Canadian oilpatch expected to keep bulking up through mergers and acquisitions | Business News

thecanadianpressnews.ca/business/canadian-oilpatch-expected-to-keep-bulking-up-through-mergers-and-acquisitions/article_918f3eba-434e-5e2b-b070-921a9b6adc45.html

Lauren Krugel The Canadian Press

February 10, 2026

CALGARY - Oilpatch advisers are expecting the wave of consolidation to continue after last year's string of blockbuster Canadian deals, but whether foreign buyers are ready to jump into the fray remains an open question.

Companies have seen the merit in bulking up through mergers and acquisitions as oil prices hover around the lacklustre US$60 per barrel mark, shareholders demand better returns through dividends and buybacks and uncertainty continues to cloud the ability for producers to sell their output in lucrative global markets, said Grant Zawalsky, senior partner and vice-chair at law firm Burnet, Duckworth and Palmer LLP in Calgary.

"M&A is a way that you can grow when you don't want to invest in drilling, when you're not going to get the kind of returns you're expecting," he said.

"Until the fundamentals change, we'll likely see more of the same."

Zawalsky worked on three major energy transactions last year: the bidding war for MEG Energy Inc. in which Cenovus Energy Inc. emerged victorious; Whitecap Resources Inc.'s $15-billion combination with Veren Inc. and Ovintiv Inc.'s $3.8-billion acquisition of NuVista Energy Ltd.

BD&P as a whole was involved in eight of the 10 biggest energy producer transactions last year. Deals were done largely among domestic players, with Ovintiv somewhat of an exception. It's headquartered in Denver, but its stock trades on the TSX and it has a substantial Canadian presence, having formerly been known as Encana and based in Calgary

Tom Pavic, president of Sayer Energy Advisors, is expecting this year to be busy.

"I don't know if we'll see the values that we saw in 2025, which were dominated by a number of large deals over in the billions," he said.

"I think you'll still see quite a bit of activity, just at a smaller scale."

Pavic added that it's a "buyer's market," as companies look for the most cost-effective way to add to their drilling inventories.

The investment environment has been improving with Ottawa and Alberta reaching a sweeping energy accord that includes support for a new West Coast oil pipeline, Pavic said. But so far, he's not observed an uptick in global interest in Canadian acquisitions.

Zawalsky said potential buyers are having to weigh the attractive quality and value of Canadian assets against lingering concerns over regulatory burdens and infrastructure needed for overseas exports.

However, U.S. private equity players have been showing an interest in picking up Canadian assets, building up production and then selling the companies or taking them public, he said.

"Anywhere they see a value arbitrage with Canadian assets selling lower or being developed at a lower cost, they view that as an opportunity," Zawalsky said.

"And they tend to be more willing to take risk on the regulatory side than established oil and gas producers."

Hostile bids, like the one from Strathcona Resources Ltd. that put MEG in play last spring, are expected to be the outlier, he said.

About 40 people across BD&P had a hand in the MEG-Strathcona-Cenovus saga as its lawyers worked on behalf of the target company, he said.

"They're very legally intensive for the bidder. It's a very expensive proposition to put forward a bid when you don't know that you're going to be successful."

In its 2026 outlook, ATB Capital Markets said it was anticipating a "modest slowdown" in consolidation among explorers and producers.

"This expected decline in momentum is driven by an intersection of structural and economic factors, most notably the scarcity of remaining high-quality targets that possess adequate scale and inventory depth to justify valuation premiums," the report said.

"Furthermore, weakness in oil commodity benchmarks heading into the new year ... and limited appetite for crystallization at the bottom of the commodity price cycle create a challenging backdrop for transactions, likely widening the spread between opportunistic buyers and sellers patiently waiting for higher valuations."

This report by The Canadian Press was first published Feb. 10, 2026.

Companies in this story (TSX:SCR) (TSX:CVE) (TSX:OVV)