

# Ensign Provides Update on Trinidad Acquisition, 2019 Capital Expenditure Plan, Operational Report and New Executive Vice President

14.02.2019 | [CNW](#)

CALGARY, Feb. 14, 2019 - [Ensign Energy Services Inc.](#) (TSX:ESI) ("Ensign") announced today an update on a number of corporate matters:

## Acquisition and Financing Update

On November 27 and 28, 2018, Ensign announced the successful acquisition of a total of 66.73% of the outstanding common shares of [Trinidad Drilling Ltd.](#) ("Trinidad"), including the 9.82% previously held by Ensign, which increased to 89.3% by December 21, 2018. After the November 27<sup>th</sup> announcement, all of Trinidad's directors and senior officers resigned and were immediately replaced with Ensign nominees. The acquisition of greater than 50% of the common shares of Trinidad and replacement of the Trinidad board required Ensign, as of such date, to fully consolidate Trinidad for financial statement purposes. As such, for the financial year ended December 31, 2018, Ensign will consolidate, in its year-end financial statements, the assets and liabilities of Trinidad as well as one month of operations, all with a corresponding minority interest of 10.7%. This minority interest will reduce to zero in the first quarter of 2019 due to the successful outcome of the special meeting of the shareholders of Trinidad held on January 31, 2019, at which an amalgamation transaction with a wholly-owned subsidiary of Ensign was approved. The result is that Trinidad will become 100% owned by Ensign prior to the end of February 2019 and will cease to be a reporting issuer shortly thereafter.

As previously announced, Ensign has entered into a three-year CAD\$1,250 million revolving credit facility (the "Credit Facility") for the purposes of funding the Trinidad acquisition, the redemption of Ensign's US\$200 million senior guaranteed notes due February 2019 and 2022, the repayment of Ensign's previous bank facilities, and for normal course operating requirements. As of February 14, 2019, the Credit Facility was reduced to CAD\$900 million, using a portion of the proceeds from a US\$700 million senior loan facility (the "Senior Loan"). A portion of the proceeds from the Senior Loan was also utilized, on February 14, 2019, to repurchase 99.93% of the outstanding US\$350 million of Trinidad senior notes due 2025 (the "Notes"), and to pay related consent fees. The Notes were tendered, and the consent fees were paid, pursuant to our change of control offer to purchase and solicitation of consents announced on December 28, 2018. The Notes were repurchased at 101% plus accrued and unpaid interest. Consenting holders also received 0.5% for their consent.

Michael Gray, Ensign's Chief Financial Officer commented: "The acquisition of Trinidad has allowed us to substantially increase the size of Ensign's global operations and geographic footprint, in particular within active U.S. shale basins such as the Permian, and new international jurisdictions such as Kuwait. The acquisition is expected to be accretive to Ensign's cash flow per share on a debt-adjusted basis and is expected to provide approximately \$40 million in annual cost saving synergies relating to the elimination of duplicate public company costs, facility overlap and staff efficiencies. This number does not include potential revenue and purchasing efficiencies which could further add to the accretive nature of the acquisition, increase our liquidity and allow us to proactively reduce debt on a go-forward basis."

Robert Geddes, Ensign's President and Chief Operating Officer, commented on the acquisition: "The integration of Trinidad's high/super-spec drilling rig fleet continues to progress as planned and we are very impressed with the equipment and people that we have seen in the field. We continue to focus on ensuring that during this integration that our people are safe and operations and customers are not impacted. Customer feedback has been positive and this acquisition will allow us to take a market share leadership position in key markets and drive stronger financial results on a go-forward basis, which in combination with our financial flexibility and agreed-to incremental customer funded upgrades, we have a platform for additional growth and financial strength."

Ensign retained BMO Capital Markets as its exclusive financial advisor, and Osler, Hoskin & Harcourt LLP as its legal counsel in connection with the Trinidad acquisition.

## Proforma Rig Specifications

The table below sets forth a summary of Ensign's drilling rig fleet, which has approximately doubled in size following the acquisition of Trinidad. Over 80% of the fleet is considered to be "Tier 1" and includes some of the most advanced drilling rigs in the industry (commonly referred to as "high-spec" or "super-spec" rigs), given their capabilities, components and technology, including specifically automation and surface control technology.

	2000 AC	1500 AC	1000 AC	Conv. Triple TD	Heavy Conv. TD	Conv. Single	Total % of Fleet Rig	
Tier 1	17	100	18	-	54	-	66	255 84%
Conventional -	-	-	-	14	-	33	-	47 16%
Total	17	100	18	14	54	33	66	302 100%

## 2019 Capital Expenditures

Ensign has budgeted net capital expenditures for 2019 of approximately \$102 million for the combined entity. The disciplined capital plan focuses on certifications and preventative maintenance for its combined global high/super spec drilling rig fleet, other service lines, and select upgrade projects. In addition to a disciplined capital plan, Ensign will focus on debt reduction throughout 2019 and beyond, with an initial reduction target of \$100 million in 2019 (before asset dispositions such as duplicate operating facility locations).

## Operational Report

Ensign reports the following operational results for the fourth quarter of 2018 for the combined operations of Ensign and Trinidad:

	Three months ended December 31,			
	2018 Ensign	2018 Trinidad	2017 Ensign	2017 Trinidad
Drilling Operating Days <sup>(1)</sup>				
Canada <sup>(2)</sup>	1,283	1,762	1,649	2,290
United States	3,564	3,531	3,066	2,880
International <sup>(3)</sup>	1,588	-	1,547	-
Total Drilling Operating Days	6,435	5,293	6,262	5,170
Operating Well Servicing Hours				
Canada	12,377	-	16,947	-
United States	30,747	-	23,644	-
Total Operating Well Servicing Hours	43,124	-	40,591	-

<sup>(1)</sup> Defined as contract drilling days, between spud to rig release.

<sup>(2)</sup> Excludes coring days for Ensign.

<sup>(3)</sup> Does not include Trinidad joint ventures operating days.

Ensign's fourth quarter financials for 2018 are in the process of being finalized. Ensign does not intend the above information to be taken as an indication of financial results for the fourth quarter. This information is only intended to provide investors with some advance data with respect to Ensign's combined operational results. Ensign will release its full financial and operational results for the fourth quarter and full year of 2018 after the markets close on March 7, 2019.

Mr. Geddes commented on the operating results: "As expected, the United States continues to provide strength to the operating results which now includes the rigs formerly operated by Trinidad. The combined drilling days for the United States increased 19% in Q4, 2018 over Q4, 2017 levels and represents 60% of the total operating days in Q4, 2018 of the combined entity. The addition of Trinidad's top tier drilling rig fleet has allowed Ensign to create a larger global footprint, offering additional diversity in cash flow, customers and country exposure. With respect to pricing, we have generally seen stability across our U.S. and international operations quarter-over-quarter, with certain jurisdictions continuing to experience positive momentum."

### **New Executive Appointment**

Ensign is also pleased to announce that Mr. Brent Conway has joined the Ensign team to lead Ensign's international operating segment and to assist in the successful integration of Trinidad into Ensign's global operations. Mr. Conway held the position of President of Trinidad prior to its acquisition by Ensign in late 2018.

### **Cautionary Statements on Forward-looking Information**

Certain statements in this news release constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements generally can be identified by the words "believe", "anticipate", "expect", "plan", "estimate", "target", "continue", "could", "intend", "may", "potential", "predict", "should", "will", "objective", "project", "forecast", "goal", "guidance", "outlook", "effort", "seeks", "schedule" or expressions of a similar nature suggesting future outcome or statements regarding an outlook.

In particular, forward looking statements include, but are not limited to, our planned capital expenditures for 2019, including the expected allocations of capital under our 2019 plan; anticipated activity levels in 2019 and our scheduled infrastructure projects; ; the reduction of the Credit Facility; the redemption of the Senior Notes; the timing of the completion of our acquisition of 100% control of Trinidad; Trinidad ceasing to be a reporting issuer; identification and quantification of annual cost savings; planned integration of Trinidad; any refinancing of the Senior Loan; future financial results and growth for the combined business; debt reduction in 2019 and beyond, and increases in liquidity.

The forward-looking statements are based on current expectations, estimates and projections about us and the industries in which we operate, which speak only as of the date hereof. They are subject to certain assumptions and analyses made by Ensign based upon our experience and our perception of current conditions, trends, expected future developments, known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, and other factors we believe are appropriate under the circumstances.

Such assumptions and risk factors relate to and include, among others: general economic and business conditions which will, among other things, impact demand for and market prices of our services and the ability of our customers to pay accounts receivable balances; volatility of and assumptions regarding crude oil and natural gas commodity prices; fluctuations in currency and interest rates; economic conditions in the countries and regions in which we conduct business; political uncertainty and civil unrest; our ability to implement our business strategy; impact of competition; our defense of lawsuits; availability and cost of labour and other equipment, supplies and services; our ability to complete our capital programs; operating hazards and other difficulties inherent in the operation of our oilfield services equipment; availability and cost of financing and insurance; timing and success of integrating the business and operations of acquired companies; actions by governmental authorities; government regulations and the expenditures required to comply with them (including safety and environmental laws and regulations and the impact of climate change initiatives on capital and operating costs); the adequacy of our provision for taxes; and other circumstances affecting our business, revenues and expenses.

For additional information, refer to Ensign's Annual Information Form for the year ended December 31, 2017, available on SEDAR at [www.sedar.com](http://www.sedar.com). Readers are cautioned that the list of important factors contained herein are not exhaustive. Unpredictable or unknown factors could also have material adverse effects on

forward-looking statements. Ensign undertakes no obligation to update publicly or revise any forward-looking statement whether as a result of new information, future events or otherwise, except as required by law.

## ABOUT ENSIGN

Ensign is a global leader in oilfield services, headquartered out of Calgary, Alberta, operating in Canada, the United States and internationally. Ensign is one of the world's top land-based drilling and well servicing contractors serving crude oil, natural gas and geothermal operators. Our premium services include contract drilling, directional drilling, underbalanced and managed pressure drilling, rental equipment, well servicing and production services. Please visit our website at [www.ensignenergy.com](http://www.ensignenergy.com).

Ensign's common shares are publicly traded through the facilities of the Toronto Stock Exchange under the trading symbol ESI.

SOURCE [Trinidad Drilling Ltd.](#)

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/319469--Ensign-Provides-Update-on-Trinidad-Acquisition-2019-Capital-Expenditure-Plan-Operational-Report-and-New-Ex>

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