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## Earth Horse Energy Advisors' Monthly Market Overview February 2022

During February 2022, the vast majority of publicly traded TSX E&P companies had an increase in their share price with 42 companies in the green and only four companies had their share prices decline. Overall, the average rise in February 2022 was 11.74% while the median movement was 9.45% to the upside. In January 2022 the average increase was 24.69%, while the median increase was 21.59%.

During February, the prices of liquids continued to move higher. The price of WTI crude increased 8.53%, while Edmonton Par was up 5.92% during the month, ending at USD\$95.72/bbl and USD\$89.79/bbl respectively. WCSB, which had the strongest gains in December 2021 and January 2022 increased 5.85%, compared to the 26.12% increase in December and 20.22% increase in January. There were a number of factors that caused oil to increase. Among those catalysts is that Saudi Arabia was signaling that it wasn't willing to pump more oil, China continued to purchase oil reserves, there is a shortage of sand to use for fracking operations in the US and the most significant recent event was the invasion of the Ukraine by Russia on February 24th; Russia's invasion caused widespread sanctions from countries around the world which include a ban on Russian oil imports (Russia accounts for 10% of global oil supply).

The prices of natural gas, on the other hand, slipped slightly in February. The price of NYMEX natural gas fell 3.66% to \$4.47/Mmbtu while AECO dropped 3.25% ending the month at \$3.87/Mmbtu. Weather was a permitting factor in February. A more bullish element for natural gas is the amount of natural gas that has been flowing to US LNG export plants; the figures in February exceeded the monthly record that was set in January 2022.

The Canadian dollar edged upwards in February, increasing 0.27% to 0.7895 by the end of February and averaged the month at 0.7874.

Below we illustrate the changes in commodities and in the Canadian dollar during February 2022.

	WTI Oil (\$USD/bbl)	WCS (\$USD/bbl)	Cdn Light (\$USD/bbl)	C5+ (\$USD/bbl)	NYMEX (\$USD/Mmbtu)	AECO (\$USD/Mmbtu)	CDN\$/USD\$
<b>February 2022 Average</b>	\$91.63	\$78.65	\$89.76		\$4.46	\$3.62	0.7874
<b>End of February 2022</b>	\$95.72	\$79.29	\$89.79	\$94.49	\$4.47	\$3.87	0.7895
<b>End of January 2022</b>	\$88.20	\$74.07	\$84.77	\$89.27	\$4.64	\$4.00	0.7874
<b>Month-over-Month Change</b>	8.53%	7.05%	5.92%	5.85%	-3.66%	-3.25%	0.27%

Sources: Oil Sands Magazine  
OFX.com

### TSX-Listed E&P (Canadian Focused Operations) February 2022 Share Price Movements

As previously mentioned, 42 of the 46 E&P companies (with domestic assets) on the TSX experienced strength in their share price while four were down during the month. The top performer in February was **Athabasca Oil Corporation** which was up 64.17%, increasing from \$1.20/share at the end of 2021 to \$1.97/share by the end of February. On February 2, Athabasca announced its preliminary year-end results, a \$32 million term note repayment and provided an operations update. The company announced that its production averaged 34,900 boe/d in December exceeding its original 2021 guidance of 31,000-33,000 boe/d, expects to generate ~\$900 million in free cash flow over the next three years (based on US\$85.00/bbl WTI and a heavy oil differential of US\$12.50) and to be in a net cash position by the end of 2022.

**Pieridae Energy Limited** was up 46.34% in February, increasing to \$0.60/share from \$0.41/share. Much of the increase was during the latter part of the month and reached a high of \$0.66/share on February 28<sup>th</sup>. i3 Energy plc rounded out the top three, climbing 43.14% to \$0.37/share.

The three worst performing stocks in February were **Questerre Energy Corporation**, **Petrus Resources Ltd.** and **Yangarra Resources Ltd.**, with Questerre falling 35.29% while Petrus and Yangarra had more modest declines of 5.48% and 2.65% respectively. Questerre's fall was on the back of the introduction of Bill 21 by the Government of Quebec, "an act to mainly end petroleum exploration and production and the public financing of those activities." The law proposes to revoke and cancel Questerre's license agreements in Quebec. Questerre wrote a letter to its shareholders, which can be read at <https://www.questerre.com/investor-news/questerre-reports-on-proposed-ban-in-quebec/>. Questerre has additional assets though, with oil production in SE Saskatchewan, a liquids-rich Montney natural gas play in the Kakwa area of Alberta and a shale oil project in the Kingdom of Jordan.

Company	TSX Ticker	February 2022 % Change	End of February 2022	End of January 2022
<b>Top Three % Performers</b>				
Athabasca Oil Corporation	ATH	64.17%	\$1.97	\$1.20
Pieridae Energy Limited	PEA	46.34%	\$0.60	\$0.41
i3 Energy plc	ITE	43.14%	\$0.37	\$0.26

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Athabasca Oil Corporation	ATH	64.17%	\$1.97	\$1.20
Pieridae Energy Limited	PEA	46.34%	\$0.60	\$0.41
i3 Energy plc	ITE	43.14%	\$0.37	\$0.26
TransGlobe Energy Corporation	TGL	30.69%	\$4.94	\$3.78
Bonterra Energy Corp.	BNE	26.36%	\$9.78	\$7.74
Cardinal Energy Ltd.	CJ	22.96%	\$6.48	\$5.27
Baytex Energy Corp.	BTE	22.67%	\$5.79	\$4.72
Surge Energy Inc.	SGY	22.26%	\$7.69	\$6.29
Vermilion Energy Inc.	VET	19.82%	\$23.70	\$19.78
Ovintiv Inc.	OW	17.80%	\$57.97	\$49.21
Pine Cliff Energy Ltd.	PNE	16.22%	\$0.86	\$0.74
Gear Energy Ltd.	GXE	15.94%	\$1.60	\$1.38
Obsidian Energy Ltd.	OBE	15.40%	\$10.79	\$9.35
Paramount Resources Ltd.	POU	12.53%	\$28.12	\$24.99
Crescent Point Energy Corp.	CPG	10.74%	\$9.07	\$8.19
Spartan Delta Corp.	SDE	10.33%	\$8.76	\$7.94
Tourmaline Oil Corp.	TOU	10.33%	\$50.00	\$45.32
Enerplus Corporation	ERF	10.05%	\$16.20	\$14.72
Peyto Exploration & Development Corp.	PEY	9.84%	\$10.94	\$9.96
InPlay Oil Corp.	IPO	9.68%	\$3.40	\$3.10
Topaz Energy Corp.	TPZ	9.60%	\$19.86	\$18.12
International Petroleum Corporation	IPCO	9.52%	\$9.09	\$8.30
Canadian Natural Resources Limited	CNQ	9.51%	\$70.81	\$64.66
Imperial Oil Limited	IMO	9.38%	\$56.89	\$52.01
MEG Energy Corp.	MEG	9.31%	\$16.55	\$15.14
Prairie Provident Resources Inc.	PPR	9.09%	\$0.18	\$0.17
Whitecap Resources Inc.	WCP	7.80%	\$9.67	\$8.97
Rubellite Energy Inc.	RBY	7.80%	\$3.18	\$2.95
Cenovus Energy Inc.	CVE	7.79%	\$19.93	\$18.49
Advantage Energy Ltd.	AAV	7.70%	\$7.41	\$6.88
Freehold Royalties Ltd.	FRU	7.60%	\$14.15	\$13.15
Birchcliff Energy Ltd.	BIR	7.50%	\$6.74	\$6.27
NuVista Energy Ltd.	NVA	7.45%	\$9.66	\$8.99
Perpetual Energy Inc.	PMT	7.14%	\$0.75	\$0.70
Suncor Energy Inc.	SU	6.72%	\$38.76	\$36.32
ARC Resources Ltd.	ARX	5.24%	\$15.67	\$14.89
PrairieSky Royalty Ltd.	PSK	4.77%	\$17.14	\$16.36
Tamarack Valley Energy Ltd.	TVE	4.67%	\$5.16	\$4.93
Pipestone Energy Corp.	PIPE	3.89%	\$5.08	\$4.89
Kelt Exploration Ltd.	KEL	3.79%	\$5.75	\$5.54
Headwater Exploration Inc.	HWX	1.27%	\$7.19	\$7.10
Crew Energy Inc.	CR	0.27%	\$3.71	\$3.70
Journey Energy Inc.	JOY	-1.72%	\$3.99	\$4.06
Yangarra Resources Ltd.	YGR	-2.65%	\$1.84	\$1.89
Petrus Resources Ltd.	PRQ	-5.48%	\$1.38	\$1.46
Questerre Energy Corporation	QEC	-35.29%	\$0.22	\$0.34
Average Increase/Decrease		11.74%		
Median Increase/Decrease		9.45%		
Number of Companies with Share Price Increases		42		
Number of Companies Flat Month Over Month		0		
Number of Companies with Share Price Declines		4		
Max Share Price Increase		64.17%		
Greatest Share Price Decline		-35.29%		

Of the three largest gainers in January of 2022, in February **Obsidian Energy Ltd.** increased a further 15.40%, rising to \$10.79/share while **Petrus Resources Ltd.** was down 5.48% to \$1.38/share and **Journey Energy Inc.** slipped 1.72% ending the month at \$3.99/share.

## TSX-Venture Listed E&P (Canadian Focused Operations) February 2022 Share Price Movements

As outlined below, during February 2022, 10 TSX-Venture listed E&P companies with operations focused mainly in Canada had an increase in their share price, five were flat, while seven companies had a decline in their share price.

Of the companies that had their share prices rise, increases ranged from 10.53% to 100% with an average increase of 44.01%. **Prospera Energy Inc.** had the largest increase, rising to \$0.08/share from \$0.04/share or 100%. Prospera announced the TSX Venture Exchange ("TSX-V") approved a third private placement from 2021 which involved Prospera raising \$2.04 million by offering convertible debenture units and flow-through share units as part of the company's restructuring plans. In addition, Prospera received TSX-V approval to consolidate, reduce and settle trade payables with creditors through the issuance of shares in the corporation. The company announced, "the current total trade payables settled for shares is \$1,147,626.72 in exchange for 6,557,867 common shares at a price of \$0.175 per share. These shares have been issued and the number of issued and outstanding shares for Prospera is 113,380,140."

**Petrox Resources Corp.** increased 66.67%, increasing from \$0.015/share to \$0.025/share while **Razor Energy Corp.** increased an additional 60.23%, jumping to \$1.41/share; Razor has increased from \$0.54/share at the start of the year.

On a combined basis, the TSX-V E&P companies had an average increase of 14.64% during February 2022 while the median movement was 0.00%. Of the top % gainers in January 2022, in February 2022, **Wescan Energy Corp.** climbed an additional 50%, **Samoth Oilfield Inc.** was flat at \$0.10/share and **Razor**, as previously mentioned, was the third best performer, rising 60.23%.

Company	TSX-V Ticker	February 2022 % Change	End of February 2022	End of January 2022
Prospera Energy Inc.	PEI	100.00%	\$0.08	\$0.04
Petrox Resources Corp.	PTC	66.67%	\$0.03	\$0.02
Razor Energy Corp.	RZE	60.23%	\$1.41	\$0.88
Wescan Energy Corp.	WCE	50.00%	\$0.12	\$0.08
Huntington Exploration Inc.	HEI	40.91%	\$0.31	\$0.22
Vital Energy Inc.	VUX	35.71%	\$0.19	\$0.14
PetroFrontier Corp.	PFC	33.33%	\$0.08	\$0.06
Hemisphere Energy Corporation	HME	24.53%	\$1.32	\$1.06
ROK Resources Inc.	ROK	18.18%	\$0.26	\$0.22
Cobra Venture Corporation	CBV	10.53%	\$0.21	\$0.19
Leucrotta Exploration Inc.	LXE	0.00%	\$0.91	\$0.91
Perisson Petroleum Corporation	POG	0.00%	\$0.04	\$0.04
Pulse Oil Corp.	PUL	0.00%	\$0.06	\$0.06
Samoth Oilfield Inc.	SCD	0.00%	\$0.10	\$0.10
Softrock Minerals Ltd.	SFT	0.00%	\$0.03	\$0.03
Highwood Oil Company Ltd.	HAM	-8.33%	\$11.00	\$12.00
Canadian Spirit Resources Inc.	SPI	-12.50%	\$0.07	\$0.08
Tenth Avenue Petroleum Corp.	TPC	-13.35%	\$0.21	\$0.27
Saturn Oil & Gas Inc.	SOIL	-14.12%	\$2.98	\$3.47
Tenaz Energy Corp.	TNZ	-14.70%	\$2.38	\$2.79
Petrolympic Ltd.	PCQ	-22.22%	\$0.07	\$0.09
Pan Orient Energy Corp.	POE	-32.82%	\$0.88	\$1.31
Average Increase/Decrease		14.64%		
Median Increase/Decrease		0.00%		
Number of Companies with Share Price Increases		10		
Number of Companies Flat Month Over Month		5		
Number of Companies with Share Price Declines		7		
Max Share Price Increase		100.00%		
Greatest Share Price Decline		-32.82%		

## Canadian E&P M&A Activity in February 2022

In February 2022, three M&A transactions were announced in the Canadian oil & natural gas sector with total transaction value of approximately \$80.5 million. One transaction accounted for the vast majority of the total transaction value during the month at 89% and involved oil-weighted assets mainly in southeastern Saskatchewan, one involved Viking oil assets in west-central Saskatchewan while the remaining deal involved assets in central Alberta.

The largest transaction in February 2022, accounting for nearly 90% of the total transaction value was the announcement from **ROK Resources Inc.** that it had entered into a transformational transaction to acquire certain oil & natural gas assets located primarily in Saskatchewan and Alberta, from **Federated Co-operatives Limited** and its wholly-owned subsidiary **2214896 Alberta Ltd.** (collectively, "FCL"), for total consideration of approximately \$71.7 million. Prior to the announcement of the transaction, ROK had corporate production of 210 boe/d (70% liquids), located in southeastern Saskatchewan. The assets acquired from FCL have production of 2,962 boe/d (72% liquids), are low-decline and at US\$75/bbl WTI pricing, are expected to generate an operating netback of \$37/boe resulting in annualized net operating income ("NOI") of \$40 million. As at October 31, 2021, it is estimated that the FCL assets have remaining reserves of 6.7 MMboe on a PDP basis and 13.5 MMboe on a 2P basis.

The assets include 1,380,556 gross (333,347 net) acres of land within four core areas in the Saskatchewan (Doddsland, Butte Shaunavon, Southeast Saskatchewan) and in the Kaybob area of Alberta. In southeast Saskatchewan, ROK acquired several conventional low-decline units including the Weyburn unit. The Weyburn unit is one of the largest Carbon Capture, Utilization, and Storage ("CCUS") projects in the world.

Of the \$72.0 million in total purchase price, the consideration consists of \$69.0 million in cash and approximately \$3.0 million, in the form of units. Upon completion of the acquisition, it is expected that FCL will own, up to, approximately 9.9% of the issued and outstanding class "B" common shares in the capital of ROK. The cash consideration was funded through the proceeds from a new \$65 million Senior Loan Facility and from the proceeds of an upsized bought deal financings of subscription proceeds for total gross proceeds of \$15.0 million.

Following the transaction, ROK will have corporate production exceeding 3,000 boe/d, 6.9MMboe of PDP reserves, 9.2MMboe on a TP basis and 14.82 MMboe on a 2P basis. ROK's enterprise value to net operating income is expected to decrease from 5.8X to 1.7X and a boe/share of \$0.09, an increase of 63% and 428% respectively. As everyone knows, the price of WTI crude oil has surged in the last month and has now exceeded US\$115/bbl which will significantly improve the NOI from the assets; Earth Horse estimates the annualized NOI (unhedged) from the assets to currently be \$78.7 million. Based on the \$71.7 million purchase price and the estimates announced in the news release, the metrics of the transaction are estimated at \$24,206/boe/d, \$10.70/boe for PDP reserves, \$5.31/boe on a 2P basis and 1.8x NOI.

Following the announcement of the transaction, the share price of ROK increased, rising from \$0.215/share to a high of \$0.31/share on February 16, 2022.

**XI Technologies Inc.**, a company that provides detailed information on all public and private companies in the WCSB has made available a pair of reports on how the transaction impacts ROK's asset retirement obligations and how ROK's asset base has been vastly increased through this deal [Click here to view XI's reports](#) or contact [sales@xitechnologies.com](mailto:sales@xitechnologies.com) if you would like to see other information such as drilling trends in the area, evaluations of production, land, infrastructure, emissions etc.

Another company that announced a transformational transaction within the last year and announced the acquisition of additional assets in February 2022 is **Saturn Oil & Gas Inc.** Recall that in May 2021, Saturn announced that it had acquired assets with production of 6,700 boe/d from Crescent Point Energy Corp. in southeastern Saskatchewan for \$93.0 million. In February 2022, Saturn announced that it entered into a transaction to acquire asset in West-central Saskatchewan for total consideration of approximately \$8.3 million. The assets acquired are located in the Plato area, are synergistic and compliment to Saturn's legacy Viking assets. The Plato assets have production of 240 bbl/d of light oil (February 2022 field estimate), numerous light oil, de-risked drilling locations; and over 100 net sections of land. The assets are anticipated to generate annualized net operating income of approximately \$4.5 million. Concurrent with the announcement of the transaction, Saturn announced it would consolidate its debt by giving notice that it would repay its second-lien senior secured term notes in the amount of approximately \$32.1 million and that it had entered into an amended and restated term loan agreement with its senior secured lender of the existing senior secured term loan by expanding the principal amount by approximately \$38.0 million. The company also announced that it had entered into a bought deal financing which was ultimately upsized to gross proceeds of \$16.02 million at \$3.00/share; at the time, Saturn was trading at \$3.44/share. Saturn's shares immediately fell to the financing level.

Based on the \$8.3 million purchase price, the metrics of the transaction are \$34,583/boe/d and 1.8X NOI.

The smallest transaction announced in February involved **Paleo Resources, Inc.** which announced that it had sold an undivided 5% working interest in its Joffre lease to **EnergyFunders Yield Fund I GP LLC** for \$400,000 USD. Paleo announced that it would use proceeds from the sale for general corporate purposes and to complete the installation of the Joffre lease production facilities, including gas flare, flare knock out, safety systems, and artificial lift installation on both the Joffre 103/9-22 and 1D0/15-22 wells. Continuous commercial production from the Joffre lease is expected to begin in March 2022.

## **Board of Director & Executive Changes in February 2022**

**Advantage Energy Ltd.** announced that as a part of its board succession planning, Mr. Ron McIntosh plans to retire on May 5, 2022, after 24 years of service with Advantage and predecessor companies. The new Chair of the Board will be appointed after Advantage's annual general and special meeting on May 5, 2022.

**Prairie Provident Resources Inc.** announced that effective March 31, 2022, Ms. Mimi Lai will be retiring from Prairie Provident as EVP Finance & CFO and Director to pursue new opportunities. The company announced it is currently seeking a replacement for Ms. Lai. Following the recapitalization transaction announced last month, **PetroShale Inc.** announced the appointment of Mr. Anthony Baldwin as Vice President Business Development. Mr. Baldwin has over 17 years of oil and gas experience in leadership and business development roles, most recently as the President of Crescent Point Energy U.S. Corp. Mr. Baldwin held a variety of roles of increasing responsibility in both Denver and Calgary after joining Crescent Point Energy Corp. in 2006.

**Peyto Exploration & Development Corp.** announced the promotion of Mr. Riley Frame to Vice President, Engineering. Mr. Frame joined Peyto in 2013 and has spent the last 3 years as the Manager of Exploitation. Mr. Frame has worked in various engineering roles since entering the industry in 2008 and is a member of the Association of Professional Engineers and Geoscientists of Alberta.

**Paleo Resources, Inc.** announced the appointment of Mr. Matthew P. Milligan as its new Chief Financial Officer and Controller, following the resignation of Ms. Ngan Kim Vo. Mr. Milligan obtained both his Bachelors and Masters in Accounting from Trinity University in San Antonio. He started his career at KPMG as a public auditor focused primarily on the Financial Service and Governmental sectors. After five years at KPMG, Matt worked first as the Controller and eventually as the CFO for an investment firm, providing investments in tangible assets ranging from oil and gas, pipelines, water rights, and real estate. After six years with the investment firm, Matt moved to a traditional oil and gas operator and driller where he served as CFO for over nine years and handled all financial aspects of the operation. Matt is a licensed Certified Public Accountant (CPA) in the State of Texas and was the 217th person to obtain the full Accredited Petroleum Accountant (APA-COPAS) certification. As he is both a CPA and APA, Matt has also worked as an expert or fact witness in numerous litigation matters.

**ARC Resources Ltd.** announced that Ms. Lara Conrad has been appointed as Chief Development Officer, Armin Jahangiri will fill the role of Chief Operating Officer, Mr. Ryan Berrett will become Senior Vice President, Marketing and Ms. Lara Olsen has been promoted to Senior Vice President, People and Corporate.

**Kiwetinohk Energy Corp.** announced the appointment of two new independent directors, Ms. Judith Athaide and Mr. John Whelen, effective February 3, 2022. Ms. Athaide is a corporate director, entrepreneur, professional engineer and certified corporate director. She has more than 30 years' experience in the energy, power and utilities, infrastructure, clean technologies, real estate, financial services and professional services sectors. Her areas of expertise include decarbonization, technology as an enabler of transformation and sustainable development. Ms. Athaide is the President and Chief Executive Officer of **The Cogent Group Inc.**, a private company that provides strategic advisory services to the energy industry. Mr. Whelen is a former senior executive at **Enbridge Inc.** where he held a number of roles, including Executive Vice President and Chief Development Officer, Executive Vice President and Chief Financial Officer, Senior Vice President and Controller and Senior Vice President of Corporate Development.

In addition to the new directors, Kiwetinohk appointed Mr. Chris Lina to its senior leadership team as Vice President, Projects. Mr. Lina has extensive oil and gas, and petrochemical, mega-project engineering and execution experience.

## Miscellaneous News Announced in February 2022

**Highwood Asset Management Ltd.** announced the filing of NI 43-101 Technical Report Lithium Resource Estimate (provided by **APEX Geoscience Ltd.**) for its Drumheller Property, which includes a land base of 363,522 hectares (895,811 acres) and represents 23.5% of Highwood's total Alberta and British Columbia land position. It was announced that the initial Inferred Lithium-Brine Resource at Drumheller has been calculated within 3 separate resource domains, the combined total of which is estimated to contain 18.14 million metric tonnes lithium carbonate equivalent.

**Advantage Energy Ltd.** announced that it had record annual production of 49,445 boe/d (91% natural gas) in 2021, increasing 10% over 2020. The company expects 2022 average production to increase to between 52,000-55,000 boe/d. The company announced that it intends to launch a share buyback program during the second quarter of 2022. The primary goals of the buyback program are "to provide returns to shareholders in a tax efficient manner, to improve per share metrics and to help maintain an efficient capital structure."

**Ovintiv Inc.**'s Board declared a quarterly dividend of \$0.20 per share of common stock payable on March 31, 2022, to shareholders of record as of March 15, 2022. This represents an increase of 43% from the previous level and an increase of 113% versus 1-year ago and also marks the second dividend raise in the last six months.

The **Government of Alberta** announced that it is expecting its first budget surplus since 2014/15 thanks to soaring global energy prices and increased oil output which has significantly boosted provincial resource revenue. It was announced that Alberta expects a surplus of \$500 million in the fiscal year beginning April 1, compared with a \$3.2 billion deficit expected in the current financial year. The 2021/22 deficit forecast was significantly revised down from an original projection of C\$18.2 billion made in February 2021. The province is also forecasting surpluses of \$900 million and \$700 million in 2023/24 and 2024/25, respectively. Earlier in the month, the Alberta Government announced that has filed a notice of intent to launch a claim under legacy rules tied to the old North American Free Trade Agreement, or NAFTA and is seeking \$1.3 billion in compensation from the U.S. government as a result of the President Joe Biden's cancellation of the Keystone XL pipeline's permit.

Previous to the Alberta Government's notice of intention to claim, **Natural Law Energy**, which formed a partnership with the Alberta Government and signed a Memorandum of Understanding with TC Energy on the Keystone XL pipeline and is "a sovereign organization which represents many sovereign members and Nations" also intends to pursue a claim in challenging U.S. President Joe Biden's cancellation of the Keystone XL pipeline.

**Baytex Energy Corp.** announced that it expects to reach its initial \$1.2 billion net debt target during the second quarter of 2022. As a result of its significantly improved financial position the company announced that it expects to allocate approximately 25% of its annual free cash flow to direct shareholder returns and intend to implement a share buyback program commencing in Q2/2022.

During the latter part of February and the invasion of the Ukraine by Russia, there have been significant sanctions placed on Russia which has had an impact on Russia's revenues from oil exports. There were also reports that in the Black Sea, a Turkish-owned ship was hit by a bomb off the coast of Ukraine's port city Odessa, prompting shipping companies to avoid calling at Black Sea ports. Greece urgently recommended all Greek ships immediately leave Ukraine and Russia territorial waters in the Black Sea. There was news that banks are not willing to provide letters of credit for buyers of Russian oil. Top Russian oil buyers include Western oil majors such as BP and Shell, ENI, TotalEnergies, Equinor, Chevron and Exxon Mobil and trading houses such as Vitol, Glencore, Trafigura, Gunvor and Mercuria. In addition, shipping rates to load at Russian ports and discharge in northern Europe have tripled in one day to World Scale 300, or about \$2.3 million per ship, from World Scale 100, as many ship owners now refuse to call at Russian ports.

**Whitecap Resources Ltd.** announced that its board of directors has approved a 33% increase to its monthly dividend to \$0.03 per share, from \$0.0225 per share previously, which equates to \$0.36 per share on an annual basis. The increase will take effect beginning with the March dividend, payable in April 2022. Whitecap also announced that the company is transitioning to a Sustainability Linked Loan ("SLL") on its credit facility with its bank syndicate that includes pricing adjustments related to two key emission reduction performance targets. The SLL has a cumulative pricing adjustment of 5 basis points to the applicable margin, as well as a pricing adjustment of up to 1 basis point to the standby fee that can result in price increases or decreases depending on performance. Whitecap's Key Performance Indicators ("KPIs") for the loan "are a 15% reduction to its scope 1 and 2 greenhouse gas emissions intensity by 2025, and a 30% reduction to its methane emissions intensity by 2025."

Whitecap also announced that it, **Wolf Midstream** (Wolf), the **First Nation Capital Investment Partnership (FNCIP)** and **Heart Lake First Nation** (Indigenous Owners) have jointly proposed a saline aquifer sequestration hub in the Fort Saskatchewan area to transform the future of carbon reduction through the development of world-scale CO2 infrastructure. The sequestration hub will serve large facilities in Alberta's Industrial Heartland that are seeking an independent and timely sequestration solution. Wolf has executed agreements with several parties who have offered support of the Wolf sequestration proposal including **Air Products** which is constructing a major net-zero hydrogen energy complex in the region. These projects are projected to provide initial CO2 delivery to the hub of between two to three million tonnes per annum (MTPA) with ultimate hub volumes that could exceed six MTPA.

It was announced that the **Trans Mountain Expansion** will be overbudget (\$21.4 billion vs. \$12.6 billion) and that operations will be delayed nine months. **Trans Mountain Corp.** blamed the delays and increased costs on the COVID-19 pandemic and devastating flooding in British Columbia in November that washed out roads across the south of the province and temporarily shut down the existing pipeline. The Federal Finance Minister responded by engaging advisors to provide financial advice and stated "I want to assure Canadians that there will be no additional public money invested in Trans Mountain Corp.," Trans Mountain said Chief Executive Mr. Ian Anderson will retire from the company and its board, effective April 1.

It was announced that there was an attack on a Coastal GasLink pipeline work camp in northern British Columbia. **Coastal GasLink**, a subsidiary of Calgary-based **TC Energy**, said approximately 20 masked attackers wearing camouflage surrounded a work site off a forest service road and attacked workers in the early hours of February 17<sup>th</sup>. The assailants wielded axes, fired flare guns and also tried to set one vehicle on fire while workers were inside. Thankfully, no one was injured but millions of dollars worth of damage was reported.

In addition to the announcement of the sale of an undivided 5% working interest in its lease at Joffre, **Paleo Resources, Inc.** announced that its indirect US subsidiary **EnergyFunders LLC** has launched two new funds: the **Bitcoin Discovery Fund I LLC**, which will exclusively invest in bitcoin mining projects, and the **Wildcat Pioneer Fund I LLC**, which will invest in higher risk, higher reward oil and gas drilling projects, primarily targeting drilling opportunities associated with unproven reserves and prospective (undiscovered) resources, also known as wildcat wells. Each new fund is targeting a US\$10 million capital raise.

EnergyFunders does not own an equity interest in either the Wildcat Pioneer or Bitcoin Discovery fund but will earn a fund origination fee that ranges from one percent (1%) to three percent (3%) of the investment amount, an annual fee of two percent (2%) of the assets under management, and a reversionary twenty percent (20%) revenue interest once fund investors recover their initial investment plus a fifteen percent (15%) internal rate of return.

**West Lake Energy Corp.** announced it had signed a partnership with the **Frog Lake Energy Resources Corp.** (“FLERC”) for asset development on the **Frog Lake First Nation** (“FLFN”). This venture includes the commitment of drilling wells on FLFN lands, advances in environmental and community stewardship, and continued investment in the local community including the utilization of local First Nation services. The 50/50 partnership is the start of a multi-year, multi-well, multi-zone commitment to developing petroleum from the large resource in a sustainable manner. With engagement from the Frog Lake First Nation and Frog Lake Energy Resources Corp., West Lake is committed to an initial two well program to be drilled in the summer of 2022.

**Birchcliff Energy Ltd.** announced that in 2021, the company had purchased 5,242,700 common shares pursuant to its normal course issuer bid at an average price of \$6.00 per common share for an aggregate gross cost of \$31.5 million.

**Cenovus Energy Inc.** announced that its board of directors declared a dividend of \$0.035 per common share and a fourth-quarter dividend on each of the Cumulative Redeemable First Preferred Shares – Series 1, Series 2, Series 3, Series 5 and Series 7. Cenovus also mentioned that the company continued to execute its NCIB announced in late 2021, which allows the company to purchase up to 146.5 million of its common shares. In 2021, the company repurchased approximately 17.0 million common shares and has purchased an additional 9.0 million shares in 2022.

**Hemisphere Energy Corporation** announced that during the first half of January it had brought four new Atlee F pool wells online that had been drilled at the end of the fourth quarter of 2021. Including the new wells, Hemisphere announced record corporate production that averaged approximately 2,635 boe/d (99% heavy crude oil; based on field estimates between Jan 23rd – Feb 5th).

Adding to the list of companies that are increasing its dividends, **PrairieSky Royalty Ltd.** announced a 33% increase in its annual dividend to \$0.48 per common share in 2022, to be paid on a quarterly basis effective for the March 31, 2022 record date.

Subsequent to the fourth quarter of 2021, **Suncor Energy Inc.’s** board of directors approved a renewal of the company’s NCIB for the repurchase of approximately 5% of Suncor’s issued and outstanding common shares as at January 31, 2022, over a twelve-month period, and concurrently, the Toronto Stock Exchange (TSX) accepted a notice filed by Suncor to renew its NCIB in respect of the repurchase of such shares. In the fourth quarter of 2021, the company repurchased approximately 21.0 million common shares for \$639.0 million under its NCIB, representing 1.4% of Suncor’s public float as at January 31, 2021. Suncor also announced that subsequent to the fourth quarter of 2021, the company completed an early redemption of its outstanding US\$182 million 4.50% notes, originally scheduled to mature in the second quarter of 2022.

**Enerplus Corp.** announced early in February that it is looking to sell its Canadian assets later this year but will maintain its head office. Enerplus says it will also report production volumes on a net basis after deduction of royalties to allow for a direct comparison with other U.S. exploration and production companies. Production from Enerplus’ Canadian assets averaged approximately 9,100 boe/d in the fourth quarter of 2021, representing 7% of the company’s total production.

**Questerre Energy Corporation** announced that it commissioned a report on a new completion technique to replace conventional frac’ing with a new well stimulation technique. “The new technique is designed to address public concerns of conventional frac’ing of rock underground. The preliminary conclusion is that by using lower pressures and rates than the threshold used for fracturing new rock, the new approach will take advantage of existing natural fractures to stimulate the formation. This is similar to the approach most often utilized in geothermal projects. The final report is expected before end of the first quarter.” Michael Binnion, President and Chief Executive Officer of Questerre commented, “This new technique could be incredibly effective in a naturally fractured formation like the Quebec Utica.”

## **Financings Announced in February 2022**

Below we outline equity and debt financings that were announced or closed in February 2022, apart from the financings that may have been already announced.

**Journey Energy Inc.** announced that it has entered into a bought deal financing for gross proceeds of \$10.5 million in flow-through shares. Journey sold 2,480,000 common shares at \$4.25 per flow-through share and granted the broker with an over-allotment option of 15% of the number of shares sold. Journey will use proceeds from the offering to incur eligible “Canadian development expenditures.”

**Saturn Oil & Gas Inc.** announced, in conjunction with the closing of the assets in the Plato area, that it intends to complete a non-brokered private placement of units at \$3.00/unit for gross proceeds of \$3.19 million. Each unit will consist of one common share and one common share purchase warrant.

**Tamarack Valley Energy Ltd.** closed a private placement offering of \$200.0 million aggregate principal amount of 7.25% senior unsecured sustainability-linked notes due May 10, 2027 (the “Notes”). The Company intends to use the net proceeds of the Offering to fund a portion of the purchase price for Tamarack’s previously announced acquisition of Crestwynd Exploration Ltd. and repay amounts outstanding under the Company’s sustainability-linked credit facility (the “SLL Facility”).

## Contact Us!

If you have any questions, please don't hesitate to ask.

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M&A activity in the Canadian oil & natural gas industry is expected to increase in 2022, Earth Horse can also assist in the analysis of opportunities on the buy-side, value non-core properties and professionally manage the sale at highly competitive rates. We have a strong understanding of the value of assets and have the connections to help close deals.

**Contact us Today!** We can be reached at (587) 432-0584, [Ryan.FY@ehenergyadvisors.com](mailto:Ryan.FY@ehenergyadvisors.com) or [www.ehenergyadvisors.com](http://www.ehenergyadvisors.com).

Thank you,

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