

Current M&A Trends...

Sayer Energy Advisors' Perspective on

Presented to



Calgary Section

March 8, 2011



Sayer Energy Advisors

- Over a 20 year history of oil and natural gas industry M&A services
- Completely independent of the public markets – we do not get involved in financings
- Managed by individuals with varied backgrounds, each with significant related experience

Sayer Energy Advisors

Corporate Advisory Services

- Divestitures, Mergers, Acquisitions
- Valuations and Fairness Opinions
- Expert Witness Assignments

Industry Publications

- Well-known for Canadian M&A market analysis through our quarterly publication
- Publish complete Canadian oil industry M&A and financing information
- Only source for complete listing of current Canadian oil & natural gas industry asset and corporate dispositions

M&A OUTLOOK FOR 2011

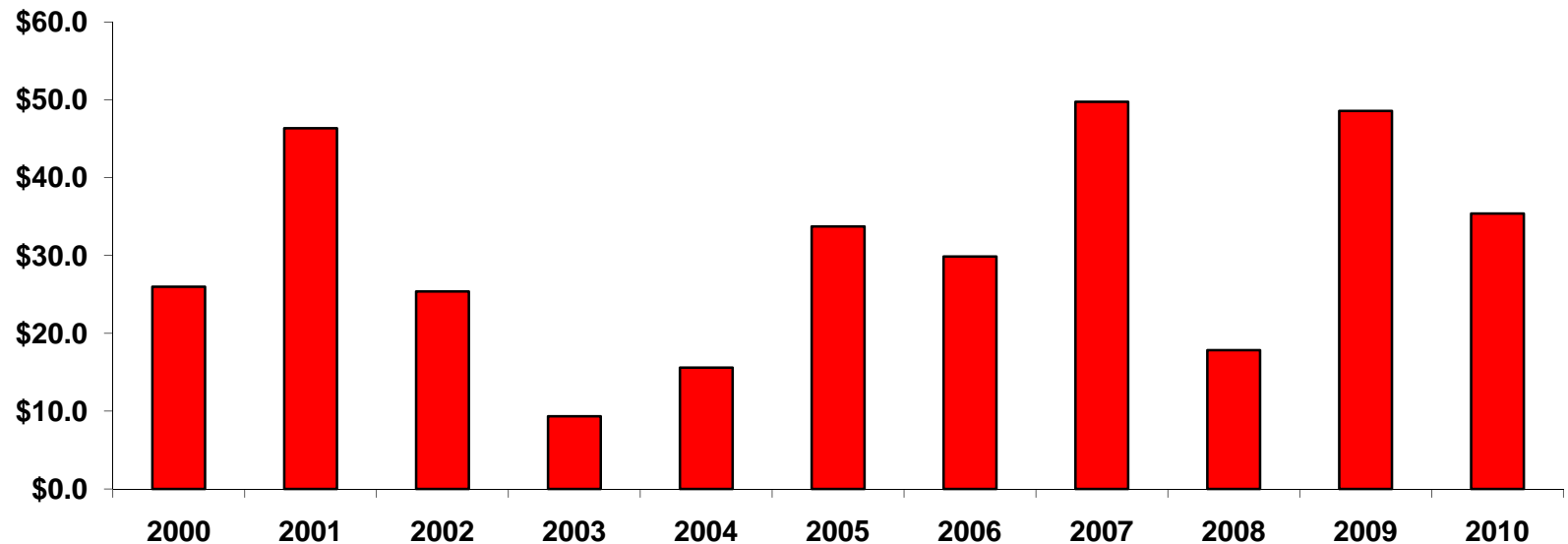
- 2010 was a “*Buyers’ Market*”
- “*Buyers’ Market*” is continuing into 2011
- A significant number of large property packages in 2010; (Cenovus, ConocoPhillips, EnCana, EOG, Nexen, Suncor, Talisman and TAQA)
- A high focus on property/asset transactions in 2010
- In 2011 we will see more corporate transactions
- Vendors need to have realistic price and value expectations, especially for natural gas weighted properties or processes will go “*no sale*”
- Technology is playing an important part in M&A
- Foreign companies will continue to be interested in Canadian oil and natural gas in 2011

BUYERS' MARKET TO CONTINUE

- Weak balance sheets.
 - Commodity prices remain variable.
 - Crude oil price high.
 - Natural gas prices relatively low.
 - Equity markets selective.
 - Flow through available to some.
 - “*Hard dollars*” hard to find.
 - High debt levels.
 - Conventional bank debt plus strong subordinate and mezzanine debt markets.
- Need for companies to sell properties to improve balance sheets and finance growth.

VALUE OF M&A ACTIVITY

- In 2007 the total value of M&A transactions reached the highest level ever, with 2009 not too far behind.
- In 2010 because of the lack of mega mergers (Suncor-Petro-Canada, Shell Canada), it did not reach the levels seen in 2007 and 2009.



M&A Price “Roller Coaster”



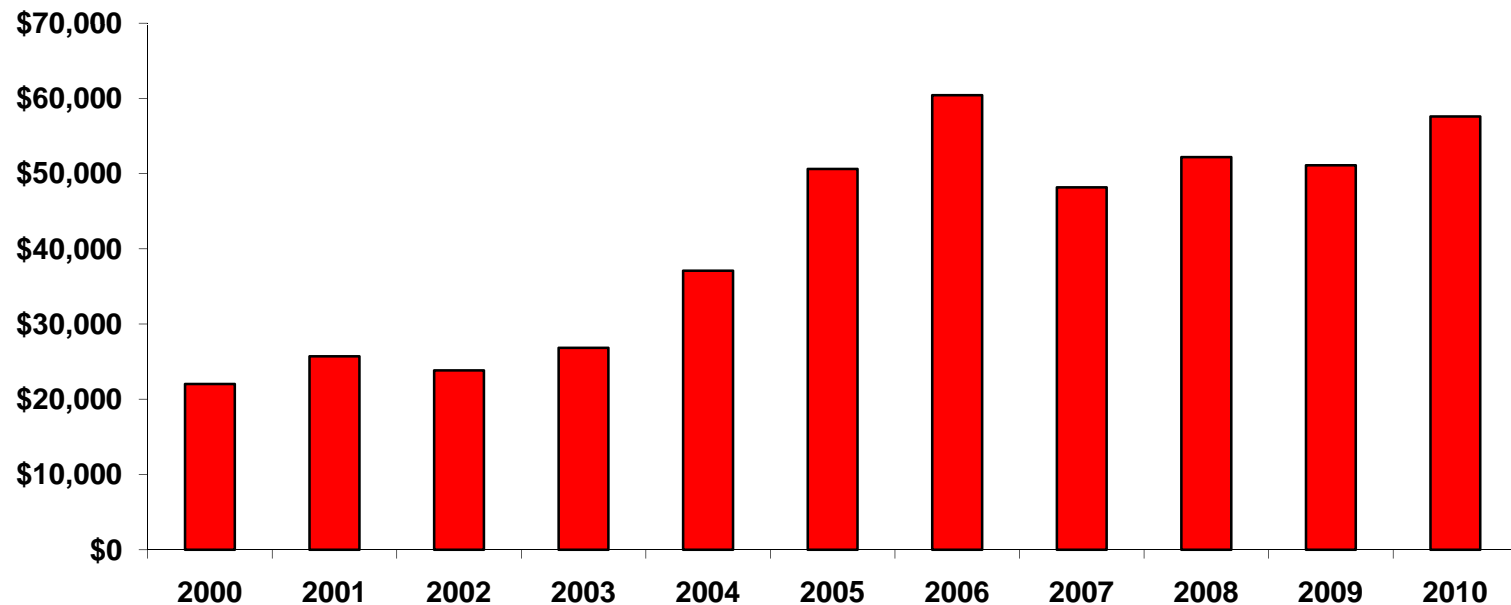
M&A Price “Roller Coaster”

- M&A prices respond quickly to market dynamics
- Rise and fall with increase or decrease in commodity prices
 - Rapid rise in 2008 in response to a rapid increase in the price of both oil and natural gas
 - With low natural gas prices in 2011 this is having an impact on the acquisition prices being paid
- Rise and fall in response to government intervention and world events
 - Instantaneous fall in October 2006 in response to federal government’s announcement regarding changes to tax treatment of trusts
 - Instantaneous fall in October 2007 in response to provincial government’s announcement regarding changes to the Alberta Royalty Framework
 - Steady fall in October 2008 in response to the loss of faith in the world’s financial system



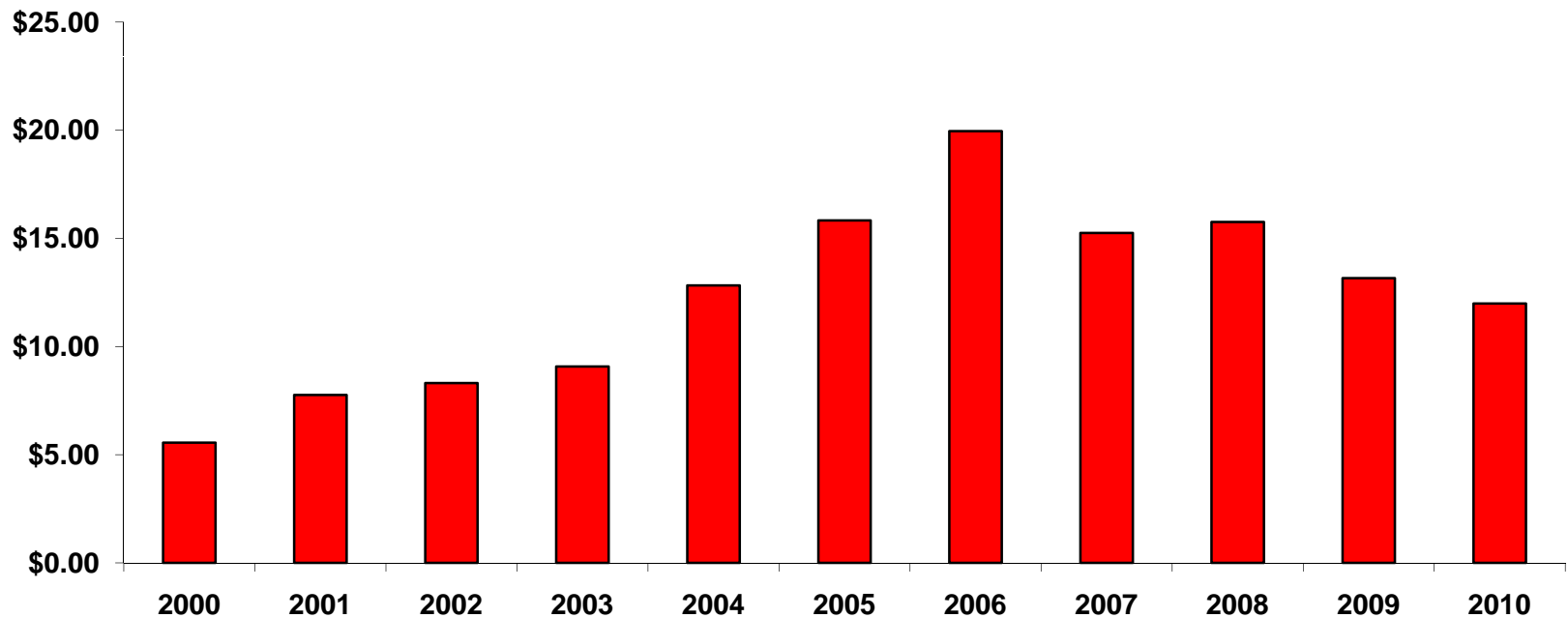
PRODUCTION ACQUISITION PRICES

- The median daily production acquisition price (\$/boe/d) rebounded in 2010 and is now close to the record level seen in 2006. The higher production price is being driven by high priced oil-weighted transactions.



RESERVES ACQUISITION PRICES

- The median reserves acquisition price for proven plus probable reserves (\$/boe) has been in decline since 2008, largely driven by continued depressed natural gas prices



Recent Acquisition Prices

- Production and reserves acquisition prices followed a downward trend from early in 2006 until early in 2008
- Prices rose in early 2008 in response to a dramatic rise in the price of oil and natural gas and dramatically fell in late 2008 and most of 2009
- Prices continued to be high in 2010 for oil weighted acquisitions (especially resource plays such as the Bakken, Cardium and Viking)
- Conventional natural gas weighted transactions are fetching much lower metrics than oil



2010 & 2009 M&A Activity

Time Period	Total M&A Enterprise Value (\$billions)	Total Production Sold (boe/d)	Median Price All Deals (\$/boe/d)	Median Price Oil Deals (\$/boe/d)	Median Price Gas Deals (\$/boe/d)
Q4	\$6.6	47,500	\$51,014	\$74,690	\$40,428
Q3	\$9.3	105,375	\$55,838	\$66,486	\$52,287
Q2	\$15.5	152,672	\$57,090	\$68,905	\$48,390
Q1	\$3.9	26,852	\$64,460	\$96,132	\$60,040
Total 2010	\$35.4	332,399	\$57,601	\$68,986	\$49,828
Total 2009	\$48.6	447,043	\$50,752	\$69,875	\$38,091

Natural Gas M&A Activity

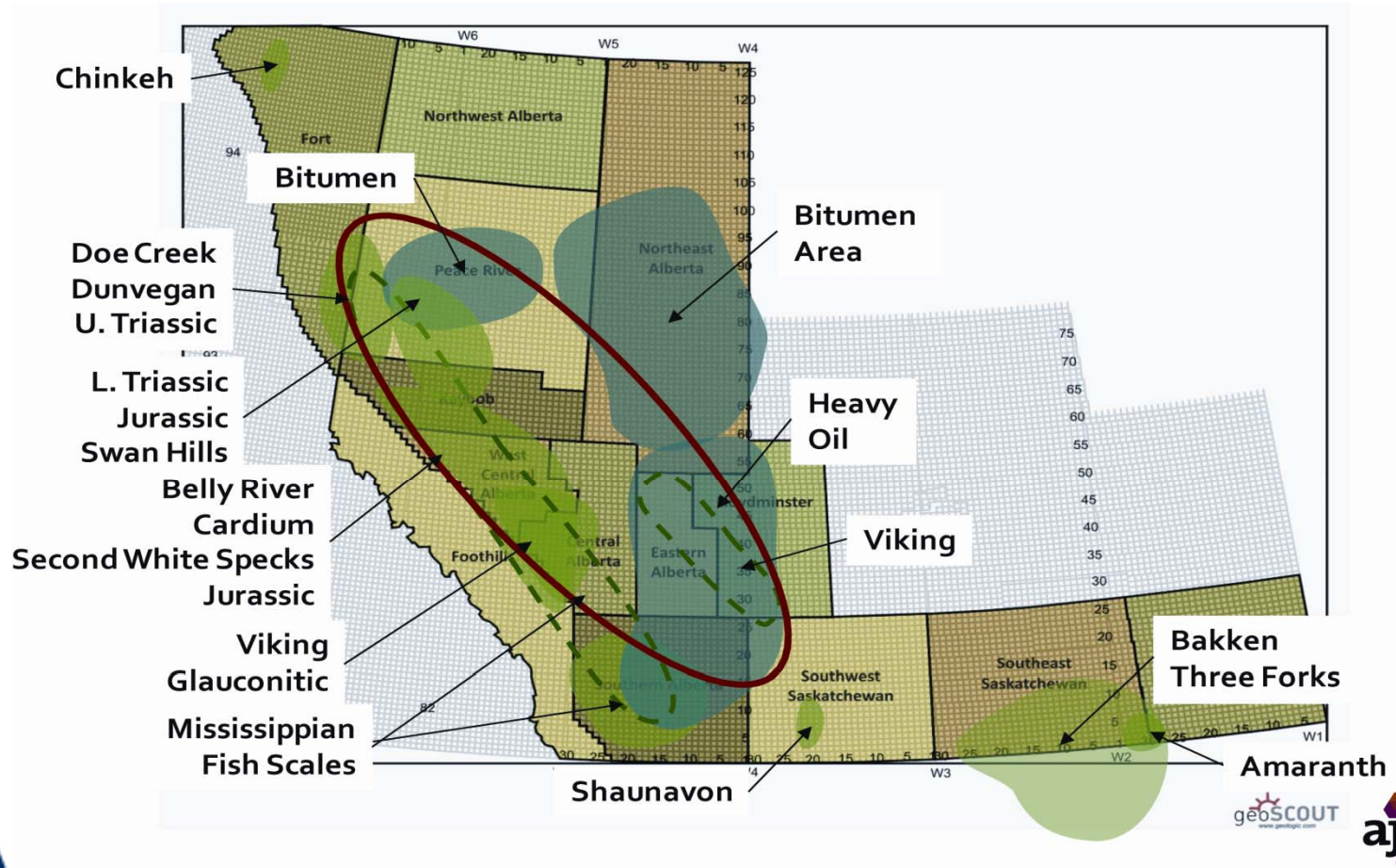
- There were a number of large natural gas acquisitions announced in 2010, because of the number of natural gas weighted packages which were being marketed. Some of the notable transactions are the following:
 - Apache/BP assets for \$3.4 billion
 - Progress/Suncor assets for \$390 million
 - Direct/Suncor assets for \$375 million
 - Skope et al/Cenovus assets for \$165 million
- Because of the amount of product available and the negativity toward natural gas it is likely that some of the other packages currently on the market will go “no sale” or will sell for low prices



Technology and M&A

- High oil prices are leading to significant interest in light oil resource plays
- Many of these reservoirs were discovered 50 years ago but technology was lacking to extract the oil
- Horizontal drilling and multi-stage fracturing increase the volume of rock accessible to production
- These techniques were initially applied to the Bakken Formation in Southeastern Saskatchewan and are being applied to other oil bearing formations, most notably in the Cardium and Viking
- Improved technology is increasing recovery factors and the potential size of oil fields

Technology and M&A



Source AJM Petroleum Consultants

Technology and M&A

- There have been a number of acquisitions targeting oil resource plays, notably in the Bakken, Cardium, Lower Shaunavon, Spearfish and Viking over the last two years

Crescent Point's acquisition of Darian, Gibraltar, Shelter Bay, TriAxon, Wave, Wild River

Daylight's purchase of West

Legacy's acquisition of Athena, CanEra, Connaught, Molopo, Medora, Renegade and Villanova

Penn West's purchase of Reece

Petrobank's merger with TriStar to form PetroBakken

PetroBakken's purchases of Berens, Result and Rondo

Whitecap's takeover of Onyx and pending deal with Spry

Wild Stream's acquisition of Dorado as well as assets from Bonterra



Technology and M&A

- With Western Canada predominantly a natural gas basin (75%) the supply of oil weighted opportunities is low while the demand is high due to the current price of oil
- The use of horizontal drilling and multi-stage fracturing are also being applied to natural gas reservoirs especially ones which are “liquids rich”
- These types of natural gas reservoirs are predominantly located in Central Alberta, the Deep Basin areas of the Western Canadian Sedimentary Basin as well as on the Peace River Arch

Recent “*Rush*” of Foreign Buyers

- In 2010, foreign based companies acquired over \$17 billion in Canadian oil and natural gas assets and companies. This is roughly 49% of the total Canadian M&A value of just over \$35 billion
- Canada and its financial institutions have been successful in weathering the financial crisis, making this country an attractive place to invest
- This stable financial environment gives them the confidence to invest significant amounts of money in securing oil and natural gas assets

Recent “*Rush*” of Foreign Buyers

- Some of the notable transactions in 2010 and so far in 2011 have been the following:

PetroChina/Encana assets for \$5.4 billion

Sinopec/ConocoPhillips Syncrude Interest for \$4.7 billion

Apache/BP assets for \$3.4 billion

PTT/Statoil assets for \$2.3 billion

Total/UTS Corporation for \$1.5 billion

Sasol/Talisman assets for \$1.1 billion

Harvest acquiring properties and Hunt Oil for \$1.1 billion

China Investment/Penn West assets \$817 million

Mitsubishi/Penn West JV

STX/Encana assets for \$152 million





Buyers are showing up in Calgary from all around the world.

Word is out that our banks are secure and as a result there is strong interest from around the world for Canadian oil and natural gas properties, large and small.



Country Sayer has done business with



Country active in Canadian oil patch

Unlikely Buyers?

*There is a lot of money
in the hands of many
individuals in places like China.*

*Many of these people were born at
night ... but not **last night**.*

*They made their money by being
smart. Many of them understand
that North American technology is
not yet widely utilized in the world.*

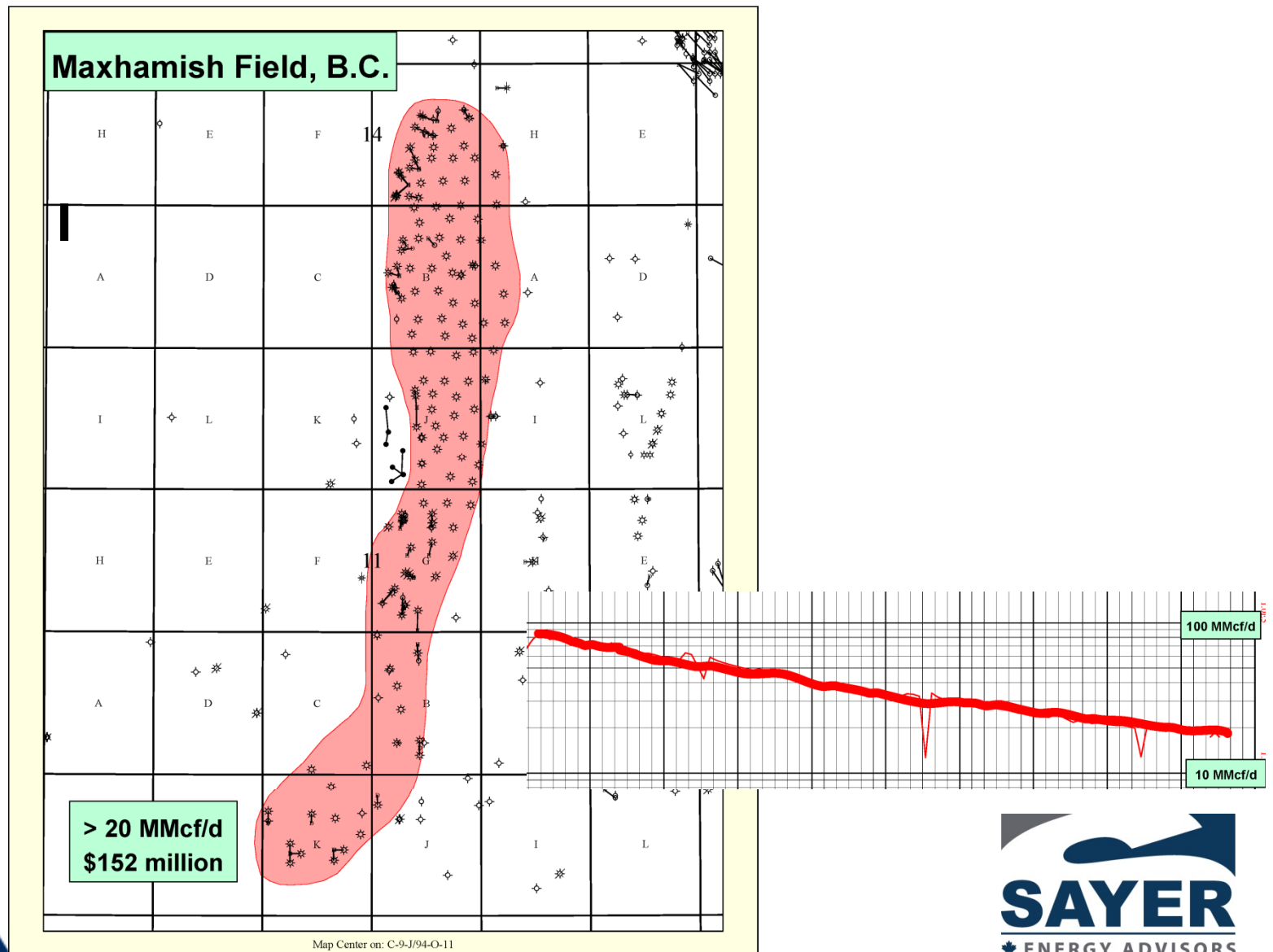
*They are looking at buying things
such as Canadian oil and natural
gas assets to bring their money into
our safe fiscal haven and to learn
about our technological
advancements.*



Among Other Things, They Want Canadian Expertise!



Purchase of Maxhamish Field by Korean Company ... Why?





Proposed Kitimat, B.C. LNG terminal
Destination of LNG tankers leaving Kitimat?
Korea, Japan, China



OUTLOOK FOR 2011

- The “*Buyers’ Market*” will continue into 2011
- If natural gas prices continue at these levels or weaken, vendors will need to have realistic price and value expectations, especially for natural gas weighted properties or processes will go “*no sale*”
- The amount of large property packages will be lower in 2011
- There will be a higher percentage of corporate transactions in 2011
- Technology will continue to be a catalyst for M&A activity
- Foreign interest in Canadian oil and natural gas will continue



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