

Long Run Exploration Announces Acquisition of Strategic Long Life Assets, \$120 Million Offering, Five Percent Dividend Increase, Upward Revision to 2014 Guidance and Preliminary 2015 Guidance

09.04.2014 | [Marketwired](#)

NOT FOR DISTRIBUTION TO U.S. NEWS SERVICES OR DISSEMINATION IN THE UNITED STATES

CALGARY, ALBERTA -- (Marketwired - April 9, 2014) - [Long Run Exploration Ltd.](#) ("Long Run" or the "Company") (TSX:LRE) is pleased to announce that it has entered into an agreement with an Alberta-based, intermediate oil and gas producer (the "Vendor") to purchase certain strategic liquids-rich natural gas assets (the "Acquisition Assets") focused on the Cardium in the Deep Basin area of Alberta. Total consideration, after closing adjustments, for the acquisition is expected to be approximately \$225 million based on an April 1, 2014 effective date. The consideration includes Long Run's disposition of approximately 400 BOE/d of heavy oil at Lloydminster to the Vendor.

The acquisition adds approximately 7,000 BOE/d (25% oil and NGLs) of concentrated, long life liquids-rich natural gas production, and provides Long Run an additional core area that will expand our drilling inventory to support future growth.

The Acquisition Assets will be funded with a concurrent \$120 million bought deal equity financing of subscription receipts with the balance of the purchase price funded by the Company's credit facilities. Long Run anticipates the credit facilities increasing \$100 million to approximately \$575 million on closing of the acquisition.

Closing of the acquisition is subject to customary conditions and is expected to occur on or about May 30, 2014.

STRATEGIC RATIONALE

The acquisition provides Long Run with a sizable, additional core area in close proximity to its existing Peace River and Redwater core areas, providing operational synergies, while adding drilling inventory of greater than 220 net, high quality, low capital-efficiency liquids-rich natural gas and light oil opportunities. The Acquired Assets are largely operated with average working interest of 70% and include area facilities and associated infrastructure to facilitate future development and to reduce operating costs.

Pro forma the acquisition and the Offering (as defined herein), Long Run will have current production of 33,800 BOE/d (51% oil and liquids), is anticipated to have a total sustainability ratio of 89% in 2015 and a strong balance sheet with net debt to funds flow of 1.4x in 2015. The strength of Long Run's long term sustainability allows Long Run to prudently increase its annual dividend approximately 5% to \$0.42 per share from \$0.402, as described in more detail below.

Key benefits to Long Run shareholders pro forma the acquisition, the Offering and with consideration of preliminary 2015 guidance are as follows:

- Total sustainability of 89% in 2015 resulting in significant excess free funds flow of \$36 million (\$0.24/share)
- Significant accretion on a fully diluted per share basis to 2015 free funds flow per share of 33% and 2015 production per share of 6%
- Proved reserves increase 54% (27% per share), proved plus probable reserves increase 61% (33% per share) and net asset value based on BT NPV10 increases to \$8.50 per share (6% per share)
- Improves Long Run's proved plus probable reserve life index ("RLI") by greater than 25% to 12.8 years based on the current production of the Acquisition Assets

- Increases drilling inventory by approximately 25% or more than 220 net drilling locations, including 50 light oil Cardium locations at Pine Creek, bringing Long Run's total net drilling inventory to over 1,000 locations
- Reduces the corporate base production decline from approximately 31% to approximately 29.5%
- 2015 sustainability ratio stays below 100% down to AECO at \$2.70/Mcf

SUMMARY OF THE ACQUISITION

The acquisition provides the following operational characteristics:

Purchase price, net of expected closing adjustments and concurrent disposition		
Current production	7,000 BOE/d (25% oil and NGLs)	
Proved reserves (1)(5)	34.1 MMBOE (29% oil and NGLs)	
Proved BT NPV10 (4)(5)	\$230 million	
Proved plus probable reserves (1)(5)	60.5 MMBOE (29% oil and NGLs)	
Proved plus probable BT NPV10 (4)	\$403 million	
Proved RLI (1)(2)	13.4 years	
Proved plus probable RLI (1)(2)	23.7 years	
Operating Netback (3)	\$22/BOE	

The acquisition metrics are as follows:

Acquisition price / Current Production	\$32,140/BOE/D
Acquisition price / Run rate funds flow(6)	4.0x
Proved reserves (including FDC)	\$14.09/BOE
Proved plus probable reserves (including FDC)	\$10.32/BOE
Acquisition / Proved BT NPV10%	1.0x
Acquisition / Proved plus probable NPV10%	0.6x
Proved plus probable Recycle Ratio (Including FDC)	2.1x

The Acquisition Assets are located primarily in the Deep Basin area of western Alberta, with low risk development focused in the Greater Wapiti area (Kakwa, Elmworth and Wapiti) and Central Pine Creek with further exploration upside in the North Pine Creek and Edson areas. The Acquisition Assets consist of large, contiguous land blocks totaling over 250,000 net acres, providing Long Run with a compelling combination of current, low decline production and a large future drilling inventory of over 220 multi-zone liquids rich natural gas opportunities primarily in the Cardium and with incremental upside in the Montney, Wilrich, Belly River, and Viking formations.

In the Greater Wapiti area, the Acquisition Assets are currently producing 5,100 BOE/d (28% oil and NGLs) and includes over 90,000 net acres with 140 net undeveloped locations. A planned facility expansion at Kakwa is set to come on-line in 2015 allowing for growth in the area with guaranteed plant access and capacity. Long Run has high-graded the drilling inventory with a focus on high rate of return locations which generally have liquids yields in excess of 70 bbls/MMcf.

At Pine Creek, the Acquisition Assets are producing 750 BOE/d (18% oil and NGLs) and include over 64,000 net acres (60% undeveloped) of high working interest, contiguous lands prospective for Cardium light oil development. Wells drilled at on-stream capital costs of \$3.4 million generate 12-month payouts through an operating netback in excess of \$45/BOE.

Additionally, Long Run is acquiring certain Alberta properties with production totaling 1,150 BOE/d.

DIVIDEND INCREASE

Long Run takes a disciplined approach to its ongoing dividend policy with a focus on providing investors with a sustainable yield. After giving effect to the improved sustainability that results from the acquisition and the Offering, Long Run's Board of Directors has approved a 5% increase to its monthly dividend from \$0.0335 per share to \$0.035 (\$0.42 per share annualized), conditional upon completion of the acquisition and the Offering. Based on the anticipated closing date of the acquisition of May 30, 2014, the dividend increase is expected to start with Long Run's June 2014 dividend payable July 2014. Long Run continues to provide

investors with a compelling combination of attractive yield and a disciplined, conservative and sustainable dividend-growth model with a total 2014 pro forma sustainability ratio of 92%, reducing to 89% in 2015.

INCREASED 2014 GUIDANCE AND PRELIMINARY 2015 GUIDANCE

After giving effect to the acquisition, Offering and dividend increase, Long Run has increased its 2014 guidance and provides preliminary 2015 guidance as outlined below. Post-acquisition, Long Run will review and update its 2015 development plan based on a detailed review of the Acquisition Assets, the economics of Long Run's plays, prevailing commodity prices, and strategic priorities.

Guidance(7)	2014		
Pre-Acquisition	2014 12-month		
Pro Forma(a)(b)	2015		
Preliminary			
Production average	26,300 BOE/d	32,150 BOE/d	34,500 BOE/d
Average production per share	0.075 BOE/d	0.078 BOE/d	0.083 BOE/d
% oil and NGLs	56%	50%	52%
Funds flow(8)	\$275 million	\$318 million	\$360 million
Funds flow per share(8)	\$2.19	\$2.12	\$2.38
Development capital	\$210 million	\$230 million	\$260 million
Dividend	\$52 million	\$64 million	\$64 million
Dividend per share (annual)	\$0.402	\$0.42	\$0.42
Free funds flow(8)	\$13 million	\$24 million	\$36 million
Free funds flow per share(8)	\$0.10	\$0.16	\$0.24
Exit net debt to funds flow(8)	1.6x	1.7x	1.4x
Total sustainability ratio	95%	92%	89%

a. 2014 12-month pro forma assumes the acquisition and the Offering were completed January 1, 2014 and thus that Long Run owns the Acquisition Assets for the 12 months ended December 31, 2014. Closing date of the acquisition is scheduled for May 30, 2014.

b. Long Run's estimated actual 2014 results, which include Long Run's 12-month estimated results plus the Acquisition Assets May 30, 2014 post-closing results for 7-months, are as follows: Production of 29,200 BOE/d; Net capital expenditures of \$450 million; Funds flow of \$295 million

OFFERING

In connection with the acquisition, Long Run has entered into an agreement with a syndicate of underwriters co-led by National Bank Financial Inc. and Macquarie Capital Markets Canada Ltd. and including Scotia Capital Inc., Canaccord Genuity Corp., CIBC World Markets, Clarus Securities Inc., Cormark Securities Inc. and FirstEnergy Capital Corp. (collectively, the "Underwriters"), pursuant to which the Underwriters have agreed to purchase for resale to the public, on a bought deal basis, 23,530,000 subscription receipts ("Subscription Receipts") of Long Run at a price of \$5.10 per Subscription Receipt for gross proceeds of approximately \$120 million (the "Offering"). The gross proceeds from the sale of Subscription Receipts will be held in escrow pending the completion of the acquisition. If all outstanding conditions to the completion of the acquisition (other than funding) are met, including receipt of all necessary approvals for the Offering and the acquisition having been obtained on or before May 30, 2014, the net proceeds from the sale of the Subscription Receipts will be released from escrow to Long Run and each Subscription Receipt will be exchanged for one common share of Long Run for no additional consideration. If the acquisition is not completed on or before May 30, 2014, then the purchase price for the Subscription Receipts will be returned to subscribers, together with a pro rata portion of interest earned on the escrowed funds.

The Subscription Receipts will be distributed by way of a short form prospectus in all provinces of Canada except Quebec and Prince Edward Island and in the United States, the United Kingdom and certain other jurisdictions as the Company and the Underwriters may agree on a private placement basis. Completion of the acquisition and the Offering is subject to certain conditions including the receipt of all necessary regulatory approvals, including the approval of the Toronto Stock Exchange. Closing of the Offering is expected to occur on April 30, 2014 and the acquisition is expected to close on or about May 30, 2014.

This press release is not an offer of the securities for sale in the United States. The securities have not been 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 an exemption from registration. 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 state in which such offer, solicitation or sale would be unlawful.

ADVISORS

National Bank Financial Inc. has acted as financial advisor to Long Run and Macquarie Capital Markets Canada Ltd. and Scotiabank have acted as strategic advisors to Long Run with respect to the acquisition.

NOTES TO ABOVE TABLES:

1. Reserves estimates are based on the extracts of a reserve evaluation (the "Sproule Report") effective December 31, 2013 prepared in respect of the properties of the Vendor by Sproule Associates Limited ("Sproule") based on forecast prices and costs
2. Based on current production
3. Operating netback of calculated by subtracting royalties, transportation and operating costs from revenues and dividing by total production
4. Before tax net present value based on a 10% discount rate as estimated in the Sproule Report and consensus pricing (Sproule, GLJ Petroleum Consultants Ltd., and McDaniel & Associates Consultants Ltd.) January 1, 2014 forecast prices. Net present value of future net revenues do not represent the fair market value of the reserves
5. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation
6. The acquisition run rate funds flow is equal to the Acquisition Assets current production annualized multiplied by the current operating netback
7. 2014 Guidance is based on the following assumptions for the remainder of the year: US WTI\$95/bbl; AECO \$4.22/Mcf; FX USD/CDN 1.1; 2015 Guidance is based on the following assumptions: US WTI\$92.50/bbl; AECO \$4.22/Mcf; FX USD/CDN 1.1
8. Funds flow, funds flow per share, free funds flow, free funds flow per share and net debt to cash flow are non-GAAP measures. See "Non-GAAP Measures".

NON-GAAP MEASURES

The press release contains terms commonly used in the oil and gas industry, such as funds flow from operations, funds flow from operations per share, net debt to funds flow, and net debt. These terms are not defined by International Financial Reporting Standards (IFRS) and should not be considered an alternative to, or more meaningful than, cash provided by operating activities or net earnings as determined in accordance with IFRS as an indicator of Long Run's performance. Management believes that funds flow from operations is a useful financial measurement which assists in demonstrating the Corporation's ability to fund capital expenditures necessary for future growth or to repay debt. Long Run's determination of funds flow from operations may not be comparable to that reported by other companies. All references to funds flow from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. The Corporation calculates funds flow from operations per share by dividing funds flow from operations by the weighted average number of common shares outstanding. Net debt is defined as bank debt plus the principal amount on convertible debentures plus working capital. Net debt to funds flow from operations is defined as net debt divided by funds flow from operations.

Long Run is a Calgary-based intermediate oil and natural gas company focused on light-oil development and exploration in western Canada. For further information about Long Run, visit the Company's website at www.longrunexploration.com.

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 Long Run's anticipated future operations, management focus, objectives, strategies, financial, operating and production results and opportunities, including expected effects of the acquisition and the Offering, including drilling inventory, 2014, 2014 pro forma and 2015 production and production per share, commodity mix, funds flow and funds flow per share, development capital, dividends and dividends per share, free funds flow and free funds flow per share, exit net debt to cash flow and total sustainability ratio, [net asset value and net asset value per share], our capital expenditure program, drilling and development plans and the timing thereof and sources of funding. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding the acquisition, the Offering and the benefits to be acquired therefrom and the impacts on Long Run and its financial and operating results and development plan including anticipated production, drilling and reserves potential, recovery factors, decline rates, drilling inventory, recycle ratios, reserve life index and other economics, drilling inventory, production and commodity mix, operating netbacks, decline rates, reserves, development capital spending, outstanding debt levels, dividends, and sustainability ratio, including anticipated dividend increase and the amount and timing of such increase, total payout ratio, funds flow, debt levels, debt to cash flow ratio and free cash flow. This press release also contains forward-looking information relating to the estimated purchase price of the acquisition, plans and expectations with respect to the disposition of certain assets, the sources of funding of the acquisition, the anticipated increase in Long Run's credit facilities in connection with the acquisition, the anticipated closing date for the acquisition and the Offering referred to in this press release.

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 Long Run'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, labor and services; the impact of increasing competition; ability to market oil and natural gas successfully; Long Run's ability to access capital, and obtaining the necessary regulatory approvals, including the approval of the Toronto Stock Exchange and satisfaction of the other conditions to closing the acquisition, the Offering and the other transactions referred to in this press release and on the timeframes contemplated. Included herein are estimates of Long Run's 2014 12-month pre-acquisition and pro forma 2014 and 2015 funds flow, funds flow per share, free fund flow, free funds flow per share, exit net debt to cash flow and sustainability ratio based on assumptions provided herein and other assumptions utilized in arriving at Long Run's capital budget on a post-acquisition and Offering basis. To the extent such estimates constitute a financial outlook, they were approved by management on April 9, 2014 and are included herein to provide readers with an understanding of the effects of the acquisition and the Offering and anticipated funds available to Long Run to fund its capital expenditures, dividends and the effects thereof on debt levels [confirm] and readers are cautioned that the information may not be appropriate for other purposes.

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. Actual reserve values may be greater than or less than the estimates provided herein.

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 Long Run 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 acquisition and the Offering and the other transactions referred to in this press release 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 Long Run'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 Long Run 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.

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. Given 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 Mcf: 1 Bbl, utilizing a conversion ratio at 6 mcf: 1 Bbl may be misleading as an indication of value.

CONTACT INFORMATION

[Long Run Exploration Ltd.](#)

William E. Andrew, Chair and Chief Executive Officer
(403) 261-6012

Dale A. Miller, President
(403) 261-6012

Jason Fleury, Vice President, Business Development
(403) 261-8302

Investor Relations
(888) 598-1330
information@longrunexploration.com
www.longrunexploration.com

Dieser Artikel stammt von [Rohstoff-Welt.de](#)

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/170646--Long-Run-Exploration-Announces-Acquisition-of-Strategic-Long-Life-Assets-120-Million-Offering-Five-Percent-Divid>

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf-/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere [AGB/Disclaimer!](#)

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!
Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2026. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).