



## Energy assets enjoy resurgence Higher prices spark interest in property deals

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Higher commodity prices and buoyant stock markets are fuelling a resurgent market for oil and gas assets, analysts said Friday.

Record oil prices and an improving outlook for natural gas is bringing both buyers and sellers into the property markets, said Tom Pavic, a vice-president with Calgary-based Sayer Energy Advisors, a firm that specializes in oil and gas mergers and acquisitions.

"It's definitely picking up. It's been a breath of fresh air with higher prices for both oil and gas," he said.

"The stock market is starting to pick up and investor sentiment is starting to come back. If commodity prices stay high, you'll start to see higher valuations."

According to Sayer, the total value of property deals in 2007 was a record \$49.8 billion compared with \$29.8 billion in 2006. Pavic said 2008 has proven to be flat compared with last year, but he's expecting a stronger second half with more entrants in the market.

Talisman Energy on Friday sold its Danish subsidiary, which was producing about 2,600 barrels a day, to Norwegian Energy Co. ASA for \$83 million.

"As we move into the early phases of Talisman's new strategy, we will focus our portfolio on our core areas," said CEO John Manzoni. "This sale is fully in line with our emerging direction."

In addition, EnCana Corp. on Thursday retained Scotia Waterous to market a package of properties scattered through Alberta and northeast British Columbia.

According to the offering overview on the Waterous website, the assets are producing about 4,300 barrels of oil equivalent per day, weighted 82 per cent to natural gas.

Based on a price range of \$40,000 to \$60,000 per flowing barrel, the offering is worth anywhere from \$170 million to \$260 million. According to Pavic, it's one of the largest sales of producing assets in Western Canada in the past several years.

Depending on whether the properties are sold in pieces or to a single buyer, it could be a platform for a new intermediate-sized producer.

Mark McMurray, Rundle Energy Partners' managing director of corporate development, said property markets were hurt by a confluence of factors starting in October 2006 with the federal government's decision to eliminate the trust sector.

The uncertainty carried over with falling gas prices and Alberta's royalty review.

"In 2007 we seemed to have an uncertain market, especially in the first half of the year," McMurray said.

Trusts, which had been big buyers of companies as well as properties, were suddenly marginalized. Around the same time, gas prices began to fall, putting smaller companies in financial trouble.

The credit crunch in the United States and last fall's stock market correction further limited the ability of junior players to raise money.

One executive, who didn't want to be named, said his company was forced to sell assets after the banks called in loans. "It started with the trusts and went downhill from there."

But trusts are expected to come back into the market as the 2011 deadline looms to reconvert back into corporations, and surging stock markets are providing growth capital for a new wave of potential buyers.

As balance sheets strengthen, companies that might have had to liquidate have more time to reconsider strategy.

"The market is changing right now," Rundle's McMurray said.

"You're seeing more aggressive pricing on both gas and oil. I expect trusts will remain both active buyers and sellers as they transition to a new business model. There are fair deals to be had on both sides of the market."

Buyers are generally looking for long-life reserves with production upside that they can invest time and money to develop.

Sayer's Pavic said it's not much different than a homebuyer looking for a house. In that sense, values and valuations are relative to the specific asset being sold.

"Obviously a house in Dover is not the same as one in Strathcona."

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