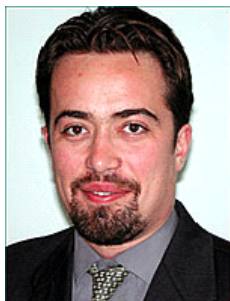


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Private Oil & Natural Gas Producers With Strong LLR Hitting The Market

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Since the beginning of September we have seen a number of privately-held oil and natural gas companies announce their intention to solicit offers either through a publicly announced corporate sales process or strategic alternatives process. The reasons why these companies are up for sale vary by company but in all cases two common themes emerge and that is that they are all private and all have a strong Licensee Liability Rating (“LLR”) associated with them.

Jayhawk Resources Ltd. initiated its public corporate sales process in early September. Jayhawk’s main producing property is in the Minnehik area of Alberta where it holds high working interests in 65.75 sections of land. The property is currently producing low-decline natural gas primarily from shallow reservoirs in the Edmonton Group (Scollard and Horseshoe Canyon formations). Jayhawk’s recent corporate production has averaged approximately 330 boe/d (1.6 MMcf/d of natural gas and 56 barrels per day of oil and natural gas liquids). Operated production from its main property in the Minnehik area of Alberta includes ownership in all associated facilities, which provides the company with low operating costs and third party processing income. Jayhawk also has minor producing properties located in the Provost, Craigmyle, Penhold, Sylvan Lake, Joffre, Homeglen-Rimbey, Carrot Creek, Bellis, Tony Creek, Mitsue, Nipisiani and Clear River areas of Alberta. Jayhawk has a high LLR of 3.31 as at August 5, 2017, no debt, positive working capital and no severance obligations.

Ventura Resources Inc. commenced a public marketing process in late September to evaluate strategic alternatives to enhance shareholder value. Ventura has assembled a concentrated asset base in southeast Saskatchewan and it has organically grown working interest production from zero to 1,435 boe/d (94 per cent light oil, 35° API) at the end of August 2017. Ventura has mainly 100 per cent working interest and operated light oil properties in the Bryant, Elcott, and Steelman areas of Saskatchewan which have significant, low risk, highly economic future drilling locations identified in the Frobisher Halbrite and Midale beds. Ventura has drilled and completed 13 horizontal open hole Halbrite wells since mid 2016, de-risking the Halbrite across its acreage at Elcott, Bryant and Steelman. In total, Ventura has identified 205 (201.3 net) drilling locations, including 148 (145.5 net) Halbrite open hole horizontal locations and 57 (55.8 net) Midale multi-stage fracturing and open hole locations. Ventura has a high LLR of 100.15 as at August 28, 2017, no debt with approximately \$1.0 million in positive working capital.

Earlier this month, **Corval Energy Ltd.** commenced a public corporate sales process wherein the desired outcome is a corporate transaction that will include the sale of all of Corval’s outstanding common and performance shares and substantially all of Corval’s assets, liabilities and tax pools. Corval is targeting two stacked resource plays in the Lodgepole and Bakken formations in the Sinclair/Daly area of Manitoba. Corval’s average daily production for the month of September, 2017 was approximately 1,325 bbl/d of oil. Certain non-Manitoba assets held by Corval have been excluded from the corporate sales process. Corval’s LLR for its interests in Manitoba is not publicly available but according to the marketing material, 115 of the 130 wells Corval is a licensed operator of in Manitoba are producing. Corval’s LLR at October 7, 2017, is 3.77 for its oil and natural gas interests in Alberta which are excluded from the corporate sales process.

With LLR becoming front and centre in the current Canadian oil and natural gas merger and acquisition (“M&A”) market it seems that certain privately-held companies are looking to take advantage of the “clean” assets that they have in order to create a liquidity event for their shareholders. With current commodity prices showing little signs of a dramatic increase in the near future, a company using its strong LLR as a selling feature could be what gets a deal done in the current M&A market.

CATEGORIES: [NATURAL GAS \(/CATEGORY/NATURAL-GAS/\)](#), [OIL \(/CATEGORY/OIL/\)](#), [PRODUCTION \(/CATEGORY/PRODUCTION/\)](#)