

M&A Value In First Half Of 2021 Skyrockets Year-Over-Year

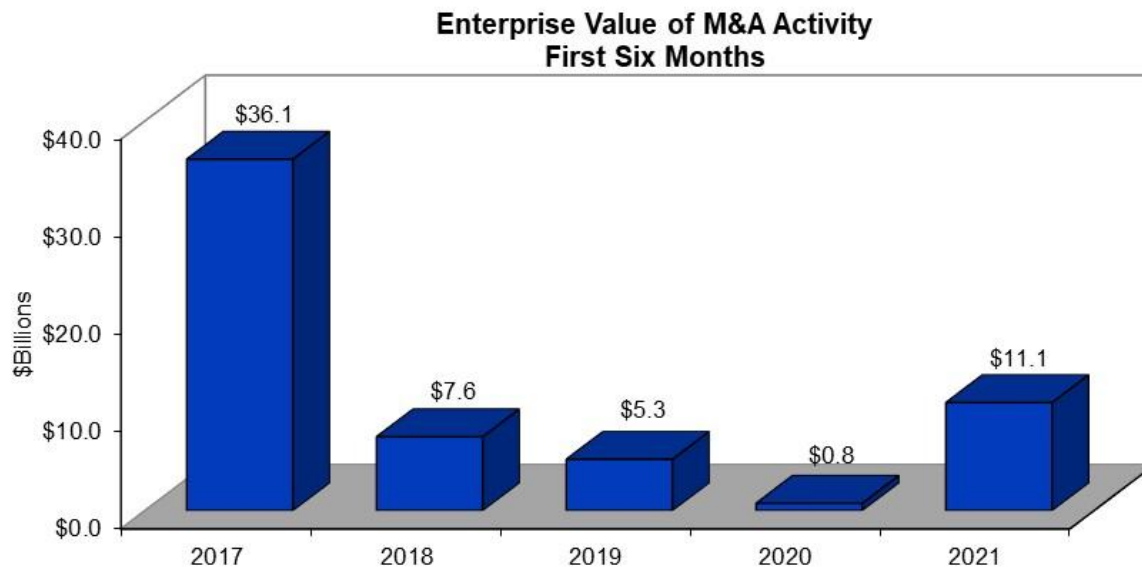
By [Tom Pavic, Sayer Energy Advisors \(/author/tom-pavic-sayer-energy-advisors/\)](#)

Wednesday, October 27, 2021, 6 AM MDT



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The total enterprise value of merger and acquisition (“M&A”) activity in the Canadian oil and natural gas industry for the first half of 2021 was approximately \$11.1 billion, up 1,369 per cent from the \$754.8 million recorded in the first six months of 2020. This is the highest value since 2017 when \$36.1 billion of M&A activity occurred.



There were only two deals over \$1.0 billion in the first six months of 2021. The largest transaction in the first half was **ARC Resources Ltd.**’s acquisition of **Seven Generations Energy Ltd.** for \$5.1 billion in the first quarter. This transaction accounted for approximately 46 per cent of the total M&A transaction value in the first six months of 2021. The transaction was a share exchange wherein each Seven Generations shareholder received 1.108 of an ARC share for each Seven Generations share held. Seven Generations’ main producing property was located in the Kakwa area of Alberta. The combined company, which continued under the name ARC Resources Ltd., is expected to deliver average daily production of over 340,000 boe/d, consisting of approximately 138,000 bbls/d of liquids and approximately 1.2 bcf/d of natural gas. The combined entity became Canada’s largest condensate producer, third-largest natural gas producer, and sixth-largest upstream energy company.

The second-largest transaction in the first six months of 2021 was **Tourmaline Oil Corp.**’s acquisition of **Black Swan Energy Ltd.** for \$1.1 billion in the second quarter. Black Swan’s main producing properties were located in the Aitken and Nig areas of northeastern British Columbia. With this acquisition, Tourmaline forecasted its production to increase to 470,000 boe/d (78 per cent natural gas). Other notable

transactions Tourmaline was involved in during the first half of 2021 was the purchase of a 50 per cent working interest in all of the oil and natural gas interests of **Saguaro Resources Ltd.** for \$205.0 million and the sale of a newly created gross overriding royalty interest to **Topaz Energy Corp.** for \$245.0 million.

Another significant transaction in the first half was **Crescent Point Energy Corp.**'s acquisition of assets from **Shell Canada Energy** for \$908.5 million in the first quarter. The consideration paid by Crescent Point consisted of \$700.0 million in cash and the issuance of 50.0 million shares of Crescent Point. The assets acquired by Crescent Point consist of Shell Canada's Duvernay interests in the Kaybob area of Alberta. The acquisition established a new core operating area for Crescent Point with approximately 200 net internally identified drilling locations.

Of the approximately \$11.0 billion in large transactions (valued at over \$5.0 million) in the first six months of 2021, approximately \$8.2 billion consisted of corporate transactions while \$2.8 billion were property deals. The ARC/Seven Generations and Tourmaline/Black Swan corporate transactions accounted for 76 per cent of the total corporate M&A value. In the first half of 2021, there were 49 large transactions of which 33 were property deals with the remaining 16 recorded as corporate deals; this is a significant increase compared to the first half of 2020, where there were only 11 corporate deals totaling \$400.7 million in enterprise value and six property deals totaling \$251.3 million in enterprise value.

During the first half of 2021, there was a total of 49 large transactions (valued at over \$5.0 million), consisting of 20 oil-weighted transactions which accounted for \$7.8 billion in aggregate value and 29 large natural gas-weighted transactions with a total enterprise value of approximately \$3.2 billion. This compares to 2020, when 13 of the 17 large transactions in the first six months were oil-weighted, with a total enterprise value of \$455.5 million and the remaining four deals were weighted towards natural gas, with a total enterprise value of \$196.6 million.

A consistent trend throughout the first half of 2021 has been public oil and natural gas companies predominantly using shares as currency to purchase private companies. Examples of this include Tourmaline's previously-mentioned acquisition of Black Swan, **Cardinal Energy Ltd.**'s purchase of **Venturion Oil Limited** for \$48.5 million, **Journey Energy Inc.**'s acquisition of **Briko Energy Corp.** for \$8.4 million, **Surge Energy Inc.**'s takeover of **Astra Oil Corp.** for \$196.3 million, **Tamarack Valley Energy Ltd.**'s purchase of **Anegada Oil Corp.** for \$533.6 million and **Whitecap Resources Inc.**'s acquisition of **Kicking Horse Oil & Gas Ltd.** for \$333.9 million.

This trend has also continued in the second half of 2021 with **Spartan Delta Corp.**'s acquisition of privately-held **Velvet Energy Ltd.** for \$754.0 million and Surge's proposed take-over of **Fire Sky Energy Inc.** for \$58.0 million. With commodity prices continuing to increase, we may see this trend of privately-held oil and natural gas companies achieving liquidity through share for share transactions with publicly-traded oil and natural gas companies.

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