



Suncor Energy Inc. Continues its Acquisitive Ways

Description

Unlike many oil companies that were flying high at triple-digit oil prices, there are only a few that have been able to continue operating securely with WTI prices at US\$48.57. One that has not only remained secure but taken advantage of these prices is **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)). It's not just surviving—it's thriving.

With other companies suffering, Suncor has gobbled up assets left and right.

Its first big acquisition was Canadian Oil Sands Ltd. for \$6.9 billion, which increased its exposure to the Syncrude project from 12% to 49%. Then it paid \$937 million to buy 5% of the Syncrude project from **Murphy Oil**. While it's not going to operate the project, it will generate an additional 146,000 daily barrels when the project is fully operational.

But Suncor won't stop there. Its ultimate goal is to produce 800,000 barrels of oil per day by 2019. More companies are going to continue to suffer due to low oil prices, so Suncor is in a position to grow even more.

On August 9, Suncor announced that it was acquiring a 30% stake in the U.K. North Sea Rosebank project. It paid OMV Limited US\$50 million for this stake and, should the co-venturers go forward with the project, Suncor might have to pay upwards of US\$165 million to OMV Limited. Depending on the cost to start construction, Suncor could be forced to invest upwards of \$3 billion in the project. It has a design capacity of 100,000 barrels of crude oil and 80 million cubic feet of natural gas, so the investment could seriously pay off for Suncor.

On the topic of deepwater oil exploration, Suncor might look to acquire more assets. One place is in the Shelburne Basin off Nova Scotia, of which Suncor owns 20%. **ConocoPhillips**, one of its partners, owns 30%. In October 2015 ConocoPhillips revealed that it would stop looking for oil and gas in deepwater fields by 2017 and sell whatever leases it doesn't intend to drill. This might be a good target for Suncor.

Analysts at CIBC Capital Markets believe that Suncor might boost its exposure to the Fort Hills oil sands project from 10% to 39% by buying out **Total S.A.** The expected cost for this acquisition would

be approximately \$1.9 billion. If **Teck Resources Ltd.** decides to get out of oil, Suncor could buy up its exposure to Fort Hills as well.

On the refinery side, there are some analysts who believe Suncor may look to acquire refineries from **Royal Dutch Shell**. Suncor is unique in that it drills oil and then refines it, making money every step of the way.

All in all, I believe the future is bright for Suncor. Its business was built on weak oil prices, so should prices return to strength, Suncor could be a position to seriously dominate. While its last quarter was weak due to the fires in Alberta, I expect the company will continue buying up assets. It's not every day a company is presented with the opportunity to buy great assets at a discount.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

Category

1. Energy Stocks
2. Investing

Date

2025/08/20

Date Created

2016/08/22

Author

jaycodon

default watermark

default watermark