

Blue Rock Energy Partners

For 25 years, regardless of commodity price cycle, BlueRock Energy Partners has been providing growth capital to independent E&P companies, and is now looking to take its business to the next level.

BlueRock has historically provided capital to producers for reserve-based acquisitions and monetizations, coupled with associated production enhancement and/or development drilling.



“While we require a PDP [proved developed producing] component in our transactions, we are differentiated from a typical RBL [reserve-based lending] facility in that success in the non-PDP upside work plan is required for BlueRock to achieve its target rate of return, and for the client to achieve its goals,” said Stuart Rexrode, managing partner. “We are willing to take the risk and advance additional capital on a well-developed upside work plan given the rates of return we are seeking.”

BlueRock is focused on transactions in the \$5 million-\$25 million range.

BlueRock Energy Partners calls itself “the unique capital provider for small producers.” However, given

the pullback in traditional lending, BlueRock has seen a significant uptick in opportunities on the higher end of its investment range.

“As an alternative finance company, our structure provides much greater flexibility than a traditional RBL banking facility,” said Rexrode. “There are significant differences in both how we calculate our advance rate and how we structure our transaction. Whether we are financing an acquisition, refinancing bank debt, or simply providing drilling funds, our clients maximize the funding

“It is non-recourse, non-covenant. No personal guarantees or board seats are required, and you maintain your interests, upside, and control in the project. The level of cash flow and value you ultimately receive is far greater than if you sold down your working interest to a typical industry partner,” said Rexrode. “To achieve our return, we take production, reserve, and price risk right alongside the producer.”

BlueRock’s partners include reservoir engineers and finance professionals, all with extensive industry experience.

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—Stuart Rexrode, *Managing Partner*

capacity in the project while avoiding the high cost of equity. We certainly see ourselves accessing additional capital sources and growing our investment portfolio significantly.”

From a deal structuring standpoint, BlueRock provides the growth capital for clients in return for a financial production payment, structured as a temporary overriding royalty interest [ORRI], until a contractual rate of return is achieved. Once the rate of return is met, the temporary ORRI is conveyed back to the client, and BlueRock may retain a small permanent override in the project.

The results of a sound upside development plan should be sufficient to pay the transaction off within 4-6 years, including Blue Rock’s contractual rate of return.

“The last three years have definitely been a challenge for our clients and target market. However, the one constant has been our commitment to provide growth capital to independents,” said Rexrode. “That hasn’t wavered for 25 years, and we plan to put significantly more capital in this marketplace in the years to come.” ■



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