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Paul Wells

‘This is even more than what I was expecting.’ – Jeremy McCrea, BMO Capital Markets

The somewhat frenetic pace of western Canadian oil and gas merger and acquisition (M&A) activity in the first half of 2025 has surprised industry analysts, many of whom had forecast a fairly subdued market this year beget by uncertainty caused by political upheaval, commodity price volatility and the resulting market unrest.

But that’s not how things have played out so far this year. Far from it, in fact, as a spattering of big-ticket deals and a bevy of smaller-scale transactions already has the year-to-date total M&A value eclipsing last year’s and full-year 2023’s total.

Jeremy McCrea, managing director of **BMO Capital Markets**’ energy equity research team, who had a more bullish take at the beginning of this year on forthcoming 2025 Western Canada M&A activity than most, said the levels reached so far this year were unexpected.

“This is even more than what I was expecting. I felt it was probably going to be higher than a lot of people thought, but this is still more than I think anybody was probably expecting here. And it’s not just been smaller deals, but big deals as well.”

High profile deals have included the **Whitecap Resources Inc.-Veren Inc.** merger in March, while **Strathcona Resources Ltd.** has been active on both the sell and buy sides, divesting its Montney assets in three separate transactions while pursuing a takeover of **MEG Energy Corp.**, an effort that is ongoing.

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All Canadian upstream deals valued at over C$100 million in 2025
Up to and including June 3, 2025

Acquirer	Target	Brief Description	Announcement Date	Total Acquisition Cost (C$ million)
Whitecap Resources Inc.	Veren Inc.	Whitecap Resources acquires Veren	10 Mar. 2025	15,000
Strathcona Resources Ltd.	MEG Energy Corp.	Strathcona Resources makes unsolicited offer to acquire the stake in MEG Energy that it does not already own	30 May 2025	5,900
ARC Resources Ltd.	Strathcona Resources Ltd.	ARC Resources acquires Strathcona Resources' Kakwa Montney asset	14 May 2025	1,695
Unspecified	Strathcona Resources Ltd.	Strathcona Resources sells its Grande Prairie Montney assets to an undisclosed buyer	14 May 2025	850
Tourmaline Oil Corp.	Saguaro Resources Ltd.; Unspecified	Tourmaline Oil Corp. acquires Saguaro Resources Ltd. and assets in the Greater Septimus area from a third party	07 May 2025	793
Unspecified	Vermilion Energy Inc.	Vermilion Energy Inc. divests its Saskatchewan and Manitoba assets	23 May 2025	415
InPlay Oil Corp.	Obsidian Energy Limited	InPlay Oil Corp. acquires operated Pembina assets from Obsidian Energy	19 Feb. 2025	311
Tourmaline Oil Corp.	Strathcona Resources Ltd.	Tourmaline Oil Corp. acquires Strathcona Resources' Groundbirch Montney asset	14 May 2025	292
Unspecified	Whitecap Resources Inc.	Whitecap Resources disposes of SW Saskatchewan assets and a minor interest in a Kaybob natural gas facility	12 May 2025	270

Ben Rye, vice-president of **Sayer Energy Advisors**, said he and his firm are also somewhat surprised at the level of western Canadian oil and gas M&A witnessed year-to-date.

“Early on in the year our prediction was still around what we saw last year, in and around the $15-billion range for 2025. Then the Whitecap-Veren deal put us already over what we were expecting to see for the year. And then the deals Strathcona has announced has already added to that,” he said.

“What we’re looking at so far this year, we’ve calculated that total Q1 M&A at $11.5 billion and we’ve already seen in the second quarter about $4 billion [not including the Strathcona-MEG potential deal].”

Mark Young, senior oil and gas analyst with **Evaluate Energy**, is also surprised at the level of activity witnessed so far this year.

“We have nearly hit C$20 billion in new Canadian deals announced so far this year, even without … Strathcona’s takeover bid for MEG that could see another approximately C$6 billion added to 2025’s total spending if it completes,” he said.

“This is a far busier year than originally anticipated in the face of uncertainty clouding the upstream space at the turn of the year, which we thought would lead to stagnation in the market. Instead, despite the uncertainty, we have seen a relatively great deal of portfolio streamlining,” Young added.

“Acquirers have doubled down in core areas, including **ARC Resources** [**Ltd.**], **Tourmaline** [**Oil Corp.**] and, of course, Whitecap. Sellers, such as Strathcona and **Vermilion** [**Energy Inc.**], have enabled greater investment in core areas of their own by divesting non-core assets.”

Why the surge?

BMO’s McCrea, who calculates that roughly $32 billion in deals have been enacted since Oct. 1 of last year (including the potential Strathcona-MEG transaction), says there are myriad reasons as to why western Canadian oil and gas M&A has flourished in recent months.

“What is the environment that precipitated this whole thing? Lower oil prices is one. When you have lower oil prices there’s a lot of valuations that come down with that. So valuations have come down with the oil price which basically makes [a potential acquirer] say, ‘Hey, this is probably a good time to buy,’” he said.

“It’s better to buy when oil is $60 versus $120. So that’s your first marker.”

The second marker, according to McCrea, is the desire and need for larger entities to bulk-up on tier-one inventory, which will only dwindle in abundance going forward.

“As tier-one inventory becomes more scarce operators’ tier-one inventory is more of a concern and an issue nowadays then it ever was in the past, especially in the U.S.,” he said.

“We’re not saying tier-one is the same issue here as in the U.S., but when someone else is gobbling up a bunch of inventory and I know there’s eventually going to be a shortage, even if you currently have a lot of inventory you start thinking that maybe we should be looking to get even more. So that’s what you’re starting to see here in Canada.”

Another factor in play is what McCrea called an apparently improving political landscape when it comes to oil and gas.

“So, you are going to be able to develop some of this inventory. So the political environment looks more favourable for oil and gas development and growth,” he said.

One other factor in play, McCrea said, is the relative health of balance sheets, which he says “have never been better” for many companies.

“So you can leverage up to make an acquisition, make it accretive and carry on. And that’s why some of this is happening here, too,” he said.

Lastly, McCrea noted that members of the investment community are generally more supportive of larger entities with plenty of running room and financial clout.

“There really is a belief with investors that bigger is better. You look at how there are fewer oil and gas portfolio managers now and, as a result, they’re only looking at some of the larger companies. And to be on the radar screen with energy investors you’ve got to be larger cap and you’ve got to have liquidity,” he said.

“As a result, to have the liquidity for these companies and not have the idiosyncratic risk and to be investment-grade for debt, you’ve just got to be bigger. So there’s synergies and all those other kinds of soft markers that come with being bigger, but you’ve almost got to be bigger to be on the radar screens of investors.”

Like McCrea, Sayer’s Rye says the western Canadian oil and gas M&A market should continue to remain relatively strong in the back half of 2025.

“I’d say it’s healthy right now. Softening of prices can sometimes change strategies. So instead of going forward with a business plan where you were trying to develop assets, maybe you now look to acquire because you can take advantage of better prices in M&A,” he said.

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