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Waterous Energy Wraps Up Its First Fund

Waterous Energy Fund raised about 1.4 billion Canadian dollars (\$1.06 billion) to invest in North American oil-and-gas companies. The Calgary, Alberta, private equity firm, which focuses on the oil-and-gas upstream sector, closed its first fund, Waterous Energy Fund LP, above an initial C\$1 billion target and at the vehicle's hard cap, according to a news release.

Waterous said it is looking to invest C\$300 million to C\$500 million of equity capital per deal. The firm particularly plans to target oil-and-gas producers—including private equity-backed ones—that have good assets but ran out of capital, Waterous said.

Waterous's strategy is different from the growth-capital model followed by the majority of U.S. energy-focused firms, said Waterous's Managing Partner and Chief Executive Adam Waterous. "We're doing later-stage investments," he said. "We're a value investor."

The private-equity firm has invested more than 60% of the fund in Strath Resources Ltd. and Cona Resources Ltd., two oil-and-gas companies operating in Canada, according to the release. Strath was formed with the assets of Mosaic Energy Ltd., a former oil-and-gas producer that was backed by private-equity firm NGP Energy Capital Management and that filed for bankruptcy in 2016. Waterous bought most of the company's assets out of bankruptcy, Mr. Waterous said.

Cona was renamed from Northern Blizzard Resources Inc., a publicly traded oil-and-gas company that was backed by NGP and its private-equity peer Riverstone Holdings. Waterous, which in 2017 bought the roughly 67% stake that NGP and Riverstone held in the business, took Cona private this year.

Waterous fundraising effort comes at a time when publicly traded oil-and-gas companies are being more selective with their acquisitions, demanding that the assets they buy generate substantial cash flows. That is creating challenges for private-equity portfolio companies that have used up their commitments from sponsors and don't have more capital to develop their fields, industry executives said. Those companies potentially can become targets for other private-equity firms, the executives added.

"There are a number of stranded private-equity [portfolio companies]", Mr. Waterous said. Mr. Waterous, who was a former executive of Bank of Nova Scotia, a Canadian bank known as Scotiabank, founded Waterous in 2017. The firm also has offices in Houston and New York.

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