

Midway Energy Ltd.: Announces Garrington Acquisition and Bought-Deal Equity Financing

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[Midway Energy Ltd.](#) ("Midway" or the "Company") (TSX: MEL) is pleased to announce that it has signed a purchase and sale agreement to acquire additional Cardium lands and production in the Garrington area of Alberta and has entered into an agreement with a syndicate of underwriters for a bought deal private placement of units for gross proceeds of \$21,000,000.

Garrington Acquisition

Midway has entered into a binding purchase and sale agreement to purchase oil and gas properties in the Garrington area. The acquisition will add approximately 600 boe per day of Cardium, Viking and Glauconitic oil and solution gas production, the majority of which will be operated by Midway, and will add an additional 11 net Cardium "A" Sand drilling locations. This acquisition will increase Midway's total Cardium land holdings in the Garrington Cardium trend to 67 net sections.

The purchase price for the acquisition is approximately \$37,150,000, payable in cash, subject to final closing adjustments. The acquisition is expected to close on or about February 17, 2012.

The acquisition provides Midway with low decline, stable crude oil and natural gas production in its core operating area. In addition to the drilling upside on the property, Midway believes that completing a short tie in of this production into its 100% working interest facilities in Garrington will provide significant additional value. Midway also expects that it can substantially reduce operating costs on the property and also increase the liquids yields on the natural gas by over 30% to (approximately 85 barrels/MMcf) as Midway's facilities are tied into a deep cut facility in the area. It is expected that the physical tie in of this production will be completed prior to the end of the March 2012.

The Company engaged Sproule Associates Limited ("Sproule") to prepare an independent engineering report on the reserves to be acquired pursuant to the acquisition as at January 1, 2012, incorporating the tie in to Midway's facilities. The following tables disclose selected information relating to these reserves together with information relating to Midway's reserves as at December 31, 2011 as evaluated by Sproule.

Summary of Oil and Natural Gas Reserves - Garrington Acquisition

Reserve Category	Oil and NGL's		Natural Gas		Oil Equivalent	
	Gross (1)	Net (2)	Gross (1)	Net (2)	Gross (1)	Net (2)
	(Mbbbl)	(Mbbbl)	(Mbbbl)	(Mbbbl)	(MMcf)	(MMcf)
PROVED						
Developed producing		689.7			536	5
Undeveloped	1,107		876		2,332	
TOTAL PROVED	1,797		1,412		7,497	
PROBABLE	692	512			2,533	
TOTAL PROVED + PROBABLE		2,489			1,924	10,0

(1) "Gross" reserves means the Midway's interest (operated and non-operated) before deduction of royalties and without including any Company royalty interests.

(2) "Net" reserves means Midway's interest (operated and non-operated) after deduction of royalty obligations plus Company royalty interests.

(3) Numbers may not add due to rounding.

Summary of Oil and Natural Gas Reserves - Midway and Garrington Acquisition

Reserve Category	Oil and NGL's	Natural Gas		Oil Equivalent
	Gross (1)	Net (2)		Gross (1)
	(Mbbbl)		(Mbbbl)	(MMcf)
PROVED				
Developed producing		6,213		5,057
Developed non-producing		-		-
Undeveloped	6,927		5,593	14,027
TOTAL PROVED	13,140		10,650	37,237
PROBABLE	6,266	4,801		16,456
TOTAL PROVED + PROBABLE		19,405		15,451

(1) "Gross" reserves means Midway's interest (operated and non-operated) before deduction of royalties and without including any Company royalty interests.

(2) "Net" reserves means Midway's interest (operated and non-operated) after deduction of royalty obligations plus Company royalty interests.

(3) Numbers may not add due to rounding.

Summary of Net Present Values of Future Net Revenue - Midway and Garrington Acquisition

Reserve Category	Before Income Tax		
	Discounted at (% per Year)		
(\$ Millions)	0%	5%	10%
PROVED			
Developed producing		370.6	276.1
Developed non-producing		0.2	0.1
Undeveloped	346.4		198.8
TOTAL PROVED	717.3	475.1	349.8
PROBABLE	455.3	217.8	136.4
TOTAL PROVED + PROBABLE		1172.7	692.9

(1) The forecast prices used in the calculation of the present value of future net revenue are based on Sproule's January 1, 2012 published forecast price and cost assumptions.

(2) All future net revenues are stated prior to provision for interest, general and administrative expenses and after deduction of royalties and estimated future capital expenditures. Future net revenues have been presented on a before tax basis. Estimated values of future net revenue disclosed herein do not represent fair market value.

(3) It should not be assumed that the present worth of estimated future cash flow presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Midway's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquid reserves may be greater than or less than the estimates provided herein.

(4) Numbers may not add due to rounding.

Financing

Midway has also entered into an agreement to sell, on a bought deal basis, 6,000,000 units of Midway ("Units") at a price of \$3.50 per Unit for gross proceeds of \$21,000,000 (the "Offering") to a syndicate of underwriters led by GMP Securities LP and including BMO Capital Markets, Desjardins Securities Inc., Macquarie Capital Markets Canada Ltd. and Stifel Nicolaus Canada Inc. Each Unit will consist of one common share ("Common Share") of Midway and one half of one common share purchase warrant ("Warrant"). Each full Warrant will enable the holder thereof to purchase one Common Share at an exercise price of \$4.00 per share for a period of one year following the closing date of the Offering.

Closing of the Offering will not be conditional on the closing of the acquisition. The Company intends to use the proceeds of the Offering to fund a portion of the purchase price of the acquisition, to reduce outstanding bank indebtedness and/or for general corporate purposes.

Completion of the Offering is also subject to certain conditions including normal regulatory and stock

exchange approvals. The Units issued under the Offering will be offered in certain provinces of Canada and in certain other jurisdictions by way of private placement and will be subject to a statutory 4 month hold period. The closing of the Offering is expected to occur on or about February 15, 2012.

The securities offered have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Information Regarding Midway

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

Forward-looking Statements

Certain information regarding Midway set forth in this news release contains forward-looking statements that involve substantial known and unknown risks and uncertainties. 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 concerning, among other things, the completion of the acquisition and the Offering and the timing of closing thereof; the anticipated purchase price of the acquisition; the satisfaction of closing conditions of the acquisition and the Offering; the use of proceeds of the Offering; the benefits to be obtained from the acquisition; drilling plans and potential locations; anticipated reduction in the operating costs of the properties to be acquired; expectations regarding increased liquids yields on the natural gas associated with the properties to be acquired; and plans to tie in acquired production and the timing thereof. In addition, statements relating to "reserves" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

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 Offering and the acquisition; 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 the acquisition; delays resulting from or inability to obtain required regulatory approvals and to satisfy various closing conditions; failure to realize the anticipated benefits of the acquisition; general economic conditions in Canada, the U.S. and globally; and ability to access sufficient capital from internal and external sources. 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 Midway's 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.

51-101 Advisory

Midway has adopted the standard of 6 Mcf:1 Bbl when converting natural gas to 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. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Certain Defined Terms

Oil & Natural Gas Liquids Natural Gas Other

Bbl

barrel Mcf

thousand cubic feet BOE or Boe barrel or barrels of oil equivalent, using the conversion factor of 6 Mcf of natural gas being equivalent to one barrel of oil

Bbl/d barrels per day MMcf million cubic feet MBoe thousand barrels of oil equivalent

Mbbl thousand barrels

Mcf/d thousand cubic feet per day M\$ or \$000s thousands of dollars

NGLs natural gas liquids

NOT FOR DISSEMINATION IN THE UNITED STATES. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S. SECURITIES LAW

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