**PIPELINES**

TC Paying $1.5B to Buy Out Shares in Pipeline MLP

TC Energy Corp. on Monday announced a share swap offer, valued at $1.48 billion, to take over all 76% of the stock of affiliate TC PipeLines LP that is widely held on public financial markets.

The deal would transfer to TC all the master limited partnership (MLP) interests, ranging from 46-100%, in eight pipeline systems that the Calgary firm operates across the United States.

The pipelines within the unit are Gas Transmission Northwest, North Baja, Bison, Tuscarora, Portland Natural Gas Transmission, Northern Border, Iroquois and Great Lakes.

**ANALYSIS**

M&A Among U.S. Natural Gas Operators Looks Poised to Climb on Optimism for Pricing, Says Enverus

Chevron Corp.’s $13 billion takeover of Noble Energy Inc., completed on Monday, was the largest US. upstream deal during a sluggish third quarter, according to Enverus.

The oil and gas analytics company in its summary of 3Q2020 merger and acquisition (M&A) activity outlined the highs and lows for what was another volatile three-month period.

“While the third quarter’s tempo of 28 deals with a disclosed value is tied with 1Q2020 for the worst showing in 10 years, a couple of big corporate ...

**M&A NEWS**

Caterpillar Transforming Pressure Pumping Business with Takeover of Weir Oil, Gas Division

Caterpillar Inc., one of the world’s largest construction and mining operators, has agreed to pay $405 million to buy the Texas-based oil and gas division of Weir Group plc.

Cat, as it is known, manufactures equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. The takeover of Fort Worth-based Weir Oil & Gas from the Scotland-base global engineering giant, would beef up the pressure pumping, pressure control and aftermarket services for upstream customers.

“Combining Weir Oil & Gas’s established pressure pumping and pressure control portfolio with ...

**PIEPLINES**

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...cont’ pg. 4
OPEN SEASON

Navigator Testing Support to Move More Crude from Cushing

Dallas midstreamer Navigator Borger Express LLC has launched a binding open season on its planned Borger Express crude pipeline system from the Cushing hub in Oklahoma to Borger, TX.

The 90,000 b/d Borger Express would provide transport services by utilizing 180 miles of an existing oil pipeline, and constructing nearly 200 miles of 16-inch diameter pipeline from Cleo Springs, OK, to Borger.

Borger Express is expected to be placed in service in early 2022.

The project would provide shippers transportation services for numerous grades of light and heavy crude oil from the Cushing hub to third party storage and a regional refinery in Borger, according to Navigator.

Cushing is the delivery and pricing point for West Texas Intermediate oil futures contracts and is one of the key oil hubs in the Lower 48.

All potential shippers must execute by Nov. 5 confidentiality agreements and submit binding commitments for service.

Navigator Borger Express is an affiliate of Navigator Energy Services, the largest private oil midstream provider in the Anadarko Basin. Navigator owns and operates 500 miles of crude pipeline, more than 1 million bbl of storage capacity, and it has a delivery capacity of 450,000 b/d.

Details of the open season are available on the website. More information is also available from Navigator Chief Commercial Officer Laura McGlothlin via email or at (214) 880-6003.

M&A Among U.S. Natural Gas Operators Looks Poised to Climb on Optimism for Pricing, Says Enverus

Continued from Page 1

acquisitions pushed total transaction value to $21 billion,” analysts said. “That is a strong quarterly deal total by historical standards.”

Through the rest of 2020, “there is the potential for additional corporate deals,” but the “market for asset deals is likely to remain sluggish.”

However, natural gas plays “seem poised to draw more attention for asset acquisitions than their oilier counterparts as there is more optimism around the outlook for gas pricing.”

Whether M&A activity increases depends on commodity prices, analysts said.

The acquisition of Noble was “a fraction of the cost” of Chevron’s attempted takeover of Anadarko Petroleum Corp. last year. However, the Noble purchase “is still tied for the fourth largest global upstream deal since 2014.”

The largest pure-play Lower 48 consolidation between July and September was by...
Devon Energy Inc., which announced it would merge with fellow Oklahoman WPX Energy Inc. The “merger of equals” carries an estimated $12 billion enterprise value.

Chevron’s acquisition of Noble, as well as Devon’s tie-up with WPX, were structured with “little premium and all-stock consideration,” according to Enverus.

“There is a broad consensus that consolidation is a net positive for the industry,” said senior M&A analyst Andrew Dittmar. “Including the corporate deals from 2019, that process looks to be well underway. There is room for further mergers, but it can be a challenge to find the right asset and balance sheet fits for accretive deals. It may take several more years for consolidation to play out.”

The Permian Basin “is likely to be the epicenter” of Lower 48 M&A activity. However, exploration and production (E&P) companies working in other regions of the country should benefit from repositioning with larger operators.

For example, there was a “modest consolidation” in the Appalachian Basin during the quarter with Southwestern Energy Co.’s takeover of Montage Resources Corp. for $874 million. That transaction also was structured as an all-stock deal.

“Regardless of the targeted play, mergers have so far focused on companies with reasonable debt loads,” Dittmar said. “Companies with impaired balance sheets are being left to find their own way, resulting in a spate of Chapter 11 filings.”

![U.S. LNG Export Tracker 05-Oct-2020](Image)

**Daily Summary (Volumes Listed in Dekatherms)**

| Total Deliveries to U.S. LNG Export Facilities: | 7,579,190 |
| Previous Day: | 7,466,369 |
| Change: | 112,821 |

**Flow Date**

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**Note:** Figures are NGI’s estimates of gas delivered to each respective LNG liquefaction facility, listed in dekatherms, and based on best available cycle as of the morning of each listed gas day.

*Source: Pipeline EBBs, NGI calculations*
Dozens of U.S. E&Ps and oilfield services operators have sought voluntary restructurings since the start of the year. The “notable” filings in 3Q2020 included California Resources Corp., with $5.2 billion in debt; Oasis Petroleum Inc., $2.8 billion in debt; and Denbury Resources Inc., $2.5 billion in debt.

“Nearly all public companies filing Chapter 11 are pursuing a reorganization, while a substantial number of private E&Ps that file Chapter 11 are choosing to exit via sales,” Enverus noted.

Private operators also were selling in 3Q2020, including Gulf of Mexico producer Arena Energy LP with a $466 million sale, and Midcontinent-focused Templar Energy LLC, with a $91 million sale.

“A pickup in deal flow likely requires an uplift in commodity prices that boosts cash flow for existing participants, plus an inflow of new capital. Often private equity has deployed capital during down markets but looks less willing to step in currently.”

A potential source of capital that has been used for the past few years is through special purpose acquisitions companies, or SPACs, Enverus noted.

“This model has been used before in oil and gas, most recently by Pure Acquisition Corp., which completed its previously announced deal during 3Q2020 to form High Peak Energy. SPACs currently seem to be gaining broader acceptance in the investment community with rising use across industries.”

Caterpillar Transforming Pressure Pumping Business with Takeover of Weir Oil, Gas Division
Continued from Page 1

Cat’s engines and transmissions enables us to create additional value for customers,” said Vice President Joe Creed, who oversees Cat’s Oil & Gas and Marine Division. “This acquisition will expand our offerings to one of the broadest product lines in the well service industry.”

The acquisition requires approval by Weir shareholders and is subject to review by regulatory authorities. The transaction includes more than 40 Weir... cont’ pg. 5
manufacturing and services locations and about 2,000 employees.

In 2011 and 2012 Weir began to beef up its Lower 48 oilfield services (OFS) business by acquiring a trio of U.S.-based operators. The unit then teamed up in 2016 with a unit of Rolls Royce plc to provide an integrated hydraulic fracturing system.

However, the Weir Group in February announced it would sell the U.S. business to become a mining technology pure-play.

“Caterpillar is a great new home for Weir Oil & Gas, its world class people, products and services,” said Weir Group CEO Jon Stanton. “It will enable Weir Oil & Gas to continue to flourish, ensuring the business remains at the forefront of innovation and customer service in the future.”

Tudor, Pickering, Holt & Co. (TPH) analysts said it was “no secret” that Weir wanted to become a pure-play mining equipment manufacturer, and the sale of the OFS business “puts them right where they want to be.” The “beleaguered (yet beloved) oilfield service space would benefit from (mucho) consolidation, as there are real synergies and competitive landscape benefits that’ll emerge as a result.

“Too boot, as the global activity outlook wanes, North American drilling/completion activity is likely to remain well below prior cycle levels for the foreseeable future.”

In the oil and gas business, Cat is mostly known for its related engines and transmission business, but it also owns Black Horse LLC, according to TPH. Black Horse “sells pumps (fluid and power ends), valves, and seats into the well servicing space.” Weir “is one of the (very) big dogs in the pump manufacturing game, so this deal clearly benefits industry structure…”

**TC Paying $1.5B to Buy Out Shares in Pipeline MLP**

Continued from Page 1

The offer rates units in the U.S. partnership as worth 0.65 of shares in TC at $27.31 each, a 7.5% premium over their 20-day trading average. TC is proposing to buy out all the investors with 35.2 million shares.

Industry analysts attributed the transaction to changed U.S. tax treatment of MLPs and a need among pipeline companies to make efficiency adaptations to low oil and natural gas prices as well as competitive delivery...
service markets.

The transaction follows TC’s announcement at the end of September to negotiate ownership stakes in infrastructure assets, including the Keystone XL oil pipeline with five Canadian indigenous tribes.

TC’s natural gas pipeline network spans 57,900 miles, supplying more than 25% of gas consumed daily across North America.

The company’s natural gas capital expenditure program currently underway includes CA$9.9 billion ($7.46 billion) of expansions to its Nova Gas Transmission Ltd. (NGTL) pipeline system in Western Canada, $1.8 billion in U.S. pipeline capacity additions and $1.7 billion of pipeline projects in Mexico.