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## News Release

### FOR IMMEDIATE RELEASE

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## **IHS Herold/Harrison Lovegrove Study Finds 2008 Global Upstream Oil & Gas Transaction Value Fell 32%**

*Steep second half drop sends worldwide deal count to a four-year low from a record high in 2007*

**NORWALK, Conn.** (March 13, 2009) – Global mergers and acquisition (M&A) upstream transaction value plunged to \$104 billion in 2008 from an annual average of nearly \$160 billion in 2005-2007, according to the 2009 Global Upstream M&A Review prepared by IHS Herold Inc., an IHS company (NYSE: IHS), and Harrison Lovegrove & Co., Ltd., a Standard Chartered group company. This review provides a comprehensive analysis of more than 280 significant upstream transactions that were announced in 2008.

### **Key Conclusions of the Review:**

#### **Deal activity slowed dramatically in the second half of the year, particularly in North America.**

Deal activity was on a record pace through the first half of 2008, as 203 transactions were announced by July 31. Then the market tailed off precipitously to just 79 in the final five months of the year due to plunging commodity prices and the extreme weakness in equity and credit markets. Activity in November and December was a record low 25 deals, half the historical average.

#### **Deal pricing increased year-on-year, but tumbled in the fourth quarter.**

The weighted average proved (1P) implied reserve value increased to \$11.51 per barrel of oil equivalent (boe) in 2008, up from \$10.01 per boe in 2007. The weighted average proved plus probable (2P) implied reserve value was a five-year high \$5.25 per boe in 2008, an increase from \$4.67 per boe in 2007. Implied reserve values fell with commodity prices in the fourth quarter of 2008, reaching \$2.83 per boe for 2P reserves.

#### **Corporate transaction value and deal count continued to fall.**

Corporate transaction value plunged from \$64.2 billion in 2007 to \$34.2 billion in 2008, which is 72 percent lower than the \$120.2 billion announced in 2005. The corporate deal count was a five-year low, with no U.S. corporate transactions in the fourth quarter.

## **Asset deal value dropped after rising for six consecutive years.**

Total worldwide asset transaction value fell to \$70.1 billion from the record \$88.2 billion in 2007, but was still the second highest ever recorded. Asset transactions accounted for a record 67 percent of total worldwide transaction value and 80 percent of U.S. transaction value.

## **Unconventional gas resources in North America and Asia-Pacific represented nearly 40 percent of total global activity.**

Buyers competed vigorously for coal seam gas assets in Australia and shale gas interests in the U.S. and Canada. As a result, the gas weighting of transacted reserves reached 70 percent, the highest in 10 years.

## **National Oil Companies (NOCs) continued to be active buyers in the open market.**

NOCs and Sovereign Wealth Funds based in Asia, the Middle East, Europe and Latin America accounted for a record high 15 percent of global open market transaction value during the year, including six of the 10 largest asset deals. NOCs have been the most active acquirers in the first quarter 2009.

## **The Outlook for 2009**

The upstream M&A market again appears ripe for significant consolidation. Industry consolidation in a low oil price environment has typically been led by the largest international integrated oil companies, which have the financial strength to finance transactions. The expectation is that corporate takeover activity will increase through 2009 and into 2010. Looking to 2009 and beyond, the number of assets coming to the market is expected to increase. However, the buyer universe may be smaller than in the past, at least in the near-term, as many of the companies that completed transactions over the last four years now lack the resources to remain active in the M&A market.

For information about this report and the IHS Herold M&A research, please email [sales@herold.com](mailto:sales@herold.com).

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## **About IHS Herold ([www.herold.com](http://www.herold.com))**

Founded in 1948, [IHS Herold Inc.](http://www.herold.com) is a specialized research and consulting firm focusing on valuation, strategy, and performance measurement of the world's leading oil and gas companies. IHS Herold closely monitors the world's energy capital markets and the dynamic merger, acquisition, and divestiture marketplace for energy assets. IHS Herold is part of IHS (NYSE: IHS, [www.ihs.com](http://www.ihs.com)), a leading global source of critical information and insight, dedicated to providing the most complete and trusted data and expertise. IHS product and service solutions span four areas of information that encompass the most important concerns facing global business today: [Energy](#), Product Lifecycle, Security and Environment. By focusing on customers first, IHS enables innovative and successful decision-making for customers ranging from governments and multinational companies to smaller companies and technical professionals in more than 180 countries. IHS is celebrating its 50th anniversary in 2009 and employs approximately 3,800 people in 20 countries.

**About Harrison Lovegrove & Co.**

[Harrison Lovegrove & Co. Limited](#) (“HLC”) is a leading oil and gas corporate finance advisory firm, which became part of Standard Chartered Bank in December 2007. Their combined advisory team has over 50 dedicated oil and gas professionals based in London, Houston, Washington, Calgary, Moscow, Perth, Dubai, and Singapore. They advise oil & gas companies in developing their businesses through acquisitions, divestitures, swaps of upstream and midstream assets and subsidiaries, and the takeover and defence of listed companies. Standard Chartered also has a leading track record of providing acquisition and project finance and other investment banking products to oil & gas companies, principally in its footprint area of Asia, Africa, and the Middle East. HLC is authorised and regulated in the United Kingdom by the Financial Services Authority. HLC provides services in the United States through its FINRA member affiliate, Standard Chartered Securities (North America) Inc.

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