

2006 M&A Outlook

Forecast of M&A Activity Level for 2006

Presented to the
Petroleum Acquisition & Divestment Association
("PADA")

January 17, 2006

Alan W. Tambosso, P.Eng. P.Geol.
President
Sayer Energy Advisors

PADA Presentation
January 2006

SUMMARY

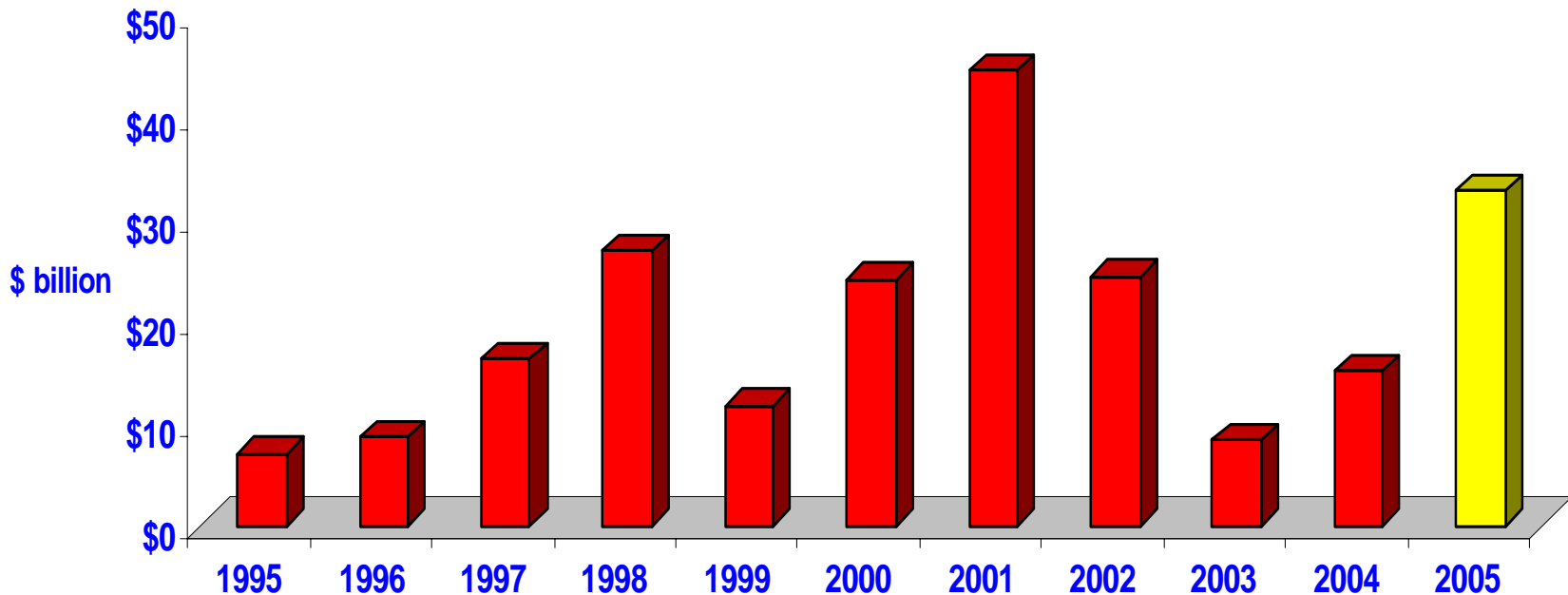
- 2005 was a “*Seller’s Market*”.
- “*Seller’s Market*” to continue well into 2006.
- Few significant property packages.
- Focus on corporate transactions.
- Continued private company sales.
- Purchasers will need to be proactive.
- Tax will remain a huge issue that will impede corporate M&A activity.

2005 REVIEW

- 2005 saw one of the highest total value of M&A transactions in the 19 years Sayer has been active in the M&A marketplace.
- M&A prices driven by high commodity prices.
 - Oil and natural gas prices at unprecedented highs.
- M&A prices driven by high finding costs.
 - Cost of services escalating.
 - Pool sizes being discovered diminishing.

VALUE OF M&A ACTIVITY

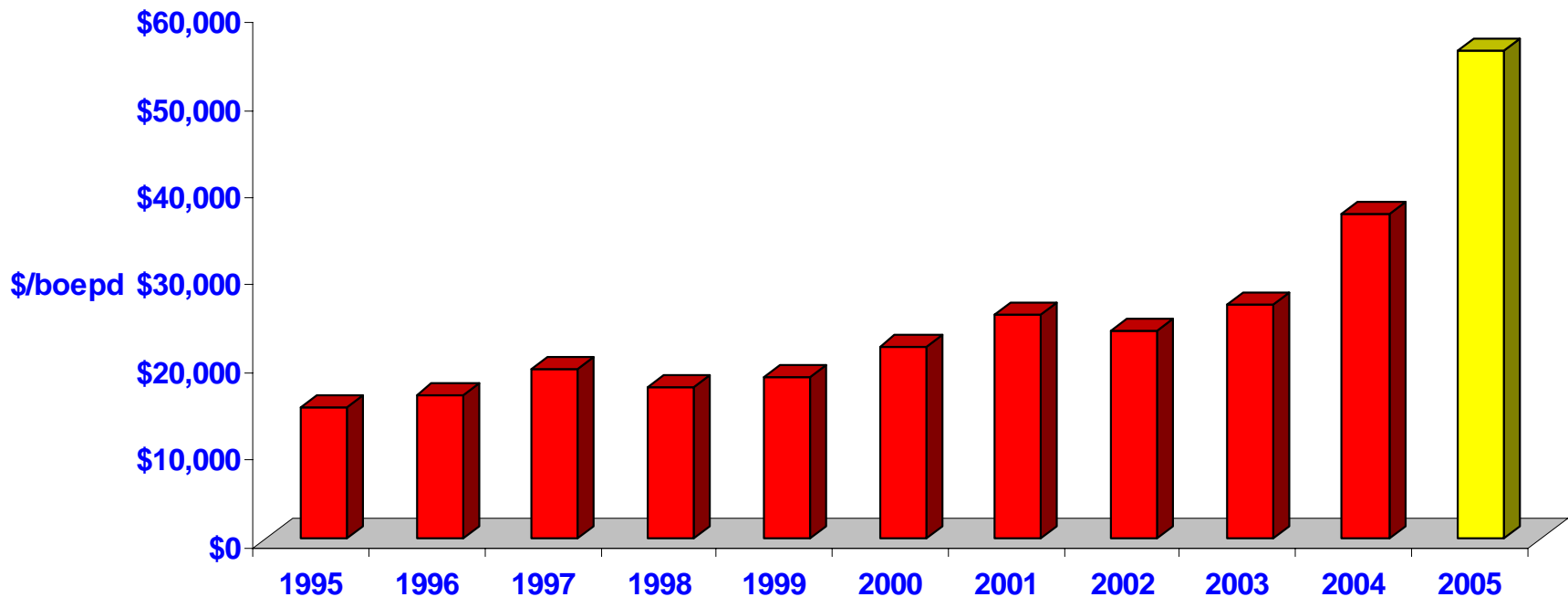
- 2005 saw one of the highest total value of M&A transactions in recent years.



PADA Presentation
January 2006

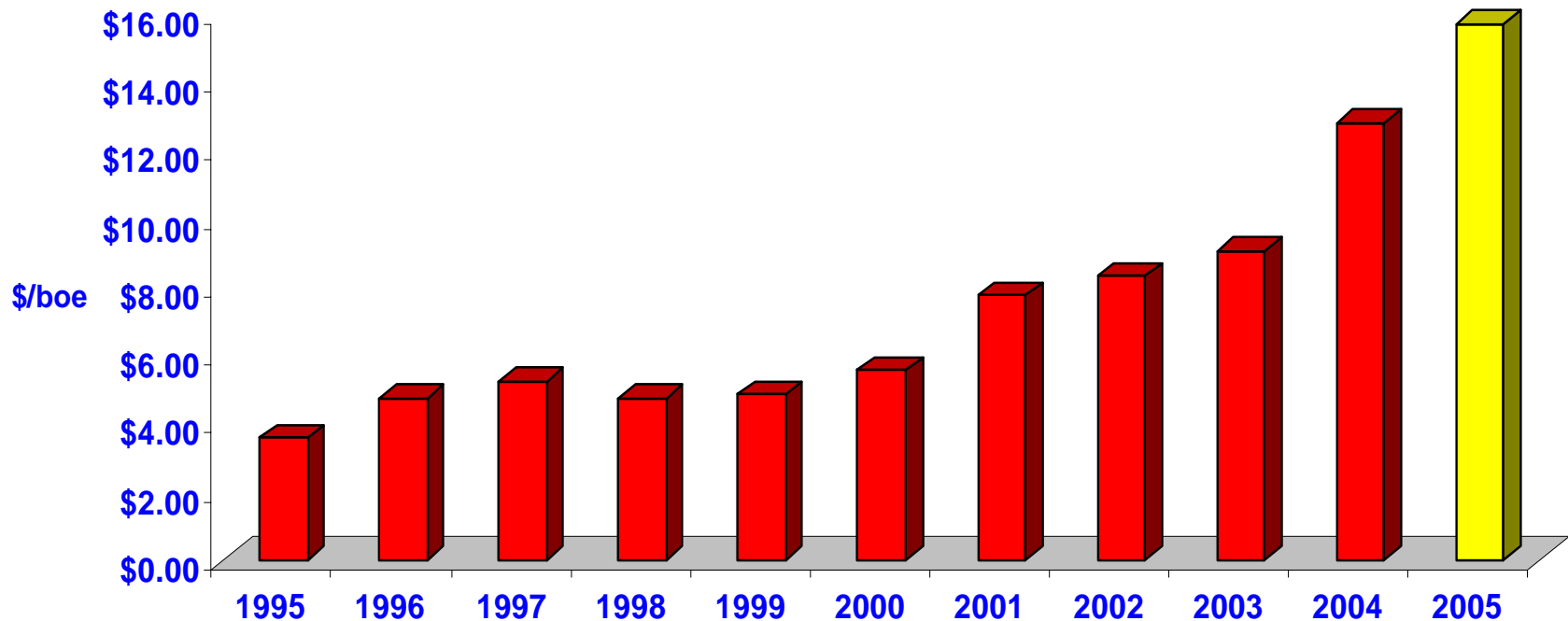
PRODUCTION ACQUISITION PRICES

- Median daily production acquisition price (\$/boepd) hit a record high in 2005. Q4 prices were more than 16% above the yearly median.



RESERVES ACQUISITION PRICES

- Median reserves acquisition price (\$/boe) hit a record high in 2005. Q4 prices were more than 17% above the yearly median.



2005 REVIEW

- Several large corporations sold large production packages in 2005.
 - *ExxonMobil / Imperial*
 - *Nexen Inc.*
 - *Devon Energy Corporation*
 - *EnCana Corporation*
- 2006 will see some similar packages, but likely fewer than 2005.
 - *Talisman Energy Inc.*
 - ???

SELLER'S MARKET TO CONTINUE

- Balance sheets are generally strong.
 - Commodity prices remain high.
 - Indications are for prices to remain high in 2006.
 - Equity markets have been strong.
 - Capital has been readily available.
 - Debt levels are generally low.
 - Few distress sales.
- No need for companies to sell properties to improve balance sheets.
- This translates to ...

SELLER'S MARKET TO CONTINUE

- Lack of product.
 - Any available properties will attract significant buying interest.
- Astute long-term players should take advantage of this market to sell non-core assets and improve their portfolio.
- Smart sellers should sell into the continually rising market rather than trying to catch the peak.
- However ...

PROPERTY SALES OUTLOOK

- Public companies need to maintain production levels.
 - Public markets measure companies by degree of production growth.
 - Lack of product makes accretive acquisitions difficult.
 - Lack of services makes growth by the drill bit difficult.
- Non-core properties retained until real growth added.
- Many companies are taxable.
 - Property sales accelerate this issue.
- Lack of significant product for the marketplace.

CORPORATE TRANSACTIONS

- 2006 should see an increase in the number of corporations available for sale.
- Junior companies which cannot secure services may decide to sell into a hot market.
- Experienced management teams which have lived through many cycles will continue to “*take money off the table*”.
 - *Luke Energy Ltd.* selling to *Connacher Oil and Gas Limited*, third or fourth time for Harold Pedersen.
 - *Profico Energy Management Ltd.* currently being marketed, second time for Clayton Woitas.

CORPORATE TRANSACTIONS

- 2006 will see an increased number of private companies available for sale.
 - Some companies which might otherwise be difficult to sell will take advantage of the hot market.
- Private companies generally drill most of their upside prospects before selling.
 - High commodity prices and available public capital means even private companies are well financed.
- High quality private companies with upside will attract premium prices.
 - Example *Kaiser Energy Ltd.* (\$86,000/boepd).

CORPORATE TRANSACTIONS

- 2006 will see an increased number of private companies available for sale.
 - *Paramount Energy Trust* currently acquiring an unnamed privateco for \$92 million.
 - *Profico* currently “on the block”.
 - *Samson Canada Ltd.* currently “on the block”.
 - *Columbus Exploration Ltd.* currently “on the block”
 - Several other small privatecos currently prepping for public and or private sale.

CORPORATE TRANSACTIONS

- 2005 saw an increased focus on trust mergers; this “*trend*” may continue in 2006.
 - *Harvest Energy Trust & Viking Energy Royalty Trust*
 - *StarPoint Energy Trust & Acclaim Energy Trust*
- Recent government ruling re-opens the door for corporate acquisitions by trusts.
- Both types of transactions are often sourced and concluded privately.
- Evolution of “*spincos*” means that mergers no longer result in non-core property sales.
- Purchasers will need to source their own deals.

CORPORATE TRANSACTIONS

- Tax will be an issue in corporate M&A activity.
 - Many potential purchasers are imminently taxable.
 - Minimal tax shelter created in a corporate transaction.
 - Most prospective purchasers are looking for upside in an acquisition, particularly in a taxable one.
 - Many companies look for an exit after the upside is realized and tax becomes an issue.
 - Purchasers with excess pools are at an advantage.
 - Any prospective corporate acquisition with tax shelter will attract tremendous buying interest.
 - Companies with tax shelter should seek out those with imminent tax horizons as merger targets.

SUMMARY

- 2005 was a “*Seller’s Market*”.
- “*Seller’s Market*” to continue well into 2006.
- Few significant property packages.
- Focus on corporate transactions.
- Continued private company sales.
- Purchasers will need to be proactive.
- Tax will remain a huge issue that will impede corporate M&A activity.

2006 M&A Outlook

Forecast of M&A Activity Level for 2006

Presented to the
Petroleum Acquisition & Divestment Association
("PADA")

January 17, 2006

Alan W. Tambosso, P.Eng. P.Geol.
President
Sayer Energy Advisors

PADA Presentation
January 2006