

Assets For Sale Value More Than Doubles Year Over Year

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The amount of Canadian oil and natural gas assets available for sale currently is more than double the value versus the same time last year. This time last year there was a total of approximately \$1.8 billion in oil and natural assets for sale versus the \$3.7 billion in total value calculated currently. These amounts are Sayer's estimates of the market value of the assets and companies up for sale publicly. The significant increase in the amount of available Canadian oil and natural gas assets for sale can be attributed to a couple of companies with a significant historical track record in oil and natural gas production pursuing public "strategic alternatives processes" as well as a few more entities entering into insolvency proceedings.

In September 2019, **Obsidian Energy Ltd.** initiated a strategic alternatives process to evaluate the company's strategic options and alternatives to maximize shareholder value. According to Obsidian, *"Strategic alternatives may include, but are not limited to, a corporate sale, merger or other business combination, a disposition of all or a portion of the company's assets, a recapitalization, refinancing of its capital structure, or any combination of the foregoing"*. Obsidian's main assets are located in the Peace River, Cardium, Deep Basin and Alberta Viking areas of Alberta. Obsidian's current production is approximately 28,000 boe/d. Obsidian was previously known as **Penn West Petroleum Ltd.** and **Penn West Energy Trust**, and it has been active in the Canadian oil and natural gas industry since 1980.

Pengrowth Energy Corporation announced earlier this year that it initiated a strategic review process to evaluate alternatives to enhance shareholder value. According to Pengrowth, *"Strategic alternatives may include, but are not limited to, a sale, merger or other business combination, a disposition of all or certain assets of the company, recapitalization and refinancing opportunities, sourcing new financing and equity capital"*. Pengrowth's main assets are its thermal heavy oil project located in the Lindbergh area of Alberta and its Groundbirch Montney natural gas play in northeastern British Columbia. Pengrowth's current production is approximately 24,000 boe/d. Pengrowth, like Obsidian, was also previously a royalty income trust named **Pengrowth Energy Trust** and has been active in the Canadian oil and natural gas industry since 1988.

In early October, **Bellatrix Exploration Ltd.** announced that **PricewaterhouseCoopers Inc.** was appointed Monitor of Bellatrix pursuant to an initial Companies' Creditors Arrangement Act ("CCAA") order granted by the Alberta Court of Queen's Bench. This initial order has granted, among other things, a stay of proceedings until and including November 1, 2019, while Bellatrix pursues restructuring initiatives under CCAA. Bellatrix has initiated a sale and investment solicitation process to identify and pursue potential strategic options and alternatives to maximize shareholder value. According to Bellatrix, *"The process will explore a range of options and alternatives including, but not limited to, transactions involving the sale of all or a portion of the business and assets or shares of the company, or refinancing, recapitalization or other restructuring transactions"*. Bellatrix's main assets are located in the Ferrier, Pembina and Willesden Green areas of Alberta. Bellatrix's current production is approximately 36,000 boe/d.

In late October, **Accel Canada Holdings Ltd.** and **Accel Energy Canada Limited** (collectively, "Accel") announced that **Deloitte Restructuring Inc.** was appointed Trustee regarding Accel's Notice of Intention to Make a Proposal pursuant to the Bankruptcy and Insolvency Act. Accel operates assets located in the Judy Creek, Carson Creek, Deer Mountain and Goose River areas of Alberta and holds working interests in the Swan Hills, South Swan Hills, House Mountain and Freeman units. Accel acquired these assets from Pengrowth in 2017 in two separate acquisitions for total consideration of approximately \$335 million. At the time of the acquisitions the total production associated with the properties was approximately 10,200 boe/d.

The increase in the amount of oil and natural gas production available for sale can be attributed to both a lack of capital available to Canadian exploration and production companies as well as a lack of merger and acquisition ("M&A") activity in the Canadian oil and natural gas industry. In the third quarter of 2019 the total amount of financings completed (both debt and equity combined) was less than \$100 million in comparison to the \$1.5 billion raised over the same time period last year, while total M&A activity in the third quarter of 2019 was approximately \$600 million compared to the \$2.9 billion calculated over the same time period in 2018. If both this lack of capital and M&A activity persists we will undoubtedly see an increase in companies announcing both "strategic alternatives processes" as well as, unfortunately, more insolvency proceedings.

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