

## Private Equity: Seeking ‘Scottie Pippen’ Plays, If Not Another Michael Jordan

*The Permian’s Tier 1 acreage opportunities for startup E&Ps are dwindling. Investors are beginning to look elsewhere.*

By Nissa Darbonne, Oil and Gas Investor

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**W**here’s the “exploration” in E&P anymore? Private equity investors say they may find them outside of the onshore Lower 48.

“I think there are a lot of areas that we all have paid less attention to in recent years,” Daniel Goodman, partner with Carnelian Energy Capital, said at the Independent Petroleum Association of America’s annual Private Capital Conference in Houston.

Some were put aside for regulatory reasons; some, for subsurface reasons. Among these are the Gulf of Mexico, the Midcontinent and Canada.

“If the Permian is [Michael] Jordan, then we call these [other plays] the Scottie Pippen,” he said, referring to the former Chicago Bulls stars and Pippen’s great, but not greatest of all time (GOAT) status.

“The Permian’s inventory is not infinite. So luckily, there are a lot of other plays,” Goodman said

For example, conventional oil and gas reservoirs will get a new look. “Those can be fantastic,” he said.

But no matter the nature of the new rock, “These less-focused-on areas still have attractive opportunities that we and our peers are thinking about.”

Carnelian funded Calgary-based Parallax Energy earlier this month and reported that “the Canadian E&P sector offers opportunities to capture and optimize assets amidst a still-fragmented and under-capitalized landscape.”

It also invested in Hawthorne Energy, similarly focused on Western Canadian E&P.

In the Gulf of Mexico, it invested in non-operated producer Alta Mar Energy.

The non-Permian opportunities are still plenty, Goodman said. “I think that can go on many, many years.”

### But who takes the bigger risk?

It will be up to larger operators than the startups, which E&P private equity typically funds, to do the job of creating the next new and substantial drilling inventory though.

“Private equity is typically not the one that’s going to spend the R&D dollars to prove up new plays,” Goodman said. “We don’t foresee a lot of new exploration [within our portfolio], but what is done will probably be done mostly by large privates and publics.”

One way or another, “The world needs more drilling inventory.”

Another PE firm, Pearl Energy Investments, noted at the conference that it made two recent investments in Permian-



It will be up to larger operators, rather than the startups E&P private equity typically funds, to do the job of creating the next new and substantial drilling inventory. (Source: Shutterstock)

focused E&Ps: Swordfish Energy and Slant Energy II. The latter is also looking at North Texas and East Texas.

Also, Quantum Capital Group’s investments include D-J Basin-focused Bison Oil & Gas and Canada-focused Whitecap Resources, it noted at the conference.

Dan Pickering, founder and chief investment officer for Pickering Energy Partners, said that even Permian producers will eventually “run out of room” in their specific basins.

“They are going to have to look outside their current geographic focus,” he said.

And outside their hydrocarbon mix. “Oil companies are going to have to look at gas opportunities and vice versa,” Pickering said.

Eventually, what is viewed today as Tier 2 acreage will be viewed as Tier 1. “The definitions of Tier 1 and Tier 2 are going to begin morphing,” Pickering said.

“So, we’ll wake up in five years and the industry will have bigger companies and more diversified companies across geography and commodity.”

It’s inevitable, he added. “I think that’s where the whole industry is going.”

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