Evaluate Energy

Global Upstream M&A Report – Q3 2021

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Upstream M&A rises to $44 billion in Q3 2021

Oil, gas prices and large corporate deals boost global spending

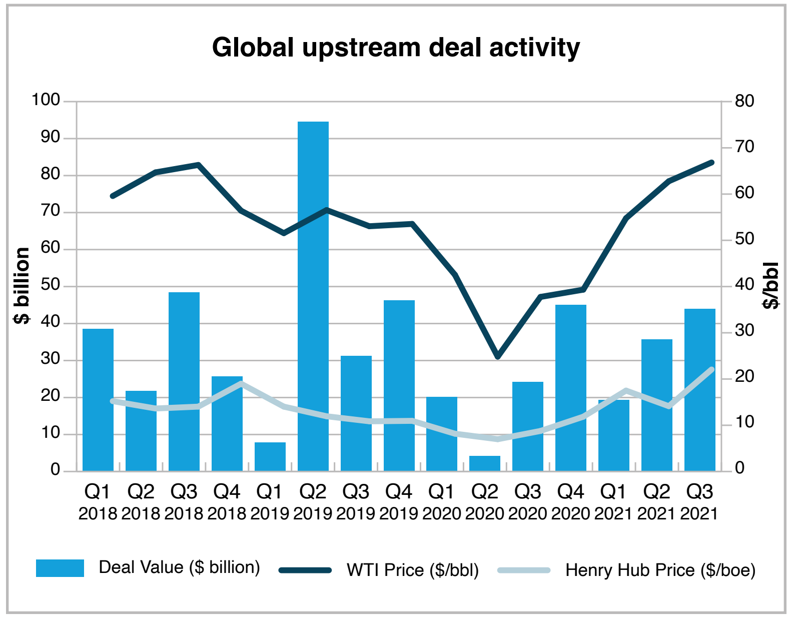
Upstream M&A spending reached $44 billion during Q3 based on deals announced between July and September. This total is:

- 23% higher than $36 billion in Q2; and
- 25% higher than average quarterly spending over the past five years.

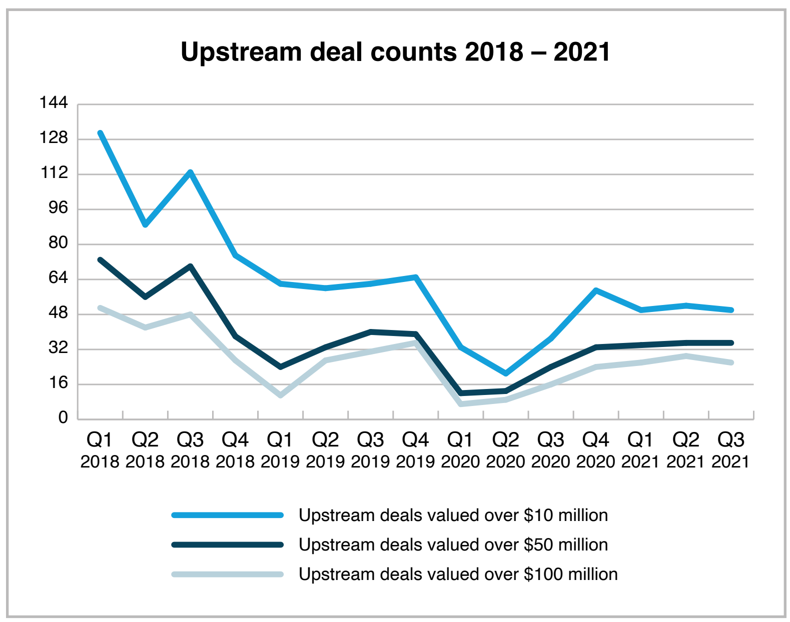
Spending was supported by strong prices for oil and gas.

- Oil demand increases reflected a resurgent global economy and a relative lack of supply from either the free market or OPEC+. This led to an average WTI price in Q3 of $70.23, the highest quarterly average price since 2014.
- A more acute imbalance in natural gas led to record prices in parts of Europe and an average Henry Hub price of $4.19, an increase of 47% on the average price in Q2.

What we refer to as “significant deal counts” were identical in Q3 and Q2. Thirty-five deals were valued at greater than $50 million in both quarters. Larger corporate deals and higher valuations for asset deals due to increased oil and gas prices accounted for the overall higher deal value in Q3.



Source: Evaluate Energy M&A and Deal Analytics Database.



Source: Evaluate Energy M&A and Deal Analytics Database.

Top 10 upstream deals worldwide in Q3 2021

Acquirer	Seller	Brief Description	Total Acquisition Cost ($ Million)
Woodside Petroleum Ltd.	BHP Group	Woodside Petroleum Ltd. acquires BHP's upstream business	13,905
ConocoPhillips	Royal Dutch Shell	ConocoPhillips acquires the Permian Basin assets of Royal Dutch Shell	9,500
Santos Ltd.	Oil Search Ltd.	Santos Ltd. acquires Oil Search Ltd.	9,049
Chesapeake Energy Corp.	Vine Energy Inc.	Chesapeake Energy Corp. acquires Vine Energy Inc.	2,200
CNOOC Ltd.	Petrobras	Petrobras grants an option to CNOOC to purchase an additional portion of 5% in the Búzios field	2,080
Callon Petroleum Co.	Primexx Energy Partners	Callon Petroleum Co. acquires Primexx Energy Partners and its affiliates	789
WildFire Energy I LLC	Hawkwood Energy LLC	WildFire Energy I LLC acquires Hawkwood Energy LLC	650
Spartan Delta Corp.	Velvet Energy Ltd.	Spartan Delta Corp. acquires Velvet Energy Ltd.	610
Lime Rock Resources	Unspecified	Lime Rock Resources acquires oil and gas properties in the Delaware Basin of Texas from a private seller	508
Viper Energy Partners LP	Swallowtail Royalties LLC; Swallowtail Royalties II LLC	Viper Energy Partners LP acquires mineral and royalty interests from Swallowtail Royalties LLC and Swallowtail Royalties II LLC	498

Source: Evaluate Energy M&A and Deal Analytics Database.

Deals in the United States in Q3 2021

ConocoPhillips acquires Shell's Permian Basin assets

The Permian attracted $12 billion of M&A activity during the quarter, on the back of $18 billion in new deals agreed in Q2.

The vast majority of this spend came from ConocoPhillips acquiring the Permian assets of Royal Dutch Shell for $9.5 billion in cash.

ConocoPhillips gains an additional 225,000 acres and 175,000 boe/d in the Delaware Basin and $1.9 billion of annual free cash flow based on recent commodity prices. Both Shell and ConocoPhillips reported that following the deal there will be an increase in shareholder returns. Shell reported that it will use the deal proceeds to fund $7 billion in additional shareholder distributions, with the remainder used to strengthen the balance sheet.

ConocoPhillips had already made a major move with the $13 billion acquisition of Concho Resources during Q4 2020. That was an all-stock deal, so ConocoPhillips retained enough liquidity to fund this latest transaction with available cash. The company announced that quarterly dividends will increase by 7%. Dividends have been increasing gradually across the North American upstream industry since the start of 2021. For more info, click here.

Callon acquisition leads other Permian deals in Q3

Callon Petroleum is to acquire privately held Primexx Energy Partners for $789 million. Callon gains 18,000 boe/d of production and 35,000 acres in the Delaware Basin. The remaining two deals in the Permian Basin that made it into the global top 10 this quarter were both divestments by private U.S. companies; Lime Rock Resources is acquiring Delaware Basin assets from an undisclosed private seller for $508 million and Viper Energy Partners is acquiring royalty interests from Swallowtail Royalties LLC and Swallowtail Royalties II LLC for $498 million.

Chesapeake to become largest Haynesville producer

In the largest U.S. deal outside the Permian, Chesapeake Energy entered a deal to acquire Vine Energy for $2.2 billion. Vine Energy is a U.S. company operating in the Haynesville/Bossier play that publicly listed in March 2021. Like many other corporate deals in the past year, Vine Energy is accepting a zero-premium valuation in the belief that shareholder returns will be accelerated as part of a larger company. Upon deal closure, Chesapeake will become the largest producer in the Haynesville with 1.6 bcf/d of production.

Top 10 U.S. upstream deals in Q3 2021

Acquirer	Seller	Brief Description	Total Acquisition Cost ($ Million)
ConocoPhillips	Royal Dutch Shell	ConocoPhillips acquires the Permian Basin assets of Royal Dutch Shell	9,500
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Penn Virginia Corp.	Lonestar Resources US Inc.	Penn Virginia Corp. acquires Lonestar Resources US Inc.	372
Whiting Petroleum Corp.	Unspecified	Whiting Petroleum Corp. acquires assets in Mountrail County, North Dakota	271
Laredo Petroleum Inc.	Pioneer Natural Resources Co.	Laredo Petroleum Inc. acquires Permian Basin assets in Glasscock County, Texas, from Pioneer Natural Resources Co.	229
Fundare Resources Company, LLC	Whiting Petroleum Corp.	Whiting Petroleum Corp. divests its upstream and associated midstream Redtail assets in Weld County, Colorado	187

Source: Evaluate Energy M&A and Deal Analytics Database.

Deals in Canada in Q3 2021

Deal pace in Canada slows despite further Spartan Delta activity

With $18 billion of deals recorded over the previous three quarters in Canada, the pace slowed considerably in Q3 as upstream deals totalled just $1.4 billion. This is less than half the average quarterly total over the past five years.

The only Canadian deal to feature in the 10 largest deals of the quarter saw Spartan Delta Corp. acquire Velvet Energy for $610 million (C$752 million). Velvet Energy is a private liquids-rich Montney producer with 20,600 boe/d of production and 280,000 acres across the formation. Spartan Delta has been an active consolidator in Canada since its recapitalisation at the end of 2019. The company has now spent over $800 million on M&A, helping the company increase production to around 70,000 boe/d in 2022 based on the most recent corporate guidance. Spartan Delta's other notable deals in recent months include the acquisitions of Inception Exploration and the assets of Bellatrix Exploration.

Royalty acquisition totals approach $900 million for 2021

Two more large royalty deals were agreed this quarter, continuing a recent Canadian trend. PrairieSky Royalty Ltd. acquired a 5% royalty over 76,000 acres of Clearwater lands in the Marten Hills area from Spur Petroleum Ltd. for $125 million (C$155 million), while Topaz Energy Corp. acquired royalty interests on approximately 296,000 gross acres in the Montney play for $117 million (C$145 million) from Tourmaline Oil Corp. There has now been just under $900 million of publicly announced Canadian royalty deals during 2021. PrairieSky and Topaz are responsible for the majority.

Top 5 Canadian upstream deals in Q3 2021

Acquirer	Seller	Brief Description	Total Acquisition Cost (C$ million)
Spartan Delta Corp.	Velvet Energy Ltd.	Spartan Delta Corp. acquires Velvet Energy Ltd.	752
Unspecified	Cenovus Energy Inc. (Headwater Exploration Inc.)	Cenovus Energy reduces its stake in Headwater Exploration via a bought deal secondary offering	228
PrairieSky Royalty Ltd.	Spur Petroleum Ltd	PrairieSky Royalty Ltd. acquires a 5% gross overriding royalty on over 76,000 acres of Clearwater lands in the Marten Hills area	155
Topaz Energy Corp.	Tourmaline Oil Corp.	Topaz Energy Corp. acquires gross overriding royalty interests on approximately 296,000 gross acres in the NEBC Montney play area	145
Unspecified	Tourmaline Oil Corp. (Topaz Energy Corp.)	Tourmaline Oil Corp. divests a 5.44% stake in Topaz Energy Corp.	100

Major International Deals in Q3 2021

Australian deals make major headlines

Two of the biggest Q3 deals worldwide involved consolidating Australian listed oil and gas companies.

The largest saw Woodside Petroleum acquire the oil and gas assets of BHP Group for $13.9 billion. The exit of BHP from the petroleum sector together with its thermal coal assets had long been rumoured. The all-stock deal will result in BHP owning 48% of Woodside and therefore still benefiting from the increase in oil and gas prices since the announcement. There is also a potential addition of $1.1 billion in further consideration, which is dependent on the Scarborough joint venture and Thebe development reaching final investment decisions.

The other large deal between two Australian listed companies was Santos Limited agreeing to acquire Oil Search Limited for $9 billion in another all-stock deal. The deal comes five years after Woodside tried to acquire Oil Search in an $11.5 billion deal, an offer that was rejected by the Oil Search board and subsequently withdrawn. Santos will be paying a 20% premium on the trading price of Oil Search, which is a much higher premium than most other mergers in the recent wave of consolidation across the global upstream industry. The main asset Santos will be receiving is the PNG LNG export terminal, which is operated by ExxonMobil and ranks as the largest resource project in Papua New Guinea.

Petrobras makes ultra-deepwater sale to CNOOC

CNOOC exercised an option to acquire a further 5% interest in the Brazilian ultra-deepwater Buzios field from Petrobras for $2.1 billion. With this deal, CNOOC will double its current 5% interest, a stake acquired in 2019. The Buzios field is the second largest oil field in Brazil behind the Tupi field and has production of 570,000 bbl/d. CNODC Brasil Petróleo e Gás Ltda also had an option to acquire a further 5% interest but refrained from exercising it.

Green Energy Deals by Oil & Gas Producers in Q3 2021

EvaluateEnergy ESG

The Evaluate Energy database contains deals for oil, gas and the broader energy sector including wind and solar. Traditional E&P or integrated oil and gas companies are heavily engaged in deal-making for renewable projects, in order to diversify portfolios. Each quarter we will be selecting several E&P companies and renewables deals to highlight.

Eni extremely active with four deals

Italy's Eni was the most active in Q3 among traditional oil and gas companies with four separate green energy transactions. The company agreed three deals involving over 650 MW of existing and operational renewable energy capacity in wind and solar in Italy, France and Spain.

315 MW related to 13 onshore Italian wind farms acquired from Glennmont Partners and PGGM Infrastructure Fund. In Spain, Eni acquired a portfolio of nine projects from Azora Capital and also acquired Dhamma Energy Group. Alongside the operational capacity is a project pipeline of around 4 GW of planned capacity increases.

The fourth deal for Eni in Q3 was the acquisition of Be Power SpA, Italy's second largest operator in the electric vehicle charging space. The company was founded in 2018 and has more than 5,000 charging points across the country.

Galp acquires Spanish solar projects

Portugal's Galp Energia is acquiring a portfolio of solar projects in Spain with combined capacity of around 220 MW. The deal includes a cluster of projects totalling 62 MW in Zaragoza ready for construction with expected onstream dates in 2022. The three other projects being acquired are also at an advanced stage and expected onstream in 2023.

Galp's total gross renewable generation capacity increases to c.4.1 GW in Iberia, of which 926 MW is already operating. Galp's goal is to have over 4 GW in gross operating capacity by 2025 and 12 GW by 2030.

Green Energy Deals by Oil & Gas Producers in Q3 2021

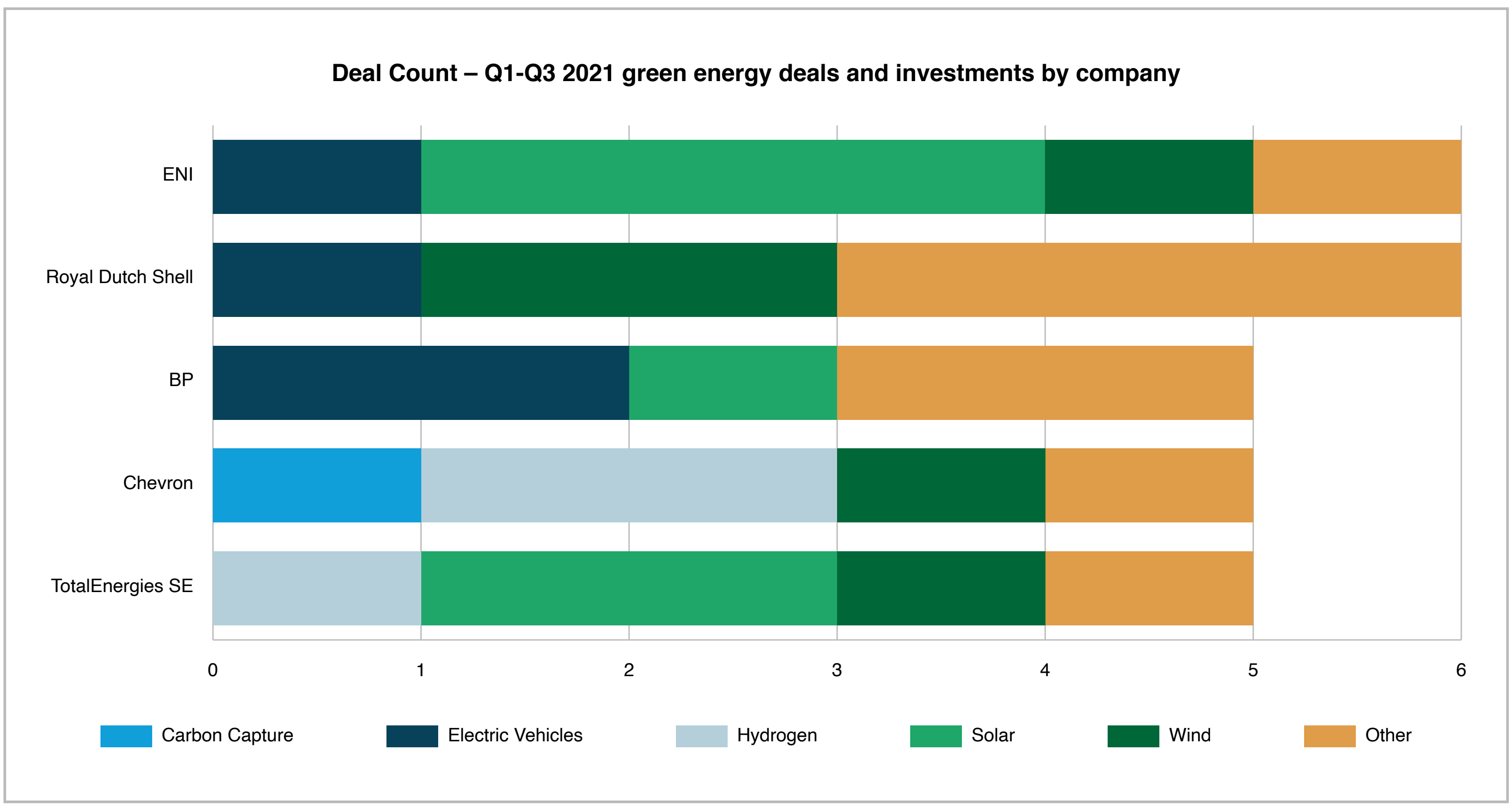
Shell acquires renewable energy retailer in the U.S.

Royal Dutch Shell will acquire Inspire Energy Capital LLC, a renewable energy residential retailer with joint headquarters in Santa Monica, CA and Philadelphia, PA. The deal is expected to complete in the fourth quarter and expands Shell's business-to-consumer power offerings in key regions in the U.S. Shell will seek to build on Inspire's advanced digital capabilities to allow more households to switch to and benefit from greater levels of renewable and low-carbon energy.

BP acquires AI-driven energy optimisation business

BP has acquired UK-based digital energy business Open Energi, the owners of a digital platform that accumulates real-time data and helps to optimise the performance of energy assets. It can generate savings and maximise revenues for customers by connecting to power markets and providing flexibility at times of low renewable generation and during price peaks. BP will seek opportunities to scale the business globally and also explore how Open Energi can work beyond its current UK market and across BP's trading and shipping business and low-carbon portfolio.

Most active upstream companies with green energy deals or investments since Jan. 1, 2021

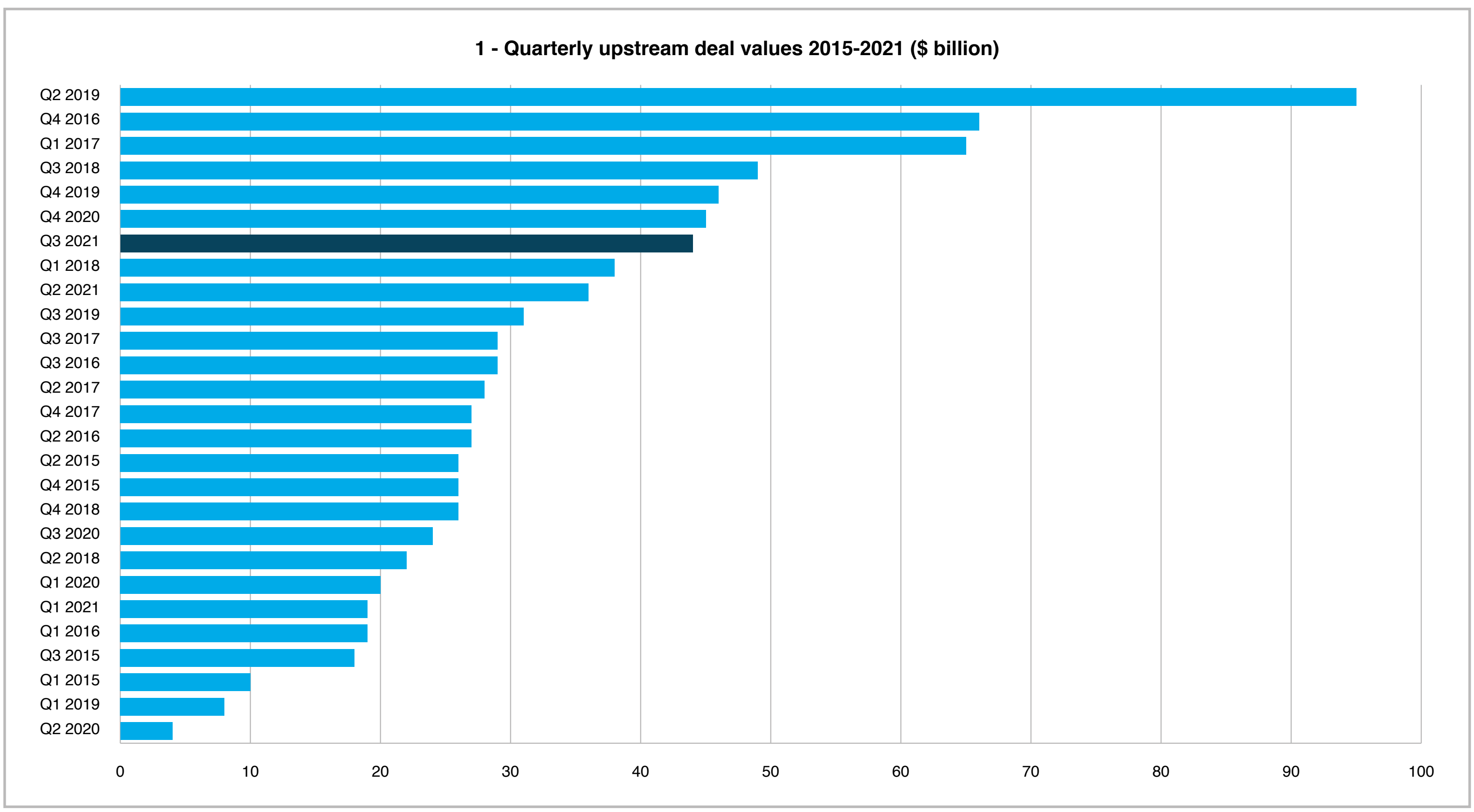


Other includes deals in the following sectors, among others: Biomethane, Geothermal, Hydro, Retail power from renewable energy, Technology

Upstream M&A in Q3 2021 – Activity Overview

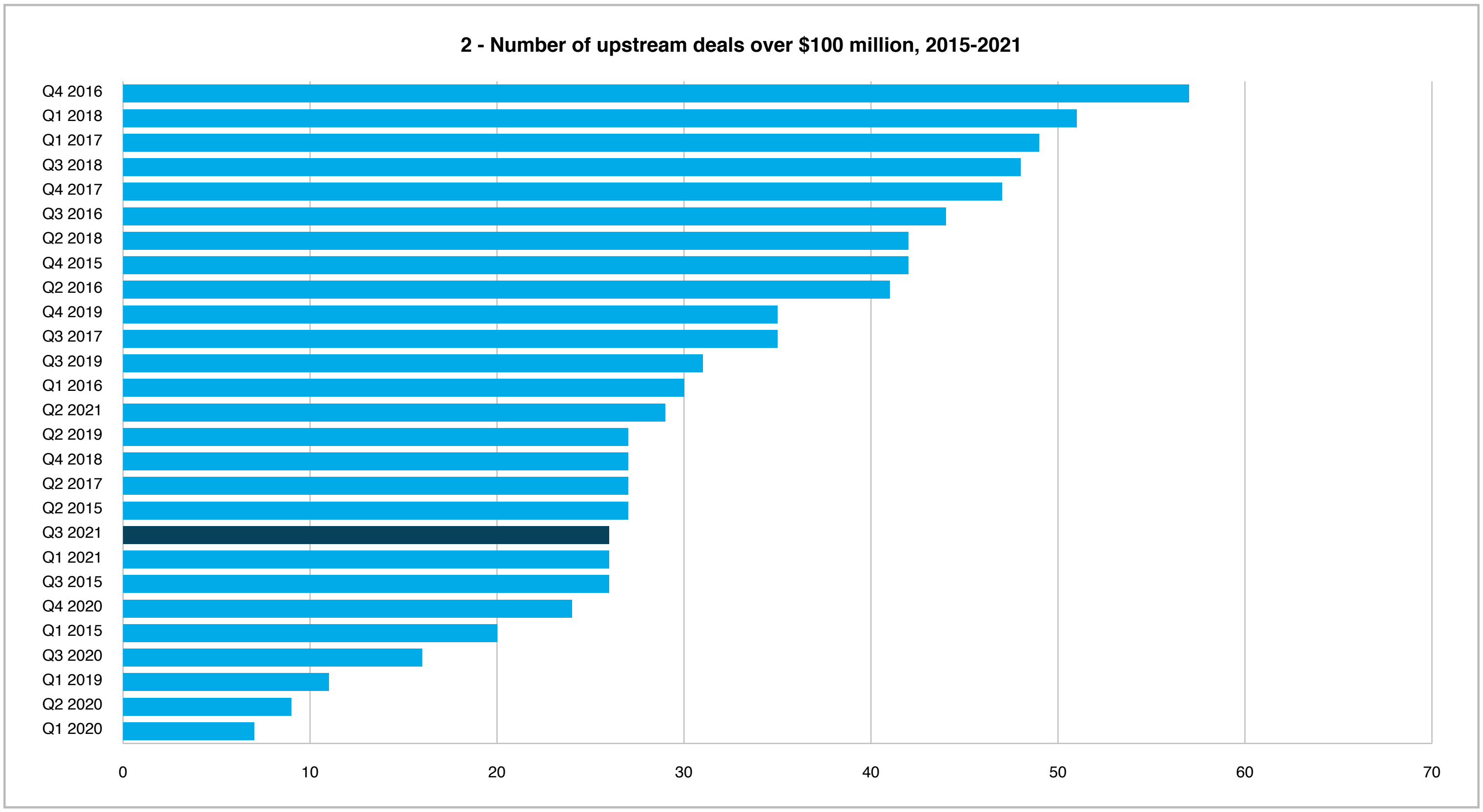
Chart	Title	Description	Analysis
1	Quarterly Upstream Deal Values 2014 - 2020 ($ billion)	The total value of deals in the global upstream sector by quarter.	Only six quarters since the start of 2015 saw a larger upstream deal value than Q3 2021
2	Number of deals over $100 million, 2014-2020	The total number of deals announced in each quarter that were agreed for a value greater than $100 million.	Compared to all quarters since the start of 2015, Q3 2021 saw a slightly below average number of deals valued at over $100 million
3	Deals over $100 million 2014-2020 - Oil weighted assets vs Gas weighted assets	Analysis of how many (%) of the deals in each quarter with a value of over $100 million were targeting oil-focused assets and gas-focused assets.	After a heavily gas-weighted second quarter, Q3 2021 saw the oil-weighting of >$100 million deals hit 65%, a figure far more in line with previous quarters since 2015
4	Number of deals over $50 million, 2014-2020	The total number of deals announced in each quarter that were agreed for a value greater than $50 million.	Each quarter in 2021 has seen either 34 or 35 deals valued at over $50 million
5	Deals over $50 million 2014-2020 - Oil weighted assets vs Gas weighted assets	Analysis of how many (%) of the deals in each quarter with a value of over $50 million were targeting oil-focused assets and gas-focused assets.	Q3 2021 saw an average oil weighting for deals valued at over $50 million of 62%, compared to other quarters since the start of 2015

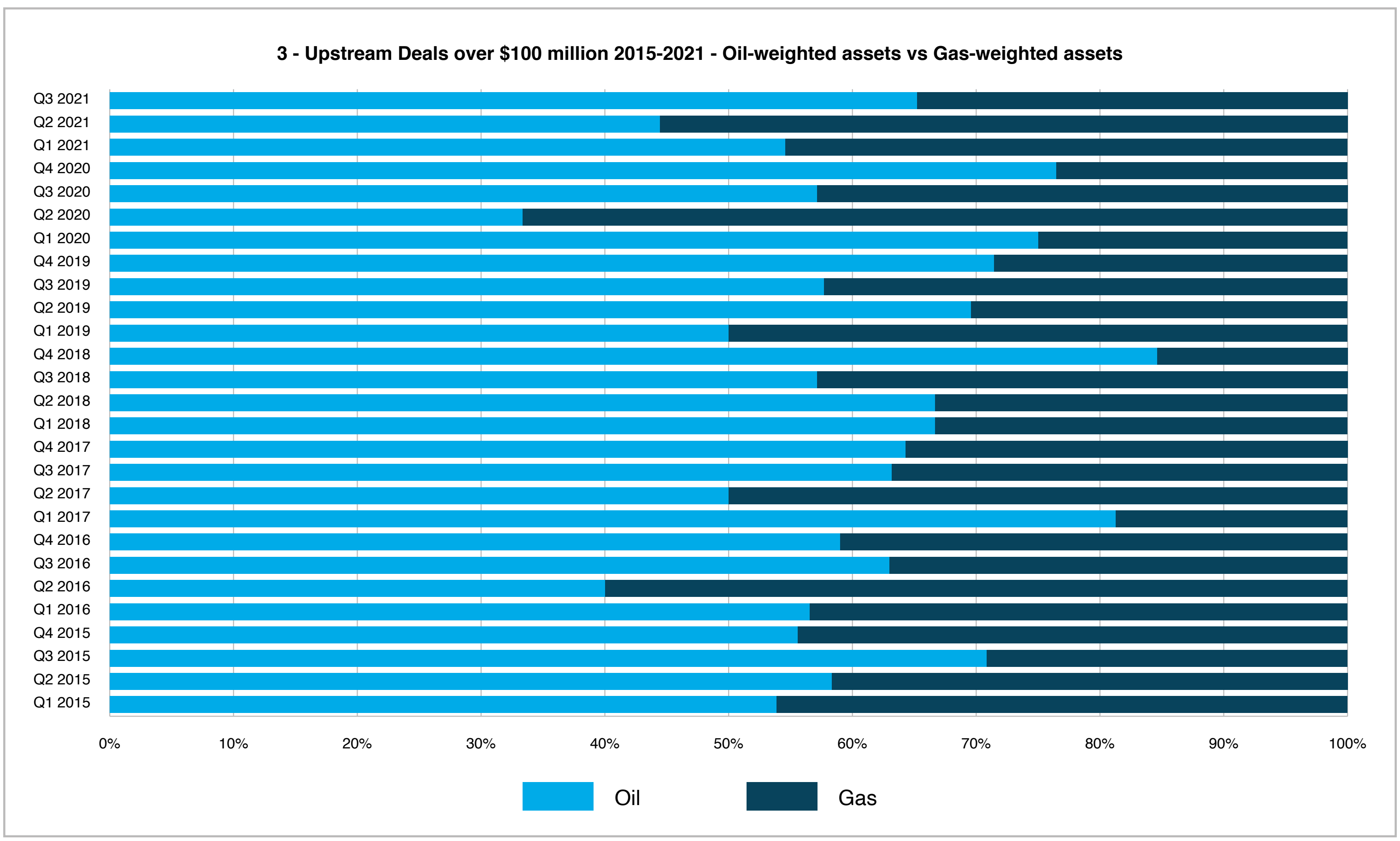
Note for all charts in this section: Data sourced from Evaluate Energy M&A and Deal Analytics Database. The charts only refer to deals announced before the end of each quarter.



Unless otherwise stated, all $ values refer to U.S. dollars

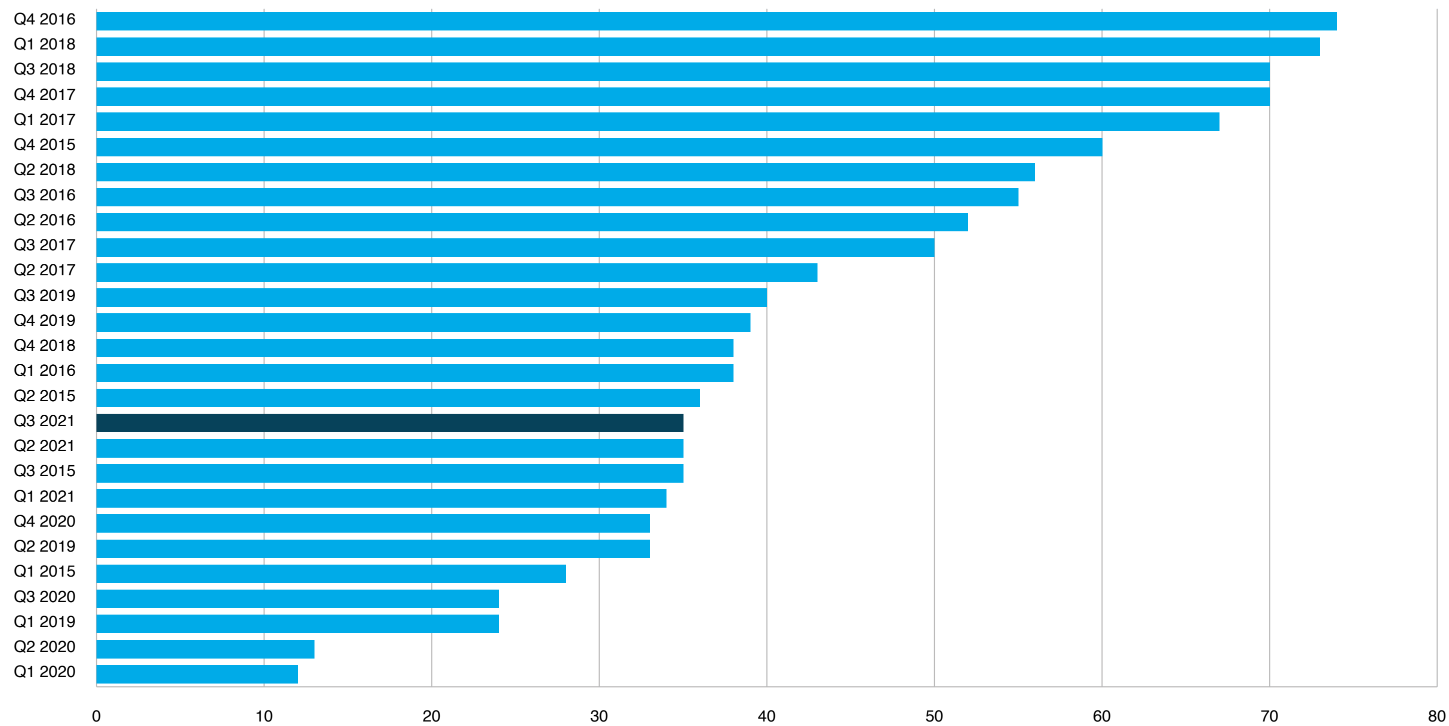
Upstream M&A in Q3 2021 – Activity Overview



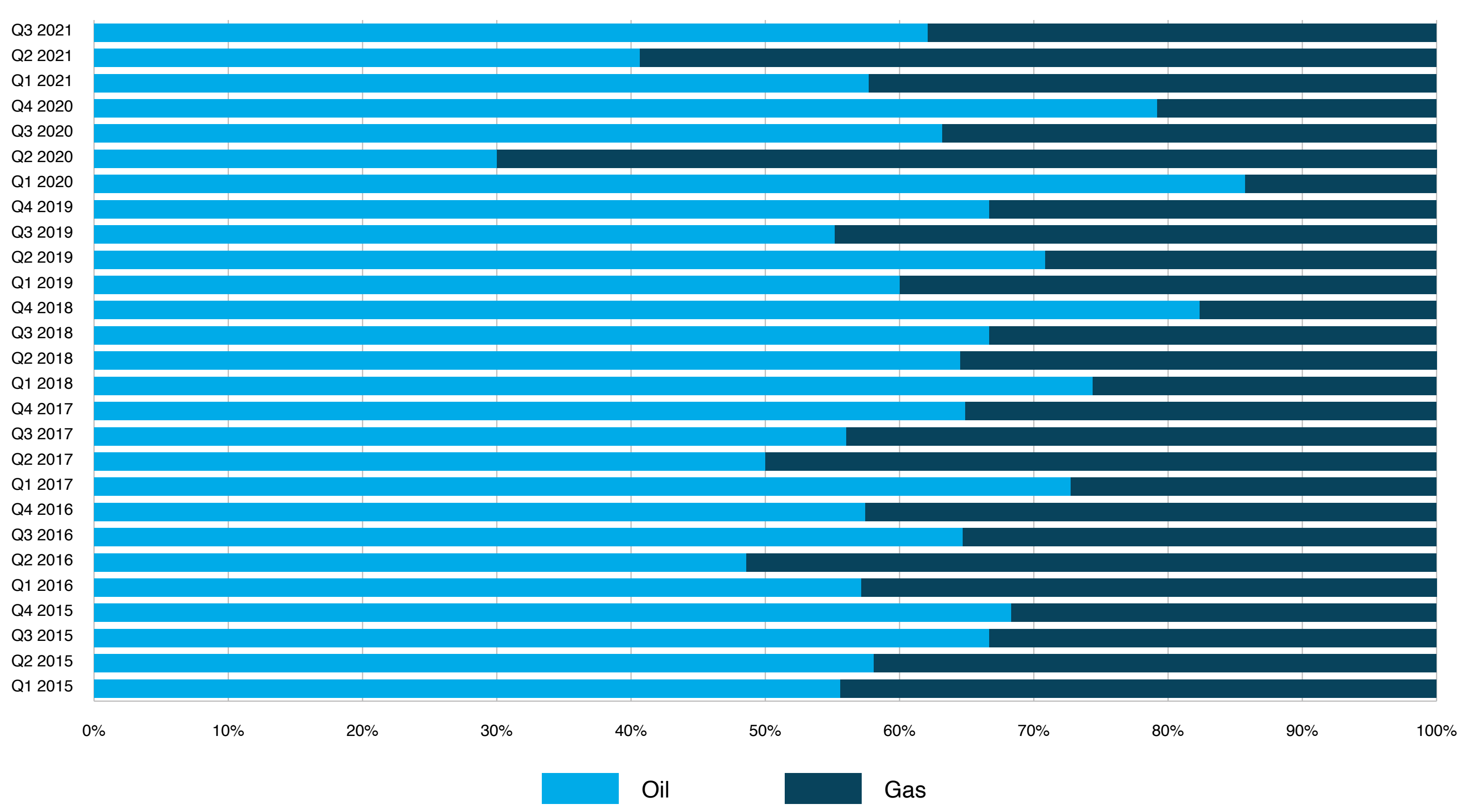


Upstream M&A in Q3 2021 – Activity Overview

4 - Number of upstream deals over $50 million, 2015-2021



5 - Upstream Deals over $50 million 2015-2021 - Oil-weighted assets vs Gas-weighted assets



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PRODUCT BRIEFING NOTE

EvaluateEnergy

Global Energy M&A

OVERVIEW

Evaluate Energy's M&A database includes all energy sector deals around the world. Data includes all oil and gas sector deals back to 2008 and was updated in 2016 to include nuclear and renewable forms of energy inclusive of wind, solar, hydrogen, tidal and biomass.

DATA HIGHLIGHTS

- Full financial consideration breakdown for each deal
- Every oil and gas sector deal worldwide
    - Upstream, midstream, LNG, refineries and oil service M&A transactions
- Power deals include integrated energy providers and pure-play renewable projects
    - Wind, solar, tidal, hydro, biomass, landfill
- Granular geographic information
- Operational and asset level metrics
    - Upstream metrics include $ cost per boe for production, 1P, 2P reserves
    - Power metrics include MW capacity and $ cost per MW acquired
- Stage of asset development
- Full data transparency and sourcing

INTENDED USERS

- Upstream oil and gas companies
- Oil service and downstream suppliers
- Power and integrated energy companies
- Business analysts and M&A advisories

KEY USER BENEFITS

- Pinpoint all oil, gas and renewable energy M&A activity
- Benchmark how acquisition costs differ by resource type and region
- Track who is actively diversifying or rationalising their portfolio
- Stay informed of every deal as it happens
- Forecast future shifts in the energy mix

Contact Us Today

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