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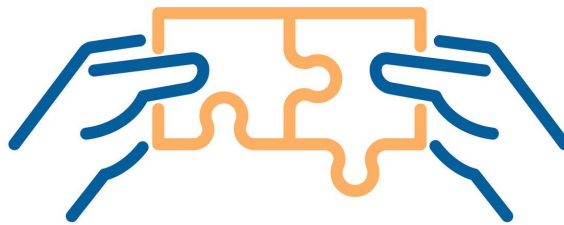
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Paul Wells

### M&A Could U.S. Oil And Gas Companies Look To Invest More In Canada? Analysts Weigh In.

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After a mass exodus in recent years, could United States-based large-caps look to invest in Canada and plays like the Montney and Duvernay given Permian Basin consolidation has crimped opportunities down south?

**Mark Young**, senior oil and gas analyst with *Evaluate Energy*, said recent M&A in the U.S. has seen major acquirers branch out from the hotspots of the Permian to less consolidated areas as “drillers seek top-tier inventory” at lower costs.

The Williston Basin and Eagle Ford, he said, have been “popular targets” among larger acquirers, for example.

And that trend could continue and, maybe, trickle upward, at least eventually, to targets north of the border as assets in U.S. hotspots are gobbled up.

“Should this trend continue, the Montney is another logical target with recently expanded market access and LNG Canada launching soon, vast reserves and lower company valuations than typically seen in the U.S.,” Young said.

“The formation is no stranger to U.S. investment, with **Ovintiv**, **ConocoPhillips** and **Murphy Oil** all among active operators.”

According to Young, the Montney has also followed the trend of consolidation seen south of the border. Last year, **Veren Inc.** and **Tourmaline Oil Corp.** snapped up Hammerhead Inc. and Crew Energy Inc., respectively, prior to **Whitecap**’s \$15 billion merger announcement with Veren.

“Ovintiv’s \$3.3 billion asset acquisition from **Paramount** in January is the only major recent U.S. Montney deal, but it could be a matter of time before further deals are agreed, given U.S. producer appetite for high-quality, low-cost drilling inventory,” Young said.

“If/when gas prices increase, competition for U.S. investment may come from gas producing areas in the U.S. itself. The Haynesville shale is likely to become a highly sought-after target in this scenario, given its proximity to expanding Gulf Coast LNG export facilities.”

Like Young, **Ben Rye**, vice-president of **Sayer Energy Advisors**, said at least at some point, there could be renewed interest from U.S. entities eyeing Canadian assets in plays like the Alberta/B.C. Montney and Alberta Duvernay.

But, he noted, there are many factors in play, both pro and con.

“Fundamentally, the resource is here and when you look at the U.S., the competition has gotten valuations there to the point where it’s tough to compete. And these private equity firms are still looking for somewhere to invest,” he said.

“So there’s uncertainty. But at the end of the day, there is the resource in plays like the Montney and there is room to invest and room to still grow these properties and those assets in Canada,” Rye added.

“And the weaker Canadian dollar does make it appealing, even though when you come back and end up selling your product into the United States, it kind of makes it a wash.”

**Greg Saksida**, principal with **INFOR Financial Group Inc.**, told *DOB Energy* that despite a “discrepancy in valuations” between U.S. large-cap producers and their Canadian counterparts, he doesn’t foresee a large influx of U.S. corporate investment into Canadian oil and gas assets anytime soon, especially given the political uncertainty in both America and Canada.

“I think it’s still going to be a challenge until we put some of the political issues behind us, one way or another. I think if you are a CEO in Houston, you’re probably not going to get a whole lot of benefit from your shareholder base from buying into Canada until there’s a little bit more certainty,” he said.

“But, as we continue to see consolidation in the Permian and fewer and fewer acquisition opportunities, I think that folks will take a look up here,” Saksida added.

“Whether they transact, I just think that, right now, until you have some certainty as to where things are going to go politically, it’s just probably a bit of a bridge too far to try to explain to your shareholders what’s happening in Canada and have to go through all that in spite of what I think are very attractive opportunities — there’s some great rock up here.”

Given that geological fact, Saksida noted that there is a “strong economic argument” that can be made for U.S. companies investing in Canada. But he doesn’t think it will happen.

“But, I just think that the noise factor is going to preclude people from coming up here and spending a whole lot of time and resources it would take to convince their investor base that it makes sense,” he said.