

ARE BAKKEN COMPANIES READY TO MERGE?

By Jason Spiess for the Tribune



PAUL FLESSLAND/For the Tribune
Sunrise on a Nabors Drilling well site in the Bakken

In the world of financial transitions, there are few industries that rival energy. Deals can influence the bottom lines of companies and communities for years. There are even CEOs who specialize in leading companies through a merger or acquisition, so, when I received the writing assignment on mergers and acquisitions in the Bakken, I knew we were going to enter an area of sensitivity — an area where speculation and misinformation can cost companies and shareholders millions, if not billions, of dollars.

In fact, as I write, the sale that triggered this feature on mergers and acquisitions, Whiting Petroleum's buyout of Kodiak Oil and Gas, is still not finalized, something Ron Ness, president, North Dakota Petroleum Council is quick to point out before offering his opinion for the pecuniary-fueled feature.

"I think it is important to point out the Whiting deal still needs to be ratified. So, it still needs to go before the board and get final approval," said Ron Ness, president, North Dakota Petroleum Council.

Due to this, company officials from Whiting respect their company's policy of not discussing deals that are not finalized. However, there are public filing figures and statements available to lay the groundwork for a much bigger discussion on the inner workings and trends associated with mergers and acquisitions in oil and gas.

According to data compiled by Bloomberg, Whiting has low debt compared with their earnings and has the capital available to spend. Comparing Whiting's ratio of total debt to earnings before interest, taxes, depreciation and amortization to the entire shale industry, the Denver-based company showed about half the debt as the rest of the industry. In the second quarter of 2014, the shale industry was 3.28, Whiting 1.56.

That's the number crunching paragraph summary. Ness offers a much more common sense way to look at it.

"I think the Kodiak holdings fit right like a glove into the Whiting's holdings," Ness said.