



## Can Asset Sales Rescue Canada's Struggling Energy Companies?

### Description

A plethora of asset sales by Canada's struggling energy companies has experts pondering whether or not the extra cash will help those firms ride out weak oil prices, which may not recover until 2016.

So far this week, **Encana Corporation** (TSX:ECA)(NYSE:ECA) has earned \$900 million by selling its oil and gas properties in Colorado to a partnership led by the Canada Pension Plan Investment Board.

Just a few years ago, Encana CEO Doug Suttles said the Denver Julesburg Basin was one of five assets that were key to the company's future. In August, Encana sold another natural gas property, the Haynesville property in Louisiana, for \$850 million. Encana is now concentrating on the oil-rich Eagle Ford and Permian regions in Texas.

"Those two plays are delivering even higher returns than the DJ, so from a portfolio-management perspective, particularly in the context of where oil prices are sitting currently and expected to be for the next little while, it was unlikely that the DJ was going to attract much capital," said Chris Feltin, an analyst at Macquarie Securities, to the *Globe & Mail*.

In another energy deal this week, **Superior Plus Corp.** ([TSX:SPB](#)) said it was buying **Canexus Corp** (TSX:CUS) in all-stock deal valued at more than \$320 million.

But the biggest potential deal of the week was **Suncor Energy Inc.'s** ([TSX:SU](#))([NYSE:SU](#)) hostile \$4.3 billion bid for **Canadian Oil Sands Ltd** (TSX:COS). In response, Canadian Oil Sands adopted a poison pill defence to fend off the offer. The new shareholder rights plan will be triggered if anyone buys 20% or more of COS outstanding shares. At that point, other shareholders in the target company can buy stock at a discount, making the acquisition less attractive to a hostile bidder.

Other firms have reduced costs by laying off workers: 36,000 positions have been cut since oil prices began tumbling at the start of the year, according to the Canadian Association of Petroleum Producers.

All of these deals may appear like the industry is in trouble, but they could end up being a boon for shareholders as stock prices rise. The expectation of more merger-and-acquisition activity has lifted the TSX's oil and gas group 14% since the start of October.

For investors still waiting for oil prices to fall further and pull energy stocks down with them, it might be too late. Many analysts believe oil prices have already bottomed out around \$40 and are currently climbing close to the \$50 mark. Legendary oil investor T. Boone Pickens predicted oil would reach \$70 a barrel by the end of the year, but now admits the chances of that are pretty slim. Still, if you haven't bought into the oil rally yet, now may be the right time.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SPB (Superior Plus Corp.)
3. TSX:SU (Suncor Energy Inc.)

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