SAYER ENERGY ADVISORS

Viewpoint

An Oil and Natural Gas Industry Newsletter

Winter 2024

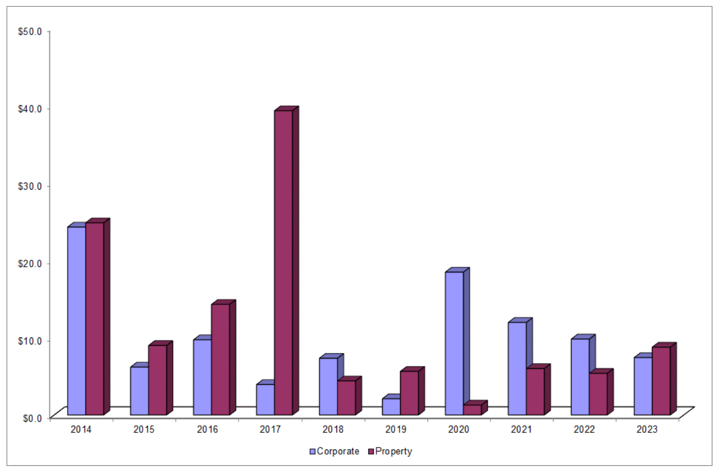
Sayer's Outlook for 2024 M&A Activity

Sayer Energy Advisors publishes its forecast for mergers and acquisitions ("M&A") activity in the Canadian upstream oil and natural gas industry every January for the upcoming year. We begin our outlook by reviewing our predictions from the previous year. Following our review, we will point to where we think things will go this year.

In 2023, the total value of M&A activity in the Canadian oil patch was approximately $16.4 billion. This is up from the $15.4 billion in 2022. In January 2023, we predicted that M&A activity in 2023 would be similar to what we saw in 2022 and forecasted that it would be in the +/- $15.0 billion range. We also predicted that corporate deals would account for a high percentage of the total transaction value. Approximately 45%, or $7.4 billion of the total value in 2023 came from corporate transactions.

There were five deals in 2023 valued at over a billion dollars which made up $11.7 billion, or over 70% of the total transaction value for the year. The largest of the five transactions was **ConocoPhillips** purchasing the assets of **TotalEnergies EP Canada Ltd.** for $4.4 billion, followed by **Crescent Point Energy Corp.** acquiring **Hammerhead Energy Inc.** for approximately $2.7 billion. There was some repetition of parties involved in the top five transactions, with Crescent Point also acquiring assets from **Spartan Delta Corp.** for $1.7 billion and TotalEnergies EP Canada, which was acquired by **Suncor Energy Inc.** for just under $1.5 billion. The fifth deal over a billion dollars in 2023 was **Tourmaline Oil Corp.** taking over **Bonavista Energy Corporation** for approximately $1.5 billion.

Total Yearly Value of M&A Activity (2014-2023) ($billions)



A persistent 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 still expects to continue throughout 2024. This unease has been caused by a number of factors including; the constant talk of a global recession and the effect it will have on commodity prices, especially oil, environmental issues and continued political issues both in Canada and internationally.

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Sayer's Outlook for ...

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We predict M&A activity in 2024 to be lower than what we saw in 2023, somewhere in the +/- $12 billion range. We expect to see corporate deals account for a high percentage of the transaction value as it did in 2021 and 2022.

Our prediction of not expecting to see many multi-billion-dollar natural gas transactions taking place in 2023 was correct. There were two natural gas deals valued at over a billion dollars with the aforementioned acquisition of Bonavista by Tourmaline and Crescent Point's acquisition of Hammerhead. Last year there were also two multi-billion-dollar natural gas transactions including the purchase of **Hammerhead Resources Inc.** by **Decarbonization Plus Acquisition Corporation IV** for approximately $1.4 billion with the combined entity named **Hammerhead Energy Inc.** and **Whitecap Resources Inc.**'s acquisition of **XTO Energy Canada Inc.** for $1.9 billion. *We expect the same to hold true this year. We do not expect to see many multi-billion-dollar natural gas transactions occurring in 2024.*

We predicted the number of insolvencies in 2023 to be consistent with what we saw in 2022, and lower than what was seen in 2021. In 2023, there were five insolvencies, compared to four in 2022 and eleven in 2021. This trend began in 2016 when the number of oil and natural gas companies 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, then dropped to six in 2018, increased to 12 in 2019 and then fell to eight in 2020. *Echoing our prediction from last year, we expect to see a low number of insolvencies in 2024, in part due to the majority of oil and natural gas companies possessing strong balance sheets.*

We were correct in predicting that there would be very few, if any, hostile takeover attempts in 2023. There were no hostile takeover attempts in 2023. *We predict the same for hostile takeover attempts in 2024.*

We predicted that 2023 would see a few multi-billion-dollar oil sands transactions. Our prediction was accurate, in that there were two oil sands transactions valued at over $1.0 billion in 2023. The largest of these two deals was the previously-mentioned ConocoPhillips purchase of assets from TotalEnergies EP Canada for $4.4 billion, which included a 50% interest in the Surmont Oil Sands Project. In the fourth quarter of 2023, **Suncor Energy Inc.** acquired TotalEnergies EP Canada for $1.5 billion. TotalEnergies EP Canada's main producing property was its 31.23% working interest in the Fort Hills Oil Sands Project operated by Suncor. On April 26, 2023, Suncor initially announced it had entered into an agreement with TotalEnergies for the sale of all of the shares of TotalEnergies EP Canada for $5.5 billion in cash plus a contingent payment of up to $600.0 million. The transaction with Suncor was conditional upon ConocoPhillips waiving its right of first refusal with respect to the Surmont Oil Sands Project. On May 26, 2023, ConocoPhillips exercised its preemption right to acquire the interest from TotalEnergies for $4.0 billion and contingent payments of up to $440.0 million. Suncor financed the acquisition of TotalEnergies EP Canada through an offering of $1.5 billion in aggregate principal amount of senior unsecured notes. *We predict that we may see a few multi-billion-dollar transactions in this sector in 2024, similar to what we witnessed in 2022 and 2023.*

Capital raised in 2023 including equity and debt issues totaled approximately $8.8 billion. This is up 217% from the $2.8 billion raised in 2022. Of the total $8.8 billion in capital raised in 2023, $7.2 billion consisted of debt financings with the remainder in equity. *With higher interest rates at present, we don't believe we will see as much debt financings as we did in 2023*.

In our forecast last year, we predicted that share buy-backs and increased dividends would continue to be a common occurrence in 2023, as was the case in 2022. This trend was a very common theme in the Canadian oil and natural gas industry in 2023. We believe this trend of share buy-backs as well as increased dividends to shareholders will continue in 2024.

We continue to have a positive view that strong oil prices will bring back the return of investor interest along with some possible equity into the Canadian upstream oil and natural gas industry. If we do continue to see oil prices hold in 2024 and natural gas prices increase, we believe that this will be the best scenario for a robust M&A market.

Written by Ben Rye
Sayer Energy Advisors
Originally Appeared in the Daily Oil Bulletin on January 31, 2024

Sayer in the News...

The Canadian Press

Tourmaline Oil Announces Deal to Buy Bonavista Energy Worth $1.45 Billion

Amanda Stephenson
Published October 16, 2023

Tourmaline Oil Corp., Canada's largest natural gas producer, is growing again.

The Calgary-based company, headed by CEO Mike Rose, announced Monday it is buying Bonavista Energy Corp. in a deal worth $1.45 billion.

Tourmaline will pay $725 million in shares and $725 million in cash, less Bonavista's net debt at closing.

Tourmaline has been undergoing a years-long aggressive exploration, development, production and acquisition program in the Western Canadian Sedimentary Basin — a program that has already earned the company the title of Canada's largest natural gas producer.

Tourmaline's current production in Alberta's Deep Basin is 250,000 barrels of oil equivalent per day, according to the company's website, and the company said Monday its acquisition of Bonavista will increase that to over 600,000 boe/d by the end of the year.

Bonavista is a privately held natural gas producer, also headquartered in Calgary. The company owns roughly one million acres of land in the Alberta Deep Basin, which is known for its liquids-rich gas and oil targets.

In a news release, Tourmaline said the deal represents an important component of the company's ongoing consolidation strategy, adding decades of inventory and supplementing its existing Deep Basin assets in Alberta.

"The Bonavista assets are a natural extension of Tourmaline's existing operations in the Deep Basin where the company is already the largest producer," Tourmaline said in a statement.

"I think Tourmaline is just looking at their core areas and seeing what's available there to augment those," said Tom Pavic, president of Sayer Energy Advisors, in an interview.

"The Bonavista transaction further enhances their Deep Basin portfolio."

Tourmaline said the acquisition is expected to be immediately accretive to Tourmaline's 2024 free cash flow yield.

In addition to the acquisition, Tourmaline announced it will increase its quarterly base dividend effective in the fourth quarter to $1.12 per share on an annualized basis, up from $1.04 per share.

The Tourmaline board also declared a special dividend of $1.00 per share that will be paid on Nov. 1, to shareholders of record on Oct. 24.

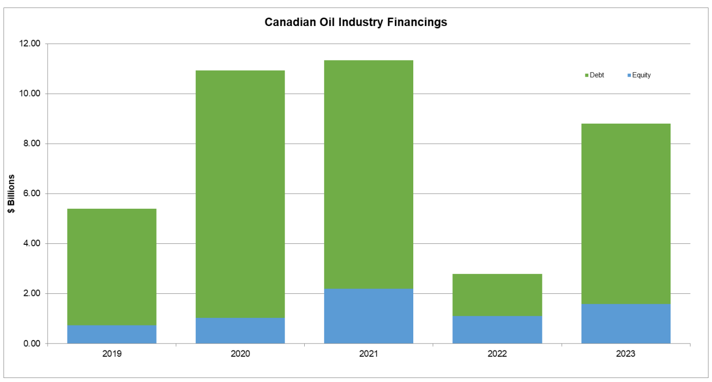
The deal is expected to close in the second half of November, subject to customary regulatory and stock exchange approvals.

In 2021, Tourmaline acquired Black Swan Energy for $1.1 billion.

Total Oil & Natural Gas Financings More Than Tripled in 2023

The total amount of capital raised in the Canadian oil and natural gas industry in 2023 more than tripled from the previous year. In 2023, there was a total of $8.8 billion in capital raised, compared to $2.8 billion in 2022, which was the lowest amount of capital raised since Sayer Energy Advisors began publishing financing statistics in 1994. In 2023, debt financings accounted for a majority of the capital raised at 82%, with equity financings making up the remainder.

The largest contributing factor for the surge in capital raised in 2023 was the upswing in the total amount of debt financings year-over-year. In 2023, debt financings rose 330% to $7.2 billion from $1.7 billion in 2022.



The debt category described herein is comprised of straight and convertible debt. There were 30 debt financings in 2023, up 15% from the 26 in 2022. The amount of straight debt issues was $7.1 billion, up 350% from the $1.6 billion in 2022. Convertible debt also increased year-over-year, up 16% to $113.5 million from the $97.8 million recorded in 2022.

In 2023, all of the top ten debt issues were straight debt, as was the case in 2022.

Ovintiv Inc. completed four debt issuances in May for total proceeds of approximately $3.1 billion. Ovintiv completed a senior note offering for $816.2 million with a two-year term and a coupon rate of 5.65%, a senior note offering for $952.2 million with a five-year term and a coupon rate of 5.65%, a senior note offering for $816.2 million with a 10-year term and a coupon rate of 6.25% and a senior note offering for $544.1 million with a 20-year term and a coupon rate of 7.1%. Ovintiv used the proceeds towards its acquisition of assets in the United States from **Black Swan Oil & Gas, LLC**, **PetroLegacy Energy II** and **Piedra Resources LLC**.

Suncor Energy Inc. raised $1.5 billion in November through two separate debt offerings. Suncor completed a senior unsecured note offering of $1.0 billion with a two-year term and a coupon rate of 5.60% and a senior unsecured note offering of $500.0 million with a three-year term and a coupon rate of 5.40%. Proceeds from the financing were used towards the acquisition of **TotalEnergies EP Canada Ltd.** for approximately $1.5 billion.

In May, **Baytex Energy Corp.** issued approximately $1.1 billion of 8.5% senior unsecured notes due April 30, 2030. The proceeds of the offering were used towards Baytex's purchase of **Ranger Oil Corporation** in June.

The total amount of equity raised in 2023 was $1.6 billion, a 44% increase from the $1.1 billion in equity raised in 2022. While the total amount of equity raised increased in 2023, the number of equity issues decreased to 117 from 158 in 2022. The average size of issues in 2023 increased to $13.5 million from $7.0 million in 2022.

The largest equity offering in 2023 was **Crescent Point Energy Corp.**'s bought deal equity financing in November. Crescent Point issued 48,550,000 common shares at a price of $10.30 per common share for gross proceeds of approximately $500.0 million. Proceeds of the offering were used towards the acquisition of **Hammerhead Energy Inc.** for approximately $2.7 billion.

The second largest equity offering in 2023 was **Peyto Exploration & Development Corp.**'s bought-deal equity financing in September for $201.3 million. Peyto issued a total of 16,916,500 shares at a price of $11.90 per share which included the over-allotment option in full. Proceeds from the offering were used towards the acquisition of substantially all of **Repsol S.A.**'s Canadian assets for $636.0 million.

Storm Development Corp. completed multiple equity financings, raising total proceeds of approximately $162.7 million. Concurrent with the financings, it was publicly disclosed that Storm acquired Montney interests in the Pouce Coupe area of Alberta from **ARC Resources Ltd.**

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Total Oil & Natural...
(continued from page 4)

Saturn Oil & Gas Inc. completed a bought deal equity financing through the issuance of 59,242,000 common shares at a price of $2.11 per share for approximately $125.0 million in January. Saturn used the proceeds towards the purchase of **Ridgeback Resources Inc.** for $524.7 million.

There were no IPOs recorded in 2023.

Included in the equity category is the amount of flow-through equity raised during 2023 which totaled $77.9 million. The most significant flow-through financing in 2023 was done by **Journey Energy Inc.**, which completed a $20.1 million flow-through financing in March 2023 at a price of $6.62 per common share. The $77.9 million total represents a 226% increase from the $23.9 million in flow-through-equity raised in 2022.

We expect capital markets to remain restricted and selective by primarily supporting larger publicly-traded exploration and production companies in 2024. Shareholder returns through share buy-backs and dividends will continue to be a common occurrence in 2024 as they were in 2023. We also believe there will be more debt financings versus equity financings in 2024. With higher interest rates at present, we don't believe we will see as many debt financings as we did in 2023.

Written by Tom Pavic
Sayer Energy Advisors
Originally Appeared in the Daily Oil Bulletin on February 28, 2024

Sayer in the News...

Western Standard

'Stars Lining Up' for Canadians Oil After Blockbuster Deals in US

Shaun Polczer
Published October 23, 2023

A pair of blockbuster deals in the US bode well for the future of the Canadian energy sector, according to a Calgary-based energy advisory firm.

It comes after San Ramon-based Chevron this weekend announced it is buying fellow oil giant Hess Corp. for USD$53 billion in the second blockbuster deal this month — after Exxon Mobil took out Texas-based Pioneer Natural Resources for $60 billion dollars on October 11.

According to Tom Pavic, president of Sayer Energy Advisors, both deals are a sign of longer-term confidence in the future of fossil fuels, particularly for shale oil. The Hess deal expands Chevron's footprint in the North Dakota Bakken — which spills into southern Saskatchewan — while Exxon consolidates the Texas Permian shale oil play.

Although Canada has seen an uptick in merger and acquisition activity, some observers feel it's only a matter of time before major buyers begin looking north as the Trans Mountain pipeline expansion comes on stream and producers benefit from higher commodity prices.

"We're sort of seeing that here in Canada but not at this scale," he told The Western Standard. "I think it's positive for the Canadian industry over the short to medium term… things are lining up on this side of the border."

Last week, Calgary-based Tourmaline Oil bought Bonavista Energy for CAD$1.45 billion to consolidate its dominant position in the prolific Duvernay shale fairway along the Alberta Foothills.

Also last week, Calgary-based Peyto Exploration bought the remaining Canadian assets of Spanish oil major Repsol in a deal worth $636 billion.

In August, Strathcona Resources bought out smaller rival Pipestone Energy for $756.83 million, to create Canada's fifth-largest oil and gas company with a market capitalization of $8.6 billion.

Those are on top of ConocoPhillips' $4 billion purchase of French supermajor TotalEnergies' Surmont thermal oil sands project and Suncor's $1.47 billion acquisition of Total's stake in the Fort Hill oil sands mine.

Two years of relatively strong commodity prices have allowed Canadian companies to pay down debt and build up war chests. With TMX — literally and figuratively — in the pipe, oil producers will have a half a million barrels per day of running room to resume an upward growth path.

According to Sayer, there have been about $12.7 billion of oil patch deals thus far in 2023, which is slightly off the $15.7 billion and $17.9 billion in each of the past two years after activity picked up following the pandemic.

The difference is that for two years relatively strong commodity prices have allowed Canadian companies to pay down debt and build up war chests. With TMX — literally and figuratively — in the pipe, oil producers will have a half a million barrels per day of running room to resume an upward growth path.

According to a report from Morgan Stanley last week, Canadian oil producers are attractive targets because they trade at substantial discounts to their American peers even though they have higher dividend yields and stronger free cash flow to fund acquisitions.

Alternatively, it's not unusual for Canadian companies to use that spare cash to snap up distressed American companies loaded with debt.

"I think there are going to be more transactions, for sure," Pavic said.

After surpassing the USD$90 mark last week, North American oil prices were down sharply in morning trading on Monday. Benchmark West Texas Intermediate was off $2.14 to $85.94 per barrel in New York, while UK Brent was down $1.97 to $90.19.

A Year in Review...
2023 Transactions

This announcement appears as a matter of record only.

ANGEL WING METALS INC

has sold all of the issued and outstanding shares of its subsidiary

HUNTINGTON CAPITAL INC.

The undersigned acted as financial advisor to Angel Wing for this transaction.

January 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

INSIGNIA

has sold its interests in the Beaverhill Lake area of Alberta

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

January 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

ALDON OILS LTD.

has sold its interests in the Bemersyde area of Saskatchewan

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

February 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Burgess Creek Exploration INC

has sold its interests in the Elcott area of Saskatchewan

The undersigned acted as financial advisor to Burgess Creek for this transaction.

February 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

INSIGNIA

has sold its interests in the Honeysuckle area of Alberta

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

February 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

All of the oil and natural gas interests in the Joarcam area of Alberta held by

ROBUS RESOURCES INC.

have been sold through its receiver

A&M

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

February 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

BROADVIEW ENERGY

has sold its interests in the Marwayne area of Alberta

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

March 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

CLEARVIEW RESOURCES LTD

has sold its interests in the Bantry area of Alberta

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

March 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

All of the outstanding shares of

DRAKKAR ENERGY Ltd.

have been acquired by

Blacksteel Energy

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

March 2023 — 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 and Saskatchewan

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

March 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

All of the issued and outstanding shares of

ROAD 53 Resources Inc.

have been sold

The undersigned acted as financial advisor to Road 53 for this transaction.

March 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Certain oil and natural gas interests in Alberta held by

SanLing ENERGY LTD.

have been sold through its receiver

pwc

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

March 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

SURGE ENERGY INC

has sold its interests in the Edmonton area of Alberta

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

March 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

WestLake ENERGY

has sold its interests in the Celtic, Mervin, Pikes Peak and Silverdale areas of Saskatchewan

The undersigned acted as financial advisor to West Lake for this transaction.

March 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

All of the issued and outstanding shares of

EDGE CAPITAL

have been sold to

INTEGRITY OIL & GAS LTD.

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

April 2023 — 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 — SAYER ENERGY ADVISORS

A Year in Review...
2023 Transactions

This announcement appears as a matter of record only.

tamarack valley ENERGY

has sold certain of its non-core interests in southern Alberta
to

Tuktu RESOURCES LTD.

The undersigned acted as financial advisor to Tamarack Valley for this transaction.

April 2023 — SAYER ENERGY ADVISORS

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 — SAYER ENERGY ADVISORS

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 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

101091127 Saskatchewan Ltd.

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

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

June 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

COASTAL RESOURCES LIMITED

has sold its interests in the Greater Farrow and Red Rock areas of Alberta

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

June 2023 — SAYER ENERGY ADVISORS

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 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

New North Resources Ltd. OILPLUSWATER Inc.

have 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 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

VICTORIA UNIVERSITY IN THE UNIVERSITY OF TORONTO

has sold its Fee Title and royalty interests in the Weyburn area of Saskatchewan
to

ERDOL

The undersigned acted as financial advisor to Victoria University for this transaction.

August 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

ALDON OILS LTD.

has sold its interests in the Huntoon, Midale, Midale North and Weyburn areas of Saskatchewan
to

Primal Resources

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

October 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Burgess Creek Exploration INC

has sold its interests in the Northgate area of Saskatchewan

The undersigned acted as financial advisor to Burgess Creek for this transaction.

October 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

All of the oil and natural gas interests of

have been sold through its receiver

FTI CONSULTING

to

BITSTONE

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

October 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

INTEGRITY OIL & GAS LTD.

has sold its interests in certain non-core properties in Alberta

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

October 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Certain oil and natural gas interests in the Abbey area of Saskatchewan held by

have been sold through its receiver

MNP LTD

to

YouFirst ENERGY

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

November 2023 — SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

RAYMARK LANDS

has sold its royalty interests in the Golden Lake and Kerrobert areas of Saskatchewan

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

November 2023 — SAYER ENERGY ADVISORS