

Tourmaline Oil Corp. to Acquire Santonia Energy Inc. as it Continues Its Deep Basin Growth Strategy

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[Tourmaline Oil Corp.](#) (TSX:TOU) ("**Tourmaline**") is pleased to announce that it has entered into an agreement with [Santonia Energy Inc.](#) (TSX: STE) ("**Santonia**") pursuant to which Tourmaline will acquire all of the issued and outstanding common shares of Santonia on the basis of 0.03012 of a Tourmaline common share for each Santonia common share. The acquisition will be effected by statutory plan of arrangement (the "**Arrangement**").

Based on the five day volume weighted average trading price of the Tourmaline common shares on the TSX, the deemed acquisition price is approximately \$189.1 million, comprised of the issuance of approximately 3.228 million Tourmaline common shares and the assumption of an estimated \$28.3 million of net debt as at January 31, 2014, excluding estimated associated transaction costs of approximately \$9.0 million.

Based on the exchange ratio of 0.03012, the implied purchase price of \$1.50 per Santonia common share represents a 11.9% premium to the closing market price of the Santonia common shares on March 3, 2014 and a 16.6% premium to the volume weighted average trading price of the Santonia common shares for the 20 trading days ending March 3, 2014. The Arrangement will provide Santonia shareholders enhanced liquidity and ownership in a growth oriented intermediate crude oil and natural gas exploration and production company with a strong track record of growth and the ability to significantly accelerate the development of Santonia's asset base.

Completion of the Arrangement, which is anticipated to occur on or prior to April 30, 2014, is subject to, among other things, the approval of at least 66 2/3 percent of votes cast by Santonia shareholders voting at a special meeting to be held in late April 2014, the receipt of all necessary court, regulatory and stock exchange approvals, and other customary closing conditions.

The board of directors of Santonia has unanimously approved the Arrangement and, based in part on a fairness opinion from Santonia's financial advisor, determined that the Arrangement is in the best interests of Santonia and the holders of its common shares and is fair to such shareholders. The Santonia board of directors has also resolved to recommend that Santonia shareholders vote their common shares in favour of the Arrangement. All of the directors and officers of Santonia and a principal shareholder of Santonia, representing an aggregate of 22.2% of the issued and outstanding Santonia common shares, have entered into support agreements pursuant to which they have agreed to vote their Santonia common shares in favour of the Arrangement.

Santonia has agreed not to solicit or initiate any discussion regarding any other business combination or sale of material assets. Santonia has also granted Tourmaline a right to match any superior proposal and has agreed to pay a termination fee of \$7.0 million to Tourmaline in certain events, including if Santonia recommends, approves or enters into an agreement with respect to a superior proposal.

ACQUISITION HIGHLIGHTS

The acquisition of Santonia is consistent with Tourmaline's Deep Basin exploration, development, and growth strategy representing a strategic addition to Tourmaline's EP focus areas. The Santonia properties are a large contiguous land base already detailed with 3D seismic, which is consistent with the technical approach that yields industry leading well results for Tourmaline. In addition, Santonia's existing working

interest facility network at Harlech complements Tourmaline's significant Deep Basin infrastructure complex.

Key attributes of the Santonia transaction include:

- The Santonia transaction will be accretive to existing Tourmaline shareholders on a reserve and production basis with future improvements expected to be realized in capital, and operating efficiencies.
- 220,910 gross acres of land (128,416 net)
- Proved reserves of 16.3 mmboe⁽¹⁾ and proved plus probable reserves of 24.2 mmboe⁽¹⁾, acquired for \$10.54/boe (1P), \$7.10/ boe (2P), with considerable potential incremental reserve upside
- Current production of 3,800 boepd.
- Estimated drilling inventory of approximately 350 horizontal locations (including Wilrich, Notikewin, Viking, Falher, and Cardium) with the potential for additional locations with drilling success.⁽²⁾

Tourmaline plans to add one rig to the Harlech drilling program in H2 2014 with plans to grow exit 2014 production to approximately 6,000 boepd through a series of low risk horizontal well drilling opportunities.

Tourmaline has a consistent track record of achieving significant value from its acquisitions and has more than doubled the production and reserve base in less than two years of all the modest size corporate transactions completed to date (Altia Energy Ltd., Pienza Petroleum Inc., Vigilant Exploration Inc. Exshaw Oil Corp., Cinch Energy Corp., and Huron Energy Corporation).

Notes:

(1) Reserves evaluated by GLJ Petroleum Consultants Ltd. as at December 31, 2013. Reserves are working interest gross reserves before deduction of royalties payable to others and without including any royalty interests of Santonia.

(2) Tourmaline internal estimate.

ADVISOR

Peters & Co. Limited is acting as exclusive financial advisor to Tourmaline with respect to the Arrangement.

About Tourmaline Oil Corp.

Tourmaline is a Canadian intermediate crude oil and natural gas exploration and production company focused on long-term growth through an aggressive exploration, development, production and acquisition program in the Western Canadian Sedimentary Basin.

READER ADVISORIES

Non-IFRS Measures

This news release may include references to financial measures commonly used in the oil and gas industry including "net debt", which does not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS"). This measure has been described and presented in this news release in order to provide readers with additional information regarding the Tourmaline's liquidity. The method of calculating this measure may differ from other companies and, accordingly, it may not be comparable to similar measures used by other companies. For these purposes, "net debt" is defined as long-term bank debt plus working capital deficiency.

Forward-looking Information

This press release contains forward-looking information within the meaning of applicable securities laws. The

use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this press release contains forward looking information concerning Tourmaline's anticipated future drilling prospects including those associated with the Arrangement, business strategy, future development and growth opportunities, prospects, asset base and anticipated benefits from the Arrangement, including accretion to Tourmaline on certain operational and financial measures and operating efficiencies. The forward-looking information is based on certain key expectations and assumptions made by Tourmaline, including expectations and assumptions concerning: prevailing commodity prices and exchange rates; applicable royalty rates and tax laws; future well production rates and reserve volumes; the timing of receipt of regulatory and shareholder approvals; the performance of existing wells; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services. Although Tourmaline 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 Tourmaline can give no assurances that they will prove to be correct.

Since forward-looking information addresses future events and conditions, by its very nature it involves 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: the risks associated with the oil and gas industry in general such as 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 estimates and projections relating to reserves, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions including the Arrangement; failure to realize the anticipated benefits of acquisitions including the Arrangement; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory and other approvals; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. There are risks also inherent in the nature of the proposed Arrangement, including failure to realize anticipated production and reserve increases and other benefits; risks regarding the integration of Santonia into Tourmaline; incorrect assessment by Tourmaline of the value of Santonia or of its production, reserves, or drilling locations; and failure to obtain the required shareholder, court, regulatory and other third party approvals.

This press release also contains forward-looking information concerning the anticipated completion of the Arrangement and the anticipated timing thereof. Tourmaline has provided these anticipated times in reliance on certain assumptions that it believes are reasonable, including assumptions as to the time required to prepare meeting materials for mailing, the timing of receipt of the necessary regulatory and court approvals and the satisfaction of and time necessary to satisfy the conditions to the closing of the Arrangement. These dates may change for a number of reasons, including unforeseen delays in preparing meeting materials, inability to secure necessary regulatory or court approvals in the time assumed or the need for additional time to satisfy the conditions to the completion of the Arrangement. In addition, there are no assurances the Arrangement will be completed. Accordingly, readers should not place undue reliance on the forward-looking information contained in this press release concerning these times.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Tourmaline, or its 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) or Tourmaline's website (www.tourmalineoil.com).

The forward-looking information contained in this press release is made as of the date hereof and Tourmaline undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless expressly required by applicable securities laws.

Boe Equivalent

Disclosure provided in respect of barrels of oil equivalent (boe) 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. As 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.

Contact

[Tourmaline Oil Corp.](#)

Michael Rose
Chairman, President and Chief Executive Officer
(403) 266-5992
info@tourmalineoil.com

[Tourmaline Oil Corp.](#)

Brian Robinson
Vice President, Finance and Chief Financial Officer
(403) 767-3587
robinson@tourmalineoil.com

[Tourmaline Oil Corp.](#)

Scott Kirker
Secretary and General Counsel
(403) 767-3593
kirker@tourmalineoil.com

[Tourmaline Oil Corp.](#)

Suite 3700, 250 - 6th Avenue S.W.
Calgary, Alberta T2P 3H7
(403) 266-5992
(403) 266-5952
www.tourmalineoil.com

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