

EXCERPTS OF RECENT MEDIA COVERAGE

NATURAL RESOURCES PRACTICE

A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q1 2014

► OIL & GAS FINANCIAL JOURNAL

GLOBALIZATION OF US ENERGY

By **Charles Dewhurst** and **Clark Sackschewsky**



The United States' oil and gas sector has been on the upswing for about a decade...

This market reorientation is driving significant trends in the US transactions space. Though global merger and acquisition activity has remained relatively stable since 2007, the United States' share of overall transactions continues to comprise a majority of the M&A pie. At the same time, foreign investors are seeking to get a collective foot in the door of the US industry. International companies and individuals alike are seeing not only great investment opportunities in US shale, they are also seeing an opportunity to open an additional avenue to supply...

Looking ahead

...From September through November 2013, BDO USA polled 100 US oil and gas CFOs about their predictions for the industry in the year ahead, including their thoughts on M&A activity and finances...

Overall, it appears that CFOs now view 2013 as something of a "reset" year after the torrid deal pace of 2012 and expect that 2014 will be more representative of the average deal flow seen over the past decade...

International investment and industry right-sizing

...Foreign entities appear less interested in acquiring US companies wholesale than in taking a stake in them. Joint ventures are growing in prominence, as they allow international investors (including national oil companies) to access the tremendous output of oil and gas from US companies without taking on the full scope of liabilities and risks associated with the industry...

Foreign investors have also taken a keen interest in private equity as inroads to the US energy industry...However, instead of seeking to secure supply, investors are using private equity as a relatively low-risk way to profit from a strong return on investment without taking on the operational challenges associated with acquiring a company or a joint venture.



BDO's Natural Resources industry practice provides assurance, tax and advisory services to emerging and established businesses in the United States and all over the world who are involved in both the traditional and alternative energy industries. BDO's extensive industry knowledge is supported by a global network of more than 1,264 offices in 144 countries.

► ENERGY WIRE

IN 2014, EXPECT INDUSTRY TO TRIM COSTS BUT KEEP DRILLING – ANALYSTS

By Nate Gronewold

The federal government is predicting another prosperous year for the oil and natural gas industry in 2014, and industry observers largely agree...

A recent survey carried out by research firm BDO USA suggests oil industry executives are still feeling optimistic...

"Sixty percent of CFOs say that they will increase their exploration in nonconventional areas next year, and only 12 percent plan to decrease exploration," said **BDO analyst Charles Dewhurst**.

Dewhurst said... the opinions of CFOs gathered so far show little sign that the industry may begin to gradually pull back on its recent rush in the nation's shale oil fields.

"Rather, the findings suggest that energy companies are looking to cut costs elsewhere so as to either increase or maintain current levels of drilling," Dewhurst said.

► CRAIN'S CLEVELAND BUSINESS

OIL AND GAS PRODUCERS EXPECT RISING FUEL PRICES

By Dan Shingler

U.S. oil and gas drillers are going into 2014 with new optimism in terms of the prices their products will fetch by year's end — which could help speed drilling in Ohio.

That's according to recent research by the accounting and consulting firm BDO USA. The firm...found that 63% of [CFOs] feel better about the growth of the U.S. economy and its effect on oil and gas prices than they did last year. That's the first time a majority of the respondents have been

upbeat since BDO first surveyed on that topic in 2010...

Clark Sackschewsky, a partner with BDO's Natural Resources practice in Houston...said he was not terribly surprised by the increased optimism, but glad to see it improve markedly over previous years.

While producers are grappling with strong supply that is keeping prices low... they are heartened by general economic improvement and factors that are increasing demand for their products, he said...

Producers do have some concerns... including the loss of production tax breaks that come under annual threat by the Obama administration, which has sought to eliminate many of the oil and gas industry's favorite tax policies, including some that help them defray the cost of drilling, Mr. Sackschewsky said.

But he says he's personally less worried about such things than he was in previous years. As more drilling has taken place in the continental United States there is less appetite among the administration or Congress to do anything that might slow down the activity, he said.

► OIL & GAS INVESTOR BEYOND THE AUDIT

By Taryn Peine

As accounting firms have further specialized their practices and bolstered their oil and gas sectors...

many firms have worked to increase their visibility in the industry and reshape their roles by becoming better educated about industry issues and more proactive about clients' needs...

One effect of the increased visibility and broader service offerings by large accounting firms has been an upgrading of service providers by smaller companies, says **Clark Sackschewsky, tax partner in BDO USA's natural resources practice**.

"There's been a move for smaller companies to take their work from the local CPA they've been using and move it toward

firms with considerable experience in the oil and gas arena," he says. "More companies are coming to the realization that they need a firm with dedicated resources in the oil and gas industry...We keep them informed on trends, we see things early, and we communicate that to them. That's highly valuable."...

What's next?

In 2014, accounting firms expect to see continued focus on operational efficiencies as E&Ps further develop their existing acreage...

"People have production behind their drilling and there's going to be a lot of tax planning going on because of that," Sackschewsky says. "Private-equity will continue to be heavily involved in the market; they've seen the light and realized there's money to be made. It's going to be another banner year for the oil and gas industry."

► FIERCE ENERGY

OIL AND GAS CFOs OPTIMISTIC ABOUT ENERGY IN 2014; CONCERNS OVER LEGISLATIVE, INTERNATIONAL UNCERTAINTY PERSIST

By Barbara Vergetis Lundin

Oil and gas CFOs are generally optimistic about the U.S. economy and its impact on energy in 2014, according to BDO USA LLP's annual survey. In fact, 63 percent of CFOs feel more confident about the economy and its impact on demand for energy in 2014 -- a 54 percent increase from last year.

Underlying this positivity is the continuing profitability of shale exploration and production...

While energy CFOs are confident that opportunities for growth will continue in 2014, they remain conscious of challenges and keep a close eye on Washington...

"The regulatory uncertainty the energy industry experienced in the run-up to the

2012 election has only slightly abated," said **Clark Sackschewsky, partner with BDO's Natural Resources practice.** "The IDC deduction is one of the largest tax breaks available to these companies, and as budget debates continue on the Hill, energy executives are concerned that it might end up on the chopping block."

CFOs also worry about the impact of international events on oil prices with 46 percent of CFOs citing ongoing turmoil in the Middle East as having the greatest impact on oil price volatility... CFOs also express concern that economic growth in Asian countries will cause price fluctuations...

"Non-conventional resources remain lucrative and continue to expand the United States' share of the international energy market," said **Charles Dewhurst, partner and leader of the Natural Resources practice at BDO.** "But energy executives also know that this highly volatile industry is vulnerable to global events, and are therefore thinking carefully about their contingency plans should the price environment take a turn for the worse."

► OIL & GAS FINANCIAL JOURNAL

A DECADE OF DYNAMIC ENERGY GROWTH

By Don Stowers

Industry experts discuss changes the past 10 years have brought and where we are headed.

It would be an understatement to say that the last 10 years have been momentous for the petroleum industry...

Where will we be in terms of energy development in 10 years in 2024...?

Charles Dewhurst, a partner and leader of the natural resources practice for BDO USA... told OGFJ that the technology that enabled the exploitation of shale resources in North America have been a "game-changing phenomenon" for the energy industry.

"...we have the potential to develop shale formations in other parts of the world. US companies can take the lead in developing shale resources in those countries...which would be very good for the industry."

Dewhurst noted that the real benefit of shale has been its impact on the US economy as a whole. "...the size of the reserves and what we are seeing in terms of production have had a far-reaching effect on the industry and the country. But low gas prices have enabled a dramatic comeback for the US manufacturing sector. This has created a manufacturing renaissance. Those benefiting from the low prices include such industries as plastics and chemicals, but also a lot of other types of manufacturing that are heavy users of fuel. That's very exciting."...

The US has a tremendous economic vitality, Dewhurst said, and when you add on top of that "almost Saudi Arabian levels" of petroleum reserves, we're really in for a tremendous economic boom over the next 10 years.

"The big caveat for me looking out 10 years is some of the political sensitivity the industry is dealing with...We're seeing this in the continuing delays in the approval of the Keystone XL Pipeline. We're seeing it in many states clamping down on the use

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of fracking...It's become almost an anti-industry lobby. So I hope the industry can continue to reinforce the message that these resources are being developed in a very environmentally sound manner."

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