

Quantum Energy Invests in Oil-Field Services Again as Outlook Improves

By Luis Garcia and Andrew Scurria

Jan. 30, 2018 7:30 a.m. ET

Quantum Energy Partners acquired Premium Oilfield Technologies LLC, the private-equity firm's first investment in the energy-services and equipment sector in more than four years.

Founded in 2004 and based in Houston, Premium supplies mud-pump parts, mud valves, handling tools and other products used in the drilling of oil-and-gas wells.

Quantum acquired Premium from Global Energy Capital, a Houston-based private-equity firm that invested in the company in 2013.



Stock image. ©istockphoto.com/Stephen Strathdee
©ISTOCKPHOTO.COM/STEPHEN STRATHDEE

The acquisition comes as rising oil prices have renewed investor optimism about the oil-field services sector. Private-equity firms are seeing opportunities to cash out of investments—as illustrated by a number of private equity-backed services companies that either recently launched or are preparing to launch initial public offerings.

Quantum, which is seeking up to \$5.25 billion to a new energy-focused fund, backed several upstream energy companies since oil prices began to collapse in mid-2014. But the Houston firm had difficulty finding investment targets in the oil-field services sector during the oil-price downturn because many service companies generated negative or very small earnings before interest, tax, depreciation and amortization, making it harder to evaluate them, said Wil VanLoh, Quantum's chief executive.

Last year, Quantum agreed to sell its stake in Global Tubing LLC, a provider of coil-

tubing products used in oil-and-gas drilling and production, to publicly traded Forum Energy Technologies Inc. Quantum and Forum jointly acquired Global Tubing in 2013, Quantum's last investment in the oil-field services sector before Premium.

"It's just been tough to find companies that you could have confidence they were going to survive the downturn," Mr. VanLoh said.

He added investors have more visibility now that the demand for oil-field services is rising again.

"Services companies should gain back some of their pricing power," he said. "So, clearly a scenario we'd like to have exposure to. It benefits significantly in an up cycle."

Oil-field services companies often look to differentiate themselves by focusing on specific equipment or services used in oil-and-gas exploration and by trying to make them safer and more efficient.

In Premium's case, Quantum was particularly attracted to the company's line of expendable parts for mud pumps and other drilling equipment that can be exchanged during rig operations without the use of hammers, Mr. VanLoh said.

Premium is led by Chief Executive Officer Cam Hewell, who ran another oil-field services company, pressure-control equipment provider Energy Equipment Corp., from 1997 until its sale to publicly traded T-3 Energy Services Inc. in 2007. Mr. Hewell joined Premium in 2013 as part of a recapitalization backed by Global Energy Capital.

Quantum invests in companies operating across the energy industry, including the upstream, midstream and oil-field services sectors. The firm recently formed PetroLogistics II LLC alongside Stonecourt Capital and members of the petrochemical company's management with a more than \$500 million commitment.

Write to Luis Garcia at luis.garcia@wsj.com and Andrew Scurria at Andrew.Scurria@wsj.com