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Encana and Centrica sell natural gas assets in deals worth $1.7 billion

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CALGARY • A pair of natural gas deals worth a combined $1.7 billion were struck Friday and experts say more acquisitions and divestitures are expected in the sector as companies move to refocus their portfolios.

Encana Corp said on Friday it would sell its Piceance natural gas assets in northwestern Colorado to privately held Caerus Oil and Gas LLC for US$735 million. Associated Press

The Friday deals will see Calgary-based Encana Corp. exit a play in Colorado and U.K.-based Centrica plc offload its operations in Canada.

Other companies, including major producers like Shell Canada Ltd. and Cenovus Energy Inc., are known to be marketing natural gas assets in Western Canada and more deals are expected in the sub-sector.

“These deals don’t happen quickly or suddenly in response to a change in commodity price,” Sayer Energy Advisors president Alan Tambosso said in an email, noting that additional deals are in the works.

Both Encana and Centrica were looking to refocus their production spending in fewer geographical areas.

Encana will sell 3,100 natural gas wells and 550,000 acres of land in Colorado to Caerus Oil and Gas LLC for US$735 million. The company said the deal would also reduce its pipeline obligations by another US$430 million.

The company's shares rose nearly 5 per cent to close at $12.63 in Toronto.

Raymond James analyst Chris Cox said in a research note "the market has been waiting for a divestiture" in the area for a long time, "so today's news is unlikely to come as a significant surprise, while the headline price tag is also likely to be met with somewhat muted enthusiasm."
The assets produced an average of 42,000 barrels of oil equivalent per day, comprised 95 per cent of natural gas, but were not located in the formations Encana has said are its focus areas for future growth.

"The transaction advances our strategy, makes the company more efficient and delivers significant proceeds that we will use to further strengthen our balance sheet," Encana president and CEO Doug Suttles said in a release.

The company, which was once Canada's largest gas producer, has been selling off assets and refocusing its capital on just four plays: the Montney and Duvernay gas formations in British Columbia and Alberta and the Permian and Eagle Ford formations in Texas. Suttles has called these plays Encana's "core four."

Similarly, Centrica announced a new strategy in 2015 that will result in the company focusing its exploration and production capital in Europe.

On Friday, it announced it was selling its Canadian assets, most of which produced natural gas, for $722 million to a new company called Maple Felix Energy Corp.

Maple Felix is a joint-venture between two Hong Kong-based companies, MIE Holdings Corp. and Can-China Global Resource Fund, and Geneva, Switzerland-based commodities trader Mercuria Energy Group.

Centrica senior vice-president Wes Morningstar said in a release that no Centrica employees in Calgary would lose their jobs, as the buyer had made “a commitment to offer all current employees employment with the new organization.”

Centrica produced 20,500 barrels of oil equivalent per day, mostly natural gas, in Canada but also owned 11 processing facilities that could handle 600 million cubic feet per day and leases on 2 million acres of land throughout B.C., Alberta and Saskatchewan.

The company posted a $48-million net loss in Canada last year.

Shell Canada is looking to divest gas assets in northeastern Alberta and Cenovus Energy Inc., which recently acquired a significant gas business from ConocoPhillips Canada, has said it would sell off parts of those assets as it looks to pay down debt.

Sayer Energy Advisors is also advising a handful of smaller firms, like Rising Star Resources Ltd. and Response Energy, on the sale of natural gas assets in Western Canada.

Natural gas prices have risen sharply in the last 18 months and production is growing in northwestern Alberta and northeastern B.C.

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