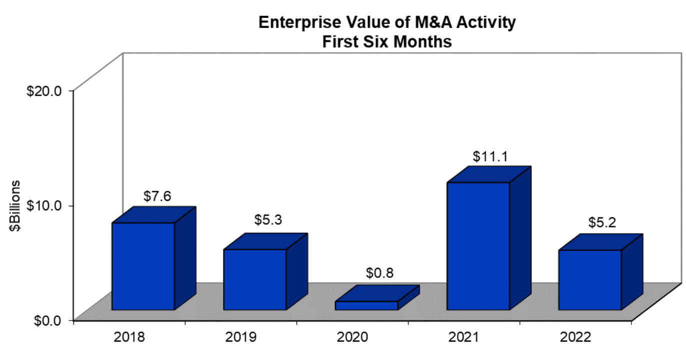
Viewpoint
An Oil and Natural Gas Industry Newsletter
Fall 2022

M&A Value in First Half of 2022 Plummets Year-Over-Year

The total enterprise value of merger and acquisition ("M&A") activity in the Canadian oil and natural gas industry in the first half of 2022 was $5.2 billion, down 53% from the $11.1 billion recorded in the first six months of 2021.



The largest transaction in the first half of 2022 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 represent Whitecap's entry into the Duvernay play and included a 100% working interest in a shallow cut natural gas processing facility. Whitecap funded the acquisition through existing credit facilities and a new committed four-year term loan. Concurrent with the acquisition, Whitecap announced a 22% increase to its monthly dividend to $0.0367 per share.

The second-largest transaction in the first half of 2022 was **Cenovus Energy Inc.**'s acquisition of assets from **BP plc** for $1.2 billion. Cenovus acquired the remaining 50% working interest in the Sunrise oil sands project in northern Alberta. Cenovus currently operates Sunrise and owns 50% of the asset through the Sunrise Oil Sands Partnership, with BP. The purchase price of $1.2 billion consisted of a cash payment of $600.0 million, a variable payment of up to $600.0 million and Cenovus' 35% working interest in the undeveloped Bay du Nord project offshore Newfoundland and Labrador. The variable payment amount is calculated quarterly based on a payment of $2.8 million for every dollar the WCS benchmark exceeds $52.00/bbl. This variable payment expires after two years even if the maximum amount of $600.0 million is not reached.

(continued on page 2)

Index

M&A Value in First ...
(continued from page 1)

Another significant transaction in the first six months of 2022 was **Vermilion Energy Inc.**'s acquisition of publicly-held **Leucrotta Exploration Inc.** for $528.8 million. Leucrotta's main producing properties were located in the Dawson area of northeastern British Columbia and in the Mica area of Alberta and British Columbia. As part of the transaction, the shareholders of Leucrotta received $1.73 in cash per Leucrotta share held, plus 1.0 common share of **Coelacanth Energy Inc.** and 0.1917 of one Coelacanth common share purchase warrant. Each Coelacanth warrant will entitle the holder to acquire one Coelacanth share at an exercise price of $0.27 per share at any time on or before 30 days following the closing of the transaction.

Coelacanth is a new junior energy company led by certain members of Leucrotta's former management team. Coelacanth will be a growth-oriented entity with assets focused in the Montney Formation in the Two Rivers area of northeastern British Columbia. At the time of closing, Coelacanth was forecast to have approximately 400 boe/d of production, over 140 net sections of Montney land and approximately $80.0 million in cash.

Of the $5.1 billion in large transactions (valued at over $5.0 million) in the first six months of 2022, approximately $3.0 billion were corporate transactions while $2.1 billion were property deals. Of the 23 large transactions during the first half of this year, 12 were property deals and 11 were corporate deals. This compares to the first half of 2021, when the split between large corporate and property transactions was 16 corporate deals totaling $8.2 billion in enterprise value and 33 property deals with an aggregate value of $2.8 billion.

During the first half of 2022, 12 large oil-weighted transactions accounted for $2.5 billion in aggregate value and 11 large natural gas-weighted transactions made up the remaining $2.6 billion. This is down significantly from 2021 when 20 of the 49 large transactions in the first six months were oil-weighted, with a total enterprise value of approximately $7.8 billion and 29 deals were weighted towards natural gas, with a total enterprise value of $3.1 billion.

M&A activity in the first half of 2022 was hampered in large part by rapidly appreciating commodity prices leading to a disconnect between what buyers were willing to pay and sellers expectations. With oil prices having stabilized in and around the $85 WTI range we have seen M&A activity pickup recently, as evidenced by **Strathcona Resources Ltd.** announcing the acquisition of privately-held **Serafina Energy Ltd.** for $2.3 billion. A payment of $1.9 billion was made at closing on August 29, 2022, and deferred payments of $100 million are to be made on each of September 30, 2022, October 31, 2022, November 30, 2022 and December 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 million term loan. Serafina produced approximately 40,000 bbl/d of oil primarily through thermal heavy oil assets in Saskatchewan.

Other significant transactions which have been announced since Labour Day were **Tamarack Valley Energy Ltd.**'s acquisition of all of the issued and outstanding shares of **Deltastream Energy Corporation** for approximately $1.5 billion and **Hammerhead Resources Inc.** announcing its planned transaction with **Decarbonization Plus Acquisition Corporation IV** for approximately $1.4 billion.

With M&A activity so far in the second half of 2022 surpassing the total for the first six months of 2022 it has led to a respectable year, with total M&A value at approximately $11.0 billion. With the continued inability for many Canadian oil and natural gas companies to raise capital coupled with increasing interest rates, we most likely will witness more activity on the M&A front prior to the end of 2022.

Written by Tom Pavic
Sayer Energy Advisors
Originally Appeared in the Daily Oil Bulletin on October 26, 2022

Sayer in the News...

Canadian Oil Producer Strathcona to Buy Serafina for C$2.3 bln - Sources

Shariq Khan and Rod Nickel
Published August 3, 2022

Aug 3 (Reuters) - Strathcona Resources has agreed to buy private equity-backed Serafina Energy for C$2.3 billion ($1.8 billion), sources with direct knowledge of the matter said on Wednesday, the largest acquisition yet by the Canadian private oil and gas producer.

Serafina produces 40,000 barrels of oil equivalent (boe) per day in the province of Saskatchewan. Strathcona is focused on the Montney basin in Alberta and British Columbia, Cold Lake oil sands and the Lloydminster heavy oil region. Strathcona produces 110,000 to 115,000 boe per day, mainly liquids.

Strathcona and Serafina did not respond to requests for comment on the deal, which the sources told Reuters is scheduled to close on Aug. 29.

Reuters reported in March that Pine Brook Partners and Camcor Partners were considering selling Serafina.

Calgary, Alberta-based Strathcona -- owned by Waterous Energy Fund -- has been among the top buyers of oil and gas assets in Canada since it formed in 2020, hoping to profit from oil at near or above $100 per barrel since Russia's invasion of Ukraine.

Serafina commanded a "strong price," justified by the long life of its assets and good fit geographically for Strathcona, said Tom Pavic, president of Sayer Energy Advisors, which advises on deals for oil and gas producers.

But Canada's upstream industry overall represents a buyers' market as small producers struggle to access capital to make acquisitions, Pavic added.

Moody's Investors Service said it affirmed Strathcona's credit ratings and positive outlook, citing a large production and reserve base. It said Strathcona would fund the deal through borrowings on its revolving credit facility.

Oil and gas companies are generating high cash flow as prices of both commodities trade at high levels due to sanctions against major producer Russia that have constrained supplies. Many companies are focusing on share buybacks and dividend increases instead of spending on higher production, however.

U.S. crude oil futures settled at $90.66 a barrel, down 4% on Wednesday, but up about 21% this year.

Strathcona announced its purchase of Caltex Resources in March and said it had also acquired Alberta's Tucker thermal oil field assets in January.

The company has previously said its strategy is to purchase assets with options to add production organically.

The latest deal in the sector follows Whitecap Resources Inc's (WCP.TO) C$1.9 billion purchase of Montney and Duvernay oil and gas assets from U.S. oil major Exxon Mobil Corp (XOM.N) and Imperial Oil Ltd (IMO.TO), which was announced in June.

($1 US = 1.2881 Canadian dollars)

Assets for Sale Value Down 69% Year-Over-Year

The amount of Canadian oil and natural gas assets publicly available for sale is down roughly 69% 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% 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% 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% 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% 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% 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% 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% 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/d of medium oil from the Sawtooth Formation.

(continued on page 5)

Assets for Sale...

(continued from page 4)

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.

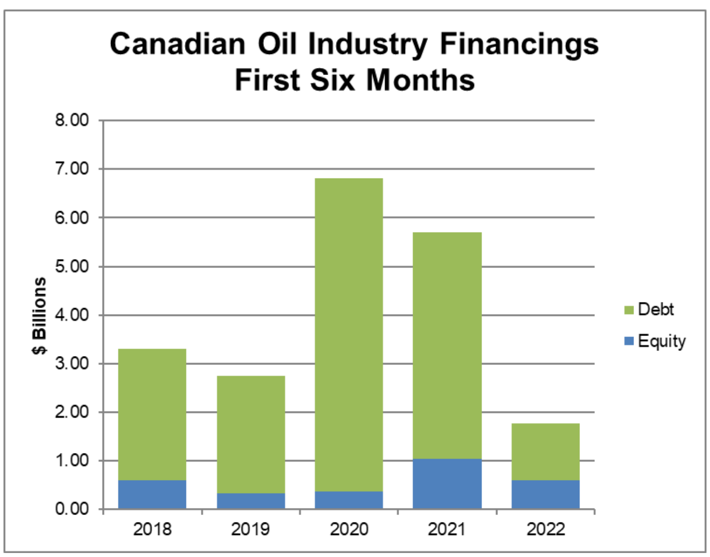
Written by Ben Rye
Sayer Energy Advisors
Originally Appeared in the Daily Oil Bulletin on November 30, 2022

Total Financings at Lowest Level Since 2000

A total of $1.8 billion of capital was raised by the Canadian oil and natural gas industry in the first six months of 2022, down 69% from the $5.7 billion recorded over the same time period in 2021. Financings were down year-over-year in both equity and debt categories. This is the lowest amount of total capital raised in the first six months since 2000, when there was only $1.2 billion in capital raised.

The largest drop in financings occurred in the debt category as there was only approximately $1.2 billion in debt raised in the first six months of 2022, down 75% from the $4.7 billion raised during the same time period in 2021. This is the lowest value of debt financings since 2016 when approximately $720.0 million was raised.

In the first half of 2022, the equity category fell 42% to approximately $600.0 million, compared to approximately $1.0 billion of equity raised during the same time period in 2021.



Of the approximately $1.2 billion of debt that was raised in the first six months of 2022, the majority of the debt issues consisted of straight debt. Convertible debt accounted for only approximately $25.0 million of the total debt financings in the first half of the year. The top three debt issuances accounted for 93% of the total debt raised in the first half of 2022, or approximately $1.1 billion.

Vermilion Energy Inc. had the largest debt issue in the first six months of 2022, completing a US $400.0 million (approximately CDN $511.9 million) offering of 6.875% unsecured senior notes with an 8-year term. The proceeds of the notes offering were used to reduce the amount outstanding on Vermilion's credit facility.

The second-largest debt offering in the first half of 2022 was completed by **International Petroleum Corporation**. The company raised US $350.0 million (approximately CDN $374.2 million) in notes with a 5-year term which bear interest at 7.25%. The net proceeds were used to repay International Petroleum's existing indebtedness under its bank credit facilities and for general corporate purposes.

The third-largest debt financing was completed by **Tamarack Valley Energy Ltd.** which raised $200.0 million of 7.25% senior unsecured notes due in 2027. Tamarack Valley used the net proceeds from the financing to partially fund the acquisition of **Crestwynd Exploration Ltd.** and repay amounts outstanding under Tamarack Valley's sustainability-linked credit facility.

As previously-mentioned, equity financings totaled approximately $600.0 million, accounting for 34% of the total capital raised in the first six months of 2022.

The largest equity financing in the first six months of 2022 was completed by **Saturn Oil & Gas Inc.** Saturn raised $74.8 million through a bought deal subscription receipt financing in May, which included the full exercise of the over-allotment option. The financing was announced concurrently with Saturn's acquisition of assets from **Crescent Point Energy Corp.** in west central Saskatchewan for approximately $260.0 million.

PetroShale Inc. completed the second largest equity financing in the first half of 2022, raising $54.5 million by way of a non-brokered private placement for total proceeds of $9.5 million and a brokered private placement for gross proceeds of $45.0 million. Concurrent with the financing, PetroShale also announced the appointment of a new management team and changed the company name to **Lucero Energy Corp.**

Rounding out the top three equity issuances in the first half of 2022 was **Reconnaissance Energy Africa Ltd.**'s $47.4 million bought deal offering announced in February which includes the over-allotment option of $6.2 million which was exercised in March. Proceeds from the offering were used for drilling and seismic

(continued on page 7)

Total Financings at Lowest...
(continued from page 6)

operations in the Kavango sedimentary basin in Botswana and Namibia, as well as for working capital and general corporate purposes.

In the third quarter of 2022 to date, a total of approximately $640.0 million in capital has been raised, consisting of approximately $470.0 million in debt and approximately $170.0 million in equity. With volatile oil prices, coupled with increasing interest rates, we forecast the total amount of capital raised in 2022 to be in line with the $3.3 billion which was raised in 1994.

Written by Tom Pavic
Sayer Energy Advisors
Originally Appeared in the Daily Oil Bulletin on September 28, 2022

Current Disposition Packages Available through Sayer Energy Advisors

MNP LTD

- Receivership Sale
- Abbey, Saskatchewan
- 944 boe/d (5.7 MMcf/d of natural gas)
- Bid Deadline: December 15, 2022

OILPLUSWATER Inc.
New North Resources Ltd.

- Property Divestiture
- Grand Forks, Alberta
- 46 bbl/d of oil
- Bid Deadline: December 8, 2022

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

Recent Transactions Completed by Sayer Energy Advisors

This announcement appears as a matter of record only.

EDGE
LRM Operations Ltd.

has sold in multiple transactions certain non-core interests in Alberta

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

Summer 2022

SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

LONGSHORE RESOURCES

has sold its interests in the Consort/Provost area of Alberta to

Axiom
Oil and Gas Inc.

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

August 2022

SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

THE ESTATE OF GEORGE BENNETT DEW

has sold certain Fee Title interests in the Jumpbush area of Alberta

The undersigned acted as financial advisor to the Estate of George Bennett Dew for this transaction.

September 2022

SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Tallahassee
EXPLORATION INC.

has sold its interests in the Maxhamish area of British Columbia

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

September 2022

SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

All the outstanding shares of

CHERYL RESOURCES LTD.

have been acquired by

DELTA OIL CORP.

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

October 2022

SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Certain oil and natural gas interests held by

SanLing
ENERGY LTD.

have been sold through its receiver

pwc

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

October 2022

SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

SIGNALTA
RESOURCES
LIMITED

has sold certain non-operated unit interests in Alberta

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

October 2022

SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

CLEARVIEW
RESOURCES LTD

has sold its interests in the Carstairs Elkton Unit

for approximately

$1.7 million

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

November 2022

SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Tallahassee
EXPLORATION INC.

has sold its interests in the Kobes area of British Columbia

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

November 2022

SAYER ENERGY ADVISORS