

Bonavista Energy Corp. Announces Ansell Area Asset Acquisition and Bought Deal Financing

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CALGARY, ALBERTA -- (Marketwired - June 18, 2014) - This news release is not an offer to sell or a solicitation of offers to buy the common shares in the United States. The common shares have not been and will not be registered under the United States Securities Act of 1933, as amended and may not be offered or sold in the United States absent registration or an applicable exemption from registration.

[Bonavista Energy Corporation](#) ("Bonavista" or the "Company") (TSX:BNP) is pleased to announce that it has entered into an agreement to acquire certain natural gas weighted assets (the "Acquired Assets") in the Ansell area of its Deep Basin Core Area (the "Acquisition"). The Acquired Assets mainly comprise of the vendor's 49% working interest in the Bonavista-operated Wilrich plays plus some minor additional lands in the immediate area. The Acquisition has an effective date of July 1, 2014 and is expected to close on or about July 7, 2014 for a cash purchase price of approximately \$141 million before customary closing conditions. The completion of the Acquisition is subject to customary regulatory approvals.

Strategic Rationale

The Acquisition is consistent with Bonavista's asset concentration strategy by increasing ownership in the Ansell Wilrich play from 51% to 100%. Bonavista began operations in the Ansell area through a farm-in opportunity in February 2013, and has drilled seven successful horizontal wells into the Wilrich formation. Current production of the Acquired Assets is approximately 1,600 boe per day (90% natural gas). The area is characterized by prolific multi-zone development potential with exposure to the Wilrich, Notikewin and Falher formations. Bonavista has identified approximately 116 horizontal drilling locations on the Acquired Assets, reinforced by a three dimensional seismic program completed during the first quarter of 2014. In addition, there has been development potential identified in the Viking, Ostracod, Gething and Second White Specks formations.

Other highlights of the Acquisition include:

- Five years of drilling inventory with type curve economics resulting in recycle ratio's ranging between 3.0 and 4.0:1 (single well economics) and payouts of between 12 and 18 months using a gas price of \$4.00 per GJ;
- Over the next 18 months Bonavista plans a robust 34 well Wilrich development program that is expected to increase production of the Acquired Assets to 6,000 boe per day by the end of 2015;
- Incremental ownership (49%) in both the 120 mmcf per day pipeline and a 30 mmcf per day compression and dehydration facility that were constructed in the first quarter of 2014 for a total gross cost of approximately \$33 million. This acquired infrastructure will support our expected production growth through 2015;
- Current operating costs of approximately \$4.90 per boe, with the potential to realize further savings;
- Bonavista is currently the operator of the Acquired Assets and does not require any additional expertise to execute our planned development plan; and
- Total proved plus probable working interest reserves of 34,635 mboe with future development capital of \$263.7 million to be deployed across 31,000 prospective acres.

Internal Reserves Estimates

Acquired Working Interest	natural gas (Bcf)	Natural gas liquids (mmbbls)	Total BOE (mboe)	10% NPV (BTax) (\$ millions)
Total proved	77.0	1,259	14,086	80.0
Total proved plus probable	188.5	3,222	34,635	222.1

Notes:

(1) Reserves in this press release represent Bonavista's internal estimate of the reserves associated with the Acquired Assets as at July 1, 2014, which were prepared by a non-independent qualified reserve evaluator in accordance with National Instrument 51-101 ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook"). Based on gross reserves.

(2) The estimated net present values disclosed do not represent fair market value.

(3) Based on strip pricing as at June 4th, 2014.

Investment Metrics over the next 18 months:

Based on a \$141 million purchase price, coupled with \$90 million of capital spending and \$50 million of net operating income over the next 18 months, the Acquisition will exhibit the following metrics (at strip pricing as at June 4th, 2014):

- Cash flow multiple of 3.1 times, incorporating \$181 million of net spending;
- \$36,735 per flowing boe based upon estimated 2015 production volumes of 4,950 boe per day;
- Finding, Development and Acquisition Cost (including future development capital) ("FD&A costs") of \$10.25 per boe on a proved plus probable basis; and
- Current netbacks of \$23.00 per boe, equating to a 2.2:1 recycle ratio based on the FD&A costs.

Impact on 2014 Outlook

In conjunction with the Acquisition, Bonavista's Board of Directors has approved an increase in the 2014 capital budget. The revised 2014 capital budget anticipates spending between \$580 and \$600 million, inclusive of the Acquisition, to drill between 100 and 115 net wells resulting in an average annual production of between 76,000 and 78,000 boe per day, representing a 5% increase over our 2013 annual production. As a result of the Acquisition, capital spending will concentrate in the Ansell area in the fourth quarter of 2014 with the intention to allocate a significant portion of the 2015 capital budget to Wilrich development in Ansell. This will result in 2014 exit production for Bonavista ranging between 84,000 and 86,000 boe per day which translates to growth in annual exit volumes in excess of 12%. The revised 2014 capital program is aligned with our business plan to consistently deliver a balance of profitable growth and sustainable income to our shareholders.

Financing

In conjunction with the Acquisition, Bonavista has entered into an agreement to sell, on a bought deal basis, 12,100,000 common shares at a price of \$16.60 per common share (the "Offering") for gross proceeds of approximately of \$201 million, to a syndicate of underwriters led by CIBC and including RBC Capital Markets, Scotiabank, TD Securities Inc., BMO Capital Markets, National Bank Financial Inc., Peters & Co. Limited, AltaCorp Capital Inc., and FirstEnergy Capital Corp. (collectively, the "Underwriters"). Bonavista has also granted the Underwriters an over-allotment option to purchase, on the same terms, up to an additional 1,210,000 common shares. This option is exercisable by the Underwriters, in whole or in part, at any time for a period of 30 days following closing. The maximum gross proceeds raised under the Offering will be approximately \$221 million should the over-allotment option be exercised in full.

Completion of the Offering is subject to certain conditions including normal regulatory and stock exchange approvals. The Common Shares will be offered in all provinces of Canada, except Quebec, by way of a short form prospectus. The closing of the Offering is expected to occur on or about July 10, 2014.

CIBC is acting as financial advisor to Bonavista with respect to the Acquired Assets.

Forward Looking Statements and Other Advisories

In the interest of providing shareholders and potential investors with information regarding Bonavista, including management's assessment of future plans and operations, certain statements in this press release are "forward-looking information" within the meaning of applicable Canadian securities legislation ("forward-looking statements"). In some cases, forward-looking statements can be identified by terminology such as "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "objective", "ongoing", "outlook", "potential", "project", "plan", "should", "target", "would", "will" or similar words suggesting future outcomes, events or performance. The forward-looking statements contained in this press release speak only as of the date thereof and are expressly qualified by this cautionary statement.

Specifically, this press release contains forward-looking statements relating to but not limited to: our plans and other aspects of our anticipated future operations, management focus, objectives, strategies, financial, operating and production results and business opportunities, including expected 2014 and 2015 production, product mix, cash flow, operating netbacks, our capital expenditure program, drilling and development plans and the timing thereof and sources of funding; expectations regarding the Acquisition and the Offering, including anticipated timing of completion of the Acquisition and the Offering, and approvals required for the Acquisition and the Offering; the anticipated purchase price and payment of the purchase price of the Acquisition, including the use of proceeds from the Offering; the strategic rationale for the Acquisition; the anticipated benefits from the Acquisition, including our belief that the Acquisition is consistent with our asset concentration strategy; the ability of our existing infrastructure to support expected production growth through 2015; the multi-zone development potential associated with the Acquired Assets; anticipated drilling locations and drilling inventories; type curves, well economics, recovery factors and expected recycle ratios, the anticipated effect of the Acquisition on Bonavista, including our business model, strategy, increased capital program and allocation thereof, development capital requirements and plans, future production, operating costs, cash flow, netbacks and other financial results. In addition, information and statements relating to reserves are deemed to be forward-looking statements, as they involve implied assessment, based on certain estimates and assumptions, that the reserves described exist in quantities predicted or estimated, and that the reserves can be profitably produced in the future.

Cash dividends on our common shares are paid at the discretion of our Board of Directors and can fluctuate. In establishing the level of cash dividends, the Board of Directors considers all factors that it deems relevant, including, without limitation, the outlook for commodity prices, our operational execution, the amount of funds from operations and capital expenditures and our prevailing financial circumstances at the time.

The forward-looking information is based on certain key expectations and assumptions made by Bonavista'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; Bonavista'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 and the Offering and on the timeframes contemplated.

Although Bonavista 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 Bonavista 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, the Offering and other transactions referred to in this press release may not be completed on the anticipated time frames or at all and Bonavista'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 Bonavista will derive therefrom. 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 Bonavista's future operations and such information may not be appropriate for other purposes.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Bonavista's prospective results of operations, cash flows, and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set

forth in the above paragraphs. FOFI contained in this press release was made as of the date of this press release and was provided for the purpose of describing the anticipated effects of the Acquisition and the Offering on Bonavista's business operations. Bonavista disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect Bonavista's operations or financial results are included in press releases 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 Bonavista 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.

All of the reserves information contained in this press release have been calculated and reported using assumptions and methodology guidelines outlined in accordance with the standards contained in the COGE Handbook, National Instrument 51-101 and the reserve definitions contained in the Canadian Securities Administrators Staff Notice 51-324.

The term "boe" means a 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 conversation 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: 1Bbl, utilizing a conversion ratio at 6 Mcf: 1 Bbl may be misleading as an indication of value.

Non-GAAP measures

This press release contains the terms "cash flow" and "netbacks", which do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS" or, alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. Bonavista uses cash flow, and netbacks to analyze financial and operating performance. Bonavista feels these benchmarks are key measures of profitability and overall sustainability for the Company. Each of these terms is commonly used in the oil and gas industry. Cash flow and netbacks are not intended to represent operating profits nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. Netbacks equal production revenues and realized gains and losses on financial instrument commodity contracts, less royalties, operating and transportation expenses calculated on a boe basis. Total boe is calculated by multiplying the daily production by the number of days in the period. Management uses these terms to analyze operating performance and leverage. Cash flows are calculated as revenues less royalties, transportation and operating costs.

Bonavista is a mid-sized energy corporation committed to maintaining its emphasis on operating high quality oil and natural gas properties, providing moderate growth and delivering consistent dividends to its shareholders while ensuring financial strength and sustainability.

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