



2017 Practice Group of the Year

Energy

Kirkland & Ellis LLP's energy group kicked off 2017 with a "groundbreaking" \$2.3 billion deal involving 318,000 acres of Texas shale, then spent the rest of the year handling matters including the \$9.45 billion sale of Energy Future Holdings and BP's defense in the Deepwater Horizon litigation, landing the group among *Law360*'s Practice Groups of the Year.

The practice group's approximately 200 lawyers are mainly based out of an energy-focused Houston office that opened in 2014 with four attorneys and now employs more than 130, but the group also has a strong presence in New York and Washington, D.C. With the bulk of its lawyers working in the Lone Star State, it's unsurprising that a number of the group's noteworthy successes also have Texas ties.

One such victory from January 2017 was the group's involvement in the \$2.3 billion acquisition of Anadarko Petroleum's interest in part of Texas' Eagle Ford shale by Sanchez Energy and funds managed by Blackstone Energy Partners. Kirkland lawyers advised both Blackstone and Sanchez at different stages of the transaction and said it was the first of its kind, touched multiple areas of law and was actually five deals in one.

"I think that was illustrative of the strength of our practice, mainly because it involved so many specialized areas of expertise," Kirkland partner Anthony Speier said. "One of the benefits clients get coming to us is that we can bring really good resources to bear across a number of practice areas, and that [deal] was a good example of that."

The primary challenge in that deal was that Sanchez, then a company with a total stock value of \$200 million to \$300 million, wanted to buy

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an asset many times that value. Blackstone agreed to pay half the purchase price, but by doing so, it would be paying an amount normally associated with operating the shale play even though Sanchez would be the operator.

That meant that if Blackstone wanted to sell its share of the land before Sanchez did, it wouldn't receive the same "operatorship premium" in return, partner Andrew Calder said.

"Blackstone and Sanchez were buying it together, Sanchez was going to operate, but Blackstone was going to pay consideration as if it was the operator," Calder said. "So we had to find a way to kind of square that circle."

What the group came up with was a deal structure that separated the shale play into two parts, with Blackstone operating one portion

and Sanchez running the other, in case one company eventually decides to leave the play before their partner.

Then, Kirkland helped Sanchez raise money to finance its portion of the deal and later handled debt financing for both Blackstone and Sanchez, Calder said.

“It was fun. It’s always fun to do something that’s a little bit on the cutting edge — something that’s not quite in the middle of the fairway,” Calder said. “We do tons of deals that are a lot simpler and are very much in our wheelhouse and down the middle of the fairway. And those can be fun too, but it’s nice for a bit of variety to do something that really tests us as lawyers.”

And what’s more, it was unique, Calder and Speier said.

“Nobody had really done that before, and since that time, there’s been a lot of big private equity firms that have looked at partnering with traditional [exploration and production] companies that may be smaller, to help them buy some of the larger assets for sale,” Speier said. “Nobody has executed this exact same structure yet, but we’ve gotten a lot of interest in doing it.”

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The firm also represented bankrupt Energy Future Holdings as it sought to merge with Berkshire Hathaway Energy in July for \$9 billion, then actually merged with Sempra Energy for \$9.45 billion in August, a deal that included EFH’s 80 percent interest in Oncor Electric Delivery and had an enterprise value of \$19 billion.

Calder said Sempra’s acquisition was EFH’s fourth attempt at a merger during its four to five years in bankruptcy, explaining that prior to the Berkshire Hathaway offer, proposed deals in previous years were each turned down by Texas’ Public Utility Commission.

On the litigation side of things, partner Anna Rotman said that even though it’s not her case, the firm’s ongoing representation of BP influences much of the practice group’s work.

“It’s in a way an all-consuming undertaking that the firm has been involved in year-in and year-out for many years and that really, I think,

has bolstered our expertise generally in being able to counsel energy clients in disaster situations,” Rotman said. “What keeps them up at night is a Deepwater-type of scenario, and Kirkland is, for better or for worse, uniquely positioned in terms of being able to deal with all of the different aspects of that type of disaster.”



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