

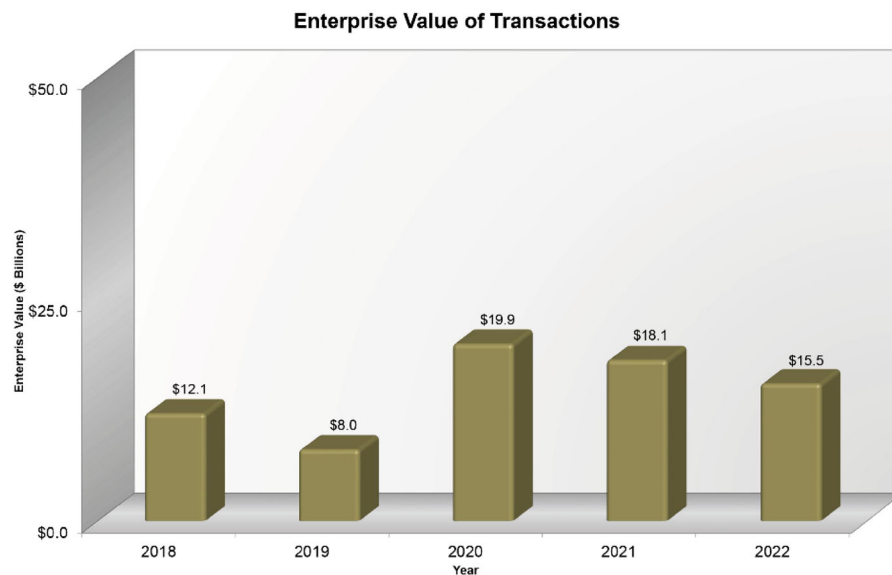
## M&A Value Down 15 Per Cent Year-Over-Year

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The total enterprise value of merger and acquisition (“M&A”) transactions in the Canadian oil and natural gas industry dropped 15 per cent in 2022 to \$15.5 billion, from \$18.1 billion 2021.



There were six deals in 2022 valued at over \$1.0 billion which accounted for 62 per cent of the total M&A value. This compares to 2021, when there were three deals valued at over \$1.0 billion which accounted for approximately 40 per cent of the total value.

The largest transaction in 2022 was **Strathcona Resources Ltd.**'s acquisition of **Serafina Energy Ltd.** for approximately \$2.3 billion in cash. A payment of \$1.9 billion was made at closing on August 29, 2022, and deferred payments of \$100.0 million were made on each of Sept. 30, 2022, Oct. 31, 2022, Nov. 30, 2022, and Dec. 30, 2022. The acquisition was funded through borrowings on Strathcona's revolving credit facility, with total committed borrowing capacity increased to \$2.0 billion (from \$1.5 billion), and through a \$700.0 million term loan. Serafina produced approximately 40,000 bbl/d of oil primarily through thermal heavy oil assets in Saskatchewan.

The second-largest transaction was **Whitecap Resources Inc.**'s acquisition of **XTO Energy Canada** which was jointly owned by **Imperial Oil Limited** and **ExxonMobil Canada** for approximately \$1.9 billion. XTO's assets consisted of Montney and Duvernay interests. Production associated with the acquisition included approximately 11,000 boe/d from the Montney formation and 21,000 boe/d from the Duvernay formation. The acquisition added 672,000 (639,000 net) acres of Montney and Duvernay lands and included 1,910 net drilling locations consisting of 217 Duvernay locations and 1,693 Montney locations. The Montney assets consolidated Whitecap's working interests at Kakwa and the Duvernay assets represented Whitecap's entry into the Duvernay play and included a 100 per cent working interest in a shallow cut natural gas processing facility.

The third-largest transaction was **Tamarack Valley Energy Ltd.**'s acquisition of **Deltastream Energy Corporation** for approximately \$1.5 billion. Deltastream's properties were concentrated in the Blood, Canal, Marten Hills and Nipisi areas of Alberta and added 184 net sections of Clearwater acreage and over 500 drilling locations. This was the third corporate acquisition completed by Tamarack Valley in 2022. In the first quarter, Tamarack Valley acquired **Crestwynd Exploration Ltd.** for approximately \$190.0 million and in the second quarter Tamarack Valley acquired **Rolling Hills Energy Ltd.** for \$94.1 million.

In recent years corporate transactions have dominated the M&A market and this was no different in 2022. There was approximately \$15.2 billion in total enterprise value of large deals (over \$5 million in value) in 2022 with corporate transactions accounting for \$9.8 billion or 65 per cent. Property deals made up the remaining \$5.4 billion in total enterprise value. The split between corporate and property transactions was similar to what occurred in 2021 when corporate transactions made up a majority (67 per cent) of the total M&A value.

The total value of both oil-weighted and natural gas-weighted transactions decreased in 2022 from the previous year. The value of oil-weighted transactions fell to \$10.7 billion in 2022 from the \$12.2 billion recorded the previous year, a 12 per cent drop. The value of natural gas-weighted transactions dropped 22 per cent to \$4.5 billion in 2022 from \$5.8 billion in 2021. In 2022, oil-weighted deals accounted for 71 per cent of the total enterprise value of all large deals with natural gas-weighted transactions accounting for the remaining 29 per cent.

Strong commodity prices coupled with a lack of investment capital were the main factors that drove M&A activity in 2022. These factors led to a number of privately-held oil and natural gas companies being sold as illustrated by the aforementioned Strathcona/Serafina and Tamarack Valley/Deltastream transactions.

The M&A market so far in 2023 has seen strong activity with a number of transactions reported. The most significant transaction year to date was **Crescent Point Energy Corp.** announcing its intention to purchase **Spartan Delta Corp.**'s Montney assets in the Gold Creek and Karr areas of Alberta for \$1.7 billion. Other notable transactions recorded in the first three months of 2023 were **Saturn Oil & Gas Inc.** acquiring **Ridgeback Resources Inc.** for approximately \$525.0 million, **Vermilion Energy Inc.** proceeding with the sale of certain non-core assets in southeastern Saskatchewan for \$225.0 million and **International Petroleum Corporation** purchasing all of the issued and outstanding shares of privately-held **Cor4 Oil Corp.** for \$84.0 million. With the recent drop in oil prices and the softening of natural gas prices in 2023 it should be interesting to see if the pace of activity so far witnessed in 2023 continues for the remainder of the year.

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