May 2020 | Overview

Coming off one of the most difficult economic periods in history, oil prices improved substantially in May largely driven by anticipation for improved demand coupled with unprecedented cuts to supply. Despite improved pricing, operators are being disciplined with spending with the number of active rigs in Canada hitting a record low in May down to 21 active rigs. As we write this today that number is even lower.

With improvements in pricing the Sequeira OFS Index and the TSX Energy Index have begun to recover. Both indexes ending the month up 3% from the prior month. With economies beginning to re-open after a concerted global COVID-19 shutdown, there is optimism that pricing will continue to improve throughout the summer months.
May 2020 saw oil prices improve significantly from the historic oil price crash experienced in April. WTI, Brent, and WCS ended the month up 62%, 43% and 129% respectively. The rebound experienced in May is driven by the combination of returning demand as lockdown measures have eased around the world and supply restrictions from OPEC+’s material production cuts in concert with voluntary supply cuts from operators. Although the improved pricing environment provides a glimmer of hope after an abysmal March and April, significant inventory builds over these months will need to be released before we see pricing return to their pre-COVID levels.

In Canada, the key WCS benchmark improved steadily through the month of May, rebounding from the negative prices seen at the end of April. Although WCS has improved, it remains challenged as a result of the global inventory surplus.
Commodity Pricing and Analyst Forecasts

AECO pricing experienced marginal improvements over May. With additional midstream assets and expansions having come online, the volatility in pricing that was becoming normal course from outages has not been observed over 2020. Despite heading into the summer months, AECO pricing has held steady and is expected to continue to do so.

With limited new drilling activity, its expected increases in supply of both natural gas and oil will be limited. In the Permian, natural gas is often a natural byproduct for oil wells. The EIA is predicting that limited demand will keep spot Henry Hub prices low throughout the summer. However, with rising demand heading into the winter months coupled with reduced production, pricing should rise heading into the winter. Limited new production should bode well for pricing into 2021 as well.

Sources: DOB, Capital IQ and Analyst Forecasts
How We Can Help

While the drivers are different, this is not the first time we’ve seen unanticipated events disrupt the economy or the energy industry. We saw rapid changes play out in 2008-2009 with the global financial crisis and in 2014-2016 with the oil market downturn. During both instances, we stood by our clients providing strategic advisory to best position businesses for post-downturn economies. The businesses that survive and subsequently thrive are those that were prepared and took decisive, measured actions to adjust for the conditions.

If you need assistance navigating these challenging times, we’re happy to help. Services provided to help clients overcome these challenging times include:

- Short-term cash flow modeling
- Corporate valuations and impairment testing
- Business advisory, planning, and scenario analysis
- Financing packages for raising debt and equity
- Creditor negotiations
- Corporate carve-outs of non-core divisions and assets

About Us

With offices in Edmonton, Calgary, and Vancouver, Sequeira Partners is a professional finance advisory firm focused on mergers and acquisitions, corporate carve-outs and recapitalizations. We’ve become known for providing boutique advisory services with big experience. Collectively, our professionals have over 100 years of industry experience and have completed more than 200 transactions. We possess in-depth industry experience and the highest accreditations available for professionals in our respective disciplines.
## Appendix A

### Sequeira Oilfield Services Index – Sector Drilldown

As at May 31, 2020  
Source: Capital IQ

|---------|--------|-------------|----------------|------------|------------------|---------|------------|---------------|------------|-----|------------|-------|-------|------------|----------------|------------|

#### Drilling & Equipment

|---------|--------|-------------|----------------|------------|------------------|---------|------------|---------------|------------|-----|------------|-------|-------|------------|----------------|------------|

#### Production & Completion

|---------|--------|-------------|----------------|------------|------------------|---------|------------|---------------|------------|-----|------------|-------|-------|------------|----------------|------------|

#### Oilfield & Facility Construction

|---------|--------|-------------|----------------|------------|------------------|---------|------------|---------------|------------|-----|------------|-------|-------|------------|----------------|------------|

#### Pressure Pumping

|---------|--------|-------------|----------------|------------|------------------|---------|------------|---------------|------------|-----|------------|-------|-------|------------|----------------|------------|

#### Transportation & Logistics

|---------|--------|-------------|----------------|------------|------------------|---------|------------|---------------|------------|-----|------------|-------|-------|------------|----------------|------------|

#### Environmental & Geophysical

|---------|--------|-------------|----------------|------------|------------------|---------|------------|---------------|------------|-----|------------|-------|-------|------------|----------------|------------|

#### Camps & Catering

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#### Mean

- Mean: 15.1%  
- Median: 10.5%

- Mean: 17.7%  
- Median: 15.0%

- Mean: 12.3%  
- Median: 9.4%

- Mean: 6.1%  
- Median: 7.9%

- Mean: 10.8%  
- Median: 11.9%

- Mean: 24.1%  
- Median: 9.5%

- Mean: 13.3%  
- Median: 17.7%

- Mean: 194.0%  
- Median: 144.5%

- Mean: 3.7x  
- Median: 3.7x