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Why investment firm tied to Perot Jr. bet on online land auctioneer

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A Dallas investment firm founded by Ross Perot Jr. and former executives at private equity giant Brazos have made their first bet on the Ebay for oil spectators.

In late March, MPK Equity Partners announced that it had invested in EnergyNet, which was founded in 1999 and is based out of Amarillo – with offices in Houston. EnergyNet allows land owners to put up acreage for bid online and has grown to do close to \$1 billion worth of deals.

The terms of the deal were not disclosed. But the company has struck deals in the past five years with oil giants like Shell, Chevron, BP, and Marathon to list their properties. EnergyNet started auctioning parcels from these corporations in the neighborhood of \$1 million, and today they have done listings north of \$100 million, said MPK Managing Partner Doug Kennealey.

“It was among some of the best customer calls that we have ever done in our due diligence,” Kennealey said from the firm's conference room in Perot Jr.'s new office building on Turtle Creek. “They just have a better mouse trap.”

The way land is typically sold to oil and natural gas drillers is in Dallas hotel ballrooms or through investment bankers that could set up a deal.

“It was archaic,” Kennealey said of the old system. “You can get to market much more quickly than hiring an investment bank, and you achieve much higher values.”

In some cases, for the largest deals, investment bankers will be needed to walk buyers through the deal and provide potential financing. EnergyNet has come out with sealed bids where potential buyers can't see what others are bidding to recruit the big oil and natural gas companies, who prefer the method.

“That really took off,” Kennealey said.

EnergyNet has also secured contracts with states, including Texas, to auction land leases to oil and gas companies.



JAKE DEAN

Ross Perot Jr. talks about one of his deals.

This is the first deal MPK has done since its founding about 18 months ago by Perot Jr., Kennealey, and Patrick McGee, who had previously founded Brazos. The group is planning to invest between \$10 to \$75 million in a typical deal. They're being choosy with valuations of companies soaring, Kennealey said, but they're looking for middle-market companies in the energy, technology, health care, and other industries. Since they don't have certain restrictions that traditional private equity funds do, they can hold companies longer than investors who usually need to exit within a couple of years to raise another fund.

Kennealey said EnergyNet is expected to use MPK's investment to expand into other states and design new technology.

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