

# Bonavista Announces Synergistic Asset Acquisition

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Calgary, December 5, 2019 - [Bonavista Energy Corp.](#) (TSX: BNP) ("Bonavista" or the "Company") is pleased to announce the acquisition of certain oil and liquids rich natural gas weighted properties (the "Acquired Assets") located within our West Central Alberta core area (the "Acquisition") which are synergistic to our existing operations, complementary to our development plans and accretive to our debt leverage.

The transaction closed on December 4<sup>th</sup>, 2019 with an effective date of November 1<sup>st</sup>, 2019. The purchase price of \$53.3 million, which is subject to customary post-closing adjustments was funded through our existing bank credit facility in addition to adjusted funds flow.

Map 1: West Central Core Area

To view an enhanced version of Map 1, please visit:

[https://orders.newsfilecorp.com/files/1742/50440\\_8030adc804d29938\\_002full.jpg](https://orders.newsfilecorp.com/files/1742/50440_8030adc804d29938_002full.jpg)

## TRANSACTION HIGHLIGHTS

This asset acquisition is consistent with Bonavista's strategy to concentrate our portfolio in two core areas in Alberta. Our consolidation efforts have led to sustainable and scalable low-cost operations in our core areas with numerous profitable and predictable development opportunities. The Acquired Assets reside in our West Central core area where we operate numerous oil and natural gas processing facilities, over 70,000 horsepower of natural gas compression and nearly 3,200 kilometers of pipeline infrastructure. In August 2019, average production from the Acquired Assets was 8,900 boe per day (41% oil and natural gas liquids ("NGL")) with a moderate annual production decline of 20%.

The Acquired Assets include ownership in approximately 500 net sections of mineral rights most of which are located in close proximity to Bonavista's existing land position. Approximately 60 net horizontal drilling opportunities have been identified, some of which are extended-reach locations adjacent to our existing lands, enhancing the economic value of the combined drilling spacing unit. The Acquired Assets will have a nominal impact on Bonavista's corporate LMR ratio decreasing it by approximately eight percent to 3.4. Given our significant presence in the area, acquired liabilities will be efficiently managed through our existing area-based closure programs and will result in a modest increase of incremental capital allocation to our annual abandonment and reclamation program in future years.

## TRANSACTION BENEFITS

- Enhances the quality, efficiency and sustainability of our West Central core area with the addition of a low decline, predictable production base estimated to average 8,200 boe per day in the first quarter of 2020, weighted 44% towards oil and NGLs and generating an average operating netback of \$11 per boe based on forward commodity prices as at November 19, 2019.
- Scales up our developed and undeveloped position in the Glauconite formation in central Alberta which is accretive in oil and NGL composition to our corporate production and will be instrumental in enhancing profitability within the core area.

- With approximately 80% of the acquired production flowing through operated infrastructure, we will immediately align and optimize operations within our West Central core area with the potential to reduce operating expenses on the Acquired Assets by an estimated 30% in 2020 when compared to 2019.
- Development opportunities that complement our existing opportunities resulting in the allocation of between \$30 to \$35 million of exploration and development capital spending per year on the Acquired Assets over the next two years. This is expected to generate approximately \$80 million of adjusted funds flow over the next 24-month period based on forward commodity prices as at November 19, 2019 on the Acquired Assets.

## RESERVES

	Natural Gas (Bcf)	Oil and Natural Gas Liquids (mmbbls)	Total (mboe)
Proved Producing (1,2,3)	58.9	7,202	17,015
Total Proved (1,2,3)	99.8	13,681	30,308
Total Proved plus Probable (1,2,3)	153.8	21,806	47,432

### Notes:

1. Reserves are working interest reserves prior to the deduction of royalties and including royalty interests.
2. Reserve estimates are based on McDaniels & Associates Consultants Ltd.'s ("McDaniels") reserve evaluations dated June 7, 2019 and effective June 1, 2019 prepared in accordance with NI 51-101 and the COGE Handbook.
3. The estimates of reserves for individual properties may not reflect the same confidence level as estimates of reserves for all properties, due to the effects of aggregation.

## OUTLOOK

This Acquisition is another meaningful step in strengthening our asset portfolio by improving the sustainability in our West Central core area. The Acquisition increases our inventory of predictable and profitable drilling opportunities and provides incremental operating scale enabling continued cost reductions and heightened profitability in this unpredictable commodity price environment. Ultimately, the synergies created by the proximity of the Acquired Assets to our existing operations will lead to continued improvements in both capital and operating efficiencies, augmented development opportunities and enhanced long-term shareholder value.

With the addition of the Acquired Assets to our portfolio, Bonavista anticipates corporate production to average between 65,000 and 67,000 boe per day in the first quarter of 2020. Notwithstanding recent strength in natural gas and NGL pricing, we will remain prudent with our development plans for 2020 and spend within adjusted funds flow to allow for the continued focus on reducing net debt. Capital spending of between \$40 and \$50 million on our corporate exploration and development program is currently planned for the first quarter of 2020.

## NON-GAAP MEASURES

Throughout this news release we have made reference to terms that are commonly used in the oil and natural gas industry, but do not have any standardized meaning as prescribed by IFRS and therefore may not be comparable with the calculations of similar measures for other entities. Management believes that the presentation of non-GAAP measures provide useful information to investors and shareholders as the measures provide increased transparency and the ability to better analyze performance against prior periods on a comparable basis. The non-GAAP measures included in this document are:

- "Adjusted funds flow" which is based on cash flow from operating activities, excluding changes in non-cash working capital, decommissioning expenditures and including interest expense. Where working capital is equal to current assets less current liabilities.

Certain non-cash charges and decommissioning expenditures have been excluded from the calculation of adjusted funds flow, as management believes the timing of collection, payment and incurrence is variable and by excluding them from the calculation management is able to provide a more meaningful measure of Bonavista's cash flow on a continuing basis. More specifically, expenditures on decommissioning liabilities may vary from period to period depending on Bonavista's capital programs and the maturity of its operating areas. The settlement of decommissioning obligations is managed through Bonavista's capital budgeting process which considers its available adjusted funds flow.

Bonavista considers adjusted funds flow to be a key measure that provides a more complete understanding of Bonavista's ability to generate cash flow necessary to finance capital expenditures, expenditures on decommissioning obligations and meet its financial obligations. Bonavista considers its capital structure to include working capital (excluding associated assets and liabilities from financial instrument commodity contracts, lease liabilities and decommissioning liabilities), bank credit facility, senior unsecured notes and shareholders' equity. Bonavista monitors capital based on the ratio of net debt to adjusted funds flow (annualized current quarter).

- "Operating netback" is equal to production revenues and realized gains and losses on financial instrument commodity contracts, less royalties, operating and transportation expenses. Operating netback per boe is calculated by dividing operating netback by total production volumes sold in the period.

Bonavista's management believes that operating netback is a key industry benchmark and a measure of operating performance that assists management and investors in assessing Bonavista's profitability. Operating netback on a per boe basis assists Bonavista's management and investors in evaluating operating performance on a comparable basis.

Reference should be made to our third quarter 2019 Management's Discussion and Analysis for additional disclosure on this non-GAAP measures, including reconciliations to the most comparable GAAP measure.

## OIL AND GAS ADVISORIES

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (boe). We use the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 mcf = 1 bbl). The 6:1 boe ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the boe ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

The following abbreviations used in this news release have the meanings set forth below:

Mbbls thousand barrels  
Boe barrels of oil equivalent  
Mboe thousand of barrels of oil equivalent  
Mcf thousand cubic feet  
MMcf million cubic feet  
\$000's thousands of dollars

This news release discloses drilling locations associated with the Acquired Assets in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the McDaniels reserve report dated June 7, 2019 and effective June 1, 2019 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates prepared by a qualified reserves evaluator based on prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Of the 62.2 net horizontal locations

disclosed in this news release, 8.3 are net proved locations, 15.5 are net probable locations and 38.4 are net unbooked locations. There is no certainty that we will drill all unbooked drilling locations and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional oil and gas reserves or production.

## FORWARD-LOOKING INFORMATION

Except for the historical and present factual information contained herein, the matters set forth in this news release, including words such as "estimated", "enhances", "strengthens", "opportunity", "improving", "generate" and similar expressions, are forward-looking information that represent management's internal projections, expectations or beliefs concerning, among other things, our future strategy, plans and focus. In addition, this news release contains forward-looking information relating to our expectations that the Acquired Assets are synergistic to our existing operations, complementary to our development plans and accretive to our debt leverage; our strategy to concentrate our portfolio in two core areas in Alberta; expectations that our core areas provide sustainable and scalable low-cost operations with numerous profitable and predictable development opportunities; expectations regarding our compression capacity in our West Central core area; the annual production decline of the Acquired Assets; access to mineral rights and drilling inventory associated with the Acquired Assets; expectations that Acquired Assets will enhance the economic value of the combined drilling spacing units; our LMR ratio pursuant to the Acquisition and our plans to manage the management of such liability through our existing area-based closure program and the incremental capital that will be required in connection with such liabilities; expectations that the Acquisition enhances the quality, efficiency and sustainability of our West Central core area; the decline rate and predictability of the production of the Acquired Assets; first quarter 2020 expected production, including production mix, and average netback from the Acquired Assets; expectations that the Acquisition scales up our developed and undeveloped position in the Glauconite formation in central Alberta and will enhance profitability within the core area; our plans to align and optimize operations within our West Central core area and to reduce operating expenses on the Acquired Assets by an estimated 30% in 2020; planned capital expenditures on the Acquired Assets for the next two years and the anticipated results therefrom including adjusted funds flow; expectations that the Acquired Assets improve the sustainability in our West Central core area, increases our inventory of predictable and profitable drilling opportunities and provides incremental operating scale enabling continued cost reductions and heightened profitability; the synergic opportunities to be realized in our West Central core area as a result of the acquisition of the Acquired Assets including capital and operating efficiencies, augmented development opportunities and enhanced long-term shareholder value; first quarter 2020 average total corporate production; development plans for 2020; plans to spend within adjusted funds flow to allow for the continued focus to debt repayment; and first quarter 2020 capital spending.

In addition, 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 can be profitably produced in the future.

The forward-looking statements contained in this news release are based on certain assumptions, which management considers reasonable, and include, among others, commodity prices and royalty regimes; exchange rates; future production rates; future 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; conditions in general economic and financial markets; the availability and cost of financing, labour and services; the impact of increasing competition; ability to market oil and natural gas successfully; access to capital; availability of drilling and related equipment; and effects of regulation by governmental agencies.

The forward-looking statements contained in this news release necessarily involve known and unknown risks and uncertainties, which may cause our actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve

estimates, environmental risks, changes in environmental tax and royalty legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, and our ability to access sufficient capital from internal and external sources. 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](http://www.sedar.com)).

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

These forward-looking statements are made as of the date of this news release and we disclaim 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.

#### FOR FURTHER INFORMATION CONTACT

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