

Austin Elam in Houston Business Journal: Private Equity Firm Invests \$300 Million in Permian Development

April 21, 2017 Austin Elam

PRACTICES Private Equity, Energy, Power and Natural Resources

Houston-based Development Capital Resources LP has made an agreement with Midland, Texas-based Endeavor Energy Resources LP to develop acreage in the Permian Basin.

DCR will provide \$300 million to fund the majority of the project, though it will not take an operating role in it, according to a press release.

The joint venture — which already has two drilling rigs in operation — is focused on Wolfcamp horizontal wells in the Midland Basin...

That's fairly typical for a deal with that type of structure, said [Austin Elam](#), a Houston-based associate at Haynes Boone LLP and the leader of the team that represented Endeavor in the deal.

Essentially, DCR is funding the development of acreage that Endeavor controls in exchange for a temporary working interest in the joint venture. At a certain point — once DCR has reached a certain level of returns on its investments — a portion of DCR's interest will revert to Endeavor ownership automatically.

That deal structure is generally attractive to producers because it gives access to capital funding without loading the producer down with debt or equity deals, Elam said. On the other hand, financiers might be attracted to it because it protects their investment even if the company they are financing declares bankruptcy — they own an absolute working interest in the joint venture, not debt with the development company, Elam said.

Excerpted from *Houston Business Journal*. To read the full article, please [click here](#) (subscription required).