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Blackbird Energy Inc. and Pipestone Oil Corp. Announce the Closing of a Strategic Merger and $310 Million in Equity and Debt Financings to Form a Premier High Growth Pure-Play Condensate Rich Montney Company

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CALGARY, Alberta, Jan. 04, 2019 (GLOBE NEWSWIRE) -- Blackbird Energy Inc. ("**Blackbird**") (TSX-V: BBI) and Pipestone Oil Corp. ("**Pipestone Oil**") are pleased to announce that they have closed their previously announced business combination (the "**Transaction**"), which was completed by way of a plan of arrangement (the "**Arrangement**"). Concurrent with the Transaction, Blackbird and Pipestone Oil have closed equity financings totaling $111.0 million with certain existing shareholders and Pipestone Oil has arranged $198.5 million of debt financing (collectively, the "**Financings**"). The closing of the Transaction and Financings results in the strategic combination of two adjacent and contiguous Pipestone Montney land bases under a single well capitalized, high growth company that will operate under the name Pipestone Energy Corp. ("**Pipestone Energy**" or the "**Company**").

Garth Braun, former Chairman, CEO, and President of Blackbird, stated, "We are delighted to complete the merger with Pipestone Oil and wish to thank our shareholders, employees, and stakeholders for their support. We believe this Transaction will deliver significant growth and value creation in a highly challenged time for our domestic energy industry. As a pro forma company, Pipestone Energy will have significant scale, diversified access to processing and a combined potential value that we believe is far greater than the sum of the parts."

Paul Wanklyn, President and CEO of Pipestone Energy, stated, "We are very pleased to have closed the Transaction and Financings, and look forward to focusing on the execution of our development plan. The significant financing commitment that existing shareholders have made in connection with this combination speaks to the high-quality nature of the assets and their support of our business plan and management team. The innovative debt structure, led by National Bank Financial, and including Bank of Montreal, provides flexible development capital to fund our capital program, alongside the equity commitments, through 2019. We look forward to building value for Pipestone Energy shareholders in a prudent and efficient manner in the years to come."

It is expected that the common shares of Pipestone Energy (the "**Pipestone Energy Shares**") will commence trading on the TSX Venture Exchange ("**TSX-V**") under the trading symbol "PIPE" within two to three business days following the date of this press release and the issuance of a bulletin by the TSX-V regarding completion of the Arrangement. Blackbird's existing common share purchase warrants ("**Warrants**") will continue as obligations of Pipestone Energy and will retain the trading symbol "BBI.WT".

The Transaction was completed by way of a series of amalgamations involving Blackbird, a wholly-owned subsidiary of Blackbird and Pipestone Oil to create Pipestone Energy pursuant to the Arrangement made effective today under the Business Corporations Act (Alberta), which followed a pre-Arrangement continuance of Blackbird to the Province of Alberta. Pursuant to share conversion terms under the Arrangement, the issued and outstanding common shares of Blackbird (the "**Blackbird Shares**") were converted to Pipestone Energy Shares and effectively consolidated on a 10:1 basis (the "**Consolidation**"). In connection with the Arrangement, Pipestone Oil's sole shareholder, Canadian Non-Operated Resources L.P. ("**CNOR L.P.**") received 103,750,000 Pipestone Energy Shares in exchange for its Pipestone Oil shares, which made the Transaction a reverse take-over carried out in accordance with TSX-V Policy 5.2 – *Changes of Business and Reverse Takeovers*. Upon completion of the Arrangement and equity financings, former Blackbird shareholders own approximately 45.3% of the Pipestone Energy Shares issued and outstanding (or approximately 50.8% on a fully diluted basis including all pre-existing Blackbird dilutive securities), and CNOR L.P. owns approximately 54.7% of the Pipestone Energy Shares. The Transaction closed with the conditional approval of the TSX-V and remains subject to final approval of the TSX-V which requires the filing of customary closing documents.

As part of a share reorganization under the Arrangement, Blackbird's minority interest in the Stage Completions Group of Companies was transferred to a holding company ("**Stage Holdco**") whose shares have been distributed to former holders of Blackbird Shares.

Pursuant to the terms of the equity financings, an aggregate of $111 million of equity was raised by Blackbird and Pipestone Oil, all on a non-brokered, private placement basis. Blackbird entered into the previously announced subscription agreements with GMT Exploration Company LLC ("**GMT Exploration**") and certain funds and accounts managed by its principal shareholder GMT Capital Corp. ("**GMT Capital**"), pursuant to which GMT Capital and GMT Exploration invested an aggregate of $26,010,000 in Blackbird Shares, following the conversion of an equal number of subscription receipts, at a pre-Consolidation price of $0.34 per subscription receipt (the "**GMT Private Placement"**). GMT Capital previously held approximately 11% of the Blackbird Shares and following the closing of the equity financings and the Transaction now holds less than 10% of the Pipestone Energy Shares. The GMT Private Placement is subject to the final approval of the TSX-V, which requires the filing of customary documents with the TSX-V. The 76,500,000 Blackbird Shares issued pursuant to the GMT Private Placement have been exchanged for 7,650,000 Pipestone Energy Shares pursuant to the Arrangement. The GMT Private Placement was approved by the shareholders of Blackbird at a special meeting of shareholders on December 19, 2018 in connection with the approval of the Arrangement and other matters. In addition, CNOR L.P. invested $85 million in common shares of Pipestone Oil prior to closing of the Transaction (the "**CNOR Commitment**"). Proceeds of the GMT Private Placement and the CNOR Commitment will be used for Pipestone Energy's 2019 capital expenditure program, with a portion of the CNOR Commitment having been used for Pipestone Oil's Q4 2018 capital expenditure program. The number of Pipestone Energy Shares issued to CNOR LP pursuant to the Arrangement was determined with reference to $0.34 per Blackbird Share, and such 103,750,000 Pipestone Energy Shares are subject to the escrow provisions of TSX-V Policy 5.4 – *Escrow, Vendor Considerations and Resale Restrictions.* No finders' fees or commissions were payable with respect to the equity financings. A previously announced potential private placement to certain insiders of Pipestone Energy at a price of $3.40 per share did not proceed as of the date of this announcement.

After giving effect to the Arrangement, pursuant to which each former shareholder of Blackbird (the Blackbird Shares closed at $0.24 per share on the TSX-V on January 3, 2019) received 0.1 of one Pipestone Energy Share and one share of Stage Holdco for each Blackbird Share previously held, Pipestone Energy has approximately 189.6 million Pipestone Energy Shares outstanding and 175.2 million Warrants. Pursuant to automatic adjustment provisions, each Warrant is now exercisable for 0.1 of one Pipestone Energy Share and one Stage Holdco Class A common share at an exercise price of $0.30 per Warrant until the Warrants expire in accordance with their terms on May 19, 2021 (subject to future adjustment in accordance with their terms).

The Pipestone Energy management team is led by Paul Wanklyn as President and CEO, Bob Rosine as Senior VP & COO, Dave Allen as VP Geoscience, Darcy Erickson as VP Operations, Dan van Kessel as VP Corporate Development, and Eva Kiefer as interim CFO.

The Pipestone Energy board of directors is comprised of Gordon Ritchie as Chairman, Garth Braun, Bill Lancaster, John Rossall, Geeta Sankappanavar, Robert Tichio, and Paul Wanklyn.

Operations Update

Drilling:

During Q4 2018, Pipestone Energy drilled 4 Montney development wells to support its exit 2019 growth, as well as 1 exploratory well on the far eastern portion of its acreage to test the emerging volatile oil window in the Montney and preserve 9 sections that were nearing expiry. On the 3-1 pad, the Company has drilled 3 of its planned 5 wells, with the third well representing a pacesetter for Pipestone Energy in terms of speed and cost. Estimated average drilling costs for the last two wells on this pad at rig release were $2.2 million, or ~12% under our budget of $2.5 million.

Completions:

At its 15-14 pad the Company completed a 6 well cube in three separate layers, including its first Lower Montney well, during the fourth quarter. These wells were all completed utilizing plug and perf technology and averaged 202 perforation clusters at 12 meter spacing. Frac sand volumes averaged ~6,200 tonnes per well, resulting in an average proppant loading of 2.5 tonnes per meter. Pipestone Energy is estimating an average completion cost of $4.7 million per well, a savings of ~19% relative to the average budgeted cost of $5.8 million. Our team was able to capitalize on the benefits of pad style, multi-well operations and to optimize costs through better logistics, water and sand management, and equipment utilization. Our location close to the Grande Prairie service hub contributes to our ability to optimize costs based on the speed of delivery of services to the work site.

Infrastructure:

Pipestone's raw gas gathering system and well site production facilities are under construction and proceeding on budget, with completion expected in Q3 2019. Initial engineering design work is underway to link the east-west (Tidewater) and north-south (Keyera) in-field gathering systems for added flexibility in order to optimize natural gas and condensate deliveries to our midstream service providers.

Updated Capitalization and Guidance

The Company is providing updated guidance with respect to capital expenditures, with some capital shifting from Q4 2018E to 2019E, without modifying the total five quarter forecast spending range. Capital guidance for Q4 2018 is lower due to capital cost savings generated from drilling and completions efficiencies and a delay in the construction of the infield gathering system because of warmer than expected weather in late November / early December. The estimated capital cost savings from Q4 2018E are not expected to alter the potential range of five quarter capital expenditures at this time. Pipeline construction is now actively underway, and the initial pipeline delay will not impact production start-up timing to the Keyera or Tidewater facilities.

Capitalization	
Common Shares Outstanding (MM)	~189.6
Listed Warrants Outstanding (MM)(1)	~175.2
Estimated Adjusted Net Debt (Cash) as at December 31, 2018 ($MM)(2)	$36
Capital Expenditures	
Q4 2018E ($MM)	$85 to $95
2019E ($MM)	$135 to $165
Forecast Production and Netback	
Average 2019E (boe/d)	3,000 to 3,500
Exit 2019E (boe/d)	14,000 to 16,000
Exit 2019E Estimated Liquids Weighting (%)	35-40% Condensate + 5-10% NGLs
Run-Rate Exit 2019E Operating Netback ($/boe)(3)	$21.50

(1) Each warrant is exercisable for 0.1 common shares in Pipestone Energy and 1 common share of Stage Holdco.
(2) Includes estimated transaction costs and proceeds from the Financings and does not include any proceeds from the exercise of Blackbird dilutive securities.
(3) Flat US$55/bbl WTI, C$1.40/GJ AECO, $0.75 CADUSD.

Reserves and Resources

	Volume *(MMboe)*	**NPV 10% (before-tax)(1)** *($MM)*
Proved Reserves	~79	~$555
2P Reserves	~165	~$1,170
2C Resources	~221	~$810

(1) Based on McDaniel reserves and resource evaluations effective August 1, 2018, utilizing the McDaniel July 1, 2018 price deck. These pro forma reserves and resources are based on the addition of two individual McDaniel’s evaluations that were completed in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (“NI 51-101”) and, pursuant thereto, the Canadian Oil and Gas Evaluation Handbook (“COGE Handbook”); as a result of the pro forma nature, a revised stand-alone reserves, and or resources report may differ.

Further Information

Paul Wanklyn
President and Chief Executive Officer
(403) 228-8684
paul.wanklyn@pipestonecorp.com

Dan van Kessel
VP Corporate Development
(403) 228-8688
dan.vankessel@pipestonecorp.com

Website: www.pipestonecorp.com

Advisory Regarding Forward-Looking Statements

In the interest of providing shareholders of Pipestone Energy information regarding the Transaction, 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 Energy may derive therefrom).

In particular, but without limiting the foregoing, this news release contains forward-looking statements pertaining to: future development potential for the Pipestone Energy assets; obtaining the final approval of the TSX-V and the date that the Pipestone Energy Shares will commence trading on the TSX-V; anticipated completion costs per well; anticipated completion dates for the development of infrastructure projects; anticipated strategic, financial and operational benefits of the Transaction, including, but not limited to, 2019E, 2022E and future estimated production, estimated capital expenditures; operating netbacks, and Pipestone Energy's IRR's; and Pipestone Energy's proposed drilling locations.

Certain of the information in this news release is "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Pipestone's reasonable expectations as to the anticipated results of its proposed business activities. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

With respect to the forward-looking statements contained in this news release, Pipestone Energy have 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 integrate Blackbird's and Pipestone Oil's businesses and operations and realize financial, operational and other synergies from the Transaction; Pipestone Energy'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 Energy'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 Energy's future production levels and amount of future capital investment, and their consistency with Pipestone Energy's current development plans and budget; future capital expenditure requirements and the sufficiency thereof to achieve Pipestone Energy's objectives; the successful application of drilling and completion technology and processes; the applicability of new technologies for recovery and production of Pipestone Energy's reserves and other resources, and their ability to improve capital and operational efficiencies in the future; the recoverability of Pipestone Energy's reserves and other resources; Pipestone Energy'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 Energy'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 Energy's reserves and other resources; the accuracy of geological and geophysical data and the interpretation thereof; the geography of the areas in which Pipestone Energy conducts exploration and development activities; the timely receipt of required regulatory approvals; the access, economic, regulatory and physical limitations to which Pipestone Energy may be subject from time to time; and the impact of industry competition.

Information and statements regarding Pipestone Energy's reserves and resources also are forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources exist in the quantities predicted or estimated and can be profitably produced in the future. In addition, with respect to the type curves and test rates, there is no certainty that future wells will generate results to match type curves or test rates presented herein.

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 Energy 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 Energy'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; the ability to successfully integrate Blackbird's and Pipestone Oil's businesses and operations; general economic, business and industry conditions; variance of Pipestone Energy'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 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 Blackbird's current annual information form as well as the Blackbird Management Information Circular dated November 21, 2018, annual and interim management's discussion and analysis, and other documents filed by it from time to time with securities regulatory authorities in Canada, copies of which are available electronically on SEDAR at www.sedar.com.

The forward-looking statements contained in this news release are made as of the date hereof and Pipestone Energy 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.

Non-GAAP Financial and Capital Management Measures

This news release contains references to “free cash flow”, “funds from operations”, “operating netback”, “IRR” or “internal rate of return”, “adjusted net debt”, and “net operating income” which are terms commonly used in the oil and natural gas industry but without any standardized meaning or method of calculation prescribed by International Financial Reporting Standards (“IFRS”) or applicable law. Accordingly, Pipestone Energy’s determination of these metrics may not be comparable to similar measures presented by other issuers.

“Free cash flow” should not be considered an alternative to, or more meaningful than, cash flow – operating activities as determined in accordance with IFRS, as an indicator of financial performance. Free cash flow is presented to assist management and investors in analyzing operating performance by the business in the stated period. Free cash flow equals cash flow – operating activities plus change in non-cash working capital less capital expenditures.

Funds from operations is a non-GAAP measure which should not be considered an alternative to, or more meaningful than, cash flow – operating activities as determined in accordance with IFRS, as an indicator of financial performance. Funds from operations is presented to assist management and investors in analyzing operating performance of the Company in the stated period. Funds from operations equals cash flow – operating activities plus change in non-cash working capital.

“IRR” or “internal rate of return” is a rate of return measure used to compare the profitability of an investment and represents the discount rate at which the net present value of costs equals the net present value of the benefits. The higher a project’s IRR, the more desirable the project.

“Operating netback” equals the total of petroleum and natural gas sales less royalties, operating expenses and transportation and processing expenses calculated on a per boe basis. Operating netback is utilized by Pipestone Energy to analyze the performance of its oil and natural gas assets at the field-level by isolating the impact of changes in production volumes.

“Adjusted net debt” is a non-GAAP measure that equals total debt less current assets plus current liabilities (excluding any amounts included in total debt), and includes transaction costs and the Financings. Total debt is calculated as long-term debt, long-term debt due within one year and short-term debt. Adjusted net debt is considered to be a useful measure in assisting management and investors to evaluate Pipestone Energy’s financial strength.

“Net operating income” represents revenue net of royalties and operating, sales and transportation expenses. Management believes that net operating income is a useful supplemental measure to analyze operating performance and provides an indication of the results generated by Pipestone Energy’s principal business activities prior to the consideration of other income and expenses.