

# Alexander Energy Ltd. Announces Southeast Saskatchewan Property Acquisition and \$52.5 Million Equity Financing

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CALGARY, ALBERTA -- (Marketwired - Dec. 18, 2013) - [Alexander Energy Ltd.](#) ("Alexander" or the "Company") (TSX VENTURE:ALX) is pleased to announce that it has entered into a definitive purchase and sale agreement to acquire (the "Acquisition") a high quality, low decline, crude oil producing asset located in southeast Saskatchewan (the "Assets") from an arm's length oil and gas producer. The Assets include over 370 boe/d of primarily light oil production (with a historical annual decline of approximately 9 to 10 percent) producing from the Frobisher and Midale formations. The purchase price for the Assets is \$32.5 million, subject to normal adjustments based on a December 1, 2013 effective date.

The closing of the Acquisition is subject to customary conditions and is expected to close on or about February 3, 2014.

Concurrent with the Acquisition, the Company is pleased to announce a brokered and non-brokered equity financing for gross aggregate proceeds of \$52.5 million (described in more detail below).

## ACQUISITION OVERVIEW

The Acquisition consists of operated, low decline crude oil property located in the Workman area of southeast Saskatchewan. The Assets include a 100% interest in the Workman Frobisher Voluntary Unit No.1 and a 76.24% interest in the Workman Voluntary Unit No.3 (collectively the "Workman Units"). In addition to the Workman Units, the Assets include three operated Midale pools, two Frobisher pools and 19,746 gross (16,283 net) acres of land at an average working interest of 82%.

Management estimates that there is more than 110 million barrels of original oil in place ("OOIP") in the operated pools with a current recovery factor of approximately 18%. The current recovery factors in these pools vary from 7% to 21%. Analogous pools have recovered 30 to 40% of OOIP.

Management of the Company has identified significant potential with respect to the Assets from infill and pool extension horizontal drilling and waterflood optimization. Analogous pools have been drilled with 5 horizontal wells per quarter section (150 metre spacing) and as high as 9 wells per quarter section (75 metre spacing). The operated Workman Units have been drilled at 2 vertical wells per quarter section (80 acres spacing). The Company has identified 52 gross (40 net) low risk horizontal drilling locations (at 200 metre spacing) of which 13 gross (10 net) locations are currently booked. In addition, the Company has identified 57 gross (44 net) contingent drilling locations.

## ACQUISITION METRICS

Highlights in respect of the Acquisition include the following attributes:

- Purchase Price: The purchase price for the Acquisition is \$32.5 million, subject to normal closing adjustments with a December 1, 2013 effective date. The purchase price will be paid in cash at closing.
- Long Life Oil Reserves: The Acquisition adds Total Proved (TP) reserves of 2.23 million boe (96% crude oil) and Proved plus Probable (P+P) reserves of 2.72 million boe (95% crude oil) as independently evaluated by Sproule Associates Limited effective December 31, 2012, in accordance with National Instrument 51-101 - Standards for Disclosure for Oil and Gas Activities of the Canadian Securities Administrators. Net of internally assigned land value of \$0.5 million, transaction metrics equate to \$14.35 for TP reserves and \$11.76 for P+P reserves. Based on current production, the Assets have a long reserve life index of more than 20 years (P+P).

- Light Oil Production: Current production relating to the Acquisition is approximately 370 boe/d, comprised of more than 95% liquids (33 API oil). Net of internally assigned land value of \$0.5 million, transaction metrics equate to approximately \$86,486 per flowing barrel of production.

- High Netbacks: Operating netback for the Assets is approximately \$42 per boe, based upon an Edmonton light benchmark pricing assumption of Cdn. \$90.00 per barrel, resulting in a recycle ratio (on a P+P basis) of approximately 3.6 times in relation to the Acquisition.

- Annual Cash Flow: Annualized cash flow from the Assets, based upon an Edmonton light benchmark pricing assumption of Cdn. \$90.00 per barrel and using current production levels, is estimated to be approximately \$5.7 million.

- Producing Infrastructure: Ownership of key producing infrastructure, including oil batteries, pipelines and waterflood facilities.

- Upside: The Company has identified 52 gross (40 net) low risk horizontal drilling locations on the lands comprising the Assets, of which 13 gross (10 net) locations are currently booked. In addition, the Company has identified 57 gross (44 net) contingent drilling locations.

- Operatorship and High Working Interest: Included in the Assets is 19,746 gross (16,283 net) acres of land with an average working interest of 82%.

The Acquisition is accretive to the Company on a per share basis on all key metrics.

## **EQUITY FINANCINGS**

Concurrent with the Acquisition, the Company is pleased to announce a brokered and non-brokered equity financing for aggregate gross proceeds of \$52.5 million.

### **Brokered Private Placement**

Concurrent with the Acquisition, the Company has entered into an agreement with a syndicate of underwriters, co-led by Peters & Co. Limited and Clarus Securities Inc., and including GMP Securities Ltd., TD Securities Inc., Dundee Securities Ltd., AltaCorp Capital Inc., Desjardins Securities Inc. and Scotia Capital Inc. (collectively, the "Underwriters"), pursuant to which the Underwriters have agreed to purchase for resale to the public, on a bought deal private placement basis, an aggregate of 102,050,000 Special Warrants at a price of \$0.49 per Special Warrant for gross proceeds of approximately \$50.0 million (the "Brokered Financing").

Each Special Warrant will entitle the holder thereof to receive, for no additional consideration or action on the part of the holder, one Common Share on the earlier of the date that is: (a) four months and a day following the closing of the Brokered Financing, and (b) the day on which a receipt is issued for a final prospectus by the securities regulatory authorities in each of the provinces where the Special Warrants are sold (such provinces to exclude the Province of Québec) qualifying the distribution of the Common Shares issuable upon the exercise of the Special Warrants; provided that if a receipt is not issued on or before February 28, 2014, each Special Warrant will entitle the holder thereof to receive, for no additional consideration or action on the part of the holder, 1.1 Common Shares. The Company shall use its reasonable commercial efforts to obtain such receipt as soon as practicable. Until the receipt is issued for such prospectus, the Special Warrants will be subject to a four month hold period under applicable Canadian securities laws.

### **Non-brokered Private Placement**

Contemporaneous with the completion of the Brokered Financing, the Company announces that it shall issue 5,100,000 Common Shares to certain directors, officers and employees of the Company, at a price of \$0.49 per Common Share for aggregate proceeds of approximately \$2.5 million (the "Non-brokered Financing" and, collectively with the Brokered Financing, the "Financings").

### **Closing and Use of Proceeds**

Closing is expected to occur on or about January 14, 2014, and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the TSX Venture Exchange to the listing of the Common Shares underlying the Special Warrants. The securities to be issued under the

Financings will be offered by way of private placement exemptions in all the provinces of Canada other than Quebec, offshore, including in the United Kingdom pursuant to applicable exemptions, and in the United States on a private placement basis pursuant to exemptions from the registration requirements of the United States Securities Act of 1933, as amended.

Subscribers under the Financings will not be entitled to participate in the previously announced Rights Offering.

The net proceeds of the Financings will be used to fund the Company's ongoing exploration and development activities and for general corporate purposes.

## **STRATEGIC RATIONALE**

The Acquisition represents the first step in realizing on the recapitalized Company's stated business plan of targeted acquisitions complemented by development and exploration drilling.

The Acquisition creates a new core area for the Company. Management believes that southeast Saskatchewan is a highly attractive place to operate and build a high growth junior company. The area offers exposure to a variety of light oil plays, including conventional Mississippian plays, the Bakken light oil resource play and the emerging Torquay/Three Forks play. In addition, there are an abundance of acquisition opportunities in southeast Saskatchewan.

Upon completion of the Financings and the Acquisition (and assuming the completion of the previously announced \$26.5 million recapitalization financing and that the Rights Offering is fully subscribed), the Company will have approximately \$38.0 million of working capital. Post closing of the Financings Alexander will have an undrawn banking facility of \$13.5 million comprised of an \$11.0 million revolving line of credit and a \$2.5 million non-revolving line of credit. In addition, the Company has received an indicative lending value on the Assets of \$15 million from a Canadian chartered bank, which amount is not included in the Company's current borrowing base.

The Company intends to publish its 2014 budget and capital program early in the new year.

## **STOCK OPTIONS**

The Company wishes to clarify an error in a news release made on December 10, 2013, with respect to the issuance of options to acquire an aggregate of 19,163,332 Common Shares. Contrary to the disclosure in the press release, such options were not issued on December 10, 2013.

In conjunction with the announcement of the transactions disclosed in this news release, the Company has granted options to acquire 9,230,000 Common Shares, 8,750,000 of which were granted to the directors and officers of the Company. Each grant of options is for a five year term. The options vest over three years (1/3 on each of the first, second and third anniversary of the grant date). The options are exercisable at a price of \$0.61 per Common Share.

## **GENERAL**

Alexander trades on the TSXV under the symbol "ALX". Alexander currently has 191,633,327 Common Shares and 119,735,183 Common Share purchase warrants outstanding. Alexander anticipates that it will have approximately 298,783,327 Common Shares, 119,735,183 Common Share purchase warrants and 9,230,000 options to acquire Common Shares outstanding following the completion of the Acquisition and the issuance of the Common Shares underlying the Special Warrants, but excluding any Common Shares issued pursuant to the previously announced rights offering and up to 56,932,817 Common Shares and 20,264,817 Common Share purchase warrants issuable pursuant to additional closings in respect of the previously announced non-brokered private placement.

### ***Forward-Looking and Cautionary Statements***

*This news release contains forward-looking information and forward-looking statements within the meaning of applicable securities laws. The forward-looking statements contained in this document are based on certain key expectations and assumptions made by the Company including, without limitation, concerning the Acquisition, the Financings, the success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the availability and performance of facilities and*

*pipelines, the geological characteristics of the Company's properties, the successful application of drilling, completion and seismic technology, prevailing weather conditions, commodity prices, royalty regimes and exchange rates, the application of regulatory and licensing requirements and the availability of capital, labour and services.*

*Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company 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. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in the Company's Annual Information Form which has been filed on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com) and the Company's other public disclosure documents which have been filed on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com).*

*The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. Boe/d means barrel of oil equivalent per day.*

*In this press release: (i) mcf means thousand cubic feet; (ii) mcf/d means thousand cubic feet per day; (iii) mmcf means million cubic feet; (iv) mmcf/d means million cubic feet per day; (v) bbls means barrels; (vi) mbbbls means thousand barrels; (vii) mmbbbls means million barrels; (viii) bbls/d means barrels per day; (ix) bcf means billion cubic feet; (x) mboe means thousand barrels of oil equivalent; and (xi) mmboe means million barrels of oil equivalent.*

*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.*

*Original Oil in Place (OOIP) is the equivalent to Discovered Petroleum Initially In Place (DPIIP) for the purposes of this press release. DPIIP is defined as that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. There is no certainty that it will be commercially viable to produce any portion of the resources. A recovery project cannot be defined for this volume of DPIIP at this time, and as such it cannot be further sub-categorized.*

*The Acquisition is considered an "Expedited Acquisition" under the policies of the TSX Venture Exchange and as such the TSX Venture Exchange has not reviewed the Acquisition or the contents of this press release.*

*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 news release.*

*This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities described herein. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold within the United States or to United States Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.*

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