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## Earth Horse Energy Advisors' Monthly Market Overview December 2021

During December 2021, there was broad strength in the share price of most of the TSX-listed Canadian oil & natural gas focused companies. Of the 46 companies listed on the TSX exchange (**Storm Resources Ltd.** was excluded following the acquisition of the company by **Canadian Natural Resources Limited**), 35 companies had their share price increase while 11 were down over the month. The increases ranged from 0.84% (**Athabasca Oil Corporation**) to **Questerre Energy Corporation's** 71.43% gain. Overall, the average rise in December 2021 was 8.93%, while the median increase was 7.30%. Of those companies that increased, the average increase was 13.19% while the median increase was 9.94%.

During December, crude oil bounced as WTI increased 13.64% to end the month at USD\$75.21/bbl, while Edmonton Par increased 17.67% to USD\$72.31/bbl and WCS increased the most at 26.12% ending the year and month at USD\$61.61/bbl as differentials tightened; C5+ increased 10.93% to USD\$77.26/bbl. The concerns of the new variant, Omicron, were eased as the severity of the variant was determined to be less than expected (although the cases have been surging due to it being high contagious) and demand for oil was relatively firm. OPEC+ remained resolute and went ahead with the nominal monthly increase of 400,000 bbl/d, taking a view that demand would not be severely hit. The increase in oil increased OPEC's confidence that there won't be a major demand shock.

NYMEX natural gas fell 31.56% month-over-month, falling to USD\$3.73/Mmbtu and averaging USD\$3.86/Mmbtu in December. AECO was also down in December, falling 15.92% ending the month at USD\$3.38/Mmbtu and averaging USD\$3.27/Mmbtu.

The Canadian dollar increased 1.28% to 0.7901 by the end of December, with the Canadian dollar surging on December 31; the CDN\$/USD\$ exchange rate averaged 0.7816 in December.

Below we illustrate the changes in commodities and in the Canadian dollar during December 2021.

	WTI Oil (\$USD/bbl)	WCS (\$USD/bbl)	Cdn Light (\$USD/bbl)	C5+ (\$USD/bbl)	NYMEX (\$USD/Mmbtu)	AECO (\$USD/Mmbtu)	CDN\$/USD\$
<b>December 2021 Average</b>	\$71.69	\$55.57	\$67.00		\$3.86	\$3.27	0.7816
<b>End of December 2021</b>	\$75.21	\$61.61	\$72.31	\$77.26	\$3.73	\$3.38	0.7901
<b>End of November 2021</b>	\$66.18	\$48.85	\$61.45	\$69.65	\$5.45	\$4.02	0.7802
<b>Month-over-Month Change</b>	13.64%	26.12%	17.67%	10.93%	-31.56%	-15.92%	1.28%
Sources: Oil Sands Magazine OFX.com							

## TSX-Listed E&P (Canadian Focused Operations) December 2021 Share Price Movements

As previously mentioned, 35 of the 46 E&P companies (with domestic assets) on the TSX experienced strength in their share price while the remaining 11 companies had their share price decline. The top performer in December was **Questerre Energy Corporation** which was up 71.43%, increasing from \$0.14/share to \$0.24/share. There hasn't been any news to indicate the reason for the sudden increase in Questerre's share price. Spoiler alert, Questerre closed at \$0.40/share today, January 5, 2022.

**Journey Energy Inc.** was up 58.39% on the month, increasing to \$2.55/share from \$1.61/share and i3 Energy plc jumped 31.43% from \$0.18/share to \$0.23/share.

The worst three performing stocks in December were **Pieridae Energy Limited**, **Peyto Exploration & Development Corp.**, and **Crew Energy Inc.** falling 13.89%, 9.5% and 6.86% respectively. Both Pieridae and Peyto are heavily weighted towards natural gas, which fell in December.

Company	TSX Ticker	December 2021 % Change	End of December 2021	End of November 2021
<b>Top Three % Performers</b>				
Questerre Energy Corporation	QEC	71.43%	\$0.24	\$0.14
Journey Energy Inc.	JOY	58.39%	\$2.55	\$1.61
i3 Energy plc	ITE	31.43%	\$0.23	\$0.18
<b>Three Worst Performers (%)</b>				
Pieridae Energy Limited	PEA	-13.89%	\$0.31	\$0.36
Peyto Exploration & Development Corp.	PEY	-9.50%	\$9.43	\$10.42
Crew Energy Inc.	CR	-6.86%	\$2.85	\$3.06

## TSX-Listed E&P (Canadian Focused Operations) December 2021 Share Price Movements

Company	TSX Ticker	December 2021 % Change	End of December 2021	End of November 2021
Questerre Energy Corporation	QEC	71.43%	\$0.24	\$0.14
Journey Energy Inc.	JOY	58.39%	\$2.55	\$1.61
i3 Energy plc	ITE	31.43%	\$0.23	\$0.18
Vermillion Energy Inc.	VET	25.63%	\$16.03	\$12.76
Crescent Point Energy Corp.	CPG	20.91%	\$6.65	\$5.50
Prairie Provident Resources Inc.	PPR	20.00%	\$0.12	\$0.10
Paramount Resources Ltd.	POU	13.19%	\$24.28	\$21.45
NuVista Energy Ltd.	NVA	12.76%	\$6.98	\$6.19
Headwater Exploration Inc.	HWX	12.72%	\$5.14	\$4.56
MEG Energy Corp.	MEG	11.92%	\$11.64	\$10.40
Petrus Resources Ltd.	PRQ	11.39%	\$0.88	\$0.79
Tamarack Valley Energy Ltd.	TVE	11.37%	\$3.82	\$3.43
Kelt Exploration Ltd.	KEL	11.19%	\$4.77	\$4.29
Obsidian Energy Ltd.	OBE	10.94%	\$4.97	\$4.48
Spartan Delta Corp.	SDE	10.93%	\$5.99	\$5.40
Gear Energy Ltd.	GXE	10.71%	\$0.93	\$0.84
International Petroleum Corporation	IPCO	10.60%	\$6.99	\$6.32
TransGlobe Energy Corporation	TGL	9.94%	\$3.76	\$3.42
Pine Cliff Energy Ltd.	PNE	9.68%	\$0.68	\$0.62
Pipestone Energy Corp.	PIPE	9.38%	\$3.85	\$3.52
Enerplus Corporation	ERF	9.36%	\$13.20	\$12.07
Whitecap Resources Inc.	WCP	8.97%	\$7.41	\$6.80
InPlay Oil Corp.	IPO	7.65%	\$2.11	\$1.96
Surge Energy Inc.	SGY	6.95%	\$4.31	\$4.03
Cardinal Energy Ltd.	CJ	6.93%	\$4.32	\$4.04
Yangarra Resources Ltd.	YGR	6.80%	\$1.57	\$1.47
Freehold Royalties Ltd.	FRU	6.34%	\$11.57	\$10.88
Imperial Oil Limited	IMO	6.06%	\$44.79	\$42.23
Baytex Energy Corp.	BTE	5.16%	\$3.87	\$3.68
Perpetual Energy Inc.	PMT	4.92%	\$0.64	\$0.61
Cenovus Energy Inc.	CVE	2.37%	\$15.52	\$15.16
Canadian Natural Resources Limited	CNQ	2.11%	\$53.34	\$52.24
ARC Resources Ltd.	ARX	1.43%	\$11.37	\$11.21
Suncor Energy Inc.	SU	1.19%	\$31.49	\$31.12
Athabasca Oil Corporation	ATH	0.84%	\$1.20	\$1.19
Topaz Energy Corp.	TPZ	-0.06%	\$17.74	\$17.75
Birchcliff Energy Ltd.	BIR	-1.54%	\$6.39	\$6.49
Bonterra Energy Corp.	BNE	-1.77%	\$5.54	\$5.64
Advantage Energy Ltd.	AAV	-2.40%	\$6.92	\$7.09
PrairieSky Royalty Ltd.	PSK	-2.94%	\$13.55	\$13.96
Rubellite Energy Inc.	RBV	-3.08%	\$2.20	\$2.27
Ovintiv Inc.	OVV	-4.24%	\$42.49	\$44.37
Tourmaline Oil Corp.	TOU	-4.47%	\$40.61	\$42.51
Crew Energy Inc.	CR	-6.86%	\$2.85	\$3.06
Peyto Exploration & Development Corp.	PEY	-9.50%	\$9.43	\$10.42
Pieridae Energy Limited	PEA	-13.89%	\$0.31	\$0.36
Average Increase/Decrease		8.93%		
Median Increase/Decrease		7.30%		
Number of Companies with Share Price Increases		35		
Number of Companies Flat Month Over Month		0		
Number of Companies with Share Price Declines		11		
Max Share Price Increase		71.43%		
Greatest Share Price Decline		-13.89%		

Of the three largest gainers in November of 2021, in December **Athabasca Oil Corporation** edged up \$0.01/share or 0.84%, **Pipestone Energy Corp.** increased 9.38% to \$3.85/share while **Storm Resources Ltd.** bounced around slightly ahead of the closing of the acquisition of the company by **Canadian Natural Resources Limited** on December 17, 2021.

## TSX-Listed E&P (Canadian Focused Operations) 2021 Share Price Movements

As outlined below, during 2021 there were impressive gains in the share prices of most of the TSX listed E&P companies with operations focused mainly in Canada, rebounding from the dismal performances in 2020 as COVID-19 gripped the world and commodity prices collapsed. Of the 46 TSX Listed E&P companies in the table below, 44 had increases in their share prices while two were down. The average increase was 279.40% while the median increase was 188.94%.

The best performer was **Journey Energy Inc.** with a 1,008.70% surge from \$0.23/share to \$2.55/share. The second-best performer was **InPlay Oil Corp.** with a gain of 817.39%, ending the year at \$2.11/share from the \$0.23/share at the end of December 2020 and **Perpetual Energy Inc.** rounded out the top three recording a gain of 700.00%, ending the year at \$0.64/share, up from \$0.08/share.

The two companies that were down throughout 2021 were **Pieridae Energy Limited**, which was down 35.42% from \$0.48/share to \$0.31/share, and **Rubellite Energy Inc.** which is down 15.71% from the \$2.61/share price when it started trading on October 29, 2021 so it isn't a fair representation and it isn't down year-over-year.

Company	TSX Ticker	2021 % Change	End of December 2021	End of December 2020
Journey Energy Inc.	JOY	1008.70%	\$2.55	\$0.23
InPlay Oil Corp.	IPO	817.39%	\$2.11	\$0.23
Perpetual Energy Inc.	PMT	700.00%	\$0.64	\$0.08
NuVista Energy Ltd.	NVA	642.55%	\$6.98	\$0.94
Athabasca Oil Corporation	ATH	605.88%	\$1.20	\$0.17
Prairie Provident Resources Inc.	PPR	500.00%	\$0.12	\$0.02
Pipestone Energy Corp.	PIPE	474.63%	\$3.85	\$0.67
Obsidian Energy Ltd.	OBE	471.26%	\$4.97	\$0.87
Baytex Energy Corp.	BTE	460.87%	\$3.87	\$0.69
Cardinal Energy Ltd.	CJ	426.83%	\$4.32	\$0.82
Crew Energy Inc.	CR	408.93%	\$2.85	\$0.56
Paramount Resources Ltd.	POU	385.60%	\$24.28	\$5.00
Advantage Energy Ltd.	AAV	304.68%	\$6.92	\$1.71
Petrus Resources Ltd.	PRQ	300.00%	\$0.88	\$0.22
Birchcliff Energy Ltd.	BIR	261.02%	\$6.39	\$1.77
Gear Energy Ltd.	GXE	232.14%	\$0.93	\$0.28
Enerplus Corporation	ERF	231.66%	\$13.20	\$3.98
Peyto Exploration & Development Corp.	PEY	222.95%	\$9.43	\$2.92
TransGlobe Energy Corporation	TGL	210.74%	\$3.76	\$1.21
Tamarack Valley Energy Ltd.	TVE	200.79%	\$3.82	\$1.27
Storm Resources Ltd.	SRX	198.57%	\$6.27	\$2.10
Pine Cliff Energy Ltd.	PNE	195.65%	\$0.68	\$0.23
Vermilion Energy Inc.	VET	182.22%	\$16.03	\$5.68
Kelt Exploration Ltd.	KEL	165.00%	\$4.77	\$1.80
MEG Energy Corp.	MEG	161.57%	\$11.64	\$4.45
Bonterra Energy Corp.	BNE	155.30%	\$5.54	\$2.17
International Petroleum Corporation	IPCO	148.75%	\$6.99	\$2.81
Tourmaline Oil Corp.	TOU	136.66%	\$40.61	\$17.16
Ovintiv Inc.	OVV	132.31%	\$42.49	\$18.29
i3 Energy plc	ITE	130.00%	\$0.23	\$0.10
Crescent Point Energy Corp.	CPG	123.91%	\$6.65	\$2.97
Freehold Royalties Ltd.	FRU	122.07%	\$11.57	\$5.21
Yangarra Resources Ltd.	YGR	118.06%	\$1.57	\$0.72
Headwater Exploration Inc.	HWX	115.06%	\$5.14	\$2.39
Spartan Delta Corp.	SDE	101.01%	\$5.99	\$2.98
Cenovus Energy Inc.	CVE	100.26%	\$15.52	\$7.75
ARC Resources Ltd.	ARX	89.50%	\$11.37	\$6.00
Imperial Oil Limited	IMO	85.39%	\$44.79	\$24.16
Canadian Natural Resources Limited	CNQ	74.37%	\$53.34	\$30.59
Surge Energy Inc.	SGY	69.02%	\$4.31	\$2.55
Whitecap Resources Inc.	WCP	52.47%	\$7.41	\$4.86
Suncor Energy Inc.	SU	47.49%	\$31.49	\$21.35
PrairieSky Royalty Ltd.	PSK	34.29%	\$13.55	\$10.09
Topaz Energy Corp.	TPZ	30.44%	\$17.74	\$13.60
Rubellite Energy Inc.	RBY	-15.71%	\$2.20	\$2.61
Pieridae Energy Limited	PEA	-35.42%	\$0.31	\$0.48
Average Increase/Decrease		251.84%		
Median Increase/Decrease		173.61%		
Number of Companies with Share Price Increases		44		
Number of Companies Flat Year Over Year		0		
Number of Companies with Share Price Declines		2		
Max Share Price Increase		1008.70%		
Greatest Share Price Decline		-35.42%		

## TSX-Venture Listed E&P (Canadian Focused Operations) December 2021 Share Price Movements

As outlined below, during December 2021, nine TSX-Venture listed E&P companies with operations focused mainly in Canada had an increase in their share price, eight were flat, while seven companies had a decline in their share price.

Of the companies that had their share prices rise, increases ranged from 1.02% to 80.0% with an average increase of 21.79%. **Tenth Avenue Petroleum Corp.** had the largest increase, rising to \$0.27/share from \$0.15/share. Tenth Avenue announced a number of items, including new management and board of directors and the closing of the proposed arrangement agreement and asset purchase. **Highwood Oil Company Ltd.** increased 25% to \$12.50/share while **Razor Energy Corp.** increased 22.22% from \$0.54/share to \$0.66/share. Both Tenth Avenue and Highwood are thinly traded, Tenth Avenue had 159,649 shares traded in December while Highwood had only 1,575 shares changing hands.

On a combined basis, the TSX-V E&P companies had an average increase of 4.37% during December 2021 while the median movement was 0.00%.

Of the top % gainers in November 2021, in December **Petrolympic Ltd.** was down 11.11%, **Vital Energy Inc.** was unchanged at \$0.15 while **Canadian Spirit Resources Inc.** fell 12.50%, or \$0.01/share to \$0.07.

Company	TSX-V Ticker	December 2021 % Change	End of December 2021	End of November 2021
Tenth Avenue Petroleum Corp.	TPC	80.00%	\$0.27	\$0.15
Highwood Oil Company Ltd.	HAM	25.00%	\$12.50	\$10.00
Razor Energy Corp.	RZE	22.22%	\$0.66	\$0.54
Tenaz Energy Corp.	TNZ	21.51%	\$3.22	\$2.65
Huntington Exploration Inc.	HEI	20.00%	\$0.24	\$0.20
Saturn Oil & Gas Inc.	SOIL	16.29%	\$3.64	\$3.13
Samoth Oilfield Inc.	SCD	7.69%	\$0.07	\$0.07
Leucrotta Exploration Inc.	LXE	2.41%	\$0.85	\$0.83
Hemisphere Energy Corporation	HME	1.02%	\$0.99	\$0.98
Altima Resources Ltd.	ARH	0.00%	\$0.04	\$0.04
Bayshore Petroleum Corp.	BSH	0.00%	\$0.03	\$0.03
Perisson Petroleum Corporation	POG	0.00%	\$0.04	\$0.04
Petrox Resources Corp.	PTC	0.00%	\$0.02	\$0.02
Prospera Energy Inc.	PEI	0.00%	\$0.04	\$0.04
Pulse Oil Corp.	PUL	0.00%	\$0.05	\$0.05
Softrock Minerals Ltd.	SFT	0.00%	\$0.03	\$0.03
Vital Energy Inc.	VUX	0.00%	\$0.15	\$0.15
Pan Orient Energy Corp.	POE	-3.33%	\$1.16	\$1.20
ROK Resources Inc.	ROK	-9.09%	\$0.20	\$0.22
PetroFrontier Corp.	PFC	-10.00%	\$0.09	\$0.10
Petrolympic Ltd.	PCQ	-11.11%	\$0.08	\$0.09
Canadian Spirit Resources Inc.	SPI	-12.50%	\$0.07	\$0.08
Cobra Venture Corporation	CBV	-16.67%	\$0.15	\$0.18
Wescan Energy Corp.	WCE	-28.57%	\$0.05	\$0.07
Average Increase/Decrease		4.37%		
Median Increase/Decrease		0.00%		
Number of Companies with Share Price Increases		9		
Number of Companies Flat Month Over Month		8		
Number of Companies with Share Price Declines		7		
Max Share Price Increase		80.00%		
Greatest Share Price Decline		-28.57%		

## TSX-Venture Listed E&P (Canadian Focused Operations) 2021 Share Price Movements

As outlined below, during 2021 there were some strong gains in the share prices of the majority of the TSX-Venture listed E&P companies with operations focused mainly in Canada. Of the 26 companies listed in the table below, 19 saw their share prices increase while two were flat and five were down year-over-year. On a combined basis, the average increase was 87.94% while the median increase was 50%. For those companies that had an increase, the average rise was more impressive at 128.26% with a median increase of 78.57%.

The best performer was **Tenth Avenue Petroleum Corp.** which increased 671.43%, rising to \$0.27/share from \$0.04/share as the company completed a reorganization late in December. The second-best performer was **Hemisphere Energy Corporation** with a 395.0% increase to \$0.99/share from \$0.20/share a year earlier. Hemisphere had strong production gains throughout the year as its plans for its Atlee Buffalo core area took hold. **Pulse Oil Corp.** rounded out the top three recording a gain of 200.0%, increasing from \$0.015/share to \$0.045/share.

The worst performer in 2021 was **Cuda Oil & Gas Inc.** which went into receivership late in the year. Cuda was down 66.67%, falling to \$0.02/share before receiving a cease trade order on December 6, 2021. **Perisson Petroleum Corporation** was down 27.27% in 2021 while **Canadian Spirit Resources Inc.** fell 22.22%.

Company	TSX-V Ticker	2021 % Change	End of December 2021	End of December 2020
Tenth Avenue Petroleum Corp.	TPC	671.43%	\$0.27	\$0.04
Hemisphere Energy Corporation	HME	395.00%	\$0.99	\$0.20
Pulse Oil Corp.	PUL	200.00%	\$0.05	\$0.02
Vital Energy Inc.	VUX	150.00%	\$0.15	\$0.06
Razor Energy Corp.	RZE	144.44%	\$0.66	\$0.27
Tenaz Energy Corp.	TNZ	130.00%	\$3.22	\$1.40
PetroFrontier Corp.	PFC	125.00%	\$0.09	\$0.04
Prospera Energy Inc.	PEI	100.00%	\$0.04	\$0.02
Cobra Venture Corporation	CBV	87.50%	\$0.15	\$0.08
Highwood Oil Company Ltd.	HAM	78.57%	\$12.50	\$7.00
Wescan Energy Corp.	WCE	66.67%	\$0.05	\$0.03
Saturn Oil & Gas Inc.	SOIL	65.45%	\$3.64	\$2.20
Huntington Exploration Inc.	HEI	50.00%	\$0.24	\$0.16
Softrock Minerals Ltd.	SFT	50.00%	\$0.03	\$0.02
Pan Orient Energy Corp.	POE	48.72%	\$1.16	\$0.78
Petrolympic Ltd.	PCQ	33.33%	\$0.08	\$0.06
Leucrotta Exploration Inc.	LXE	21.43%	\$0.85	\$0.70
ROK Resources Inc.	ROK	11.11%	\$0.20	\$0.18
Prairie Storm Resources Corp.	PSEC	8.33%	\$0.33	\$0.30
Altima Resources Ltd.	ARH	0.00%	\$0.04	\$0.04
Petrox Resources Corp.	PTC	0.00%	\$0.02	\$0.02
Bayshore Petroleum Corp.	BSH	-16.67%	\$0.03	\$0.03
Samoit Oilfield Inc.	SCD	-17.65%	\$0.07	\$0.09
Canadian Spirit Resources Inc.	SPI	-22.22%	\$0.07	\$0.09
Perisson Petroleum Corporation	POG	-27.27%	\$0.04	\$0.06
Cuda Oil & Gas Inc.	CUDA	-66.67%	\$0.02	\$0.06
Average Increase/Decrease		87.94%		
Median Increase/Decrease		50.00%		
Number of Companies with Share Price Increases		19		
Number of Companies Flat Month Over Month		2		
Number of Companies with Share Price Declines		5		
Max Share Price Increase		671.43%		
Greatest Share Price Decline		-66.67%		

## Canadian E&P M&A Activity in December 2021

In December 2021, there were six transactions announced in the Canadian oil & natural gas sector with total transaction value of approximately \$1.35 billion. Approximately 34,900 boe/d changed hands. There were three asset transactions with a total value of \$876.6 million and three corporate deals with total enterprise value of approximately \$476.8 million accounting for the remaining.

The largest transaction announced involved **Cenovus Energy Inc.** which announced that it reached an agreement to sell its Tucker thermal asset for total cash proceeds of \$800.0 million to **Strathcona Resources Ltd.** The Tucker asset is located in northeastern Alberta and is expected to have 2022 average production between 18,000 bbl/d and 21,000 bbl/d. Cenovus announced that the transaction will further accelerate its reduction of net debt and enhance its capacity to increase shareholder returns. Including this transaction, Cenovus expects that it will realize nearly \$2.0 billion of total proceeds from asset sales announced in 2021. Based on a mid-production point, the metrics of the transaction are \$41,026/boe/d.

**Whitecap Resources Inc.** announced that it entered into three separate transactions (one corporate and two asset) that will consolidate core assets within its Central Alberta, Eastern Saskatchewan and Western Saskatchewan business units. Aggregate production from the transactions is estimated to be 9,000 boe/d (67% liquids) in 2022 while Whitecap has estimated that the assets will add 345 (257.5 net) drilling locations. The combined purchase price of the acquisitions is \$342.5 million, consisting of approximately 15.2 million Whitecap shares at a weighted average price of \$7.20 per share and approximately \$240.0 million of cash.

Whitecap announced that it entered into an agreement to acquire a private company with assets focused in the Glauconitic Formation of Central Alberta. The transaction consolidates Whitecap's working interest and allows Whitecap to control the pace of development and optimize future production through its facility ownership. The acquisition adds a total of 65 (46.1 net) Glauconite locations. The purchase price of the private company is approximately \$270.0 million, consisting of approximately 12.5 million Whitecap common shares and a cash payment of \$180.0 million; the transaction is expected to close mid-January 2022.

In western Saskatchewan, Whitecap acquired additional Viking production and lands in the Forgan, Kerrobert and Plenty areas. The transaction consolidates Whitecap's working interests in the Kerrobert area along with significant undrilled inventory at Forgan. The majority of the 239 (171.4 net) identified locations are for extended reach horizontal wells, and Whitecap will implement its proven development strategies across the acquired acreage. Whitecap acquired these assets on November 10, 2021 for \$40.0 million in cash.

The last transaction included assets in the Weir Hill area, consolidating Whitecap's position in the area. The deal adds 41 (40.0 net) locations focusing on the Frobisher Formation. Whitecap expects that it will tie-in previously flared natural gas in mid-2022. The purchase price is approximately \$40.4 million, consisting of 2.7 million Whitecap common shares and approximately \$21 million in cash; the deal closed on December 1, 2021.

Whitecap stated that the acquisitions are "7% accretive to 2022 funds flow per share, 8% accretive to 2022 free funds flow per share, 10% accretive to 2022 discretionary funds flow per share and 5% accretive to 2022 production per share. The Acquisitions were executed at a forecast 2022 operating income multiple of 2.6 times. The Acquisitions are also accretive to our environmental sustainability with asset retirement obligations of only \$7.0 million (discounted at 10%) or \$26 million undiscounted. The Acquisitions will increase 2022 discretionary funds flow after capital and dividends by \$80.0 million or 10% per share at US\$65/bbl WTI and C\$3.50/GJ AECO.

Based on the aggregate purchase price of \$342.5 million, the transactions were completed at an average price of \$38,056/boe/d.

**Tamarack Valley Energy Ltd.** announced that it had entered into a definitive agreement to acquire **Crestwynd Exploration Ltd.**, a privately held pure play Clearwater oil producer, for total consideration of \$184.7 million. The consideration consisted of \$92.6 million in cash and the issuance of 26,298,396 common shares of Tamarack at a deemed price of \$3.50 per Tamarack Share (Tamarack Valley's share price the day before the announcement of the transaction was \$3.40/share). Crestwynd's assets are forecasted to have average 2022 production of 4,500 bbl/d and net operating income of \$90.0 million. Tamarack Valley has identified 209 (153.7 net) future drilling locations, across only 50% of the 99,360 net acres acquired which supports maintaining current production levels for seven years. Tamarack Valley stated that the assets have a low annual sustaining capital of \$30 to \$35 million required to hold production levels flat. There is additional unbooked future exploration upside potential across the balance of the acquired acreage. The acquisition consolidates Tamarack Valley's existing Southern Clearwater working interest to 95% and reinforces its dominant position as the largest operator in the area. Pro forma the acquisition, Tamarack Valley will control 445 net sections of Clearwater land across the Nipisi, West Marten Hills and Southern Clearwater areas with over 650 net future drilling locations and expected average 2022 Clearwater production of ~12,000 boe/d. Based on the \$184.7 million purchase price, the metrics of the transaction are \$41,032/boe/d, \$19.23/boe on a P+P basis and 2.05X the estimated 2022 net operating income.

**Pine Cliff Energy Ltd.** announced that it closed the acquisition of a privately-held oil and natural gas company for a cash purchase price of \$22.2 million, prior to working capital adjustments. The acquisition further consolidates Pine Cliff's core Ghost Pine area. The acquisition will add approximately 1,900 boe/d (approximately 71% natural gas) of low decline production and 100% ownership in strategic crude oil and natural gas infrastructure that will lower Pine Cliff's Ghost Pine area operating costs. Pine Cliff has also identified development drilling opportunities in the acquired assets which appear to be comparable to the company's recent Pekisko crude oil and Mannville natural gas drilling locations. Pine Cliff indicated that the metrics of the transaction were \$11,605/boe/d and 1.7x the forecasted adjusted funds flow multiple and below the PDP PV 10% value of \$41.5 million as of October 1, 2021.

Concurrent with the announcement of the transaction, Pine Cliff announced that it entered into a demand loan facility with the Canadian Western Bank ("CWB"), whereby CWB will provide up to \$5.0 million of borrowings at an interest rate of Canadian Prime rate plus 2.0%. The facility, which is currently undrawn, is expected to assist with working capital management and is not required to fund the acquisition.

## **Board of Director & Executive Changes in December**

**Cenovus Energy Inc.** announced that Ms. Sarah Walters, Cenovus's Executive Vice-President, Corporate Services, has decided to return to the United Kingdom to be closer to family and will be leaving the company at the end of February 2022. As a result, effective March 1, 2022, Ms. Susan Anderson, currently Vice-President, Supply Chain Management, will take on the role of Senior Vice-President, People Services, reporting directly to Mr. Alex Pourbaix.

**Advantage Oil & Gas Ltd.** announced two executive appointments as a reflection of its expanded strategy. Mr. Darren Tisdale will assume the role of Vice President, Geosciences. Mr. Tisdale has been with Advantage for approximately two years as Chief Geoscientist and has led Advantage's subsurface technology evolution, as well as bringing deep skillsets to business development and strategic planning. Mr. Geoff Keyser will assume the role of Vice President, Corporate Development. Mr. Keyser joined Advantage a year ago as Director of Corporate Development, having previously served as Vice President of Engineering at a private oil and gas producer.

## **Miscellaneous News Announced in December**

**Hemisphere Energy Corporation** announced that it has completed its successful drilling operations in the Atlee Buffalo area of southeast Alberta. Earlier in the fourth quarter, Hemisphere decided to accelerate a portion of its 2022 capital spending; Hemisphere expect production from four development wells to be on production early in the new year.

The company also announces that it granted incentive stock options to purchase up to 1.74 million common shares until December 17, 2031, to directors, officers, employees, and certain consultants. The stock options have an exercise price of \$0.91/share.

**Inclusive Energy Ltd.** announced the creation of a strategic partnership and closing of a significant financing with **Shiffoil Inc.** ("Shiffoil"). Shiffoil is a junior oil and gas producer focused on developing its light oil properties in the Pierson and Daly-Sinclair areas of Manitoba. The investment in Shiffoil consists of a unique financing arrangement, whereby Inclusive will provide a lending facility to fund development drilling activities in exchange for certain royalty interests. The capital provided will initially be directed towards drilling on Shiffoil's operated properties in the Pierson area.

**Tenth Avenue Petroleum Corp.** announced it completed a reorganization of the business, which provides, among other things; (i) the appointment of a new management (the "New Management"); and (ii) the reconstitution of the board of directors of Tenth Avenue (the "New Board"), (iii) the closing of the Plan of Arrangement (the "Plan of Arrangement") and, (iv) the completion of the acquisition of Swan Hills Unit (the "SHU") (the "Acquisition"), as mentioned in November.

The New Management and New Board of Directors have an extensive track record of value creation in the North American Energy sector. Mr. Cameron MacDonald will be Tenth Avenue's new President, CEO & Director, Mr. Scott Reeves will become the Corporate Secretary and Director, while Mr. Ron Hozjan and Mr. Brian Prokop (P. Eng., CFA) each become board members.

The company plans to "unlock value for shareholders by acquiring and developing strategically acquired assets, whereby increasing production through optimization, operating efficiencies and stranded exploration opportunities."

Concurrent with closing the acquisition of **Heritage Royalty, PrairieSky Royalty Ltd.** announced that it expanded its unsecured revolving Sustainability-Linked Credit Facility ("SLL Credit Facility") to \$725.0 million from \$425.0 million. The SLL Credit Facility provides for a permitted increase to \$800.0 million, subject to lender consent. The maturity date of the SLL Credit Facility remains at February 28, 2025, and pricing and covenants are unchanged. The expanded SLL was used to partially fund the acquisition of Heritage Royalty.

Another company that announced a SLL Credit Facility was **Tamarack Valley**, which transitioned its \$600 million revolving bank facility to an SLL Credit Facility that incorporates sustainability-linked incentive pricing terms. Through the SLL Credit Facility, three of Tamarack's long-term goals have been identified as key performance indicators (KPIs) and structured into sustainability performance targets (SPTs) that will decrease Tamarack's cost of borrowing by up to 5 basis points if the SPTs are achieved or increase the cost in the event SPTs are missed.

The SPTs include:

- 1) GHG Emissions Intensity: 40% reduction in Scope 1 and 2 emissions by 2025 over the 2020 baseline, with a significant decrease in 2021 and more ratable 5% decreases through 2022 to 2025. This SPT exceeds the previous set target due to 2021 acquisitions and positive progress in emissions reductions to date.
- 2) Decommissioning Management: committed annual capital investment in abandonment, remediation and reclamation activities at 150% of the Alberta Energy Regulator inventory reduction voluntary closure program targets. This target is equivalent to ~4.33% of inactive liabilities in 2021 with a 5% annual escalation.
- 3) Indigenous Workforce Participation: target workforce representation of 6% or greater by 2025 with annual milestones and minimum of two additions each year.

**OPEC** said in a monthly report it expects oil demand to average 99.13 million barrels per day (bpd) in the first quarter of 2022, up 1.11 million bpd from its forecast last month. "Some of the recovery previously expected in the fourth quarter of 2021 has been shifted to the first quarter of 2022, followed by a more steady recovery throughout the second half of 2022," OPEC said in the report. In 2022, OPEC expects further growth in demand of 4.15 million bpd, unchanged from last month, which will push world consumption above 2019 levels. OPEC and its allies, or OPEC+, are gradually unwinding record output cuts put in place in 2020. Earlier this month, OPEC+ agreed to boost monthly output by 400,000 bpd in January 2022, despite concern about the Omicron variant.

**Surge Energy Inc.** announced that it closed a \$130.0 million 5-year term debt facility (the "Term Debt Facility") and a new normal course \$150.0 million first lien credit facility with a revised syndicate of five lenders (the "First Lien Credit Facility"). Concurrent with the closing of the Term Debt Facility and First Lien Credit Facility, Surge repaid its \$42.0 million non-revolving BDC term loan. The lenders under the \$130.0 million Term Debt Facility have the option through 2022 to lend an additional \$30.0 million to Surge on the same terms and conditions. Surge has directed the majority of the \$130.0 million

Term Debt Facility proceeds towards the repayment of existing first lien revolving bank debt, the repayment of the \$42.0 million owing to BDC, and the acquisition of certain oil infrastructure previously leased by the company.

On December 1, **International Petroleum Corporation** ("IPC") announced that had received approval for a share repurchase program. Throughout December IPC announced that it had purchased a total of 1,330,403 shares with 1,160,651 common shares being purchased on Nasdaq Stockholm and 169,752 common shares being purchased on the TSX and/or alternative Canadian trading systems. As at December 31, 2021, the total number of issued and outstanding IPC common shares is now 155,198,105 and IPC holds 1,160,651 common shares in treasury.

On Dec. 9 UCP **Energy Minister Sonya Savage** stated that Alberta will let its oil production curtailment policy expire on Dec. 31, 2021. She further added that the province has not set production limits on the oil industry since December of 2020 and that the government's power to curtail oil production is no longer needed. Alberta's previous NDP government decided to impose limits on the province's oil producers in late 2018 in an effort to align production with export capacity.

**Topaz Energy Corp.** announced that it would be added to the S&P/TSX Composite Index effective Monday, December 20, 2021, prior to the open of trading on the Toronto Stock Exchange (the "TSX"). Inclusion in the S&P/TSX Composite Index can potentially broaden participation in a company's investor base by enabling investment from index funds and similar investment vehicles.

Concurrent with the announcement of the three previously mentioned acquisitions by **Whitecap**, the company announced that it had repurchased 19.2 million shares at a price of \$6.95 per share for total value of \$133.7 million returned to shareholders. The repurchase was executed by way of a block trade under our normal course issuer bid ("NCIB"). As of December 6, 2021 Whitecap had 7.1 million shares remaining on its current NCIB and intends to renew the NCIB for another year when it expires on May 20, 2022.

## **Announced Financings**

Below we outline equity and debt financings that were announced or closed in December 2021, apart from the financings that may have been announced previously and/or with a concurrent M&A transaction.

**Headwater Exploration Inc.** announced that it issued a call notice to **Cenovus Marten Hills Partnership** ("CMHP"), a wholly-owned subsidiary of **Cenovus Energy Inc.**, requiring CMHP to exercise the 15.0 million warrants to purchase common shares of Headwater that CMHP holds. Each warrant entitles CMHP to purchase one common share at an exercise price of \$2.00. Headwater and CMHP agreed that CMHP would exercise the warrants on December 23, 2021. On exercise of the Warrants, Headwater will receive \$30.0 million in cash and CMHP will receive 15.0 million common shares (representing 6.9% of the issued and outstanding common shares). Other than the warrants, neither CMHP nor Cenovus hold any additional common shares or other securities of Headwater.

## **Questions?**

If you have any questions or would like to use Earth Horse Energy Advisors to assist with the marketing of oil & gas assets and/or companies, with buy-side mandates, investor relations support, valuations, fairness opinions or other customized solutions, please don't hesitate to contact us at (587) 432-0584, [Ryan.FY@ehenergyadvisors.com](mailto:Ryan.FY@ehenergyadvisors.com) or [www.ehenergyadvisors.com](http://www.ehenergyadvisors.com).

Thank you,

Ryan Ferguson Young  
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Earth Horse Energy Advisors