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## Private equity investment in energy expected to soar in 2016

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In the world of oil and gas private equity ventures, a cool \$100 million may not seem like a significant amount. But when Houston-based private equity firm Post Oak Energy Capital LP gave that amount to a brand-new company, the significance rested with the nature of the new venture, more so than the size of the commitment.

Post Oak is backing UpCurve Energy LLC, a new oil and gas production company founded by ConocoPhillips alumni, because of its focus on optimization, which is how drillers and operators improve the recovery rate of a well through technology and processes. Re-fracking is a form of optimization.

“That phase of operating know-how is the next evolution in the resource business,” said Frost Cochran, managing director and CEO at Post Oak Energy Capital. “It is a slightly new flavor in resource investing in North America – getting people to move beyond the phase of that initial exploration and delineation phase.”

Post Oak, and likely other private equity firms, will be looking for similar companies that focus on optimization to fill out their portfolios in 2016, said Cochran.

Private equity has had the lion’s share of Texas deals this year overall. As of October, 58 percent of all Texas deals that closed were private equity-backed growth or expansion deals, and 33 percent of actively investing funds were doing so in the energy sector in Texas, according to Houston-based CAZ Investments.

### Land rush

That being said, the lure of oil and gas assets coming onto the market at



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From left: Bruce Ross, managing partner of OFS Energy Fund and Frost Cochran, managing partner of Post Oak Energy Capital.

increasingly economical prices will still make for fertile ground for E&P companies in general, including UpCurve.

“The environment is right because of the tech advancement rate and because the commodity price environment gives us access to assets that we wouldn’t have had before,” said Denis Pone, UpCurve’s founder and CEO.

But the urge to grab newly cheap land from companies that are in distress due to the oil slump extends well beyond UpCurve Energy. In December, Houston-based Hilcorp Energy Co. entered into a \$1.24 billion arrangement with Washington D.C.-based Carlyle Group to buy onshore oil and gas properties.

### The pipeline

Before onshore oil and gas property

owners really had to grapple with the prospect of selling earlier this year, midstream private equity investments were all the rage.

San Antonio-based private equity firm EnCap Flatrock Midstream made three major investments in Houston midstream firms this year. In March, former executives from Houston-based Oiltanking Partners LP formed Moda Midstream LLC, an independent liquids terminaling and logistics provider, after securing \$750 million from EnCap. In April, EnCap invested \$400 million in the formation of Nuevo Midstream Dos LLC in Houston. Also in April, Next Wave Energy Partners LP launched in Houston with an initial equity investment of up to \$500 million from New Jersey-based Energy Capital Partners.