

Assets for Sale Value Up 60% Year-Over-Year

The amount of Canadian oil and natural gas assets publicly available for sale is up roughly 60% from this time last year. Currently, there is approximately \$1.6 billion in Canadian oil and natural gas properties and companies up for sale. This time last year there was a total of approximately \$1.0 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.

Consistent with the last two years, strategic alternatives processes constitute the bulk of the assets for sale in current public marketing processes. While the value of companies for sale has increased year-over-year, the number of companies for sale has dropped by 47% from 19 in the third quarter of 2020 to ten currently.

In July, 2021, **Pieridae Energy Limited** announced it initiated a formal process to identify, examine and consider a range of strategic alternatives with a view to enhancing shareholder value. Such strategic alternatives may include, but are not limited to, a corporate sale, merger, a sale of a material portion of Pieridae's assets or other transactions. Pieridae's main assets are located in the Alberta foothills. Pieridae's current production is approximately 38,000 boe/d.

On September 1, 2021, **Abu Dhabi National Energy Company PJSC** ("TAQA"), announced 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"*. **TAQA North Ltd.**'s assets in Canada consist of current production of approximately 78,000 boe/d.

A company with major assets currently for sale is **Federated Co-operatives Limited**. Federated's oil and natural gas properties are located in the Kaybob, Dodsland Viking, Butte Shaunavon and southeast Saskatchewan areas. Federated's production from the assets is approximately 3,000 boe/d (74% liquids).

Other recent public offerings include a variety of non-core property divestitures such as the **Aspenleaf Energy Limited** and **Battle River Energy Ltd.** offerings. Aspenleaf is divesting its non-core oil and natural gas interests located in the Puskwa area of northern Alberta. The Puskwa property is focused on the Montney Formation with net

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Assets for Sale ...

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production capability of approximately 420 boe/d. Battle River is seeking a purchaser for its non-core oil properties located in the Provost area of Alberta. Production net to Battle River from the non-core oil focused properties is approximately 250 boe/d.

Other sales processes currently underway include **MKS Investments Ltd.**, which consist of drilling prospects in various areas of Alberta, as well as corporate divestitures such as **2163754 Alberta Ltd.** 2163754's assets consist of Fee Title and royalty interests in the Medicine Hat area of Alberta.

The number of insolvencies has decreased on a year-over-year basis. There are currently six ongoing insolvency sales processes compared to 11 this time last year. **Copetrex Oil & Gas Co. Ltd.** recently announced a sales process for its oil and natural gas interests and **Cuda Oil and Gas Incorporated** announced last week that a receiver had been appointed by the Court to manage over the assets, undertakings and property of Cuda and its subsidiaries.

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, **Canadian Natural Resources Limited** announced earlier this month the acquisition of publicly-traded **Storm Resources Ltd.** for total consideration of approximately \$960.0 million. Storm did not publicly announce that it was in a sales process.

Factors which influence the amount of Canadian oil and natural gas assets publicly available for sale are commodity prices and the amount of capital available. If commodity prices seen recently 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 for sale publicly in the early part of 2022.

Written by Ben Rye

Sayer Energy Advisors

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Sayer in the News...

Calgary Herald Varcoe: More Deals Expected in Oilpatch as Brookfield Finally Nabs Inter Pipeline

Chis Varcoe

Published August 24, 2021

The dogged pursuit by suitor Brookfield Infrastructure Partners of Inter Pipeline Ltd. has paid off with its \$8.6-billion takeover bid gaining the support of a majority of shareholders — setting the table for another oilpatch deal as more consolidation hits the sector.

Analysts, executives and investors anticipate the recent wave of industry mergers and acquisitions (M&A) will continue, although the pace may cool slightly through the rest of 2021.

"There are a number of private companies that are going to test the market and they're seeing there are

more buyers, so that will draw more companies out as well. I think you will have a pretty active fall," Tamarack Valley Energy CEO Brian Schmidt said Monday.

"We are definitely not in the first or second inning (of this consolidation phase). . . We are maybe in the fourth or fifth," added Laura Lau, chief investment officer with Brompton Group in Toronto.

"This is actually the first midstream company consolidation we've seen in a while, and there could be some room on that side."

Brookfield announced Friday that 65.6 per cent of Inter Pipeline common shares not owned by Toronto-based Brookfield Infrastructure were tendered to the offer, above the 55 per cent level it required to move forward.

In February, Brookfield initiated a hostile takeover bid for Inter Pipeline, offering \$16.50 a share. It encountered

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Sayer in the News...

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resistance from the Calgary-based company and later faced a competing friendly offer from Pembina Pipeline Corp., prompting a higher — and ultimately winning — bid from Brookfield.

Last month, the Toronto-based firm upped its offer to \$20-a-share cash or 0.25 of a Brookfield Infrastructure Corp. share.

“It’s done,” said Lau, whose company owns shares in Brookfield. “They did pursue it very aggressively.”

Brookfield recognized the underlying value of the Heartland Petrochemical Complex that Inter Pipeline is now building in Strathcona County, said analyst Elias Foscolos of Industrial Alliance Securities.

The target’s prized oil pipeline system was also a “crown jewel” to snap up.

“They really wanted this,” Foscolos added. “They found an undervalued nugget in an undervalued sector.”

As for the entire Canadian oil and gas industry, he anticipates more M&A action, although the pace will likely decelerate.

“A fair amount of consolidation has been done,” he noted.

Since the sudden free-fall in oil markets more than a year ago at the start of the pandemic, the Canadian oil and gas industry has seen a number of deals unfold, with names such as Husky Energy, Seven Generations Energy and Painted Pony being snapped up.

In a low-price environment, the drive to reduce costs has become essential to success, fuelling some of the recent corporate unions.

There’s also been a push to increase the size of companies to bolster their ability to attract institutional investors, while some privately-owned producers have been sold to more acquisitive public firms, such as Whitecap Resources and Tourmaline Oil.

“We might see more of the private companies choosing liquidity through selling out to one of the high quality, liquid companies,” said Michael Tims, vice-chair of Matco Investments.

Higher commodity prices this year — notwithstanding the recent dip in oil markets — have taken the financial pressure off some companies that were facing rising debt levels a year ago.

It may also lead to more companies at the auction table with the ability to bid in the coming months.

“You will see consolidation still in the Duvernay and

the Montney (formations). On the conventional energy side, you will see more” mergers and acquisitions, said Rafi Tahmazian, a senior portfolio manager at Canoe Financial.

“There are 25,000 to 75,000 barrel-a-day companies out there that add up to \$4 billion or \$5 billion of asset transactions just waiting to happen.”

Data from Sayer Energy Advisers shows almost \$11 billion of M&A activity occurred in the upstream Canadian oil and gas sector during the first six months of the year.

That was up sharply from just \$750 million reported during the same period in 2020.

As oil prices stabilized through last fall and winter, a number of deals were struck, including the blockbuster acquisition of Husky by oilsands giant Cenovus Energy — pushing total M&A activity to just under \$20 billion for the year, according to Sayer.

The biggest acquisition during the first six months of 2021 saw Seven Generations Energy acquired by ARC Resources for \$5.1 billion, including assumed debt.

In June, Tourmaline Oil bought privately held Black Swan Energy for \$1.1 billion, while Crescent Point Energy picked up some Duvernay assets from Shell Canada for \$900 million in February.

“With these companies and what they went through in 2020, they realize they need to be bigger to weather any kinds of storms coming ahead,” said Sayer Energy president Tom Pavic.

At Tamarack Valley Energy, which has completed several deals over the past year worth about \$700 million, Schmidt believes the broader oilpatch shopping spree isn’t over.

There are several asset packages and companies set to hit the market, while more potential buyers are emerging as higher oil and gas prices boost their cash flow levels, he said.

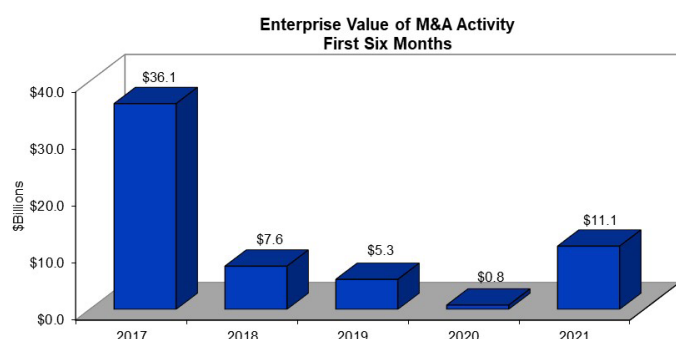
“We would look to still add on,” Schmidt said.

“It’s still a buyer’s market, in my opinion, but there are more players there with balance sheet strength.”



M&A Value in First Half of 2021 Skyrockets Year-Over-Year

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% 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% 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 bbl/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% natural gas). Other notable transactions Tourmaline was involved in during the

first half of 2021 was the purchase of a 50% 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% 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.

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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.

Written by Tom Pavic

Sayer Energy Advisors

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Current Disposition Packages Available through Sayer Energy Advisors

MKS INVESTMENTS LTD.

- Property Divestiture
- Various areas of Alberta
- 62.25 Sections of Land
- Bid Deadline: December 9, 2021

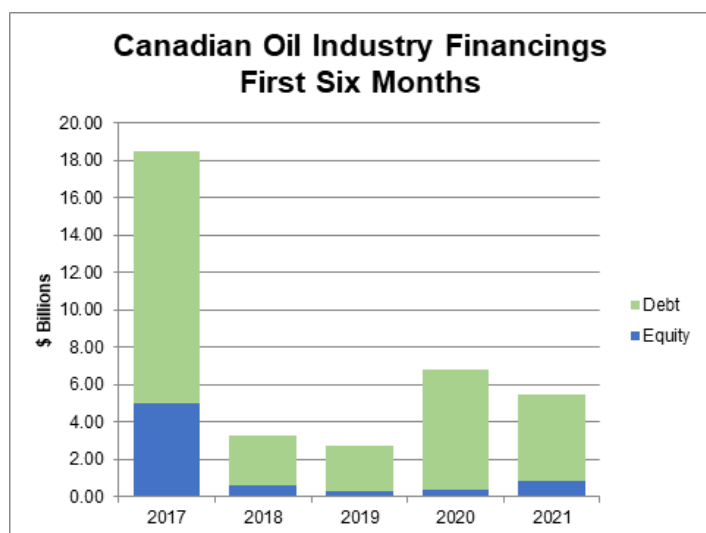
Visit our website at
www.sayeradvisors.com
for more information



Equity Financings Up 135% Year-Over-Year

A total of \$5.5 billion in equity and debt was raised in the Canadian oil and natural gas industry in the first six months of 2021, down 19% from the \$6.8 billion over the same time period in 2020. Equity financings were up significantly year-over-year while the amount of debt raised declined.

Equity financings in the first six months of 2021 increased 135% to \$839.2 million compared to \$356.5 million in 2020, while debt financings decreased 28% to \$4.7 billion from \$6.5 billion in the first half of 2020.



The \$839.2 million in equity raised in the first half of 2021 accounted for 15% of the total capital raised, up from 5% in 2020 and 12% in 2019. The top three equity issuances, totalling \$408.6 million, accounted for 49% of the total equity raised in the first six months of 2021.

Topaz Energy Corp. completed the largest equity financing in the first half of 2021 when, in May, it announced a \$201.3 million bought deal financing. The total \$201.3 million raised includes the over-allotment which was exercised in June for total proceeds of \$26.3 million. The financing was announced concurrently with Topaz's acquisition of a newly created gross overriding royalty interest ("GORR") from **Tourmaline Oil Corp.** in northeastern British Columbia for \$245.0 million and GORR interests from **Cenovus Energy Inc** in the Marten Hills area of Alberta for \$102.0 million. Topaz, concurrent with the bought deal financing, closed a private placement equity offering for approximately \$3.0 million.

Enerplus Corporation completed the second highest equity financing in the first six months of 2021 with a bought deal financing for total proceeds of \$132.3 million. The total \$132.3 million raised includes the over-allotment which was exercised in February for total proceeds of \$17.3 million. The financing was announced concurrently with Enerplus' acquisition of **Bruin E&P HoldCo, LLC.** for USD \$465.0 million. Bruin's oil and natural gas interests were located in the state of North Dakota.

Tamarack Valley Energy Ltd. completed the third largest equity financing in the first half of 2021 also through a bought deal financing for total proceeds of \$75.0 million. The total \$75.0 million raised includes the over-allotment which was exercised in April for total proceeds of \$6.8 million. The bought deal financing was announced concurrently with Tamarack Valley's acquisition of assets from **Surge Energy Inc.** for \$106.0 million and the purchase of all of the issued and outstanding shares of **Woodcote Petroleum Inc.** for total consideration of approximately \$43.0 million.

Debt financings in the first six months of 2021 totaled \$4.7 billion, accounting for 85% of the total capital raised in the first half of 2021. Of the \$4.7 billion of debt that was raised in the first six months of 2021, the majority (99%) of the debt issues have been comprised of straight debt. Convertible debt accounted for only \$47.7 million or 1% of the total debt financings in the first half of the year.

Suncor Energy Inc. completed the largest debt financing in the first six months of 2021, when in March, it announced an unsecured note offering of \$947.8 million (USD \$750.0 million) with a 30-year term and a coupon rate of 3.75%. Suncor concurrent with the \$947.8 million financing also announced a \$500.0 million unsecured note offering with a 30-year term and a coupon rate of 3.95%. Suncor used the proceeds of its debt offerings towards the repayment of commercial paper and for general corporate purposes.

MEG Energy Corp. completed the second highest debt financing in the first half of 2021 in February with a senior unsecured note offering of \$769.1 million (USD \$600.0 million) with an eight-year term and a coupon rate of 5.875%. MEG used the net proceeds of the offering, together with cash on hand to redeem its USD \$600.0 million unsecured notes due March 2024 with a

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Equity Financings Up...

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coupon rate of 7.00%.

ARC Resources Ltd. completed the third largest debt financing in the first six months of 2021 in March with the issuance of \$550.0 million in unsecured notes with a 10-year term and a coupon rate of 3.465%. ARC, concurrent with the \$550.0 million financing, also announced a \$450.0 million unsecured note offering with a coupon rate of 2.354% and a five-year term. ARC used the net proceeds of the offering towards the redemption and/or purchase of the outstanding senior notes of **Seven Generations Energy Ltd.**, which ARC completed a business combination with in April 2021.

In the third quarter of 2021 to date, a total of approximately \$3.3 billion in capital has been raised, consisting of \$2.8 billion in debt and approximately \$500.0 million in equity. With strengthening commodity prices coupled with low interest rates, we forecast the amount of capital which will be raised in 2021 will be in line with the total \$10.9 billion raised in 2020.

*Written by Tom Pavic
Sayer Energy Advisors*

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Merry Christmas and Best Wishes

In the New Year!

From the Sayer team



Recent Transactions Completed by Sayer Energy Advisors

This announcement appears as a matter of record only.

All of the outstanding shares of



have been acquired by



for approximately

\$8.4 million


The undersigned acted as financial advisor to Briko for this transaction.




August 2021

This announcement appears as a matter of record only.


The oil and natural gas interests in the Maxhamish area of British Columbia held by




have been sold through its trustee



to




The undersigned acted as financial advisor to GS E&R and MNP for this transaction.




August 2021

This announcement appears as a matter of record only.



has sold its interests in the Lougheed area of Saskatchewan

The undersigned acted as financial advisor to Seek for this transaction.



August 2021

This announcement appears as a matter of record only.

Certain mineral interests in the Bolloque and Wimborne areas of Alberta held by



have been sold through its licensed insolvency trustee




The undersigned acted as financial advisor to PwC for these transactions.




August/September 2021

This announcement appears as a matter of record only.


Certain oil and natural gas interests in Alberta held by



have been sold through its trustee



The undersigned acted as financial advisor to MNP for these transactions.



September 2021

This announcement appears as a matter of record only.

Certain oil and natural gas interests held by



have been sold through its receiver




The undersigned acted as financial advisor to PwC for these transactions.




September 2021

This announcement appears as a matter of record only.


Certain oil and natural gas interests in Alberta held by



have been sold through its receiver



The undersigned acted as financial advisor to BDO for this transaction.



October 2021

This announcement appears as a matter of record only.

Certain oil and natural gas interests held by



have been sold through its receiver



The undersigned acted as financial advisor to PwC for this transaction.



October 2021

This announcement appears as a matter of record only.



has sold its royalty interests in the Gull Lake area of Saskatchewan

The undersigned acted as agent to 1537974 for this transaction.



November 2021