

Midway Energy Ltd. Announces Partial Sale and Joint Venture in Swan Hills

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[Midway Energy Ltd.](#) ("Midway" or the "Company") (TSX: MEL) is pleased to announce a strategic joint venture and partial sale arrangement at Swan Hills focused on its Beaverhill Lake light oil play.

Swan Hills Beaverhill Lake Light Oil Joint Venture and Partial Sale

Midway has entered into a joint venture and sale agreement ("the Agreement") involving its Beaverhill Lake mineral rights at Swan Hills with a senior conventional oil and gas producer.

Under the terms of the Agreement, Midway will dispose of a 50% working interest in its 23,000 net acres of land and its associated wells and production in the Swan Hills area in return for twenty million dollars (\$20,000,000) in cash and a carried interest in the drilling of the first three (3) wells on the lands. In addition, Midway's joint venture partner will participate for a 50% working interest on a well that Midway is currently drilling. Based on Midway's historical drilling and completion costs in this area, Midway values the total contribution by the senior producer at thirty-six million dollars (\$36,000,000). The Agreement is effective December 1, 2011 and is expected to close on February 1, 2012 and is subject to normal closing conditions and adjustments.

This joint venture represents a significant step forward in the development of Midway's Beaverhill Lake light oil resource play with a joint venture partner that has significant exposure in the area. Midway believes that the capital required to drill and complete these wells at a 50% working interest is more suitable to its size and risk profile, and looks forward to the additional technical skills that its new joint venture partner brings to its asset base in Swan Hills. Midway's remaining working interest position will provide meaningful exposure to this exciting light oil resource while allowing Midway to focus the majority of its capital and efforts on the continued development of its successful Cardium oil resource play in Garrington and future development areas in 2012.

Garrington

Midway was involved in a small oil spill relating to one of its Garrington drilling locations on January 13, 2012. Midway's staff and consultants provided a timely and efficient response to the containment and cleanup of the spill. Within 48 hours of the occurrence the majority of the cleanup efforts were completed. The total costs of the cleanup to date have been approximately \$60,000, and we are currently working with the various stakeholders including the ERCB and Alberta Environment to ensure there are no lasting consequences of the spill. We have also altered our completions' program to ensure that this type of accident will not happen in future operations. More detailed information is available on Midway's website at www.midwayenergy.com.

The Midway horizontal Cardium well involved in this spill is currently on production and flowing back frac fluid at an initial peak rate in excess of 1000 barrels of oil per day during the last 48 hours of production, long term production of this well is expected to be similar to other Midway Cardium wells in Garrington.

Forward-looking Statements

This news release contains forward-looking statements relating to the Company's plans and other aspects of the Company's anticipated future operations, management focus, strategies, financial and operating results and business opportunities. Forward-looking statements typically use 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. In particular, this press release contains forward-looking statements relating, but not limited to, the completion of the joint venture and partial sale arrangement at Swan Hills (the "Transaction"); the timing of closing of the Transaction; the anticipated purchase price of the Transaction; the satisfaction of closing conditions of the Transaction; the expected benefits to be obtained by Midway as a result of the Transaction; the anticipated capital required to drill and complete Midway's Swan Hills wells; and the focus Midway's capital and efforts

for 2012. In addition, this news release contains test well results from Midway's recent Cardium well in Garrington. The test result is not necessarily indicative of long-term performance or of ultimate recovery.

These forward-looking statements are based on various assumptions including expectations regarding the timing of obtaining regulatory approvals and the satisfaction of other closing conditions of the Transaction; the outlook for petroleum and natural gas prices; estimated amounts, timing and results of capital expenditures; the timing, location and extent of future drilling operations; future production rates; estimates of production and operating costs; performance of existing and future wells; reserve volumes; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; future exchange and interest rates; applicable royalty rates and tax laws; Midway's ability to obtain equipment in a timely manner to carry out development activities; impact of increasing competition; ability to market oil and natural gas successfully and the ability of Midway to access capital.

Although Midway believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Midway can give no assurance that they will prove to be correct. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties, such as: risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation; loss of markets; volatility of commodity prices; currency fluctuations; imprecision of reserve estimates; environmental risks; competition from other producers; inability to retain drilling rigs and other services; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; general economic conditions in Canada, the U.S. and globally; and ability to access sufficient capital from internal and external sources. In addition, the Transaction may not be completed on the anticipated time frames or at all and Midway may not receive the anticipated benefits from the Transaction. As a consequence, Midway's actual results, costs, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Midway will derive there from.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this news release in order to provide securityholders with a more complete perspective on Midway'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).

The forward-looking statements contained in this news release are made as the date of this new release and Midway does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Information Regarding Midway

Midway Energy Ltd. is a public oil and gas exploration and development company, located in Calgary, Alberta, with light oil production and development assets in the Province of Alberta. Midway currently trades on the Toronto Stock Exchange (TSX) under the Symbol "MEL".

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