

Dealmaker of the Week: Jeffrey Munoz of Latham & Watkins

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September 14, 2012



DEALMAKER

Jeffrey Munoz, 47, a corporate partner in the Houston office of Latham & Watkins.

THE CLIENT

Houston-based oil and gas company Plains Exploration & Production Company.

THE DEAL

Plains said Monday it has agreed to acquire a portfolio of deepwater oil and gas assets in the Gulf of Mexico from British energy giant BP.

THE DETAILS

Under the terms of the agreement, Plains will pay BP \$5.55 billion in cash for a portfolio that includes either portions or full stakes in five separate oil and gas properties. Two of those partial interests concern properties not operated by BP; one is operated by Shell Offshore Inc, the other by ExxonMobil. One of the assets changing hands is a half-stake in the Holstein Field, which had been operated by BP. In a separate deal, Plains announced Monday that it will pay another \$560 million to acquire the remaining 50 percent stake in the Holstein operation from Shell. (Bracewell & Giuliani advised Plains on the agreement with Shell.)

Both acquisitions are expected to close by the end of 2012.

THE BIG PICTURE

The sale to Plains marks the latest divestiture by BP, which has shed a number of assets over the past two years in an effort to raise capital to cover cleanup costs, as well as the associated fines and litigation tab, related to the 2010 explosion at the Deepwater Horizon offshore rig that caused the largest oil spill in U.S. history.

Analysts say the deal could be transformative for Plains, in part because the amount the company has agreed to pay for the BP assets is greater than its market value of roughly \$5.2 billion. (Shareholder concerns about the company's plans to borrow \$7 billion to help finance the deal pushed the price of Plains shares down after the acquisition was announced, according to Bloomberg.) Houston-based Plains views the transaction as allowing the company to shift its focus away from its mostly land-based assets toward an expansion of its offshore holdings by adding more than 60,000 additional barrels of oil and natural gas production per day in the Gulf.

The deal is one in a recent spate of major transactions in the oil and gas M&A market. The Am Law Daily also reported Monday that Swiss offshore drilling contractor Transocean, which played its own role in the Deepwater disaster, has agreed to sell 38 oil rigs to a private equity consortium for roughly \$1 billion. And Hess Corporation said last week that it will sell minority stakes in Caspian Sea oil fields, which are operated by BP, along with other assets, to India's Oil & Natural Gas Corporation for \$1 billion.

THE BACKSTORY

The seeds of Latham's relationship with Plains were planted long before the firm established a presence in the company's hometown. In 2010 Michael

Darden helped Latham launch in Houston when he joined from Baker Botts. Darden, who now cochairs the firm's oil and gas practice, says he came to Latham with a history of advising Plains on matters involving offshore assets, while another 2010 Latham addition—former Akin, Gump, Strauss, Hauer & Feld energy head Michael Dillard, who heads the Houston office—had advised Plains on a number of corporate securities issues, including the company's 2002 initial public offering.

"Each of us brought those relationships with us to Latham," Darden says.

That prior experience helped Latham land a role on Plains's 2010 sale of Gulf of Mexico assets to McMoRan Exploration. Then, in May of this year, Munoz, who had some experience of his own working on various corporate matters for Plains, joined Latham from Vinson & Elkins.

Munoz says the fact that Plains turned to Latham for a transaction that he calls both strategic and transformative for the company, is a reflection of how quickly the firm's Houston office has been able to establish itself in the local market. "They recognized that Latham has really grown [its] oil and gas practice to the level that they can easily take on a transaction of this nature, given that this transaction was going to need to move very quickly," he says.

ON CLOSING

Munoz says BP's need to shed assets and the sale's auction format helped accelerate the sale process. The Latham team was called in to work on Plains's negotiations with BP only a few days before the seller informed Plains its bid was the winner.

"It came really quickly," Munoz says. From that point, it took less than two weeks to guide the two sides to a signed agreement. During that time, Munoz and Darden oversaw a team dealing with what Darden calls "voluminous" exhibits and disclosure schedules while negotiating the agreement and performing due diligence.

The wealth of materials requiring review was due in part to the number of assets changing hands, as well as the need for the Latham team to provide its client with a full understanding of all of the operational aspects of the properties in question—from what it would take to transport the oil and gas products to marketing and staffing issues.

"It was almost like buying a whole company, effectively," Darden says.

Munoz says the fact that the assets being acquired are located in the Gulf of Mexico—which by now is closely linked with the Deepwater spill—did not create much of an added burden as far as Latham's preparation of the agreement. "Because it is BP and it is the Gulf . . . there is a certain heightened sensitivity to it all," he says. Regardless, his team's main concern was performing due diligence on each property and assuring that none were clouded by outstanding government liens or other regulatory actions in place over those particular assets, which, he says, proved to be the case.

Throughout the negotiations, Munoz says his team was well aware that the acquisition had major implications for the client—and proceeded accordingly.

"We understood it from Plains to be the most important transaction definitely this year, and probably in the last five to ten years, for the company," he says. "So, you have a certain sense of heightened scrutiny and wanting to make sure that every 'i' is dotted and every 't' is crossed. But, at the same time, we like to think we do that on every deal."