



US shale deals market still strong, despite SEC investigation

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A lawyer working on a US\$742 million deal affecting the US shale gas industry says there's no sign of fear in the community, despite news of a Securities and Exchange Commission investigation about the possible over-stating of reserves.

Seth Molay of Akin Gump Strauss Hauer & Feld in Dallas, who is advising Great White Energy, a horizontal-drilling services company that recently announced it was being bought by Archer Limited, says his firm has seen no sign of a chilling effect on shale transactions as a result of the SEC's investigation.

Molay's client is being purchased for US\$742 million by a subsidiary of Archer Limited - also an oilfield services company - based in Bemuda.

"In fact, we continue to be aware of active leasing and acquisition activity in many areas," Molay notes.

The SEC has not yet confirmed or denied that an investigation is under way, but it has been serving subpoenas on shale gas companies seeking information on the performance of shale gas wells according to a securities litigation alert by the US law firm Fulbright & Jaworski.

The alert, prepared by the firm's shale and hydraulic fracturing task force, notes that the SEC has asked to see documents relating to the actual results of shale gas wells against forecast or projected performance, the propriety of decline curves and the calculation and public disclosure of full-cycle margins.

These subpoenas are said to have been sparked by a damning report published in the New York Times on 25 June, suggesting that shale wells are not as profitable as some companies have been making them out to be.

Molay says Akin Gump had "just successfully navigated" Great White's review process at the SEC, responding to numerous requests regarding the company's hydraulic fracturing operations and receiving SEC sign off on its registration statement for a proposed IPO, when negotiations with Archer began.

Archer and Great White announced the acquisition on 1 August.

Molay is leading a team that includes corporate partner Jeffrey Kochain, tax partners Daniel Micciche and Robin Schachter and antitrust partner Anthony Swisher advising Great White.

The firm was initially instructed to represent the company in its IPO, but Molay says attention shifted to the M&A transaction "when Archer submitted a compelling offer to acquire the entire company."



Akin Gump has represented Great White on various transactions in the past - including the sale of oilfield service company Diamondback Energy Services – and has worked with Great White Energy's former parent, Connecticut-based investment advisor Wexford Capital, for many years.

Archer, which was until recently known as Seawell Limited, appointed a team from Skadden Arps Slate Meagher & Flom for the acquisition led by Frank Bayouth in Houston with executive benefits partner Neil Leff and tax partner Sally Thurston in New York.

Skadden has represented Archer for just over a year, acting in its acquisitions of Allis-Chalmers Energy in January and Gray Wireline in December.

The deal with Great White is expected to close in the third quarter of 2011 upon the expiry of the Hart-Scott-Rodino waiting period.

Archer's financing for the transaction, which is taking place on a cash and debt free basis, is guaranteed by its two largest shareholders Seadrill Limited and Lime Rock Partners. The company will also complete a private placement for approximately 30 million shares before closing the acquisition, and has received indicative proposals for long-term debt financing of up to US\$400 million and short term bridge facilities from its existing bank syndicate.

When the deal is complete, Archer will gain 13 horizontal drilling service centres located in unconventional resource plays in seven US states.

The company says the unconventional oil and gas drilling assets will give it the opportunity to bring these services to its existing overseas operations and other international shale plays.

Counsel to Archer

- In-house: executive vice president and general counsel Max Bouthillette, with Robin Brice, assistant general counsel of Archer's subsidiary, Allis-Chalmers Energy
- Skadden Arps Slate Meagher & Flom

Frank Bayouth in Houston (M&A) with Neil Leff (executive benefits) and Sally Thurston (tax) in New York

Counsel to Great White Energy

- In-house: general counsel Randall Holder
- Akin Gump Strauss Hauer & Feld

Seth Molay and Jeffrey Kochain (corporate) with Daniel Micciche and Robin Schachter (tax), and Anthony Swisher (antitrust)

Counsel to Wexford Capital

- In-house: Arthur Amron, general counsel