

Pieridae Energy Closes the Acquisition of Shell Canada's Foothills Assets

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Highlights:

- Acquisition immediately accretive to the Company
- Acquired majority of the gas needed to supply Train 1 at Goldboro LNG facility
- Further progress made toward Goldboro LNG final investment decision
- Pieridae remains committed to working respectfully with area communities and Treaty 7 Nations

CALGARY, Alberta, Oct. 17, 2019 -- [Pieridae Energy Ltd.](#) ("Pieridae" or the "Company") (TSXV: PEA) is pleased to announce that it has closed its acquisition of all of Shell Canada Energy's ("Shell") midstream and upstream assets in the southern Alberta Foothills (the "Assets") for \$190 million (the "Acquisition") in accordance with the terms of the amended and restated purchase and sale agreement dated October 7, 2019 (the "PSA"). All references to dollars (\$) are to Canadian currency.

Further to the \$10 million deposit paid at signing the PSA, on closing, Pieridae paid to Shell \$165 million of the purchase price of the Acquisition in cash (net of adjustments) which Pieridae funded through the issuance of term debt and equity (as further described below). Pieridae satisfied the balance of the purchase price of \$15 million by the issuance to Shell of 15.2 million common shares of the Company having an aggregate value of \$15 million determined in accordance with the PSA.

"We are very pleased to close this transformational acquisition as it secures the majority of the natural gas needed, once developed, to supply the first train at our Goldboro LNG facility for at least twenty years," said Pieridae's Chief Executive Officer, Alfred Sorensen. "We will now complete our negotiations with Kellogg Brown & Root Limited for a fixed price contract to construct the Goldboro LNG facility so that we can then proceed to complete the project financing and final equity raise and make a final investment decision."

With the Acquisition, Pieridae now has an extensive drilling inventory encompassing multiple dry gas and liquids-rich gas reservoirs within the Foothills area. The Company has engaged professionals, many of whom are transitioning from Shell, who have strong experience managing the four major processing facilities and associated midstream assets. Together with existing Foothills drilling and development experience within the Company, Pieridae is well positioned to leverage the US\$1.5 billion of the government-backed guarantees for conventional gas supply development which the German government approved in principle. This amount is in addition to the US\$3.0 billion of government-backed guarantees for the construction of the Goldboro LNG facility which the German government has also approved in principle. Certain aspects of the asset retirement obligation with respect to the Jumping Pound and Waterton gas plants remain with Shell.

"There are additional opportunities to develop our liquids-rich areas, process the sour gas, strip out the liquids, store the dry gas and then further develop our dry gas resources down the road," concluded Sorensen.

In addition to implementation of certain cost savings initiatives, Pieridae anticipates taking full advantage of the gas plant processing capabilities and other associated upstream services developed by Shell.

Moving forward, Pieridae is committed to working with the communities surrounding its newly acquired

assets, including continuing to build trust with the Treaty 7 Nations through respectful engagement and collaboration.

Description of Assets Acquired

In the first six months of 2019, the Assets produced approximately 28,634 barrels of oil equivalent per day (‘BOE/d’) consisting of approximately 119 million cubic feet per day (‘MMcf/d’) of natural gas, 5,656 barrels per day (‘bbl/d’) of natural gas liquids (‘NGL’) and 3,163 bbl/d of condensate and light oil. Pieridae also acquired three deep cut, sour gas processing plants (Jumping Pound, Caroline and Waterton), with a combined capacity of approximately 750 MMcf/d (currently operating with 420 MMcf/d of spare capacity), a 14% working interest in the Shantz sulphur forming plant, and approximately 1,700 kilometres of pipelines.

Acquisition Highlights and Rationale

The Assets align well with Pieridae’s existing Central Alberta properties, providing further consolidation of the productive Alberta and British Columbia conventional Foothills natural gas pools. It is expected that synergies will be realized within the acquired Assets area, where consolidation of working interests in production and midstream assets complement Pieridae’s existing core areas. The Assets consist of long life, low decline production, in the range of 10%, with approximately 31% liquids and sulphur yields.

The Assets’ proved developed producing reserves on a barrel of oil equivalent basis make up 70% of total reserve bookings, while undeveloped reserves are only 6% of the total reserve base, based on independent third-party engineering reports prepared by Deloitte LLP and GLJ Petroleum Consultants, the details of which were previously disclosed by the Corporation on June 26, 2019.

Equity Private Placement

On October 11, 2019, Pieridae announced that it had closed the first tranche of its brokered private placement of subscription receipts (the ‘Brokered Offering’) for gross proceeds of \$12.8 million and a non-brokered private placement of subscription receipts (the ‘Non-Brokered Offering’) for gross proceeds of \$0.6 million. The second and last tranche of the Brokered Offering closed concurrently with the closing of the Acquisition, with Pieridae issuing 23,255,813 common shares to Erikson National Energy Inc., a portfolio company of Third Eye Capital Corporation, at a price of \$0.86 per common share for gross proceeds of \$20.0 million. Haywood Securities Inc. acted as sole agent with respect to the Brokered Offering.

The closing of the Brokered Offering and the Non-Brokered Offering, together with the issuance of the common shares to Shell described above, fulfilled the equity commitment associated with the debt financing.

With the close of the Acquisition, each subscription receipt issued under the Subscription Receipt Offering is automatically exchanged on a one-to-one basis for common shares of Pieridae.

Pieridae used net proceeds of the Brokered Offering and the Non-Brokered Offering towards the Acquisition purchase price and for working capital purposes. The securities issued as part of the Brokered Offering and Non-Brokered Offering are subject to a statutory four-month hold period from the applicable closing date and applicable U.S. resale restrictions. The securities have not been registered under the U.S. Securities Act of 1933 (the ‘Act’), as amended, and may not be offered or sold in the United States unless registered under the Act or unless an exemption from registration is available.

Haywood Securities Inc. acted as financial advisor to Pieridae for the Acquisition.

Conversion of AIMCo Secured Convertible Debenture

As previously disclosed, Alberta Investment Management Corporation (‘AIMCo’), on behalf of

certain of its clients, subscribed for a secured convertible debenture of the Corporation for an aggregate principal amount of \$10 million. The principal amount of the Debenture plus all interest accrued thereon was converted into common shares of the Corporation at a deemed priced of \$0.86 per common share.

Term Loan Financing

In conjunction with the Acquisition, Pieridae is pleased to announce it has executed a Credit Agreement (the "Credit Agreement") with Third Eye Capital Corporation, as agent on behalf of certain lenders (collectively, "TEC" or the "Agent") providing for a senior secured non-revolving term loan facility in the aggregate amount of \$206 million (the "Term Loan").

The Term Loan bears interest at a fixed rate of 12% per annum from the date of issue, accrued daily and payable quarterly in cash. Additional interest of 3% per annum is payable quarterly in cash, or at the option of the Company and subject to the Agent's approval, payable in kind by way of accruing to the principal outstanding. Quarterly prepayments of principal will be made by the Company using excess cash flow as defined by the Credit Agreement after consideration of amounts required for the development of the Goldboro LNG facility, with any remaining principal becoming due when the Term Loan matures on October 16, 2023, subject to acceleration by TEC on certain events of default and the Company's right to repay without penalty under certain circumstances.

Pieridae will be using or has used the net proceeds of the Term Loan to: (i) partially fund the purchase price payable for the Acquisition, (ii) repay its current outstanding debt to AIMCo pursuant to the term loan entered into with AIMCo on December 20, 2018 (the "AIMCo Term Loan"), (iii) fund letters of credit required for existing and purchased assets and, (iv) satisfy all fees and expenses associated with the Term Loan and Acquisition.

The Term Loan is secured by, among other things (i) a first priority security interest in all of the present and future real and personal property of the Company and related credit parties (including the Assets) and, (ii) blocked account agreements covering the bank accounts of the Company and related credit parties.

Issuance of Shares for Debt

In connection with the repayment of the Corporation's current outstanding debt to AIMCo, the Corporation also issued 4,624,561 shares to AIMCo to satisfy the interest due and payable on the AIMCo Term Loan. All debt obligations to AIMCo have now been satisfied in full.

Issuance of Stock Options

In addition, the Corporation announces that the Board of Directors has approved the grant of an aggregate of 1,115,000 stock options to its officers and employees to purchase 1,115,000 common shares of the Company. These options will be granted on October 21, 2019 and priced at the closing price of the Pieridae common shares on October 18, 2019 in accordance with Pieridae's stock option plan – number two. These options will expire on October 21, 2024.

About Pieridae

Founded in 2011, Pieridae, a majority Canadian owned corporation based in Calgary, is focused on the development of integrated energy-related activities, from the exploration and extraction of natural gas to the development, construction and operation of the Goldboro LNG facility and the production of LNG for sale to Europe and other markets. Pieridae is on the leading edge of the re-integration of the LNG value chain in North America. After completion of all the transactions disclosed in this news release, Pieridae has 157,459,584 common shares issued and outstanding which trade on the TSX Venture Exchange (PEA).

Reserves Data

Statements relating to "reserves" are 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. There are numerous uncertainties inherent in estimating quantities of crude oil, natural gas and NGL reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth above are estimates only. In general, estimates of economically recoverable crude oil, natural gas and NGL 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, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially. For these reasons, estimates of the economically recoverable crude oil, NGL and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. Pieridae's and the Assets' actual production, revenues, taxes and development and operating expenditures with respect to their respective reserves will vary from estimates thereof and such variations could be material.

FORWARD-LOOKING STATEMENTS

This news release contains forward-looking statements and forward-looking information. In particular, this release contains forward-looking statements and information regarding the anticipated benefits of the Acquisition to Pieridae, including the quantity of the natural gas derived from the Assets and the ability of same to significantly progress the Goldboro project towards a final investment decision; the value of synergy cost savings; and the ability of Pieridae to effectively integrate the Assets with its current operations. Although Pieridae believes that the expectations reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements because Pieridae can give no assurance that such expectations will prove to be correct. Pieridae has made these forward-looking statements in reliance on certain assumptions and factors that Pieridae believes are reasonable at this time. These assumptions may prove to be incorrect. Pieridae has also made assumptions regarding the general stability of the economic and political environment in which Pieridae operates; the ability of Pieridae to retain qualified staff, equipment and services in a timely and cost efficient manner; the ability of Pieridae to operate the Assets in a safe, efficient and effective manner; the timing and costs of pipeline, storage and facility construction and expansion and the ability of Pieridae to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Pieridae operates; timing and amount of capital expenditures, future sources of funding, production levels, weather conditions, success of exploration and development activities, access to gathering, processing and pipeline systems, advancing technologies, and the ability of Pieridae to successfully market its oil and natural gas. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this press release. Pieridae disclaims any intention and has no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Barrels of oil equivalent ("boes") 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.

For further information please contact:

Alfred Sorensen, Chief Executive Officer James Millar, Director, External Relations

Telephone: (403) 261-5900

Telephone: (403) 261-5900

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