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1616 S. Voss Rd., Suite 1000

Houston, TX 77057

(713) 260-6400

**HART ENERGY**

## Mesa Minerals Partners

*Led by former Haymaker Minerals executives and boasting a strategic partnership with one of the top producers in the Haynesville Shale Play, Mesa Minerals is in a prime position for success*

**W**hen it comes to A&D these days, two things are paramount for buyers in this environment: proved-developed-producing (PDP) fields and cash flowing assets. It's true whether you're an E&P or a mineral and royalty company. But it doesn't end there. Deal-making these days takes a keen eye for detail and a little experience goes a long way.

Now imagine you're a technically driven mineral and royalty company run by experienced executives with a proven track record. Add in a portfolio of assets with a NTM cash flow profile of over \$20 million (at today's strip pricing), and you have a perfect fit for the current oil and gas A&D market.

That company is Mesa Minerals Partners LLC ("Mesa"), a Houston-based private company that has purpose-built a concentrated mineral and royalty portfolio in the core of the East Texas ("ETX") Haynesville shale play, specifically in Harrison and Panola counties. The company is run by former executives of Haymaker Minerals & Royalties LLC, a Kayne Anderson and KKR-backed mineral entity who owned interests in more than 35,000 wells over 5 million gross acres before exiting to Kimbell Royalty Partners ("KRP") in 2018 for \$445 million—to date, the largest mineral and royalty transaction in the history of the space.

Mesa is led by President, Darin Zanovich, who has more than 23 years of experience in the oil and gas space, including eight years in executive management roles at mineral and royalty companies. Following Haymaker's successful sale of the majority of its assets in 2018, Zanovich co-founded Mesa with an initial equity commitment from Quantum Energy Partners ("Quantum"), direct institutional investors and Mesa management.

He brought along key members of the Haymaker team to Mesa, including Mike Ferris and Josh Wiener. At Mesa, Wiener heads up land, business development and manages all aspects of land and land administration including acquisitions and all other contract negotiations. Prior to Mesa, Wiener served as Land Manager of Haymaker, where he managed a team of land professionals responsible for over 600 transactions throughout the Permian, Eagleford, SCOOP/STACK, Appalachia, Haynesville and Bakken plays. Ferris, who is an investor in Mesa, currently serves in an engineering and valuation advisory role with the company.

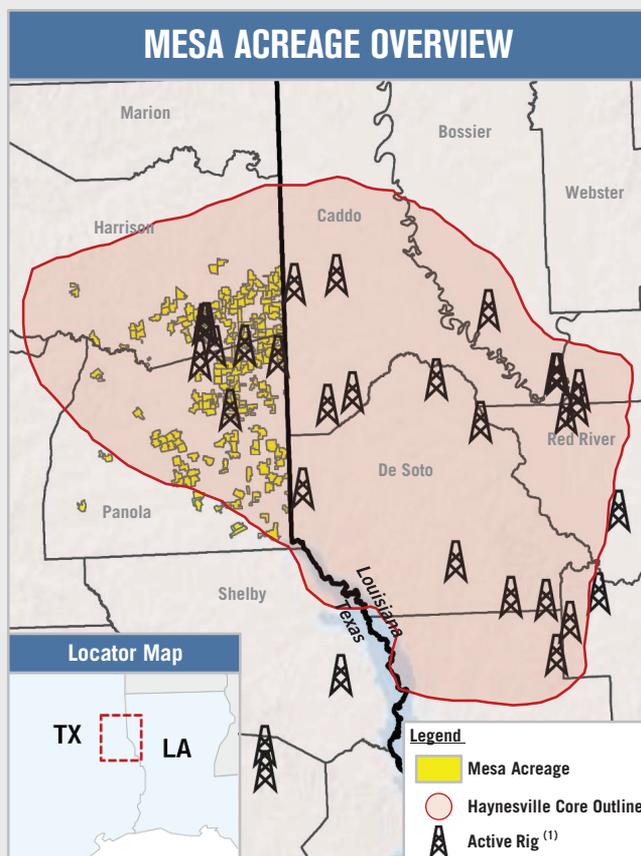
Earlier this year, Mesa added Greg Balash to serve as Vice President of Engineering. Balash is responsible for acquisition evaluation, finance, reserves, and portfolio management. Before joining Mesa, he co-founded and served as president of Hyridge Energy Partners with an

initial \$50 million equity commitment from Denham Capital to target non-operated E&P opportunities in the Anadarko and Permian basins. Prior to Hyridge, Balash was the Senior Acquisitions and Reservoir Engineer for Travis Peak Resources, an EnCap sponsored E&P company that deployed over \$500 million in capital in the Anadarko and Appalachian Basins.

Mesa is in an enviable position given they have an already attractive asset and ability to access additional capital from its top-tier sponsor, Quantum, to continue building out its portfolio.

“Mesa is being built to generate significant and reliable cash flows which may prove attractive to other parties looking to expand their exposure to the asset class. An eventual buyer of our asset is going to step into a sizeable acreage position with substantial inventory and a strong cash flow stream and yield component on day one,” Zanolovich said.

Much of Mesa’s cash flow growth benefits from its strategic partnership with Rockcliff Energy, another Quantum-backed E&P company. Rockcliff is a leading Haynesville operator and has been at the forefront of the development of the play as it has extended into ETX. While Mesa is a separate, standalone company, Rockcliff’s CEO, Alan Smith, and CFO, Boyd Heath, along with other executives at Rockcliff are investors in Mesa. Smith and Heath also sit on the company’s board of directors which further aligns the partnership.



(1) As of June 11, 2020.



**DARIN ZANOVICH**  
President



**GREG BALASH**  
Vice President  
of Engineering



**JOSH WIENER**  
Vice President of Land and  
Business Development

“We are a separate standalone company. We have separate but similar investors and board of directors,” Zanolovich said. “We do have a relationship with them that allows us to focus buying ahead of their development, which gives us a strategic advantage acquiring minerals in this area.”

### Prime Position

Of course, you’re only as good as your assets, and Mesa has a core position in the ETX Haynesville. The ETX Haynesville has seen results that compare favorably or exceed results in the historic core of the Haynesville in North Louisiana. In particular, Rockcliff has shown well performance with increasing EURs consistent with their progressing completion generations.

Zanolovich added that the ETX Haynesville is in full manufacturing development mode, so the area where Mesa is buying is well delineated and benefits from pad drilling.

“It’s the type of area you really want to own minerals under with upside in the cotton valley and other zones making it a multi-zone opportunity” he said. “We believe we have built a first-class asset and will continue to monitor A&D conditions to determine the best opportunity to take the portfolio to market.”

### All-Gas Assets

As oil takes its hits these days, industry watchers are increasingly more positive on gas going forward, particularly the dry gas basins of the Haynesville and Appalachia. Mesa’s assets have all of the characteristics that investors are looking for in the current environment.

“There are positive tailwinds for natural gas heading into this winter, and what we have built at Mesa is an all-gas asset,” Zanolovich said. “Although we were seen as contrarians when we got into the basin at the end of 2018, the market has turned around and the feedback we are hearing now from buyers is they want a sizeable PDP asset with meaningful cash flow, regardless of the underlying commodity. Given the recent downturn in crude prices, we are seeing many of the buyers who historically have been focused on the oilier basins shift gears to now needing natural gas assets to diversify their portfolios.”

Another advantage Mesa enjoys is the ETX Haynesville’s proximity to the Gulf Coast markets and LNG



## MESA MINERALS AT A GLANCE

### ASSET OVERVIEW

- 21,000 net royalty acres
- >\$20 million NTM cash flow
- Over 700 core undeveloped locations averaging ~1% NRI per location
- More than 1,000 PDP wells

### PROVEN LEADERSHIP

- Management team bought and sold more than \$1.05 billion in minerals deals with aggregate returns more than 2.5x return on investment
- Former members of Haymaker management team where they sold the majority of Haymaker's assets in 2018 for \$445 million to Kimbell Royalty Partners
- At Haymaker assembled portfolio with more than 35,000 wells and more than 5 million gross acres

### ROCKCLIFF ENERGY HIGHLIGHTS

- Pad drilling with 4 rigs and 2.5 frac crews
- Rockcliff has 80% of their volumes hedged through the end of 2021 @ \$2.50/mmbtu or greater
- Borrowing base has increased at every redetermination since inception, including this year which was oversubscribed

demand, which has translated into the lowest basis volatility of any major gas basin with basis differentials remaining under \$0.30 cents/Mcf over the last five years.

There is also extensive existing pipeline infrastructure that is being further complemented with the buildout of robust gas infrastructure by Trace Midstream's joint venture with Rockcliff. The Rockcliff-Trace joint venture increases connectivity to regional industrial demand centers and future LNG export, which locks in premium pricing and limits differential blowouts seen in the Appalachia and other gas basins.

"Another reason we love this basin is the pipeline infrastructure and proximity to all of the future Gulf Coast LNG projects," Zanovich said. "Long-term holders of these mineral assets will benefit from these projects as this acreage will literally be "feedstock" for the projects as they come online in years to come." ■



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