

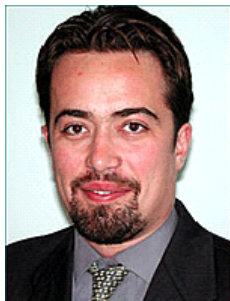
Daily Oil Bulletin

COPYRIGHT OF THE DAILY OIL BULLETIN 2017

Shares Becoming More Prevalent In M&A

SEPT. 28, 2017 – [VIEW ISSUE /HEADLINES/2017-09-28](#)

(Editor's note: This article, which ran Wednesday, has been updated. The final paragraph was missing from yesterday's text. We apologize for the error.)



By: Tom Pavic, CFA, Vice President, Sayer Energy Advisors

A trend that has emerged in a number of transactions that have been announced over the last few months in the Canadian oil and natural gas industry merger and acquisition ("M&A") market is the use of shares as currency by both publicly-traded and privately-held oil and natural gas producers. These deals have been occurring in the background of higher valued transactions such as **Cenovus Energy Inc.**'s acquisition of **ConocoPhillips Co.** assets for \$17.7 billion and **Canadian Natural Resources Limited's** acquisition of assets from both **Shell Canada Limited** and **Marathon Oil Corporation** for approximately \$13.5 billion, which led to the record high of \$36.1 billion in total M&A value in the first six months of 2017.

Earlier this month, **Paramount Resources Ltd.** completed its previously announced merger with **Trilogy Energy Corp.** As part of the transaction, Paramount acquired all of the common shares and non-voting shares of Trilogy, not already owned by Paramount, in exchange for common shares of Paramount on the basis of one Paramount share for every 3.75 Trilogy shares. Concurrent with the announcement of the merger with Trilogy in early July, Paramount also announced that it was acquiring all of the remaining Canadian assets held by **Apache Corporation** through Apache's Canadian subsidiary **Apache Canada Ltd.** for \$460.0 million. Paramount completed the acquisition of Apache Canada in August.

In early July, **Manitok Energy Inc.** announced an arrangement with publicly-traded **Questfire Energy Corp.** whereby Questfire shareholders will receive, for each Questfire share held, 2.25 Manitok common shares. After completion of the arrangement with Questfire, Manitok will have production exceeding 10,600 boe/d (32 per cent oil) and total proved plus probable reserves of 57 MMboe. Upon the completion of the arrangement, Manitok and Questfire shareholders will hold approximately 86 per cent and 14 per cent of the pro forma shares of the merged entity, respectively.

Following the announcement to merge with Questfire, Manitok announced and then subsequently completed an amalgamation with privately-held **Corinthian Oil Corp.** Manitok acquired, through Corinthian, approximately 180 boe/d of production (25 per cent oil and liquids) with related oil battery and gas gathering systems, as well as over 120,000 acres of land including 100,000 acres of net undeveloped land primarily located in the Heathdale area of southern Alberta. Corinthian's production was mainly from the Colony, Glauconitic and Detrital formations, on which Manitok has identified additional exploitation opportunities. In addition to the production and land, Corinthian had approximately \$2.9 million of net working capital, including \$2.0 million of cash. An aggregate of 43,979,927 Manitok shares were issued to the Corinthian shareholders at a deemed price of \$0.070486665 per Manitok share. Prior to the amalgamation with Manitok, Corinthian sold its Duvernay interests in the Huxley and Joffre areas of Alberta.

The use of shares as currency in M&A transactions recently has not been exclusive to publicly-traded companies. Privately-held companies have also been using their shares to get acquisitions "across the goal line". Privately-held **Tangle Creek Energy Ltd.** announced its intention to acquire all of **RMP Energy Inc.**'s crude oil and natural gas interests in the Waskahigan/Grizzly, Kaybob, Gilby and Pine Creek areas of west central Alberta, in addition to other minor Alberta properties, for total consideration of \$80.0 million consisting of \$71.0 million in cash and approximately 13.85 million common shares of Tangle Creek (having a value of \$9.0 million based upon the issue price of Tangle Creek's most recent equity financing completed in conjunction with the proposed acquisition). Through this acquisition Tangle Creek will acquire approximately 3,200 boe/d of production (30 per cent oil and liquids) and total proved plus probable reserves of 23.0 MMboe.

In late August, **Enercapita Energy Trust**, a privately-held energy fund, completed the acquisition of **Birchcliff Energy Ltd.**'s interests in the Worsley area of Alberta for total consideration of \$100 million, comprised of \$90.0 million in cash and \$10.0 million of Enercapita trust units. Through this acquisition Enercapita acquired approximately 2,750 boe/d of production (70 per cent liquids) and total proved plus probable reserves of 38.9 MMboe. With the acquisition of these assets Enercapita is forecasting its 2018 production to be approximately 6,700 boe/d.

The trend of using "paper" for both corporate and asset acquisitions will continue to be prevalent as capital continues to be scarce for many oil and natural gas companies; however, with the recent uptick in oil prices and a couple of significant dispositions announced by Cenovus with the sale of its non-core interests in the Pelican Lake area of Alberta to Canadian Natural for \$975 million as well as interests in the Suffield area of Alberta to **International Petroleum Corporation** for \$512 million (excluding the potential deferred payment of \$36 million based on commodity prices) we may be starting to turn the corner.

SECTION: [MARKET INTELLIGENCE](#) (/SECTION/MARKET-INTELLIGENCE/)

CATEGORY: [MERGERS AND ACQUISITIONS](#) (/CATEGORY/MERGERS-AND-ACQUISITIONS/)