

DAILY OIL BULLETIN

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Total Financings Down 30% Year-Over-Year

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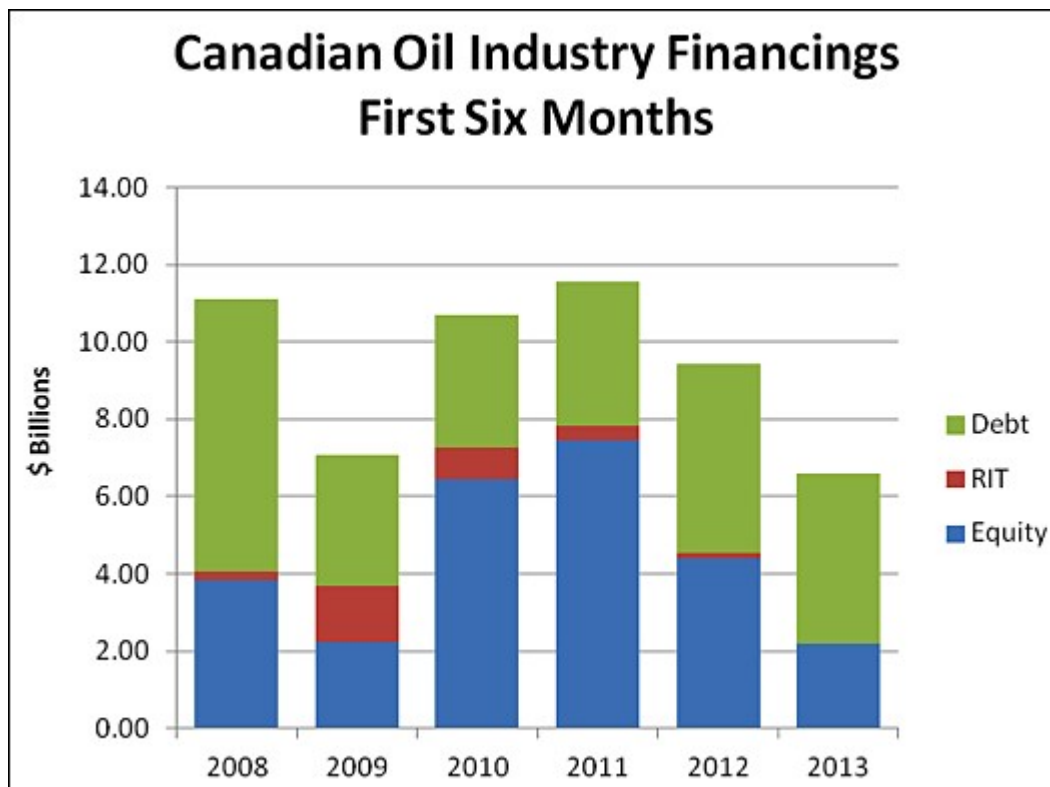
Sayer Energy Advisors

A total of \$6.6 billion was raised by the Canadian oil and natural gas industry in the first six months of 2013, down 30% from the \$9.4 billion recorded over the same time period in 2012. Financings in all categories are down year-over-year, with the largest decline occurring in the equity category, which tumbled 50% to \$2.2 billion from \$4.4 billion in 2012. Debt financings slipped to \$4.4 billion in 2013 compared to \$4.9 billion in 2012, a 10% drop.

There were no trust unit financings completed by oil and natural gas royalty income trusts ("RITS") in the first half of 2013. In comparison, a total of \$158 million in trust units was raised by RITS over the same time period last year. The little to no amount of trust unit financings done by RITS over the last couple of years comes as no surprise as there are only a select few RITS remaining, all of which are focused on international assets.

The \$2.2 billion in equity raised in the first half of 2013 is the same amount that was raised in the first six months of 2009, when we were in the depths of the Global Financial Crisis. The amount of equity raised in the first half of 2013 accounted for 33% of the total capital raised, down from 47% in 2012 and 64% in 2011.

The largest single equity issue recorded in the first six months of 2013 was \$307 million, which was completed by privately-held **Corex Resources Ltd.** Corex used a portion of the proceeds to finance the acquisition of **Enerplus Corporation's** assets in Manitoba for \$220 million. The assets which were acquired consisted of seven unit interests which are currently under waterflood and non-unit interests in the Virden/Daly area of Manitoba.



Whitecap Resources Inc. was also active on the acquisitions front in the first half of 2013, completing two asset acquisitions and a corporate transaction totaling approximately \$347 million. As part of these transactions, Whitecap raised a total of approximately \$290 million in equity. Whitecap acquired publicly-held **Invicta Energy Corp.** for \$63 million in April, followed by the purchase of assets in southwestern Saskatchewan for \$110 million, and **Barrick Energy Inc.**'s interests in the Garrington and Valhalla areas of Alberta for approximately \$174 million.

Another significant financing which occurred in the first half of 2013 and which was centered around an acquisition was **Surge Energy Inc.**'s \$247.5 million bought deal equity financing. Surge used the proceeds of the financing to acquire **Cenovus Energy Inc.**'s assets in the Shaunavon area of Saskatchewan for \$240 million. Concurrent with the announcement of the financing and the acquisition, Surge announced its intention to convert into a dividend paying oil and natural gas company.

There was a total of approximately \$107 million in flow-through equity raised in the first half of 2013, up slightly from the \$104 million raised in the same time period last year. The largest flow-through financing in the first six months of this year was completed by **Tourmaline Oil Corp.**, which raised approximately \$35 million. Tourmaline also completed the highest flow-through offerings over the same time periods in both 2012 and 2011, with \$40 million and \$47 million financings, respectively. Typically, most of the flow-through financings occur in the second half of the year and are a common source of financing for junior oil and natural gas producers because of the tax advantages they provide investors.

As mentioned previously, total debt issues of \$4.4 billion made up the remaining 67% of the total capital raised in the first six months of 2013. The majority of the debt issues in the first half of this year were comprised of straight debt, contributing 94%, with the remaining 6% consisting of convertible debt.

Pacific Rubiales Energy Corp. had the largest single debt issue in the first six months of 2013, completing a \$1 billion senior unsecured notes offering. The notes have a ten year term and a coupon rate of 5.125% per annum. The proceeds of the note offering were used to pay out outstanding indebtedness and for general corporate purposes. Pacific Rubiales holds oil and natural gas interests predominantly in Colombia.

As has been the case over the last couple of years, the capital markets have recently been very selective in which companies have access to capital. What we have seen recently is that oil and natural gas producers that announce their intention to pay or are currently paying a dividend and have had successful track records seem to be well received by capital providers. This is illustrated by both Surge and Whitecap, which were mentioned previously, and more recently by **TORC Oil & Gas Ltd.**, which announced the acquisition of assets in southeastern Saskatchewan for \$510 million. Concurrent with the acquisition, TORC intends to raise a total of \$380 million of equity, consisting of a \$210 million bought deal financing and \$170 million financing from the **Canada Pension Plan Investment Board**. Upon completion of the acquisition and financings, TORC intends to begin paying a dividend of \$0.10 per annum to its shareholders. We believe that the appetite for yield type investments will continue for the foreseeable future.

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