

# BOE Report Weekly Round-up

## March 7<sup>th</sup>, 2025

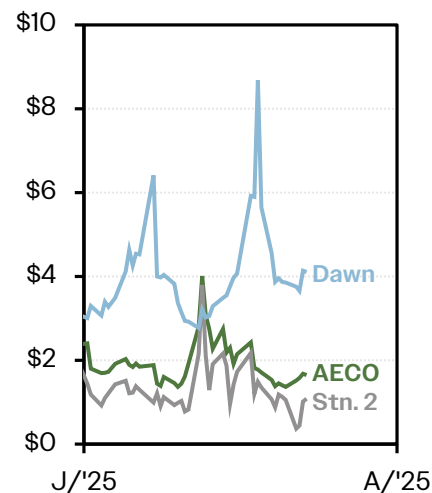
As a number of E&Ps close out their fiscal year, we reflect on what themes worked, and what didn't. Unfortunately for us, factor performance has been incredibly inconsistent. Strong, infallible execution from Tamarack and Peyto were both rewarded (and deservedly so) – meanwhile, the best, most shareholder friendly resource developers are off as much as 30% in the past year, back down to 3-year low valuations. At times, being a SMID feels like being the backup quarterback on a losing team – but falter once and you'll never be called up. It's an exhausting premise, but the one touchdown every 20 years makes it all worth it.

In an abbreviated version of the weekly round-up, we discuss condensate yields, Cardium conglomerates, comatose M&A markets, and confidential committees.

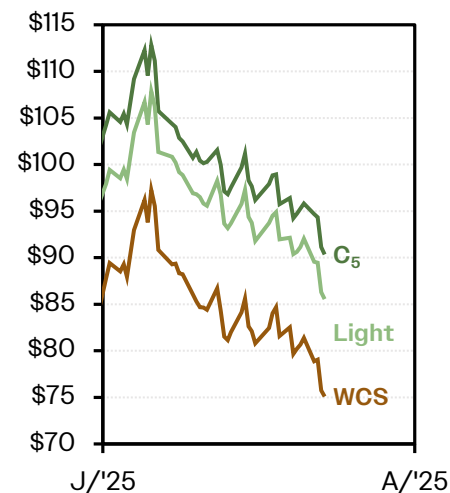
## Rig Counts by Operator

 <b>17</b>	 <b>11</b>	 <b>9</b>	 <b>9</b>	 <b>9</b>
 <b>6</b>	 <b>6</b>	 <b>6</b>	 <b>5</b>	 <b>4</b>
 <b>4</b>	 <b>4</b>	 <b>3</b>	 <b>2</b>	 <b>2</b>
 <b>2</b>	 <b>2</b>	 <b>2</b>	 <b>1</b>	 <b>1</b>

## Producer Netback Gas Prices by Hub (CAD\$/GJ)



## Spot Edmonton/Hardisty Crude Pricing (CAD\$/Bbl)



Note: Gas netbacks assume Gordondale plantgate, long-haul tolls assumed at minimum FT-R rates  
Source: Bloomberg, NGI, HTM Data Suite

## Weekly Headlines

[CNQ releases 2024 results](#)

[ATH releases 2024 results](#)

[KEC releases 2024 results](#)

[PNE releases 2024 results](#)

[SGY releases 2024 results](#)

[VET releases 2024 results](#)

[TOU releases 2024 results](#)

[YGR releases 2024 results](#)

[NVA releases 2024 results](#)

[POU releases 2024 results](#)

[SCR releases 2024 results](#)

[AAV releases 2024 results](#)

[BTE releases 2024 results](#)

[CJ closes debenture offer](#)

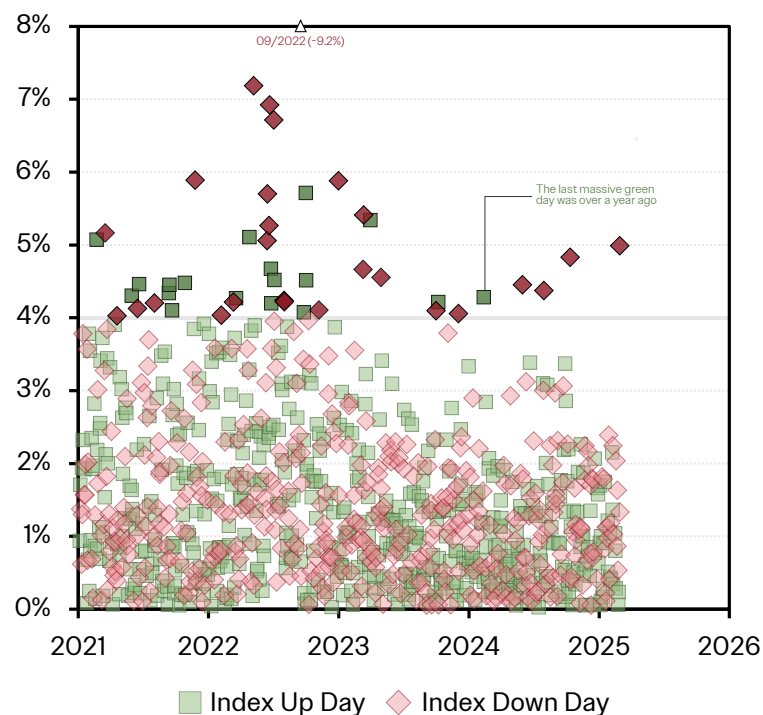
[LCX releases 2024 results](#)

[LTC announces a new CFO](#)

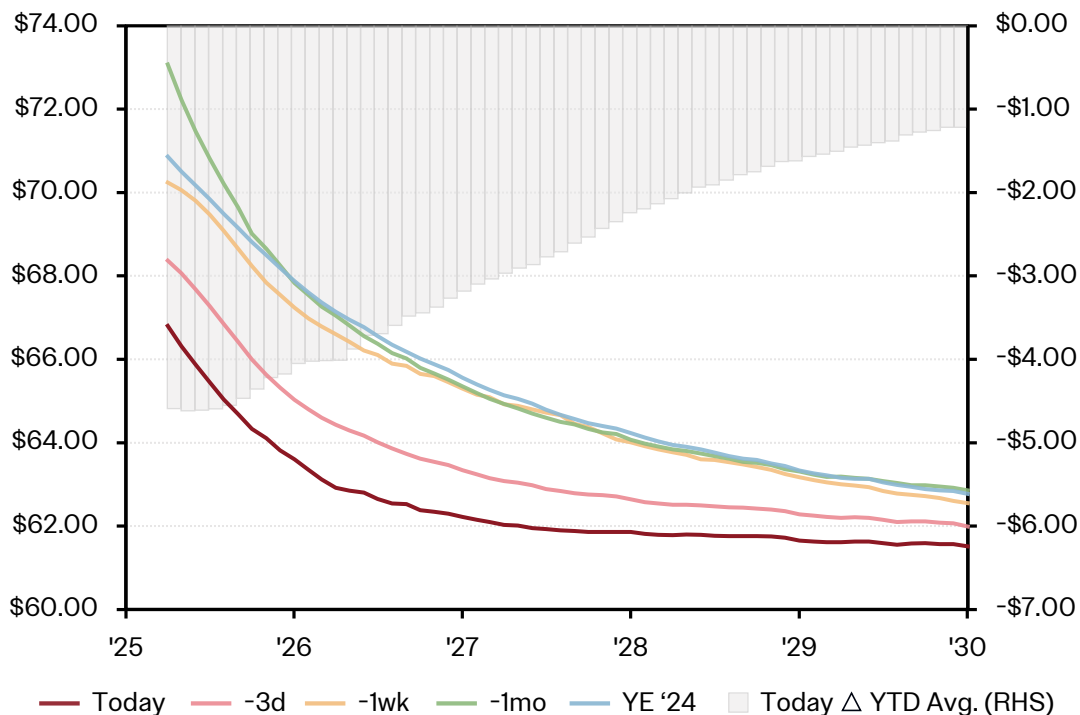
## Does This Feel Tiring? Because, it Has Been for ~14 Months

If the energy trade in general has felt tiring, especially in Canada – the truth is, that is because it largely has been tiring. The threat (and now, implementation?) of US import tariffs on Canadian energy has been confusing at best – all the meanwhile AECO basis has widened to the point where a GJ of gas in Alberta is worth ~\$5 less than a GJ of gas on the Gulf Coast. To top it all off, earlier this week, OPEC+ announced that in April, the core members would begin the unwinding of voluntary production cuts, reintroducing 2.5MMBbls/d of crude into the market (2.2MMBbls/d of cuts unwound, and 300MBbls/d of baseline shifts). The strip has moved down abruptly, with WTI front month down ~US\$7/Bbl from a month ago; and if the price charts on the first page are any indication; local pricing has suffered equally. The promises of companies privatized in just 4 years have turned into >100% payouts, and conference calls smattered with analysts wondering what management will do if WTI hits US\$60/Bbl. All this noise makes relative value hard to track, appreciate, or benchmark. With fewer positive data points, and a market on edge, the trade certainly feels tiring.

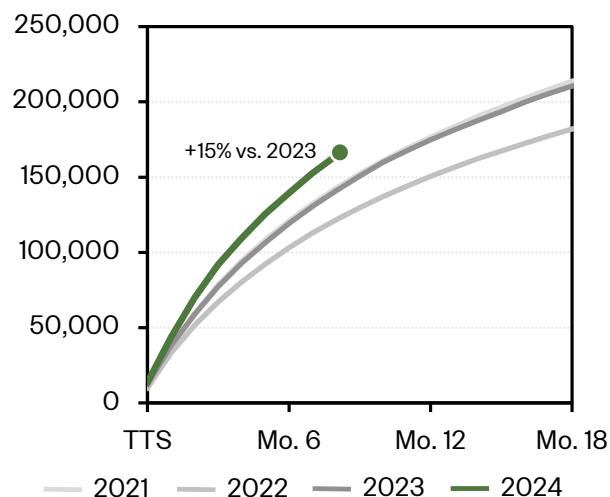
3-7.1: XEG Daily Performance Scatter



3-7.2: Change in WTI Forward Strip YTD (US\$/Bbl)



### 3-7.3: Peyto Cumes by Vintage (BOE)

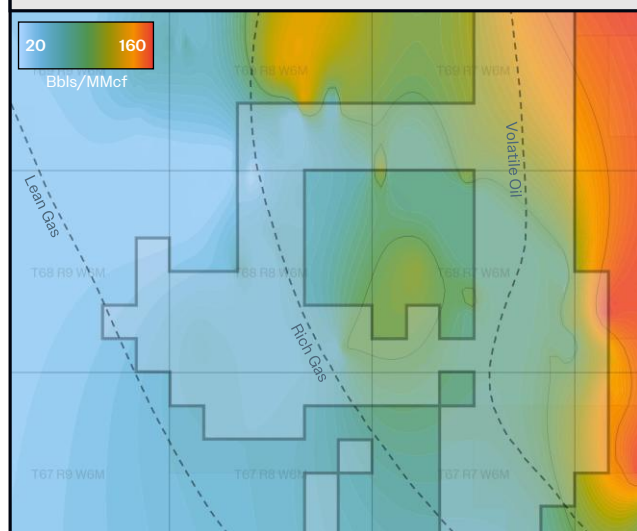


## Peyto Crushes the Repsol Integration in 2024

With a year of results in the books, it's safe to say that Peyto delivered on their Repsol acquisition integration goals. Repsol added almost 4Tcfe of 3C resource, and netted Peyto with an asset they could generate wins on all year. And win they did, as shown to the left, their average 2024 TIL has been ~15% better than 2023 through 8 months on production. While some of their best wells were in Notikewin channels throughout Greater Edson, their Falher shoreface development was a consistent winner both at Kakwa, and at Sundance, with peak month rates of ~10-12MMcf/d.

The company still aced it on their legacy acreage targeting the Dunvegan at Sundance; pilfering prosperous pockets of pentanes, while eschewing erroneous ethane to elevate efficiencies (swinging gas away from a third party deep cut, and back into owned infrastructure at Edson). While tariffs have left others without clarity, Peyto's hedging program offers some essence of protection. With their hedges, we estimate Peyto's weighted plantgate gas netback (i.e. before LOE) on a CAL26 basis will be \$4.09/Mcf, trailing just cents behind Tourmaline at \$4.21/Mcf.

### 3-7.4: Middle Montney IP<sub>365</sub> Act. C<sub>5</sub> + Yield



## When Development Density Impacts Realized Yields...

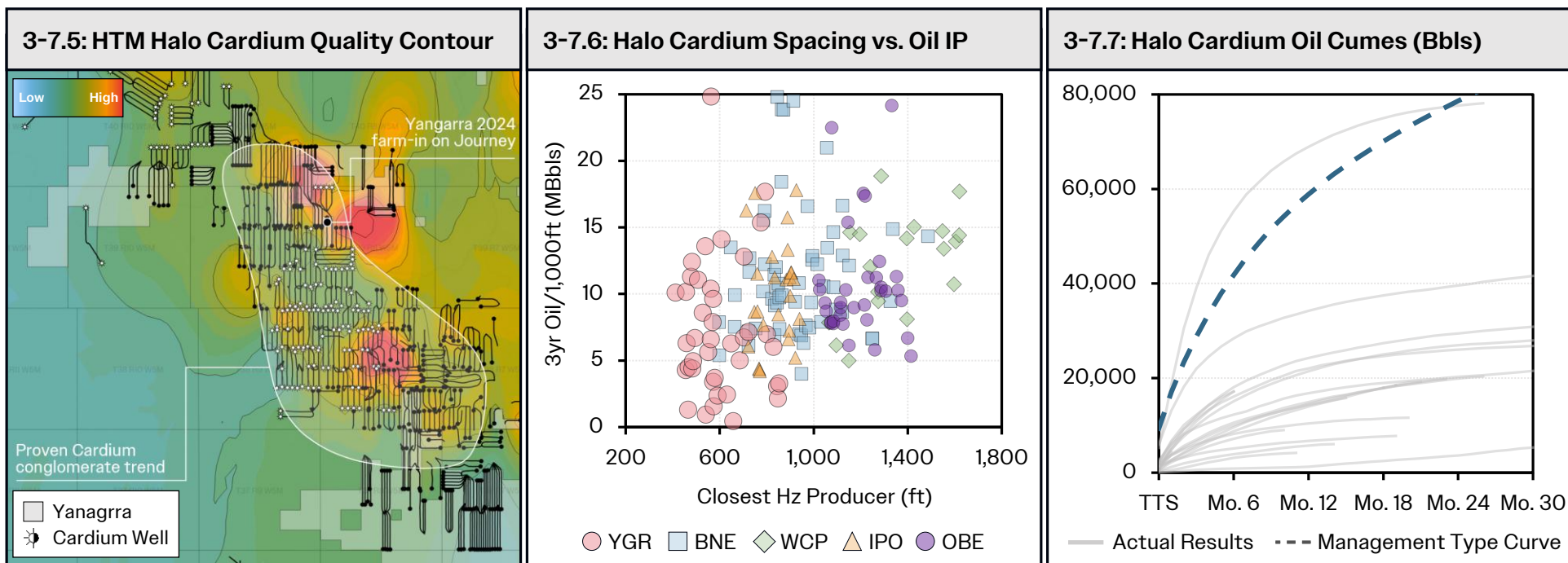
There's an interesting phenomenon we've noticed throughout NuVista's Wapiti assets – the condensate yield of peers directly offsetting their acreage is higher than condensate yields from their own wells, despite targeting nearly identical rock. To the left we show a condensate yield contour, and overlay that with NuVista's defined phase windows from their corporate presentation. Note, in the middle of their asset is a Sinopec owned block, where delineation wells have been richer than NuVista's development wells. We think this is a symptom of NuVista's 3-bench development philosophy resulting in Middle Montney wells competing for the same heavy condensate molecules, and solid evidence NuVista may be spacing their wells too tight, if trying to maximize liquids EURs over gas recovery.

One hint that NuVista may be overcapitalizing their Wapiti asset lies to the south, on Ovintiv's O2-18 pad, where Paramount spaced the initial development at 8WPS between 2 benches, but since widened spacing to 6WPS between 2 benches. The fact that initial contouring with results from virgin reservoir, and actual results from 3-bench pads differ so greatly, suggest that there is communication between development wells.

## Strategic Reserve Reductions? Keeping a Bullet in the Chamber(s)?

With their year end report, Yangarra announced they were – prudently – removing bookings from their 1P and 2P reserves as part of a highly strategic shift towards a long-term flat production profile. Notably, we’ve seen Yangarra focus on their Chambers asset to the west, where they’ve recently folded in the Basal Belly River. Wells in the Belly River have been excellent, some of the best they have drilled off the conglomerate in recent history, though follow-ups have been hit-or-miss.

Yangarra did discuss a farm-in on Sansum in the Chambers area, but didn’t discuss their farm-in on Journey in 2024, where they proceeded to drill 4 wells on the Cardium conglomerate, a distinct departure from their bioturbated halo thesis; and especially odd given their abundance of booked inventory. Though we have noted that Yangarra’s well results have gotten progressively softer through the years. We think it’s partly a symptom of reservoir quality – but also their spacing philosophy. Similar to NuVista at Wapiti; to maximize inventory, Yangarra has spaced their wA defensible decision in higher gas prices, though at spot ells at Chedderville at 8WPS, which results in vicious initial declines from the oil stream. pricing we won’t think Yangarra necessarily benefits from wider spacing. Notably, this marks the 4<sup>th</sup> consecutive year that Yangarra has seen negative technical revisions to their 1P oil reserve book; moving down from ~20MMBbls at YE 2020 to ~16MMBbls today, despite ~3.5MMBbls of production – so it would seem that in reality, Yangarra is not replacing their oil production on a reserves basis.



## Kimmeridge Goes Activist on Advantage, but is Canada the Right Place?

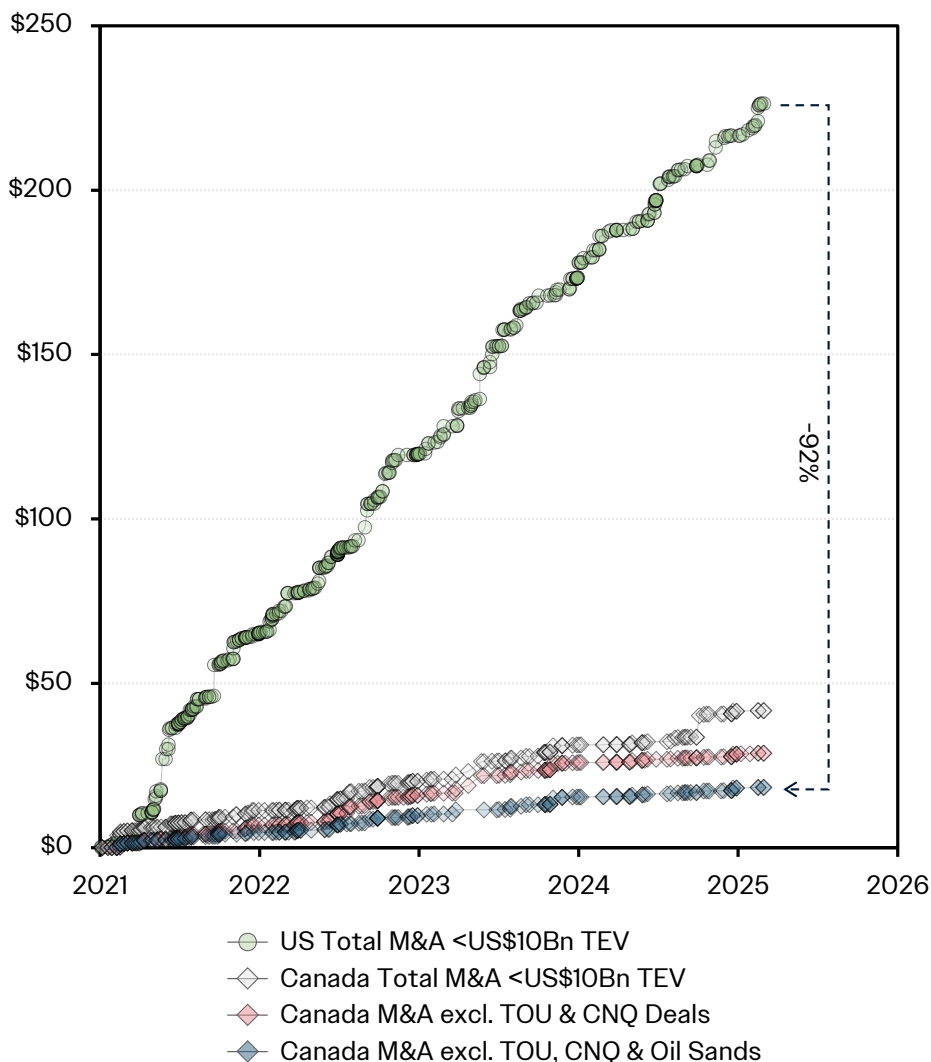
Last night, Advantage announced ‘in their continued refreshment of its Board of Directors’, they would be nominating two new independent members for election at their AGM, along with entering into a voting support agreement with Kimmeridge ([PR](#)).

In the unerring words of Toby Keith – ‘I Ain’t as Good as I Once Was’. Since 2021, Canada’s upstream deal flow has been painfully slow, dominated by the oil sands, and the seniors. Outside of certain opportunistic M&A from CNRL and Tourmaline; and Veren and Whitecap entering the Montney/Duvernay – there hasn’t been much happening. The fact that InPlay was able to add a fairly material amount of leverage to buy Obsidian’s Cardium should tell you just how starved the bankers are for fees.

A market stuck like this makes it tough to realize value selling an asset en bloc, likely what Kimmeridge is hoping to do, though we don’t know for sure; but would theorize that parting Advantage out would get less than a single corporate sale. We think the Advantage has phenomenal gas assets – the Lower Montney at Glacier is a world-class play; though it’s harder to say that about the lesser-delineated updip Montney, and Charlie Lake. It’s even harder to identify a cashed-up buyer for dry gas assets.

Recall, Advantage’s Charlie Lake position was marketed – the fact that Advantage won the bid, implies that in the sum of the parts, the Longshore assets are worth less to anyone buying Advantage today (as you have to assume, Advantage’s buyer also considered Longshore). When Advantage bought Longshore, the PDP PV<sub>10%</sub> was just \$110MM (recall, they paid \$450MM). Despite early wins in the Charlie Lake, we think it’s hard to rationalize such a value for the Charlie Lake, especially as the production has declined since June 2024. Advantage is an extremely tough set of assets for an out-of-basin acquirer, as the addition of the conventional Charlie Lake assets diluted their repeatable, unconventional Montney focus; in general, it muddled their concise, and easy to buy-into story, which is why we weren’t huge fans of the deal to begin with.

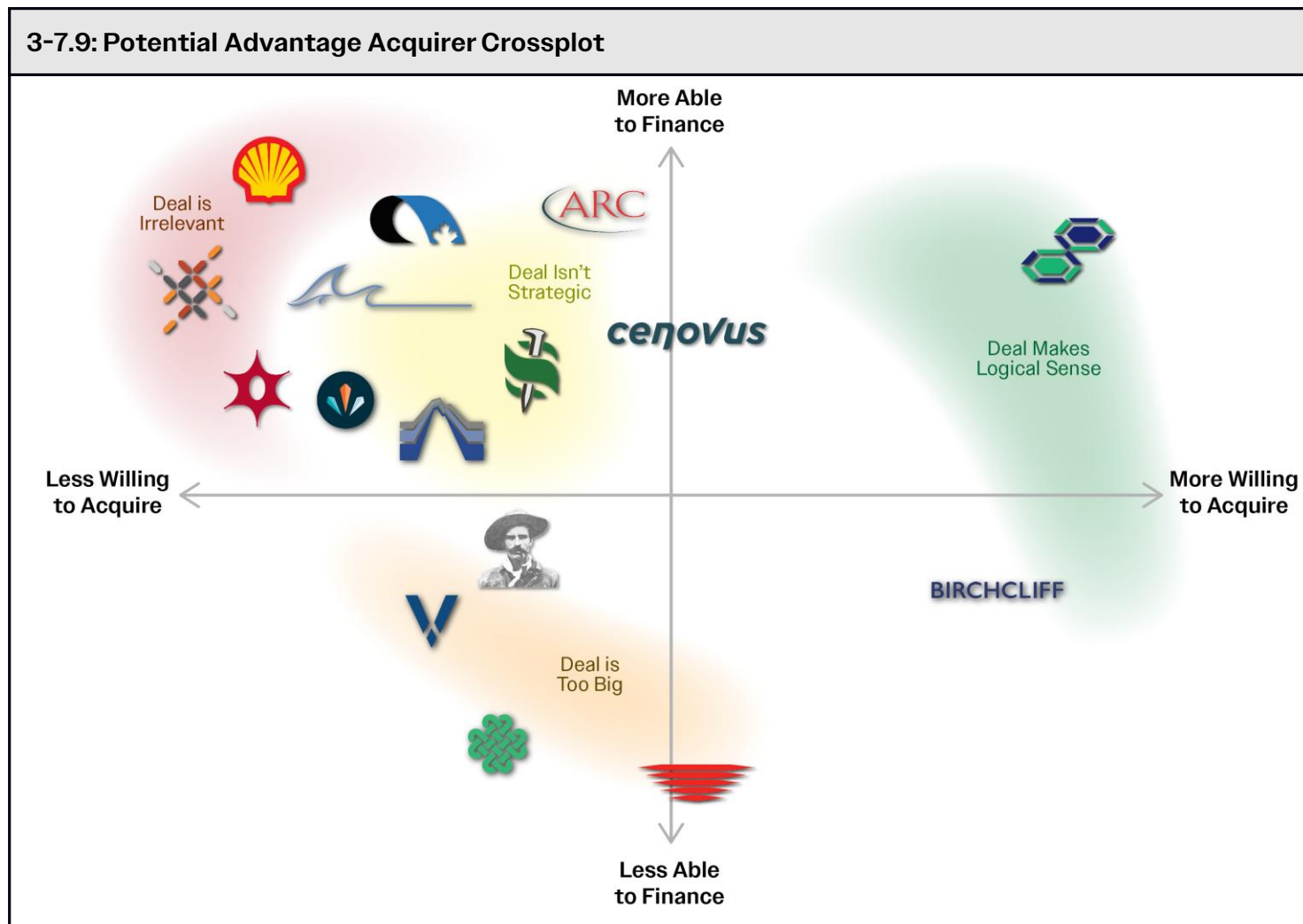
3-7.8: Cumulative M&A Value by Country (US\$Bn)





## Who Can Buy Advantage Knowing the Bidding Pool is so Transparent?

The issue with assuming activism may solve a value disconnect, is assuming there's a willing counterparty to solve that with. In our view, there is only one realistic acquirer for Advantage – and that's Tourmaline. The issue, is that Tourmaline knows that they are the only possible acquirer, aside from Birchcliff, who at best, will come with a stock-denominated deal at the market.



## Ultimately, we Hope This Leads to More M&A Between Like Peers

The real, underlying cause of our slow M&A market, is besides Tourmaline and ARC, there are no large-caps in Canada outside of the oil sands. The abundance of inventory doesn't help either, with both companies having ample organic growth opportunities, making M&A hurdles impossibly high.

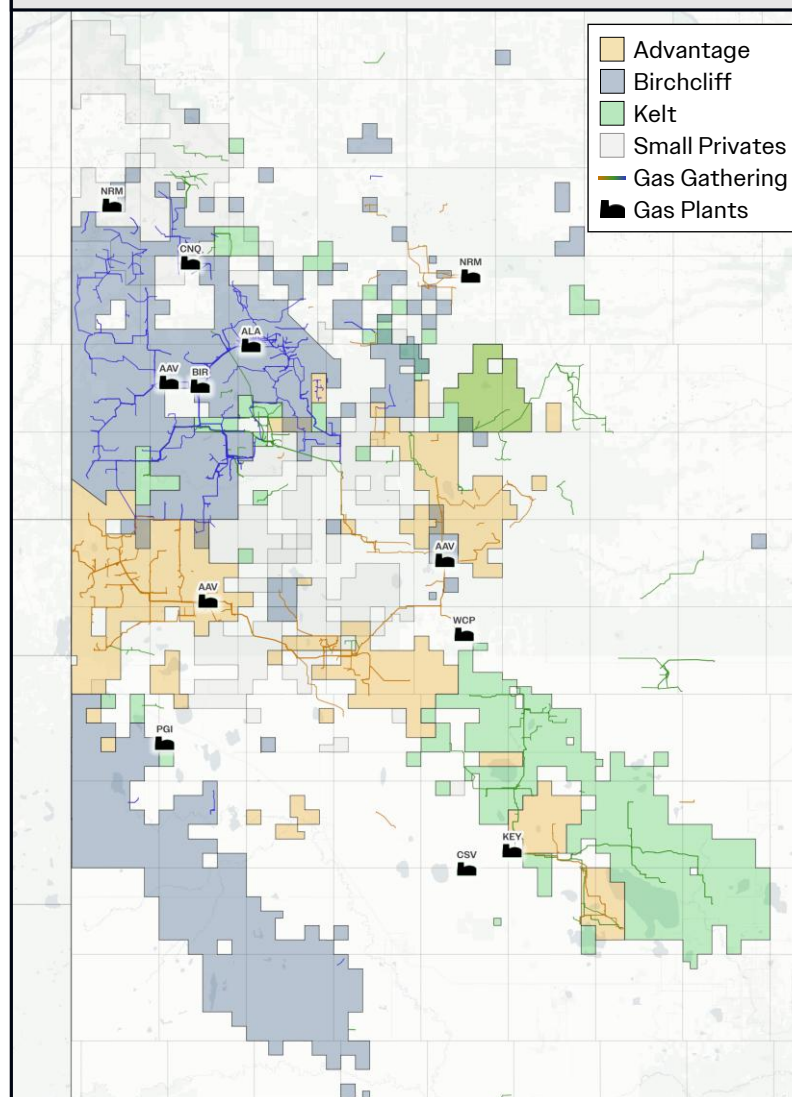
In the SMID-cap universe, an insistence to remain independent has kept the TSX awash in small names that lack any sort of relevance. Whitecap, NuVista, Veren, Kelt, Advantage... all phenomenal businesses in their own right; but without any significance outside of Canada. Outside of the oil sands, there are only 2 E&Ps that have an EV >US\$5Bn – ARC and Tourmaline. Veren and Whitecap just fall short. Then in the graveyard of <US\$2Bn lies most of the industry. It's a harsh reality that most market participants, with strict risk limits, wouldn't be able to own most Canadian names if they wanted to.

While we appreciate that size shouldn't be the only factor that moderates a decision to combine two (or more) entities; we think Advantage, Birchcliff, and Kelt together is reasonable and logical; allowing the combined entity to maximize midstream value and drive costs in the central Valhalla area lower by leaning on each others existing gas gathering network; while also allowing for the segmenting of production between the updip oil window, and the downdip lean gas window, making for a more resilient E&P. We think that inventory dispatch will become an increasingly important strategy amongst gas peers – essentially a portfolio of high deliverability ultra-short-cycle gas, complemented with low breakeven maintenance inventory, and oil-weighted drilling opportunities to fuel cashflow – this combination perfects that.

Despite the three companies producing a combined ~1Bcfe/d, none of them are particularly well marketed, with none of anyone's gas making it to premium West Coast hubs. An abysmal ~0.7Bcf/d of the gas produced by these 3 E&P lands physically in the WCSB (AECO, Station 2 & Empress). This combination is an attractive midstream counterparty, with enough production to face molecules to premium hubs, while still maintaining spot price upside, without putting too much value at risk.

We think the Canadian E&Ps need to get bigger – and not for the sake of it; but to continue to remain competitive – operationally, and in the markets.

3-7.10: Local Valhalla Key Asset & Infrastructure Map



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