Fairborne Energy may seek buyer

BY DAN HEALING, CALGARY HERALD MARCH 16, 2012 3:04 AM

Natural-gas weighted producer Fairborne Energy Ltd. is putting itself on the block, announcing a review of strategic alternatives that could include selling the company.

In news releases late Wednesday, the company also said it has decided to chop its first half 2012 capital spending by 29 per cent to $46 million from the $65 million it announced in November.

And it added it is shutting in some dry gas production.

"The board of directors believes that the company's shares trade at a significant discount to the value of the underlying assets, especially given its high-quality Wilrich gas, high netback Sinclair oil, recently announced condensate-rich Cardium wells and associated inventory at Harlech and approximately $550 million in tax pools," Fairborne stated.

The company's shares closed Thursday at $2.60, up 28 cents or more than 10 per cent. So far this year, they've fallen 12 per cent and their 52-week high was $5.54 last April.

A Bloomberg survey of 14 financial analysts shows a consensus 12-month target price of $4.41.

Fairborne joins a lengthening list of small-to medium-sized Calgary companies that are looking to woo a white knight, including Bowood Energy Inc., Anderson Energy Ltd., and Birchcliff Energy Ltd.

Birchcliff on Wednesday re-ported it still had not found a buyer after initiating a process in October prompted by an offer from an unnamed suitor.

Alan Tambosso, president of Sayer Energy Advisors of Calgary, said low natural gas prices are cutting into cash flow and forcing producers to consider sales despite lower prices for their assets.

"The consensus view right now is that gas is low, gas is going to stay low, and there are a lot of gas companies that are looking to do some kind of transaction," said the head of the energy mergers and acquisitions consultancy.

"However, there are a lot of contrarians who believe there's no better time to buy gas than right now."

He said he is seeing in-creased interest from foreign companies to buy gas assets, citing the example of Day-light Energy Ltd. being sold to Chinese giant Sinopec for $2.2 billion late last year.

"We are seeing a lot of par-ties from outside of Canada with interest in gas. And limited interest from parties in Canada," said Tambosso.

Fairborne reported a net loss of $74 million for 2011 or 72 cents per share versus a profit of $8.4 million or eight cents a share in 2010.

Revenue from oil and gas sales fell 12 per cent to $206 million and cash flow from operations was $116 million or $1.13 per share, down 19 per cent from $142 million or $1.38 per share.

Average production in 2011 fell three per cent to 14,800 barrels of oil equivalent as Fairborne sold assets producing 1,430 boe/d. Exit production was 16,700 boe/d, falling to 16,100 boe/d in January.

Fairborne reported fourth-quarter average production of 15,500 boe/d was off 400 boe/d due to production outages.

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