



Suncor Energy Inc. Has Additional Acquisitions Planned

Description

When the oil crisis hit a few years ago, most (if not all) of the energy sector was caught off guard. With oil prices upwards of US\$100 per barrel and the loonie at near parity with the greenback, there was little cause to worry about extreme efficiency in operations; most companies averaged costs of production of over US\$60 per barrel.

When that price came crashing down, oil companies felt the squeeze and sought to tighten budgets and become more efficient. Needless to say, some fared better than others. One company that came out on top was **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)).

Partly because Suncor is more efficient than many other companies, and partly because of its sheer size and financial muscle, Suncor found itself in a position where it could pick up distressed competitors at discounted prices. In terms of efficiency, Suncor managed to get average costs down to \$27 per barrel, well below the price floor that oil fell to.

Suncor isn't done dealing yet

Suncor acquired Canadian Oil Sands in a massive \$4.2 billion deal. The company then moved on earlier this year to buy out **Murphy Oil** from the Syncrude project for \$937 million, giving Suncor a majority share in the Syncrude venture.

Suncor has hinted that there are still more deals to be made in the market, and it has an ample war chest to make deals happen.

One area of interest that Suncor hasn't been coy about is the Fort Hills oil sands operation. Fort Hills is one of the largest undeveloped assets in the region that could spell significant production revenues once fully developed. Suncor purchased 10% of the project last year, but a larger investment seems likely.

French-based **Total S.A.** owns a 29% stake in the Fort Hills development, and that could be a likely target for Suncor. That investment alone could give a significant boost to Suncor's bottom line, considering the untapped reserves of Fort Hills.

Looking beyond the Fort Hills operation, Suncor has two interesting prospects working in its favour.

First, a number of competitors have been looking to reduce overall exposure, opting to offload some assets to shore up funds. Given Suncor's position in the market space, the company could acquire any number of projects from competitors that are desperate to sell at a fraction of the price.

Second, Suncor also in the refinery business. Some industry experts have speculated about the possibility of Suncor turning the current shopping spree towards refineries that are based in Canada and the U.S. This could be an interesting move for the company that could very well make it even more efficient in the long run.

In terms of options, Suncor has many, which is why, in my opinion, the company makes a great addition to any portfolio. As the oil market picks up again and prices begin to rise further, the efficiencies that Suncor already has in place (leading to an industry-best average cost per barrel) will only yield greater results.

CATEGORY

1. Investing

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1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

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