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## Let Me Get A Big 'Shale, Yeah'

Movies often place their characters in the cool profession of the day (fashion photographer in "Stepmom," blogger in "Julie & Julia" and the mostly unseen "Motherhood"), so don't be surprised if your mega-plex is eventually graced with a protagonist involved in producing natural gas from shale formations.

Shale and other types of unconventional gas production account for about 40% of overall U.S. gas production, up from around 10% in 1990, thanks to advancements in horizontal drilling and rock-cracking, as chronicled in a recent [Wall Street Journal report](#). At least three shale-related private equity transactions were announced last week.

EnCap Investments LP, Flatrock Energy Advisors LLC and TPH Partners have launched a new company, Meritage Midstream Services, focused on the Eagle Ford Shale in south Texas. Meritage will provide oil and gas producers with services like gathering and treating gas, oil, condensates and water. It also will provide carbon dioxide sequestration.

The three investors have committed equity of less than \$150 million to the platform, according to TPH Managing Director George McCormick III. "There's plenty of infrastructure in south Texas generally speaking, but there is definitely a need for additional capacity in this shale," he said.

Meanwhile, Valerus Compression Services also has its eye on shale. The natural gas equipment and services company, which announced a \$500 million equity and debt investment from TPG Capital, said "we firmly believe that Valerus is poised to benefit from the continued development of America's natural gas resources and the growth in gas production from the country's prolific shale plays."

Valerus has about \$500 million in revenue, said a person familiar with the matter. A portion of the investment will go toward paying off the majority of the company's existing debt and the rest has been set aside for future capital needs.

Even the popular shales still have room. Lime Rock Partners is delving into the Marcellus Shale with PDC Mountaineer LLC, a platform launched with Petroleum Development Corp. The venture will focus on underdeveloped sections of the shale like West Virginia and southwest Pennsylvania, according to Lime Rock Managing Director Will Franklin.

The new venture is worth roughly \$158.5 million; Lime Rock put \$45 million at closing and expects its equity investment will eventually reach at least \$102 million.

Earlier in the fall, Global Infrastructure Partners said it would pay Chesapeake Corp. \$588 million in a deal that formed Chesapeake Midstream Partners LLC. Chesapeake contributed its Barnett Shale midstream assets to the joint venture.

And one new buyout-backed company is employing a multi-shale strategy. Delphi Midstream Partners, launched by American Securities LLC, announced its first deal in October. It bought the Texas-based Mansfield gathering and compression system, which operates on the Barnett Shale, from Carrizo Oil & Gas Inc. Carrizo received net proceeds of \$34.7 million, including a \$1.2 million working capital adjustment. The deal gives Delphi the right to invest up to \$100 million to support Carrizo's Marcellus Shale development.

With this degree of activity, it may be difficult for other sedimentary rocks to catch up to shale in time for year-end award season.

-With Ramin Dutt and Josh Beckerman