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Private equity groups make \$500m UK North Sea oil investment

By Guy Chazan



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Buyout groups [Blackstone](#) and Blue Water Energy are providing \$500m to Siccar Point Energy, a new UK-focused oil company, in one of the largest ever private equity investments in North Sea oil.

The move highlights the continuing international appeal of Britain's offshore oilfields, in spite of increasing competition from newer and more prolific basins in Africa and the US and [uncertainty](#) over the upcoming referendum on Scottish independence.

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Investment in the UK North Sea reached a [record level of £14.4bn last year](#), raising hopes that oil and gas production could start to pick up again after years of decline.

“This is one of the most opportune times to buy assets in the North Sea,” said Jonathan Roger, chief executive of Siccar Point. “The market is very buoyant.”

He said the company would look to acquire properties from the international majors, which are divesting some of their older UK fields, as well as from US independents moving back to North America to exploit the shale boom.

Private equity is no stranger to the North Sea. Warburg Pincus and [Riverstone](#) have backed Fairfield Energy, a UK-focused independent, while Barclays Natural Resource Investments has a stake in Chrysaor, a private company focused on commercialising dormant discoveries in the North Sea and Ireland. Meanwhile, Bridge Energy UK, which has assets in both the UK and Norwegian sectors of the North Sea, was taken private by Norway’s HitecVision last year.

But analysts say Siccar Point’s cash infusion represents one of the biggest private equity investments in a UK oil company in recent years.

The company’s management team consists of seasoned veterans of North Sea oil exploration. Mr Roger worked at leading independent Venture Production, which was acquired by [Centrica](#) in 2009, and went on to head Centrica’s upstream oil and gas arm.

He said Siccar Point would aim to buy marginal or mature oilfields that don’t meet the majors’ stringent requirements for returns, and gradually build two-to-three core production hubs in the North Sea. The company would also have an exploration arm.

“We will acquire assets that will . . . get 100 per cent of our focus, whereas for others they are the tail-end of their business, so they struggle to compete for resources and manpower,” he said.

Siccar Point is backed by Blue Water Energy, a London-based private equity firm founded in 2011 that last year closed an \$861m fund for investments in oil and gas. It has already put cash into a refined product storage company and two oilfield services groups.

Graeme Sword, a partner, said the plan was to build Siccar Point up into a 20-30,000 barrels of oil a day company which could then be floated or sold to a national oil company or big utility.

The growth of PE-backed private companies in the North Sea comes at a time when publicly listed exploration and production (E&P) companies have [fallen out of favour with investors](#). Many have discovered oil but have struggled to raise the cash needed to extract it.

“The independent sector is underfunded,” said Nick Cooper, chief executive of London-listed African explorer Ophir Energy. “A lot of E&Ps are unfortunately at death’s door, or hibernating.”

Mr Sword said Siccar Point would not be under the same kind of pressure as quoted E&P companies to meet annual financial or production targets. “The PE-backed model has a longer-term horizon,” he said.