



## Niche Private Equity Firm Aims to Fill a Void with its Debut Upstream Fund

April 20, 2018

### *An exclusive OAG360 interview with Drillcore Founder and Managing Partner Evan Turner*

New York-based Drillcore Energy Partners launched its debut fund this week, a \$250-million private equity fund targeting U.S. upstream. Drillcore said it seeks to allocate the capital raised from limited partners for its channel of proprietary deal flow.

The firm is out of the gate with an inventory of pending acquisitions that have already been placed under letter of intent, Drillcore Founder and Managing Partner Evan Turner told Oil & Gas 360® in an exclusive interview.

The firm said that it is working with proven management teams, providing growth capital to acquire and exploit multiple onshore basins with low-risk development opportunities that have existing production. Investors include state and corporate pension funds, insurance companies, sovereign wealth funds, asset managers, family offices, high net worth individuals and endowments, the firm said.

Drillcore, which has offices in New York and Houston, said it expects to close the fund-raise for its inaugural fund this summer.

### *Management*

Drillcore is led by Founder and Managing Partner Evan Turner, who was formerly director and head of Energy at StormHarbour Partners and a founding member of CohnReznick Capital's oil & gas group. Prior to this, Turner worked for Canaccord Genuity, Global Data Ltd. and Horizon Well Logging.

Turner will be joined by an experienced group of senior principal investment and energy professionals, who collectively bring more than 100 years' industry experience.

"Since launching Drillcore in early 2018, we have successfully sourced a number of proprietary, negotiated transactions for our initial portfolio of investments," Turner said in a press release.

"Drillcore has an ability to value-up assets by investing expansionary capital to management teams to acquire bolt-on acquisitions, improve operational efficiencies and use modern, innovative technology for the re-development of existing assets that have been overlooked.

Turner said the goal is that targeted assets are positioned with stacked pay zones across their acreage position but have historically been drilled only by vertical wells. “We look to fund horizontal drilling to extract greater value from the reservoirs in our investments,” Turner said in a statement.

---

## *Oil & Gas 360® interview with Drillcore Founder Evan Turner*

Oil & Gas 360® caught up with Drillcore’s founder and managing partner, Evan Turner, this week for an exclusive interview about the new fund and what his plans are going forward.

**OIL & GAS 360:** What makes Drillcore stand out from other private equity firms that are focused on the energy space?

**Drillcore Energy Partners Founder and Managing Partner Evan Turner:** We’re filling a void that some of the other private equity firms aren’t targeting. We’re targeting average deals in the \$75 million range. We can go anywhere from \$25 to \$250 million of equity capital before needing co-investors.

What differentiates Drillcore from other typical private equity firms that go out for their debut or inaugural fund to go seek capital, then they go seek out the deals, is this: we already have our deals, and now we’re rounding that out with closing out our fund.

We back operators that allow us to control the drill bit. And from that point, we’re very focused on leveraging their track record and experience. The groups that we’re partnering with are exceptional oil and gas operators. We don’t participate with non-operators. Often these groups have been backed by other private equity firms, and are now maybe looking for a third or second go-around; and in one case, one is looking for a fourth go-around.

But with this first fund, we have all the deals set up so that we are just funding these \$250 million worth of deals before we go out and raise a second fund at a later date.

We’re primarily focused right now in liquids-weighted production zones with stacked pay that have either historically been drilled and delineated and de-risked by vertical production; or they have some initial horizontal development on the property, but they’re currently capital-constrained with drilling off of their own cash flow. They need outside capital, and that’s where Drillcore comes in to be a drilling partner with some of these.

Right now, we are focused in the mid-continent:

- In the Powder River Basin,
- In the Permian Basin, specifically in the Delaware northwest shelf and Midland Basin,
- in Ark-La-Tex,
- and the SCOOP and STACK.

**OIL & GAS 360:** You said that you’re looking at assets that have been overlooked, historically drilled by only vertical wells. Which plays are on the list?

**Evan Turner:** We’re “basin-agnostic.” But we have a preference for oil-weighted production targets. And all the assets that we’re targeting have to have stacked pay. They have to be located within stacked pay geology, allowing us to target multiple benches to produce.

**OIL & GAS 360:** What’s your timeline on talking to E&P management teams?

**Evan Turner:** We're now just closing out the fund. I don't need any deals right now. That's a unique situation to me. I'm turning down deals right now; but in the future, we will be seeking additional deals. And we welcome deals, but right now this \$250 million is just for these three specific deals that we have under LOI with exclusivity.

They are all negotiated transactions with privately owned oil and gas companies. And one is a secondary PE buyout from another private equity firm.

**OIL & GAS 360:** Who are the other professionals on Drillcore's management team?

**Evan Turner:** I can't name who they are until we close the fund. But we have at least six investment professionals on staff. They are senior professionals both from industry, as well as from financial firms. Some are from other private equity firms, some are from other pension funds, portfolio managers and others are executives with independents or major oil and gas companies.

**OIL & GAS 360:** Which oil and gas companies have your team members worked for?

**Evan Turner:** They have worked for both independent oil and gas E&P companies, as well as domestic and international majors.

**OIL & GAS 360:** Can you talk about how Drillcore fills the void in the middle-market upstream sector with investments around \$75 million?

**Evan Turner:** Most larger funds such as Apollo or Blackstone, they're doing deals north of \$125 million per deal on average at least, probably even north of that. And we come into a space where there's a large number of other established GPs or other private equity firms that look at deals that are \$50 million and below.

We're trying to fill that gap in between—it's the \$50 to \$150 to \$200 million range, where there's not too much activity in terms of average deals being done in that size range. I looked at most of the typical deals over the past couple years and it looks like the average private equity commitment to a management team has been north of \$200 million.

We are partnering with companies that are capital constrained. These are companies that don't have the capacity to borrow against their assets to that capacity. We can see that they have great assets or a great management team, and we see that the assets can be developed using modern technology and techniques.

**OIL & GAS 360:** Compared to new companies seeking capital in the public markets what are the advantages of private equity to launch an E&P company?

**Evan Turner:** The real difference is that the kinds of companies that we're targeting struggle to go to the public markets, not because they have bad financials, but simply because the sums of money can be a little bit small for the public markets to take note of.

It's a combination of that, along with the ease with which they can work with us—as opposed to going through the lengthy and complex process of accessing public funds.

And thirdly, we can turbocharge the management team because we have deep technical and operational experience in the industry.

**OIL & GAS 360:** How would you sum up Drillcore?

**Evan Turner:** Drillcore is not purely a financial firm. We understand the assets. Almost every single employee at Drillcore—and all future employees—need to have a strong industry background. If we

are going to hire accountants, a prerequisite is that they need to have worked in the oil and gas industry. We're really a one-stop shop in terms of providing creative financial solutions and coming up with technical strategies to extract the most value from assets that may have been "overlooked" or underappreciated.