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Paul Wells

Tourmaline Energy Corp.'s $1.3-billion deal to acquire **Crew Energy Inc.** could be the precursor to increased western Canadian oilpatch merger and acquisition (M&A) activity, especially in resource plays like the Montney and Duvernay.

And while 2024 got off to a slow start on the M&A front with a weak first quarter, analysts contacted by *DOB Energy* say transaction levels have picked up in the second and third quarters with the Tourmaline-Crew deal being the largest year-to-date.

"I think there are a couple of things with M&A here. The fact that Tourmaline paid as much as they did [for Crew] with a 75 per cent premium and the fact that their stock went up the next day shows that acquirers can pay large premiums and not have to worry that they're, quote-unquote, overpaying," said **Jeremy McCrea**, managing director of **BMO Capital Markets**' energy equity research team.

"As a result, when you look at some of these junior and midcap names and how disconnected the current valuations are in the market versus what an operator would see in their undrilled resource and upside, … you could start to see a little more interest in the smaller names, especially if they have quality inventory," he added.

"So that kind of leads to the next question: Who's next? So names in the Montney and Duvernay that are smaller cap potentially could be targets going forward here."

EvaluateEnergy

Top Montney Deals 2021 – 2024 (up to Aug. 31)

Acquirer	Target	Brief Description	Announcement Date	Total Acquisition Cost (C$ million)	Cost per barrel per day of production (C$/boe)
ARC Resources Ltd.	Seven Generations Energy Ltd.	ARC Resources Ltd. acquires Seven Generations Energy Ltd.	10/02/2021	4,700	27,838
Veren Inc.	Hammerhead Energy Inc.	Crescent Point Energy Corp. (now known as Veren Inc.) acquires Hammerhead Energy Inc.	06/11/2023	2,551	45,551
Whitecap Resources Inc.	XTO Energy Canada	Whitecap Resources Inc. acquires XTO Energy Canada from Imperial and ExxonMobil Canada	28/06/2022	1,700	52,577
Veren Inc.	Spartan Delta Corp.	Crescent Point Energy Corp. (now known as Veren Inc.) acquires Spartan Delta's oil and liquids-rich Montney assets in Alberta	28/03/2023	1,700	44,737
Tourmaline Oil Corp.	Crew Energy Inc.	Tourmaline Oil Corp. acquires Crew Energy Inc.	12/08/2024	1,334	44,479
Tourmaline Oil Corp.	Black Swan Energy Ltd.	Tourmaline Oil Corp. acquires Black Swan Energy Ltd.	11/06/2021	1,148	22,964
Strathcona Resources Ltd.	Pipestone Energy Corp.	Strathcona Resources Ltd. acquires Pipestone Energy Corp.	01/08/2023	1,041	29,599
Decarbonization Plus Acquisition Corp. IV	Hammerhead Resources Inc.	Decarbonization Plus Acquisition Corp. IV acquires Hammerhead Resources Inc.	26/09/2022	1,024	30,207
Canadian Natural Resources Ltd.	Storm Resources Ltd.	Canadian Natural Resources acquires Storm Resources Ltd.	09/11/2021	955	33,784
Spartan Delta Corp.	Velvet Energy Ltd.	Spartan Delta Corp. acquires Velvet Energy Ltd.	28/07/2021	754	36,609

Ben Rye, vice-president of **Sayer Energy Advisors**, said the Tourmaline acquisition of Crew and the generally positive market reaction could offer a welcomed, if somewhat unexpected, jolt to the western Canadian oil and gas M&A market.

“The Tourmaline deal was a big one. It was interesting to see them spending $1.3 billion on this one after buying **Bonavista Energy Corporation** for $1.45 billion back in the fourth quarter of last year. So obviously they’re continuing their consolidation and I think that’s only going to continue,” he said.

“It’s interesting to actually see that the market supported that Crew transaction. A lot of times when you see these kinds of deals, that’s not the case.”

McCrea said he wasn’t necessarily surprised that Tourmaline offered the premium it did for Crew.

“No, I wasn’t. I’ve always said beauty is in the eye of the beholder. It depends on what kind of valuation metric you want to look at: EV [enterprise value] to EBITDA; was the gas price used? And I think a lot of people would maybe say that the gas prices that the market is kind of looking at here right now are probably too low for the long term,” he said.

“But with a lot of these midcap names, valuation is in the undrilled acreage and not so much the current cash flow. And that’s almost how these junior names need to be valued at. So, that’s where there continues to still be a disconnect in terms of the potential of what the companies are worth and how a lot of investors would look at it on just a cash flow basis,” McCrea added.

Rye wasn’t surprised that Crew put itself on the block.

“In my mind, Crew has been preparing to sell for quite some time. They’ve done some smaller transactions in the past couple of years to sort of prepare themselves for a sale. So it seems like that was only a matter of time,” he said.

EvaluateEnergy

Top Duvernay Deals 2021 – 2024 (up to Aug. 31)

Acquirer	Target	Brief Description	Announcement Date	Total Acquisition Cost (C$ million)	Cost per barrel per day of production (C$/boe)
Whitecap Resources Inc.	XTO Energy Canada	Whitecap Resources Inc acquires XTO Energy Canada from Imperial and ExxonMobil Canada	28/06/2022	1,700	52,577
Tourmaline Oil Corp.	Bonavista Energy Corp.	Tourmaline Oil Corp. acquires Bonavista Energy Corp.	16/10/2023	1,450	24,167
Veren Inc.	Shell Canada Energy	Crescent Point Energy Corp. (now known as Veren Inc.) acquires Shell Canada Energy's Duvernay shale light oil position in Alberta	17/02/2021	909	30,300
Veren Inc.	Paramount Resources Ltd.	Crescent Point Energy Corp. (now known as Veren Inc.) acquires certain Kaybob Duvernay assets from Paramount Resources Ltd.	09/12/2022	375	80,357
Kiwetinohk Energy Corp.; Distinction Energy Corp.	Ovintiv Inc.	Kiwetinohk Resources Corp. and Distinction Energy Corp. acquire interests in the Simonette area of northwest Alberta from Ovintiv Inc	17/02/2021	320	32,000
Cygnet Energy Ltd.	Athabasca Oil Corp.; Murphy Oil Corp.	Cygnet Energy Ltd. acquires light oil assets from Athabasca Oil Corp. and Murphy Oil Corp.	31/07/2023	310	65,957
Veren Inc.	Unspecified	Crescent Point Energy Corp. (now known as Veren Inc.) acquires additional lands in the Kaybob Duvernay in Q3 2022	26/10/2022	87	Undisclosed
Astara Energy Corp.	Blackspur Oil Corp.	Astara Energy Corp. acquires Blackspur Oil Corp. from Calima Energy Ltd.	05/01/2024	75	18,587
Paramount Resources Ltd.	Unspecified	Paramount Resources Ltd. acquires additional Duvernay lands and production	03/08/2022	69	40,294

Mark Young, senior oil and gas analyst with *Evaluate Energy*, said that in “terms of pure dollar value” of Montney activity since the beginning of 2021, the February 2021 deal that saw **ARC Resources Ltd.** acquire **Seven Generations Energy Ltd.** for approximately $8.1 billion, inclusive of net debt, remains the largest.

“That’s despite the big mergers announced since August of last year such as **Strathcona Resources Ltd.**-**Pipestone Energy Corp.**, **Veren Inc.** [formerly **Crescent Point Energy Corp.]**-**Hammerhead Energy Inc.** and Tourmaline-Crew,” he said.

“Veren’s transformation into a Montney player stands out among more recent activity, with over C$4 billion spent on **Spartan Delta Corp.** assets and Hammerhead Energy.”

M&A market outlook

Sayer's Rye believes current market conditions are supportive of increased M&A activity, especially on the buyer's side of the ledger.

"These larger deals could be in the works for a couple quarters and you won't necessarily see them right away. Another thing I would say is that in those resource plays it makes a lot of sense to be buying in the current market because you're going to be planning on developing the play for a long time," he said.

"Just the way the market is right now, it makes a lot of sense to be a buyer … you see a lot of transformative transactions in certain companies lately."

As an example, Rye pointed to the path Veren has chosen. Aside from bulking up in the Montney, as Young mentioned, the company has also acquired a huge asset base in the Duvernay while unloading some legacy assets in Saskatchewan.

"It started a couple of years ago, I guess, with Crescent Point, now Veren, buying Duvernay assets at Kaybob from **Repsol** and they then picked up assets from **Paramount** [**Resources Ltd.**] in Kaybob, as well. And then they went on to sell some of their other stuff in Saskatchewan to Spartan Delta," Rye said.

"You see some companies completely transforming like that. So I think if their focus is now going to be Duvernay they're going to pick up as much as they can to solidify that as a core area. On the whole, I would not be surprised at all if we saw more movement in the Duvernay."

Rye expects that overall western Canadian M&A activity will continue to recover from 2024's modest start.

"It definitely got off to a slower start this year but things are looking up. All it takes is one big deal like [Tourmaline-Crew] to kind of turn things around," he said.

"In the first quarter, we've got 11 deals with a total enterprise value that we [Sayer] calculated at just over $380 million. Then what we saw in the second quarter was an enterprise value of $1.5 billion from what we had as 15 large deals. What we're using there is anything over $5 million," Rye added.

"So $1.5 billion in the second quarter and we're almost at that in the third quarter with just that Tourmaline-Crew deal."

BMO's McCrea categorized Canadian oil and gas M&A so far this year as "surprisingly slow" relative to what's occurred in the U.S, which has seen a fair share of "mega-mergers" and other large-scale transactions.

That said, he's of the mind things will continue to pick up north of the border.

"I think with the stability in oil prices, that likely precipitates some bid-ask spreads coming together. And I think just seeing this Tourmaline deal and the premium they paid could really help excite some of the acquirers a little bit more here for some of the midcap names because I think the midcap names are somewhat hesitant to sell," McCrea said.

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