

HOW TO DIVEST OIL AND GAS ASSETS IN TODAY'S MARKET

BY JOSHUA ROBBINS

The article Bear Strategies: Acquisitions – *Oilman* Nov/Dec 2015 – was a comprehensive look at acquiring operated or non-operated assets during a downturn. In this article, we are focusing on the opposite side; how to divest your oil and gas assets in the current market. In both instances, defining your core market prior to acquiring or divesting any assets, is essential.

“Core Market” is much more than a play or a geographic location or type of asset. Your company’s core market defines the day to day strategy that drives each business decision and continually pushes the company toward the achievement of the business’ ultimate success.

First things first. Divesting or acquiring any oil and gas assets, in any market, has its own issues, setbacks and upsides. Each deal is different, and consulting with someone familiar with the current market is not only encouraged, but highly recommended.

After you have defined your core market, you will identify specific assets that no longer fit into your current corporate model (again, for a more complete guide to this strategy, go read Bear Strategies: Acquisitions – *Oilman* Nov/Dec 2015). Monetizing these assets may provide capital that can be better allocated within your core market.

In this current market, sending your property to a data room will just be more white noise. There are going to be so many deals that will come to the market in Quarter 2 (and beyond), and you want your properties to stand out. The Beachwood approach has always been to work with sellers directly to find buyers that may have an acquisition strategy that includes properties like the ones you are looking to sell.

The goal, of course, is to sell your assets. Right now, everyone wants to pay PDP only, no upside and present a number with a low total month ROI. In order to get the dollars you want to see for your asset, you’ll need



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to present value. This is the most important step of the entire process. By defining value (whether through an LOS, PUD, or what your plan was originally for the property) you can increase the amount a buyer will pay for your asset.

We encourage our sellers to use this key phrase: “If money was no object, what would we do to maximize the value of this property?” The buyers in this market are not just looking at the numbers. They are looking for the piece of their strategy that is missing. They are looking to close gaps and open future opportunities. Give it to them! You know the property better than anyone looking at it. Point their geologist in the right direction, connect the dots for them. By providing this information, you are only going to maximize the value of your property.

By providing value, you also need to provide data. With today’s due diligence process, it doesn’t take much to uncover any issues with an asset. Be forward, direct and have data available. No one will step into a property

that has surprises at every turn. But, they will step into a property that has issues and clear solutions to solve them. The information you provide doesn’t have to be years’ worth of data; what is really needed is the last few months of essential data found on a lease operating statement. Most buyers want to know, is the cash flowing – or could it be? They are taking the risk, buying in this market – you don’t have to take any risk by providing information.

By creating a strategic plan to divest, you are helping the buyers add value to your asset, as well as accomplishing your ultimate goal: quickly monetizing your asset for great market value. If you have any questions about the process, don’t hesitate to reach out. The oil and gas networks are becoming much stronger during the downturn. More and more people are looking for answers, and we have some of the most brilliant people in the entire world that can help solve them. Visit LinkedIn groups, connect via Twitter, and let’s sell your oil and gas property! ☐