

# Elk Petroleum Limited to Acquire Aneth Oil Field and CO2 EOR Production Project

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Sydney, Australia - [Elk Petroleum Ltd.](#) (ASX:ELK) (OTCMKTS:EKPTF) ("Elk" or the "Company") has entered into a purchase and sale agreement with Resolute Energy Corporation ("Resolute") to acquire a subsidiary of Resolute which holds majority ownership in the Greater Aneth Oil Field for US\$160 million (~A\$200 million). (see Note 1 below)

- The Aneth Oil Field in Southeastern Utah is ranked the 86th largest oil field (see Note 2 below) in the US by proven reserves and one of the largest CO2 EOR projects in the Rocky Mountains with a 30-year operating history and ~450MMbbl cumulative production to date.

- The acquisition of Aneth is transformative for Elk:

- o Becomes majority owner (~63%) and operator of a major Rocky Mountain CO2 EOR project with the ability to control the scope and timing of further developments at Aneth

- o Becomes one of the largest oil producers on ASX with forecast 2018 net production of 11,000 boepd

- o Adds ~59 mmbbls of 2P oil reserves (see Note 3 below) and 6,500 bopd oil production effective 1 October 2017

- o Delivers significant organic growth to potentially double production to over 14,000 bopd

- o Operated interest with the potential for Elk to retain Resolute's experienced Aneth operating team of over 90 Denver technical professionals and Aneth field operating team

- o Consolidated EBITDA of US\$50-55 million in 2017 with cash flow to equity of A\$20-25 million in 2018 that is expected to grow significantly over the next 3-5 years

- Attractive acquisition valuation:

- o Acquisition is at a significant discount to proven net asset value

- o 1P Proved Developed Producing Reserves acquisition multiple of US\$5.50/bbl

- o Production acquisition multiple of approximately US\$27,000 per flowing barrel

- o Significant organic growth potential

- The acquisition is anticipated to be funded via:

- o US\$22 million equity placement (~A\$27.5 million)

- o US\$98 million senior debt

- o US\$55 million unlisted preferred equity issued by Elk Petroleum, Inc., a wholly-owned subsidiary of Elk

## Acquisition of Aneth Oil Field

Elk has entered into a purchase and sale agreement to acquire an entity which holds a ~63% operating working interest in the Aneth Field, one of the largest CO2 EOR projects in the Rocky Mountains from Resolute Energy Corporation (NYSE:REN). Substantially all of the remaining working interest in the Aneth Field, which is located on Navajo Nation lands, is owned by Navajo Nation Oil and Gas Company ("NNOGC"). Elk intends to continue the relationship with NNOGC established by Resolute with respect to the development of the Aneth Field in cooperation with the Navajo Nation.

The acquisition price includes an up-front purchase price payment of US\$160 million. The purchase price also includes additional contingent oil price payments (see Note 4 below) of up to US\$10 million on the first

and second anniversary date of the closing of the purchase in each of 2018 and 2019 and a third payment of up to US\$15 million on the third anniversary of the closing of the purchase in 2020 depending on oil price performance. Financial close of the acquisition is targeted for late October 2017.

#### Acquisition Strategic Rationale

##### - High-Quality Acquisition

- o The Aneth Field has a long history of continuous oil production since the late 1950s with 448 MMbbls cumulative production to date

- o Adds ~59MMbbls of 2P oil reserves and 6,500 bopd oil production effective 1 October 2017

##### - Significant Organic Growth Opportunities

- o Delivers significant internally funded organic growth

- o Development of Aneth has been constrained for the past 2-3 years as Resolute has allocated capital resources to its high-quality Permian acreage

- o Opportunity to double production within 3-5 years significantly funded by internal cash flow

##### - Provides Elk with Opportunity to Transform to Major CO2 EOR Producer and Operator

- o Transforms Elk into one of the ASX's leading oil companies and operators by reserves, production & cash flow

- o Position as field operator allows Elk greater control over pace and timing of cash flows

- o Aneth brings high-quality, established operating and management team

- o Achieve Elk's growth plan to own and operate CO2 projects (Grieve and Aneth fields) as well as CO2 supply (Madden field) in the geographically focused area of Northern Rockies

##### - Attractive Acquisition Economics

- o Acquisition is at a significant discount to historical proven reserve and production value

- o Strong cash flows allow for significant deleveraging over the next 2-3 years

- o Consolidated EBITDA of US\$50-55 million in 2018 with sustainable cash flow to equity of A\$20-25 million

#### Equity Placement and Transaction Funding

The acquisition will be partially funded via a placement to institutional, professional and sophisticated investors to raise approximately US\$22 million (~A\$27.5 million) by issuing approximately 443 million new fully paid ordinary shares in Elk (the "Placement").

The Placement price of \$0.062 represents a 22% discount to the last close share price of \$0.079 as at 14 September 2017. The Placement shares, when issued, will rank equally in all respects with Elk's existing ordinary shares.

The shares will be issued in two tranches:

- The first tranche to raise approximately US\$10 million (~A\$12.1 million) is unconditional and settlement is expected to occur on Wednesday, 20 September 2017 with normal trading to occur on Thursday, 21 September 2017 ("Initial Placement").

- The second tranche for the balance of approximately US\$12 million (~A\$15.4 million) is subject to ASX Listing Rule 7.1 shareholder approval that is intended to be considered by shareholders at an Extraordinary General Meeting, which is expected to be held on Friday, 27 October 2017 ("Conditional Placement"). Settlement of the Conditional Placement is expected to occur on Wednesday, 1 November 2017 with normal trading to occur on Thursday, 2 November 2017.

In addition to the Placement, the balance of the acquisition will be funded through US\$98 million senior debt by Riverstone Credit Partners, L.P. and other institutional lenders and up to US\$55 million preferred equity to

be provided by AB Energy Opportunity Fund L.P., subject to negotiation of definitive documentation and satisfactory results of due diligence. Elk at its discretion has the ability to scale the preferred equity up to US\$65 million subject to demand. Contingent oil price payments will be met by cash flows from the assets.

#### Indicative Placement Timetable

Item: Trading halt and Announcement of Placement  
Date: Friday, 15 September 2017

Item: Trading halt lifted and Elk shares resume trading  
Date: Monday, 18 September 2017

Item: Settlement of Initial Placement shares  
Date: Wednesday, 20 September 2017

Item: Issue and quotation of Initial Placement shares  
Date: Thursday, 21 September 2017

Item: Extraordinary General Meeting to approve issue of Conditional Placement shares (expected)  
Date: Friday, 27 October 2017

Item: Settlement of Conditional Placement shares (expected)  
Date: Wednesday, 1 November 2017

Item: Issue and quotation of Conditional Placement shares (expected)  
Date: Thursday, 2 November 2017

The above timetable is subject to change without notice

Bradley Lingo, Elk Petroleum Managing Director, said:

"The Aneth Oil Field is one of the most significant EOR projects in the US, underpinned by a high-quality and established operating and management team. The field is highly complementary to Elk and represents an attractive opportunity for Elk to transform into one of the ASX's leading oil companies and operators by reserves, production and cash flow.

Elk is excited by the opportunities for its expansion. We have undertaken extensive due diligence, built a strong business case and established a seamless plan for integration, including the adoption of over 90 highly experienced Resolute staff across all areas of Aneth field operation and head office management. We are highly confident that under Elk's management, alongside the Aneth team, the field can continue to go from strength to strength."

RBC Capital Markets is acting as Global Coordinator and Lead Manager on the Placement. Elk was advised on the Acquisition and the funding package by Miro Capital Pty Ltd and EAS Advisors LLC, acting through Odeon Capital Group, LLC, a member of FINRA/SIPC/MSRB.

#### Notes:

1 FX rate of 1 AUD = 0.80 USD used to convert all USD metrics in this announcement

2 U.S. Energy Information Agency report Top 100 Oil & Gas Fields March 2015

3 Based on Elk internal reserves estimate supported by independently audited reserve estimate of VSO Petroleum Consultants

4 First Contingent Oil Payment (Year 1): For each day that the WTI price is above US\$52.50/bbl during the first 12-month period after the financial close, Elk shall pay Resolute US\$40,000 capped at a max of US\$10m

Second Contingent Oil Payment (Year 2): For each day that the WTI price is above US\$55/bbl during the 12-month period after first anniversary of financial close, Elk shall pay Resolute US\$50,000 capped at a max of US\$10m

Third Contingent Oil Payment (Year 3): For each day that the WTI price is above US\$60/bbl during the 12-month period after the second anniversary of financial close, Elk shall pay Resolute US\$60,000 capped at a max of US\$15m

To view the presentation on 'Acquisition of Greater Aneth Oil Field and CO2 EOR Project', please visit:  
<http://abnnewswire.net/lnk/6RJ4G1Q9>

**About Elk Petroleum Limited:**

[Elk Petroleum Ltd.](#) (ASX:ELK) (OTCMKTS:EKPTF) is an oil and gas company specialising in Enhanced Oil Recovery (EOR), with assets located in one of the richest onshore oil regions of the USA, the Rocky Mountains. Elk's strategy is focused on applying proven EOR technologies to mature oil fields, which significantly de-risks the Company's strategy of finding and exploiting oil field reserves.

**Contact:**

[Elk Petroleum Ltd.](#)

Brad Lingo Managing Director/CEO

T: +61-2-9093-5400

E: [ir@elkpet.com](mailto:ir@elkpet.com)

Alex Hunter Chief Financial Officer

T: +61-2-9093-5400

E: [ir@elkpet.com](mailto:ir@elkpet.com)

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