Freehold Royalties Ltd. Enters Into Agreement to Acquire Royalty Production and Mineral Title Lands

15.04.2014 | Marketwired

CALGARY, ALBERTA--(Marketwired - Apr 14, 2014) - Freehold Royalties Ltd. (Freehold) (TSX:FRU) announced it has entered into a purchase and sale agreement to acquire royalty interests on certain producing and non-producing lands in southeast Saskatchewan and Manitoba for approximately $111 million, prior to normal closing adjustments. The effective date of the transaction is January 1, 2014, with closing expected to occur on or about May 2, 2014, subject to regulatory approval. Total proceeds associated with the purchase and sale agreement will be funded through Freehold's existing bank credit line. The acquisition further adds to Freehold's land position within southeast Saskatchewan while enhancing the company's near-term growth profile. Based on the outlined transaction price, the deal is accretive both on a debt and equity-adjusted basis.

In addition, as part of the proposed transaction, Canpar Holdings Ltd., a wholly-owned subsidiary of CN Pension Trust Funds, has also agreed to purchase from the Vendor certain undeveloped mineral title lands for approximately $30 million.

Acquisition Highlights:

- 2013 average production of 470 barrels of oil equivalent (boe) per day (99% oil weighted), from over 400 producing wells. Revenue is derived from a combination of Lessor Royalties and Non-Convertible Overriding Royalties, offering Freehold enhanced netbacks.
- 2013 net operating income of $15.0 million.
- Increased land exposure comprised of 71,700 acres of Mineral Title Lands. This includes 15,200 acres of developed, 42,000 acres of unleased undeveloped and 29,300 acres of leased undeveloped currently not tied with production (acreage in certain lands may be included in both developed and undeveloped acreage counts due to zonal development with balance of rights being undeveloped).
- Proved plus probable reserves of approximately 1.5 million boe, based on an independent engineering report prepared by Trimble Engineering Associates Ltd. as of December 31, 2013.
- 37 gross new wells drilled within the acquired acreage through 2013.
- The acquisition also provides Freehold exposure to:
    - A stable oil weighted revenue stream.
    - The ability to grow royalty volumes through future year drilling programs.
    - Increased percentage of mineral title ownership relative to Freehold's existing acreage.
- Upon closing, Freehold estimates 2014 year-end net debt of approximately $140-$145 million (which would leave $65-$70 million in available capacity on our existing credit line), while implying approximately 1.0 times debt to funds flow (based on guidance provided in our fourth quarter news release).

After completing the transaction, we expect to increase our production guidance for 2014 by 6% to 9,100 boe per day; all other operating assumptions (provided in our fourth quarter news release) remain unchanged. As we have in the past, we expect to update shareholders on 2014 guidance for other key operating assumptions when we release our first quarter results, after market May 14, 2014.

Cautionary Statement Regarding Forward-Looking Information - This news release offers our assessment of Freehold's future plans and operations as at April 14, 2014 and contains forward-looking information including, as to the expected completion of the acquisition and Freehold's expectations for reserves, production, year-end debt and future prospects on the acquired lands. This forward-looking information is provided to allow readers to better understand our business and prospects and may not be suitable for other purposes. By its nature, forward-looking information is subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, taxation, royalties, regulation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, and our ability to access sufficient capital from internal and external sources. Risks are described in more detail in Freehold's annual information form for the year ended December 31, 2013 which is available under Freehold's profile on SEDAR at www.sedar.com.

With respect to forward looking information contained in this news release, we have made assumptions regarding, among other things, future oil and natural gas prices; future capital expenditure levels; future production levels; future exchange rates; the costs of developing and producing our assets; our ability and the ability of our lessees to obtain equipment in a timely manner to carry out development activities; our expectation for industry drilling levels; and our ability to obtain financing on acceptable terms.

You are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking information. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained herein is expressly qualified by this cautionary statement. Except as required by law, Freehold does not assume any obligation to publicly update or revise any forward-looking information to reflect new events or circumstances.

Conversion of Natural Gas To Barrels of Oil Equivalent (BOE)

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (boe). We use the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 boe ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the boe ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

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Dieser Artikel stammt von Rohstoff-Welt.de
Die URL für diesen Artikel lautet:
https://www.rohstoff-welt.de/news/170951--Freehold-Royalties-Ltd.-Enters-Into-Agreement-to-Acquire-Royalty-Production-and-Mineral-Title-Lands.html

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