

Saskatchewan a hot market as oilpatch recovers

Investor interest in Saskatchewan partly due to politics but mostly about economics

By Kyle Bakx, [CBC News](#) Posted: Jul 04, 2016 9:00 AM ET Last Updated: Jul 04, 2016 9:00 AM ET

A string of deals in the oilpatch suggests some investors are bullish on Saskatchewan and bearish on Alberta.

Several different companies have purchased assets in Saskatchewan recently as both Penn West and Husky sold off properties in the province. The sale prices were higher than analysts expected.

The acquisitions are encouraging for drillers and other members of the oilfield service sector that work in the oilfields of Saskatchewan.

'The ongoing regulatory changes in Alberta are making it difficult for people to understand the marketplace.' - *Alan Tambosso, Sayer Energy Advisors*

"Some of those transactions are very positive for us, as we are doing business with the companies that are acquiring a larger position there," said Shane Walper, founder and CEO of Predator Drilling. One such firm is Teine Energy, which recently bought oil assets from Penn West for \$975 million.

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Predator Drilling is based in Red Deer, Alta., but these days it's finding work elsewhere in the country. Lately, it has had rigs operating in Saskatchewan and Ontario and it will soon be deploying in Manitoba and B.C.

"None are scheduled to be going out in Alberta. That tells some of the story," said Walper.

He suggests investor confidence is not as strong in Alberta, except for the oilsands where active players are looking at growing production.

Light oil is attractive

Saskatchewan has not been immune to the oil downturn and [subsequent layoffs](#) over the past two years, but investments are picking up.

Husky recently opened a [new thermal plant](#) in the province, while Raging River Exploration announced it would invest \$175 million this year in Saskatchewan and \$3 billion over the next decade in drilling and oil recovery.

Saskatchewan Premier Brad Wall travelled to Calgary in June to lure investment back from Alberta, just like his energy minister [Bill Boyd did the year before](#).

Analysts suggest the interest in Saskatchewan is partly politics and mostly economics. Investors are shying away from natural gas and heavy oil properties, in favour of light oil because of current commodity prices.

"Certainly the assets in southeast Saskatchewan are often more attractive because the predominant production down there is light oil, and light oil is usually the most attractive commodity for purchase right now," said Alan Tambosso, president of the Sayer Energy Advisors, which specializes in oilpatch mergers and acquisitions.

One particular regulatory change in Alberta is discouraging investors. The Alberta Energy Regulator [decided last month to tighten up the rules](#) for buying oil and gas assets by changing a regulation so the value of a company's producing wells must be twice that of the cost of abandoning and reclaiming the wells at the end of their life. It's a controversial decision as the AER, lenders and companies wrestle with issues related to the province's [abandoned well problem](#).

"The ongoing regulatory changes in Alberta are making it difficult for people to understand the marketplace," said Tambosso.

Trend or coincidence?

While some investors suggest there is uncertainty in Alberta as policies and regulations are reviewed and changed, Saskatchewan is regarded as stable. Its regulatory process is straightforward, royalties are low, and the government is predictable, according to several analysts and company executives.

There are reasons to invest in Saskatchewan, said Drew Ross with Scotia Waterous, but the recent deals are more of a coincidence, rather than a long-term trend.

He suggests oil assets rarely come on the market and the fields in Saskatchewan are not as natural gas prone as the ones in Alberta.

"Saskatchewan is largely an oil province," said Ross. "Those plays are economic in lower oil price environments. There is interest by buyers to acquire in that area."

The recent deals are the result of a recovery of oil prices to around \$50 US, about double the value from January. Some companies are looking to take advantage by acquiring assets, while others are purging properties to pay off debt or prioritize their projects.

"I think it is more coincidence than circumstance," said Ross about the recent deals in Saskatchewan. "The market has really bought into a turnaround. The good companies — their stocks are at 52-week highs."

Some deals are still taking place in Alberta, such as Encana's recent sale of predominantly natural gas assets in Northwestern Alberta to Birchcliff Energy in a deal worth \$625 million.

What analysts can agree upon is that more acquisitions are expected.

"Stay tuned, there's more to come," said Ross. "It's hot across the board."

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