3 Stories to Watch Out of the Oil Patch This Fall

Description

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In the oil patch there's no shortage of news to watch for this fall. Let's take a quick look at the top stories on investor radar screens as we roll into autumn.

M&A activity is picking up

Calgary investment bankers were starved for deals this summer as new regulations and market access issues has put a halt to mergers and acquisition activity. But green shoots appear to be sprouting.

Last month **ConocoPhillips** announced the sale of its interest in the Clyden oil sands project to **Imperial Oil** and **ExxonMobil** for $720 million. The attractive price and speedy close suggests that activity is perking up in the industry.

And a week later, Warren Buffett announced a $500 stake in energy giant **Suncor** (TSX: SU, NYSE: SU). This suggests that the Oracle of Omaha is optimistic on the industry's prospects and his stamp of approval may spark interest from other American investors.

Due to the growing scale and cost of operating in the oil sands, smaller operators will be forced to sell their leases or break themselves up. We saw a lot of this type of activity last summer. **Sunshine Oil Sands** struck a US$250 million joint venture after it was struggling to finance its West Ells lease. **Athabasca Oil** also was granted approval from the Alberta Energy Regulator for its Dover SAGD field. This condition required for its joint venture partner **PetroChina** to buy Athabasca's 40% interest in the project.

Without the bulk needed to exploit their properties, expect smaller players to be bought out. Alberta is becoming the big boys' sandbox.

Several turnarounds in the works

The oil patch is under new management. Several big names have new executives at the helm and investors should be looking for improved operational numbers several.

New Suncor chief executive Steve Williams is shifting away from his predecessor's bold expansion strategy in favour of creating a smaller, more nimble company. Williams has abandoned the company's long-term production growth target, scrapped the $11.6 billion Voyageur Upgrader, and has sold $1 billion in natural gas assets. Investors are also waiting to hear the fate of the company's Fort Hills bitumen mining project.

Rather than aggressive expansion, Williams is targeting cost effective growth by wringing out bottlenecks in the company existing operations. Today the company is focused, not on growth, but rather maximizing shareholder value.

Encana (TSX: ECA, NYSE: ECA) is also undertaking a turnaround. During the company's last conference call, the newly appointed chief executive Doug Suttles made his priorities clear: cut costs, improve spending discipline, increase liquids production, and roll out a new strategy by year-end. It's a tall order for the troubled natural gas company.

As two of the most widely held stocks in Canada, investors should watch these firms closely.

Pipeline, pipelines, pipelines!

The drama that is Canada's midstream continues to play out. Upstream producers are finding audacious new ways of accessing markets and the discount for Alberta oil has shrunk. But will those positive developments continue?

TransCanada's (TSX: TRP, NYSE: TRP) Keystone XL pipeline remains stranded within U.S. political purgatory. If approved by the U.S. State Department, the pipeline will ship 810,000 barrels of Alberta bitumen to the U.S. Gulf coast. However, the delays continue to mount. Last week an official at the U.S. State Department said that its final report on the project could take until early 2014 to be completed. In addition, the Inspector General has opened an investigation following conflict of interest actuations.

Investors should also watch TransCanada's Energy East pipeline proposal. If approved, the pipeline will ship 1.1 million barrels of crude to refineries in Montreal, Quebec and Saint John, New Brunswick. Analysts are concerned about grassroots resistance as well as political pushback from the Quebec provincial government. With pipeline routes to the south and west blocked, Energy East may be the energy industry's last hope.

Investors should also be watching for a slowdown in the crude-by-rail phenomena. In light of the shortage in pipeline transit capacity, rail has emerged as an important method of moving crude to market. However, following the derailment in Lac-Megantic, Quebec this summer, the public's confidence in the industry's safety has been rattled. The railways have become instrumental in allowing landlocked Alberta bitumen to reach the marketplace. Any interruptions could harm upstream producers.

Foolish bottom line

In spite of the challenges, things are looking up in the Canadian oil patch. We've seen the discount for bitumen narrow, operators getting their act together, and fresh investment from south of the border. As long as the price of oil remains buoyant on the global markets, it might be time to put this industry back on your watch list.

Another energetic opportunity

Though the oil space may be poised for some fun, there is another resource that potentially offers a more significant opportunity. Instead of oil, your portfolio could be best served by uranium – the key ingredient for nuclear power. Not only is uranium in demand in places like China, but its price isn't quite as headline driven, which could make it a more valuable commodity to secure your portfolio.

If you're curious to learn more about uranium's power, The Motley Fool has prepared a Special **FREE** Report that will clue you into the two best uranium companies in Canada. It's called "Fuel Your Portfolio With This Energetic Commodity," and you can receive a copy at no charge by simply **clicking here now!**

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Fool contributor Robert Baillieul has no position in any of the stocks mentioned. The Motley Fool doesn't own shares of any of the companies mentioned at this time.

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1. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)
3. TSX:TRP (TC Energy Corporation)

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