Whitecap Resources Inc. and Compass Petroleum Ltd. Announce Strategic Arrangement and Whitecap Announces Increased 2012 Guidance

15.12.2011 | Marketwired

CALGARY, ALBERTA -- (Marketwire - Dec. 15, 2011) - Whitecap Resources Inc. ("Whitecap" or the "Company") (TSX: WCP) and Compass Petroleum Ltd. ("Compass") (TSX VENTURE: CPO) are pleased to announce that they have entered into an arrangement agreement (the "Arrangement Agreement") providing for the acquisition by Whitecap of all the issued and outstanding common shares of Compass (the "Transaction"). Compass is a light oil-weighted public energy company with its primary operations located in the Dodsland/Kindersley area of West Central Saskatchewan and the majority of its production and reserves focused in the Viking formation. Under the terms of the Transaction, Compass shareholders will receive, at their election, for each Compass share held, either: (i) 0.205 of a Whitecap common share; or (ii) $1.60 in cash, subject to an aggregate cash maximum of $20 million and a maximum distribution of approximately 10.9 million Whitecap common shares. Whitecap will also assume the positive working capital of Compass, estimated at $1.3 million, after accounting for costs and severance associated with the Transaction, as at November 30, 2011. Compass does not currently have any bank debt.

Based on the closing market price of the Whitecap common shares on the Toronto Stock Exchange (the "TSX") on December 14, 2011, the exchange ratio represents a 33% premium to the closing market price of the Compass common shares on the TSX Venture Exchange (the "TSXV") on December 14, 2011 and a 23% premium to the volume weighted average trading price of the Compass common shares for the 20 trading days ending December 14, 2011. The total value of the Transaction is approximately $97.8 million, including the assumption of positive working capital, option and warrant exercises and estimated transaction costs.

SUMMARY OF THE TRANSACTION

As a continuation of Whitecap's strategy to acquire light oil assets with growth potential, Whitecap is acquiring high working interest, high netback light oil assets located in the Dodsland/Kindersley area of West Central Saskatchewan focused on the Viking formation. The Transaction represents a new light oil resource area for Whitecap, which Whitecap believes has excellent upside and growth potential. Compass has Viking rights on approximately 92 net sections with current production of approximately 1,400 boe/d (74% Light Oil and NGLs). The Transaction adds an extensive inventory of low risk horizontal development drilling locations of which 134 (128 net) have been identified to date. Of these 128 locations only 44 have reserves booked to them in Whitecap's internal assessment of Compass' reserves.

The acquired assets include:

- high working interest, operated production through centralized, wholly-owned facilities;

- potential to increase net well density from 8 to 16 wells per section that could add development locations to inventory. There are several successful pilots in place that have de-risked this opportunity; and

- secondary recovery/waterflood potential as the lands are offset by several successful analogous Viking waterflood developments.

Whitecap believes that the Lucky Hills Viking play provides compelling full-cycle well economics with average IP30 rates in excess of 60 boe/d (77% Light Oil + NGLs) on total capital costs of approximately $1.2 million per well.

The Transaction has the following characteristics:

Total Transaction price (including estimated working capital)	$97.8 million
Current production	1,400 boe/d (74% Light Oil + NGLs)
Proved reserves (1)	3,784 mboe (76% Light Oil + NGLs)
Proved plus probable reserves (1)	5,556 mboe (75% Light Oil + NGLs)
Proved plus probable RLI (2)	10.9 years
Operating netback (3)	$48.00/boe

Notes:
(1) Based on Gross Reserves which means Compass' working interest reserves before the calculation for royalties, and before the consideration of the Compass' royalty interest reserves. Reserves are Whitecap's internal estimates prepared by a member of management who is a qualified reserves evaluator in accordance with National Instrument 51-101 effective December 31, 2011.

(2) Based on current production of 1,400 boe/d.

(3) Whitecap's internal forecast based on Whitecap assumptions of US$90.00/bbl WTI, C$3.50/GJ AECO and C$/US$exchange ratio of 0.98.

Net of undeveloped land at an estimated value of $12.2 million, using $200/acre, the associated Transaction metrics are as follows:

Current production	$61,000/boe/d
Proved reserves	$22.62/boe
Proved plus probable reserves	$15.40/boe
Proved plus probable reserves recycle ratio	3.1x

The Transaction is forecast by Whitecap to be 11% accretive on 2012 cash flow per share, 8% accretive on 2012 production per share, 3% accretive on reserves per share and 8% accretive on net asset value per share on a fully diluted basis to Whitecap.

STRATEGIC RATIONALE

The Transaction represents a continuation of Whitecap's growth strategy of becoming a premier light oil-weighted intermediate energy production company through accretive transactions and capital-effective, technology-driven oil resource play development. The Transaction provides Whitecap with a new light oil focused core area. Whitecap intends to use Compass' land position and owned and operated infrastructure as a foundation for further expansion and consolidation in the West Central Saskatchewan Viking play. A similar strategy was successfully utilized by Whitecap in the Pembina Cardium area of West Central Alberta by acquiring a base level of land, production and reserves and then optimizing development and expanding from this base.

Benefits of the Transaction to Whitecap include:

- Adds a fourth light oil core area in West Central Saskatchewan with approximately 128 net de-risked horizontal locations targeting the Viking formation with the potential to increase the existing inventory with further development and reduced well spacing.

- Accretive to Whitecap on all financial and operational metrics.

- High working interest assets and company owned infrastructure reduce operating costs.

- Optimal entry point into the Viking play for Whitecap, from both timing and asset perspectives, allowing for opportunities to optimize cost and increase production efficiencies.

WEST CENTRAL SASKATCHEWAN VIKING

Historically the development of the “legacy“ Viking oil pools around the Dodsland/Kindersley area has been with conventional vertical wells. As a result of the advancement of horizontal multi-frac technology, expansion of the Viking oil development away from the “legacy“ pools has taken place with over 850 Viking horizontal wells drilled and producing in the area since 2009. Whitecap believes that this expansion is very similar, economically and technically, to the expansion of the West Central Alberta Pembina Cardium development into the “unconventional halo“.

The Viking sandstone wells are drilled to 500 - 700 meters in vertical depth with equivalent horizontal lengths. Current regulations permit drilling 16 wells per section subject to inter well spacing requirements. Whitecap believes that the resource in place and oil quality of 36° API is very similar to that of the Pembina Cardium. A variety of completion methods are currently being utilized by operators in the area and well costs to drill, complete and tie-in range from $0.9 to $1.3 million per well. Whitecap will look to apply its operational expertise gained in the Pembina Cardium and other areas to the Viking light oil resource play to reduce costs and increase well productivity over time.

REITERATING EXIT GUIDANCE AND INCREASED 2012 GUIDANCE

Whitecap is pleased to announce that it is currently producing in excess of its year-end 2011 exit guidance of 8,300 boe/d (66% Oil + NGLs). Following the Transaction, Whitecap will continue and expand on its projected 2012 capital program, which is directed almost exclusively towards oil opportunities. Our revised 2012 guidance has cash flow increasing 23% to $179 million, average production increasing 20% to 11,000 boe/d, exit production increasing 21% to 12,200 boe/d and capital spending increasing 23% to $185 million from our previous guidance provided.

Whitecap's increased guidance for 2012, after giving effect to the Transaction is as follows:

	Pro forma 2012 Guidance	Previous 2012 Guidance	% Increase
Average production (boe/d)	10,600 - 11,000	9,000 - 9,200	20%
Per mm shares (basic)	135	127	6%
% Oil + NGLs	70%	69%	1%
Exit production (boe/d)	11,800 - 12,200	9,900 - 10,100	21%
Per mm shares (basic)	149	140	6%
% Oil + NGLs	70%	69%	1%
Net capital expenditures ($mm)	185	150	23%
Wells drilled (gross)	95	65	46%
Operating netback ($/boe) (1)	48.50	47.00	3%
Funds from operations (“FFO“) ($mm) (1)(2)	173 - 179	142 - 145	2
Per share ($basic)	2.13 - 2.20	1.97 - 2.01	9%
Q4 FFO annualized ($mm) (1)(2)	197	160	23%
Per share ($basic)	2.40	2.22	8%
Net debt to cash flow	1.0x	1.1x	(9%)

Note:
(1) Based on US$90.00/bbl WTI, C$3.50/GJ AECO and C$/US$exchange ratio of 0.98. Previous guidance has been adjusted to reflect the price change.

(2) Funds from operations is a non-GAAP measure. Refer to the Non-GAAP measures section of this press release.

PLAN OF ARRANGEMENT

Whitecap and Compass have entered into an Arrangement Agreement pursuant to which Whitecap and Compass have agreed that the Transaction will be undertaken by means of a plan of arrangement under the Business Corporations Act (Alberta). Whitecap will pay up to $20 million in cash and issue up to approximately 10.9 million Whitecap common shares to the shareholders of Compass, in exchange for all of the outstanding shares of Compass and subject to the terms and conditions of the Arrangement Agreement. The Arrangement Agreement contemplates that Compass will hold a meeting of its shareholders on or prior to February 17, 2012 to permit shareholders to vote on the Arrangement.

The board of directors of Compass unanimously supports the Transaction, has determined that the Transaction is in the best interest of Compass and recommends that the shareholders of Compass vote in favour of the Transaction. Certain Compass shareholders, including all senior officers and directors, who collectively hold over 50% of the issued and outstanding voting shares of Compass, have entered into agreements with Whitecap pursuant to which they have agreed to vote their shares in favour of the Transaction at the Compass shareholder meeting. Two significant shareholders of Compass, Yorktown Energy Partners V, L.P. and Yorktown Energy Partners VIII, L.P., who collectively hold approximately 47% of the total number of issued and outstanding shares of Compass have agreed, subject to certain conditions, to hold any Whitecap shares that they receive in connection with the proposed arrangement transaction through to September 30, 2012.

The Arrangement Agreement provides for non-solicitation covenants (subject to the fiduciary obligations of the board of directors of Compass and the right of Whitecap to match any Superior Proposal (as defined in the Arrangement Agreement)). The Arrangement Agreement, among other things, provides for non‐completion fees ($4 million for Whitecap and $3 million for Compass) in the event the Transaction is not completed or is terminated by either party in certain circumstances. The Arrangement Agreement provides that completion of the Transaction is subject to certain conditions, including the receipt of all required regulatory approvals, including the approval of the TSX, the approval of the shareholders of Compass including, if applicable the approval of the majority of the minority and the approval of the Court of Queen's Bench of Alberta. The Transaction is anticipated to close in February, 2012.

FINANCIAL ADVISORS

National Bank Financial Inc. is acting as financial advisor and GMP Securities L.P. is acting as strategic advisor to Whitecap with respect to the Transaction.

FirstEnergy Capital Corp. is acting as exclusive financial advisor to Compass with respect to the Transaction and has provided the Board of Directors of Compass with its opinion that, subject to its review of the final form of documents effecting the Arrangement Agreement, the consideration to be received by Compass shareholders is fair, from a financial point of view, to Compass shareholders.

Note Regarding Forward-Looking Statements and Other Advisories

This press release contains forward-looking statements and forward-looking information (collectively “forward-looking information“) within the meaning of applicable securities laws relating to the Company's plans and other aspects of Whitecap's anticipated future operations, management focus, strategies, financial, operating and production results and business opportunities, including expected 2012 production, cash flow, funds from operations, operating netbacks, year-end net debt, our capital expenditure program, drilling and development plans and the timing thereof. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding the proposed Transaction including the benefits to be acquired therefrom including drilling and reserve potential, anticipated rates of return, operating costs and other economics, production levels, and the impact of the Transaction on Whitecap and its results and development plans, the timing and anticipated closing date for the Transaction. Forward-looking information typically uses words such as “anticipate“, “believe“, “project“, “expect“, “goal“, “plan“, “intend“ or similar words suggesting future outcomes, statements that actions, events or conditions “may“, “would“, “could“ or “will“ be taken or occur in the future.

The forward-looking information is based on certain key expectations and assumptions made by Whitecap's management, including expectations and assumptions concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; ability to market oil and natural gas successfully, Whitecap's ability to access capital, obtaining the necessary shareholder and regulatory approvals, including the TSX and satisfaction of the other conditions to closing the Transaction.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Whitecap can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Transaction may not be completed on the anticipated time frames or at all and the Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Company will derive there from. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide securityholders with a more complete perspective on Whitecap's future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

These forward-looking statements are made as of the date of this press release and Whitecap disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Non-GAAP measures

This document contains the terms “cash flow“, “funds from operations“ and “operating netbacks“, which do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Whitecap uses cash flow, funds from operations and operating netbacks to analyze financial and operating performance. Whitecap feels these benchmarks are key measures of profitability and overall sustainability for the Company. Each of these terms are commonly used in the oil and gas industry. Cash flow and operating netbacks are not intended to represent operating profits nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. Cash flows are calculated as cash flows from operating activities less changes in non-cash working capital. Operating netbacks are determined by deducting royalties, production expenses and transportation and selling expenses from oil and gas revenue. The Company calculates cash flow per share using the same method and shares outstanding that are used in the determination of earnings per share.

Note: “Boe“ means barrel of oil equivalent on the basis of 6 mcf of natural gas to 1 bbl of oil. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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Dieser Artikel stammt von Rohstoff-Welt.de
Die URL für diesen Artikel lautet:
https://www.rohstoff-welt.de/news/119333--Whitecap-Resources-Inc.-and-Compass-Petroleum-Ltd.-Announce-Strategic-Arrangement-and-Whitecap-Announc

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