

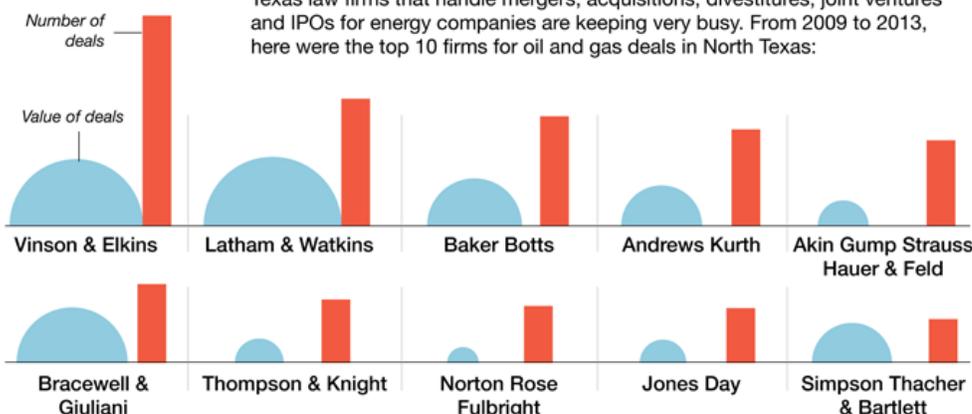
Boom in Texas energy mergers is fattening lawyers' wallets

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Top law firms for oil and gas mergers

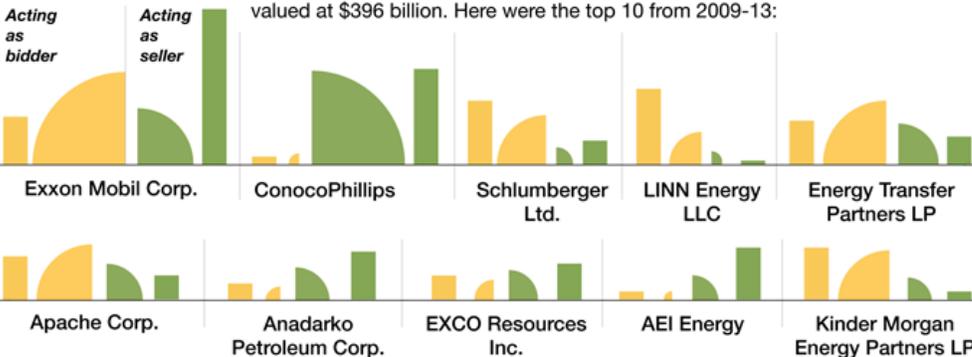
Texas law firms that handle mergers, acquisitions, divestitures, joint ventures and IPOs for energy companies are keeping very busy. From 2009 to 2013, here were the top 10 firms for oil and gas deals in North Texas:



Value of deals
 Number of deals

Most active oil and gas companies

Since 2009, Texas-based energy companies were involved in M&A transactions valued at \$396 billion. Here were the top 10 from 2009-13:



SOURCE: Mergermarket

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HOUSTON — Breitburn Energy Partners general counsel Greg Brown faced a dilemma last year when his oil and gas company decided to buy \$860 million of oil fields in Oklahoma.

“We couldn’t find a lawyer to act as local counsel. Every law firm told us they already had too much work and were not taking any more clients,” Brown said. “I never thought I would see the day when there weren’t enough lawyers.”

The oil and gas boom in Texas has provided a seismic jolt for the law firms that represent energy companies.

Annual revenue for the Texas law firms handling mergers, acquisitions, divestitures, joint ventures and initial public offerings for energy companies and their investors is at an all-time high. Profit per partner at those law firms exceeds \$1.5 million a year.

More than a dozen major Texas energy companies say they expect to do more deals this year than ever before.

"It is a very good time to be an energy lawyer in Texas right now," said Stephen Coats, general counsel at New York-based Riverstone Holdings, a private equity firm that does energy deals in Texas.

"I think 2014 is going to be a very active year for oil and gas M&A," he said. "There's still an insatiable appetite out there for capital in the midstream and upstream sectors."

The bullish talk comes after five strong years for energy lawyers and the companies they represent.

Since 2009, Texas-based energy companies have been involved in more than 537 major M&A transactions valued at \$396 billion, and 117 of those deals occurred in 2013, according to new data from Mergermarket, an independent global research firm associated with the *Financial Times*.

From 2009 to 2013, there were 1,369 energy deals completed in the U.S. valued at a total of \$602.2 billion, Mergermarket reports. Globally, there were \$1.85 trillion in energy transactions during that same time period.

"There's a significant need for new pipelines, new drilling wells, new processing plants and lots of assets that need to be developed," Crosstex Energy general counsel Joe Davis said. "There's also a lot of private equity money out there that needs to be put to work."

Each company involved in a deal — the buyers, sellers and financial institutions — hires a legal team with anywhere from four to 40 lawyers.

An analysis by *The Texas Lawbook* has found that more than 3,500 business lawyers in Texas spent all or most of their time representing energy clients in 2013. Texas-based Baker Botts and Vinson & Elkins, widely recognized as the largest energy-focused law firms in the U.S., each have about 400 lawyers focused on energy-related matters.

In addition, Texas energy companies such as Exxon Mobil, Energy Future Holdings and Pioneer Natural Resources employ more than 1,500 lawyers in their corporate in-house legal departments.

Losing slick image

Experienced law partners charge between \$650 and \$1,050 an hour, according to several energy general counsel. Even midlevel and senior associates at the large law firms are billing at rates of \$300 to \$500 an hour.

Robin Fredrickson, an energy partner at Latham & Watkins in Houston, said the reputation of oil and gas lawyers has improved over the last decade.

"Just a few years ago, oil and gas lawyers were viewed by the rest of the legal profession as nothing more than dirt lawyers," said Fredrickson, who has practiced oil and gas transactional law for 28 years. "Now everyone wants to be known as an oil and gas lawyer."

The Mergermarket data shows that a handful of major corporate law firms dominate the energy sector.

Over the last five years, Vinson & Elkins has advised energy companies and private equity firms in 96 major transactions valued at \$168.1 billion.

Hunter White, an energy lawyer with Thompson & Knight, said M&A activity will increase in 2014.

"The appetite for buying assets is still there," White said. "There has been a narrowing of focus during the past year as some companies got a little too excited in their acquisitions."

"A lot of companies stepped back in 2013 and did some strategic planning," he said. "As long as there's cash available, these companies are going to be looking for opportunities to grow in targeted areas."

Chad Watt, an M&A analyst and writer with Mergermarket, said the numbers support White's position. Watt says a large number of transactions from 2009 to 2012 involved upstream companies seeking to gain a foothold in the natural gas exploration and production, or E&P, market.

Free-flowing capital

Because capital during those early years was tight, many of the deals were financed through joint ventures with nationalized energy companies from China and India.

Those deals slowed considerably in 2013, as E&P companies re-evaluated their assets and market positions and as money became more accessible through the capital markets.

"The amount of foreign interest in investments seems to be significantly on the wane, and we are seeing a lot of private equity funds filling the smaller and midsized deals," said Mark Berg, general counsel at Pioneer Natural Resources. "The private equity interest is likely to continue or grow stronger in 2014."

In fact, Berg closed the last large international joint venture when Pioneer engineered a \$1.7 billion deal with China's Sinochem Group exactly one year ago — a deal handled by V&E's Houston office.

The overall number of energy transactions was high in 2013, but there were no blockbuster mergers or acquisitions. Berg and others predict that most deals this year will range from a few hundred million dollars to single-digit billions.

"There are a bunch of energy companies in the \$10 billion to \$25 billion market cap range," said David Kirkland, an energy law partner at Baker Botts in Houston. "There's a possibility, if the stars align, that the super majors make a run at one of them in 2014."

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