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Singapore's GIC Bets on Wastewater Company, Takes Stake at $3 Billion Valuation

WaterBridge Resources deal highlights rising importance of businesses that handle wastewater from fracking

A worker installs a valve station at a WaterBridge Resources wastewater handling system in West Texas.
PHOTO: ROBERT FLAHERTY

By Ryan Dezember

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Singapore sovereign-wealth fund GIC has bought a stake in WaterBridge Resources LLC in a deal that values the Houston-based handler of oil-drilling wastewater at nearly $3 billion including debt, according to people familiar with the matter.

GIC bought 20% of the company from Five Point Energy, a Texas investment firm that started WaterBridge in 2016 with $200 million of seed money, one of the people said.

The deal—and the lofty valuation for the three-year-old company—highlights the rising importance of businesses that handle the lakes worth of briny, polluted water that energy producers extract along with oil and gas when they hydraulically fracture shale and other rock formations. While big investors have flocked to West Texas for its prolific oil wells, they are now scrambling to manage the cruddy water spewing out of the wells at much greater volumes than crude.

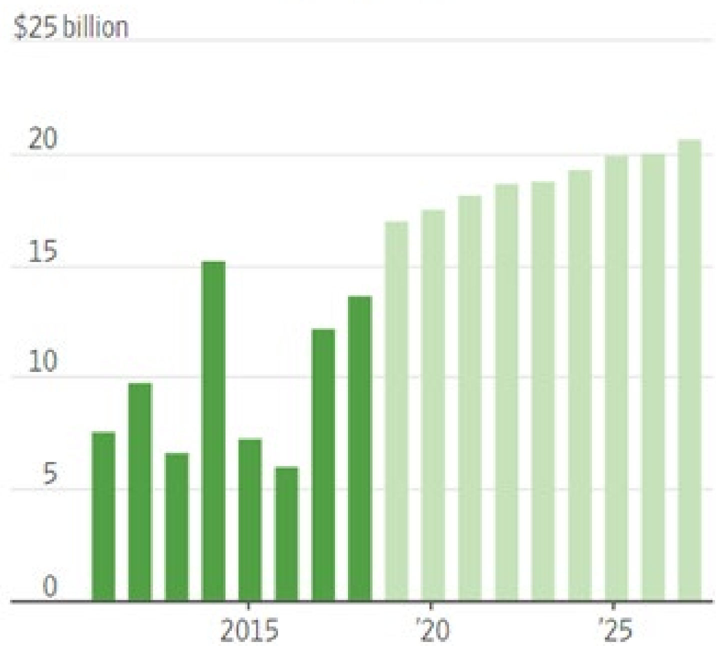
WaterBridge is the largest of several companies that have sprung up to help drillers with one of the most vexing problems of the process, known as fracking. In the Permian Basin in West Texas, the problem is particularly acute. Drillers in the country’s most prolific oil field generate enough wastewater each day to fill more than 1,000 Olympic-size swimming pools, which has stoked concerns about the potential environmental damage of fracking.

Some wells can produce as many as 10 barrels of dirty water for every barrel of oil, though it is more commonly four to six. The water is a combination of the huge volumes of the fresh water that drillers force down into wells to crack open energy-bearing rocks and water that has been trapped in the same geologic formations as the hydrocarbons drillers are seeking.

Wastewater is either pumped back underground into so-called disposal wells or recycled and used again to hydraulically fracture new oil and gas wells. WaterBridge bought its first wastewater- handling assets in the Permian Basin in September 2017 and has been expanding its capacity by drilling disposal wells in the desert, building pipelines and water-recycling facilities and buying infrastructure from energy producers looking to raise cash and outsource their water work.

Frack Water

Water management expenses are expected to rise for U.S. oil and gas producers.



Note: 2019 on are forecasts
Source: Bluefield Research

It now has both the largest system of wastewater pipelines and disposal-well capacity, according to Bluefield Research, a firm that studies water use and infrastructure.

WaterBridge typically strikes long-term deals to handle wastewater from drillers it acquires infrastructure from. In January, for instance, WaterBridge said it had agreed to a multiyear pact to handle water produced within 800,000 acres of where Concho Resources Inc. drills, as part of a deal to purchase about 44 miles of pipeline and three disposal wells from the big oil producer. The company says Concho is one of 13 producers it works with.

WaterBridge said in June that it had filed paperwork with U.S. securities regulators for a potential initial public stock offering. The company's IPO plans were scrapped with the GIC investment, though, people familiar with the matter said.

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