

Aspects of Apache Corporation's Acquisition of Mariner Energy Inc. and Selected Devon Energy Assets

Introduction

The Energy Information Administration reviews mergers, acquisitions, and alliances by companies that are [respondents to Form EIA-28](#) (Financial Reporting System (FRS)), or that result in a company that meets the FRS reporting criteria. The review is confined to a presentation of pertinent operating data of the companies and assets involved in the transaction. The FRS reporting criteria are one percent, or more, of U.S. crude oil and natural gas liquids, or natural gas production, or one percent, or more, of U.S. refinery crude oil distillation capacity.

Background

On April 15, 2010, Apache Corp announced that it had agreed to acquire Mariner Energy in a [\\$3.9 billion transaction](#) in which each common share of Mariner may be exchanged for 0.17043 shares of Apache stock and \$7.80, which represents a 45 percent premium relative to the Mariner share price on April 14, 2010. The transaction value includes \$1.2 billion of Mariner debt. The transaction is expected to close in the third quarter of 2010, subject to Mariner shareholder and regulatory approval.

Although the transaction does not materially affect Apache's ranking among U.S. crude oil or natural gas producers, it has a broader effect on the company. In particular, according to Apache's April 15 [press release](#), "We have considered extending our Gulf of Mexico operations into the deepwater for a number of years. This is the right set of assets and the right time for Apache to expand its deepwater presence."

Earlier this week (April 12) Apache announced that it had agreed to acquire Devon Energy's assets on the Gulf of Mexico's continental shelf for \$1.05 billion. The following table provides company-level data from various public sources to inform discussions of the Apache-Mariner and Apache-Devon transactions. Additional information is available from the websites of [Apache](#), [Mariner](#), and [Devon](#), including the most recent annual report of Apache, Mariner ([PDF-format](#)), and of Devon. This data presentation is similar to data presentations that have been previously requested from EIA for other significant energy company mergers and/or corporate alliances.

U.S. Crude Oil and Natural Gas Reserves and Production of Apache, Mariner, and Selected Devon Assets, 2009

	Apache Corp.	Mariner Energy Inc.	Selected Devon Assets	Apache/Mariner/Devon Total	U.S. Total	Apache Corp.	Mariner Energy Inc.	Selected Devon Assets	Apache/Mariner/Devon Total	
Oil and Natural Gas Liquids	(Million barrels)					Percent				
Production	34.8	6.0	3.3	44.1	2,626.5	1.3	0.2	0.1	1.7	
Reserves	523.0	86.0	15.0	624.0	28,422.0	1.8	0.3	0.1	2.2	
Natural Gas	(Billion cubic feet)					Percent				
Production	243.1	90.8	22.6	356.6	21,095.0	1.2	0.4	0.1	1.7	
Reserves	2,438.0	571.4	144.0	3,153.4	253,688.0	1.0	0.2	0.1	1.2	

Note: Reserves are at year-end. 2009 reserves are estimated using 2008 reserves and applying the weighted-average annual change for 1998-2007, which are -0.02 percent for liquids and +3.7 percent for natural gas. The 2008 data were not used in the weighted-average calculation due to the unusually large number of write-downs for crude oil reserves due to U.S. Securities and Exchange Commission rules that have since been revised. The 1998-2008 weighted-averages are -0.7 percent for liquids and +3.6 percent for natural gas.

Sources: Company information: Apache Corporation, 2009 U.S. Securities and Exchange Commission Form 10-K, pp. 17 and 19; Mariner Energy Inc., 2009 U.S. Securities and Exchange Commission Form 10-K, pp. 51 and 126; "Devon Energy Announces \$1.05 Billion Sale of Gulf of Mexico Shelf Assets," Devon Energy Corporation (April 12, 2010); **U.S. liquids production:** Energy Information Administration (EIA), *Monthly Energy Review* (March 2010), Table 3.1; U.S. natural gas production (dry): EIA, *Monthly Energy Review* (March 2010), Table 4.1; **U.S. Reserves:** Calculated using EIA, *U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves, 2008* (October 29, 2009), Table 3.

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