2012 Oil and Gas Investor Excellence Awards

Through triumphs, turmoil or uncertainty, the executives who run successful companies cannot be timid. No matter what kind of seas they encounter, they must maintain a steady hand on the tiller and a steady course, keeping their compass fixed on the goals set forth by the board and their senior management teams.

So it was in 2012 for these companies and individuals, the award winners in *Oil and Gas Investor*'s 10th Annual Excellence Awards program. They were nominated by their peers and our readers, and selected by the editors.

Their stories appear in this June issue and next month. Perhaps most exciting, they will be at our 6th annual Energy Capital Conference in Houston on June 18, where they will be recognized and have a chance to share a bit of their wisdom.

Achieving success at any company requires three things: intellectual capital, financial capital and asset or portfolio capital. These award winners have managed to do well with all three.

—The Editors

First, we're pleased to honor as ***Executive of the Year,*** **Mark Ellis**, the chairman, president and CEO of Linn Energy LLC and LinnCo LLC in Houston. Celebrating its 10th anniversary this year, Linn Energy is now among the top 11 U.S. independents with 6.4 trillion cubic feet equivalent of proved reserves (pro forma its pending acquisition of Berry Petroleum). In 2012 it had a very active year, closing on $2.9 billion in deals, including the signature acquisitions from BP of two large, historic natural gas fields, the Hugoton in Kansas and the Jonah in Wyoming—each for more than $1 billion.

PHOTO COURTESY LINN ENERGY

Several game-changing deals were managed by Linn Energy LLC's chief executive officer, Mark Ellis, Executive of the Year.

In October, it offered the third-largest IPO of 2012 in any industry with the debut of LinnCo, for $1.3 billion. This new C-Corp in turn will enable Linn to make its biggest deal yet, a $4.3-billion, tax-free purchase of Berry. That deal was set to close at the end of second-quarter 2013. This will be the first-ever acquisition of a public C-Corp by an LLC or MLP.

Linn Energy hit a double bagger last year, because it also receives our ***Best Financing of the Year*** award, for its $1.3-billion IPO of LinnCo LLC in October. It was the largest E&P IPO of the year. Some 30.2 million shares were sold, bringing new, deeper-pocket institutional investors to the company, in addition to the traditional retail investors it has always had. Questions may have arisen before over Linn digesting a deal as large as Berry Petroleum, but now, the Linn balance sheet is not being extended, according to the deal profile we wrote in our April issue. (See "Linn's C-Corp Strategy.") CEO Ellis characterizes the LinnCo IPO as a game-changer for the company, because it now has a new currency to make further acquisitions, and can consider larger deals than were possible in the past.

Our ***A&D Deal of the Year*** was complex, involving three companies, and the winner is **Denbury Resources Inc.** The Houston company consolidated assets in the Bakken shale and Cedar Creek Anticline with its three-way deal, which also included a like-kind exchange and CO_2 assets. Within just four months last fall, Denbury negotiated with two majors, ExxonMobil and ConocoPhillips, to close these two deals, each totaling more than $1 billion. (For more, see "Denbury's Pure-Play A&D" in this issue.)

First, Denbury sold 100% of

Excerpted from
Oil and Gas Investor
June 2013

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its Bakken assets to ExxonMobil's XTO Energy unit, receiving cash and operating interests in two oilfields that are candidates for CO_2 flooding, a Denbury specialty. It also got a one-third stake in Exxon's CO_2 reserves in Wyoming.

Using those proceeds, Denbury in turn bought from COP producing properties in eastern Montana and western North Dakota in the Cedar Creek Anticline, near some of Denbury's existing fields. This three-way deal enables Exxon to bolster its unconventional assets. It brings new CO_2 candidates to Denbury, and makes the company a pure-play on enhanced oil recovery (EOR), with a focus on using CO_2 floods.

Best Discovery goes to Houston-based **Cobalt Energy International Inc.** for its North Platte exploratory well in the deepwater Gulf of Mexico (profiled elsewhere in these pages). Located on Garden Banks Block 959, the well was started in July 2012. Drilling it involved negotiating a thick salt layer, adding to the technical challenges.

Ensco Rig 8503 drilled the North Platte discovery for Cobalt Energy International Inc. on Garden Banks 959, finding 550 feet of net oil pay.

PHOTO COURTESY ENSCO

This well is noteworthy for three reasons: first, it was the company's first operated well in the deepwater Gulf. It was drilled in 4,400 feet of water to a total measured depth of 34,500 feet, the fourth deepest well in the Gulf—without incident, in record time, in a post-Macondo world.

Second, Cobalt found more than 550 feet of net oil pay with preliminary hydrocarbon recovery estimates in the range of 350- to 800 million barrels, a company-maker indeed.

Third, the well made its mark for the entire offshore Gulf of Mexico industry in that it transformed the Inboard Lower Tertiary from an emerging trend into a major subsalt industry objective, but closer to shore than the vast Tertiary play farther from shore and in much deeper water.

Cobalt won these Garden Banks leases on five blocks at a federal offshore sale in 2006. Now that it has proved its concept with the North Platte well, it has four or five other drilling prospects ahead of it on these blocks.

Best Field Rejuvenation goes to **Plano Petroleum LLC.** The private Texas E&P company used a smart combination of unconventional mapping parameters, experimental completion designs and the latest horizontal drilling methods to define a significant oil resource in the Marmaton reservoir in the Anadarko Basin, western Oklahoma. These techniques enabled Plano to validate more than 100 horizontal locations on its lease block. What's more, they can be used by other operators to significantly expand the economic limits of the field, which could result in the drilling of hundreds of additional horizontal locations in the future.

Plano's individual Marmaton well results have been superior to other operators in this previously noncommercial field. Their internal rate of return (IRR) compares favorably with many of the more established plays in the onshore U.S., the company says.

Finally, our ***Best Performance of the Year*** is awarded to Denver's **Bonanza Creek Energy Inc**. The newly public company entered 2012 with headwinds, its common stock trading at $12.50 per share—having dropped 26% from its December 2011 IPO price. Its main play, the Niobrara shale in Colorado, was still not fully understood by the market at the time, and Bonanza Creek was struggling for attention. It got it. The company ended up being the highest-performing domestic E&P stock in 2012, rising some 122% to become a $1.5-billion (market cap) company. Recently, the shares were trading around $36. It spent some $300 million in its capital program in 2012, almost double what it had spent the year before going public. In turn, Bonanza Creek more than doubled its production, bringing its core Wattenberg Field program in the Niobrara into full horizontal development mode. It also made a meaningful acquisition in the field, further boosting its acreage position.

The editors congratulate each of these winners for their outstanding 2012 performance, and we hope you feel they merit your attention as well. □