

Assets For Sale Value Down 69 Per Cent Year-Over-Year

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The amount of Canadian oil and natural gas assets publicly available for sale is down roughly 69 per cent from this time last year. Currently, there is approximately \$500.0 million in Canadian oil and natural gas properties and companies up for sale. This time last year there was a total of approximately \$1.6 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.

Contrasting with the last three years when strategic alternatives processes constituted the main segment of the assets for sale in current public marketing processes, the bulk of the assets currently for sale publicly in the market are made up of asset packages. While the value of companies for sale has plunged by 93 per cent year-over-year, the number of companies for sale has dropped by only one, from 10 in the third quarter of 2021 to nine currently.

Several companies have concluded strategic alternatives processes that they were running this time last year which has contributed to the reduction in the total amount of oil and natural gas production publicly for sale. On July 26, 2021, **Pieridae Energy Limited** announced it had initiated a formal process to identify, examine and consider a range of strategic alternatives with a view to enhancing shareholder value. On January 24, 2022, Pieridae announced the strategic review process had ended and Pieridae was no longer reviewing strategic alternatives. Pieridae's main assets are located in the Alberta foothills with production of approximately 38,000 boe/d (84 per cent natural gas) at the time Pieridae announced the strategic alternatives process.

Another example is **Abu Dhabi National Energy Company PJSC** ("TAQA"), which announced last year that it initiated a strategic review of its oil and natural gas operations. TAQA indicated the following, "the review will assess strategic options for the oil and natural gas division and the optimal course for its future development, while taking into consideration the evolution of the global energy industry as it transitions towards a cleaner and more sustainable future. All options will be considered, including the sale of some or all the assets, or the retention and development of the assets within the TAQA Group". On July 5, 2022 TAQA announced that its oil and natural gas portfolio would be retained, with the exception of the upstream assets in the Netherlands where discussions were ongoing. At the time the strategic alternatives process was announced, **TAQA North Ltd.**'s assets in Canada consisted of production of approximately 74,000 boe/d (70 per cent natural gas).

A company with major assets currently for sale is **Whitecap Resources Inc.** The oil and natural gas properties are located in various areas throughout Alberta, Saskatchewan and Manitoba. Whitecap's production from these assets is approximately 12,350 boe/d (68 per cent liquids).

Another company with major assets for sale is **Bonavista Energy Corporation**. The properties are located in various areas of Alberta with 4,658 boe/d of associated production (35 per cent liquids).

Other recent offerings include corporate sales processes by **Edge Capital Ltd.** and **Saskatoon Leaseholds Limited**. Edge's main producing properties are heavy oil assets in the Lloydminster area of Alberta and Saskatchewan with associated production of approximately 312 boe/d (83 per cent liquids). Saskatoon Leaseholds' assets consist primarily of Fee Title interests, Gross Overriding Royalty interests, as well as Gross Royalty Trust Certificates in a number of areas of Alberta, Saskatchewan, Manitoba as well as Montana, USA and minor non-operated working interests in Alberta and Saskatchewan. Royalty production net to Saskatoon Leaseholds was approximately 38 boe/d (31 barrels of oil per day and 42 Mcf/d of natural gas).

Further public sales processes currently underway include a variety of non-core property divestitures such as **New North Resources Ltd.** and **OILPLUSWATER Inc.** with the joint sale of their 100 per cent operated oil and natural gas working interest property located in the Grand Forks area of southern Alberta. Production net to New North/OILPLUSWATER from the Grand Forks property is approximately 46 bbl per day of medium oil from the Sawtooth formation.

The number of insolvencies has also decreased on a year-over-year basis. There are currently four insolvency sales processes compared to six this time last year. **Abbey Resources Corporation** recently announced a sales process for its oil and natural gas interests located in Saskatchewan pursuant to an

Order of the Court of Queen's Bench of Saskatchewan whereby its receiver, **MNP Ltd.**, was appointed by the Court to manage over the assets, undertakings and property of Abbey.

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, in the third quarter of 2022, **Tamarack Valley Energy Ltd.** announced the acquisition of privately-held **Deltastream Energy Corporation** for total consideration of approximately \$1.5 billion and **Tourmaline Oil Corp.** bought privately-held **Rising Star Resources Ltd.** for \$215.5 million. Deltastream and Rising Star had not publicly announced their intention to sell in advance.

Factors which influence the amount of Canadian oil and natural gas assets publicly for sale include commodity prices and the amount of capital available. If strong commodity prices persist, along with the continued inability for many oil and natural gas companies to raise capital, we may see a decent amount of Canadian oil and natural gas companies and properties publicly for sale in early 2023.

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