

Waterous Energy Fund Closes Its Fourth Equity Capital Raise, Acquires Caltex Resources Ltd. and the Tucker Thermal Oil Property, and Amalgamates Caltex and Tucker with Strathcona Resources Ltd.

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Amalgamation creates one of the largest private oil companies in North America**

CALGARY, Alberta--(BUSINESS WIRE)--Waterous Energy Fund (“WEF”) today announced the closing of the amalgamation of Strathcona Resources Ltd. (“Strathcona”), Caltex Resources Ltd. (“Caltex”), and the Tucker thermal oil property (“Tucker”). The amalgamated entity will continue in business as Strathcona Resources Ltd. and will remain 100% owned by WEF and Strathcona employees.

WEF Closes Fourth Capital Raise to Complete Acquisitions of Caltex and Tucker

On January 31, 2022, WEF closed its fourth capital raise (approximately C\$345 million) to fund the acquisitions of Caltex and Tucker. Caltex produces ~13,000 Bbl / d of heavy oil in Alberta and Saskatchewan using enhanced oil recovery (“EOR”) techniques, and its primary asset, Greater Bodo, is a polymer flood located directly offset to Strathcona’s Cactus Lake polymer flood. Tucker is a thermal oil field producing ~19,000 Bbl / d in the Cold Lake region of Alberta, nearby Strathcona’s existing Cold Lake thermal oil operations at the Orion and Lindbergh fields.

Since its founding in 2017, WEF has invested approximately C\$2.0 billion of private equity capital through four capital raises. WEF closed its inaugural fund in 2018, and raised additional capital in 2019 to acquire Pengrowth Energy Corp. and again in 2020 to acquire Osum Oil Sands Corp.

Commenting on the fundraise, Adam Waterous said: “We created WEF because we saw a compelling opportunity to apply an innovative value-based approach to investing in the oil and gas sector. We sincerely appreciate the confidence that our select group of institutional and high-net-worth investors have shown in our team and investment strategy.”

Strathcona Amalgamates with Caltex and Tucker

Pro forma for the merger with Caltex and Tucker, Strathcona has ~110,000 Boe / d (~85% oil and liquids) of production and 1.9 billion Boe of proved-plus-probable reserves (~48-year reserve life index), making it one of the largest private oil companies in North America. Strathcona’s complementary portfolio of operated long-life, low-decline, high free cash flow oil assets are concentrated in three core areas: (1) Cold Lake thermal oil; (2) Montney liquids rich natural gas; and (3) Lloydminster heavy oil. Strathcona’s Montney assets provide a natural hedge to the condensate and natural gas consumed in its oil operations. Strathcona has an industry-leading full-cycle WTI breakeven below US\$40 / Bbl, a ~13% base oil decline rate, strong ESG fundamentals, and a large infrastructure footprint that provides optionality to grow production organically.

Strathcona is led by Rob Morgan (President & CEO) and its board is comprised of Strathcona management and WEF investment professionals.

Commenting on the merger, Adam Waterous said, “Caltex and Tucker fit perfectly within Strathcona’s core areas and enhance Strathcona’s free cash flow generation. We believe that Strathcona has become a unique oil and gas company with a concentrated portfolio of low-cost oil and gas assets, integrated operations, a long reserve life index, a deep inventory of organic growth opportunities, and the ability to pay dividends to shareholders over the long-term.”

New C\$1.5 Billion Covenant-Based Loan

Concurrent with the amalgamation, Strathcona has secured a new C\$1.5 billion covenant-based credit facility (expected to be approximately C\$870 million drawn at the end of March 2022) with a syndicate of Canadian, U.S., and international banks, marking a 67% upsizing from its existing covenant-based facility. Strathcona has a simple capital structure comprised of bank debt and US\$500 million of 6.875% senior unsecured notes due 2026.

Advisors

ATB Capital Markets, BMO Capital Markets, and CIBC Capital Markets acted as financial advisers to WEF on the Caltex acquisition. RBC Capital Markets and TD Securities acted as financial advisers to WEF on the Tucker acquisition. Blakes, Cassels & Graydon LLP served as counsel to WEF for the Caltex acquisition. Stikeman Elliot LLP served as counsel to WEF for the Tucker acquisition and served as fund formation counsel. Atlantic-Pacific Capital served as the global placement agent and advisor to WEF.

About Waterous Energy Fund: Waterous Energy Fund is a Calgary-based energy investment firm with offices in Houston and New York. Founded in 2017, the firm is pursuing investments in the North American energy sector. For additional information, see www.waterous.com