

Canada's Whitecap, Veren in \$10.4 billion merger to boost shale presence

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U.S. and Canada Dollar notes are seen in this June 22, 2017 illustration photo. REUTERS/Thomas White/Illustration/ File Photo Purchase Licensing Rights [↗](#), opens new tab

March 10 (Reuters) - Whitecap Resources (WCP.TO) [↗](#), opens new tab will merge with peer Veren (VRN.TO) [↗](#), opens new tab in an all-stock deal valued at C\$15 billion (\$10.43 billion), including debt, creating the seventh-largest Canadian oil-and-gas producer.

The merger announced on Monday is the biggest deal in the Canadian oilpatch so far this year. It will see the combined company become the largest landholder in Alberta's Montney and Duvernay regions, two of North America's most important shale plays.

The combined company owns an "impressive" 1.5 million acres across the two plays, two-thirds of which are in the Montney with the remaining third in the Duvernay, said Whitecap Vice President Joey Wong on an investor presentation.

The combined company is estimated to have production of 370,000 barrels of oil equivalent per day (boepd), with 63% liquids.

The merger creates a new large-cap company with a strengthened financial position, said Whitecap CEO Grant Fagerheim.

"We are more resilient and better able to manage the current macro environment, including the ongoing threat of tariffs and commodity price volatility," Fagerheim said.

The transaction is the latest consolidation in the North American energy sector, a trend that has been under way for more than two years, as companies focus on core growth areas and improvements in operational efficiency.

Tom Pavic, president of Sayer Energy Advisors, said he expects total M&A activity in the Canadian oil industry this year to be similar to last year, which was stronger than recent years and saw \$20.4-billion in deals.

"I think it's just companies seeing that they need higher economies of scale to get better shareholder followings, etc," Pavic said in an interview. "They just need to be bigger."

Veren's shares were up 14.7% at C\$8.10 in midday trade while Whitecap was down 14.8% at C\$7.97.

Veren investors will receive 1.05 shares of Whitecap for each share held, or C\$9.82 based on the last close. That represents a 39% premium to Veren's close on Friday.

Whitecap shareholders will own about 48% of the combined company and Veren's the rest following the deal close, expected before May 30.

The combined company will be led by Whitecap's existing management team. Four Veren directors will join the board, including CEO Craig Bryksa.

(\$1 = 1.4384 Canadian dollars)

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