

Pipestone Energy Corp. Enters into Agreement to be Acquired by Strathcona Resources Ltd. in an All-Share Transaction, Creating a New Public Canadian Oil & Gas Champion

01.08.2023 | [GlobeNewswire](#)

CALGARY, Aug. 01, 2023 - StrathCona Resources Ltd. ("Strathcona") and [Pipestone Energy Corp.](#) (TSX: PIPE) ("Pipestone") are pleased to announce that they have entered into a definitive agreement (the "Arrangement Agreement"), pursuant to which Strathcona will acquire all of the issued and outstanding common shares of Pipestone for 100% share consideration (the "Transaction"). Upon closing of the Transaction, Strathcona will become a public reporting issuer in Canada.

Strategic Transaction Rationale for Pipestone Shareholders:

The Pipestone Board and management team view this transaction as being in the best interests of Pipestone shareholders. The Company has grown its production rapidly since inception, developing an economically attractive asset base. This all-share combination provides Pipestone shareholders with a meaningful ownership stake in a large, low-decline rate, oil-weighted producer with more than 35 years of highly economic development inventory and significant tax shelter to optimize future growth.

- Continued Ownership Stake in a Highly Differentiated Producer: The combined company will have three core areas, each with meaningful scale and inventory, and a balance of heavy oil, condensate / NGLs and natural gas production. The combined company will be strongly positioned against other large oil-weighted Canadian producers on production growth rate, netback, reserve life and free cash flow generation;
- Achieves the Size and Scale Required for Market Relevance: The Combination is a compelling opportunity to create the fifth largest liquids producer in Canada measured by production and reserves, significantly increasing market relevance, which is expected to garner incremental institutional investor interest and drive increased long-term value for Pipestone shareholders;

Dustin Hoffman, Pipestone COO and interim CEO, stated, *"The acquisition of Pipestone by Strathcona reflects the successful culmination of growing and delineating our asset base over the past four years. This all-share transaction delivers shareholders ongoing exposure to one of the largest, well diversified, upstream producers in North America, which has the capacity to grow its production meaningfully over the next decade."*

Gord Ritchie, Chairman of the Board of Directors of Pipestone, commented, *"We are excited to be combining Pipestone with Strathcona, creating a new Canadian oil and gas champion with long-life reserves, significant growth potential, and low sustaining breakevens. We are proud to have grown Pipestone from 152 boe / d to 35,162 boe / d in just four short years, and now the combination with Strathcona allows Pipestone shareholders to share in future growth and value creation for decades. This transaction is the culmination of a thorough strategic review conducted by the special committee of the board of the directors of Pipestone which concluded that the combination with Strathcona created the strongest value creation opportunity for Pipestone shareholders versus both the status quo and other available alternatives."*

Transaction Overview

Pursuant to the Transaction, Strathcona and Pipestone will be amalgamated to form a new corporation, which will continue as "[StrathCona Resources Ltd.](#)" ("AmalCo"). Following completion of the Transaction, existing Pipestone shareholders will receive approximately 9.05% of the pro forma equity in AmalCo on a fully-diluted basis (approximately 8.87% basic), equating to an exchange ratio of 0.067967 AmalCo shares per Pipestone share. Existing Strathcona shareholders, comprised of Waterous Energy Fund ("WEF")

(99.7%) and Strathcona employees (0.3%), will own the balance. The exchange ratio implies an initial market capitalization of approximately C\$8.6 billion¹, which, when combined with approximately C\$2.9 billion in pro forma debt outstanding on closing of the Transaction, equates to an initial enterprise value of approximately C\$11.5 billion.

Pro Forma Company Overview

Pro forma for the Transaction, Strathcona will be the fifth largest oil producer in Canada, with current production of approximately 185,000 boe / d (70% oil / condensate, 78% total liquids), across three concentrated core areas: Cold Lake Thermal (55,000 bbls / d), Lloydminster Heavy Oil (55,000 bbls / d) and Montney (75,000 boe / d).

Strathcona will be led by Adam Waterous (Executive Chairman), Rob Morgan (President and Chief Executive Officer), Connor Waterous (Senior Vice President and Chief Financial Officer), and Strathcona's experienced executive team. WEF intends to be a long-term shareholder in Strathcona and has no intention to divest of any of its AmalCo shares in connection with the Transaction.

Adam Waterous, Executive Chairman of the Board of Directors of Strathcona and Chief Executive Officer of WEF, remarked, *"Over the last six and half years we have built Strathcona from 5,000 boe / d to 185,000 boe / d through a combination of organic growth and complementary acquisitions. In doing so we have employed a value investing strategy to grow per share intrinsic value while maintaining a margin of safety. We are excited to continue building Strathcona within the public markets and believe that now is an attractive time to be growing an oil and gas business in Canada."*

Rob Morgan, President and Chief Executive Officer of Strathcona, remarked, *"We are excited about the acquisition of Pipestone, which fits hand-in-glove with our existing condensate-rich Alberta Montney properties and provides a natural hedge to the natural gas and condensate consumed in our Cold Lake Thermal and Lloydminster Heavy Oil operations. We look forward to welcoming Pipestone's public shareholders as our new partners and growing per share value for them."*

Pro Forma Investment Highlights: Long Life, High Growth, Low Breakeven

1. 2P Reserve Life Index of 38 Years:

- Longest 2P reserve life of any business >150,000 boe / d in Canada
- Best-in-class 1-year and 3-year avg. PDP recycle ratios of approximately 3.5x
- Well defined and delineated resource base with minimal technical risk

Summary of Pro Forma Reserves (as of December 31, 2022)²

	Before Tax NPV10 (C\$Bn)	Volumes (MMboe)	Reserve Life Index (Years) ³
Proved Reserves (1P)	\$15.9	1,500	22
Proved Plus Probable Reserves (2P)	\$23.2	2,591	38

2. Opportunity to Grow Business Organically to >325,000 boe / d:

- Opportunity to grow production by approximately 75% in as few as eight years (up to 8% compound annual growth rate)
- Staged approach to growth, taking advantage of the most capital-efficient projects first:
 - ~220,000 boe / d within existing facility capacity
 - ~285,000 boe / d including debottlenecking projects and brownfield expansions
 - ~325,000 boe / d including well-defined greenfield opportunities
- Opportunity for additional growth through further acquisitions

3. Full-Cycle⁴ WTI Oil Breakeven of Less than US\$40/Bbl:

- Low base corporate decline rate of <25% (~15% for oil), leading to low sustaining capital requirements
- Premium realized pricing in Cold Lake Thermal versus Athabasca oil sands, driven by lower blending costs, higher crude oil quality, and lower transportation costs

- Premium realized pricing (net of transportation costs) in Lloydminster Heavy Oil versus local markets, driven by 50,000 bbls / d capacity owned and operated Hamlin rail terminal, delivering undiluted crude to the US Gulf Coast
- Low cost, liquids-rich (~45% liquids) Montney assets provide short-cycle growth and a natural hedge to condensate and natural gas prices
- Approximately C\$6.4 billion in pro forma tax pools (including ~C\$3 billion which may be utilized immediately); Strathcona does not expect to pay cash taxes before 2026

Support for the Transaction: Pipestone Board Recommendation, Fairness Opinions, and Voting Support Agreements

Based on, among other things, the unanimous recommendation of a special committee composed of independent directors (the "Special Committee"), and after consultation with its outside financial advisors and legal advisors, the Board of Directors of Pipestone has approved the Transaction and has determined that: (i) the Transaction is fair to shareholders of Pipestone; (ii) the Transaction and entry into the Arrangement Agreement by Pipestone are in the best interests of Pipestone; and (iii) it will recommend that shareholders of Pipestone vote in favour of the Transaction.

BMO Capital Markets has provided an oral opinion to the Special Committee, and Raymond James has provided an oral opinion to the Board of Directors of Pipestone that, in each case, as of the date thereof and subject to the stated assumptions, limitations and qualifications, the consideration to be received by the shareholders of Pipestone pursuant to the Transaction is fair, from a financial point of view, to the shareholders of Pipestone.

Pipestone shareholders, including certain directors and all of the officers of Pipestone, holding an aggregate of greater than 39% of the Pipestone Shares have entered into voting support agreements with Strathcona, pursuant to which such Pipestone shareholders have agreed, among other things, to vote their Pipestone shares in favour of the Transaction and to vote against any alternative or competing transaction.

Additional Transaction Details

Strathcona and Pipestone have entered into the Arrangement Agreement to effect the Transaction through a plan of arrangement under the *Business Corporations Act* (Alberta). The Transaction requires the approval of at least 66²/₃% of the votes cast by Pipestone shareholders, present in person or represented by proxy, at a special meeting of Pipestone shareholders to be called to consider the Transaction (the "Pipestone Shareholder Meeting") and, if applicable, a majority of the votes cast by Pipestone shareholders after excluding the votes cast by those persons whose votes may not be included pursuant to Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*.

Pursuant to the Arrangement Agreement, the completion of the Transaction will also be subject to, among other things, (i) the approval of the Court of King's Bench of Alberta, (ii) the receipt of approval under the *Competition Act* (Canada), (iii) approval of the Toronto Stock Exchange with respect to the listing of AmalCo's shares, and (iv) other customary closing conditions.

The Arrangement Agreement includes non-solicitation covenants by Pipestone, which are subject to certain "fiduciary out" provisions that allow the Pipestone Board of Directors to change its recommendation with respect to the Transaction and/or to accept transactions financially superior to the Transaction, subject to the right of Strathcona to match such proposals. The Arrangement Agreement provides for mutual non-completion fees of \$25 million in the event the Transaction is not completed or is terminated by either party in certain circumstances.

Further information regarding the Transaction, Strathcona and AmalCo will be contained in a management information circular to be prepared, filed and mailed by Pipestone in due course in connection with the Pipestone Shareholder Meeting, which is expected to be held late in the third quarter of 2023. The Transaction is expected to close early in the fourth quarter of 2023.

Pro Forma Share Summary

Table accompanying this announcement is available at <https://www.globenewswire.com/NewsRoom/AttachmentNg/2c1aef2e-fb90-4551-b4a4-eefdd4f564dd>

Further Information and Conference Call

A copy of the Arrangement Agreement with respect to the Transaction will be filed on Pipestone's profile at www.sedarplus.ca and will be available for viewing on Pipestone's website at www.pipestonecorp.com and Strathcona's website at www.strathconaresources.com.

Additional information regarding Strathcona is included in the company's presentation on its website at www.strathconaresources.com. Further forward-looking guidance and return of capital program details will be provided upon closing the Transaction.

Strathcona and Pipestone will be hosting a joint conference call on Tuesday, August 1, 2023, at 08:00 a.m. Mountain Time (10:00 a.m. Eastern Time) to discuss the announced Transaction. Please use the following participant registration link to join the call: <https://register.vevent.com/register/B1e3496d4ba22c4390ae704c2425e152e2>. This link will provide each registrant with a toll-free dial-in number and a unique PIN to connect to the call.

Advisors

BMO Capital Markets is acting as exclusive financial advisor to the Special Committee of Pipestone. Raymond James Ltd. provided a fairness opinion to the Pipestone Board of Directors. McCarthy Tétrault LLP is acting as Pipestone's legal advisor for the Transaction.

CIBC Capital Markets, Scotiabank and Mizuho Securities USA are acting as financial advisors to Strathcona in connection with the Transaction.

TD Securities, RBC Capital Markets, Scotiabank, CIBC Capital Markets, and BMO Capital Markets are serving as Co-Lead Arrangers and Joint Bookrunners, and ATB Capital Markets is serving as documentation agent, on AmalCo's expanded credit facilities.

Blake, Cassels & Graydon LLP is serving as legal advisor to Strathcona in connection with the Transaction, and Stikeman Elliott LLP is serving as legal advisor to WEF in connection with the Transaction.

Strathcona Company Contacts

Rob Morgan, President & Chief Executive Officer
(403) 930-3003
rob.morgan@strathconaresources.com

Connor Waterous, Senior Vice-President & Chief Financial Officer
(403) 930-3004
connor.waterous@strathconaresources.com

Pipestone Company Contacts

Dustin Hoffman, Chief Operating Officer and Interim President and Chief Executive Officer
(587) 392-8423
dustin.hoffman@pipestonecorp.com

Craig Nieboer, Chief Financial Officer

(587) 392-8408
craig.nieboer@pipestonecorp.com

Dan van Kessel, Vice President Corporate Development
(587) 392-8414
dan.vankessel@pipestonecorp.com

About Strath[Cona Resources Ltd.](#)

Strathcona Resources is one of North America's fastest growing oil and gas producers with operations focused on thermal oil, enhanced oil recovery and liquids-rich natural gas. Strathcona is built on an innovative approach to growth achieved through the consolidation and development of long-life oil and gas assets. For more information about Strathcona, visit www.strathconaresources.com.

About Pipe[Stone 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 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 EO100TM Standard for Responsible Energy Development. Pipestone shares trade under the symbol PIPE on the Toronto Stock Exchange. For more information, visit www.pipestonecorp.com.

Forward-Looking Information

This news release contains certain forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws, which are based on the Strathcona's current internal expectations, estimates, projections, assumptions and beliefs. The use of any of the words "believe", "estimate", "anticipate", "expect", "plan", "predict", "outlook", "target", "project", "plan", "may", "could", "will", "shall", "should", "intend", "potential" and similar expressions are intended to identify forward-looking information. These statements are not guarantees of future performance, and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

Forward-looking information in this news release includes, but is not limited to: the Transaction, including the terms and expected timing for completion thereof; the business, operations and assets of AmalCo following completion of the Transaction, including expected production (aggregate and by area), and the composition thereof, recycle ratios, decline rates and break-even pricing; expectations with respect to the pricing for, and costs of, AmalCo's production; the estimated quantity of AmalCo's reserves, including the estimated future net revenues before taxes therefrom; expectations with respect to opportunities to increase AmalCo's production following completion of the Transaction, including the strategies therefor, including debottlenecking projects, brownfield and greenfield expansions, and acquisitions, and the timing thereof; AmalCo's tax pools, including the characteristics thereof, and the expected timing for AmalCo being required to pay cash taxes; the expected senior executive team of Strathcona; the estimated market capitalization and enterprise value of AmalCo following completion of the Transaction; the pro forma ownership of AmalCo by Pipestone shareholders and Strathcona shareholders following completion of the Transaction; and the timing of the Pipestone Shareholder Meeting and the mailing by Pipestone of the management information circular in connection therewith.

The forward-looking information in this news release is based on certain assumptions that Strathcona has made in respect thereof as at the date hereof regarding, among other things: the ability of Strathcona and Pipestone to satisfy the conditions to closing of the Transaction in a timely manner and substantially on the terms described herein; that all required regulatory and third party approvals in connection with the Transaction can be obtained on the necessary terms in a timely manner; that AmalCo's future financial and operating results will be consistent with the expectations of Strathcona management in relation thereto; AmalCo's future operating costs; that AmalCo will have the ability to develop its crude oil and natural gas properties in the manner currently contemplated; the estimates of AmalCo's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material

respects; general economic conditions, including prevailing commodity prices, including prices with respect to AmalCo's production, carbon prices, interest rates, inflation rates and exchange rates; prevailing regulatory, tax and environmental laws and regulations; the availability of capital to fund AmalCo's future capital requirements, including on terms acceptable to AmalCo, including potential expansion opportunities; the ability of AmalCo to obtain equipment, services, supplies and personnel to carry out its business activities; the ability of AmalCo to successfully market its business in the areas in which it operates; that counterparties will comply with contracts in a timely manner; assumptions with respect to the impacts, direct and indirect, of the conflict between Ukraine and Russia on, among other things, global supply and demand, commodity prices, inflation and interest rates and supply chains; and expectations regarding any ongoing impacts, direct and indirect, of the COVID-19 pandemic on our business, customers, employees, supply chains, other stakeholders and the overall global economy.

Although Strathcona believes the expectations and material factors and assumptions reflected in the forward-looking information herein are reasonable as of the date hereof, there can be no assurance that these expectations, factors and assumptions will prove to be correct. The forward-looking information is not a guarantee of future performance and is subject to a number of known and unknown risks and uncertainties that could cause actual events or results to differ materially, including, but not limited to: the ability of Strathcona and Pipestone to receive, in a timely manner, the necessary regulatory and other third-party approvals in connection with closing of the Transaction; the ability of Strathcona and Pipestone to satisfy, in a timely manner, the other conditions to the closing of the Transaction; changes in general economic conditions, including fluctuations in interest rates, inflation rates and exchange rates, and volatility in commodity prices, including crude oil and natural gas; operational risks and uncertainties associated with oil and gas activities, including unexpected formations or pressures, premature declines of reservoirs, fires, blow-outs, equipment failures and other accidents, uncontrollable flows of crude oil, natural gas or well fluids, and pollution and other environmental risks; adverse weather conditions; natural catastrophes; changes to laws, regulations and government policies, including environmental (including climate change), royalty and tax laws, regulations and policies, or the interpretation thereof; actions by governmental authorities, including the imposition or reassessment of, or changes to, taxes, fees, royalties, duties, tariffs, quotas and other government-imposed compliance costs; the sufficiency of budgeted capital expenditures in carrying out planned activities; availability of pipeline capacity and other logistical constraints; labour and material shortages; non-performance or default by counterparties to agreements entered into in respect of AmalCo's business; competitive actions of other oil and gas companies; labour and material shortages; the ability to access capital on favourable terms; changes in credit ratings; counterparty credit risk; technology and cybersecurity-related risks; risks relating to the conflict between Ukraine and Russia and the impacts on, among other things, global supply and demand, commodity prices, inflation and interest rates and supply chains; risks relating to the further potential adverse impacts of the COVID-19 pandemic; and certain other risks and uncertainties with respect to Strathcona and AmalCo to be set forth in the management information circular to be prepared in connection with the Pipestone Shareholder Meeting. This list of risk factors should not be construed as exhaustive.

Strathcona believes the expectations reflected in the forward-looking information in this news release are reasonable, but no assurance can be given that these expectations will prove to be correct, and readers should not place undue reliance on such forward-looking information. Such forward-looking information is made as of the date of this news release and Strathcona does not undertake any obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

Oil and Gas Advisories

Barrels of Oil Equivalent

This news release contains references to "boe" (barrels of oil equivalent) and "MMboe" (one million barrels of oil equivalent). Strathcona has adopted the standard of six thousand cubic feet of gas to one barrel of oil (6 Mcf: 1 bbl) when converting natural gas to boe. Boe and MMboe may be misleading, particularly if used in isolation. The foregoing conversion ratios are based on an energy equivalency conversion method primarily applicable at the burner tip and do not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalent of 6:1, utilizing a conversion on a 6:1 basis may be misleading.

Production and Reserves Information

The production and reserves estimates in this news release are based on Strathcona's internal evaluation and were prepared by a member of Strathcona's management. The production and reserves information regarding the Transaction presented in this news release is based on: (i) in respect of Strathcona, (A) the report prepared by Sproule Associates Limited dated February 23, 2023 evaluating the petroleum and natural gas reserves attributable to certain of the assets of Strathcona as at December 31, 2022, (B) the report prepared by McDaniel & Associated Consultants Ltd. ("McDaniel") dated February 1, 2023 evaluating the bitumen reserves attributable to certain of the assets of Strathcona as at December 31, 2022, and (C) the report prepared by McDaniel dated February 14, 2023 evaluating the heavy oil reserves attributable to certain of the assets of Strathcona as at December 31, 2022, and (ii) in respect of Pipestone, the report prepared by McDaniel dated February 13, 2023 evaluating the tight oil, shale gas and natural gas liquids reserves attributable to certain of the assets of Pipestone as at December 31, 2022. Such estimates are based on values that Strathcona's management believes to be reasonable and are subject to the same limitations discussed above under "Forward-Looking Information".

The net present value of future net revenues attributable to reserves included in this news release do not represent the fair market value of such reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material.

All references to "crude oil" in this news release include light and medium crude oil and heavy oil on a combined basis. All references to "liquids" in this news release include crude oil and natural gas liquids on a combined basis.

Oil and Gas Metrics

This news release contains metrics commonly used in the oil and natural gas industry, including "recycle ratio" and "reserve life index". These terms do not have a standardized meaning and may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Readers are cautioned as to the reliability of oil and gas metrics used in this news release. Management uses these oil and gas metrics for its own performance measurements and to provide investors with measures to compare AmalCo's projected performance over time; however, such measures are not reliable indicators of AmalCo's future performance, which may not compare to Strathcona's and Pipestone's performance in previous periods, and therefore should not be unduly relied upon.

"Recycle ratio" is calculated as operating netback divided by finding and development (F&D) costs.

"Reserve life index" is calculated by dividing the applicable reserves by expected pro forma production following completion of the Transaction.

¹ Based on the closing share price of Pipestone's shares on the Toronto Stock Exchange on July 31, 2023 of \$2.72.

² See oil and gas advisories for further information on reserves assumptions.

³ Based on current pro forma production of 185,000 boe / d.

⁴ After all corporate costs (interest, G&A, ARO) and sustaining capital.

Dieser Artikel stammt von [Rohstoff-Welt.de](https://www.rohstoff-welt.de)

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/449707--Pipestone-Energy-Corp.-Enters-into-Agreement-to-be-Acquired-by-Strathcona-Resources-Ltd.-in-an-All-Share-Transaction>

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf-/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere [AGB/Disclaimer!](#)

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!
Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2026. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).