

EnergyNet executives talk the oil-and-gas online marketplace

By Casey Smith Tulsa World | Posted: Saturday, April 8, 2017 12:00 am

Since its launch in 1999, Amarillo, Texas-based company EnergyNet has grown into a leading online marketplace for oil and gas assets with a network of nearly 20,000 unique bidders stretching across the U.S. Over the past year, the company, which employs 34 people across offices that are also in Oklahoma City, Houston, Dallas, Denver and Midland, facilitated the sale of almost \$1 billion in oil and gas properties.

Last month EnergyNet announced something that the company says will poise it for even more success — a strategic investment in an undisclosed amount from MPK Equity Partners, the Dallas-based private investment firm founded by Patrick McGee, Douglas Kennealey and Ross Perot Jr.



Chris Atherton

Atherton

Earlier this week the Tulsa World sat down for a Q&A with two EnergyNet executives, Chris Atherton and Ethan House, while they were in town speaking at an Oklahoma Independent Petroleum Association event. The topic of conversation? EnergyNet's mobilization of a process that used to take place in hotel ballrooms, similar to a traditional cattle auction, into the 21st century.

"In the past what you saw a lot of was a one-day sale on a monthly basis for assets, and everyone would kind of gather in a room and bid live auction (with) some online bidding attached to it," House said.

"For us, we decided that it would be better to just do a 24/7/365, and people would be constantly looking for assets, which they are."

Give me an overview — what is EnergyNet?

EnergyNet President Chris Atherton: We have a platform for buyers and sellers of oil and gas properties, and that could mean a producing well or a fractional interest in a well — a 5 percent interest, a 10 percent interest — or entire fields, or entire basins.

We allow sellers to provide exposure and competition for their assets. We work with sellers to understand their assets, and then we build virtual data rooms and ways to showcase their asset and allow buyers to conduct all their necessary due diligence or evaluation methodology on the asset.

Then we expose it to a large group of buyers, which are all over the country, nationwide. Then we put it through a competitive bid process, and that may be an auction or what we call a sealed bid auction.

How does someone get access to that marketplace?

Vice President Ethan House: You register a buyer account with us and that buyer account encompasses your financial wherewithal and kind of FINRA SEC suitability to verify that you're a sophisticated oil-and-gas investor. And then, from that point they have to establish a bid allowance, so we have some buyers that have a \$100 million bid allowance, maybe a big publicly traded company and then some individuals may have \$200,000 or \$100,000 and they want to buy smaller assets.

What are the alternatives to EnergyNet in the energy marketplace?

Atherton: There are companies and individuals that handle the transactions themselves, kind of a private treaty deal; and then there are investment banks that handle larger transactions, typically billions of dollars, hundreds of millions of dollars. And there are boutique transaction advisors that maybe handle a \$25 million, \$50 million deal.

But we really kind of staked our claim from \$0 to \$100 million sized transactions, and we do more volume, more individual transactions than really any other competitor or any other venue platform.

What benefits do buyers and sellers get by coming to EnergyNet?

House: On the sale side I think the largest benefit would be access to a huge marketplace of buyers, roughly 20,000 buyers across the U.S., consistently coming back to our platform, logging in and reviewing data and assets for sale on a consistent basis.

Atherton: We're going in, we're saying you guys are experts at finding oil and gas or producing and developing it but when it comes to selling your assets, your network of buyers probably isn't as large as ours. We have a structured process, we have kind of set parameters for how the transaction will work that the buyers are accustomed to, we qualify them financially so a buyer going out and going through his own Rolodex or his own network would be limited and may not get the same results as we would get.

And from the buyer perspective, it's difficult to find deals on your own. If I give you a bunch of money and said go buy oil and gas assets, you can knock on a bunch of doors, you can call a bunch of different people, but you may not be very successful. So it's good to have this kind of steady stream of assets that are coming to market that the buyers know are really for sale and you have all the documentation you need to evaluate it. If you're trying to buy oil and gas assets in an unsolicited manner you'll run up against poor data or poor materials or incomplete materials or maybe seller expectations that are unrealistic or out of market or just not really a structured way to get from "I'm interested" to a closed deal. We offer that for the buyers on a consistent basis.

How has the company changed since 1999?

Atherton: There was a graduation process for us in the business where in the early stages people would just say, "No, there's a better venue to do this transaction," and we'd do 10 transactions just like that and we'd come back and say, "We did 10 just like you said we couldn't do, and we did a good job," so they'd give us a shot.

And then "Well, you can't do operated complex assets," and then we'd do 50 complex operated transactions and then we'd get a shot at doing those. So we'd kind of build a track record, and each obstacle or difficulty

that the buyer said we were not capable of conducting we would kind of try to prove them wrong or really convert our biggest naysayers into big champions of “Wow, they were right — that really worked.”

What will the MPK investment mean for the company?

Atherton: It’s really great. We’re extremely pleased. We think that’s a big validation for the business and for what we’ve accomplished thus far, and we think their investment is going to allow us to kind of fast-track some of the innovations that we want to do to make our buyer experiences better. We want to really focus on making that buyer experience when they go to our platform and choose to screen assets, evaluate assets, bid on assets, close on assets, we want to make that best in the industry.

From our sellers we want to increase the breadth of what we can do on our capabilities in terms of technical capabilities and just doing those larger and larger transactions. We’re very excited to have those guys as partners.