

Petroamerica provides strategic rationale for increased Suroco offer and presents the key attributes and vision for the combined business

23.06.2014 | [CNW](#)

ALGARY, June 23, 2014 /CNW/ - [Petroamerica Oil Corp.](#) ("Petroamerica" or the "Company") (TSX-V:PTA) is pleased to provide the strategic rationale behind its increased offer (the "Revised Petroamerica Offer") to [Suroco Energy Inc.](#) ("Suroco") to acquire all of the issued and outstanding common shares of Suroco (the "Suroco Shares") under the terms of a previously announced arrangement agreement, as amended June 19, 2014 (the "Amended Arrangement Agreement") and to deliver the Company's vision for the combined business on a go-forward basis.

The Revised Petroamerica Offer is valued at \$0.80 per Suroco Share, and entitles Suroco Shareholders to elect to receive (i) common shares in Petroamerica ("PTA Shares"), (ii) a combination of cash and PTA Shares, or (iii) a cash payment subject to proration to a maximum available pool of US\$27 million, for their Suroco Shares. For further details please see the June 20, 2014 joint press release by Suroco and Petroamerica.

The Arrangement will be put before Suroco Shareholders for approval at the Annual and Special Shareholder Meeting of Suroco Shareholders (the "Suroco Meeting") to be held at 10:00 a.m. (Mountain time) on Wednesday June 25, 2014.

Strategic Rationale for Increased Offer

Petroamerica believes that Suroco's recently announced drilling successes and strategic farm-in firmly support the Revised Petroamerica Offer of \$0.80 per Suroco Share. Since announcing the business combination and arrangement transaction involving Petroamerica and Suroco (the "**Arrangement**") on April 28, 2014, Suroco has publicized successful appraisal drilling at the Quinde West discovery (Quinde-6 well), announced a farm-in agreement for a 50% working interest in the PUT-7 Block (adjacent to Surorient Block and into which the Quinde West discovery extends) and announced a successful exploration well at Quinde East (the Quinde-7 well). The Quinde East discovery is particularly significant in that it confirms the stratigraphic nature of the N Sand play and thereby significantly de-risks other exploration prospects and leads already identified on Suroco's acreage. The Revised Petroamerica Offer takes into consideration and compensates Suroco Shareholders for the value the Company believes has accrued in Suroco's business over this period, and is structured to also be accretive to Petroamerica's shareholders. The Arrangement will provide all the shareholders of Suroco and Petroamerica the opportunity through equity ownership to participate in the growth of the combined company through the execution of its business plan. This growth has the potential to deliver significant value to all shareholders.

In formulating this increased offer for Suroco, Petroamerica's Board of Directors and Executive Management received an updated "Fairness Opinion" from one of its financial advisors demonstrating that based on certain key metrics, the transaction is accretive to Petroamerica shareholders and is fair from a financial point view.

Suroco's Board of Directors, Executive Management, and largest shareholder have all reaffirmed their unanimous support of the Petroamerica Revised Offer (please refer to Suroco's press release dated June 20, 2014).

Attributes and Vision of the Combined Company

The Arrangement creates a combined company with a production base close to 9,000 barrels of oil equivalent per day ("boepd") (net before royalty), 8 million barrels of 2P reserves audited by GLJ, and a number of recent discoveries with the potential for material near-term reserve adds. The combined company will hold interests in eleven exploration and production contracts focused on high netback light and medium oil exploration and production in the Llanos and Putumayo Basins of Colombia. The Arrangement positions the combined company towards becoming a leading Colombia-focused exploration and production player targeting oil production upwards of 30,000 boepd with a sustainable reserve life of more than 5 years. The

combined asset base of both companies provides an opportunity base that has the potential to deliver on all of these goals over a 2 to 3 year time frame. The combined company will continue to pursue additional accretive acquisitions within its Llanos and Putumayo core areas.

KEY ATTRIBUTES:

- **Diversified Production and Reserves Base** – The combined company will have interests in nine producing fields and numerous discoveries in two basins where the production characteristics and declines are complimentary. This transaction will serve to eliminate concentration risk and significantly extend the reserve life of the combined company. Additionally, the combined company can expect to add material quantities of currently unbooked reserves in the near-term with low risk appraisal and development drilling of Suroco's Quinde West and East discoveries, plus the probable extension of Quinde West into the adjacent PUT-7 block.
- **World Class Prospect Inventory** – The combined company will have access to an extensive portfolio of exploration prospects and leads, that will underpin future reserve and production growth. A diversified portfolio of eleven highly prospective blocks covering approximately 1 million gross acres in the Llanos and Putumayo Basins is focused on exploring technically driven proven plays with demonstrable repeatability. The portfolio provides material exposure to the prolific N Sand oil play, proven in northern Ecuador and developed by Suroco in the Putumayo Basin, and the newly emerging low-side fault closure play that has recently proven successful in the Llanos Basin. In the near-term, the 2014 drilling program comprises 12 additional wells; 6 targeting high impact exploration and 6 lower risk appraisal and development wells, providing a number of near term catalysts.
- **Strengthened Technical Team** – Combining the two technical teams will result in a superior technical workforce with a proven ability to successfully identify new plays and add reserves with the drill bit. This technically focused workforce will provide the combined company with a significant competitive edge in its pursuit of additional acquisition and licensing opportunities in its core regions.
- **Strong Balance Sheet and Better Access to Capital** – Petroamerica's under-levered balance sheet and strong cash flows will enable the combined company to realize the considerable upside value in the current asset base. The increased size of the combined company will facilitate easier access to lower cost longer-term debt. Petroamerica held approximately US \$100 million in cash as of June 23, 2014, and upon closing the Suroco deal, it is anticipated that if all of the shareholders elect to take cash the combined company is expected to have a minimum cash balance of US\$35 million. However, in the event that all of shareholders elect to take all Petroamerica shares, the combined company is expected to have a cash balance greater than \$65 million. The combined 2014 expected cash flow from operations is approximately US\$116 million, which funds the combined capital expenditure program of approximately US\$85 million, resulting in free cash flow (cash flow from operations less capital expenditures) of approximately US\$30 million. The combined company further expects to generate significant cash flow in 2015 and beyond.
- **Operatorship** – Both Petroamerica and Suroco qualified as a restricted operator in the 2010 bid round and the combined company will apply to operate the PUT-7 Block. The combined workforce has considerable operating experience obtained with larger operating companies.
- **Stronger Capital Markets Following and Increased Liquidity** – It is anticipated that the increased market capitalization of the combined company will attract larger institutional investors, increased research coverage and ultimately result in improved share trading and liquidity.

Based on the above attributes the combined company will be better positioned to close the valuation gap with its Colombian peers - Petroamerica is currently trading considerably below its peer group valuation range based on current and forward looking production and cash flow multiples. Petroamerica believes that the increased scale of the combined company, coupled with a strong balance sheet and an active 2014 drilling campaign, will enable the combined company to close this valuation gap. Shareholders of the combined company could reasonably expect for the shares of the combined company to trade more in-line with its peer group comparables.

With respect to the business transaction, Jeff Boyce, Executive Chairman of Petroamerica, commented:

"This business combination provides both sets of shareholders with exposure to a combined company underpinned by solid fundamentals with significant growth prospects in material oil plays in the Llanos and Putumayo Basins. Petroamerica continues to strongly believe in the merits of this transaction and that the size of the combined company with its diversified asset base, strong balance sheet and increased market capitalization, will facilitate easier access to capital, open up additional growth opportunities and close the valuation gap with our peer group."

Suroco Shareholders reading this press release should refer to Suroco's press release dated June 20, 2014

for instructions on when, where and how to vote their Suroco Shares.

See the Information Circular that has been sent to Suroco Shareholders, which can be found on Suroco's profile on SEDAR at www.sedar.com, and the June 11, 2014 press releases, and other subsequent press releases, of each of Suroco and Petroamerica. A copy of the Amended Arrangement Agreement has also been posted on Petroamerica's and Suroco's profile on SEDAR.

About Petroamerica

[Petroamerica Oil Corp.](http://www.PetroamericaOilCorp.com) is a Canadian oil and gas exploration and production company with activities in Colombia. Petroamerica currently produces more than 6,500 boepd and has interests in five blocks, all located in Colombia's Llanos Basin. Petroamerica's shares are listed on the TSX Venture Exchange under the symbol "PTA". A summary of the Company property holdings, including maps of the above noted acquisition, has been included in the current presentation located at www.PetroamericaOilCorp.com.

Forward Looking Statements:

This news release includes information that constitutes "forward-looking information" or "forward-looking statements". More particularly, this news release contains statements concerning expectations regarding the timing and successful completion of the Arrangement, cash flow, business strategy, priorities and plans, expected production, the evaluation of certain prospects in which Petroamerica will hold an interest following the completion of the Arrangement, estimated number of drilling locations, expected capital program (including its allocation), production growth, reserves growth, the receipt of and the timing of receipt of environmental licenses, the ability of Petroamerica to sell its crude volume and other statements, expectations, beliefs, goals, objectives assumptions and information about possible future events, conditions, results of operations or performance. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, estimates, forecasts, projections and other forward-looking statements will not occur, which may cause actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Business priorities disclosed herein are objectives only and their achievement cannot be guaranteed. Indicative capital estimates for 2014, which are provided herein, are subject to change.

Material risk factors include, but are not limited to: the inability to obtain regulatory approval for any operational activities, inability to get all necessary approvals for completion of the Arrangement, the risks of the oil and gas industry in general, such as operational risks in exploring for, developing and producing crude oil and natural gas, market demand and unpredictable shortages of equipment and/or labour; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; fluctuations in oil and gas prices, foreign currency exchange rates and interest rates, and reliance on industry partners and other factors, many of which are beyond the control of Petroamerica. You can find an additional discussion of those assumptions, risks and uncertainties in Petroamerica's Canadian securities filings.

Neither Petroamerica nor any of its subsidiaries nor any of its officers, directors or employees guarantees that the assumptions underlying such forward-looking statements are free from errors nor do any of the foregoing accept any responsibility for the future accuracy of the opinions expressed in this document or the actual occurrence of the forecasted developments.

Readers should also note that even if the drilling program as proposed by Petroamerica is successful, there are many factors that could result in production levels being less than anticipated or targeted, including without limitation, greater than anticipated declines in existing production due to poor reservoir performance, mechanical failures or inability to access production facilities, among other factors.

Statements relating to "reserves" are deemed to be forward-looking statements or information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitable in the future. There are numerous uncertainties inherent in estimating quantities of proved reserves, including many factors beyond the control of Petroamerica. The reserve data included herein represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. All such estimates are to some degree speculative and classifications of reserves are only attempts to define the degree of speculation involved.

The assumptions relating to reserves and resources are contained in the reports of GLJ Petroleum Consultants Ltd. for Petroamerica and Suroco each dated effective December 31, 2013.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed Arrangement and has neither approved nor disapproved 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 release.

Use of 'boe'

Throughout this press release, the calculation of barrels of oil equivalent ("boe") is at a conversion rate of 6,000 cubic feet ("cf") of natural gas for one barrel of oil and is based on an energy equivalence conversion method. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6,000 cf: 1 barrel is based on an energy equivalence conversion method primarily applicable at the burner tip and does not represent a value equivalence at the wellhead.

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