
Morgan Stanley



For Immediate Release

Morgan Stanley Private Equity and Sterling Energy Company Announce Strategic Partnership

DENVER, August 11, 2011 – Morgan Stanley Private Equity and Denver-based Sterling Energy Company today announced a strategic partnership whereby Morgan Stanley Private Equity has made a majority equity investment in a newly formed company called Sterling Investment Holdings, LLC (Sterling Energy) to support the growth of Sterling Energy’s midstream business in Colorado and North Dakota. Terms of the transaction were not disclosed.

Sterling Energy provides natural gas gathering and processing infrastructure and related services for oil and gas production companies through its two gathering systems – the Yenter System, serving Denver-Julesburg (DJ) and Niobrara production in northeast Colorado, and the Ambrose System, serving Williston and Bakken/Three Forks production in Divide County, North Dakota. Sterling Energy has begun a multi-year construction project to extend and expand its Yenter System into the Pony Area of the Niobrara Field to meet recently contracted, long-term commitments with multiple producers. Sterling Energy has also proposed an expansion of its Ambrose System to accommodate both nearby natural gas being flared from existing wells, as well as projected new volumes from development in the area.

The Sterling Energy management team has decades of experience partnering with Morgan Stanley Private Equity in the natural gas gathering and processing business. Key members of the Sterling Energy management team have previously collaborated with Morgan Stanley Private Equity in a series of successful midstream companies dating back to 1991, including Cantera Natural Gas, Canyon Gas Resources, Highlands Gas Corporation and Mountain Gas Resources.

Sterling Energy Company was founded in December 2000 by Chief Executive Officer William Penney. Mr. Penney previously served as Vice President and General Counsel of Cantera Natural Gas, a Morgan Stanley Private Equity-backed natural gas gathering and processing company,

from 2003 to 2007. Prior to his role with Cantera Natural Gas, Mr. Penney served as Vice President and General Counsel for a number of other midstream companies sponsored by Morgan Stanley Private Equity dating back to 1991. David Kenyon joins Sterling Energy as President. Most recently, Mr. Kenyon was Vice President and General Manager of Monarch Gas Resources. From 2000 to 2007, Mr. Kenyon served as Vice President of Business Development for Cantera Natural Gas. Prior to that period, Mr. Kenyon served as Vice President in a number of other midstream companies sponsored by Morgan Stanley Private Equity, dating back to 1991.

Sterling Energy CEO Bill Penney said, “We are very excited to be working again with Morgan Stanley Private Equity. They are old friends and the ideal partner as we execute Sterling Energy’s long-term strategic plan to expand our existing business in the DJ and Williston Basins. We are also very excited about the rapid development of the Niobrara and the Bakken/Three Forks and, in particular, the recent signing of significant long-term commitments in the Niobrara. We look forward to supporting our customers in further development of these important domestic oil and natural gas resources.”

John Moon, Managing Director of Morgan Stanley Private Equity, said, “We are delighted to have the opportunity to partner again with Bill Penney, Dave Kenyon and their team. We have enjoyed considerable success with them over many years and in a number of different midstream companies. We believe this opportunity to invest alongside this outstanding management team will be no different. We are particularly attracted to the strategic position of Sterling Energy’s existing operations across two of the most compelling oil shale basins in North America and the team’s plan for further expansion into other areas in need of midstream infrastructure.”

About Sterling Energy Company

Headquartered in Denver, Colorado, Sterling Energy Company is a privately-owned natural gas gathering, processing and marketing company serving oil and gas producers in the Denver-Julesburg Basin of northeast Colorado and the Williston Basin of northwest North Dakota. For further information about Sterling Energy Company, please visit www.sterlingenergy.us.

About Morgan Stanley Private Equity

Morgan Stanley Private Equity, part of Morgan Stanley Investment Management, makes private equity and equity-related investments on a global basis. Morgan Stanley Private Equity utilizes Morgan Stanley's vast resources, including its global franchise and relationships with leading corporate management teams and financial sponsors, to source attractive opportunities for its investment funds. Morgan Stanley's roots in private equity investing date back to 1985 with the Morgan Stanley Capital Partners private equity funds. To date, Morgan Stanley Private Equity and its funds have invested approximately \$7.9 billion of equity across a broad spectrum of industries. For further information about Morgan Stanley Private Equity, please visit www.morganstanley.com/privateequity.

About Morgan Stanley

Morgan Stanley (NYSE: MS) is a leading global financial services firm providing a wide range of investment banking, securities, investment management and wealth management services. The Firm's employees serve clients worldwide including corporations, governments, institutions and individuals from more than 1,300 offices in 42 countries. For further information about Morgan Stanley, please visit www.morganstanley.com.

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