

Edgar Filing: IVANHOE ENERGY INC - Form 8-K

IVANHOE ENERGY INC
Form 8-K
May 17, 2006

=====

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) MAY 12, 2006

IVANHOE ENERGY INC.

(Exact name of registrant as specified in its charter)

YUKON, CANADA

(State or Other Jurisdiction of Incorporation)

000-30586

98-0372413

(Commission File Number)

(I.R.S. Employer
Identification Number)

SUITE 654 - 999 CANADA PLACE
VANCOUVER, BC, CANADA

V6C 3E1

(Address of Principal Executive Office)

(Zip Code)

(604) 688-8323

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former Name or Former Address, If Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

=====

Edgar Filing: IVANHOE ENERGY INC - Form 8-K

SECTION 1 - REGISTRANT'S BUSINESS AND OPERATIONS

ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

STOCK PURCHASE AGREEMENT:

On May 12, 2006, Ivanhoe Energy Inc. (the "Registrant"), a corporation incorporated under the laws of the Yukon Territory, entered into a Stock Purchase Agreement (the "Agreement") by and among the Registrant, Sunwing Holding Corporation, a Barbados corporation and a wholly-owned subsidiary of the Registrant, Sunwing Energy Ltd. ("Sunwing"), a corporation organized under the laws of Bermuda and an indirect wholly-owned subsidiary of the Registrant, and China Mineral Acquisition Corporation ("China Mineral"), a "blank check" public corporation organized under the laws of the State of Delaware.

If the transaction is completed, the new public company would be approximately 80% owned by the Registrant on a primary share basis before giving effect to the exercise of outstanding warrants, options and contingent consideration granted to the Registrant and assuming no China Mineral stockholders exercise conversion rights under its charter. Immediately prior to the combination, China Mineral will redomesticate to the British Virgin Islands as China Ivanhoe Energy Ltd. ("China Ivanhoe Energy") and will acquire 100% of the issued and outstanding stock of Sunwing for shares of China Ivanhoe Energy ordinary equity with a value of US\$100 million, subject to working capital and long-term debt adjustments. In addition, China Mineral will grant to the Registrant performance warrants and a contingent right to receive additional shares, which together may provide the Registrant with an additional 14% ownership interest in China Ivanhoe Energy (not including the exercise of outstanding warrants and options for China Mineral stock).

The proposed business combination of Sunwing and China Mineral and the redomestication of China Mineral into the British Virgin Islands require the approval of China Mineral stockholders. If approved by China Mineral stockholders, the proposed business combination will be completed as soon as possible after the special meeting but in any event on or prior to its charter requirement of August 30, 2006.

The foregoing description of the Agreement does not purport to be complete and is qualified in its entirety by reference to the Agreement, which is filed as Exhibit 10.1 hereto and incorporated herein by reference.

On May 12, 2006, China Mineral filed with the SEC a joint prospectus/proxy statement on Form S-4 relating to the proposed business combination.

The Registrant issued a press release announcing the transaction on May 15, 2006. A copy of that press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

SECTION 9 - FINANCIAL STATEMENTS AND EXHIBITS

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

Exhibits:

- 10.1 Stock Purchase Agreement dated May 12, 2006, by and among the Registrant, Sunwing Holding Corporation, Sunwing Energy Ltd. and China Mineral Acquisition Corporation
- 99.1 Press Release dated May 15, 2006 announcing the signing of an agreement for a business combination between Ivanhoe Energy Inc.'s China operations and China Mineral Acquisition Corporation, a U.S.

Edgar Filing: IVANHOE ENERGY INC - Form 8-K

public company

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

IVANHOE ENERGY INC.

Date: May 17, 2006

By: /s/ W. Gordon Lancaster

Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT TITLE OR DESCRIPTION
10.1	Stock Purchase Agreement dated May 12, 2006, by and among the Registrant, Sunwing Holding Corporation, Sunwing Energy Ltd. and China Mineral Acquisition Corporation
99.1	Press Release dated May 15, 2006 announcing the signing of an agreement for a business combination between Ivanhoe Energy Inc.'s China operations and China Mineral Acquisition Corporation, a U.S. public company

0

The last table at the bottom of page 52 of the Definitive Proxy Statement is replaced, in its entirety, with the following:

Peer Group Trading Multiples

	Equity value to estimated cash flow		Firm value to estimated EBITDAX		Firm value to production (\$/Mcfepd)	
	2014E	2015E	2014E	2015E	4Q 2013	2014E
	Forest	1.6x	1.1x	5.1x	3.8x	\$ 8,534
Goodrich Petroleum Corporation	8.7x	5.5x	9.5x	6.0x	\$ 20,023	\$ 18,158
Jones Energy, Inc.	3.1x	2.4x	4.8x	3.7x	\$ 12,520	\$ 10,090

Edgar Filing: IVANHOE ENERGY INC - Form 8-K

Midstates Petroleum Company, Inc.	1.5x	1.2x	4.8x	4.0x	\$ 12,780	\$ 11,056
Penn Virginia Corporation	3.0x	2.4x	4.9x	4.2x	\$ 19,503	\$ 15,104
PetroQuest Energy, Inc.	2.6x	2.3x	4.9x	4.2x	\$ 7,912	\$ 6,639
SandRidge Energy, Inc.	5.6x	4.8x	7.7x	6.8x	\$ 17,950	\$ 14,763
Mean	3.7x	2.8x	5.9x	4.7x	\$ 14,175	\$ 11,931
Median	3.0x	2.4x	4.9x	4.2x	\$ 12,780	\$ 11,056

The last full paragraph on page 53 of the Definitive Proxy Statement is replaced, in its entirety, with the following:

J.P. Morgan prepared a discounted cash flow analysis of the projected cash flow derived from production of Forest's proved reserves and probable and possible resource potential (the 3P assets) as of calendar year-end 2013, based upon extrapolations from estimates provided by Forest's management for fiscal years 2014 through 2053 plus one additional period representing the remaining production thereafter, that were in each case reviewed and approved by Forest's management for J.P. Morgan's use in connection with its financial analyses and rendering its fairness opinion. The projected cash flows from Forest's 3P assets were discounted to present values using a range of discount rates from 10.5% to 12%, which were chosen by J.P. Morgan based upon an analysis of the weighted average cost of capital of Forest. The present pre-tax value of Forest's 3P assets was then adjusted for Forest's net present value of

projected general and administrative expenses (not including stock-based compensation), net present value of projected cash taxes (net of the present value of projected net operating loss utilization), 2013 calendar year-end net debt (calculated as the sum of net debt and expected cash settlement of stock awards) and other adjustments to indicate a range of implied net asset equity values of between \$151 million and \$358 million for Forest. The implied net asset equity values for Forest were divided by the number of fully diluted shares outstanding at Forest to arrive at the following range of implied net asset values per share of Forest common stock.

The second full paragraph on page 54 of the Definitive Proxy Statement is replaced, in its entirety, with the following:

J.P. Morgan prepared a discounted cash flow analysis of the projected cash flow derived from production of Sabine's 3P assets as of calendar year-end 2013, based upon extrapolations from estimates provided by Forest's management for fiscal years 2014 through 2053 plus one additional period representing the remaining production thereafter, that were in each case reviewed and approved by Forest's management for J.P. Morgan's use in connection with its financial analyses and rendering its fairness opinion. The projected cash flows from Sabine's 3P assets were discounted to present values using a range of discount rates from 9.0% to 10.5%, which were chosen by J.P. Morgan based upon an analysis of the weighted average cost of capital of Sabine. The present pretax value of Sabine's 3P assets was then adjusted for Sabine's net present value of projected general and administrative expenses (not including stock-based compensation), net present value of projected cash taxes (net of the present value of projected net operating loss utilization), 2013 calendar year-end net debt and other adjustments to indicate the following range of implied net asset equity values for Sabine.

The last full paragraph on page 55 and first full paragraph on page 56 of the Definitive Proxy Statement are replaced, in their entirety, with the following:

J.P. Morgan conducted an analysis of the theoretical value creation to the holders of Forest common stock that compared the estimated implied equity value of Forest on a standalone basis based on the midpoint value determined in J.P. Morgan's Net Asset Value Analysis described above to the implied equity value of Forest shares pro forma for the proposed transactions contemplated by the original merger agreement. J.P. Morgan calculated the pro forma implied equity value of Forest shares by (1) adding the sum of (a) the implied equity value of Forest using the midpoint value determined in J.P. Morgan's Net Asset Value Analysis described above, (b) the implied equity value of Sabine using the midpoint value determined in J.P. Morgan's Net Asset Value Analysis described above, (c) the estimated present value of the Synergies of \$256 million and (d) the estimated impact of improved cost of capital of the combined company relative to the estimated cost of capital for Forest on a standalone basis of \$197 million, (2) subtracting the sum of (a) the estimated implied impact on the present value of the projected net operating loss usage for the combined company relative to the estimated present value of the net operating loss usage of each company on a standalone basis of \$14 million and (b) the estimated present value of transaction fees and expenses relating to the transactions contemplated by the original merger agreement of \$69 million, and (3) multiplying such sum of the estimated valuations described above by a factor of 26.5%, representing the approximate pro forma equity ownership of the combined company by the holders of Forest common stock. Based on the assumptions described above, this analysis implied value creation for the holders of Forest common stock of approximately 5.0%.

J.P. Morgan also conducted an analysis of the theoretical value creation to the holders of Forest common stock that compared the equity value of Forest based on the per share closing price of Forest shares on May 2, 2014 to the implied equity value of Forest shares pro forma for the proposed transactions contemplated by the original merger agreement. J.P. Morgan calculated the pro forma implied equity value of Forest shares by (1) adding the sum of (a) the aggregate market value of Forest based upon the per share closing price of Forest shares on May 2, 2014, (b) the implied equity value of

Sabine based on (i) the application of the 5.1x multiple of Forest's firm value to estimated EBITDAX for 2014 based on research analysts' consensus estimates to Sabine's estimated EBITDAX for 2014 based on Sabine Risked Budget, less (ii) Sabine's net debt as of calendar year-end 2013 and (c) the estimated present value of the Synergies of \$256 million, (2) subtracting the sum of (a) the implied impact on projected net operating loss usage for the combined company relative to the estimated present value of the projected net operating loss usage of each company on a standalone basis of \$14 million and (b) the estimated present value of transaction fees and expenses relating to the transactions contemplated by the original merger agreement of \$69 million, and (3) multiplying such sum of the estimated valuations described above by a factor of 26.5%, representing the approximate pro forma equity ownership of the combined company by the holders of Forest common stock. Based on the assumptions described above, this analysis implied value creation for the holders of Forest common stock of approximately 26.0%.

The following disclosure supplements the disclosure on page 57 of the Definitive Proxy Statement by adding a new sentence immediately following the table on such page:

Forest estimated the present value of total deal costs for the transaction to be \$69 million. Forest also estimated \$40 million per year in synergies for the combined companies, with 6% (or \$2.4 million) to be realized in 2014, 44% (or \$17.5 million) to be realized in 2015, and 100% (\$40 million) thereafter.

IMPORTANT ADDITIONAL INFORMATION FILED WITH THE SEC

In connection with the proposed transactions, Forest Oil Corporation has filed a definitive proxy statement with the Securities and Exchange Commission (SEC), and each of Sabine Oil & Gas LLC and Forest Oil Corporation also plan to file other relevant documents with the SEC regarding the proposed transactions. **INVESTORS ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT AND OTHER RELEVANT DOCUMENTS FILED WITH THE SEC BECAUSE THEY CONTAIN IMPORTANT INFORMATION.** You may obtain a free copy of the definitive proxy statement and other relevant documents filed by Sabine Oil & Gas LLC and Forest Oil Corporation with the SEC at the SEC's website at www.sec.gov. You may also obtain Forest's documents by contacting Forest Oil Corporation's Investor Relations department at www.forestoil.com or by email at IR@forestoil.com.

PARTICIPANTS IN THE SOLICITATION

Forest Oil Corporation, Sabine Oil & Gas LLC and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transactions. Information about Forest Oil Corporation's directors is available in Forest Oil Corporation's proxy statement filed with the SEC on March 26, 2014, for its 2014 annual meeting of shareholders, and information about Forest Oil Corporation's executive officers is available in Forest Oil Corporation's Annual Report on Form 10-K for 2013 filed with the SEC on February 26, 2014. Information about Sabine Oil & Gas LLC's directors and executive officers is available in the definitive proxy statement filed by Forest Oil Corporation. Other information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, is contained in the definitive proxy statement and other relevant materials filed with the SEC regarding the proposed transactions. Investors should read the definitive proxy statement carefully before making any voting or investment decisions. You may obtain free copies of these documents from Forest Oil Corporation using the sources indicated above.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements concerning the proposed transactions, its financial and business impact, management's beliefs and objectives with respect thereto, and management's current expectations for future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements are all statements other than statements of historical facts. The words anticipates, may, can, plans, believes, expects, projects, intends, likely, will, should, to be, and any similar expressions or other words of similar intended to identify those assertions as forward-looking statements. It is uncertain whether the events anticipated will transpire, or if they do occur what impact they will have on the results of operations and financial condition of Forest Oil Corporation or Sabine Oil & Gas LLC. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those anticipated, including but not limited to the ability of the parties to satisfy the conditions precedent and consummate the proposed transactions, the timing of consummation of the proposed transactions, the ability of the parties to secure regulatory approvals in a timely manner or on the terms desired or anticipated, the ability of Forest Oil Corporation to integrate the acquired operations, the ability to implement the anticipated business plans following closing and achieve anticipated benefits and savings, and the ability to realize opportunities for growth. Other important economic, political, regulatory, legal, technological, competitive and other uncertainties are identified in the documents filed with the SEC by Forest Oil Corporation from time to time, including Forest Oil Corporation's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, including amendments to the foregoing. For additional information on the risks and uncertainties that could impact

Sabine Oil & Gas LLC's business and operations, as well as risks related to the transactions, please see the definitive proxy statement filed by Forest Oil Corporation. The forward-looking statements included in this document are made only as of the date hereof. Neither Forest Oil Corporation nor Sabine Oil & Gas LLC undertakes any obligation to update the forward-looking statements included in this document to reflect subsequent events or circumstances.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FOREST OIL CORPORATION
(Registrant)

Dated: November 11, 2014

By: /s/ Richard W. Schelin
Name: Richard W. Schelin
Title: Vice President