

Private Entities Monetizing For Public Company Paper

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A trend that we have witnessed during the recent wave of consolidation in the Canadian oil and natural gas industry is a significant number of privately-held oil and natural gas companies achieving liquidity by selling to publicly-traded companies for shares.

Late last week, privately-held **Briko Energy Corp.** announced that it had entered into an arrangement agreement with publicly-traded **Journey Energy Inc. (/company/journey-energy-inc/)** pursuant to which Journey will acquire all the issued and outstanding common shares of Briko for total consideration of approximately \$7.1 million, consisting of the issuance of 3.5 million common shares of Journey and \$2.9 million in cash. Briko's main producing properties are focused in the **Cardium (/play/cardium/)** formation, located in the foothills area of Alberta.

Surge Energy Inc. (/company/surge-energy-inc/) also announced last week its intention to acquire all of the issued and outstanding common shares of privately-held **Astra Oil Corp.** by way of a statutory arrangement for total consideration of approximately \$160.0 million. Surge is funding the transaction by issuing common shares of Surge and assuming approximately \$15.0 million of net debt. Astra's main producing properties consist of light oil production focused primarily in southeastern Saskatchewan.

Tourmaline Oil Corp. (/company/tourmaline-oil-corp/) announced earlier this month its pending acquisition of privately-owned **Black Swan Energy Ltd.** for total consideration of \$1.1 billion, consisting of 26.0 million Tourmaline common shares and the assumption of net debt of up to a maximum of \$350.0 million. The acquisition of Black Swan follows Tourmaline's recent purchase of 50 per cent of **Saguaro Resources Ltd.**'s assets for cash consideration of \$205.0 million along with a joint venture to further develop the Saguaro assets. The acquisition of Black Swan complements Tourmaline's operations in northeastern British Columbia.

In the fourth quarter of 2020 Tourmaline acquired **Jupiter Resources Ltd.** for \$615.8 million consisting of approximately 24.2 million shares of Tourmaline and the assumption of approximately \$200.0 million of net debt and **Modern Resources Inc.** for \$143.5 million consisting of approximately \$73.8 million in cash, the issuance of 1.5 million Tourmaline shares and the assumption of approximately \$44.0 million of net debt. Both Jupiter and Modern's main producing properties were located in the Musreau, Resthaven and Kakwa areas of Alberta. Tourmaline, as part of these transactions, also sold a gross overriding royalty ("GORR") on both the Modern and Jupiter lands to **Topaz Energy Corp.** for \$130.0 million.

In early June, **Cardinal Energy Ltd. (/company/cardinal-energy-ltd/)** announced it had entered into an arrangement agreement to acquire privately-held **Venturion Oil Limited** for approximately \$47.5 million. The consideration to be paid by Cardinal consists of approximately 6.3 million shares of Cardinal and \$27.9 million in cash. The acquisition includes the assumption of \$10.9 million in outstanding debt which will be repaid using the cash component of the purchase price. In conjunction with the transaction, Cardinal

intends to issue up to \$12.5 million of subordinated second lien secured notes. The remainder of the cash consideration will be financed from Cardinal's existing bank facility. Venturion's assets consist of approximately 2,400 boe/d of production (~83 per cent oil) focused in central Alberta and other minor properties. The majority of Venturion's assets fall into Cardinal's Wainwright operating area.

Tamarack Valley Energy Ltd. (/company/tamarack-valley-energy-ltd/) recently acquired privately-held **Anegada Oil Corp.** for net consideration of \$494.0 million after deducting the proceeds from the sale of a 2.0 per cent newly created GORR on the acquired assets to Topaz for \$32.0 million. The consideration consists of \$247.5 million cash and assumed debt and approximately 105.3 million shares of Tamarack Valley. Anegada's main producing properties were focused in the **Charlie Lake (/play/charlie-lake/)** formation in the Valhalla area of Alberta.

Earlier this year, Tamarack Valley announced two acquisitions concurrently for approximately \$150.0 million in cash and shares of Tamarack Valley. The acquisitions comprised of privately-held **Woodcote Petroleum Inc.** and assets from publicly-traded Surge for approximately \$138.0 million in cash and 4.9 million shares of Tamarack Valley. The assets acquired from Surge were located in the Nipisi and Provost areas of Alberta. Woodcote's main producing property was located in the Greater Nipisi area of Alberta targeting the Clearwater formation. Tamarack Valley also sold a 4.0 per cent GORR to Topaz on a portion of the acquired assets for \$13.7 million.

Earlier this quarter, **Whitecap Resources Inc. (/company/whitecap-resources-inc/)** acquired privately-held **Kicking Horse Oil & Gas Ltd.** for total consideration of \$300.0 million. The consideration paid consisted of the issuance of 34.5 million Whitecap common shares, \$56.0 million in cash and assumption of net debt of \$54.0 million. Kicking Horse's assets were located in the Kakwa area of Alberta, primarily focusing on the **Montney (/play/montney/)** formation.

Other private companies which have also recently monetized include **Logic Energy Ltd., Rake Resources Ltd.** and **Turm Oil & Gas Ltd.** Logic's main producing properties were located in the Halkirk and Hussar areas of Alberta. Turm's operations were located in the Lloydminster area of Saskatchewan, while Rake's assets were located in the Burrows and Welwyn areas of southeastern Saskatchewan.

We expect this trend in publicly-traded companies using shares as currency in acquisitions of private companies to continue. Transactions of this nature offer an attractive way for private companies to obtain liquidity while preserving a stake in the upside of the go-forward entity, ultimately enabling more deals to occur.

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