



BISON INTERESTS

Houston Energy Fund Looks North of 49th Parallel for Fat Returns

By Michael Bellusci

April 15, 2019, 10:00 AM GMT

(Bloomberg) – A Houston-based energy fund might be expected to stick close to home and focus on the Permian basin or Eagle Ford field in Texas, or the Scoop/Stack play in Oklahoma.

But Bison Interests LLC is taking a different tack, adopting a bullish view instead on Canadian oil stocks while ignoring the northern industry’s political fights over new pipelines and a general lack of investor interest in the group. Bison, founded by chief executive officer Carter Higley and chief investment officer Josh Young, is attracted to Canadian energy stocks because of their valuations – and isn’t betting on potential political outcomes from Alberta’s provincial election on Tuesday or Canada’s federal contest in October. “Being long Canadian oil stocks isn’t dependent on any one particular” event occurring, Young said in an interview, adding that last December may have been the low point for valuation on Canadian oil and gas companies.

Nor is the outlook for mergers and acquisitions a part of Bison’s thesis.

Deals can happen, but the financial and operational advantages need to be clear. Young cites Encana Corp.’s recent purchase of Newfield Exploration Co, saying the deal “didn’t make any sense.” By contrast, Baytex Energy Corp’s takeover of Raging River Exploration Inc. had a clearer financial rationale. But the reaction to those deals may also give management teams pause in pursuing M&A, he added.

Calgary-based Crescent Point Energy Corp. is one of Bison’s top picks and, despite the stock’s recent rally, the company still looks to be trading at a “pretty big discount to competitors that have very similar assets,” and maybe even less inventory. Crescent Point “very easily” could be a C\$12 stock, Young says.

Bison, which advises on about \$100 million of assets, began buying Crescent Point shares in the fourth-quarter, and continued early this year.

Bison is also bullish on Journey Energy Inc., in which it owns a 17.3 percent stake, the second largest, according to Bloomberg data. Bison thinks Journey trades at a discount to its net asset value, and is positive on CEO Alex Verge, who headed NuVista Energy Ltd. From July 2003 to November 2010. Young likes the prospects for Journey’s joint venture in the East Duvernay with Kiwetinohk Resources Corp., which is led by Seven Generations Energy Ltd.’s founder Pat Carlson.