

# Lucero Energy Corp. Announces US\$104.6 Million Asset Disposition, Revised 2023 Guidance And Normal Course Issuer Bid

15.06.2023 | [CNW](#)

CALGARY, June 15, 2023 - [Lucero Energy Corp.](#) ("Lucero" or the "Company") (TSXV: LOU) (OTCQB: PSHIF) is pleased to announce the Company has executed and closed a definitive purchase and sale agreement with an arm's length purchaser to divest of certain non-strategic, non-operated assets within Lucero's North Dakota Bakken/Three Forks play (the "Disposition" and "Disposed Assets") for cash consideration of C\$140.2 million<sup>1</sup> (US\$104.6 million) before customary closing adjustments. The effective date of the Disposition is January 1, 2023 with a closing date of June 15, 2023.

## THE DISPOSITION

Production from the Disposed Assets is expected to average approximately 2,300 Boe/d in 2023, and is not strategic for the Company given the Disposed Assets have a low working interest and present limitations for development given they are non-operated. The Disposition crystallizes and accelerates significant value at attractive metrics in the current market, while enabling Lucero to maintain strategic, operated production and development potential that offers meaningful optionality for the future.

The Disposed Assets include:

- Average 2023 production of approximately 2,300 Boepd (80% light oil & natural gas liquids);
- Forecasted 2023 net operating income<sup>3</sup> of C\$30 million at US\$75 WTI;
- 153 (8 net) drilling locations; and
- Total proved reserves of 15.0 MMboe and total proved and probable reserves of 20.2 MMboe at December 31, 2022, as evaluated by Lucero's independent reserves evaluator, Netherland, Sewell & Associates, Inc.

Upon closing of the Disposition, Lucero will have no debt and expects to have more than C\$40 million of working capital, affording the Company greater financial flexibility to pursue initiatives aimed at further enhancing shareholder value, including potential accretive acquisitions, organic growth and/or share buybacks as outlined below.

Pursuant to the Disposition, the Company's senior secured credit facility has been revised to US\$160 million.

RBC Capital Markets acted as financial advisor to Lucero in connection with the Disposition.

## GUIDANCE REVISION

To reflect the impact of the Disposition, Lucero is revising the Company's previously announced 2023 guidance as follows:

|                                  | Revised                                       | Previous                                      |
|----------------------------------|---|---|
| 2023 average production          | 10,500 Boepd <sup>4</sup>                     | 11,500 Boepd <sup>4</sup>                     |
| 2023 exit production             | 9,900 Boepd <sup>4</sup>                      | 12,000 Boepd <sup>4</sup>                     |
| Development inventory            | >30 net undrilled locations                   | >40 net undrilled locations                   |
| 2023 capital budget <sup>3</sup> | US\$60 million (~C\$80 million <sup>1</sup> ) | US\$70 million (~C\$94 million <sup>1</sup> ) |

## NORMAL COURSE ISSUER BID

Lucero is also pleased to announce that the TSX Venture Exchange (the "TSXV") has accepted the Company's Notice of Intention to make a Normal Course Issuer Bid (the "Bid") to purchase for cancellation, from time to time, as the Company considers advisable, up to a maximum of 33,120,534 common voting shares in the capital of the Company (the "Common Shares").

Shares"), which represents 5.0% of Lucero's 662,410,687 Common Shares outstanding as at the date hereof. The Bid commence on June 19, 2023 and terminate on the earlier of June 18, 2024 and the date on which Lucero has acquired the maximum number of Common Shares allowable under the Bid or the Bid is terminated at the option of the Company. Lucero retained Peters & Co. Limited as the broker to conduct the Bid on the Company's behalf.

The Company is of the view that at certain times, the trading price of Lucero's Common Shares may not fully reflect the underlying value of the Company's business. As such, having the ability to repurchase Common Shares for cancellation represent an attractive opportunity to deploy financial resources as a means of potentially enhancing the Company's per Common Share metrics, thereby increasing the underlying value of the Common Shares for all shareholders.

Purchases of Common Shares will be made on the open market through the facilities of the TSXV and/or permitted alternative trading systems. The price that the Company will pay for any Common Shares purchased will be the prevailing market price of the Common Shares at the time of such purchase. The actual number of Common Shares that may be purchased for cancellation and the timing of any such purchases will be determined by the Company. Payment for the Common Shares will be made in accordance with TSXV requirements and applicable securities laws. The Company has not purchased any Common Shares in the past 12 months through a normal course issuer bid.

## READER ADVISORIES

### Forward Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to the Company's plans, strategy, business model, objectives and other aspects of Lucero's anticipated future operations and financial, operating and drilling and development plans and results, including, expected future production, production mix, reserves, drilling inventory, net debt, working capital, funds flow, operating netbacks, decline rate and decline profile, product mix, capital expenditure program, capital efficiency and commodity prices. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding: average production in 2023 of the Disposed Assets; Lucero's expectation that the Disposition crystallizes and accelerates significant value at attractive metrics in the current market, enabling Lucero to maximize strategic, operated production and development potential that offers meaningful optionality for the future; forecasted 2023 operating income of the Disposed Assets; Lucero's position following the Disposition and the benefits to be derived therefrom; Lucero's revised 2023 guidance following the Disposition, including 2023 average production, 2023 exit production; development inventory and 2023 capital budget; Lucero's working capital expectation after the Disposition; matters in respect of the Bid, including timing, the purchase of any Common Shares thereunder and the anticipated advantages of the Bid to shareholders; and other matters ancillary or incidental to the foregoing.

Forward-looking information typically uses words such as "anticipate", "believe", "project", "target", "guidance", "expect", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. The forward-looking information is based on certain key expectations and assumptions made by Lucero's management, including expectations concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; historical decline rates; the use of the net proceeds from the Disposition; capital efficiencies; decline rates; future production rates and estimates of operating costs; performance of existing and proposed wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling operations; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of drilling operations; the state of the economy and the exploration and production business; effects of inflation and other market escalations results of operations; performance; business prospects and opportunities; the availability and cost of financing and services; the impact of increasing competition; the impact of inflation on costs and expenses; ability to market oil and gas successfully and Lucero's ability to access capital. Statements relating to "reserves" are also 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.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Lucero can give no assurance they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Company will derive therefrom. Management has included the above summary of assumptions and risks related to the forward-looking information provided in this press release in order to provide security holders with a more complete perspective on Lucero's future operations and such information may not be appropriate for other purposes. Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect Lucero's 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)).

This press release also contains future-oriented financial information and financial outlook information (collectively, "FOFI") about prospective results of operations including, without limitation, expectations with respect to 2023 net operating income associated with the Disposed Assets, which are subject to the same assumptions, risk factors, limitations, and qualifications set forth above. 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 Lucero's actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI or if any of them do so, what benefits Lucero will derive therefrom. Lucero has included the FOFI in order to provide readers a more complete perspective on Lucero's future operations and such information may not be appropriate for other purposes.

These forward-looking statements are made as of the date of this press release and Lucero disclaims 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.

#### Non-GAAP Measures

This document includes non-GAAP measures and ratios commonly used in the oil and natural gas industry. These non-GAAP measures and ratios do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") or, alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. For additional details, descriptions and reconciliations of these and other non-GAAP measures, see the Company's Management Discussion and Analysis ("MD&A") for the three months and year ended December 31, 2022.

"Working capital" (or, if a negative number, referred to as "Net debt" in the Company's MD&A), represents current assets (excluding financial derivative assets), less: total liabilities (excluding decommissioning obligation, deferred tax liability, and financial derivative liability). Lucero believes Working capital or Net debt is a key measure to assess the Company's liquidity position at a point in time. Working capital or Net debt is not a standardized measure and may not be comparable to similar measures for other entities.

"Net operating income" (also referred to as "Operating netback" in the Company's MD&A), represents petroleum and natural gas revenue, plus or minus any realized gain or loss on financial derivatives, less royalties, operating expenses, production and transportation expenses. Lucero believes that in addition to net income (loss) and cash provided by operating activities, net operating income or Operating netback are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage, and liquidity. Net operating income or Operating netback are commonly used by investors to assess performance of oil and gas properties and the possible impact of future commodity price changes on energy production.

"Capital budget" (also referred to as "Exploration and development expenditures" in the Company's MD&A), represents expenditures to property, plant and equipment in the cash flow used in investing activities, less capitalized general and administrative expenses. Capital budget or Exploration and development expenditures is a measure of the Company's investments in property, plant and equipment.

#### Oil and Gas Disclosures

The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of 6 thousand cubic feet of natural gas to one barrel of oil equivalent (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. Additionally, the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the reserves evaluation prepared by Netherland, St. Lawrence & Associates, Inc. as of December 31, 2022 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 greater than 30 net drilling locations identified in the Disposed Assets, approximately 16 are proved locations, 8 are probable locations and the remaining are unbooked locations. Of the 153 drilling locations in respect of the Disposed Assets identified herein, approximately 4 are proved locations, 2 are probable locations and the remaining are unbooked locations. Unbooked locations have been identified by management as an estimate of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Lucero will drill all unbooked drilling locations and, if drilled, there is no certainty that all drilling locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells

ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some 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.

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<sup>1</sup> Converted at US\$1.00 = C\$1.34.

<sup>2</sup> At the time of closing, the purchase and sale agreement provides that US\$5.0 million of the cash consideration is deferred subject to any bona fide indemnity claims made by the purchaser (the "Deferred Payment"). If no such indemnity claims exist, the Deferred Payment is fully paid to Lucero on or before June 15, 2024.

<sup>3</sup> See "Non-GAAP Measures" within this press release.

<sup>4</sup> 80% light oil and natural gas liquids.

SOURCE [Lucero Energy Corp.](#)

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