

Hicksgas, NGL Supply Merger Launches Silverthorne

NGL Supply Inc. (Tulsa), a supplier of propane and other NGLs, and Hicksgas, an Illinois-based retail supplier of residential and commercial propane, have combined their operations to create a new midstream and retail propane limited partnership. The new entity will operate under the name Silverthorne Energy Partners LP, with corporate headquarters in Tulsa and retail operations based in Roberts, Ill.

Under the terms of the agreement, the new partnership consists of substantially all the assets of Hicksgas and NGL Supply, and an \$11-million equity contribution by Michael Krimbill, Brad Atkinson, and Jay Hatfield. Krimbill, who has an extensive track record in the propane sector, will serve as CEO of Silverthorne. Atkinson, also a propane industry veteran, will serve as vice president of business development, heading the partnership's acquisitions drive.

"Our goal is to expand our operating footprint, and we are presently looking to acquire quality retail propane operations, as well as NGL/natural gas storage, terminaling, and transportation assets," said Atkinson. The Silverthorne executive told *BPN* the partnership, while currently focusing its acquisitions efforts in its current market footprints, is seeking deals coast to coast. "We are already actively seeking acquisition candidates," he noted.

The NGL Supply and Hicksgas management teams will continue to run the day-to-day operations of their respective businesses. Prior to the merger, NGL Supply was a portfolio company of Denham Capital Management (Boston), an energy-focused global private equity firm, which acquired a majority interest in the company in 2004. Hicksgas and Denham Capital will continue as significant equity holders in Silverthorne. Denham manages its oil and gas portfolio through its Houston office, and managing partner Bill Zartler will chair Silverthorne's board of directors.

Silverthorne, upon its creation, sells about 53 million retail propane gallons annually and serves more than 60,000 retail customers. It owns three proprietary propane terminals, two in the Upper Midwest and one in Canada. For the prior 12 months, the contributed businesses of NGL Supply and Hicksgas had combined sales exceeding \$750 million. Existing trade names will be used for both the retail propane division and the midstream terminaling and wholesale division. Silverthorne has enhanced the financial resources of the combined companies by obtaining a \$150-million credit facility with a four-year maturity. Borrowings under the facility will be used to fund the transaction, working capital requirements, and future acquisitions.

"The combination of Hicksgas and NGL Supply will result in an operating platform with growth opportunities in retail propane, as well as natural gas liquids storage and distribution infrastructure," said Krimbill. "Both companies have a long, successful history and have done business together for over 30 years. I am confident that both management teams will continue to run the day-to-day operations of their respective businesses."

Krimbill joined Heritage Propane in 1990 as CFO. Heritage Propane went public in 1996, and Krimbill became CEO in 1999, guiding the company through a series of transactions that ultimately resulted in a merger with Energy Transfer Partners LP in 2004, where he served as president and CFO.

Atkinson joined Heritage Propane Partners in 1998 as vice president of corporate development and managed the acquisition effort, acquiring about 100 retail propane companies between 1998 and 2007. After the Heritage-Energy Transfer merger, he was vice president of corporate development.

The Silverthorne management team also includes Craig Jones, CFO; Shawn Coady, president and COO; Todd Coady, co-president, retail propane division; Stephen D. Tuttle, president; and Brian K. Pauling, COO, midstream terminaling and wholesale division.

Founded in 1967, NGL Supply Inc. has grown into a leading supplier of propane and other NGLs for customers throughout the Midwest, Gulf Coast, Southeast, and Northeast. Denham Capital acquired an 84% interest in the company in 2004. NGL operations include wholesale, retail, and terminaling divisions. It has offices in Oklahoma and Texas, along with two regional sales offices in Kansas and New York. Since 2002, NGL Supply has acquired three terminals and completed nine retail propane acquisitions.

Hicksgas was founded in 1940 by C.W. Hicks. It has been a family-owned and -operated supplier of residential and commercial propane and water-conditioning systems since that time, with Hicks' grandsons, Shawn and Todd Coady, managing the company since 1989. Hicksgas operates from 31 staffed service centers in Illinois and Indiana and 15 additional satellite storage facilities. Hicksgas has completed 25 retail propane acquisitions since the Coadys assumed the management role.

Denham Capital is a global private equity firm with offices in Boston, Houston, Sao Paulo, Singapore, and Short Hills, N.J. With about \$4.3 billion of invested and committed capital, Denham makes direct investments in all segments of the energy and commodities value chain, including oil and gas, mining and metals, power and renewable investments, and energy-related infrastructure and services.

—John Needham

