



Mark Haedicke, a partner in HaedickeHoyt & Associates in Houston
Image: John Everett

The Job Jolt: No Shortage of Opportunities for Counsel Skilled in Energy Trading

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It has been more than a decade since Houston lawyer Mark Haedicke helped Enron Capital & Trade Resources Corp. launch its energy trading business and nearly six years since Enron Corp. filed for bankruptcy, but Haedicke has never been far from the energy trading business.

Now that the energy trading markets have rebounded from a post-Enron decline and the business, is rebuilding in Houston — oil hit a new peak of \$96 a barrel on Nov. 1 — there's plenty of opportunity for lawyers like Haedicke, who have experience in the business or skills to do the work. In fact, there's so much demand that two headhunters in Houston say it's difficult to find lawyers to fill legal jobs at trading operations.

"With the employers, when they start looking, not all of them are immediately aware that this is such a difficult area to recruit for, but they soon learn," says Elaine Makris Williams, a founder of MS Legal Search in Houston.

Houston recruiter Michelle Cash, founder of Pemberton Legal Search Corp., says there simply aren't a lot of firms in Texas with lawyers doing energy trading work. The pool of attorneys with experience who formerly worked in-house at energy companies isn't big enough to fill the demand, says Cash, who once worked as a lawyer at Enron.

"There's just a great market for lawyers right now. It's just phenomenal. If you are in the market, you've got a job," says Travis McCullough, a former vice president and assistant general counsel for Enron Capital & Trade who now is a director and senior counsel for Deutsche Bank AG in White Plains, N.Y.

McCullough says headhunters call him frequently, asking him for leads to friends who may be unhappy in their jobs.

McCullough says he joined Deutsche Bank in New York in 2006 as the investment bank started expanding its trading operation, and he has been spending a lot of time in Houston this summer and fall as the bank built a marketing and trading operation there. The unit is called DB Energy Trading, he says, and it already has hired an in-house lawyer with trading experience for the Houston office.

Many of the banks have their trading floors in the Northeast, McCullough says, but a few have set up shop in Houston, because it's the energy capital of the United States and because so many people with experience in the business live in Houston.

"There are no human resources to do this in New York or Connecticut; the only people who are left are really in Houston," says Haedicke, now a partner in HaedickeHoyt & Associates in Houston.

Paul Vrana, a partner in Jackson Walker in Houston who does work in the energy trading area, says the trading market declined in the post-Enron era because of a lack of capital by some of the trading companies — basically a liquidity crunch. But now, he says, a number of well-capitalized investment banks have moved into the business, and it has picked up over the past few years.

"There's just a lot more liquidity in the market now, a lot more buyers and sellers. That's been good for the business and . . . we are seeing more structured transactions, very long-term transactions, maybe long-term sales agreements for power plants, or you are seeing more and more prepaid natural gas agreements," says Vrana, who represents a number of investment banks he declines to identify.

Art Smith, an economist who teaches a course on energy trading at the C.T. Bauer College of Business at the University of Houston, says the energy trading business is only a generation old. It began after the petroleum markets were deregulated in the early 1980s, the natural gas markets in the mid-1980s and power in the early 1990s, he says.

Smith notes that the market contracted after the fall of Enron, but it's rebuilding, because there's more liquidity.

"The pendulum swings back, and it becomes a stronger marketplace," says Smith.

He says undergraduate and graduate students take his course, which is essentially a study of the jargon and terminology of business on a trading floor and a study of trading markets.

He says Bauer college offers the course, because UH has positioned itself to train students to work in the energy business through its Global Energy and Management Institute. Smith says he hasn't had any lawyers take his course, but a number of law students have, and presumably some of them will do energy trading work as lawyers.

Haedicke taught an energy trading course at Bauer college.

As former GC for Enron Capital & Trade Resources, Haedicke helped develop the electricity marketing and trading business at Enron, leveraging off its natural gas trading expertise. The power trading business began to grow in the early 1990s after Congress approved wholesale

power marketing in 1992, and the Texas Legislature followed with authorization in 1995. Between 1994 and 1997, Haedicke hired more than 20 lawyers for his in-house legal department to help negotiate the master agreements the company was signing with its wholesale power suppliers and customers. [See "Electricity Marketing Powers Up," Texas Lawyer, March 10, 1997, page 1.]

Haedicke left Enron in 2002, shortly after the energy company filed for bankruptcy. He joined UBS Warburg Energy in Houston as managing director and general counsel after UBS Warburg acquired Enron's energy trading operation. By the end of 2002, though, the sharp downturn in the trading business hit UBS Warburg hard, and the company shut down its trading floor in Houston, cut the size of its trading operation and moved it to Connecticut. [See "*Haedicke Moves On*," In-House Texas, Dec. 2, 2002, page 3.]

With no desire to move to Connecticut, Haedicke left UBS in November 2002 and soon after that taught energy trading and business law as a full-time visiting assistant professor in the Global Energy and Management Institute at UH.

Two years later, Haedicke says, he started doing some consulting and then opened HaedickeHoyt in Houston in 2006 with international lawyer Mont Hoyt. As outside counsel for companies or banks with energy trading operations, Haedicke says, they work on the international swap and derivative agreements used to trade energy commodities and give advice on regulations issued by the Federal Energy Regulatory Commission. They also train people on how to negotiate and structure energy trading agreements.

"Some people think it would be simple, but the rules are complex enough, I go through trading examples as they come off the trading floor," Haedicke says.

He says his firm's clients include Morgan Stanley and others are investment banks, financial institutions, exploration and production companies, and other energy companies.

"[W]hen Enron blew up, I knew I loved this, I wanted to stay in this. I feel like I've been very fortunate," he says.

Cash was an assistant general counsel handling employment matters at Enron Capital & Trade Resources, where she worked with Haedicke, and she worked with him at UBS.

Cash says most of the large oil companies and pipeline companies with operations in Houston use energy trading to manage their assets, and many employ lawyers she knew at Enron or UBS or at competitors from the go-go days for energy trading six years ago. Today, she says, a number of investment banks, including New York-based Citigroup and Belgium's Fortis, which bought Cinergy Marketing & Trading in 2006, trade in Houston. Additional investment banks are looking to hire lawyers and others in Houston to enter the market.

But, Cash notes, few lawyers at Texas firms specialize in energy trading work, because the companies in the trading business do much of the contract work in-house, which makes it more difficult for recruiters to find lawyers to fill jobs.

"There's a shortage," she says, noting that she expects some lawyers who may have moved to different practice areas after the fall of Enron to consider returning to the trading business.

Vrana, the Jackson Walker lawyer who once was general counsel of Tractebel Energy Marketing (now SUEZ Energy Marketing), says he joined the law firm seven years ago when the trading business was "still blowing and going" in Houston.

"I was here to help build out the energy trading platform at Jackson Walker. Then after the bankruptcies, we stayed really busy helping unwind all of the problems in the bankruptcies," Vrana says. "We see people start jumping back into the business."

Today, Vrana says, he and others in his group do transactional work for his trading clients, helping them structure long-term or complicated transactions.

Paul Turner, a partner in Sutherland Asbill & Brennan, says he moved his practice to Houston from Washington, D.C., two years ago because of the resurgence of the trading business in Texas.

"This is the most sensible place for me to be, given the business," says Turner, whose clients include Shell Energy North America, based in Houston, and Bethesda, Md.-based NEGTEnergy Trading, formerly PG&E Energy Trading.

The business started coming back in 2004, says Houston partner Bill Swanstrom, co-head of Locke Lord Bissell & Liddell's energy practice group.

Swanstrom says most of the major energy companies in Texas have energy trading operations, but usually they are only for the physical trading of their own oil and gas production and not for speculative trading. But Swanstrom says Locke Lord's energy trading clients in Houston include Total and Bear Energy, a subsidiary of Bear Stearns Cos. Inc. The firm's energy group also has done work for New York-based Merrill Lynch.

"Work involves, for outside firms . . . longer-term structured power or gas purchase agreements that are in a lot of ways more like credit deals than anything else. Law firms don't tend to get involved in the short-term trading activity, because it's more of a form practice," he says.

Locke Lord does a considerable amount of compliance work for trading clients, Swanstrom says, which is work that wasn't as commonplace six, seven or eight years ago.

He notes, "The one thing that differentiates this market from the old energy trading market is a much more significant focus on credit risk, not surprisingly."

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