

ANALYSIS

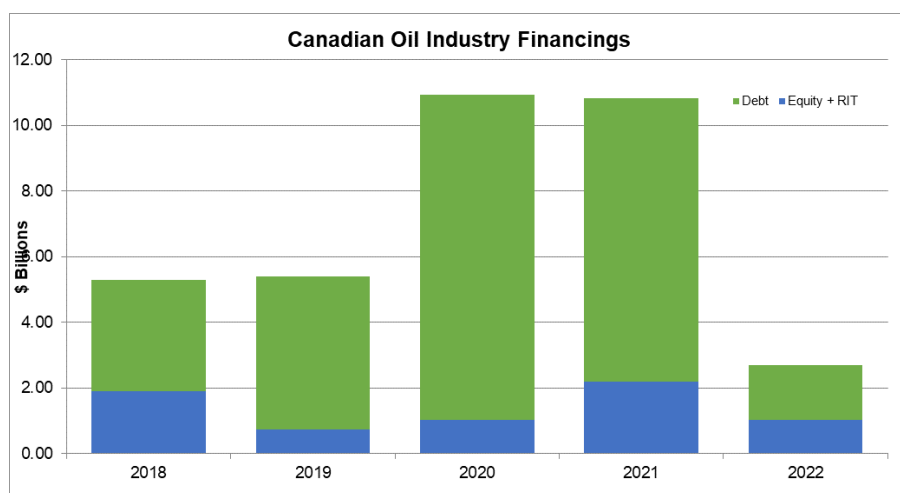
Total Oil & Natural Gas Financings Hit A Record Low In 2022

By [Tom Pavic, Sayer Energy Advisors \(/author/tom-pavic-sayer-energy-advisors/\)](https://www.dailyoilbulletin.com/author/tom-pavic-sayer-energy-advisors/)

Wednesday, February 22, 2023, 6 AM MST

[f](#) [t](#) [e](#) [Print](#)

The total amount of capital raised in the Canadian oil and natural gas industry in 2022 decreased 75 per cent to \$2.7 billion from the \$10.8 billion recorded in 2021. This is the lowest amount of capital raised since Sayer Energy Advisors began publishing financing statistics in 1994. Debt financings of \$1.7 billion accounted for 62 per cent of the capital raised, with equity financings of approximately \$1.0 billion taking the balance. In 2021, debt financing accounted for 80 per cent of the total capital raised with the remaining 20 per cent from equity financings.



The decrease in capital raised in 2022 was due to the year-over-year decline in both the total amount of debt and equity financings. In 2022, the total value of debt financings decreased 81 per cent to \$1.7 billion, down from \$8.6 billion in 2021. During the same time period, the total value of equity financings dropped 54 per cent to approximately \$1.0 billion from \$2.2 billion the year prior.

The debt category described herein is comprised of straight and convertible debt. There were 18 debt financings in 2022, down 90 per cent from the 187 recorded in 2021. The majority of the debt issues in 2022 were straight debt, accounting for 94 per cent of the total debt issued. The amount of straight debt issues was \$1.6 billion, down 82 per cent from the \$8.5 billion calculated in 2021. Convertible debt increased slightly year-over-year to \$94.3 million from \$93.8 million in 2021.

In 2022, all the top ten debt issues were straight debt, as was the case in 2021.

Vermilion Energy Inc. closed the largest debt issuance in April. Vermilion issued approximately \$511.9 million in eight-year senior unsecured notes with a fixed coupon rate of 6.875 per cent. The net proceeds of the offering were used to reduce the amount outstanding on Vermilion's revolving credit facility.

International Petroleum Corporation's debt issuance in January of approximately \$374.2 million was the second-largest debt financing in 2022. The senior unsecured note offering had a five-year term and a coupon rate of 7.25 per cent. Net proceeds from the senior unsecured note offering were used to repay existing indebtedness under its bank credit facilities and for general corporate purposes.

In February 2022, **Tamarack Valley Energy Ltd.** issued \$200.0 million of 7.25 per cent senior unsecured sustainability-linked notes due May 10, 2027. Tamarack Valley used the net proceeds towards the acquisition of **Crestwynd Exploration Ltd.** and to repay amounts outstanding under its sustainability-linked credit facility.

Rounding out the largest debt financings in 2022 was **Saturn Oil & Gas Inc.** Saturn entered into a loan agreement with its U.S. based institutional lender for proceeds of \$200.0 million. The loan had interest at a rate of Canadian Dollar Offered Rate + 11.5 per cent and will amortize over three years, with 50 per cent repayable in the first year, 30 per cent in the second year and 20 per cent in the final year. The proceeds from the offering were used to partially fund the acquisition of assets in the Viking area of Saskatchewan from **Crescent Point Energy Corp.** for \$260.0 million which was announced in the second quarter of 2022.

NG Energy International Corp.'s \$35.0 million private placement offering in December was the largest convertible debt financing in 2022. The senior unsecured convertible debenture units were comprised of one 10 per cent convertible debenture with a principal amount of \$1,000 and 1,000 warrants. The convertible debenture units are for a three-year term with a conversion price equal to \$0.90 per share. Proceeds of the offering were to be used for the completion of two wells in Colombia, finalization of phase 1 of its exploration program and for general working capital.

The total amount of equity raised in 2022 was approximately \$1.0 billion, a 54 per cent decrease from the \$2.2 billion in equity raised in 2021. The total number of equity issues decreased to 104 from 148, a 30 per cent drop. The average size of equity financings in 2022 decreased to \$9.8 million from \$14.8 million in 2021.

Included in the equity category is \$15.9 million in flow-through equity raised during 2022, an 82 per cent decrease from the \$86.7 million in flow-through raised in 2021. In 2022 there were three flow-through equity issuances compared to six in 2021, a 50 per cent drop.

The largest equity offering in 2022 was Tamarack Valley's bought-deal financing in September for approximately \$144.0 million. Tamarack issued 38,334,000 common shares at a price of \$3.75 per common share. The proceeds were used to partially fund the acquisition of **Deltastream Energy Corporation.**

The second-largest equity offering in 2022 was **Surge Energy Inc.**'s bought deal equity financing through the issuance of 8,703,200 common shares at a price of \$9.25 per share for gross proceeds of \$80.5 million. Proceeds of the offering were used towards the acquisition of assets from **Enerplus Corporation** for approximately \$248.7 million.

Saturn also completed a bought deal equity financing through the issuance of 27,181,860 units at a price of \$2.75 per unit for gross proceeds of approximately \$74.8 million. Each unit consisted of one common share of Saturn and one-half of one common share purchase warrant of Saturn. Each full warrant will be exercisable into one common share of Saturn until July 7, 2023, at an exercise price of \$3.20, subject to adjustment in certain events. Proceeds of the offering were used towards the previously mentioned acquisition of assets from Crescent Point for \$260.0 million.

There was one initial public offering ("IPO") completed in the Canadian oil and natural gas industry in 2022. **Source Rock Royalties Ltd.** raised \$13.8 million through its IPO in March. There were no IPOs recorded in 2021.

We expect capital markets to remain restricted and selective by primarily supporting larger, stronger publicly traded entities in 2023. Shareholder returns through share buy-backs and increased dividends will continue to be a common occurrence in 2023 as they were in 2022. With these factors, coupled with significantly higher interest rates, we forecast the total amount of financings will most likely be in and around the same range as what we saw in 2022.

Sections: [Markets \(/markets/\)](#) / [Upstream \(/upstream/\)](#)

Categories: [Analysis \(/category/analysis/\)](#) / [Oil & Gas Finance - Investment \(/category/finance-investment/\)](#)