



Energy Hunter Resources Inc. is acquiring property through industry contacts and friends. "We're staying away from the data rooms," said Gary Evans, chairman and CEO.

BACK IN THE GAME

Serial entrepreneurs stud the energy industry, and Gary Evans, chairman and CEO of recently formed Energy Hunter Resources Inc., is one. Evans and his management team are very familiar with the Eagle Ford Shale. The E&P he founded in 2009, Magnum Hunter Resources Corp., sold its Eagle Ford assets in 2013 for \$401 million, generating an 80% internal rate of return. The same team grew a predecessor company and sold it in 2005 for \$2.2 billion.

They hope to repeat those successes. On Sept. 16, Energy Hunter Resources filed with the SEC to raise up to \$50 million in a Regulation A+ offering before year-end.

Evans formed the new Dallas-based company immediately after leaving Magnum Hunter Resources when it emerged from voluntary bankruptcy in May. The latter had 50 Eagle Ford wells producing at the time.

He isn't one to look back. "I've been told many times that low oil prices fix low oil prices, and I still believe that," he said. "I am very bullish on South Texas and also on natural gas."

"The new energy reality is that we have to run our companies more efficiently than in the past. Our rig count probably will never be as great, given our new efficiency per rig. The new norm is going to be lower leverage ... less than 2.5x EBITDA, and there is plenty of capital around. I do believe the Eagle Ford has a bright future, as far as picking up some of that capital," he said.

Energy Hunter just opened a divisional office in Houston. Following a private placement with friends and family, the company's initial investment was about \$1 million in Eagle Ford leases in Karnes County, Texas. Netherland, Sewell & Associates Inc. assigned value approaching \$20 million to the probable reserves, according to Evans.

Targeting Eagle Ford and Permian assets, Energy Hunter has reunited many executives from its Magnum Hunter management team, including Kip Ferguson, Brian Burgher and Jason Wilson.

"I do think we are on the way to becoming mended. Cost-cutting is definitely lifting all boats," Evans said as he detailed the industry's woes, ranging from high debt to low rig counts to bankruptcies.

Evans said this is a good time to start a new venture as companies place assets on the market and drilling costs have declined. "I am telling you right now I believe there are just as good opportunities in the Eagle Ford as in the Permian. You just have to realize what you can do in this price environment and what makes sense."

He cited a Bloomberg dataset that indicates two Eagle Ford counties, Dewitt and Karnes, are profitable at \$30/bbl. Gonzales County's breakeven cost is about \$40.

Evans said Energy Hunter will be doing bite-sized property acquisitions using industry contacts and friends. "We're staying away from the data rooms."

The 5,000 acres in Karnes County the company bought went for \$2,500 an acre, "but the day I closed, I was offered \$25,000 an acre for it," he said. "It was brought to us by a pumper in the field who told me about a lease that was coming due."

Eight rigs are currently at work in Karnes County, the most of any county in the broader Eagle Ford swath through South Texas.