

Pine Brook invests \$300 million in new E&P start-up



By Mella McEwen

August 16, 2015 While the oil and gas industry is struggling with crude prices that have sunk to a six-year low, others see opportunities opened up by those same low prices.

Investment firm Pine Brook is one of those companies. It agreed to provide a \$300 million line of equity investment in newly formed Red Bluff Resources Holdings LLC.

Oklahoma City-based Red Bluff plans to acquire, explore and develop crude and natural gas reserves in the Mid-Continent and Permian Basin.

“It is an interesting time, for sure,” said Claire Harvey, vice president, energy at Pine Brook.

A number of operators and other industry experts expected a return to lower commodity prices, she said. She said her company, as well as Red Bluff executives, see the low-price environment as offering an opportunity to acquire assets “we might not otherwise be able to acquire.”

The current economic environment offers an excellent opportunity step out and form a new company, said Timothy Haddican, who will serve as chief executive officer of Red Bluff. He most recently was with RKI Exploration & Production, where he was an initial member and vice president of operations and engineering. RKI is in the process of being acquired by WPX Energy of Tulsa.

Like Harvey, Haddican believes there will be opportunities for Red Bluff to snap up distressed assets from companies looking to raise cash.

“It also offers the opportunity to make acquisitions from healthy companies looking to divest non-core assets,” he said.

The longer prices remain at their present level of below \$50, the more opportunities that could arise, Harvey said. Should oil prices remain low for an extended period, debt markets will begin to contract, Harvey said. But equity investment companies such as Pine Brook will remain interested in “putting our dollars to work” by teaming with exploration and production companies like Red Bluff, she said.

Red Bluff’s executive team knows the Permian Basin and will focus on the region and on the Mid-Continent.

Haddican offered two reasons his company is attracted to the Permian Basin: The Permian is an extensive, large area that contains multiple stacked pay targets that have been identified over the years.

“Those two assets create a lot of opportunities and value for the industry and for oil and gas companies,” he said.

While Red Bluff is just getting up and running, it is assessing targets, with a focus on the Central Basin Platform and Midland Basin, Haddican said.

The plan is to leverage the Red Bluff team’s expertise in horizontal drilling and fracturing completion technology to exploit its new properties, he said.

Pine Brook seeks to invest in such regions, especially in the current low- oil price environment “where it make sense at these prices,” Harvey said.

The longer oil prices remain low, the more it will impact supplies and send prices higher, she said. But “our investment strategy does not rely on prices going up” but on developing properties that will provide value.

Harvey, a 13-year industry veteran, joined Pine Brook last March from TPH Partners, an affiliate of Tudor, Pickering Holt & Co., where she was a principal specializing in investments in the upstream, midstream and oilfield services sectors. She represents Pine Brook as a director of Red Bluff Resources.

She said her role as a director will be to partner with Red Bluff’s executives and help provide needed resources.