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Covington company targets new oil in 50-year-old fields

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TWO NEW ORLEANS-area energy industry veterans have partnered in a new venture that aims to coax oil and gas production out of old south Louisiana fields, starting with a portfolio of recently acquired wells.

Krewe Energy, a Covington firm Tom De Brock and Barry Salsbury founded in September, announced last week that it has acquired the assets of S2 Energy, another company the two founded in 2009 with partner Bo Sibley.

Krewe Energy acquired 51 wells and associated production facilities at 10 oil and gas fields through the deal, assets that will provide the foundation for the new venture, De Brock said. A purchase price was not disclosed.

De Brock, who worked as a geologist for the former Louisiana Land & Exploration Co. and was an executive with the former Energy Partners Ltd., said he and Salsbury teamed to form Krewe Energy after Sibley retired this year. Salsbury and Sibley also have backgrounds as engineers for

Chevron Corp.

De Brock and Salsbury financed the acquisition with their own capital as well as a private equity investment from Sage Road Capital of Houston. The Sage Road Capital investment will also pay for the development of the acquired assets as well as future acquisitions.

Sage Road Capital “wanted us to stay with the properties we had,” De Brock said. “Now they’re bringing in more money so we can buy more properties and go in and rework, recomplete and bring production up at existing wells and new wells.”

Krewe Energy is focused in state waters and inland marsh areas where oil and gas production has been ongoing since the 1930s. Its holdings span from the Breton Sound area just offshore Plaquemines Parish to the Cowpen Creek area in Beauregard Parish.

De Brock said many companies have left older south Louisiana fields to focus on lucrative deepwater plays in the Gulf of Mexico or shale plays in Texas, North Dakota and other states. But Krewe

Energy and its investors see plenty of potential in using new technology to squeeze out oil and gas remaining there, De Brock said.

He added that being able to tap resources on land and in coastal areas close to shore makes economic sense with oil prices hovering at \$100 per barrel.

“There is still a lot of oil and gas left, and it’s close to home and it’s close to the markets where it’s being used,” De Brock said.

Louisiana Department of Natural Resources spokesman Patrick Courreges told CityBusiness last week that the price of oil is encouraging reinvestment across much of south Louisiana.

Houston-based Midstates Petroleum, which held an initial public offering in April, has grown production from 995 barrels of oil equivalent per day in 2008 to close to 7,500 from south Louisiana fields discovered in the 1950s but left under-developed. Most of Midstates’ success has come in Beauregard Parish in the southwest portion of the state.

De Brock pointed to the

Sage Road Capital investment as a sign more private equity investors are interested in small to mid-size oil and gas production firms. According to its website, Sage Road Capital provides long-term capital for lower middle market energy firms in North America that require less than \$50 million grow.

Sage Road did not return calls for comment.

Krewe Energy already has one bid to acquire additional south Louisiana property and is evaluating two more opportunities. The company, which employs four, plans to add a geologist and a reservoir engineer in the coming weeks to support its growth, though it plans to outsource accounting, legal, permitting, marketing and other services.

De Brock noted Krewe Energy’s advantage is the more than 30 years of experience he and Salsbury have each racked up in the local industry. The two often tap their networks to find promising land acquisition deals before they hit the market.

“We just know how to operate in south Louisiana,” De Brock said. •