

CHATTING WITH A.V. JONES JR.

A.V. Jones Jr. says he is a very high-energy guy and people wonder on any given day if he is working or playing. "I've done this with intensity for a long time," he says of his career as an operator, financial engineer and industry leader.

It's in his blood. Jones' father entered the oil business in 1932 in Albany, Texas, northeast of Abilene. He graduated from the University of Oklahoma with a B.S. in geology, as did A.V. and brother Jon Rex, both well-known oilmen. Today the Jones family still bases numerous energy operations in Albany.

A.V. has owned and operated a string of E&P companies, including Van Operating Ltd. today. But alongside the family entities, Jones has always backed young, smart start-ups in a number of venture-capital investments. These include Globex Energy Inc., an E&P firm with assets offshore Africa that was sold to Marathon Oil Co. for \$155 million in 2002; JM Petroleum Corp., a crude oil buyer run by Triton Energy's Jim Musselman, who sold it for \$70 million; and midstream company Taurus Energy Corp.

Ten years ago, Jones co-founded private-equity firm Quantum Energy Partners in Houston with Wil VanLoh and Toby Neugebauer. Today as a special advisor, he assists Quantum with deal sourcing and is a valued sounding board on technical and operational matters.

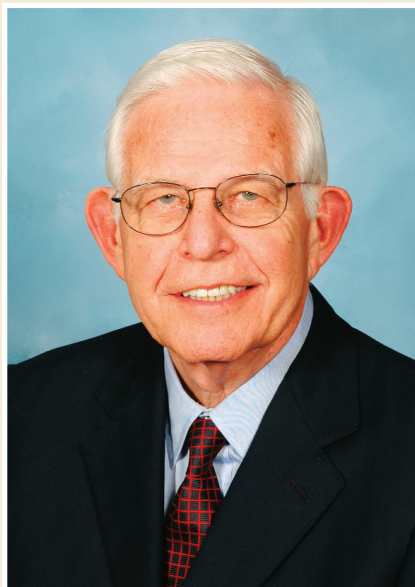
Jones has been active in many industry organizations. He is a director of the American Petroleum Institute (API) and on the National Petroleum Council, appointed by the U.S. energy secretary. In 1975-77 he was chairman of the IPAA and is a former president of the West Central Texas Oil & Gas Association.

In 1985, he was named Chief Roughneck by the IPAA and Lone Star Steel Co.

Investor You've backed a lot of start-ups during the past 40 years. Why do it now through a private-equity aggregator like Quantum?

Jones We've always kept some Jones-oriented companies going all along, but always backed other people in various endeavors as well. We were doing as much as we could comfortably and yet knew there were other special opportunities and people out there. It's been a tie between our own stuff and the other people we backed, in terms of money and time spent. My business life has been a pattern of finding good young people—like Wil and Toby when we started Quantum 10 years ago. They have been good partners and the results have been great.

I'd say 90% of what I do on a daily basis now is supporting Quantum Energy Partners. By the way, to be clear, I am not at all involved with Quantum Resources (the \$1-billion fund headed by Don Wolf in Denver).



We are on Quantum's \$1.32-billion Fund IV now. There is an infinite number of opportunities and sorting through them and keeping them going is a full-time job for Quantum's staff. Since headquarters for Quantum is in Houston, Wil does most of the heavy lifting as the managing partner, and he's doing a fine job. That gives Toby and me time and freedom to do what we do best.

It also keeps me young. Imagine, Quantum has some \$3 billion of assets under management now. Managing that kind of money is no walk in the park, but we have a talented team of technical and financial professionals with an excellent track record.

Investor You still have Van Operating. Do you prefer drilling or back-

ing people financially?

Jones Twenty-five years ago, I would have said there's nothing like drilling a well yourself that could change your lifestyle. One well could change your future. It was so exciting. But I also really enjoy putting something interesting together with good people.

For instance, in Fund II we partnered with Jack Hightower and his team at Celero Energy. Together, we made two very good acquisitions of legacy assets and sold the whole package for approximately \$800 million. That's equally exciting.

Investor No more wildcatting?

Jones You're not going to go out and find big reserves like they did in the 1940s, '50s and '60s. But we'll still have some wildcatting as long as we have an oil business. Some future breakthrough like 3-D will be the catalyst. And we'll have more of these interesting new plays like the Barnett and Fayetteville shales.

Investor You like the shales?

Jones You bet. We're backing Roger Biemans (former head of EnCana USA) in his new company called Vantage Energy LLC. That's in our Fund IV and is typical of what we do in backing top-flight teams. Vantage is very active in the Barnett and other plays.

Investor What advice did your father give you?

Jones Whatever you do, don't run out of money! Something will come along you'll want to take advantage of. I've seen people get overextended by debt over and over again and have to sell at a loss. Asset allocation is the thing that will make or break you. You've got to have credibility, know what you're doing and treat people right.

Investor You had to like OU this past season.

Jones Oh yes, I love the Sooners. And, every fall I go to a lot of high school games, not just in Albany but elsewhere. I love to watch them play.

—Leslie Haines