after a 2011 spill in the Frade field. Court press officials told Reuters judge Guilherme Dienthaeler overturned the ban near the end of November, a ruling confirmed by Chevron. The supermajor and fellow-defendant **Transocean** also agreed to an offshore safety improvement plan.

The plan, on which details are currently sparse, was drawn up at Chevron and Transocean's request with the same prosecutors handing the civil litigation, and will be presented publicly on December 14.

Frade was producing 62,000 bopd when shut down in March.

Federal prosecutor Eduardo Santos de Oliveira, who was previously prosecuting the matter against Chevron until adjudication was moved to Rio de Janeiro, told Reuters the dual moves indicate the case may soon reach a negotiated settlement.

Chevron and Transocean faced up to $20 billion in damages and possible jail terms for executives in the matter, Brazil's largest-ever environmental prosecution. Brazilian regulator ANP levied a $16.6 million fine against Chevron in July. However, regulators have come to the companies' defense in the litigation, saying the penalties would be too harsh given the fairly limited 3,600 bbl spill, and might deter future outside investment. A similar ban against Transocean was overturned in September.

Resolution of Frade would be a solid benefit to Chevron. In Q3 earnings reporting, Chevron said full-year 2012 production would hit only 97% of a previously projected 2.68 MMboepd, citing the Frade shut-in as a primary culprit, along with Angolan LNG start-up delays. Year-to-date, international production was down 59,000 boepd vs. the previous year's period at 1.94 MMboepd. The field (which Chevron operates and in which it holds a 52% WI) was producing 62,000 bopd when production was shut down in March. ANP has said it could not consider a petition to resume production while the ban was in place.

Western Gas GP debuts with a bang Continued From Pg 1

Added to Equity's current holdings, this would bring its common unit position to 46.3 million units, representing a 44.8% LP interest and its GP interest to ~2.1 million units (for a full 2% GP interest in Western). However, these projects were made based on a 15 million unit offer priced at $20.00/unit, and the company said increases in either variable would increase the number of units ultimately purchased. Further, any additional proceeds from exercise of the underwriter option will fund additional common and GP unit purchase. Equity will also own all Western incentive distribution rights (maxing out at 48%). The Western holdings will comprise Equity's only cash-generating assets.

In 2012 YTD, 76% of pipeline throughput was linked to Anadarko production.

Already public LP Western's assets consist of nearly 11,000 miles of gathering, processing, treating and transportation pipelines, with 66% of those assets located in the Chipeta, Newcastle, Rendezvous and Fort Union systems in the Rocky Mountains. Western has over 500,000 hp of gas compression capacity, with 69% in the Rockies.

IPO consistent with Anadarko strategy of monetizing undervalued assets.—Tudor

Tudor Pickering anticipates the structure to reap benefits in 2013-2014, as Western absorbs the rest of Anadarko's midstream assets (which Tudor estimates as currently worth over $2.0 billion) while building another $400 million worth of its own. Tudor expects "big" GP growth, as IDR percentages increase, and ~19% LP growth during that time frame.

Equity trades on the NYSE as WGP. Lead underwriters are **Barclays, Citigroup, Deutsche Bank** and **Morgan Stanley.** Supporting underwriters are **Goldman Sachs, RBC, UBS, Wells Fargo, BMO, Global Hunter, Janney Montgomery Scott, Ladenburg Thalmann** and **Tudor Pickering.**

Public Equity Debt

Atlas raising $175 million to fund Fort Worth Basin buy

Atlas Resource Partners LP (ARP) priced a public offering of 7.6 million units at $23.01 million, for expected gross proceeds of $174.9 million. A 1.14 million unit underwriter option could push gross proceeds up another $26.2 million to $201.1 million. The offering was upsized 12% from a previously announced 6.8 million unit base, 1.02 million unit option offering. Excluding the option, the offering amounts to a 19% dilution to equityholders.

Offering priced 4.4% below pre-offer announcement close.

ARP plans to use net proceeds to fund part of a concurrently announced $255 million acquisition of **DTE Gas Resources** (which owns certain Barnett Shale and Marble Falls assets) from **DTE Energy.** The assets consist of 35 MMboe in P1 reserves with 24% oil, 33% NGLs and 43% gas. The assets will be immediately accretive to production, producing ~3,800 boepd and expected to average 4,000 boepd next year. The deal pushes ARP's net P1 reserves to ~900 Bcfe. Closure is expected this month.

ARP is increasing projected 2013 distributions 2% from midpoint as a result of the acquisition to $2.35-$2.50/unit, with CEO Edward Cohen saying the partnership intends to significantly increase distributions in the future.

Offering upsized 12% from previously announced 6.8 million units.

ARP said it had obtained committed bank financing for the deal through **Wells Fargo** and **Citigroup** in connection with its revolver, and the partnership noted some or all of the equity offering proceeds may also be used to repay outstanding borrowings under that revolver. The revolver had a $222 million balance as of Q3.

Joint book-running managers are Wells Fargo, **BofA Merrill Lynch, Citigroup, Deutsche Bank, JP Morgan** and **RBC**. Citigroup also acted as a financial advisor on the DTE deal.

Private Equity & Debt

Resolute funding Permian buy with $150 million in debt

Resolute Energy announced a private placement of $150 million in 8.50% senior notes due 2020 priced at 101.25% of par. Proceeds will fund Resolute's pending $120 million Permian Basin oil and gas buy. The Texas and New Mexico assets, to be purchased from an undisclosed private entity, consist of 4.1 MMboe in P1 reserves and are producing 1,418 boepd. Debt proceeds will repay debt under the company's revolver and support general corporate purposes. If the Permian deal falls through, proceeds will repay revolver debt and develop existing assets. Resolute reported $18 million in outstanding borrowings under its $330 million borrowing base revolver as of Q3, bearing a weighted average interest rate of 2.62%. The offer equates to a 37.5% increase in long-term debt compared to $399 million reported in Q3.

Earnings & Capex

Memorial Production more than tripling capex in 2013

Memorial Production Partners LP provided 2013 production guidance of ~77-82 MMcfed, up 35% YOY from recent 2012 midpoint guidance. Even more significant is a projected 238% YOY capex increase from 2012's $18-21 million to $61-71 million. Growth spending will be $30-40 million, up from $4-7 million in 2012, while maintenance capex will increase to $31 million from 2012's $14 million. Memorial said increases reflected contributions from 2012 acquisitions including a pending $271 million buy of offshore Southern California assets from Rise Energy Partners LP.

Positive financial impacts from the deal include a 21% revolver borrowing base increase to $460 million, new crude hedges through 2015 and a 2.8% sequential distribution increase to $0.5075/unit.

After first saying it would fund the acquisition through revolver borrowings (with $88 million in Q3 liquidity) and promissory notes, Memorial announced a 10.5 million, $17.00/unit offering expected to net $171.5 million plus additional possible proceeds from a 1.575 million-unit offer. Underwriters are **Raymond James, Citigroup, BofA Merrill Lynch, Barclays, RBC, Wells Fargo, Oppenheimer, Sanders Morris Harris** and **Wunderlich.**

Next A&D Transactions

See our latest A&D for details on Memorial.

Range to cut spending 19%, grow production 20-25%

Range Resources announced planned 2013 capex of $1.3 billion, down $300 million or 19% YOY. Two-thirds of the decrease stems from cuts in dry gas drilling (in northeast Pennsylvania where Range will cut its rig count to one next year from four to five in 2012); the remainder is due to drops in leasehold expenditures. Of the total, $1.1 billion will be used for drilling and recompletion, $100 million will go toward leasehold spending, $75 million will support infrastructure and $25 million will be spent on seismic. Liquids-rich and oil spending will absorb 85% of the budget particularly focusing on the Marcellus and Mississippian, Range's two highest-rate-of-return assets. Range anticipates production will grow 20-25% in 2013 on the back of this spending. Reserves are also expected to see double-digit growth.

2013 capex will be $1.3 billion, down from 2012's $1.6 billion.

Operating cash, asset sales and Range's credit facility will fund capex. Range plans to sell certain New Mexico and West Texas Permian assets producing 18 MMcfed (30% liquids). It believes divestiture will push debt-to-EBITDAX from 3.3x at year-end 2012 to 2.9x next year.

In another deleveraging move,Range is redeeming all $250 million in outstanding 7.5% senior subordinated notes due 2017 at 103.75% of par. With no recent divestiture or capital raising news, it appears Range is funding the redemption with operating cash, credit facility liquidity or a combination of the two.

Earnings & Capex

Noble guides toward 20% volume growth in 2013

Noble Energy announced expectations of 2013 sales volumes of 270,000-282,000 boepd, up 20% YOY from range midpoint. Crude and condensate sales are expected to grow 23% YOY, while gas sales should grow 16%. US volumes are expected to grow 23% YOY led by the DJ Basin (projected to grow 25% YOY) and Marcellus (up 80% YOY), while international sales should grow 20% driven by Tamar (doubling YOY) and West Africa's Alen project. Noble chief Charles Davidson noted production would be growing at double-digit rates for a second straight year. Liquids are expected to account for 46% of total 2013 sales, with gas split between 28% US and 26% international.

Volume gains to be driven by DJ Basin, Marcellus, Israel and West Africa.

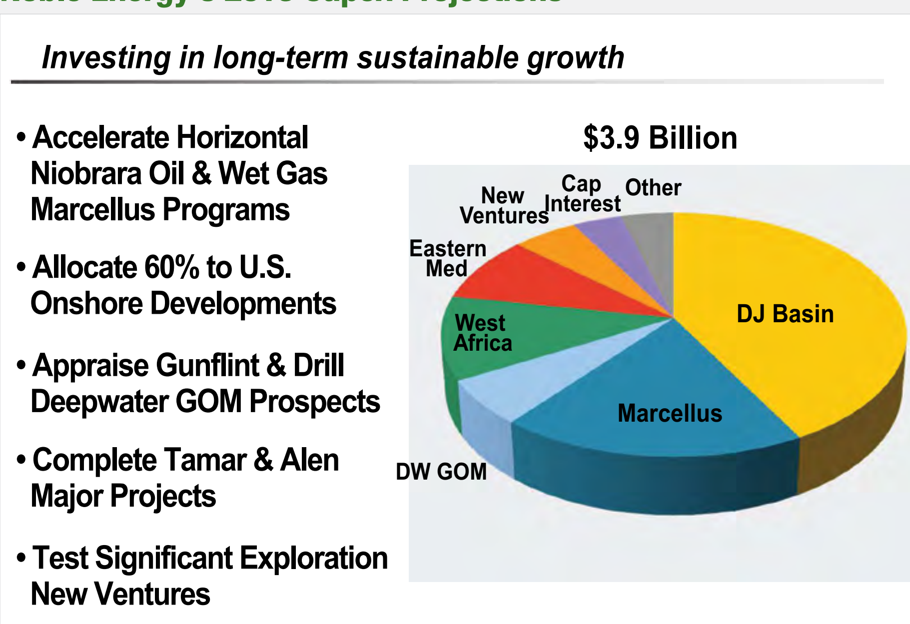
Noble said 2013 capex plans of $3.9 billion would drive the growth, with 63% of that total targeting US onshore development primarily in the DJ ($1.7 billion or 44%) and Marcellus ($750 million or 19%), 15% in West Africa, 10% in the Eastern Mediterranean and 6% toward the deepwater US Gulf. Global exploration and appraisal will consume 15% of the $3.9 billion, with several "very material" opportunities being tested. The projection represents an overall 11% increase vs. 2012 previously projected capex of $3.5 billion. Davidson said the DJ would receive the greatest share of capex on accelerated development, and that Noble's wet gas Marcellus drilling program had been accelerated as well. The Alen project has also been accelerated with first production expected 3Q13.

2013 capex projection of $3.9 billion 11% above 2012 projections.

Noble also gave 4Q12 guidance, anticipating volumes likely exceeding prior guidance of 248,000-252,000 boepd, with a new guidance range of 252,000-256,000 boepd primarily driven by gains in the DJ Basin. Meanwhile, spending estimates have been reduced 33% from prior midpoint guidance of $160-$200 million to $110-$130 million on successful Equatorial appraisal drilling, the Big Bend discovery in the US Gulf and suspension of drilling for the Falklands Islands Scotia well.

63% of 2013 capex targets US onshore including DJ Basin & Marcellus.

Noble Energy's 2013 Capex Projections



Source: Noble December 6 Presentation via **PLS docFinder www.plsx.com/finder**

Private Equity & Debt Briefs

• **Chaparral Energy** closed on a private placement of $150 million in 7.625% senior unsecured notes due 2022. Priced at 104.5% of par, yield to worst is 6.846%. Net proceeds will repay debt under Chaparral's revolver. The notes were issued under a May 2012 indenture covering $400 million in otherwise identical notes. Chaparral reported $1.2 billion in long-term debt in Q3 and $145 million in outstanding debt under its revolver as of November 13. In November, Chaparral's revolver borrowing base was increased by $125 million (33%) to $500 million.

• **Mid-Con Energy Partners LP** announced lender commitments to increase the company's borrowing base under its $250 million revolver by 30% to $130 million. The company acquired $32.6 million worth of Hugoton Basin assets over the past few months with a combined 2.3 MMboe in estimated proved reserves. **RBC** is administrative agent of the revolver, with **BOKF NA, Comerica Bank** and **Wells Fargo** as participant lenders.

• **Rex Energy** postponed and then relaunched and priced a private $250 million offering of 8.875% senior notes due 2020 priced at 99.3% of par. When announcing the postponement, CEO Tom Stabley said debt market conditions were not right to proceed with the offering, that Rex had hoped to strengthen its balance sheet, but the company had flexibility to be opportunistic regarding timing. Net proceeds of $242.8 million will be used to repay all outstanding revolver debt and and repay in full and terminate a term loan facility.

Earnings & Capex Briefs

• **Bill Barrett** reported an adjusted Q3 net loss of $9.7 million (down vs. a 3Q11 $16.8 million gain and $2.4 million Q2 net loss), hampered by derivatives losses and dry hole costs. Production was 340 MMcfed (up 11% YOY and 3% sequentially), with 86% gas. Oil production of 7,766 bopd was up 80% YOY and 13% sequentially. Barrett is also selling $335 million in non-core, lower growth Rocky Mountain assets to Vanguard Natural Resources to fund debt reductions and low-risk reinvestment.

• **Magnum Hunter Resources** reported a Q3 adjusted net loss of $14.0 million (vs. a $7.1 million 3Q11 loss and a $6.6 million Q2 loss). Production was 12,480 boepd (up 137% YOY; down 4% sequentially), 55% liquids and 50% oil. Oil production grew 18% sequentially to 6,444 bopd. Magnum announced a 44% borrowing base increase to $375 million, largely from organic P1 growth. Cash plus revolver liquidity was $150 million. Chief Gary Evans said the quarter was hurt by limited midstream capacity, which is close to being resolved.

• **Oasis Petroleum** announced $35.4 million in Q3 adjusted net income (up 64% YOY). Production was 24,257 boepd (up 109% YOY and 19% sequentially, 93% oil), topping prior guidance. Operated well costs averaged $9.0 million, down vs. 1H12's $10.5 million, with a $300,000/well contribution from Oasis Well Services which is increasing efficiency and frac quality according to Oasis. Q4 production guidance is 11% above Q3 at 26,000-28,000 boepd. Full-year guidance was increased ~4% from prior guidance to 22,100-22,600 boepd.

• **Warren Resources** reported $5.8 million in adjusted Q3 net income (down 6% YOY but up 21% sequentially). Production was 5,425 boepd, up 10% YOY but down 1% sequentially. Oil production grew 27% YOY (flat sequentially) to 3,222 bopd, now 59% of total production vs. 3Q11's 52%. Q4 production guidance is up 17% sequentially using midpoint at 6,060-6,597 boepd, with oil production expected to drop and hit 48% of total production while gas production is expected to spike 50% vs. Q3 to ~19,726 MMcfd due to an acquisition.

Service Capital

Nabors combines facilities to single $1.5 billion revolver

Nabors Industries closed on a $1.5 billion, five-year unsecured revolver consisting of an up to $1.45 billion dollar-denominated facility and a Loonie-denominated facility of up to $50 million. The facility has an accordion feature that could increase principal to $1.95 billion. Nabors has the option of selecting interest from a variety of LIBOR rates, the **Citibank** prime rate or a premium on the Federal Funds Rate or one month LIBOR.

Nabors said terms are substantially identical to a September 2010 $750 million facility and a $700 million April 2011 facility, both terminated with culmination of the new revolver. It also terminated a C$50 million Canadian revolver on culmination. Nabors' chief Anthony Petrello said the new revolver extended the firm's credit facility maturity by three years to 2017.

Maturity of combined revolver extended 3 years vs. prior facilities.

Joint lead arrangers and bookrunners were Citigroup, Mizuho and HSBC Bank USA. Other return lenders were **HSBC Bank Canada, Morgan Stanley, PNC Bank** and **Bank of America.** Six new banks joined Nabors lender consortium on closure—**Bank of Tokyo-Mitsubishi, Wells Fargo, Compass Bank, Sumitomo Mitsui Banking Corp., Arab Banking Corp.** and **US Bank.**

Pacific Drilling raises $500 million in debt to fund newbuild

Pacific Drilling subsidiary **Pacific Drilling V Ltd.** has sold $500 million in 7.250% senior secured notes due 2017 priced at 99.483% of par via private placement. Proceeds will fund remaining construction costs for Pacific's newbuild UDW drillship the Pacific Khamsin, and general corporate purposes.

Pacific reported ~$1.9 billion in long-term debt in Q3, so the current issuance will increase total long-term debt by 26% to ~$2.4 billion.

Demand strong as MRC majority stakeholder cuts interest

PVF Holdings, majority owner of OCTG leader **MRC Global,** undertook a 23 million share secondary offering of MRC, reducing interest from 77.4% to 54.7%. Shares were priced at $22.00/share, for anticipated gross proceeds of $506 million. Demand was solid, as the sale included full exercise of a 3 million share underwriter option, and the underlying 20 million share offering was upsized from a previously anticipated 17 million shares. With an average 101.5 million shares outstanding as of Q3, the sale amounted to 19.7% of total outstanding MRC interest. MRC received no proceeds.

Goldman Sachs and **Barclays** were joint bookrunning managers, lead managers were **BofA Merrill Lynch, Baird** and **Wells Fargo** were lead managers, while **Stephens, Raymond James, KeyBanc** and **William Blair** were co-managers.

Midstream Capital

Targa finances $950MM Bakken buy with equity & revolver

Targa Resources Partners announced a planned $950 million acquisition of **Saddle Butte Pipeline's** Williston midstream assets, including ~155 miles of oil and ~95 miles of gas pipelines. Presentation data also suggests $614.2 million assumed debt. Targa said 2013 system expansion capex should cost another $250+ million. The deal should be accretive to distributable cash in 2014, while previously projected 2013 EBITDA of $540-$570 million should grow 10-15%.

Targa said it planned to fund the $1.2+ billion (including growth capex) with 50% debt/50% equity. Targa just completed a $400 million senior note offering increasing net liquidity to $1.1+ billion, with much of the rest consisting of available revolver borrowings. Targa Resources reported $772.6 million in revolver availability as of Q3.

Related 2013 expansion capex should be $250+ million.

Equity financing will consist of a $342 million, 9.5 million-unit offering at $36.00/unit. A 1.425 million-unit option could raise another $51.3 million. With 91.0 million outstanding units, the offering amounts to a 10.4% dilution to equityholders, compared to a 7.7% unit discount to the prior day's close and associated market reaction. Targa said prior to funding the Bakken deal, expected to close this quarter, proceeds may be used to repay revolver borrowings (reported at $280.0 million in Q3). If the acquisition falls through, Targa will pay down its revolver and fund announced or potential growth capital or potential acquisitions. Joint book-running managers on the equity sale are **BofA Merrill Lynch, Barclays, Citigroup, JP Morgan, Morgan Stanley, UBS, Wells Fargo** and **RBC.**

Equity sale should raise $342 million, or ~$393 million if option exercised.

But Targa wasn't done tapping capital markets, just weeks later selling $200 million in 5.250% senior notes due 2023 via private placement. Priced at 101% of par, net yield is 5.093%. Targa said proceeds would be used for general partnership purposes, including working capital and funding acquisitions. The new debt amounts to a 12% increase to Q3 total debt of $1.67 billion, or a 9% increase vs. pro forma total debt of $2.29 billion.

Targa Resources also issuing another $200 million in debt.

Targa Resources Q3 Debt & Liquidity Picture

Cash and Debt	Maturity	Pricing / Coupon	Actual 9/30/12	Adjustments	Pro Forma(1) 9/30/12	Acquisition Adjustments	Pro Forma(2) 9/30/12
Cash and Cash Equivalents			$88.9		$88.9		$88.9
Senior Secured Debt	Jul-17	L + 175 bps	280.0	(175.8)	104.2	614.2	718.4
Total Senior Secured Debt			**280.0**		**104.2**		**718.4**
Senior Notes	Jul-16	8.250%	209.1				-
Senior Notes	Jul-17	11.250%	72.7	-	72.7		72.7
Senior Notes	Oct-18	7.875%	250.0	-	250.0		250.0
Senior Notes	Feb-21	6.875%	483.6	-	483.6		483.6
Senior Notes	Aug-22	6.375%	400.0	-	400.0		400.0
Senior Notes	May-23	5.250%		400.0	400.0		400.0
Unamortized Discounts			(33.7)	(2.0)	(35.7)		(35.7)
Total Consolidated Debt			**$1,661.7**		**$1,674.8**		**$2,289.0**
LTM Reported Adjusted EBITDA			$530.8		$530.8	NA(3)	$530.8
Total Debt / LTM Reported Adjusted EBITDA			3.1x		3.2x		4.3x
Liquidity:							
Credit Facility Commitment			1,100.0	100.0	1,200.0		1,200.0
Funded Borrowings			(280.0)	175.8	(104.2)	(614.2)	(718.4)
Letters of Credit			(47.4)		(47.4)		(47.4)
Total Revolver Availability			**$772.6**	**$275.8**	**$1,048.4**		**$434.2**
Cash			88.9		88.9		88.9
Total Liquidity			**$861.5**		**$1,137.3**		**$523.1**

*$ in millions

Source: Targa November 16 Presentation via **PLS docFinder www.plsx.com/finder**

Service Capital Briefs

• **FTS International** (formerly Frac Tech) formally pulled plans for its US IPO. No explicit reason was stated in the company's filing with regulators, but in June FTSI had cited market weakness when it made a precursor announcement postponing IPO plans.

• **GulfMark Offshore** priced $200 million in 6.375% senior notes due 2022 via a private offering at 100.5% of par. The offering was upsized 33% from a previously announced $150 million. Proceeds will be used to repay unspecified existing credit facilities and fund vessel construction costs. GulfMark reported $390 million in long-term debt in Q3, so the current offering amounts to a 51% increase.

• **Strategic Environmental & Energy Resources** (SEER) completed $1.5 million in equity financing. Proceeds will help SEER accelerate expansion in existing markets and tap expanded markets, as well as strengthen its balance sheet. The undisclosed equity partners are also now strategic partners for the firm according to CEO John Combs. Combs expects the company to begin expanding aggressively and become a fully reporting company in 1H13.

Midstream Capital Briefs

• **Holly Energy Partners** is undertaking a 2-for-1 split of common units, effective January 16 for holders of record as of January 7. CEO Matt Clifton said the move should make units more accessible to investors and enhance trading liquidity. Clifton also noted that since the partnership's 2004 IPO, it had returned over $67/unit to owners through $43 in unit appreciation and over $24/unit in distributions.

Midstream Capital

PVR option exercised in ~$166 million public offering

PVR Partners LP closed its 7.47 million unit public offering, priced at $23.11/unit, raising a net $165.7 million. The sale included full exercise of a 975,000-unit overallotment option, pushing proceeds up 15%. Proceeds are being used to repay a portion of outstanding borrowings under PVR's revolver, on which the company owed $535 million as of Q3 bearing a YTD 2012 average 3.3% interest.

Proceeds will pay down $535 million in existing revolver debt.

With 88.4 million units as of Q3, the offer amounts to an 8.5% dilution to equityholders, compared to the 3.7% price discount to the prior day's unit price close and only a 2.0% drop in unit price the day following news of the offer.

Joint bookrunning managers were **Wells Fargo, BofA Merrill Lynch, Barclays, Citigroup, JP Morgan, RBC** and **UBS. BB&T** was a co-manager.

Inergy upsizes Rangeland debt offering 25%

Inergy Midstream and sub **NRGM Finance** priced a private debt offering of $500 million in 6% senior unsecured notes due 2020 at par. The offering was upsized 25% from a previously anticipated $400 million. Proceeds will be used to fund part of Inergy's pending $425 million purchase of **Rangeland Energy,** with the remainder funded by proceeds from a 10.7 million Inergy Midstream unit private offering. If the Rangeland deal has not closed by February 1, the notes will be redeemed.

Debt offer proceeds will also repay existing borrowings under its $600 million revolver. Outstanding debt under the revolver as of Q3 was $416.5 million, with another $2 million in letters-of-credit. Current offering aside, the revolver accounts for essentially all Inergy Midstream long-term debt.

Atlas Pipeline raising $475 million for Cardinal buy

Atlas Pipeline Partners recently announced a $600 million cash acquisition of **Cardinal Midstream LLC**. The partnership is raising over half of funding through a 9.75 million unit equity offering priced at $31.00/unit, which should gross $302.25 million. A 1.4625 million unit overallotment option could increase gross proceeds another $45.34 million to $347.59 million. The base offering was upsized 5.4% from a previously announced 9.25 million units. It was also priced 1.7% below the prior day's closing price, compared to an 18.1% dilution to equityholders.

Atlas raising ~$302 million in equity; $175 million in debt.

Prior to funding the Cardinal buy, proceeds may be used to repay revolver debt, which was reported as $80.0 million in Q3. Joint book-running managers on the offering are **Wells Fargo, Deutsche Bank, BofA Merrill Lynch, Barclays, Citigroup, Goldman Sachs, JP Morgan, Morgan Stanley** and **RBC.**

Atlas had $165 million in available cash as of Q3.

Another $175 million in debt will also fuel the acquisition, consisting of privately placed senior notes yielding 6.625% and due 2020. The new debt will grow long-term debt ~23% from Q3's reported $775.5 million.

The remaining ~$122.75 million in purchase price (assuming no option exercise) could theoretically be funded with cash, as Atlas Pipeline had $165 million on hand as of Q3. Atlas expects Cardinal to be immediately accretive to distributable cash flow, growing 2013 DCF 3-5% and 2014 DCF 8-10%. Atlas also increased EBITDA guidance over 20% as a result of the deal from $250-$300 million to $310-$360 million.

Haddington closes $350 million midstream fund

Midstream PE player **Haddington Ventures LLC** announced closure of **Haddington Energy Partners IV LP,** raising total committed capital of nearly $350 million for midstream investment. Haddington senior managing partner Chris Jones said the fund will target conventional midstream opportunities with experienced management and proven entrepreneurial track records. Jones said management of prospective investments required leaders who could "drive strategic strategic company visions, create and manage highly capable organizations, and integrate strong operating capabilities." The fund will target investments capable of organic or acquisition growth.

1/3 of Haddington management ran under previous funds.

Exclusive executive placement agent **Champlain Advisors'** managing partner Terry Crikelair noted Partners IV was nearly double the size of Haddington's most recently closed fund, thus diversifying its investor base significantly. That said, Crikelair noted Haddington's existing investor base supported the fund, as well. Investors include insurance companies, pensions (both public and private), endowments, bank holding companies and individual high net worth investors.

New fund nearly twice as large as Haddington's most recent fund.

Funds raised under Partners IV roughly match the entirety of funds raised during Haddington's existence since its founding in 1998. The firm's senior partners are all former midstream entrepreneurs and operators, contributing a significant contact base and industry experience to portfolio companies. Haddington claims to be the only midstream energy fund with such a management composition. It has now raised nearly $700 million since inception.

Midstream Capital

DCP subsidiary sells $500 million in public debt

DCP Midstream Partners LP subsidiary **DCP Midstream Operating LP** sold $500 million in 2.50% senior notes due 2017 at 99.379% of par. Proceeds will be used to repay outstanding term loans of $343.5 million and $140.0 million and for general partnership purposes. The loans partially funded the cash portion of investment in the Mont Belvieu fractionators and the partnership's 1/3 interest in Eagle Ford dropdowns from parent **DCP Midstream LLC.**

DCP Midstream Partners reported $1.04 billion in long-term debt in Q3. **Standard & Poor's** assigned a BBB- rating to the new notes. Joint book-running managers were **JP Morgan, RBS, SunTrust, Barclays, Deutsche Bank, RBC** and **US Bancorp.** Co-managers were **Credit Suisse** and **Mitsubishi UFJ Securities.**

Kayne Anderson backs ex-Laser team with $300 million

Kayne Anderson Capital Advisors committed to a $300 million equity investment in newly formed **Canyon Midstream Partners** for development, acquisition and operation of North American midstream assets and businesses. Kayne Anderson managing partner Danny Weitgeist said the firm likes Canyon's established management team, which has experience building out successful midstream ventures through a focus on resolving customer business challenges.

Precursor entity Laser was acquired by Williams Partners this year.

Canyon is run by former senior management of **Delphi Midstream Partners** and **Laser Northeast Gathering,** including Michael Walsh as president and CEO, Mark Fuqua as SVP of business development and Dale Harper as SVP of engineering and operations. Laser, the first independent gathering system in northeast Pennsylvania, was bought by **Williams Partners** earlier this year.

Walsh said Kayne Anderson's technical expertise, industry ties and financial resources will augment Canyon's ability to forge a world-class midstreamer. Kayne Anderson has over $15 billion in AUM; over $4 billion is dedicated to PE investments primarily in upstream companies. It currently has more than 40 upstream portfolio investments.

Option exercised in $150.8 million Spectra equity raise

Spectra Energy Partners announced closure of a 5,462,500 unit equity offering priced at $27.60/unit for gross proceeds of $150.8 million. The offering included full exercise of a 712,500 unit overallotment option. Spectra said net proceeds would be used to fund capex and acquisitions. Pending that, proceeds will be held as cash or invested in short-term securities.

The offering was priced 3.5% below the prior day's close of $28.60/unit, and units fell 4.7% on news of the offer. However, they quickly rebounded and moved even higher than pre-offer pricing days later, leveling out in the $29.50/unit range and staying there. The capital raise also diluted equityholder interest 5.6%. Joint book-running managers were **Wells Fargo, Citigroup, Deutsche Bank, UBS** and **Credit Suisse.**

Plains All American sells $750 million in combined debt

Plains All American Pipeline LP closed on two public offerings of debt for a gross $750 million in proceeds. The larger offering consisted of $400 million in 2.85% senior unsecured notes due 2023 priced at 99.752% of par for yield to maturity of 2.878%. Plains also sold $350 million in 4.3% senior unsecured notes due 2043 at 99.925% of par for yield to maturity of 4.304%. Net proceeds of $742 million will be used to repay credit facility borrowings and support general partnership purposes. Plains said repaid debt may be reborrowed as necessary to fund expansion capex, acquisitions or other purposes.

If Plains pays down all credit facility debt, long-term debt grows 7%.

Plains reported $6.38 billion in total long-term debt in Q3. With only $300 million in "credit facility and other" Q3 debt, the new offerings will at least grow total long-term debt by 7%—assuming the entirety of credit facility debt is paid. Joint book-running managers were **Wells Fargo, Barclays, Citigroup, SunTrust** and **UBS.**

Capital Markets News

Long-term commodity ETF returns called into question

Front-month gas futures rose 24% by early November, while shares of primary natural gas ETF UNG declined ~20% during the same period, as reported by The Wall Street Journal. Judging returns on a five-year basis, gas futures are down just over half, while UNG is down ~94%. Similarly, WTI front-month futures are down ~12% over the past five years, while shares of the US Oil Fund are down over half. **Deutsche Bank** recently called commodities the worst-performing asset class of 2012, with energy, industrial metals and livestock pushing the class down, offset somewhat by precious metal and agricultural product gains.

More costly second-month futures contracts eat into ETF yields.

The problem stems from the way ETFs are structured and how they must roll their interest into the second-month's-out futures contract when the immediately following (or "front") month future expires. In scenarios where the second-month contract bears a lower price than the front month (a/k/a backwardation), the shift is a profitable one for a holder of ETF shares, as the ETF pockets the difference between the higher priced expiring contract and the cheaper following contract into which it rolls its funds at the end of the month. However where the price for the second-month contract is higher (a/k/a contango), the ETF takes a loss when the contract rolls, and this is what has been taking place with many commodity-focused ETFs.

Brent and gasoline could see positive "yield roll" in 2013.

Deutsche Bank said many commodity future strips are expected to continue along similar contango paths well into 2013, although Brent and gasoline are both bucking that trend. Overall, ETFs are still well-suited to game short-term price moves, according to the Journal, but can make poor buy-and-hold positions.

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!

BP plc (BP; $41.00-Dec. 4; Outperform; PT: $55.00)

Smaller, Focused & More Efficient. BP continues to make progress in putting the oil spill behind it. BP is hoping it can reach a reasonable settlement, but is prepared to defend itself in court next February. After the TNK-BP sale is approved in 2Q13, BP will have a ~20% stake in Rosneft, the world's largest oil producer. BP's net production, reserve and dividend received will be slightly lower, but the $12.5B cash proceeds are seven times the annual dividend from TNK. BP has sold 10% of production and reserve for 30% of market cap. Despite divestiture impact of 150 mboed, most of which is high-margin, underlying production for 2013 is expected to show modest growth. Its new strategy emphasizes value over volume and oil over gas. BP expects margin expansion from new projects to drive future production growth. BP has over 700 leases in the deepwater Gulf of Mexico with a very large exploration portfolio to support many years of drilling. It also has large investments in Angola, the North Sea and Azerbaijan. These four core business areas currently account for 65% of BP's operating cash flow. —Fadel Gheit, **Oppenheimer & Co.**

Noble Energy (NBL; $101.45-Dec. 7; Outperform; PT: $120.00)

On bandwagon post analyst day. Upgrading shares, with price target of $120/share, up from $112/share. Ample upside to new target price and do not see current market as particularly valuation sensitive. Noble having the best headline growth in 2013 among our covered large-cap E&Ps by a multiple of 2x. Not just a flash in the pan. Five-year CAGR was 17%, again peer leading. Debt-adjusted growth is also peer leading, and lower risk. Noble has delivered on execution the last 12-18 months (or more), with Tamar on schedule and Alen coming on ahead of schedule and under budget as most timely examples of best-in-class execution. Noble is increasingly about the deep pipeline of operational and exploration catalysts. ~3.7Bboe of net risked resources in the exploration hopper, and 1.4Bboe to be tested over the next two years. Noble increased total net risked resource potential estimate to 9.9 Bboe, an impressive ~34% increase. Drove up our and other NAV estimates materially. —Michael Hall, CFA, **Baird**

Weatherford (WFT; $9.15-Nov. 13; Overweight; PT: $18.00)

The issues that have challenged WFT in the recent past, primarily tax accounting and the ongoing Sanctioned Countries/FCPA investigations, are now potential upside catalysts in our view. The company expects to file restated financials by the end of November, resolving the tax accounting issue, and we believe a resolution to the Sanctioned Countries investigation is looming (the FCPA investigation resolution will follow). Operating results in 3Q were challenging, however, a number of one-time or transitory issues impacted the results and we anticipate a much stronger 2013. The tax rate is anticipated to fall to 34% from 45% currently. In addition, there is a transition under way at WFT to shift focus away from pure growth towards profitability. The company guided to free cash flow in 4Q and a reduction of 2013 CAPEX to ~10% of revenue compared to ~15% currently. The focus of the company is on balance sheet improvement and in addition to reducing CAPEX, the company is taking steps to more carefully manage working capital. We are adjusting our 2012E and 2013E EPS estimate to $0.69 (from $0.90) and $1.30 (from $1.35), respectively, to reflect a more subdued outlook for NAM. Our PT decreases to $18 from $19 based on our revised 2013 estimate. —James C. West, **Barclays Capital**

Capital Markets News

McMoRan shares nearly double in takeover

Continued From Pg 1

In addition, McMoran shareholders will be paid 1.15 units per share in a royalty trust holding a 5% overriding interest in future production from McMoRan's shallow-water, ultra-deep assets. For full coverage of the acquired companies' assets, see **PLS's** latest A&D Transactions newsletter.

Freeport and McMoRan's Richard Adkerson said Freeport believed "attractive debt financing markets and our strong balance sheet will allow us to finance a significant portion of the transaction" with low cost debt. The company has obtained $9.5 billion in commitments from **JP Morgan** to fund the cash portion of the deal and repay outstanding debt under Plains' term loans and revolver. Pro forma Freeport debt will be $20.0 billion, or $16.3 billion net of cash. The company does not expect its dividend to suffer as a result of the deal.

Davy Jones delays had some suggest McMoran could be cash dry by 1Q13.

Adkerson also noted the companies' assets bore similar characteristics as those sought in mining—large scale, long life, low cost and with potential for growth through exploration and development. Freeport and McMoRan's James Moffett said the deal will bring significant value for Plains and McMoRan shareholders, while benefiting all three ventures through stronger capitalization for asset development.

McMoRan shares dropped 34% in recent days; a buying opportunity.

At the time of announcement, the resulting combined entity would have a pro-forma $60 billion enterprise value. Freeport projects ~26% of combined 2013 EBITDA of $12.0 billion will be derived from oil and gas (the rest will stem from Freeport's previous mining efforts), while 48% is expected to be derived from US ops. Next year's operating cash flow is projected at $9.0 billion.

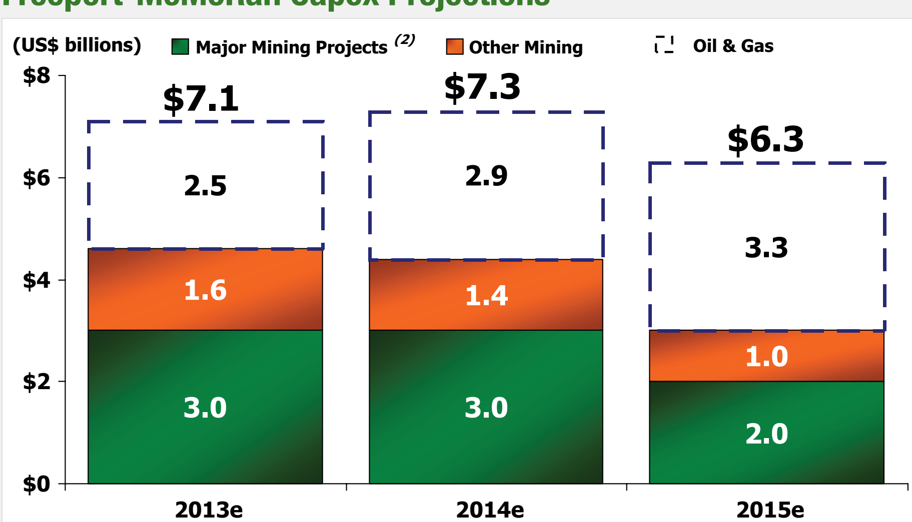
Credit Suisse advised Freeport's board, **Evercore Partners** advised McMoran's and **Barclays** advised Plains Exploration.

Debt-levered operators

Shares of McMoran recently lost over 1/3 of their value in the span of two trading days, dropping from $12.45/share to $8.18. The drop created a huge discount for potential acquirers. Investors apparently lost patience with the Gulf-focused upstreamer while encountering yet more production-test delays related to McMoRan's ultra-deep (30,000-foot) shallow water Davy Jones No. 1 well.

Continues On Pg 13

Freeport-McMoRan Capex Projections



Source: Freeport-McMoRan December 5 Presentation via **PLS docFinder www.plsx.com/finder**

Capital Briefs

• **Morgan Stanley** is in talks to sell part of its commodities unit to a Qatari sovereign-wealth fund, according to sources speaking with The Wall Street Journal. **Goldman Sachs** also reportedly conducted a study exploring a commodities trading spinoff, but tabled the idea pending visibility on new regulations which could ban certain types of trading, such as the Volcker Rule. Goldman's official statement on the matter was that management never "seriously" considered making such a move. Higher capital requirements and tighter credit ratings have also made the enterprise more difficult.

People & Property Briefs

• Two-thirds of oil and gas workers would work anywhere on earth for the right career path and compensation, recent research by Scottish oil and gas recruitment firm **Change Recruitment Group** finds. Another 21% would consider such a move but have security concerns for some locations. Nearly a fifth felt careers had stalled or declined over the past two years. Change Recruitment said it is seeing demand for workers in Africa and the Middle East.

• **Colvill Office Properties** has been retained by **Hines** to lease all of its high-end buildings in the Houston market including Dallas properties, as well. Properties include JPMorgan Chase Tower, BG Group Place and Williams Tower. The deal grows Colvill's portfolio ~150% from 8 million sq. ft. to 20 million.

• **KBR** sold its 136-acre Houston Buffalo Bayou (4100 Clinton) property to investment firm **Cathexis Holdings.** Cathexis has positions in oil and gas, minerals, real estate and private equity. The Houston Chronicle reported specific use was not yet known, speculation includes a combination cutting-edge workplace/retail district/ residential combination.

Capital Markets News

Study: Nearly 1,200 proposed new coal plants globally

Coal is not dead, at least in the global sense, as 1,199 new coal-fired plants with a combined capacity of 1,401,268 mw are currently in the proposal stage or beyond globally, according to a recently published report by the **World Resources Institute.** WRI said if all the plants were built, new capacity would be roughly equal to four times current US coal-fired capacity.

Developing nations account for many of the proposals, with China and India alone accounting for 76% of the new power capacity and 68% of the total number of plants. The US ranked seventh globally, with 36 new plants proposed with over 20,000 mw of capacity.

Over three-quarters of new proposals stem from China & India.

WRI acknowledges that in considering plants from the proposal stage onward, it may have overshot the mark in terms of actual buildout, but doing so allowed it to capture global interest levels.

IEA recently reported that global coal demand could grow 21% by 2035, but that policy decisions and the price of natural gas and other energy sources could impact this outcome.

Global E&P spending to rise 6.6% in 2013, says Barclays

Global E&P spending should rise 6.6% next year vs. 2012 to a record $644 billion, according to **Barclays'** Global 2013 E&P Spending Outlook. The increase will be almost entirely driven by non-North American spending which should grow 9% YOY to a record $460 billion, analyst James West said on a conference call. Australia/Asia, Latin America and the Middle East are expected to see the most growth. Key drivers include higher international pricing, key projects coming online and several 2012-2013 offshore rig deliveries.

Non-North American activity drives record spend, slated to grow 9% YOY.

North America spend will still grow, but by less than 1% YOY. Barclays found US operators spent 80-85% of capex budgets by the end of Q3, which West asserted was driving a current trough in activity. Spending is expected to pick up again in the new year. Aside from budget burn, North American spending has been impacted by lower gas, NGL and crude prices, as well as volatile Canadian pricing.

North American E&Ps project $85/bbl WTI and $3.47/MMbtu Henry Hub next year, while internationals anticipate $98/bbl Brent. Barclays compiled its estimates through conversations with 322 E&P companies last month.

McMoRan shares nearly double in takeover

Continued From Pg 12

McMoRan chairman Moffett disclosed a plug—likely barite—at the bottom of the well, but assured investors "we're going to unplug this thing."

Earlier projections suggested production of 50 MMcfd from the well. Costs on the well have exceeded $960 million, an industry record, and the company has reported a $144 million net loss YTD. There were concerns the company could run out of cash before cracking the code on Davy Jones. Leading McMoRan investor **Omega Advisors'** Lee Cooperman suggested the company could be dry on cash as soon as next quarter.

Plains will now not have to sell gas assets at depressed prices.

Plains shares were also down from summer highs as the company took on more debt than its market cap ($7.0 billion vs. a then-$5.2 billion, respectively) in September to acquire $6.1 billion in US Gulf assets from **BP** and **Shell** including the Marlin Hub, Horn Mountain and Holstein fields. After some rethinking and a subsequent October $3 billion debt offering, Plains' Gulf deal-related debt grew to $7.88 billion. Commenting on the takeover by Freeport, Plains CEO Jim Flores said the deal would keep the company from having to divest onshore gas assets under less than ideal near-term pricing.

'At current prices, more opportunity in oil than gold/copper.'—Freeport's Moffett

On news of the buy, McMoran shares surged 75.1% at the open to $14.81 and climbed even higher before closing up 87.0% at $15.82/share. Plains shares also spiked, albeit modestly by comparison, up 23.4% on the day to close at $44.50/share. Another beneficiary is key McMoRan minority partner **Energy XXI,** shares of which rose ~6.5% on the continued viability of its partner. Conversely, Freeport shares dropped 16.0% to $32.16, probably due to the healthy premiums paid.

McMoRan's predecessor was spun out of Freeport-McMoRan in 1994 with limited prospects or resources. As of Q3, Freeport owned $453 million worth of 5.75% convertible perpetual preferred stock. The firms share management, with Moffett serving as chair of both companies and president and CEO of McMoRan, and Adkerson serving as co-chair of McMoRan and president and CEO of Freeport. Plains acquired its 51.0 million-share McMoRan stake (31.5% interest) when it sold the company its portfolio of shallow Gulf assets in 2010.

Next A&D Transactions
Read more on Freeport-McMoRans acquisitions.

Canada approves CNOOC & Petronas buys Continued From Pg 1

Prime Minister Stephen Harper announced foreign investment guidelines preventing future oil sands takeovers by NOCs except under undefined "exceptional circumstances" while also increasing scrutiny for non-oil sands NOC takeovers. Harper issued a statement with the announcements saying Canada was open for business, but not "for sale to foreign governments." Harper said investors should realize these moves were not "the beginning of a trend, but rather the end of a trend. … To be blunt, Canadians have not spent years reducing the ownership of sectors of the economy by our own governments, only to see them bought and controlled by foreign governments instead."

Meanwhile minority stakes and JVs will still be welcomed for all market participants and private oil sands investment still appears to be on the table. Harper said the government's focus is on jobs and growth and investment supports that focus, but the nation will only approve oil or gas deals "of net benefit to Canada" under the standard. The new guidelines appear to amount to regulatory action implemented by Industry Canada through the Investment Canada Act.

Private acquisitions still welcome; as are minority stakes and JVs in all forms.

While the Canadian approval was a big step for the Nexen deal, approval is still needed in the US where the company has significant Gulf of Mexico assets. Such approval is not exactly a certainty, particularly given CNOOC prior failed $18.5 billion bid for **Unocal,** which failed to obtain regulatory approval in 2005. While US antitrust regulators cleared the Nexen deal in September, the Committee on Foreign Investments in the United States is still reviewing the matter. The companies refiled their applications to the body, which oversees national security implications of such deals, not long ago. This could add to the timeline for a CFIUS ruling.

About 10% of Nexen's assets are in the US Gulf of Mexico.

Nexen also has assets in the UK including control of the country's largest oil field, Buzzard, but a Department of Energy and Climate Change spokesman recently said the department will not object to the deal.

The Progress buy was initially rejected by Canada's Ministry of Industry but the government was apparently satisfied by modifications to the deal such as the allowance of Canadians on Progress' board and retention of local workers.

Progress and Petronas said they completed a feasibility study on their jointly proposed $9-$11 billion Pacific Northwest LNG project and are now exploring project timelines and costs. The size of the project was contingent on whether takeover approval was obtained, with potential for the previously announced 7.6 million tons per annum liquefaction capacity to be increased by ~60% with approval. Continues On Pg 15

Top Ten Deals Involving Significant Oilsands Assets[1]

Announce Date	Buyers	Sellers	Deal Value ($MM)	Deal Type
3/23/09	Suncor	Petro-Canada	$18,158	Corporate
7/23/12	CNOOC	Nexen	$17,900	Corporate
2/8/07	Shell	Shell Canada	$8,135	Corporate
7/31/07	Marathon	Western Oil Sands	$6,220	Corporate
4/12/10	Sinopec	ConocoPhillips	$4,650	Property
11/22/10	PTTEP	Statoil	$2,280	JV
5/8/06	Shell	BlackRock Ventures	$2,090	Corporate
7/20/11	CNOOC	OPTI Canada	$2,076	Corporate
4/27/07	Statoil	NAOSC	$2,000	Corporate
12/17/10	Total; Suncor	Suncor; Total	$1,743	JV

1. Deals included other assets in addition to oilsands
Source: **The PLS Global M&A Database www.plsx.com/ma**

People Briefs

• **Carrizo Oil & Gas** appointed *Robert F. Fulton* to its board, in addition to its compensation, nominating and corporate governance committees.

• **Consolidated Asset Management Service** appointed *Ray Ward* as VP. He previously served as president of **Shelby Engineering Consulting.**

• Southwest oil and gas acquirer **Core Resource Management** appointed financial advisor *Dennis Orsi* to its board as an independent director

• **Double Eagle Petroleum** appointed *Scott Baxter* to its board effective Jan 1. He is managing partner and founder of **Baxter Energy Partners.**

• **Enogex Holdings LLC** president *Keith Mitchell* has been appointed to the board of Enogex.

• **Gulfsands Petroleum** appointed *Joseph Darby* as senior independent non-executive director.

• **Paloma Resources** appointed *Bobby Porrier* as VP, CFO and treasurer. Previously he served as VP corporate development and planning and treasurer for **Energy XXI.**

• **Paradigm Oil and Gas** appointed *Gary Bryant* and *Bill von Gremp* to its advisory board.

• **Quantum Energy Partners** has appointed former **LINN Energy** chairman, president and CEO *Michael C. Linn* as a senior advisor and member of its industry advisory board.

• **Richfield Oil & Gas** has appointed Thomas R. Grimm to its board. The company also announced its trading symbol, "ROIL."

• **White Deer Management** appointed *Will McMullen* as associate. He joins from **Denham Capital** where he served as an associate.

• *Rhett G. Campbell,* a partner at the law firm of **Thompson & Knight LLP,** was named the 2013 Lawyer of the Year in the category of Houston bankruptcy and creditor-debtor rights/insolvency and reorganization law, litigation-bankruptcy in **Woodward/White's** "The Best Lawyers in America."

Legal & Regulatory

Ecolab Champion buy facing regulatory scrutiny

The Department of Justice issued a "second request" for additional information to **Ecolab** regarding its proposed $2.2 billion acquisition of oilfield specialty chemical-maker **Champion Technologies.** Such requests typically indicate regulatory concern of the possibility of anticompetitive impacts of an acquisition, in some instances causing deals not to ultimately culminate.

2nd requests rare; only 4.1% of deals subject according to DOJ & FTC.

In regulatory filings Ecolab reaffirmed its belief that the deal will close by YE12, saying it "has been and will continue to work cooperatively with the DOJ." According to the Minneapolis Star Tribune, Ecolab SVP of external relations Mike Monahan confirmed the company's expectation of 2012 approval, and said the DOJ inquiry arose because "Our energy business and Champion's are in the same industry." It seems likely that much of the overlap stems from Ecolab's **Nalco** division, acquired last year for ~$8 billion.

There is at least some differentiation, as Ecolab focuses largely on offshore oil recovery and downstream water treatment, while Champion largely operates onshore, providing upstream research, additives and diagnostic chemicals.

Second requests are uncommon and can entail significant costs and delays. Antitrust attorney James Burns with **Dickinson Wright** told the Star Tribune that "at least half" of deals subject to the requests ultimately fail to be completed.

BP suspended from new federal contracts

The EPA was apparently unmoved by **BP's** recent acceptance of responsibility and $4.5 billion in criminal settlements with the Justice Department and SEC, suspending the beleaguered supermajor from new federal government contracts. University of Baltimore law professor Charles Tiefer, who has significant experience analyzing federal government contract suspensions, told The Houston Chronicle that such suspensions are rare for large companies noting, "The government is being much tougher on BP than it has been on other big companies, and that is apparently because the scale of the environmental damage is beyond the harm that any other government contractor has ever done." The Chronicle notes suspensions generally last 3-18 months, but can last up to three years. **Morningstar's** Stephen Simko estimates the suspension will only become "concerning" if it lasts longer than two years.

New leases barred; BP did not participate in recent Gulf auction.

That said, the additional penalty might have a moderate duration, with both EPA and BP noting the suspension could end as soon as BP convinces EPA of operational improvements (although a regulatory source subsequently told Reuters a deal was not imminent and could take several months). Also, the decision does not impact current contracts or activities. BP said it is working to convince EPA of its "present responsibility", while EPA is developing a proposed agreement covering parameters to lift the suspension.

Existing contracts are not affected & possible carveout for military fuel.

New leases are out of the picture during the suspension, and a few weeks prior to the ban BP's finance director Brian Gilvary said on a conference call that a blanket ban could force it to rethink its entire US business. The company did not participate in a recent 20 million acre GoM lease auction, although spokesman Brett Clanton said it had decided not to do so "prior to and independent of" the suspension. Participation in a 2013 central Gulf lease appears uncertain.

National security exemptions might be carved out for new fuel supply contracts with the Pentagon's **Defense Logistics Agency,** as BP is the military's largest fuel supplier, and won $1.4 billion in two such deals in September. That said, **Raymond James** suggested those contracts could be at risk, as well.

Suspension may provide leverage for government in civil settlement talks.

The critical question, according to **RBC's** Peter Hutton, is "whether this is a shot across BP's bows to get settlement [on remaining possible civil liability which could cost the company over $20 billion should the court make a finding of gross negligence], or a more sustained stance, in which case the importance of the context is underlined." As for that prospective civil settlement, Loyola tort law professor Blaine LeCesne told FuelFix that BP may not have done itself any favors pleading guilty to manslaughter charges in the criminal settlement, noting the standards of proof and conduct between criminal negligence under manslaughter charges and gross negligence in civil matters are similar. Others legal experts disagree however, saying crossover impacts should be minimal.

Canada approves CNOOC & Petronas buys Continued From Pg 14

Petronas' CEO Tan Sri Dato' Shamsul Azhar Abbas said the project would create up to 3,500 well-paying construction jobs from the Montney to the West Coast as well as 200-300 permanent operating positions.

Analysts: Painted Pony & Tourmaline Oil likely takeover targets.

New oil sands restrictions could put pressure on the share prices of Canadian oil sands players including **MEG Energy** (in which CNOOC holds a stake), **Hedgeye Risk Management's** Kevin Kaiser told Bloomberg. On the gas side, **Haywood Securities'** Robert Cooper believes there are still solid Canadian takeover opportunities with **Painted Pony Petroleum** and **Tourmaline** among the likely targets, according to the same article. **Sprott Asset Management's** Eric Nuttall agreed with the Painted Pony pick, suggesting the new regulatory landscape should accelerate M&A on the gas side.

Who's Hot, Who's Not—As of December 11

Analysts' view on select stocks

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

Upgrades:

- **Anadarko Petroleum Corp.** (APC/$74.58/$56.42/$88.70/$37.3B) from Neutral to Outperform by Robert W. Baird.
- **Atwood Oceanics Inc.** (ATW/$45.49/$34.93/$50.18/$2.98B) from Accumulate to Buy by Global Hunter Securities.
- **Chevron** (CVX/$108.14/$95.73/$118.53/$211.49B) from Hold to Buy by Dahlman Rose.
- **Continental** (CLR/$74.84/$61.02/$97.19/$13.39B) from Hold to Buy by Stifel Nicolaus.
- **Crosstex Energy LP** (XTEX/$14.90/$13.06/$18.24/$986.23M) from Neutral to Accumulate by Global Hunter Securities.
- **Enerplus Corp.** (ERF/$12.98/$11.35/$26.54/$2.56B) from Sector Perform to Outperform by RBC Capital Markets.
- **Eni SpA** (E/$47.40/$36.59/$49.65/$85.59B) from Neutral to Outperform by Macquarie.
- **Hercules Offshore, Inc.** (HERO/$5.12/$2.91/$5.57/$813.55M) from Hold to Buy by Deutsche Bank.
- **Inergy LP** (NRGY/$18.04/$15.06/$24.99/$2.27B) from Neutral to Outperform by Robert W. Baird.
- **Mid-Con Energy Partners LP** (MCEP/$19.25/$17.25/$25.18/$345.73M) from Neutral to Outperform by Robert W. Baird.
- **Midstates Petroleum Company Inc.** (MPO/$7.30/$4.71/$16.95/$475.85M) from Market Outperform to Focus Stock by Howard Weil.
- **Nabors Industries Ltd.** (NBR/$14.06/$12.40/$22.73/$4.09B) from Hold to Buy by Deutsche Bank.
- **Noble Energy Inc.** (NBL/$100.46/$76.83/$105.46/$17.9B) from Neutral to Outperform by Robert W. Baird.
- **Patterson-UTI Energy Inc.** (PTEN/$17.66/$12.81/$22.14/$2.62B) from Hold to Buy by Deutsche Bank.
- **PetroQuest Energy** (PQ/$5.01/$4.26/$7.39/$320.61M) from Hold to Buy by Stifel Nicolaus.
- **Pioneer Energy Services Corp.** (PES/$7.11/$5.91/$10.60/$442.45M) from Hold to Buy by Deutsche Bank.
- **Tesoro** (TSO/$40.97/$20.77/$44.73/$5.7B) from Neutral to Outperform by Credit Suisse.
- **Total SA** (TOT/$50.98/$41.75/$57.06/$115.11B) from Hold to Buy by Deutsche Bank.
- **Ultra Petroleum Corp.** (UPL/$19.49/$17.62/$31.39/$2.98B) from Underperform to Neutral by Sterne Agee.
- **Whiting USA Trust II** (WHZ/$14.92/$14.36/$24.64/$273.75M) from Underperform to Neutral by Robert W. Baird.

New Coverage:

- **Approach Resources Inc.** (AREX/$25.30/$22.36/$39.18/$865.69M) at Buy by Canaccord Genuity.
- **BPZ Resources, Inc.** (BPZ/$2.36/$2.01/$4.64/$273.04M) at Accumulate by Global Hunter Securities.
- **Cabot Oil & Gas Corp.** (COG/$47.46/$28.84/$49.89/$9.96B) at Neutral by UBS.
- **Concho Resources Inc.** (CXO/$81.88/$76.17/$116.82/$8.48B) at Buy by UBS.
- **Core Labs NV** (CLB/$105.84/$94.72/$143.21/$4.94B) at Buy by Global Hunter Securities.
- **Dakota Plains Holdings Inc** (DAKP/$3.45/$1.75/$12/$140.79M) at Outperform by Northland Securities.
- **Delek Logistics** (DKL/$21.76/$20.52/$23.74/$527.96M) at Overweight by Barclays.
- **Energy XXI** (EXXI/$32.10/$26.20/$39.65/$2.55B) at Buy by Ladenburg Thalmann.
- **Flowserve Corp.** (FLS/$142.03/$95.52/$147.10/$7.09B) at Buy by KeyBanc Capital Markets.

Legal & Regulatory

El Paso shareholder suit settles for $110 million

Judge Leo Strine Jr. approved a $110 million settlement between **El Paso** and shareholders who sought to block the $21.1 billion sale of the company's midstream assets to **Kinder Morgan** last year due to alleged conflicts of interest. Legal fees will absorb 24% of the payout. Investment bank **Goldman Sachs** also waived a $20 million advisory fee.

Goldman also waived $20 million fee for advising El Paso on its sale.

Strine let the deal proceed in February but agreed regarding the existence of conflicts, in particular pointing to the fact that Goldman advised El Paso on the deal while holding a 19% stake and two board seats at Kinder Morgan. Shareholders had asserted that this ownership interest exerted downward pressure on El Paso's sale price.

The court also concluded that El Paso CEO Douglas Foshee had an interest in not achieving a maximum sale price due to an at-the-time undisclosed personal interest in acquiring El Paso's remaining upstream units, which Kinder Morgan planned to divest to fund the sale.

Settlement language included a denial of any wrongdoing by El Paso, Goldman and Kinder Morgan. The companies said they were settling to curtail the distraction and cost of litigation.

Legal Briefs

• The SEC has accused New Jersey hedge fund **Yorkville Advisors** of securities fraud, saying the once-$1 billion fund reported false and inflated values for some of the micro- and small-cap investments in which it specializes during the financial crisis. The regulator said these practices resulted in over $10 million in unearned fees for the fund. The SEC also said the firm created and provided false and misleading documents to auditors. Yorkville asserted an agenda by regulators and said it "vigorously disputes" the claims.

GULF COAST

CENTRAL MISSISSIPPI PROPERTY

9-Active Wells. 7-PUD's. 574-Net Acres.
YAZOO & MADISON CO. BENTONIA FIELD
~98% OPERATED WI; ~75% NRI
Proj (Dec '12) Net Prod: ~278 BOPD
Proj (Dec '12) Net Cash Flow: ~$787,000/Mn
CONTACT AGENT FOR UPDATE
PP 1877

PP
278 BOPD

GULF COAST NONOP

704-Gross Acres (HBP).
WHARTON CO., TEXAS
WILCOX PRODUCTION
85-100% OPERATED WI; 75% NRI
Gross Prod: 87 BOPD & 3.9 MMCFD
Net Cash Flow: $453,000/Month
CONTACT MIDLAND AGENT
PP 1903

PP
3.7 MMCFD

GULF COAST PRODUCTION SALE

29-Total. 6-Active. 3-SWD. 20-NonProd
HARDIN, REFUGIO, SAN PATRICIO (TX)
ALLEN PARISH (LOUISIANA)
12-Proved Behind Pipe Zones.
1-PUD 6,000 Ft. w/ 100 MBO Potential
1-Deepening w/ 30 MBO & 500 MMCF Prob.
OPERATED WI FOR SALE
Avg Gross Production: 101 BOPD
Avg Net Cash Flow: $173,882/Month
Net Proved Rsrvs: 261 MBO & 457 MMCF
Future Net Revenue: $13,779,800
Total Proved PV10 Reserves: $9,563,300
AGENT WANTS OFFERS DEC 20, 2012
PP 1801DV

PP
101 BOPD

REFUGIO CO., TX PROPERTY

3-PUDs. +/-5,899-Gross Acres
GULF COAST - LA ROSA FIELD
Multiple Behind Pipe Zones
Proprietary 3-D Seismic Available.
50-100% OPERATED WI, 37.5%-75% NRI
Gross Production: 279 MCFD & 50 BOPD
Net Production: 214 MCFD & 50 BOPD
Net Cash Flow: $180,000/Month
Estimated (PDP) PV10: $2,577,000
Estimated (PDNP) PV10: $2,214,000
Estimated (PUD) PV10: $4,769,000
Total Proved PV10 Reserves: $9,560,000
CONTACT MIDLAND AGENT
PP 1869DV

PP
279 MCFD

SOUTH TEXAS PROJECT

PLS

2-Horizontal PDP's. 14,200-Net Acres.
LAVACA COUNTY
CONNIFF & GRAHMANN UNITS
Eagleville (Eagle Ford). ~14,000 Ft.
Austin Chalk, Edwards & Buda.
100% OPERATED WI; 75% NRI
Gross Prod: 23 BOPD & 678 MCFD
Net Prod: 17 BOPD & 509 MCFD
PLS IS BUILDING DATA ROOM
PP 1932DV

PP
136 BOED

Who's Hot, Who's Not—As of December 11

- **Global Geophysical Services Inc.** (GGS/$3.90/$3.61/$11.76/$148.04M) at Hold by Dahlman Rose.
- **Hess Corp.** (HES/$51.88/$39.67/$67.86/$17.58B) at Hold by Dahlman Rose.
- **ION Geophysical** (IO/$6.04/$5.29/$8.79/$946.96M) at Hold by Dahlman Rose.
- **ION Geophysical** (IO/$6.04/$5.29/$8.79/$946.96M) at Buy by Dougherty & Co.
- **Kodiak Oil and Gas Corp** (KOG/$8.87/$2.43/$7.70/$2.36B) at Buy by UBS.
- **Lehigh Gas Partners LP** (LGP/$19.30/$16.66/$21.65/$289.71M) at Neutral by Robert W. Baird.
- **Linn Co. LLC** (LNCO/$37.01/$35.15/$39.94/$1.29B) at Outperform by Robert W. Baird.
- **Linn Co. LLC** (LNCO/$37.01/$35.15/$39.94/$1.29B) at Buy by UBS.
- **Marathon Petroleum** (MPC/$61.75/$30.24/$62.76/$21.02B) at Neutral by JPMorgan.
- **MPLX LP** (MPLX/$31.26/$25.35/$34.51/$2.31B) at Equal Weight by Barclays.
- **Occidental** (OXY/$75.50/$72.43/$106.68/$61.31B) at Buy by Dahlman Rose.
- **Occidental** (OXY/$75.50/$72.43/$106.68/$61.31B) at Buy by Standpoint Research.
- **Oil States International** (OIS/$68.25/$60.03/$87.65/$3.75B) at Buy by Guggenheim.
- **PDC Energy Inc.** (PDCE/$31.63/$19.33/$40.26/$949.43M) at Market Perform by Howard Weil.
- **Pioneer Natural Resources Co.** (PXD/$103.85/$77.41/$119.19/$12.81B) at Buy by Deutsche Bank.
- **Sanchez Energy Corp.** (SN/$18.45/$16.37/$25.37/$619.65M) at Sector Perform by RBC Capital Markets.
- **Southcross Energy** (SXE/$22.97/$22/$24.60/$559.62M) at Overweight by Barclays.
- **Southcross Energy** (SXE/$22.97/$22/$24.60/$559.62M) at Outperform by Robert W. Baird.

Downgrades:

- **Apache** (APA/$77.21/$74.50/$112.09/$30.24B) from Outperform to Neutral by Robert W. Baird.
- **Apache** (APA/$77.21/$74.50/$112.09/$30.24B) from Buy to Hold by Deutsche Bank.
- **Callon Petroleum Co.** (CPE/$4.53/$3.80/$7.95/$180.69M) from Buy to Hold by Canaccord Genuity.
- **Ensco PLC** (ESV/$57.30/$41.63/$61.48/$13.35B) from Buy to Hold by Deutsche Bank.
- **Gulfport** (GPOR/$38.40/$15.79/$39.13/$2.14B) from Buy to Hold by Stifel Nicolaus.
- **Inergy Midstream LP** (NRGM/$23.50/$16.25/$25.32/$1.77B) from Outperform to Neutral by Robert W. Baird.
- **Nabors Industries Ltd.** (NBR/$14.06/$12.40/$22.73/$4.09B) from Hold to Underperform by Jefferies.
- **Noble Energy** (NBL/$100.46/$76.83/$105.46/$17.9B) from Buy to Neutral by Sterne Agee.
- **Occidental** (OXY/$75.50/$72.43/$106.68/$61.31B) from Buy to Hold by Deutsche Bank.
- **Plains Exploration & Production Co.** (PXP/$45.15/$30.12/$47.13/$5.83B) from Buy to Hold by KeyBanc Capital Markets.
- **Plains Exploration & Production Co.** (PXP/$45.15/$30.12/$47.13/$5.83B) from Accumulate to Neutral by Global Hunter Securities.
- **PDC Energy Inc.** (PDCE/$31.52/$19.33/$40.26/$936.12M) from Buy to Accumulate by Global Hunter Securities.
- **Rowan Companies PLC** (RDC/$31.68/$28.62/$39.40/$3.94B) from Buy to Hold by Deutsche Bank.
- **Royal Dutch Shell PLC** (RDS-A/$68.58/$60.62/$74.52/$215.44B) from Buy to Hold by Deutsche Bank.
- **SeaDrill** (SDRL/$36.92/$31.37/$42.34/$17.32B) from Buy to Hold by Deutsche Bank.
- **SM Energy** (SM/$47.32/$39.44/$84.40/$3.12B) from Buy to Hold by Deutsche Bank.
- **Talisman Energy Inc.** (TLM/$11.25/$9.46/$15.21/$11.57B) from Outperform to Market Perform by BMO Capital Markets.

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

Legal & Regulatory

FERC stepping up gas & power price regulation efforts

The Federal Energy Regulatory Commission said it is considering new price disclosure rules for sellers of natural gas to provide visibility on market manipulation, saying the current indexing system lacks sufficient transparency. Specifically, FERC said market participants lack complete understanding of actions producing the prices reported to the various indices. Possible increased reporting may include quarterly day-ahead and month-ahead sales for day-ahead and month-ahead gas delivery. FERC said greater transparency would increase confidence that pricing is a result of market fundamentals rather than manipulation or other abuses. Unlike futures pricing derived directly from exchange transaction data, physical gas pricing is largely compiled second-hand via index publishers culling data from market actors.

FERC may compel quarterly physical gas sale reporting.

Midstreamers investigated, JP Morgan suspended—

The announcement comes on the back of investigations or outright action against gas and power sellers. FERC is investigating midstreamers **Kinder Morgan** subsidiary **Wyoming Interstate** and **Viking Gas Transmission** on the possibility they may have charged customers "unjust and unreasonable" rates. And in electricity, FERC doled out a six-month suspension to **JP Morgan** (delayed until April 1 to allow the bank to fulfill current contract obligations), barring **JP Morgan Ventures Energy** from charging market-based rates on the wholesale market. FERC made the move after accusing the I-bank of submitting false information under a market manipulation probe. JP Morgan will still be able to trade derivatives, but will only be able to offer electricity with no price or a zero-price listed, with these options available to help utilities meet customer demand.

FERC alleges $73 million in improper payments to generators by JP Morgan.

In an interview with Bloomberg, **Portales Partners** bank analyst Charles Peabody called the suspension "very significant in the history of that agency" and said FERC "has really been stepping up its investigations into power manipulation." In California (where the underlying probe originated), state power market spokeswoman Stephanie McCorkle told Bloomberg this marked the first time FERC had suspended an active power market participant in the state. JP Morgan spokeswoman Jennifer Zuccarelli told Bloomberg the action was a "novel use of FERC's authority over market-based rates", unsupported by FERC's own regulations. Prior to the suspension, JP Morgan said any such action would be an "unjustified reaction to unintentional, good-faith mistakes, misunderstandings and miscommunications."

First time active power market participant suspended in California.

JP Morgan is reviewing next steps in light of suspension.

FERC said it has continuously warned market actors of the consequences of failure to comply with its mandates. It is also currently investigating **Deutsche Bank** and **Barclays** for alleged manipulation, recently suggesting a record ~$470 million in penalties for the latter bank.

PERMIAN

SE NEW MEXICO PROPERTIES

PP

106-PDP Wells. 66-PDNP. 87-PUD's.
LEA CO., NM WATERFLOOD UNITS
6,300-Gross Acres. 4,600-Net Acres.
Yates, Seven Rivers & Queen.
Depth Range: 2,900-3,800 Ft.
Upside Potential in Improving Waterflood
LONG-LIFE PREDICTABLE RESERVES
~74% OPERATED WI; ~57% NRI
Net Sales: 380 BOPD, 160 MCFD
--& 35 Bbls NGL Per Day
Projected PDP Cash Flow: $741,666/Mn
Net Prov Reserves: 8.0 MMBO & 3.2 BCF
Total Proved Net Reserves: 9.0 MMBOE
Total Net Proved (PV10): $162,429,000
CA Required to View Data Room
CONTACT AGENT FOR UPDATE
PP 1901WF

380 BOPD

PERMIAN NONOP SALE PACKAGE

PLS

PP

~10-PDP Wells. ~450-Net Acres.
ANDREWS CO., TX
SPRABERRY (TREND AREA)
Wolfberry/Spraberry
50% NonOperated WI; 75% NRI
Gross Prod: 112 BOPD & 208 MCFD
Net Prod: 42 BOPD & 78 MCFD
Net Cash Flow: >$125,000/Mn
Substantial Drilling Upside
CALL PLS FOR MORE INFO
PP 1692DV

55 BOED

PERMIAN PROPERTIES

PP

51-PUDs. ~608-Gross Acres HBP.
ANDREWS & ECTOR CO.
SAN ANDRES & CLEARFORK
Infill and Horizontal Drilling Opportunites.
Potential Waterflood Development.
100% OPERATED WI; 75-80% NRI
Current Prod: 238 BOPD & 537 MCFD
Avg Net Cash Flow: $563,000/Month
PDP Reserves: $21,917,000
PDNP Reserves: $2,271,000
PUD Reserves: $80,083,000
Total Proved PV10: $104,271,000
CONTACT AGENT FOR UPDATE
PP 1934DV

238 BOPD

WEST TEXAS OVERRIDE

RR

Multiple Active Wells.
PERMIAN BASIN - ANDREWS CO.
SOUTH FUHRMAN MASCHO UNIT
2.5% ORRI FOR SALE
Gross Prod: 646 BOPD & 672 MCFD
Avg Net Cash Flow: $49,881/Month
CONTACT AGENT FOR UPDATE
RR 1856PP

758 BOED

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
Contiguous Drillable Tracts.
CALL PLS AGENT FOR DETAILS
L 5015DV
L
MISSISSIPPIAN

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.
HORIZONTAL DRILLING
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

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
AGENT WANTS OFFERS DEC 14, 2012
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

EASTERN & APPALACHIA

EASTERN OHIO DEVELOPMENT
~10,000-Contiguous Acres. HBP.
WASHINGTON, ATHENS & MEIGS CO.
UTICA SHALE PLAY
Horizontal Development Potential
SEEKING JOINT VENTURE PARTNER
CONTACT AGENT FOR UPDATES
L 1916PP
L
UTICA

EASTERN OHIO NONOP
87,400 Gross Acres. 21,800-Net Acres.
HORIZONTAL UTICA SHALE
WET GAS WINDOW & OIL WINDOW
10 Wells Drilled to Date
536 Locations on 160-Acre Spacing
-- Additional 250 Potential Locations
25% NonOperated WI For Sale
Well Tested Up to 4,340 BOED
1,560 BOPD, 7.1 MMCFD & 1,030 BNGL
Operated by Gulfport Energy Corp.
CA Required to View Data Room
CONTACT AGENT FOR MORE INFO
PP 1891DV
PP
4,340 BOED

ROCKIES

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

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
CGA Reserve Report Available.
CA Required to View Data Room
OFFERS DUE BY DECEMBER 2012
PP 1896DV
PP
~260 BOED

ROCKIES

WESTERN COLORADO PROSPECT
PLS
~80,000-Gross Acres. 13-Total Townships.
MOFFAT & RIO BLANCO CO., CO
UINTAH CO., UTAH - PICEANCE BASIN
DRILL-TO-EARN OIL PLAY OPPORTUNITY
1-Vertical Evaluation Well to 9,700 Ft.
-- to Phosphoria & Weber Formations.
POSSIBLE HZ MANCOS / NIOBRARA
SEEKING JV PARTNER; 80% NRI
Reviewing Current 2-D Seismic Data.
Designing & Implementing a 3-D
-- Seismic Program of ~24 Square Miles.
DHC: $1,700,000; Compl: $2,800,000
L 1898DV
L
HORIZONTAL

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
CALL PLS FOR MORE INFO
DV 1940
PLS
DV
WILLISTON

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

TEXAS & LOUISIANA NONOP WELLS
>25-PDP Wells. 6-SWD.
MULTIPLE FIELDS
TX-Hardeman, Lavaca, & Dawson
LA-Terrebonne, Cameron, Lafourche,--
--Jackson & Webster
Varying NonOperated WI & NRI
Total Net Prod: 31 BOPD & 129 MCFD
Average Net Cash Flow: ~$15,000/Mn
NONOP PRODUCTION SALE
CALL PLS AGENT FOR DETAILS
PP 1045
PLS
PP
~52 BOED

DALLAS DEALMAKERS PROSPECTS & PROPERTIES EXPO

January 16 ▪ 2013
Hilton Anatole

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"Solid food and refreshments."
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