Consolidation in one of Alberta's hottest oil plays: Tamarack, Headwater merge in $10-billion deal

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James Rose September 8, 2026

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Tamarack Valley Energy Ltd. and Headwater Exploration Inc. said they are combining in an all-stock deal worth $10 billion.

The merger of two Calgary companies would create Canada's only publicly traded pure-play producer focused on the prolific Clearwater oil play in northern Alberta.

For a purchase price of $3.2 billion, the deal unites two of the Clearwater's lowest-cost producers, both known for high-margin output and modest capital needs — qualities that have made the play one of the fastest-growing corners of Canada's oilpatch.

The merger lands amid a broader wave of consolidation sweeping the Canadian oilpatch, though much of the recent activity has been within the private market.

"This deal, although public, follows the trend we've been seeing," said Tom Pavic, president of Sayer Energy Advisors.

According to Sayer, the second quarter of 2026 saw a pickup in deal-making involving private producers as purchasers, spanning both corporate and asset-level deals.

In a note published in the Daily Oil Bulletin back in June, Sayer attributed the trend partly to restricted capital markets, which the firm expects will favour private buyers over public companies as acquirers.

Strong oil prices prompted more assets and companies to come up for sale. "And we expect more consolidation to happen in the patch this year," said Pavic.

As part of their merger deal, Tamarack and Headwater have also agreed to spin out some of their assets into a new company, which would be called Tributary Exploration Inc. and led by Headwater's current executive chairman, Neil Roszell, and chief executive Jason Jaskela.

The company would oversee Headwater's New Brunswick McCully gas asset and 168,000 acres of undeveloped properties in Alberta and Saskatchewan. It's expected to seek a listing on the stock market.

The Clearwater, located in north-central Alberta, has emerged as one of the fastest-growing oil plays in Canada, with production climbing from essentially zero to roughly 200,000 barrels a day in just eight years.

Much of that growth has come relatively cheaply. Because the play sits in a mature part of the Western Canadian Sedimentary Basin, operators have been able to tap into roads, pipelines and processing facilities left over from decades of conventional drilling, rather than building infrastructure from scratch.

Paired with newer multilateral drilling techniques that unlock trapped oil, existing infrastructure has kept development costs low and made the Clearwater one of the more economic plays to develop in the current price environment, according to analysts.

Tamarack said in a release the combination would immediately grow cash flows – a key metric of financial strength – by 10 per cent and would sharpen its five-year growth plan.

The merged company would hold more than 1,500 sections of land, over 300 million barrels of oil equivalent in proved and probable reserves, and more than 3,000 identified drilling locations — inventory the companies say offers a long runway of development. Production is expected to exceed 80,000 barrels of oil equivalent per day.

Tamarack said at closing, the combined company expects to hold more than $50 million in net cash and $1.2 billion in available funding, including an undrawn $875 million credit facility maturing in May 2030.

Management is also targeting corporate synergies of more than $50 million a year from combining operations, marketing and corporate offices, with further savings expected once exploration and development programs are consolidated starting in 2027.

Tamarack plans to raise its quarterly dividend by 20 per cent, to six cents a share from five cents, beginning in December — its second increase this year — though the hike is contingent on the deal closing.

The company is lining up pipeline capacity to move its growing volumes of Clearwater oil.

Tamarack has existing and planned pipeline access to Edmonton, plus 35,000 barrels a day of longer-term export capacity out of Alberta. About 25,000 barrels a day will go on the Trans Mountain pipeline to the West Coast, expected to start in the first quarter of 2027 once upgrades are complete.

The remaining 10,000 barrels a day will go on South Bow Corp.'s proposed Prairie Connector, a pipeline that would use infrastructure from the cancelled Keystone XL project to move more oil into the U.S. But the project still needs approval and construction, with a potential start by the end of 2028.

The added capacity is meant to reduce Tamarack's exposure to local pipeline bottlenecks and diversify its customer base.

Steve Buytels, Tamarack's current president, would take on president and chief executive officer duties of the combined entity while Tamarack's founding chief executive, Brian Schmidt, would move to executive chair.