



Acquisition-Hungry Tourmaline Oil Corp. Bulks Up

Description

Like most energy companies, **Tourmaline Oil Corp.** ([TSX:TOU](#)) has been hit by the weak commodity price environment in 2015. But that hasn't kept the Calgary-based company from the acquisition trail. This week Tourmaline announced an agreement to obtain Mapan Energy Ltd., a junior oil and gas company, for \$106 million in an all-stock deal.

In a release, Tourmaline said the agreement to swap each Mapan share for .0379 of a Tourmaline share values Mapan at about \$1.47 per share, a 65% premium over Mapan's closing price on June 26.

Tourmaline will be familiar with Mapan as one of its producing properties in the Deep Basin on the Alberta-B.C. border was originally owned by Duvernay Oil, which Tourmaline management sold to Royal Dutch Shell in 2008 before starting their new company. The Deep Basin area has "considerable unexploited EP (exploration and production) upside," Tourmaline said.

Mapan president and CEO Richard Walls said the Tourmaline purchase makes sense for Mapan shareholders. "In the current low commodity price environment, particularly for natural gas producers, and with difficult capital markets for junior oil and gas companies, the arrangement provides shareholders an opportunity to participate in a significantly larger company with the financial resources to accelerate the development of Mapan's assets, while also providing shareholders increased liquidity and a premium valuation relative to the recent trading history of the Mapan shares," he said.

Tourmaline had a relatively weak first quarter, with net earnings of \$22 million, down 75% from \$90 million in Q1 2014. Revenues fell 8% to \$231 million. However, natural gas and oil equivalent production both gained more than 40%. Tourmaline is on track for average production of 164,500 boe/pd in 2015, a 46% increase over 2014 average production.

Although Tourmaline shares fell following the Mapan announcement, the stock has held up relatively well in 2015, down just 3% year-to-date, as the intermediate company's natural gas holdings have helped it endure lower prices. Investors looking for a growth-oriented energy company that is slightly under the radar should consider further investigation of Tourmaline.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:TOU (Tourmaline Oil Corp.)

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