

Nexen's heavy oil assets fetch \$975M

750 Lloydminster wells sold as part of \$1.5B divestiture plan

BY SHAUN POLCZER, CALGARY HERALD MAY 20, 2010

Nexen Inc. on Wednesday unloaded almost \$1-billion worth of conventional heavy oil properties near Lloydminster in a deal that analysts say raises the bar for asset sales.

The properties, which comprise 750 wells mostly on the Saskatchewan side of Lloydminster, are producing about 16,000 barrels a day, Nexen said in a news release. The \$975-million price tag represents a \$700-million gain on the sale, it added.

With the sale, the company has achieved a target of generating \$1 billion in proceeds from the sale of non-core assets, and expects to generate over \$1.5 billion when its divestiture program is completed over the next 12 to 18 months.

"This transaction represents excellent value realization for these non-core assets," Marvin Romanow, Nexen's president and CEO, said in a statement. "These proceeds will be reinvested in pursuing the exciting success we're having in our conventional exploration, oilsands and shale gas investment programs."

The buyer was identified as Northern Blizzard Resources, a private Calgary company backed by Irving, Texas-based Natural Gas Partners, a private equity fund with more than \$7 billion under management.

With the deal, expected to close on June 30, Northern Blizzard instantly becomes a top-10 heavy oil producer in Western Canada. Company officials weren't immediately available for comment.

But Alan Tambosso, president of Sayer Energy Advisors, said the selling price of about \$60,000 per flowing barrel shows a high level of interest in heavy oil assets. With relatively high prices compared to natural gas, Tambosso said there are plenty of buyers looking to shore up their oil production.

"The market is actually strong because differentials (quality discounts to benchmark oil prices) are so narrow, everyone wants oil. We've seen strong interest in Canadian heavy oil for more than a year now," he said. "As a buyer, you would have to believe in a stable, long-term price for oil."

Pierre Alvarez, Nexen's vice-president of corporate relations, said the next piece of the asset divestiture puzzle will be the sale of the company's Canexus chemical division. The sale is not expected to affect the company's 2010 production targets.

"Those are the obvious non-core assets," he said. "We're obviously very pleased with the result of the sale."

Nexen previously announced its intention to sell the properties in March. Last week it completed the sale of its oil and gas marketing division for an undisclosed sum.

Lanny Pendill, with Edward Jones in St. Louis, said the sale was expected but the price paid was a pleasant surprise.

"The price they got looks like a great price. It frees up additional cash for growth projects," he said. "There are two sides to each

trade and these assets obviously meant more to Northern Blizzard than they did to Nexen."

The sale announcement came after the close of markets on Wednesday. Nexen's shares gained seven cents on the Toronto Stock Exchange, to close at \$22.31.

spolczer@theherald. canwest.com

© Copyright (c) The Calgary Herald