Oil And Natural Gas Producers Using Unconventional Debt For Acquisitions

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Over the last couple of years, there has been a common theme of oil and natural gas companies being committed to debt reduction strategies and return of capital to shareholders. While this holds true, we have recently seen a number of publicly-traded oil and natural gas companies enter into more unconventional debt structures to provide the capital required for the acquisition of oil and natural gas assets and companies. These unconventional debt structures have, for the most part, taken the place of conventional bank debt.

Westgate Energy Inc. announced in early March 2025 that it had agreed to acquire certain oil and natural gas assets for total consideration of $7.0 million. Concurrent with the acquisition, Westgate announced a first lien senior secured loan for up to US$25.0 million from a Texas-based private credit investment group, **Cibolo Energy Partners, LLC** and certain of its affiliates. The loan consists of a multi-draw, non-revolving term loan facility of a maximum aggregate principal amount of up to US$25.0 million. Westgate has made an initial draw of US$10.0 million. An additional US$10.0 million has been committed and remains available for draw.

The assets being acquired are located in the Frog Lake area of east-central Alberta and include 58 bbls/d of oil production and up to 57 multi-lateral horizontal wells identified by Westgate across three stacked oil-bearing Mannville zones. Westgate stated that the loan is a strategic and transformational transaction that will allow the company to fund drilling on its existing lands and on Mannville Stack focused assets being acquired.

In addition to the senior secured loan, Westgate closed a best-efforts financing of units for total proceeds of approximately $2.5 million, with proceeds to be used to partially fund the acquisition. Also concurrent with the acquisition, Westgate secured a $1.0 million revolving operating loan and closed a non-brokered insider private placement offering for gross proceeds of $700,000. Proceeds from the insider private placement were used to fund a deposit requirement for the acquisition.

In April 2025, **Fiddlehead Resources Corp.** announced the pending acquisition of the issued and outstanding shares of a privately-owned oil and natural gas producer for total consideration of $21.0 million, consisting of $18.0 million cash and $3.0 million in units of Fiddlehead. The purchase price is expected to be fully funded by a new senior secured term debt facility in the amount of US$25.0 million, provided by a syndicate of North American-based private credit investors. Also concurrent with the transaction, Fiddlehead plans to raise $1.0 million through a non-brokered private placement with proceeds to be used primarily for general working capital.

The assets of the private company are located near Fiddlehead's existing assets in the Cynthia area of central Alberta and include approximately 2,238 boe/d (44% natural gas) of production.

Recently, publicly-traded **Saturn Oil & Gas Inc.** announced a capital program update and accelerated debt repayment. Saturn stated in the announcement that: *"Through the recent volatility, we have captured opportunities to reduce our debt and strengthen our balance sheet by retiring US$15 million of our senior notes through open market purchases below par. In addition, we have continued to invest in Saturn's future with ongoing share buybacks, designed to further enhance our per share metrics and position the Company for long-term resilience and value creation for all stakeholders."* Saturn had been working with a U.S.-based institutional lender to finance a couple of significant acquisitions over the last several years.

Journey Energy Inc. announced in October 2024 an update to its term-debt repayment. Journey's long-term capital provider and largest shareholder, **Alberta Investment Management Corporation**, agreed to amend the repayment terms of its outstanding debt in order to provide Journey with enhanced means to fund the anticipated obligations under the company's Duvernay joint venture with **Spartan Delta Corp.**

With companies staying mindful of investor sentiment toward returning capital to shareholders we will likely continue to see share buybacks and dividends. As we see more companies nearing or reaching their goals of debt repayment and maintaining clean balance sheets, we may see an increase in consolidation and asset acquisitions.

Of late we have seen several oil and natural gas companies enter into more unconventional debt structures that have provided them more flexibility along with the additional capital to accelerate the development of their respective asset bases. With conventional bank debt not available for many junior oil and natural gas companies these unconventional debt instruments are the only source of financing available. We believe we may see more junior oil and natural gas producers financing acquisitions using these unconventional debt structures in the future.