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IPO VIEW-Energy IPOs left out in cold

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By Yung Kim

NEW YORK, Sept 29 (Reuters) - As the initial public offering market begins to pick up steam, energy companies are suddenly getting a cold shoulder from investors.

Record high energy prices generated big demand for energy stock offerings over a generally slow summer as other IPOs were delayed or pulled in part to investor aversion to risk.

This year, 14 oil and gas companies raised almost \$4.1 billion, while 15 companies raised about \$2.6 billion in all of 2005, according to data tracker Dealogic.

But after reaching a high of about \$77 a barrel, the autumn brought a fall in oil prices and a stock market rally that sent the Dow industrials chasing record highs.

U.S. crude oil <CLC1> rose 15 cents Friday to close at \$62.95, some 18 percent below its summer peak.

Predictably, shares of this year's oil IPOs have not fared well of late. The three largest oil and gas stock floatations of the year -- Complete Production Services Inc. <CPX.N>, EXCO Resources Inc. <XCO.N> and Magellan Midstream Holdings LP. <MGG.N> -- all traded below their offering prices Friday.

"What is bad for energy is good for everyone else and IPOs in general," said Tom Taulli, founder of InvestorOffering.com. "It's very cyclical... It's going through a bad phase right now."

EV Energy Partners LP, which was formed by EnerVest Management Partners, Ltd., raised \$78 million with an initial public offering on Tuesday, but has barely budged from its IPO price since, closing down Friday at \$19.89.

In another coming test of the market's appetite for such offerings, BreitBurn Energy Partners LP, a limited partnership formed by a subsidiary of Provident Energy Trust, is scheduled to sell 6 million common shares Oct. 3 in a deal potentially worth \$120 million.

The company is an independent oil and gas partnership focused on acquiring and developing oil and gas properties.

Receding oil prices have also burst a bubble in shares of alternative energy sources.

Ethanol producer VeraSun Energy Corp. <VSE.N> soaring 30 percent from a \$23 offering price in its June debut. Shares closed at \$16.05 Friday.

Hawkeye Holdings Inc., the third-largest U.S.-based ethanol producer, postponed their IPO earlier this month, citing market conditions.

"When oil becomes more affordable, people stop screaming about the need for alternative energy," said Timothy Pollock, a professor of business at Penn State University in State College, Pennsylvania.

To be sure, the recent down market for energy IPOs is not all bad news.

Low valuations can be good for investors looking to capitalize on an energy market that has always been looked upon as cyclical, Taulli said.

"When the markets come back you get rewarded," Taulli said. "Its very tough to do, in light of what has happened with oil... But that's how you make money. Taking the big bets."