

Number of Dealers Down Significantly in 2022

A total of \$2.7 billion in capital was raised by the Canadian oil and natural gas industry in 2022, down significantly from the \$10.8 billion raised in 2021. The drastic drop in total financings led to a corresponding decrease in the number of dealers servicing the sector. Year-over-year the number of active dealers servicing the Canadian oil and natural gas industry fell to 26 in 2022 down from the 32 recorded in 2021.

The total number of active dealers in 2022 (defined as those completing over \$5.0 million in total issues per year) was comprised of 11 Canadian independent brokerage companies, 10 foreign-based dealers and five Canadian bank-owned firms. By comparison, in 2021 the total number of active dealers was comprised of 15 foreign-based dealers, 10 Canadian independent brokerage companies and seven Canadian bank-owned firms.

In 2022, total debt financings plummeted to \$1.7 billion, down 81% from the \$8.6 billion raised in 2021. The top five spots in 2022 consisted of three foreign-based dealers and two Canadian bank-owned firms. Whereas, in 2021, the top five dealers were all Canadian bank-owned firms. The top five dealers in debt financings in 2022 were: **Arctic Securities AS, Pareto Securities Limited, BMO Nesbitt Burns Inc., RBC Dominion Securities Inc. and SpareBank 1 Markets AS.** Together these dealers raised over \$600.0 million of debt in 2022. Two of these top five dealers, BMO and RBC remained in the top five year-over-year.

International Petroleum Corporation completed a private placement of \$374.2 (US\$300.0) million

of senior unsecured bonds in January 2022. The bonds have a five-year term and a fixed coupon rate of 7.25% per year with interest paid semi-annually. IPC used the proceeds from the financing to repay existing indebtedness under bank credit facilities and for general corporate purposes. Arctic, Pareto and SpareBank were all part of the underwriting syndicate for this financing.

There was a total of approximately \$1.0 billion in equity raised during 2022, down 53% from the approximately \$2.2 billion raised in 2021. The top five equity underwriters in 2022 consisted of three Canadian bank-owned firms, one foreign-based dealer and one Canadian independent brokerage company. In 2021, the top five equity underwriters consisted of four Canadian bank-owned firms and one Canadian independent brokerage company.

The top five dealers in equity financings in 2022 were: RBC, **Echelon Wealth Partners Inc.**, BMO, **Citigroup Global Markets Inc.** and **National Bank Financial Inc.** Together these dealers raised over \$370.0 million of equity in 2022. Two of these top five dealers, BMO and National Bank remained in the top five year-over-year.

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Tamarack Valley Energy Ltd. completed the largest equity financing in 2022 for \$143.8 million. National Bank and RBC were lead underwriters in the financing. The financing was announced concurrently with Tamarack Valley's acquisition of privately-held **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 add 184 net sections of Clearwater acreage and over 500 drilling locations.

In terms of the number of equity financings completed, Echelon was the most active dealer by participating in nine equity financings of which it was the lead in all of them. **Canaccord Genuity Corp.** participated in seven deals of which it was the lead in two. In third place was BMO which participated in five equity financings in 2022 and was the lead underwriter in one of them.

In reviewing the financings completed in the first three months of 2023 and comparing them to the first

quarter of 2022, the total amount of capital raised is down 16%, to approximately \$747.0 million from the \$895.0 million raised over the same time period last year. This decrease in the amount of capital raised could possibly lead to a further decline in the number of dealers servicing the Canadian oil and natural gas industry in 2023.

Note that the methodology we have used to derive the dollar value for dealer activity was to assign the lead dealer of a financing a value of two and all the other dealers in an underwriting syndicate a value of one. For example, in a \$40.0 million financing with one lead dealer and two other dealers in an underwriting syndicate, the lead dealer would be credited a value of \$20.0 million and the other two dealers would be assigned a value of \$10.0 million each.

Written by Tom Pavic

Sayer Energy Advisors

Originally Appeared in the Daily Oil Bulletin on May 30, 2023

Merger and Acquisition Report

Stay informed, stay current, stay active.

Sayer's Canadian Oil Industry Merger and Acquisition Report gives you all the information you need to analyze individual transactions or the market as a whole. This quarterly report is a great reference tool for strategic decision-making. The analysis of individual transactions and industry activity allows readers to compare specific deals or overall market trends every quarter. From median prices to detailed information and metrics, the **Canadian Oil Industry Merger and Acquisition Report** ensures you know what the industry is really paying for Canadian oil and natural gas assets not just announced in the headlines.

The Canadian Oil Industry Merger and Acquisition Report is considered by our peers in the field to be the only reputable source for independent and complete information on merger and acquisition activity in the Canadian oil patch. The Merger and Acquisition Report offers the competitive edge to help you lead your company to success.

Annual Subscription: \$1,600.00 + G.S.T.

Includes Four Quarterly Reports and the Annual Summary

To subscribe, please contact Lori Deagle
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Canadian E&P Companies Active on the M&A Front in the United States

The highest value transaction to date, and making up the bulk of the total transaction value in the second quarter of 2023 is **ConocoPhillips'** pending acquisition of the remaining 50% interest in the Surmont oil sands project held by **TotalEnergies EP Canada Ltd.** for a cash payment of approximately \$4.0 billion on closing and additional contingent payments of up to \$440.0 million. ConocoPhillips exercised its preemptive right to acquire the interest after TotalEnergies announced a contemplated sale to **Suncor Energy Inc.** in April 2023. The aforementioned ConocoPhillips-TotalEnergies transaction is the only one of any significance in the Canadian space so far in the second quarter of 2023, whereas there have been a number of exploration and production companies based in Canada which have been active on the M&A front in the United States.

Baytex Energy Ltd. is a publicly-traded oil and natural gas company based in Calgary, Alberta, with offices in Houston, Texas. Baytex's operations are focused in the Western Canadian Sedimentary Basin as well as in the Eagle Ford Basin in the United States. In a press release dated June 20, 2023, Baytex announced the closing of its merger with **Ranger Oil Corporation** for total consideration of \$2.9 billion (US\$2.2 billion). Ranger shareholders received 7.49 Baytex shares plus \$17.55 (US\$13.31) cash for each share of Ranger. Ranger had operations in the Eagle Ford Basin in the US. According to Baytex, the acquisition materially increases the scale of Baytex's Eagle Ford operations by adding 162,000 net acres in the crude oil window of the Eagle Ford, on-trend with Baytex's non-operated position in the Karnes Trough, and 741 net undrilled locations, representing an inventory life of 12 to 15 years. Baytex is targeting average production of 153,000 to 157,000 boe/d (84% oil and natural gas liquids) for the second half of 2023. Baytex stated that the transaction increases its exposure to premium U.S. Gulf Coast pricing and includes substantial infrastructure in place with low operating and transportation costs. Baytex plans to introduce a quarterly dividend of \$0.0225 per share (\$0.09 per share annualized) and recently announced the renewal of its share buyback program.

Lucero Energy Corp. is a publicly-traded oil and natural gas company headquartered in Calgary

with operations in the Bakken/Three Forks play in North Dakota. On June 15, 2023, Lucero announced the divestiture of certain non-operated assets within the North Dakota Bakken/Three Forks play to an undisclosed party for cash consideration of \$140.2 million (US\$104.3 million). The disposition consisted of average production of 2,300 boe/d (80% oil and natural gas liquids). Lucero expects to have no debt and more than \$40.0 million of working capital after closing the transaction. Lucero stated this transaction would afford it *"greater financial flexibility to pursue initiatives aimed at further enhancing shareholder value, including potential accretive acquisitions, organic growth and/or share buybacks"*. In early 2022 Lucero was formed through the reorganization of **PetroShale Inc.** wherein a new management team was announced and a \$54.5 million equity financing was completed.

Although no longer headquartered in Canada, **Ovintiv Inc.** continues to have a significant presence in Canada, specifically with its Montney holdings in Alberta and British Columbia. Ovintiv announced that it closed the acquisition of Midland Basin assets in the US, adding approximately 1,050 net 10,000 foot well locations and approximately 65,000 net acres of largely undeveloped land adjacent to its existing Permian operations. Ovintiv acquired substantially all the leasehold interest and related assets of **Black Swan Oil & Gas, PetroLegacy Energy** and **Piedra Resources**, which are portfolio companies of funds managed by **EnCap Investments L.P.**, in a cash and stock transaction valued at approximately \$5.8 billion (US\$4.3 billion). Concurrent with the announcement of the Midland Basin acquisition, Ovintiv also disclosed the sale of its Bakken assets located in the Williston Basin of North Dakota to **Grayson Mill Bakken, LLC**, a portfolio company of funds managed by EnCap, for total cash proceeds of approximately \$1.1 billion (US\$825.0 million). Ovintiv's landholdings in the play totaled 46,000 net acres as of December 31, 2022 with estimated first quarter Bakken production of 37,000 boe/d (60% oil and condensate).

We expect a more robust Canadian M&A market for the remainder of the year driven by softening commodity prices along with the recent increase in asset and corporate opportunities which are currently up for sale. We also expect to see the trend of more oil and natural gas companies based in Canada continuing to transact in the United States.

*Written by Ben Rye
Sayer Energy Advisors
Originally Appeared in the Daily Oil Bulletin on June 28, 2023*



Sayer in the News...

Calgary Herald Varcoe: With New CEO at Helm, Suncor Pulls Trigger on Blockbuster \$5.5B Oilsands Deal

Chris Varcoe
Published April 27, 2023

It didn't take long for Suncor Energy to make a big splash upon CEO Rich Kruger's return to the Canadian oilsands.

Suncor Energy announced Thursday the \$5.5-billion acquisition of TotalEnergies' Canadian operations, a blockbuster acquisition that continues the consolidation within the Alberta oilsands — and the exodus of international players from the world's fourth-largest oil reserves.

The deal also increases the Calgary-based company's production and provides a partial answer to the long-standing question of how Suncor can best replace bitumen output once its base mine north of Fort McMurray reaches the end of its life.

Kruger said the deal is a "major step" in securing long-term bitumen supply for Suncor's base plant upgraders when the base mine's life span wraps up in the mid-2030s.

"These are valuable oilsands assets that are a strategic fit for us," he said in a news release.

The agreement includes 135,000 barrels per day (bpd) of bitumen production capacity, with Suncor snapping up the French company's 31 per cent stake in the Fort Hills oilsands mine.

It gives the Canadian company full ownership of the project, a \$17-billion development that was completed in 2018 but has struggled to reach its full potential.

Suncor also acquires half of the Surmont thermal oilsands project, which is co-owned and operated by ConocoPhillips.

The all-cash deal could include an additional \$600-million payment to France's TotalEnergies, depending upon certain production targets and the

benchmark price of Western Canadian Select heavy crude being met.

The acquisition marks the first significant move by Suncor under Kruger, its new chief executive. The former head of Imperial Oil came out of retirement to take over the company just 24 days ago.

"It all adds up," said Laura Lau, chief investment officer with Brompton Group, which is a shareholder in Suncor.

"It's not a surprise, Rich Kruger is there to get stuff done."

For Suncor, it marks another key step forward following a tumultuous year that saw a major activist shareholder call for a shakeup, shine a spotlight on recent fatalities at the oilsands operations and unsuccessfully press the board to sell Suncor's Petro-Canada retail chain.

Last June, CEO Mark Little left the company, which eventually led to Kruger's hiring.

Last year, Suncor also added to its position in Fort Hills by acquiring a 14.6 per cent stake in the mine from Teck Resources for \$688 million. Meanwhile, TotalEnergies exercised its right of first refusal to buy a seven per cent interest in Fort Hills from the Canadian mining firm at the time, a stake Suncor had initially tried to acquire.

The latest deal will be debt-financed and is expected to temporarily push Suncor's net debt past its \$12-billion to \$15-billion target, although the company intends to return to its planned range next year.

For TotalEnergies, the move pre-empts its previously discussed plan to spin out its Canadian oilsands assets into a separate entity through an initial public offering.

The company received several unsolicited offers for the assets, including from Suncor, which operates the Fort Hills project. The offer from its partner in the oilsands mine materialized over the past month.

"This amount is comparable to the \$5-(billion) to \$6-billion valuation at (an) initial listing of the spinoff company, had the spinoff project concluded," TotalEnergies said in a news release.

For an international player looking to leave the oilsands, this made for a simple decision.

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Sayer in the News...

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Several multinational producers have already left the region, despite the enormous size of the resource base.

Analyst Phil Skolnick of Eight Capital said the sale by TotalEnergies continues the trend of European firms leaving the oilsands amid decarbonization concerns from investors, but it offers a more prominent role for Canadian-based producers in developing the resource.

It also means Suncor won't necessarily have to build a new oilsands development to replace production from its base mine, solving an issue for the new CEO.

"It makes total sense. The other choices they have are to do a greenfield project . . . or they bought — and buying makes way more sense than building," Skolnick said, citing regulatory hurdles and capital cost risks.

Replacing the bitumen supply to its two upgraders at the base plant north of Fort McMurray has been an issue under close examination by Suncor officials.

Suncor does have an extension application on the base mine in place, which would produce about 225,000 barrels per day.

However, federal Environment Minister Steven Guilbeault wrote a letter to Suncor's CEO last spring about the proposed extension plan, noting it would produce an estimated three million tonnes of emissions annually.

"I am of the opinion that the project, as currently proposed, would likely cause unacceptable environmental effects within federal jurisdiction," he said.

With the recent deal involving Teck and the TotalEnergies transaction, Suncor has acquired 163,000 bpd of bitumen production capacity to partially replace the 260,000 bpd of base plant output.

Suncor documents indicate the purchase ensures it can keep its upgraders full from the company's Firebag, MacKay River and Fort Hills facilities upon the end of the base mine's life. It also has other options under consideration, including increased thermal output from its Firebag South and Lewis properties.

According to Sayer Energy Advisors, this is the biggest deal in the Canadian oilpatch since Cenovus Energy's \$15-billion acquisition of Husky Energy in 2020.

Sayer president Tom Pavic noted the acquisition was more expensive on a per-barrel basis than Suncor's purchase of Teck Resources' stake in Fort Hills, but in line with other recent asset sales in the oilsands.

"Basically, they have the keys to the (Fort Hills) car now, and they don't have to worry about any partners," Pavic said.

"They can develop this at their own pace."

Current Disposition Packages Available through Sayer Energy Advisors




- Property Divestiture
- Mikwan/Elnora area of Alberta
- 48 bbl/d of oil
- Bid Deadline: August 10, 2023

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www.sayeradvisors.com
for more information**



Recent Transactions Completed by Sayer Energy Advisors


This announcement appears as a matter of record only.



KNOWLEDGE
energy inc.


has sold a portion of its interests in the Bonanza area of Alberta

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




April 2023

This announcement appears as a matter of record only.




BARREL | OIL CORP

has acquired certain interests in the Retlaw area of Alberta from



TOWER RIDGE ENTERPRISES CORP.

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



May 2023

This announcement appears as a matter of record only.



SURGE
ENERGY INC

has sold its interests in the Killam area of Alberta to



GRAFTON
VENTURES ENERGY HOLDINGS INC.

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



May 2023

This announcement appears as a matter of record only.

101091127
Saskatchewan Ltd.

has sold its Fee Title interests in the Lumsden, Northgate & Wapella areas of Saskatchewan

The undersigned acted as financial advisor to 101091127 Saskatchewan for this transaction.



June 2023

This announcement appears as a matter of record only.



KNOWLEDGE
energy inc.

has sold its remaining interests in the Bonanza area of Alberta to



PROSPERA
- ENERGY INC. -

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



June 2023

This announcement appears as a matter of record only.



New North Resources Ltd. **OILPLUSWATER** Inc.

has sold its interests in the Grand Forks area of Alberta to



ALTAIR
ENERGY LTD

The undersigned acted as financial advisor to New North & OILPLUSWATER for this transaction.



June 2023