

UPDATE 3-Tamarack Valley to buy Deltastream in \$1.1 bln deal in Canada's fast-growing Clearwater - Reuters News

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Updates with CEO interviews, Clearwater production and deal details, share activity

By Rod Nickel and Arunima Kumar

Sept 12 (Reuters) - Canada's Tamarack Valley Energy Ltd [TVE.TO](https://www.tve.to) said on Monday it will buy oil producer Deltastream Energy Corp for C\$1.425 billion (\$1.10 billion) in Alberta's small but fast-growing Clearwater play.

North America benchmark oil trades around \$88 per barrel, up 25% year over year on strong demand following global sanctions on exporter Russia.

The Clearwater produces 91,000 barrels of oil per day (bpd), according to RBC, accounting for less than 2% of Canada's total oil production based on Canada Energy Regulator data.

But output has doubled during the past year, providing a fast-growing oil source for the world's fourth-largest oil producer at a time when much-larger oil sands projects are expanding only slowly. Well licensing is more active in the Clearwater than anywhere else in Western Canada, RBC said.

"There is so much opportunity in this play," said Tamarack CEO Brian Schmidt, in an interview. "There's going to be lots more to do there."

Schmidt said the Clearwater has the best economics of any North American play - measured by how often a well repays its capital - due to the large volume of oil in place and the relatively low cost of extracting it.

Tamarack plans to boost output of the acquired assets by 18% to 23,000 barrels of oil equivalent per day next year.

The purchase is by far the biggest Clearwater deal yet. There have been 13 other Clearwater deals since the second quarter of 2020 worth a combined C\$940 million, said Tom Pavic, president of Sayer Energy Advisors.

Tamarack's deal comprises C\$825 million in cash, C\$300 million in deferred acquisition payment and C\$300 million in equity at C\$3.75 per share.

Topaz Energy Corp [TPZ.TO](https://www.tpz.to) said separately it will buy a newly created 5% gross overriding royalty on current and future oil production from Deltastream's entire Clearwater acreage for C\$265.3 million.

The Clearwater's total output could grow to 200,000 bpd in two years, depending on availability of rigs and labor, said Topaz CEO Marty Staples.

Private operators make up about half of the Clearwater's volume. Publicly traded producers include Canadian Natural Resources [CNQ.TO](https://www.cnq.to), Baytex Energy [BTE.TO](https://www.bte.to) and Headwater Exploration [HWX.TO](https://www.hwx.to).

Shares of Tamarack fell 0.8% in Toronto, after it also announced a bought deal of shares, while Topaz stock climbed 5%.

Calgary, Alberta-based Tamarack expects the Deltastream deal to close before the end of October, after which it plans to raise annual dividend by 25% to 15 Canadian cents per share.

(\$1 = 1.2995 Canadian dollars)

(Reporting by Rod Nickel in Winnipeg; Arunima Kumar and Ruhi Soni in Bengaluru; Editing by Krishna Chandra Eluri, Vinay Dwivedi and Nick Zieminski)