

Calgary

Number of companies producing oil and gas in Western Canada drops 17.5% since 2014



Study found 1,334 active companies at end of 2018

The Canadian Press · Posted: Apr 11, 2019 10:35 AM MT | Last Updated: an hour ago



A total of 1,334 active companies reported oil or gas production in December 2018. That's down 282 from 1,616 in the same month four years earlier. (Jason Franson/The Canadian Press)

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A lack of capital for drilling coupled with rising exploration costs make it unsurprising that fewer players are operating in Western Canada's oil and gas fields, analysts say.

A study from consulting firm XI Technologies of Calgary finds that almost 300 names have disappeared from a roster of all companies producing oil and gas in Western Canada since global oil prices began crashing at the end of 2014.

A total of 1,334 active companies — privately held and foreign-owned entities as well as publicly traded firms — reported oil or gas production in Western Canada in December 2018, XI found.

That's down 282 names or 17.5 per cent from 1,616 in the same month four years earlier, a shift that XI data solutions specialist Shovik Sengupta says points to a period of significant consolidation in the industry.

"There's no capital," said Tom Pavic, senior vice-president with Calgary-based Sayer Energy Advisors, when asked what he thinks is causing the shrinkage.

- [Canada to lose 12,500 oil and gas jobs in 2019, report predicts, mostly in Alberta](#)

"There's an uptick in oil prices but we're not seeing it with the producers' stock price on the exchange.... No one wants to touch Canada because of all the uncertainty as it relates to pipelines."

Most of the missing names are likely to be small players who haven't been able to win investor backing to pay for drilling expensive oil and gas wells in trendy unconventional resource oilfields like the Montney and Duvernay, added Sayer president Alan Tambosso.

The loss of producer names is more stark among publicly traded issuers.

As of Dec. 31, 2014, a total of 108 oil and gas companies with a market capitalization of \$311 billion were listed on the Toronto Stock Exchange, while 229 smaller companies worth \$5.1 billion resided on the TSX Venture Exchange.

Four years later, the number on the senior exchange had fallen by 31 per cent to 72 with a market cap of \$214 billion, and venture listings were off by 44 per cent to 119 companies worth \$3.9 billion.

The market for oil and gas corporate sales looked to be heating up last year but stalled on lower global oil prices over the summer and price discounts for western Canadian oil in the fall as production exceeded export pipeline capacity, said Stephanie Stimpson, a Calgary-based partner at law firm Torys LLP specializing in oil and gas mergers and acquisitions.

"It's really is about the access to capital here," she said.

"There are very few financings getting done. Certainly the junior sector is not able to raise capital now."

She said recent transactions show even Canadian energy companies and pension funds often have a preference for putting their money in the United States oilpatch instead of investing at home.

Going forward, M&A activity will depend on investor confidence, she said, which could swing up or down based on whether the Trans Mountain pipeline expansion is re-approved for construction this spring, as well as other factors including results from the Alberta provincial election next week.

Sayer data shows total Canadian oil and gas M&A value in 2014 was \$49.4 billion but it fell to \$16 billion in 2015 and \$12.1 billion last year.

XI says the consolidation of companies in Western Canada has resulted in a greater number of subsidiaries for many larger producers.

For example, it reports Calgary-based Canadian Natural Resources Limited— the largest listed producer in both 2014 and 2018 — doubled the number of subsidiary companies it operates in Western Canada from 77 to 135 over the four years, a period when it made numerous large and small acquisitions.

In spite of the acquisitions, XI reported CNRL production fell from about 741,000 barrels of oil equivalent per day in December 2014 to 618,000 boe/d in the same month of 2018.

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