

# Assets For Sale Value Down 75% Year Over Year

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The amount of Canadian oil and natural gas assets publicly available for sale is down roughly 75 per cent from this time last year.

Currently, there is just under \$1.0 billion in Canadian oil and natural gas properties and companies up for sale. This time last year there was a total of approximately \$3.7 billion in oil and natural assets for sale. These amounts are Sayer's estimates of the market value of the assets and companies up for sale publicly.

The amount of available Canadian oil and natural gas assets for sale can be attributed to a combination of several companies pursuing public "strategic alternatives processes," corporate divestitures and property divestitures as well as entities involved in insolvency proceedings.

As with last year, strategic alternatives processes constitute the bulk of the assets for sale in current public marketing processes. In November, privately-held **Turm Oil & Gas Ltd.** initiated a strategic alternatives process to evaluate strategic options and alternatives to maximize shareholder value. Strategic alternatives include but are not limited to, a sale of some or all of the assets, a recapitalization of the company or a sale or merger of the company. Turm's main assets consist of heavy oil properties located in the Neilburg, Lashburn-Maidstone, Edam, Aberfeldy and Gully Lake areas of Saskatchewan. Prior to temporarily shutting-in production with the onset of the COVID-19 pandemic, average daily production net to Turm from the properties was approximately 638 bbls/d of oil.

In October, publicly-held **Highwood Oil Company Ltd.** initiated a strategic alternatives process to identify, examine and consider strategic and financial alternatives available to the company.

According to Highwood, "alternatives may include, but are not limited to, the sale of the company, investment in, merger or other business combination, recapitalization, sale of all or a portion of the company's assets, or any combination thereof, continued execution of its business plan, among all other alternatives." Highwood's main assets are located in the Craigend, Jarvie/Newbrook, Nipisi and Red Earth areas of Alberta. Subsequent to the announcement of the process, Highwood announced the divestiture of its Red Earth property, which it considered to be non-core. Current production from the Red Earth field is approximately 1,000 bbls/d of oil. The divestiture closed in escrow subject to regulatory approval, a condition which Highwood anticipates being satisfied in late January 2021.

A strategic alternatives process that was initiated last year and is included in our statistics for this year is **Obsidian Energy Ltd.**, which initiated a strategic alternatives process in September 2019 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 26,000 boe/d. In August 2020, as part of its strategic alternatives process, Obsidian announced a hostile take-over offer for all of the issued and outstanding shares of **Bonterra Energy Corp.**

Other recent public offerings include a variety of non-core property divestitures such as the processes underway by **Enercapita Energy Ltd.**, and **Razor Energy Corp.** as well as corporate divestitures such as **Rake Resources Ltd.**

Enercapita is currently marketing its natural gas assets in the Vegreville area of central Alberta. The properties consist of both operated and non-operated interests with approximately 1.4 mmcf/d of natural gas and six bbls/d of oil and natural gas liquids (238 boe/d) of production.

Razor is currently publicly marketing certain non-core oil and natural gas interests located in the Badger, Chin Coulee, Enchant/Retlaw, Jumpbush and Majorville areas of southern Alberta. Production net Razor from these assets recently averaged approximately 620 boe/d consisting of 1.9 mmcf/d of natural gas and 297 bbls/d of oil and natural gas liquids.

Rake is private company with operations based in southeastern Saskatchewan near the Manitoba border. Rake's oil properties are located northwest of the town of Moosomin in the Welwyn and Burrows areas of Saskatchewan. The properties are 100 per cent operated by Rake.

The number of insolvency processes is also down on a year-over-year basis. The only currently active insolvency marketing process is **Point Loma Resources Limited**, with **BDO Canada Limited** as the Court appointed Receiver and Manager. Point Loma's oil and natural gas properties are located in the Gilby, Leaman, Paddle River, Pine Creek/Edson, Thornbury, Whitecourt and Wizard Lake areas of west central Alberta.

A factor to consider when examining the amount of oil and natural gas production publicly for sale is that it may not truly reflect all assets or oil and natural gas companies for sale at any given time as a number of sales processes are conducted privately and are not included in our total value calculations. For instance, **Tourmaline Oil Corp.** announced earlier this month the acquisitions of both privately-held **Jupiter Resources Inc.** (closing scheduled in December 2020) and **Modern Resources Inc.** for total consideration of approximately \$770 million. Neither Jupiter nor Modern publicly announced a corporate sale or strategic alternatives process.

Total merger and acquisition (“M&A”) activity in the first three quarters of 2020 was approximately \$2.7 billion, of which approximately \$2.0 billion occurred in the third quarter of 2020. If increased M&A activity persists, we may see an increase in the amount of Canadian oil and natural gas companies and properties for sale in the early part of 2021.

**Sections:** [M&A \(/mergers-and-acquisitions/\)](#).

**Categories:** [Analysis \(/category/analysis/\)](#) /

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