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SUNCOR DEAL FOR CANADIAN OIL SANDS A SIGN OF SHAKEUPS TO COME

Now that the $6.6B deal is done, will there be more takeovers in the oilpatch?

At the end of the day, after all the crosstown mudslinging, all it took from Suncor was a fractionally better offer to bring Canadian Oil Sands onside.

The oilpatch is in trouble, with U.S. crude prices under $30 and Alberta's Western Canada Select trading around $15 US.

"We are in full crisis mode," said Martin Pelletier, an investment manager with TriVest Wealth Counsel. "In order to survive, companies are going to have to get bigger."

It has been many months since energy analysts began calling for a wave of takeovers in the energy sector. That wave never came, with the number of mergers significantly lower in 2015 than in 2014. Many firms in a position to sell were holding out for better prices. Those in a position to buy were not going to overpay.

But that standoff looks to be coming to an end. Companies that have been hanging on, waiting for a price recovery, are now struggling to cover head office expenses with oil trading under $30.

"The ability for companies at this price point to stay the course is becoming increasingly difficult," said Bruce Edgelow, vice-president of strategic initiatives at ATB Financial, a major lender to the junior energy sector.

"There are very few producers in this environment that are cash-flow positive — period — from operations, let alone the burden of running the company."

Edgelow suggests the Suncor-Canadian Oil Sands deal will serve as a template for future deals, saying that Canadian Oil Sands held out for what it thought would be a fair price.

"In all cases, it is about the valuation that people are prepared to pay," said Edgelow. "What is a fair price? At the same time, no one is overpaying in this market. They're not paying for land, they're not paying for non-producing wells."

Edgelow conservatively estimates there is more than $10 billion in capital sitting on the sidelines — money that comes from Asia, the U.S., and Canada — waiting to be invested in Western Canadian oil.

For example, Calgary's Arc Financial raised $1.55 billion in 2015 to invest in energy, and Annapolis Capital raised $300 million over a similar period.

"People aren't scared off," said Edgelow. "But they're not willing to overpay."

The initial Suncor bid for Canadian Oil Sands came as a surprise to many, since hostile deals are somewhat rare in the tight-knit oilpatch. Friendly deals are much more likely to happen in an industry when everyone is, well, friendly.

But that could change.

"I think for the future, it's more likely that you're going to see more of these," said Rob Mark, an energy analyst with Toronto-based 3Macs.

"Always your first option is to do it as a friendly," he said. "But in the past, if you couldn't get a friendly deal, the acquirer would walk away or bide its time. But I think seeing this deal, they would be more inclined to put it to shareholders and see what they say.

"I think that's the nature of business, you need to take advantages of crises if you're in the position to do so."

One of the interesting differences in this downturn is that there hasn't been a flood of U.S. investors — something you would expect with the loonie trading at such a serious discount. Mark believes that's likely because there is such turmoil south of the border in the shale-producing region, there's been no need to come north.

Mark suggests Cenovus is one company that could be vulnerable, because it is sitting on some of the best non-mine assets in the oilsands. "In a way, I do think they are at risk of a hostile bid," he said.

"For a large company who wanted to improve their in-situ oilsands development and could afford a bite that large — in terms of quality, in terms of going out and buying the best assets — Cenovus would be at the top of that list."

Cenovus's drawback is that it's too valuable for most Canadian companies while, at the same time, the oilsands have lost favour with the international community.

"Oilsands are not top of mind," said Mark. "They are way down the priority list."

OILPATCH WORKER URGES JUSTIN TRUDEAU TO HELP ALBERTA IN WIDELY SHARED FACEBOOK POST

'Please start helping our own people through these tough times'

An oilpatch worker's widely shared social media post accuses Justin Trudeau of ignoring Alberta's economic pain and pleads for help during the economic slump.

Since Lloydminster's Ken Cundliffe posted the letter on Jan. 10, it has been shared thousands of times.

"Since you will not acknowledge what the low oil prices have done to our own people, I will," wrote Cundliffe, an operator with Husky Oil. "It's hard to say in words how scared and desperate people are becoming."

The letter paints a dire picture of layoffs and unemployment insurance running out for many, alongside a jump in theft and suicide rates.

"Alberta has not taken an equalization payment for over 50 years and has done more than its fair share in supporting the East in that time. Now that the Alberta economy is struggling due to low oil prices, why do you refuse to acknowledge the problem?" he wrote, questioning why the Liberal government has given away "BILLIONS of Canadian taxpayer dollars to other countries."

"Please start helping our own people through these tough times," the letter urged.

"You wanted to be the leader of our country. Show some leadership skills and work with the West for once. Please forget about your image on the "World Stage" for a while and focus on your own country. That's all I ask."

While Cundliffe does not offer specific solutions in his letter, he told CBC News in an interview there are several actions the federal government could take.

Among them, he suggested a review of both the equalization payment system and the cap on the length of employment insurance, adding many of these families who paid taxes for decades "have never asked for anything in their lives."

Cundliffe said he wrote the letter because he believes many Canadians are "oblivious" to the increasing hardships people in the West are facing and wanted to dispel myths that those now struggling once held high-paying jobs and "wasted their money."

The feedback has been very positive in Alberta, Saskatchewan and northern B.C., where many are affected, Cundliffe said.

But elsewhere many have shown little sympathy, he said, blaming it on low tax rates and the lack of savings for tough times.

"How many people across the country could be out of work for over a year and still be maintaining?" Cundliffe asked. "So there are a lot that did put away properly to try to get through this, but this is extending into a longer time frame."

The new father said hearing news of other young families struggling with job loss strikes a chord, because his wife is on maternity leave and "it could be us."

Cundliffe is not the first Canadian to send a message to the prime minister on social media, and the outcome leaves him hopeful of hearing from Trudeau.

Shortly after the October election, Trudeau responded to a B.C. mother's public post, which was shared and liked by tens of thousands of people.

"Like we've seen on social media, it's a good way to do it," Cundliffe said. "We've seen him reach out and respond to individuals that have wrote through social media."

FORT MCMURRAY EXPLOSION INJURES CAPE BRETON MAN

Dave Williams, 30, in hospital following explosion at Nexen Long lake project

A man from Scotchtown, Cape Breton, has been identified as the worker critically injured in an explosion in Fort McMurray on Friday.

Dave Williams, 30, is a journeyman millwright at the Nexen Long Lake project.

The company said he and another worker were refitting valves on a compressor at the facility that converts hydrocarbon into a lighter oil. The second man was killed in the blast and has been identified as Drew Foster, 52.

Williams's cousin, Kelly MacEachern, said he sustained third-degree burns to 90 per cent of the front of his body. She said the family has been told that Williams dug himself out of the rubble of the explosion.

MacEachern said the family was told that Williams "had a good chance" of surviving if he made it through the first 48 hours, which have now passed. She said a CT scan showed "he has a young, good, strong heart. He is a fighter."

Williams is still in critical condition. MacEachern said "he had some complications last night. They were supposed to do some surgery this morning, but it got cancelled."

Williams was not supposed to be on the job Friday, she said, but "went in for an extra shift."

Williams's parents, his brother and an aunt are by his side at the hospital while MacEachern and other family members are flying to Edmonton today.

SUNCOR, CANADIAN OIL SANDS COME TO TERMS ON $6.6B DEAL

Suncor Energy has raised the stock portion of its takeover offer for Canadian Oil Sands (COS) by 12 per cent, resulting in a $6.6-billion friendly deal that ends a public battle between the two Calgary-based companies.

Suncor is now offering to exchange 0.28 of a share for each share of Canadian Oil Sands – up from 0.25 of a Suncor share per COS share.

Because the offer is primarily an exchange of shares, its monetary value will fluctuate. Based on Friday's closing stock price for Suncor stock, the new offer was worth $8.74 per COS share, up from $7.81 under the original formula.

The stock portion would be worth $4.2 billion, up from $3.8 billion under the old formula, if all COS shares are tendered. The total value of the deal includes $2.4 billion in debt that Suncor will assume.

The companies issued a joint statement saying both boards of directors and major Canadian Oil Sands investor Seymour Schulich are supporting the revised offer, which will expire at 4 p.m. MT (6 p.m. ET) on Feb. 5 – nine days later than the Jan. 27 deadline that Suncor set after its original bid failed to win sufficient support from COS shareholders.

Schulich had lobbied against the previous Suncor bid and bought full-page ads in several major newspapers to advise fellow shareholders to reject the price they were originally offered.

"Since Suncor made its initial offer, our board has remained steadfast in our commitment to maximize value for all shareholders. This agreement fulfills that commitment, providing our shareholders with a higher exchange ratio for their shares despite a 37 per cent decline in spot oil prices," Don Lowry, chairman of Canadian Oil Sands, said Monday.

Schulich said in the same statement that he encouraged other COS shareholders to join him in accepting the new offer, which is still subject to certain conditions.

Suncor wants at least 51 per cent of the COS shares – a relaxed condition since the original had sought at least 66.6 per cent. The Canadian Oil Sands board has agreed to pay a $130 million break fee to Suncor if certain conditions aren't met.

If accepted, Suncor will become by far the largest shareholder in the Syncrude oilsands complex, which is operated by Imperial Oil.

"We are pleased to have the support of the COS board of directors and shareholders, including Seymour Schulich, and have been advised of their intent to tender their shares" Suncor president and CEO Steve Williams said.

"Together, we're bringing this full, fair and final offer to COS shareholders and we encourage everyone to tender their shares."