Strathcona to buy rival and go public, creating Canada's 5th-biggest oil company

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Aug 1 (Reuters) - Canadian oil producer Strathcona Resources on Tuesday said it will go public by acquiring smaller rival Pipestone Energy Corp (PIPE.TO) in an all-stock deal to create a combined business with a market capitalization of C$8.6 billion ($6.49 billion).

Strathcona said the combined company will retain its name and be led by its CEO Rob Morgan. It did not say when Strathcona plans to start trading in Toronto.

Pipestone shares fell 9.9% to C$2.45 in Toronto. The company has a market capitalization of $756.83 million, according to Refinitiv Eikon data.

The combination will create the country's fifth-largest oil producer measured by production and reserves, Strathcona said.

Strathcona's proposed acquisition comes in a year of low merger and acquisition activity in Canada's oil and gas production sector. Deals look to pick up in the second half of 2023 as commodity prices soften and more assets are offered for sale, said Ben Rye, vice-president of Sayer Energy Advisors.

Adding Pipestone's 35,162 barrels of oil equivalent per day (boe/d) will boost Strathcona's total production to 185,000 boe/d, of which 70% is oil and condensate.

The company will focus on three core areas - Alberta's Cold Lake oil sands region, the Lloydminster heavy oil region in Saskatchewan and the Montney natural gas basin in Alberta and British Columbia.

Strathcona Chairman Adam Waterous said the company could boost production to 325,000 boe/d within eight years.

The acquisition requires approval from two-thirds of Pipestone shareholder votes cast at a meeting in September. The deal is expected to close in October.

Strathcona is going public because some of its acquisition targets prefer to accept shares in a public company instead of cash, Waterous said.

Pipestone shareholders will receive 9.05% of the pro forma equity in the combined company, with existing Strathcona shareholders owning the rest.

($1 = 1.3243 Canadian dollars)

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