

MAXIMIZING OPPORTUNITY IN VOLATILE TIMES

Throughout its history, the petroleum industry has been noted for its eagerness to take risks, meet challenges, and surmount obstacles.

In these final years of the twentieth century, the challenges are tougher, the obstacles higher. Risks and rewards must be calculated more carefully than ever.



This means in today's volatile marketplace, assessing the potential risks — and rewards — of a proposed action takes a breadth and depth of knowledge unheard of (and unnecessary) in simpler times.

Takeover bids, leveraged buyouts, mergers and acquisitions, and scores of other issues are the realities of business today. Few corporations, particularly in an era of increasing cost-consciousness, can maintain the resources necessary to break new ground as each challenge arises.

That's particularly true for the energy industry, whose unique operations make risk-reward assessment both more complex and more costly.

Coopers & Lybrand offers the resources and the economy to help energy companies find new solutions. Our energy clients know they can turn to us for fresh approaches to old problems — and ingenious solutions to new ones.

We know there's more to the bottom line than numbers. A petroleum company's financial picture is a complex mosaic of contrasting, sometimes contradictory, elements whose meaning emerges only from a broad perspective. Coopers & Lybrand's energy industry services are designed to present the whole picture, to give you the big picture.

Deal Facilitation

An oil and gas deal made today is likely to be structured quite differently from one made a few years ago. In today's highly competitive financial and business marketplace, the time-honored financing methods don't always work — or they may not offer the best means of achieving a particular objective.

As a result, our financing proposal may need to be more flexible than in the past and geared to a broader audience — including offshore investment groups.

Not everyone you'll approach will be industry-wise. Some potential investors may have misconceptions about oil and gas investments — and serious reservations about funding them.

Coopers & Lybrand believes investment capital is still out there. The difficulty is accessing it.

We've met that challenge head-on. Using a loosely structured (but highly effective) approach, we strive to bridge the gap between the energy industry and the capital markets. Our expertise in developing innovative financing tools has earned us wide recognition and respect in the East Coast financial centers. At the same time, our longstanding commitment to the energy industry has given us an unusually broad perspective on where the industry has been and where it's going.

Combined, those factors give us acute insight into the demands and the constraints of those who have capital and those who need it. As a result, C&L has been instrumental in developing creative financing structures to meet a broad range of uses. The primary purpose of some of the new approaches, in fact, was to rekindle investor interest in the oil patch. Those strategies have worked so well that many of the concepts have been used with similar success in other industries.

Our services can range from simply informing our clients of possible sources of funds, to full-bore, large-scale creative financing projects drawing on the talents of our accounting, tax, engineering, regulatory, international, and other specialists. In effect, we help create the transaction, not just the opportunity — an approach that usually provides more value. Whatever the magnitude of your financing plans, we can mobilize the resources to help bring them to fruition.

Applicable to virtually every type of transaction involving oil and gas properties or corporations. These services encompass:

- Facilitating interaction among interested parties — bringing deal makers and deal takers together, arranging introductions, helping to resolve differences, assisting with the financial rationale, and developing proposals and presentations
- Merger and acquisition reviews, evaluating aspects of a proposed transaction
- Economic evaluations of properties for sale or purchase, considering their location, total reserves in place, and their estimated future value
- Audits of proved reserve estimates and the standardized measure of related future cash flow
- Due diligence examinations of a proposal's geologic merit, reserve estimates, risk assessments, and cost and price assumptions.
- Examination and report on forecasts and assumptions.

Mergers and Acquisitions

Recent research indicates that only one in three mergers enriches the acquirer's coffers. If that survey had been confined to the oil and gas industry, the success rate might well be lower.

That means a proposed oil and gas merger or acquisition must be scrutinized down to the minutest detail. An oil and gas acquisition — whether a selected property or an entire corporation — takes place in a precarious marketplace. A successful oil and gas acquisition mandates a deftness of approach and an assurance of outcome seldom expected in industries of lesser complexity. And a successful acquisition also demands an ability to make things happen with equal facility in the oil patch or on Wall Street.

Coopers & Lybrand's merger and acquisition professionals can help you meet those demands. Our accountants, tax experts, hard-asset and petroleum engineers, and other specialists — equally at home in the field and in the financial district — can help assure the positive result of your acquisition program. They'll guide you through the entire process or just perform selected tasks from a comprehensive menu of industry-specific services that include:

- **Business Planning** — We'll help you find the answers — and perhaps even suggest some key questions — that will establish the pros and cons of embarking on an acquisition program. Then we'll help you fine-tune your criteria and work out your strategy.
- **Target Identification** — Using your acquisition criteria, we will help you identify and evaluate potential candidates and develop action plans for pursuing the most attractive opportunities. We have instant access to the major business information databases and are on retainer to a number of investment banking firms who use our analytic services. As a result, we can often suggest a wide range of viable targets — without time-consuming research and evaluation.
- **Business Review** — An in-depth scrutiny of the candidate as a whole: its management, operations, competition, assets, and so forth. The review highlights cost-saving opportunities, postmerger considerations — and possible reasons for renegotiating the asking price.
- **Valuation** — An energy company's asset values are often hard to pin down. Such elusive factors as future oil and gas demand, prices, international politics, and domestic energy policy all combine to make petroleum reserve values at best a judgment call. Our judgment — that is, oil and gas property and fixed asset valuation — is founded on the expertise of business, accounting, tax, and reservoir and valuation engineering professionals to give you the most likely assessment of a target company's value today and down the road.
- **Structuring and Financing** — Coopers & Lybrand can help you structure the proposed transaction to the maximum benefit of all parties. We can suggest a number of time-tested or innovative approaches that may satisfy your financing objectives, or we can steer you to potential sources of capital. Once your approach has been selected, we'll work with your staff to resolve the accounting issues, minimize the tax consequences, and optimize the business results. Using sophisticated modeling techniques, we can also develop alternative scenarios.
- **Post-merger Integration** — We'll help you assess whether the acquired company should be merged into your organization or operated independently. We assess such factors as key

personnel retention and integration, compensation, productivity, and corporate personalities to facilitate a smooth, efficient, and cost-effective transition.