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Press Release

Source: John S. Herold

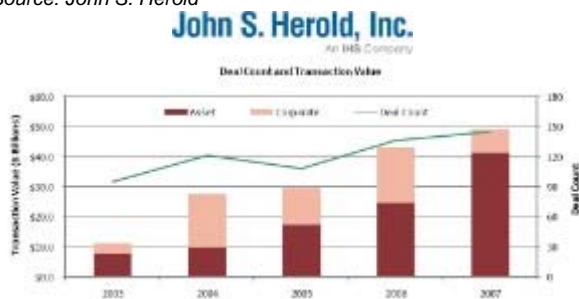
John S. Herold, Inc. and Harrison Lovegrove & Co. Study Shows 2007 U.S. Upstream Oil & Gas M&A Transaction Value and Deal Count Reach Record Highs

Wednesday March 26, 10:00 am ET

Weighted Average Deal Pricing Retreats 10 Percent, Corporate Consolidation Wanes After Active 2006

NORWALK, Conn.--(BUSINESS WIRE)--U.S. upstream oil and gas merger and acquisition (M&A) total transaction value reached US\$49.2 billion on 145 significant deals, both record highs, according to the *2008 Global Upstream M&A Review* prepared by John S. Herold, an IHS company (NYSE: [IHS - News](#)), and Harrison Lovegrove & Co., Ltd., a Standard Chartered group company. The U.S. accounted for 32 percent of the US\$154 billion in total global upstream transaction value, about five per cent higher than the five-year average.

Source: John S. Herold



U.S. deal count and total transaction value soared to record highs in 2007. (Graphic: Business Wire). [View Multimedia Gallery](#)

A record number of asset deals propelled U.S. deal count and transaction value to new heights for the second consecutive year. Acquired proved gas reserves rose 55 percent to more than 11 Tcf (trillion cubic feet), 71 percent of total reserves transacted, amidst a continued focus on emerging tight gas plays. Transacted proved reserve volumes in 2007 increased more than 35 percent over 2006, almost reaching the five-year record set in 2004 during consolidation of Rocky Mountain producers.

Dampened by volatile gas prices and purchases of longer-lived reserves, U.S. deal pricing slumped slightly, with average and median proved reserve implied values hovering around US\$13.75 per barrel of oil equivalent (boe). Strong crude prices drove implied proved reserve values for oil-weighted transactions more than US\$4.00/boe higher to over US\$17.00/boe, a significant

premium to gas-focused deals (US\$12.78/boe) and a reversal of the relationship in 2006.

With many companies still digesting considerable acquisitions made in 2004-2006, and strong commodity prices lifting share prices of potential targets, the corporate deal count was cut in half. Only two U.S. corporate transactions greater than US\$1 billion were completed during the year. Strong blended commodity prices and prospective high sector returns also attracted non-traditional buyers such as private equity firms to the U.S. upstream M&A market, but only one firm based outside North America was among the top 10 buyers of U.S. assets. An influx of Master Limited Partnership (MLP) asset buyers, primarily through July 2007 before a credit squeeze emerged, helped augment U.S. total acquisition spending.

Transactions involving assets in two or more regions (Multi-Region) accounted for over 35 percent of total U.S. deal. Proved reserve implied values in the Gulf of Mexico topped US\$22.00/boe, the highest of any region as oil accounted for half of proved reserves transacted. Transaction value and deal count reached record highs in the Mid-Continent, but proved reserve deal pricing remained the second lowest of any U.S. region due to the increasing weighting toward long-lived tight gas plays. Transaction value also reached a five-year high in the Gulf Coast while proved

reserve deal pricing remained the second highest at US\$15.17/boe. Transaction value fell by more than 50 percent in the Rocky Mountain region, where the level of deal activity has been closely tied to movements in gas differentials.

In 2007, North America represented 62 percent of worldwide transaction value, a record high in the five-year study period, and a substantial increase over 55 percent the prior year. Canadian deal count and transaction value soared to record highs, while transacted proved reserve volumes nearly doubled due to a five-fold increase in oil sands reserves. Proved reserve implied value declined slightly to US\$28.61/boe, but remained the highest in the world and a significant premium to U.S. pricing. Oil sands deals and Royalty Trust consolidation accounted for 40 percent and 30 percent, respectively, of region transaction value.

John S. Herold, Inc. and Harrison Lovegrove & Co. will hold a conference call for press only to answer questions about the *2008 Global Upstream M&A Review* on Wednesday, March 26, 2008, at 12:00 PM EDT (11:00 AM CDT). To register for the call, please email tbiracree@herold.com.

About John S. Herold

Founded in 1948, John S. Herold, an IHS company, is a specialized research and consulting firm focusing on valuation, strategy, and performance measurement of the world's leading oil and gas companies. Herold closely monitors the world's energy capital markets and the dynamic merger, acquisition, and divestiture market for energy assets. IHS (NYSE: [IHS](#) - [News](#)) is a leading global source of critical information and insight for customers in a broad range of industries. Its customer product and service solutions span four major areas of information: energy, product lifecycle management, environmental and security.

About Harrison Lovegrove & Co. Limited

Harrison Lovegrove & Co. Limited 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, Singapore and Kuala Lumpur. 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 Africa, Asia and the Middle East.

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