



Energy Giants Are Rapidly Selling Canadian Assets, Should You Join Them?

Description

Apache (NYSE: APA) recently announced that it was selling its oil and gas assets in the Deep Basin area of Western Canada for U.S. \$374 million. This isn't the first time Apache has unloaded some of its Canadian assets. Nor is Apache the only company selling off Canadian energy assets. So is it time to get out of the Canadian energy sector?

Apache's Canadian exodus

Monday's sale of 328,400 net acres was mainly dry natural gas properties in Alberta and British Columbia. Last year these fields produced an average of 101 million cubic feet of natural gas per day along with 1,500 barrels of liquids each day. Apache said that the sale was simply part of the company's current portfolio rebalancing.

It is worth noting that the rebalancing act now includes the sale of three Canadian assets in the past six months. Last September, the company sold \$117 million in natural gas assets in two small transactions. Those assets were located in Saskatchewan and Alberta and produced about 38 million cubic feet of gas along with 750 barrels of liquids per day.

Previous to that, Apache [sold its coal bed methane business](#) for \$220 million to Ember Resources, which is a portfolio holding of **Brookfield Asset Management's** (TSX: BAM.A)([NYSE: BAM](#)) private equity arm. That sale enabled the Brookfield holding to become the second largest coal bed methane producer in Canada after **Encana** (TSX: ECA)(NYSE: ECA).

Heading for the exit

Apache isn't the only American energy giant selling off Canadian energy assets. Earlier this year **Devon Energy** ([NYSE: DVN](#)) announced the sale of the majority of its conventional Canadian energy assets to **Canadian Natural Resources** ([TSX: CNQ](#))([NYSE: CNQ](#)). The \$3.125 billion deal is significant as it enabled Devon Energy to exit its Canadian conventional energy assets in one clean deal. Even better for Devon is that it was able to fetch a pretty nice premium for the assets.

American energy companies aren't the only ones looking to sell Canadian energy assets. Encana, for example, is considering a [billion dollar exit](#) of its Deep Panuke natural gas assets. In addition to that,

Encana is said to be looking to sell its Bighorn properties in Alberta among others.

Meanwhile, Canadian Natural Resources recently aborted its plan to sell some or all of its gas assets in British Columbia. In Canadian Natural Resources' case it simply couldn't find someone to pay it a rich enough price for the assets. That's really not a surprise given all the Canadian energy assets that have unloaded over the past few months or are still on the market.

The investor's dilemma: fight or flight?

With so many top energy companies selling it makes an investor think twice about holding Canadian energy in their portfolio. However, there is one key ingredient in all of these sales or desired sales. Nearly all of these assets are slow growth, conventional natural gas-focused assets. What some might miss is the fact that these companies are all still investing in Canada, but with a different focus.

For example, while Apache is exiting its slower growth gas assets, it's keeping the deeper rights to liquids-rich formations like the Montney as well as its key unconventional resources in the Liard and Horn River Basins. In fact, Apache is actually making a pretty big bet on Canadian energy as it works to bring the Kitimat LNG export project online.

Devon Energy is keeping its assets in the Horn River Basin and Lloydminster as well as its thermal heavy oil assets in the oil sands region. The same can be said for Encana and Canadian Natural Resources as both are investing heavily in other areas of Canada. The key here is that all of the assets these companies are keeping are unconventional, growth-focused assets that should yield higher profit margins.

Foolish bottom line

It's important to drill down a little deeper before jumping to a conclusion on what looks to be a major trend. While it would appear on the surface that energy giants are bailing on Canada, the truth is these companies are simply selling off slower growing assets in order to focus on better prospects. That's actually pretty prudent portfolio management as it should yield stronger returns over time.

CATEGORY

1. Investing

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1. NYSE:BN (Brookfield Corporation)
2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:DVN (Devon Energy Corporation)
4. TSX:BN (Brookfield)
5. TSX:CNQ (Canadian Natural Resources Limited)

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