

PINE BROOK



Pine Brook, Riverstone to Invest Up to \$600 Million in Permian

March 9, 2017 - by David Carey and Alex Nussbaum

Private equity firms Pine Brook and Riverstone Holdings agreed to invest as much as \$600 million in a newly created oil and natural gas explorer in Texas's energy-rich Permian Basin.

The firms will give Midland, Texas-based Admiral Permian Resources LLC a line of equity to purchase leaseholds and bankroll joint ventures and other deals in west Texas and southeastern New Mexico, Pine Brook co-President Rich Aube said in a phone interview.

Denzil West, a former president of Midland-based Reliance Energy Inc., which in October sold the bulk of its exploration assets to Concho Resources Inc. for \$1.7 billion, is Admiral's chief executive officer.

Private equity investing in U.S. oil and gas properties has dropped sharply since a supply glut triggered a free fall in oil prices. Since September oil has ranged from \$43 to \$55 a barrel, just over half its peak in June 2014. Last year in the sector, North American private equity deal volume was \$11.7 billion, 60 percent less than in 2014, according to data compiled by Bloomberg.

Despite that, private equity firms and oil companies have poured billions of dollars into the Permian over the last year, vying for position in an oilfield so prolific it's generated profits even during the worst crude-market slump in a generation. The frenzy has pushed lease prices as high as \$60,000 an acre in some cases.

Competitive Basin

Exxon Mobil Corp. agreed in January to pay as much as \$6.6 billion to more than double its holdings in the Permian. On Thursday, Houston-based Marathon Oil Corp. said it would spend \$1.1 billion to acquire 70,000 acres in the New Mexico portion of the play.

“People have focused on the Permian to the exclusion of lots of other basins, because it’s the best resource in the U.S.,” Aube said. “The economics have been working, and they’re getting better.”

Aube observed that, because of the steep cost of acreage there, making investments work takes substantial operating savvy.

“It’s a very competitive basin, and you really need to be partnered with the best management teams to be successful,” said Aube.

New York-based Pine Brook, led by CEO Howard Newman and co-Presidents Aube and William Spiegel, oversees about \$6 billion in clients’ capital.

Riverstone, led by founders Pierre Lapeyre and David Leuschen, has raised more than \$34 billion since its start in 2000 for buyout and growth investments in energy and power companies.