More oilpatch consolidation expected amid low prices

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A pumpjack works at a well head on an oil and gas installation near Cremona, Alta., Saturday, Oct. 29, 2016. Oil and gas companies in Alberta are accelerating voluntary reclamation of old well sites and pipelines. Photo by THE CANADIAN PRESS/Jeff McIntosh

With North American oil prices stuck in a rut, consolidation is on the rise in Canada's energy sector as dealmaking hits a multi-year high and markets await Cenovus Energy Inc.'s blockbuster takeover of MEG Energy Corp.

Crude prices, which rose slightly to US$61 a barrel on Monday, have remained in the doldrums for much of the year, creating a buyers market for companies looking to grow their production through acquisition, Ben Rye, vice-president at Sayer Energy Advisors, said.

"It doesn't make a lot of sense to expand your production through drilling when you have the ability to pick things up (at a discount)," Rye said.

The oil and gas industry recorded $15.7-billion worth of mergers and acquisitions in the first six months of 2025 – the biggest start to the year since 2017, when oil prices were even lower than they are today, according to a recent note from Sayer.

In the latter half of the year, companies have already reached $11 billion in deals, driven largely by Cenovus's $8.6-billion bid to buy MEG. The takeover battle, which began with a hostile bid from Strathcona Resources Ltd., has taken several surprising twists and turns, including three last-minute delays preventing votes by MEG investors.

MEG and Cenovus hope to put an end to the high-stakes saga with a shareholder vote on Thursday, despite a mysterious complaint from an investor and former MEG employee, who had triggered a regulatory inquiry and caused the latest delay.

While other recent deals in the oil and gas industry may not have the same level of drama as the fight over MEG, two of them crossed the finish line this week.

Texas-based SunocoCorp LP said it has closed its $9.1-billion takeover of Calgary's Parkland Corp., which operates an international chain of gasoline retailers operating under the banners of Esso, Ultramar, Pioneer, Chevron and Fas Gas.

Parkland, which started as a single gas station in Red Deer, Alta., in 1975, is expected to be delisted from the Toronto Stock Exchange when the market closes on Tuesday afternoon.

SunocoCorp could reveal more of its plans for the Parkland assets as early as Wednesday, when it holds a conference call with investors and analysts about its latest earnings.

Calgary-based Canadian Natural Resources Ltd., meanwhile, has raised its production forecast for the year after taking full control of an oilsands mine in northern Alberta.

As part of an asset swap with Shell Canada Ltd., Canadian Natural gave up a 10 per cent stake in an oilsands upgrader and a related carbon capture and storage project near Edmonton.

In exchange, Canadian Natural secured Shell's remaining 10 per cent interest in the Albian oilsands mine, adding about 31,000 barrels per day to its production portfolio.

The handful of deals closing this week may not be the last, given that low oil prices have created a buying opportunity in Canada, according to the Sayer note.

"With depressed oil prices forecasted to remain for the foreseeable future, we will likely see the trend of consolidation continue for the remainder of 2025 and into 2026," the note said.

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