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First Half 2013 M&A Value Falls 77 Per Cent Year-Over-Year

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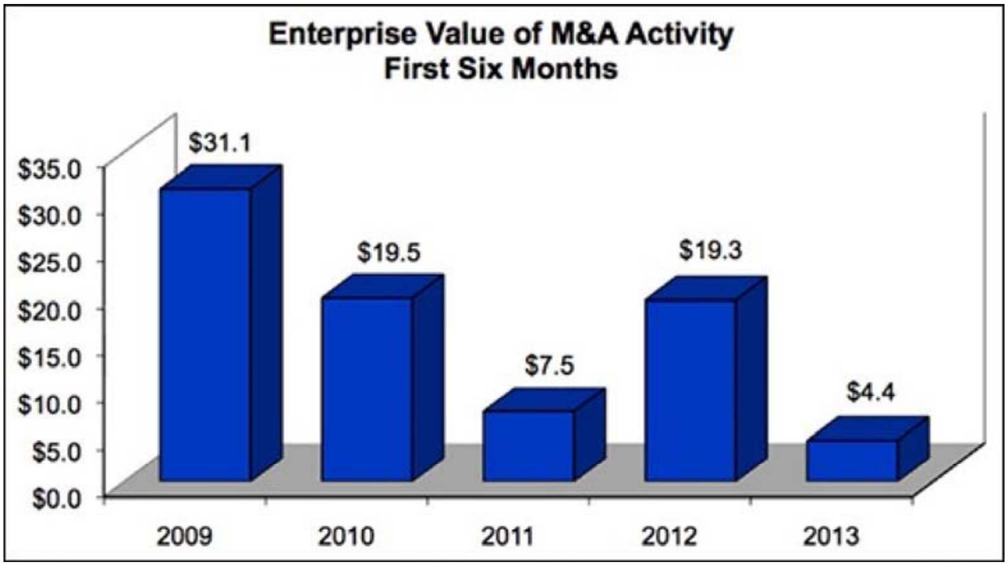
The total enterprise value of Canadian oil and natural gas industry merger and acquisition ("M&A") activity in the first six months of 2013 was approximately $4.4 billion, down 77 per cent from the $19.3 billion recorded in the first half of 2012.

The lower M&A value in the first half of 2013 can be attributed to a decrease in the number of transactions (valued at over $5 million), which fell 37 per cent to 45 from 71 during the same time period a year ago. In addition, of the 45 large deals in the first half of this year, only one was valued at over $1 billion, compared to four in the first half of 2012. The one large deal in 2013 accounted for nearly 25 per cent of the total M&A value in the first half of this year.

The largest transaction in the first six months of 2013 and the only one valued at greater than $1 billion is the pending purchase of **Suncor Energy Inc**.'s assets for $1 billion by the newly formed partnership between **Centrica plc** and **Qatar Petroleum International**. The sale includes properties situated across multiple regions in Alberta, northeast British Columbia and southern Saskatchewan. Excluded from the deal will be the majority of Suncor's unconventional natural gas properties in the Montney region of British Columbia and the company's Wilson Creek, Alberta unconventional oil assets.

Property transactions dominated the first half of 2013 in number and in total value. There were 40 property deals compared to five corporate transactions in the first half of this year. The aggregate value of the five large corporate transactions this year was $500 million while the total value of the large property transactions was $3.6 billion. This compares to 17 corporate deals totaling $11.1 billion in aggregate value and 54 property transactions totaling $8.0 billion in aggregate value in the first half of 2012.

Whitecap Resources Inc. was quite active in the M&A marketplace in the first six months of the year, having completed two property deals and one corporate transaction. Whitecap acquired **Invicta Energy Corp.** for $63 million in the first quarter of 2013 and purchased assets in Whitecap's Valhalla and Garrington core area from **Barrick Energy Inc.** for $174 million. Whitecap's second acquisition consisted of Viking light oil waterflood assets located in the Dodsland area of west-central Saskatchewan for $110 million.



Similar to Whitecap, **Long Run Exploration Ltd**. and **Legacy Oil + Gas Inc.** completed multiple deals. The transactions took place during the second quarter of 2013. In early May 2013, Long Run announced the acquisition of natural gas assets located in the Cherhill area of Alberta from an undisclosed party for $13.5 million. The acquisition consolidated Long Run's processing capacity, infrastructure and land position in the area. At the same time, it also announced its purchase of assets in the Peace area of Alberta from an undisclosed party for $7.5 million.

Legacy acquired **Enerplus Corporation**'s interests in certain light oil producing assets, facilities, and undeveloped land in Legacy's core operated areas of Turner Valley and Taylorton for $57.5 million. In addition, Legacy acquired the shares of privately-held **Villanova Oil Corp.** for $142 million. Villanova's core properties were located in the Alameda, Manor and Carnduff/Souris Flat areas of southeastern Saskatchewan.

Surge Energy Inc. also completed a significant transaction in the quarter with its acquisition of assets located in the Shaunavon area of southwest Saskatchewan from **Cenovus Energy Inc.** for $240 million. Concurrent with this transaction, Surge raised $225 million through a bought deal financing and announced its intention to convert into a sustainable, moderate growth, dividend paying oil and natural gas company.

Brookfield Capital Partners Ltd. was involved in two corporate transactions, with the purchase of the remaining shares of **Insignia Energy Ltd.** for $37.7 million and the purchase of the remaining shares of **Second Wave Petroleum Inc.** for $88.2 million, taking both companies private. Prior to the announcement of these transactions, Brookfield owned approximately 48 per cent and 67 per cent of the outstanding shares of Second Wave and Insignia respectively.

The creation of joint venture partnerships between Canadian companies and foreign-based entities has not been as robust this year compared to last year. In the first six months of this year, while there were no joint ventures with international companies, Calgary-based **Grafton Energy Co. I Ltd.** entered into a joint venture with **Bellatrix Exploration Ltd.** to jointly develop Bellatrix's Willesden Green and Brazeau areas of west-central Alberta. As part of the deal, Grafton will contribute 82 per cent or $100 million to the $122 million joint venture.

The third quarter of 2013 is proving to be active thus far. There have been a mixture of corporate and property deals along with additional joint venture agreements announced.

TORC Oil & Gas Ltd. announced a $510 million acquisition of low decline, high netback, light oil producing assets in southeast Saskatchewan and a strategic transition of the company's business model to an intermediate light oil producer paying sustainable dividends. In conjunction with the acquisition, TORC has secured an equity investment by the **Canada Pension Plan Investment Board** for $170 million and raised an additional $210 million through a bought deal financing.

Ember Resources Inc. entered into a transaction with **Apache Corporation** to acquire Apache's oil and natural gas producing properties in the Nevis, North Grant Lands and South Grant Lands areas of western Alberta for $220 million.

Imperial Oil and **ExxonMobil Canada** entered into an agreement to acquire **ConocoPhillips**' interest in the Clyden oilsands lease. ExxonMobil will purchase a 72.5 per cent interest and Imperial will purchase the remaining 27.5 per cent interest. The value of the transaction is approximately $751 million. The transaction is subject to federal **Completion Bureau** review. This is the first large oilsands transaction since **CNOOC Limited**'s acquisition of **Nexen Inc.**, which was subject to review under the Canada Investment Act.

Bellatrix entered into an asset sale and joint venture agreement with **Daewoo International Corporation** and **Devonian Natural Resources Private Equity Fund** relating to its land acreage in the Baptiste area of west-central Alberta.

On the corporate front, **Tamarack Valley Energy Ltd.** and **Sure Energy Inc.** announced earlier this month a business combination of the two companies. Sure shareholders will receive a 0.1050 of a Tamarack share for each Sure share held. In addition to the business combination, Tamarack entered into a major farm-in and option agreement with an industry major to earn 70 per cent working interest in up to 113 net sections of highly prospective Cardium lands directly offsetting proven ongoing development projects in the greater Pembina area with 183 gross (128 net) Cardium locations identified on the farm-in lands. Concurrent with the transaction, Sure entered into a bought deal private placement offering of subscription receipts of Sure for gross proceeds of $25 million.

Also this quarter, **Montana Exploration Corp.** entered into an agreement to acquire **Waldron Energy Corporation** for: 1) 1.8 common shares of Montana for each Waldron share held 2) $0.45 cash per Waldron share, or 3) a combination of shares and cash. As part of the transaction, Montana entered into a $25 million financing with its controlling shareholders.

With the high level of activity seen in the second half of the year so far, it appears that the M&A marketplace will continue to move at a quick pace and have a strong finish, making up for a lackluster first half, notable for the mere $752 million in deals during the first quarter.

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