SAYER ENERGY ADVISORS

Viewpoint

An Oil and Natural Gas Industry Newsletter

Winter 2021

Sayer's Outlook for 2021 M&A Activity

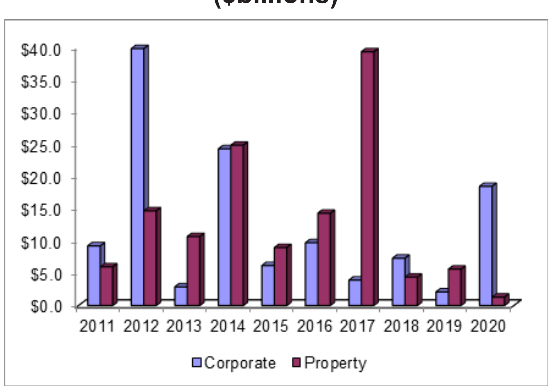
Every January, Sayer Energy Advisors publishes its forecast for mergers and acquisitions ("M&A") activity in the Canadian upstream oil and natural gas industry for the upcoming year. Our outlook begins with a review of our predictions from January 2020 and point to where we think things will go this year. Even though a majority of our predictions last year did not come to fruition, in large part due to the onset of the COVID-19 pandemic, some of the things we forecasted did come to realization.

In 2019 the total value of M&A activity in the Canadian oil patch was quite low by historical standards, totaling only approximately $8.0 billion. In January 2020, we predicted that 2020 would see a modest recovery in M&A activity, with the total value of all deals increasing from 2019's depressed levels. We predicted that corporate deals would account for a high percentage of the total transaction value.

The total value in 2020 came in at $20.0 billion with $18.4 billion of the value from corporate transactions. There was one deal in 2020 valued at over a billion dollars; with **Cenovus Energy Inc**. acquiring **Husky Energy Inc.** for $15.0 billion which made up 75% of the total M&A value for the year. Ironically enough, this was the largest transaction in the Canadian oil and natural gas industry since Cenovus purchased certain Canadian assets from **ConocoPhillips Co.** in 2017 for $17.7 billion.

Total Yearly Value of M&A Activity (2011-2020)

($billions)



A constant theme in previous forecasts has been uncertainty and frothiness in the Canadian oil and natural gas industry leading to restricted M&A activity, which Sayer expects to continue throughout 2021. This unease has been caused by a number of factors including; the ongoing COVID-19 pandemic and the effect it will have on commodity prices especially for oil as well as its effect on the balance sheets of many oil and natural gas producers, swelling environmental issues and continued political issues both in Canada and in the United States.

We predict M&A activity in 2021 to be slightly lower than what we saw in 2020, we forecast in the +/- $15 billion range. We expect to see corporate deals account for a high percentage of the transaction value as it did in 2020. We also predict we will continue to see more share for share corporate transactions in 2021 as we saw in 2020 with the aforementioned Cenovus/Husky transaction as well as **Whitecap Resources Inc.**'s acquisition of **NAL Resources Limited** and proposed acquisition of **TORC Oil & Gas Ltd**.

We were correct in not expecting to see many multi-billion-dollar natural gas transactions taking place in 2020. There were no natural gas deals valued at over a billion dollars. *Echoing this prediction, we do not expect to see many multi-billion-dollar natural gas transactions occurring in 2021.*

We predicted the number of insolvencies in 2020 to be similar to what we saw in 2019. In 2020, there were eight insolvencies, compared to 12 in 2019. This trend began in 2016 when the number of oil and natural gas companies

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Sayer's Outlook for 2021...

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that became insolvent shot from the historical average of approximately eight per year to 28 companies entering into receivership, bankruptcy or formal financial restructuring processes. This trend continued into 2017 with 16 insolvencies recorded and then dropped to six in 2018. *We expect to see a similar number of insolvencies in 2021, as we did last year, in part due to the continuing effects that the COVID-19 pandemic has had on many oil and natural gas companies.*

We predicted that there would be very few, if any, hostile takeover attempts in 2020. We were correct, in that there were only two hostile takeover attempts in 2020 with **Obsidian Energy Ltd.**'s offer for all of the issued and outstanding shares of **Bonterra Energy Corp.** and **Waterous Energy Fund**'s offer to increase its interest in **Osum Oil Sands Corp**. *We predict the same for hostile takeover attempts in 2021.*

We predicted that 2020 would be a slow year for oil sands transactions. Our prediction was blown out of the water with the previously-mentioned Cenovus acquisition of Husky. *We predict that minor oil sands assets may hit the market but we do not expect to see many multi-billion-dollar transactions in this sector in 2021.*

Over the last several years there has been an issue with the amount of capital entering into the industry through financings, as well as a lack of investor interest through public markets. We predicted that capital markets would continue to be restrictive and selective by primarily supporting larger, stronger oil-weighted public entities in 2020.

Capital raised in 2020 including equity and debt issues totaled $10.9 billion. This is more than double the $5.4 billion raised in 2019. Of the total $10.9 billion in capital raised in 2020, $10.0 billion consisted of debt financings with the remainder in equity. *Considering the very low interest rate environment we have been in since the onset of the COVID-19 pandemic, we believe we will continue to witness more debt financings versus equity financings occurring in 2021*, as evidenced by **Tourmaline Oil Corp.** announcing earlier this month the issuance of $250.0 million in unsecured notes due in January 2028 bearing interest at a fixed rate of 2.077% per annum.

In our forecast last year, we predicted that we would see the trend of share buy-backs and recapitalization transactions occur in 2020 which were trends we saw emerging in late 2019 and early in 2020. Unfortunately, with the onset of the COVID-19 pandemic we saw both of these trends become virtually non-existent. We believe that share buy-backs will be minimal in 2021 but that we may see a few recapitalization transactions in 2021 similar to the ones announced by **Spartan Delta Corp.** in late 2019 and **Headwater Exploration Inc.** in early 2020.

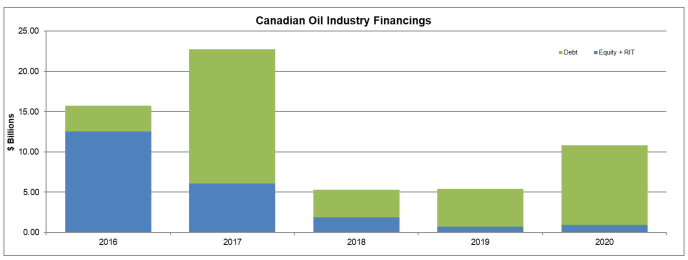
We are hopeful that the recent increase in oil prices coupled with stable natural gas prices and the roll-out of vaccines to deal with the COVID-19 pandemic will bring back the return of investor interest and possibly some equity into the Canadian upstream oil and natural gas industry. If we do continue to see somewhat stable commodity prices in 2021, we believe that this will be the best scenario for a robust M&A market.

Written by Tom Pavic
Sayer Energy Advisors
Originally Appeared in the Daily Oil Bulletin on January 27, 2021

Total Oil & Natural Gas Financings More Than Double in 2020

The total amount of capital raised in the Canadian oil and natural gas industry in 2020 more than doubled from the previous year. In 2020, there was a total of $10.9 billion in capital raised, compared to $5.4 billion in 2019. In 2018 the level of financings reached a record low at $4.3 billion. Debt financings in 2020 accounted for almost all of the capital raised at 91%, with equity financings making up the remainder. There was a similar split in 2019 with 86% from debt financings and 14% from equity.

The largest contributing factor for the surge in capital raised in 2020 was the jump in the total amount of debt financings year-over-year. In 2020 debt financings rose 113% to $9.9 billion from $4.7 billion in 2019.



The debt category described herein is comprised of straight and convertible debt. There were 29 debt financings in 2020, down 26% from the 39 in 2019. The amount of straight debt issues was $9.9 billion, up 117% from the $4.6 billion in 2019. Convertible debt plunged year-over-year, down 97% to $2.6 million from the $85.3 million recorded in 2019.

In 2020, all of the top ten debt issues were straight debt, while in 2019 nine of the top ten debt financings were straight debt.

The largest debt issue in 2020 was **MEG Energy Corp.**'s $1.6 billion financing in January for seven-year notes with an interest rate of 7.125%. MEG used the proceeds, together with cash on hand to refinance the company's 6.375% senior unsecured notes due January 2023 by way of a previously announced conditional redemption and to redeem a portion of the 7.00% senior unsecured notes due March 2024.

Canadian Natural Resources Limited completed two debt issuances in June for total proceeds of approximately $1.5 billion. The company issued $815.5 million in 2.05% unsecured notes maturing on July 15, 2025 and $679.6 million in 2.95% unsecured notes maturing on July 15, 2030. Canadian Natural also raised $800.0 million in November when it completed a three-year medium-term note offering for $500.0 million with a 1.45% coupon rate and a seven-year medium-term note offering for $300.0 million with a 2.5% coupon rate. Proceeds from all the offerings were primarily used to refinance the company's outstanding short-term indebtedness and for general corporate purposes.

Suncor Energy Inc. raised $1.4 billion in May through two separate debt offerings. Suncor issued $633.3 million in three-year senior unsecured notes with a 2.8% coupon rate and $774.0 million in five-year senior unsecured notes with a 3.1% coupon rate. In April, Suncor also issued $1.3 billion in 10-year senior unsecured notes with a 5.0% coupon rate. Proceeds from all the offerings were primarily used to refinance Suncor's outstanding short-term indebtedness and for general corporate purposes.

The total amount of equity raised in 2020 was $944.4 million, a 28% increase from the approximately $740.0 million in equity raised in 2019. While the total amount of equity raised increased in 2020, the number of equity issues decreased to 95 from 124 in 2019. The average size of issues in 2020 increased to $9.9 million from $5.9 million in 2019.

There was one initial public offering ("IPO") completed in the Canadian oil and natural gas industry in 2020. **Topaz Energy Corp.** completed the only IPO, which was also the largest single equity financing in 2020. The Topaz IPO was priced at $13.00 per share and closed in October for proceeds of $217.5 million followed by closing of the over-allotment option in November for an additional $32.6 million. There were no IPOs recorded in 2019.

Prior to the IPO, Topaz also recorded the second-largest equity offering in 2020. Topaz completed a private placement in July at a price of $11.00 per share for total gross proceeds of $145.3 million. Proceeds from the offering were used to finance the acquisition of a 12.5% working interest in **Advantage Oil & Gas Ltd.'s** Glacier natural gas plant for $100.0 million.

Rounding out the top three equity financings was **Pipestone Energy Corp.**, which closed its $70.0 million convertible preferred share financing in September. The preferred shares ("CP Shares") were acquired through a subscription agreement with **Riverstone V EMEA Holdings Cooperatief U.A., GMT Capital Corp.** and **GMT Exploration Company LLC** (collectively the "Investors"). The Investors acquired 70,000 CP Shares which have a conversion price of $0.85 per common share and have a term of five years. The CP Shares were sold at a price of $970 per share, and entitle the Investors to an annual dividend of 6.5% per year, payable quarterly in-kind, or in cash after two years from issuance, at the sole option of Pipestone. Proceeds from the offering were used to accelerate development activities in the fall of 2020.

Included in the equity category is the amount of flow-through equity raised during 2020 which totaled $10.5 million. The most significant flow-through financing in 2020 was done by **Surge Energy Inc.**, which completed a $10.3 million flow-through financing in January 2020 at a price of $1.18 per common share. The $10.5 million total represents an 89% drop from the $93.0 million in flow-through-equity raised in 2019.

We are optimistic that we will see an increase in financings in the industry through 2021, however; as we have been forecasting over the last number of years, capital markets are likely to remain restricted and selective in the near term by primarily supporting larger, stronger oil-weighted public entities in 2021. We forecast we will continue to see debt financings outweigh equity financings in 2021, as was illustrated by **Tourmaline Oil Corp.** announcing last month the issuance of $250.0 million in unsecured notes due in January 2028 bearing interest at a fixed rate of 2.077% per annum.

Written by Ben Rye
Sayer Energy Advisors
Originally Appeared in the Daily Oil Bulletin on February 24, 2021

Sayer in the News...

The Globe and Mail

Small Oil Players Strive to Survive as Big Producers Eye Bargains

Jeffrey Jones
Published September 9, 2020

A wave of consolidation is bearing down on Canada's oil patch as smaller companies exhaust their survival options and large players see bargains.

Several deals have already been announced following a lengthy drought, including two last week. Investment bankers say industry financial woes made worse by the COVID-19 contagion are prompting virtually all corporate boards to run the numbers on potential transactions to either satisfy lenders or beef up to become relevant to institutional investors.

Many that have scraped through the worst of the price collapse that began in March now face a reckoning with their banks. In some cases lending syndicates kept producers on short leases, reassessing credit capacity month-by-month, but did not take the drastic step of pushing them into bankruptcy processes.

Oil prices have been stuck in a tight range that affords little room to fund capital-spending increases, making the odds of more deals high, especially in the industry's lower tiers. Crude took a major hit Tuesday, with the West Texas Intermediate futures contract sliding 7.6 per cent to US$36.76 a barrel.

"Lenders need to assert their priority in their capital structures to preserve their stake after what I have to imagine looked like the vapourization of significant investments in the business," said Robert Fitzmartyn, head of energy institutional research at Stifel FirstEnergy. That means pressure to sell, or look for other ways to recoup losses. Meanwhile, large producers are bargain-hunting.

Last week, Obsidian Energy Ltd. launched an unsolicited offer for Bonterra Energy Corp., a proposal that exposed both mid-sized companies' main weakness – limited access to new sources of capital. Following a year of on-and-off talks, Obsidian made the bid official on Tuesday, offering two of its shares for each Bonterra share, even though the exchange is worth less than Bonterra's price in the market.

Bonterra shares are down almost 70 cent in the past year, as the company slashed its capital spending and suspended its dividend. Obsidian, the former Penn West Petroleum, began a formal search for strategic alternatives a year ago, and the market remains wary of its high debt and large obligations for cleanup of spent well sites.

Also last week, Whitecap Resources Ltd. announced a $155-million deal to buy NAL Resources Ltd. from its owner, Manulife Financial Corp. That helps Whitecap consolidate properties across four-fifths of its portfolio of assets in Saskatchewan and Alberta. Stronger players that have long since graduated to senior producer status, such as Whitecap and Tourmaline Oil Corp., are seen as consolidators.

Meanwhile, some value-focused private equity investors are also jumping in.

"You're seeing some parties that are thinking that this is a bottom, and it would be a good time to dip their toe in and acquire some oil and natural gas assets," said Tom Pavic, president of Sayer Energy Advisors in Calgary.

Valuations for most publicly traded companies are a fraction of what they were even at the beginning of 2020, which has had a bearing on that activity, he said.

In the first six months of this year, merger and acquisition activity in the industry rang in at just $750-million compared with $5.4-billion in the first half of 2019. But a small flurry kicked off mid-July after Kelt Exploration Ltd. announced it was selling natural gas assets in the British Columbia Montney basin to ConocoPhillips for $510-million, in an effort to bolster its balance sheet.

Aroon Sequeira, chairman of Edmonton-based investment bank Sequeira Partners, says selling off non-core assets has become a more attractive prospect in a tough economy where companies are starved of capital but want to live to fight another day. "I think there is a lot of overcapacity in the system, and that usually means rationalization, consolidation and takeovers," he said.

Shortly after Kelt's sale, Canadian Natural Resources Ltd. made a friendly $111-million bid for Painted Pony Energy Ltd. to beef up its own Montney holdings.

Crude is stuck at a price that crimps returns for many oil producers and relegates them to looking for savings in overhead costs rather than plowing capital into new wells. Since U.S. benchmark oil crashed to below zero dollars a barrel in April, prices had recovered and were hovering on either side of US$40 until Tuesday's selloff. That compares with about US$56 a year ago. In late August, just 10 per cent of Western Canada's rig fleet was drilling, according to industry figures.

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Sayer in the News...

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Alberta natural gas prices, meanwhile, have strengthened considerably, selling for $2.47 a gigajoule on Monday, compared with $1.61 a year earlier. The 12-month forward price, known as the strip, is even more bullish at $3.11 a GJ.

The current strength in gas prices could help boost the deal flow into the fall, Mr. Pavic said. Larger producers are expected to take the opportunity to add assets in their core areas such as the Montney, or are looking to buy out their partners to build economies of scale.

Tourmaline, for instance, acquired two producers, Chinook Energy Inc. and Polar Star Canadian Oil and Gas Inc., just before the lockdown. The company, run by chief executive Mike Rose, is expected shortly to announce the initial public offering of its royalty and energy infrastructure spinoff, Topaz Energy Corp. Tourmaline has earmarked proceeds for funding for future acquisitions.

Some of the targets – including producers and oil field service providers – were limping before the pandemic took its toll on energy prices. Indeed, many large institutional investors had long since turned their attentions away from Canadian energy amid years of delays in adding export pipeline capacity. Instead, U.S. shale producers attracted billions of dollars.

Now, as U.S. producers struggle to generate returns and even undergo insolvency, some rival energy companies and fund managers see Canada's small oil and gas producers as the ultimate deep value play.

Adam Waterous, founder of Waterous Energy Fund (WEF), has done a series of acquisitions starting well before the lockdown, acquiring companies that had run out of funding options. Early this year it closed its $28-million acquisition of debt-hobbled Pengrowth Energy Corp.

In August, WEF merged its natural gas and heavy oil companies, Strath Resources Ltd. and Cona Resources Ltd., to form Strathcona Resources Ltd. – and bought a large stake in producer Osum Oil Sands Corp. to help maintain access to capital through size.

Mr. Waterous is looking to take advantage of what he calls the "oil tech-wreck." That is, despite major advances in drilling and well-completion technology, with oil below US$50 a barrel the industry cannot come close to achieving the profitability it enjoyed when crude was double the price.

"The industry's returns have been horrendously poor in North America for the last six years now," he says. As a result, capital available to many companies, especially the smaller ones with production at around 20,000 barrels of oil equivalent a day, has dried up.

One investor betting big on Canada's oil patch is Halifax-based George Armoyan, founder of Armco Capital Inc. The investment arm of that group, G2S2 Capital Inc., stands to pick up $18-million worth of lien notes in the recapitalization of oil field service stalwart Calfrac Well Services Ltd., itself the target of a hostile bid from a major U.S. shareholder.

His company already owns about 20-per-cent each of Trican Well Service Ltd. and Western Energy Services Corp., and last year it acquired 16 per cent of Bonavista Energy Corp. and was a key part of Bonavista's recent recapitalization.

"I am somewhat long-term bullish, in that I do believe fossil fuel will still be here in my lifetime because it is a global commodity and the world is still growing," Mr. Armoyan told The Globe and Mail in a recent interview. "When I looked the last few years at buying something cheap, the only thing that seemed cheap to me – and I've been wrong the last few years, so I'm down a lot – has been oil and gas.

"Ask me in three to five years and I'm either going to be a visionary or a jackass. I just haven't figured out which one it is."

Sayer in the News...

Financial Post

Endangered Species: Canadian Small Oil and Gas Companies Under Pressure to Merge or Die

Geoffrey Morgan
Published September 4, 2020

Banks and creditors are running out of patience with a now six-year downturn in the Canadian oil industry

Small- and mid-sized oil and gas companies in Canada are going the way of the dodo bird.

“The 20,000-barrel-per-day producer in Western Canada is an endangered species. We don’t see that changing for some time,” said Adam Waterous, CEO of the Waterous Energy Fund, which has been deploying private equity capital in recent years to buy up small oil companies, including the $750-million purchase of Pengrowth Energy Corp. in Nov. 2019.

If the small oil producer is an endangered species, Waterous is the trophy hunter. In six transactions he has built a company now called Strathcona Resources Ltd. into one of the largest private-equity owned producers in North America with production of more than 60,000 bpd.

Now, Strathcona is eyeing more underpriced assets in the Canadian oilpatch.

Investors and analysts expect a mergers and acquisition wave as the oil price depression since last March and COVID-19 were just the latest in a series of crises that has squeezed the life out of many companies. It has come to a stage where banks and creditors are, in some cases, running out of patience with a now six-year downturn in the Canadian oil industry.

Exasperated by paltry returns, they are cutting off funding in some cases and pushing companies to either restructure or sell out to larger companies.

Many companies including Obsidian Energy Ltd. have launched ‘strategic reviews’ and put themselves for sale, while others such as Bow Energy Ltd. and Cequence Energy Ltd. have filed for creditor protection.

In certain cases, Paresh Chari, senior analyst and vice-president at Moody’s Investors Service, said he has seen mid-sized energy companies have their borrowing bases re-determined or seen credit revolvers cut to less than what’s drawn on the debt facility, which has effectively forced them into bankruptcy.

To get out of the quagmire, companies are scrambling to find partners to become bigger and — hopefully — more solvent.

“I think you’re going to see that trend of smaller companies trying to get into bigger companies,” Chari said, noting that banks and creditors have been less willing to lend to intermediate producers and are more likely to demand a restructuring, merger or sale of the company.

The same issue has not plagued the larger companies in the Canadian oilpatch, with Suncor Energy Inc., Canadian Natural Resources Ltd., Cenovus Energy Inc. and Husky Energy Inc. tapping the debt market with little trouble this year, Chari said.

It’s the smaller producers that are feeling the heat from impatient bankers and financiers.

“In terms of returns for both equity and debt-holders from energy companies has been so poor for a number of years that the market doesn’t necessarily have the confidence that these companies will be good stewards of their capital,” Chari said.

It’s the smaller producers that are feeling the heat from impatient bankers and financiers.

As creditors’ patience runs out, a handful of opportunistic acquirers, such as Waterous, are buying up assets at bargain basement valuations.

“Consolidation has never been more urgently needed than right now,” Waterous said in a recent interview, noting that small energy companies have been shut out of both debt and equity markets and without access to capital, they are “effectively orphaned businesses.”

“These orphaned businesses need to come together,” he said. “We’ve been very aggressive in doing this.”

Waterous, who divides his time between Banff and Calgary, has been advising energy firms on deals for decades, with his own advisory called Waterous & Co. beginning in 1991. In 2005 he sold the firm to Scotiabank to create Scotia Waterous. He left Scotia in 2017 to set up the private equity Waterous Energy Fund. And after years of watching investments in the Canadian energy sector decline, he says there are major opportunities for consolidation.

As an example of the bargains available, his fund’s deal last year for Pengrowth was struck at a 77 per cent discount to the oil company’s share price.

On Aug. 13, Waterous Energy Fund acquired a 45 per cent stake in Osum Production Corp., a 20,000-bpd oilsands producer, from U.S. private equity giants Blackstone Group Inc., Warburg Pincus LLC and Singapore’s sovereign wealth fund GIC Private Ltd.

Waterous declined to say whether he intended to purchase the remaining 55 per cent of the company and fold it into Strathcona Resources, but said that his private equity fund was attracted to Osum because of the similarities to the assets it had acquired from Pengrowth.

As creditors push oil producers to sell assets or sell themselves outright, there’s been an uptick in Canadian oilpatch deals over the summer. Since June, there have been five M&A deals valued

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Sayer in the News...

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at $828 million, according to FP Data, taking year-to-date figures to $1.65 billion across 23 deals. In contrast, there were 42 M&A deals during the same period valued at $15.47 billion.

This week, Whitecap Resources Inc. used its stock to buy Manulife Financial-backed NAL Resources in a deal worth $155 million. Whitecap believes it's in a position to do more deals.

"At this point in time, we believe that rather than drilling out your inventory for very limited return, there's potential to increase your inventory through acquisitions," Whitecap President and CEO Grant Fagerheim said on a conference call with analysts after announcing the NAL deal. "We'll continue to be active in looking for other opportunities to strengthen our company for the longer term."

"We believe that rather than drilling out your inventory for very limited return, there's potential to increase your inventory through acquisitions."
Whitecap President and CEO Grant Fagerheim

The Whitecap-NAL deal was also an example of just how far valuations in the energy sector have fallen as Whitecap was able to buy NAL for just 1.5-times the target's annual cash flow, National Bank Financial analyst Travis Wood said in an interview.

"That valuation caught many by surprise. I don't know if I would expect more of that type of valuation necessarily. It's hard to grapple with how many of those (deals) are out there," Wood said.

Obsidian, which is heavily indebted and in the middle of a strategic alternatives process, publicly requested Bonterra Energy Corp. on Aug. 31 to agree to a merger. Without access to capital, Painted Pony Energy Ltd. sold out to Calgary-based major Canadian Natural Resources Ltd. on Aug. 10 for $111 million in cash and the assumption of $350 million of debt.

Analysts say Kelt Exploration Ltd.'s $510-million deal on July 23 to eliminate its debt by selling 140,000 acres of natural gas lands in British Columbia to Houston-based ConocoPhillips Co. was also motivated by debt and liquidity considerations.

Equity values for smaller energy companies have fallen sharply in recent years, and have been pushed lower by the coronavirus-induced oil price collapse this year. The enterprise value for many oil and gas companies is now controlled by their debt holders, said Michael Zuk, managing partner at Athena Capital Markets in Calgary.

"As equity markets are shut off from these guys, we are going to see more M&A but it's not going to be the friendly Canadian M&A. It's going to be more of the backs-against-the-wall type," Zuk said.

However, since the Canadian oilpatch has been under pressure as a result of weak prices and lack of export pipelines in the past decade, there are fewer domestic companies that are in a position to acquire distressed companies through this most recent cyclical trough.

"You could count them on one hand," Zuk said about mid-sized Canadian oil and gas companies with the financial wherewithal to buy their troubled peers. Headwater Exploration Inc. and Spartan Delta Corp., which recently bought insolvent Bellatrix Exploration's assets for $87.6 million out of Companies' Creditors Arrangement Act proceedings, are among the few companies in a position to buy.

Other intermediate oil and gas producers that could be acquisitive in this cycle are Whitecap (even after the NAL deal), Torc Oil and Gas Ltd. and potentially Enerplus Corp., according to Eric Nuttall, a Toronto-based portfolio manager and partner with Ninepoint Partners.

However, he said he's not investing in intermediate oil and gas producers based on deal potential.

"M&A is a really, really tough investment thesis to focus a fund around. The most logical transactions don't transpire," he said.

Instead, Nuttall said he's looking to invest in companies that aren't over-leveraged and can generate cash in excess of their expenses at current prices. He believes the Canadian energy industry is undervalued relative to oil stocks in other countries and relative to other industries. The S&P Capped Energy Index is down 37 per cent year-to-date, compared to a 2.65 per cent decline of the main Canadian index.

"You need to know the debt maturities and makeup of the banking syndicate," Nuttall said. "I wouldn't make up a portfolio full of companies at the whim of bankers who might push you to sell your crown jewel."

Rounding out the list are opportunistic private equity companies that are closely watching equity valuations falling and the pressures accumulating on small- to mid-sized energy companies.

"M&A is a really, really tough investment thesis to focus a fund around. The most logical transactions don't transpire."
Eric Nuttall, Ninepoint Partners

Right now, there are an estimated $1.2 billion in assets being publicly marketed for sale in the Canadian oilpatch, with many more assets for sale that haven't been publicly announced, Sayer Energy Advisors president Tom Pavic said.

Despite the abundance of of assets on sale, making deals with the sole intention of getting bigger and attracting more market interest alone has not worked in the Canadian energy sector in recent years. Deals structured in ways that reduce debt for small- and mid-sized companies will likely be rewarded, Pavic said, citing Whitecap's transaction as an example.

The industry now expects an uptick in oil and gas deals in the coming weeks as commodity prices have stabilized following a tumultuous first half of the year, in which both Canadian and North American oil prices dipped into negative territory for the first time ever.

"When you get wild volatility, it's very difficult to transact," he said, noting that some would-be acquirers waited until the energy markets stabilized to strike deals. "You've got some semblance of stability in commodity prices, especially for oil in and around US$40 (for West Texas Intermediate). That's a big key."

2020 Transactions Completed by Sayer Energy Advisors

This announcement appears as a matter of record only.

Direct Oil & Gas Inc.

has sold certain interests in the Worsley area of Alberta

The undersigned acted as agent to Direct for this transaction.

SAYER ENERGY ADVISORS

January 2020

This announcement appears as a matter of record only.

KAISER EXPLORATION LTD.

has sold its interests in the Blueberry area of British Columbia

The undersigned acted as agent to Kaiser for this transaction.

SAYER ENERGY ADVISORS

January 2020

This announcement appears as a matter of record only.

RISING STAR RESOURCES LTD.

has sold its non-core interests the Whitelaw area of Alberta

The undersigned acted as agent to Rising Star for this transaction.

SAYER ENERGY ADVISORS

January 2020

This announcement appears as a matter of record only.

Certain oil and natural gas interests held by

TRIDENT EXPLORATION CORP.

have been sold through its receiver

pwc

The undersigned acted as agent to PwC for these transactions.

SAYER ENERGY ADVISORS

February/March 2020

This announcement appears as a matter of record only.

All of the issued and outstanding shares of

CORSE ENERGY CORP.

have been sold

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

SAYER ENERGY ADVISORS

April 2020

This announcement appears as a matter of record only.

All of the oil and natural gas interests held by

OAN Resources Ltd

have been sold through its receiver

Hardie&Kelly

to

CRIMSON ENERGY LTD.

The undersigned acted as financial advisor to Hardie & Kelly for this transaction.

SAYER ENERGY ADVISORS

April 2020

This announcement appears as a matter of record only.

EPSILON Energy Ltd.

announced an issuer tender offer for up to 2,000,000 of its common shares

The undersigned acted as financial advisor to the Special Committee of the Board of Directors of Epsilon and provided them with a Valuation for this transaction.

SAYER ENERGY ADVISORS

May 2020

This announcement appears as a matter of record only.

LOGIC Energy Ltd.

has completed a recapitalization transaction

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

SAYER ENERGY ADVISORS

May 2020

This announcement appears as a matter of record only.

All of the oil and natural gas interests held by

Traverse Energy Ltd.

have been sold through its receiver

EY

to

BARREL OIL CORP

for approximately

$3.3 million

The undersigned acted as agent to Ernst & Young for this transaction.

SAYER ENERGY ADVISORS

June 2020

This announcement appears as a matter of record only.

Certain oil and natural gas interests in the Crossfield area of Alberta held by

LEXIN RESOURCES LTD.

have been sold through its receiver

Grant Thornton

to

HESC ENERGY LIMITED PARTNERSHIP

The undersigned acted as financial advisor to Grant Thornton for this transaction.

SAYER ENERGY ADVISORS

July 2020

This announcement appears as a matter of record only.

Certain oil and natural gas interests held by

TRIDENT EXPLORATION CORP.

have been sold through its receiver

pwc

The undersigned acted as agent to PwC for these transactions.

SAYER ENERGY ADVISORS

July 2020

This announcement appears as a matter of record only.

TIDEWATER Midstream and Infrastructure Ltd.

has sold certain non-core facility interests

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

SAYER ENERGY ADVISORS

August 2020

This announcement appears as a matter of record only.

Certain oil and natural gas interests held by

WOLF COULEE RESOURCES INC.

have been sold through its receiver

BDO

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

SAYER ENERGY ADVISORS

July/August 2020

This announcement appears as a matter of record only.

TOSCANA ENERGY INCOME CORPORATION

completed an arrangement with

i3 ENERGY

for total consideration of

$10.2 million

The undersigned acted as financial advisor to the Board of Directors of Toscana and provided them with a Fairness Opinion for this transaction.

SAYER ENERGY ADVISORS

September 2020

This announcement appears as a matter of record only.

Burgess Creek Exploration INC

has sold certain gross overriding royalty and Fee Title interests in Saskatchewan

The undersigned acted as agent to Burgess Creek for this transaction.

SAYER ENERGY ADVISORS

November 2020

This announcement appears as a matter of record only.

CANAMAX ENERGY LTD

has sold its interests in the Hardy area of Saskatchewan

The undersigned acted as agent to Canamax for this transaction.

SAYER ENERGY ADVISORS

November 2020

This announcement appears as a matter of record only.

Certain oil and natural gas interests held by

HOUSTON OIL & GAS LTD.

have been sold through its receiver

BDO

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

SAYER ENERGY ADVISORS

Fall 2020

This announcement appears as a matter of record only.

CHAIR RESOURCES INC.

has sold its interests in the Deep Basin, Dunvegan, Edson, Joffre-Leduc, Peace River areas as well as a portion of its interests in the Lloydminster and Swan Hills areas of Alberta

The undersigned acted as agent to Chair for these transactions.

SAYER ENERGY ADVISORS

November/December 2020