

# Pipestone Energy Corp. Announces the Conversion of Its Convertible Preferred Shares

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CALGARY, Oct. 11, 2022 - (PIPE - TSX) [Pipestone Energy Corp.](#) ("Pipestone" or the "Company") is pleased to announce the voluntary early conversion of all the outstanding convertible preferred shares ("CP Shares") of the Company by the holders thereof. This early conversion further confirms the ongoing support for Pipestone provided by its major shareholders, Riverstone Pipestone LP, GMT Capital Corp., and GMT Exploration Company LLC.

On September 17, 2020, Pipestone issued \$70 million of CP Shares, the proceeds of which were used to resume its development program amidst the severe commodity price decline due to the COVID-19 pandemic in the first half of 2020. This financing provided the Company with the necessary capital to continue efficiently growing its asset, from ~13,700 boe/d in Q3 2020 to ~30,800 boe/d as of Q2 2022.

The CP Shares carried a conversion price of \$0.85 per share, as well as a 6.5% dividend entitlement, payable in arrears. The holders of the CP Shares had the right to convert their CP Shares at any time. After the second anniversary of issuance, if the common shares ("Common Shares") of the Company were trading in excess of \$1.70 per share for 20 days over a 30-day trading period and Pipestone had an effective shelf prospectus covering resales of the underlying Common Shares, all of the CP Shares outstanding at such time would be automatically converted into Common Shares at the conversion price.

Pursuant to the terms of the CP Shares, for a period of two years from the date of issuance, accrued and unpaid dividends ("PIK accruals") were added to the liquidation preference of the CP Shares. After two years, at the option of the Company, dividends could be declared and paid in cash, including the cumulative PIK accruals, if the CP Shares were not voluntarily converted by the holders thereof. These two factors in combination have led to the early conversion of the CP Shares by the holders thereof.

On September 30, 2022, the date of the conversion notices, the CP Shares had a liquidation preference, including the PIK accruals, of \$79,850,406.82, and were converted into an aggregate of 93,941,655 Common Shares on October 5, 2022. No dividends were declared or paid on the CP Shares while they were outstanding. Pro forma, Pipestone now has 279,442,517 Common Shares outstanding.

In preparation for the early mandatory conversion of the CP Shares in the event the holders thereof did not voluntarily convert their CP Shares, Pipestone filed a shelf prospectus which became effective on September 30, 2022. While the shelf prospectus provides the Company future flexibility with respect to the issuance of various securities, it currently has no contemplated plan to raise capital. At current commodity prices, Pipestone expects to continue generating significant free cash flow.

[Pipestone Energy Corp.](#)

Pipestone is an oil and gas exploration and production company focused on developing its large contiguous and condensate rich Montney asset base in the Pipestone area near Grande Prairie. Pipestone expects to grow its production to 32 Mboe/d (midpoint) in 2022 and to approximately 55 Mboe/d by exit 2025, while generating significant free cash flow and de-leveraging the business. Pipestone is committed to building long term value for our shareholders while maintaining the highest possible environmental and operating standards, as well as being an active and contributing member to the communities in which it operates. Pipestone has achieved certification of all its production from its Montney asset under the Equitable Origin EO100™ Standard for Responsible Energy Development. Pipestone shares trade under the symbol PIPE on the TSX. For more information, visit [www.pipestonecorp.com](http://www.pipestonecorp.com).

Pipestone Energy Contacts:

Paul Wanklyn President and Chief Executive Officer (587) 392-8407 paul.wanklyn@pipestonecorp.com	Craig Nieboer Chief Financial Officer (587) 392-8408 craig.nieboer@pipestonecorp.com
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Dan van Kessel  
VP Corporate Development  
(587) 392-8414  
dan.vankessel@pipestonecorp.com

#### Advisory Regarding Forward-Looking Statements

In the interest of providing shareholders of Pipestone and potential investors information regarding Pipestone, this news release contains certain information and statements ("forward-looking statements") that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future results or events, are based upon internal plans, intentions, expectations and beliefs, and are subject to risks and uncertainties that may cause actual results or events to differ materially from those indicated or suggested therein. All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are typically, but not always, identified by words such as "anticipate", "estimate", "expect", "intend", "forecast", "continue", "propose", "may", "will", "should", "believe", "plan", "target", "objective", "project", "potential" and similar or other expressions indicating or suggesting future results or events.

Forward-looking statements are not promises of future outcomes. There is no assurance that the results or events indicated or suggested by the forward-looking statements, or the plans, intentions, expectations or beliefs contained therein or upon which they are based, are correct or will in fact occur or be realized (or if they do, what benefits Pipestone may derive therefrom).

In particular, this news release contains forward-looking statements pertaining to the Company's expectation of continuing to generate significant free cash flow at current commodity prices.

With respect to the forward-looking statements contained in this news release, Pipestone has assessed material factors and made assumptions regarding, among other things: future commodity prices and currency exchange rates, including consistency of future oil, natural gas liquids ("NGLs") and natural gas prices with current commodity price forecasts; the ability to contractually secure incremental natural gas processing capacity, beginning in 2023, on terms acceptable to Pipestone or at all; the economic impacts of the COVID-19 pandemic; Pipestone's continued ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the predictability of future results based on past and current experience; the predictability and consistency of the legislative and regulatory regime governing royalties, taxes, environmental matters and oil and gas operations, both provincially and federally; Pipestone's ability to successfully market its production of oil, NGLs and natural gas; the timing and success of drilling and completion activities (and the extent to which the results thereof meet expectations); Pipestone's future production levels and amount of future capital investment, and their consistency with Pipestone's current development plans and budget; future capital expenditure requirements and the sufficiency thereof to achieve Pipestone's objectives; the successful application of drilling and completion technology and processes; the applicability of new technologies for recovery and production of Pipestone's reserves and other resources, and their ability to improve capital and operational efficiencies in the future; the recoverability of Pipestone's reserves and other resources; Pipestone's ability to economically produce oil and gas from its properties and the timing and cost to do so; the performance of both new and existing wells; future cash flows from production; future sources of funding for Pipestone's capital program, and its ability to obtain external financing when required and on acceptable terms; future debt levels; geological and engineering estimates in respect of Pipestone's reserves and other resources; the accuracy of geological and geophysical data and the interpretation thereof; the geography of the areas in which Pipestone conducts exploration and development activities; the timely receipt of required regulatory approvals; the access, economic, regulatory and physical limitations to which Pipestone may be subject from time to time; and the impact of industry competition.

The forward-looking statements contained herein reflect management's current views, but the assessments and assumptions upon which they are based may prove to be incorrect. Although Pipestone believes that its underlying assessments and assumptions are reasonable based on currently available information, undue reliance should not be placed on forward-looking statements, which are inherently uncertain, depend upon

the accuracy of such assessments and assumptions, and are subject to known and unknown risks, uncertainties and other factors, both general and specific, many of which are beyond Pipestone's control, that may cause actual results or events to differ materially from those indicated or suggested in the forward-looking statements. Such risks and uncertainties include, but are not limited to, volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto; general economic, business and industry conditions; variance of Pipestone's actual capital costs, operating costs and economic returns from those anticipated; the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms; and the availability of sufficient natural gas processing capacity; and risks related to the exploration, development and production of oil and natural gas reserves and resources. Additional risks, uncertainties and other factors are discussed in the MD&A dated March 9, 2022 and in Pipestone's annual information form dated March 9, 2022, copies of which are available electronically on Pipestone's SEDAR profile at [www.sedar.com](http://www.sedar.com).

The forward-looking statements contained in this news release are made as of the date hereof and Pipestone assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. All forward-looking statements herein are expressly qualified by this advisory.

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