

Private Equity & Debt

Northstar ups liquidity for 'aggressive' drilling program

Natural Gas Partners portfolio company **Northstar Offshore Group** announced \$125 million in new equity funding plus the launch of a new \$250 million revolver as it prepares for an "aggressive" drilling program this year and in 1H14. The equity piece largely derived from a \$100 million injection from NGP (up from a prior \$80 million investment), while Northstar management contributed another \$25 million. The revolver will be administered by **Wells Fargo**, with additional participation from **Capital One Bank** and **Comerica**.



The company also announced \$5.5 million in acquisitions from undisclosed private sellers, contributing to its exploration and development inventory. This is the third go-round for Northstar Offshore's management, having formed the firm last February after selling its second venture **Northstar Offshore Energy Partners** to a Korean consortium in December 2011 for \$201 million. The new firm is focused on shallow-water US GOM acquisitions and development.

Top five US upstream stock winners & losers

Shares of **Hess** rose 33% last month, with half of the gains coming on news the company would exit refining, combined with news hedge fund **Elliott Associates** was taking an \$800 million position in the company amounting to ~4% of shares.

Rosetta Resources shares climbed 22% on news the company grew reserves 25% last year to 201 MMboe with 58% liquids (vs. 54% in 2011). Record Q4 production of 44,400 boepd also beat estimates, as did annual daily production of 37,400 boepd (vs. consensus expectations of 36,600 boepd). D&C costs at the company's Briscoe and Gates Ranch plays in the Eagle Ford also came in \$1.0 million below prior guidance at \$6.5-7.0 million/well.

Rosetta shares up 22% on reserve growth & record production.

Meanwhile, **Bill Barrett** was down 8% over the past month due to several bearish announcements. The company announced a 46% YOY capex cut and noted additional asset sales may be necessary. Moreover, **Canaccord Genuity** downgraded Barrett on news of the company's focus on the Uinta and DJ Basin, explaining that Uinta crude sells at a \$15-20/bbl discount to NYMEX due to high paraffin content and a limited market. Shares were further pressured by executive departures (see pg 6) and a BLM ruling mandating additional analysis of drilling in Colorado's Roan Plateau, where Barrett has holdings.

Guggenheim backs Sekur's Viking buy for \$50 million

Guggenheim Partners LLC granted Canadian E&P firm **Sekur Energy Management Corp.** a \$50 million senior credit facility for the purchase and development of more than 100,000 gross acres of Viking oil property from **AvenEx Energy Corp.** Plans for the property include a **GUGGENHEIM** horizontal development program initially targeting the Viking. Dallas-based **Petro Capital Securities** served as Sekur's advisor in the deal and secured the Guggenheim credit facility.

"The Sekur transaction was a success on many fronts as it demonstrated that US investors are now focusing on unconventional, highly technical plays outside of the Lower 48," said Petro Capital managing director Marvin Webb. "We expect M&A activity will continue to remain robust through 2013 with many under-worked assets and under-capitalized companies remaining the center of attention."

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US Upstream Stock Movers—Last 30 Days

Source: Capital IQ

| | Company | Ticker | \$/Share 1/29/13 | \$/Share 12/30/12 | % Change |
|----------|-------------------------|--------|---------------------|----------------------|-------------|
| Top 5 | Hess | HES | \$68.11 | \$51.28 | 33% |
| | Rosetta Resources | ROSE | \$54.00 | \$44.10 | 22% |
| | Emerald Oil | EOX | \$6.25 | \$5.12 | 22% |
| | Crimson Exploration | CXPO | \$3.33 | \$2.74 | 22% |
| | Evolution Petroleum | EPM | \$9.57 | \$7.96 | 20% |
| Bottom 5 | ZaZa Energy | ZAZA | \$1.68 | \$2.16 | -22% |
| | Bill Barrett | BBG | \$16.11 | \$17.49 | -8% |
| | EXCO Resources | XCO | \$6.42 | \$6.88 | -7% |
| | Miller Energy Resources | MILL | \$3.66 | \$3.88 | -6% |
| | Saratoga Resources | SARA | \$3.35 | \$3.45 | -3% |

Note: Data includes public, US-based companies operating in the E&P space, limited to companies >\$1.00/share and market cap >\$100 million.