

# Asset Management

## CASE STUDY

### Distressed Asset



### BACKGROUND CHALLENGES

At the beginning of 2017, the equity sponsor of a management team that was struggling to manage an East Texas PDP field (sponsored asset) with a high-water cut (1% oil cut, ~25,000 bbls of water per day) was concerned about the decreasing value of their investment.

### RESULTS/CONCLUSIONS

- Stellus Capital – equity sponsor
  - East Texas PDP field (sponsored asset)
- Initial need: Operational advisory to management team that was struggling with production in a high water drive field (1% oil cut, ~25,000 bbls of water per day)
- Provided operational advisory, engineering recommendations, and execution of critical production improvement efforts
- Secondary need: Equity Sponsor needed interim contract operating to improve production, lower cost and carry through divestiture.
- Results
- Peak production improvement ~40%.
- Production improvement at divestiture (Dec 2016 vs Dec 2017) ~28%
- Successful divestiture; equity sponsor went from “under water” to “made whole”

