

Zargon Oil & Gas Ltd. Announces Additional Property Dispositions

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CALGARY, ALBERTA--(Marketwired - Dec 2, 2013) - Zargon Oil & Gas Ltd. (TSX:ZAR)(TSX:ZAR.DB) ("Zargon") has closed an additional \$12.0 million of dispositions in two separate transactions since our November 13, 2013 press release. Production from these properties totaled approximately 240 barrels of oil per day and 0.50 million cubic feet of natural gas per day. The oil properties are located in the Grand Forks area of southern Alberta, and the natural gas properties are located in the Peace River Arch area of northern Alberta. Both properties are mature assets and are not included in the five high-graded conventional (non-Alkaline Surfactant Polymer ("ASP")) oil exploitation projects that will form the basis of our conventional exploitation drilling programs during the next few years.

With these property dispositions, Zargon has closed approximately \$35 million (cash) of property dispositions in 2013, a level that considerably exceeds the \$20 million of property dispositions originally budgeted for 2013. Subsequent to the closing of these additional property sales, Zargon has reaffirmed that committed syndicated credit facilities remain unchanged with a borrowing base of \$165 million. Including Zargon's \$57.5 million convertible debenture (face value), available credit totals \$222.5 million. At September 30, 2013, Zargon's debt, net of working capital (excluding unrealized derivative assets/liabilities) but including the convertible debenture was \$117.6 million.

For the foreseeable future, Zargon will continue to actively pursue property dispositions that improve our profitability and operational focus by selling (or trading away) non-strategic properties. Over time, we anticipate that these dispositions will enable Zargon to realize a lower cost structure through a disciplined focus on a growing tertiary ASP oil recovery business and the stable production volumes coming from the measured exploitation of five conventional long-life low-decline core oil properties.

Updated 2013 Outlook and 2014 Capital Budgets

In our November 13, 2013 press release, Zargon provided an updated 2013 outlook and a first look 2014 capital budget. With these dispositions concluded, Zargon's 2013 non-ASP field capital budget remains at \$40 million but is partially offset by \$35 million (cash) of dispositions. The 2013 ASP capital expenditures continue to be estimated at \$38 million. The remaining \$4 million of phase 1 ASP capital costs are forecast to be spent in the first quarter of 2014 and will provide for the forecast March 2014 ASP initial injection date.

Zargon's 2014 capital budget remains at \$35 million for conventional projects, \$4 million for ASP capital projects and \$10 million for ASP chemical expenditures. The \$49 million capital program is forecasted to be funded by cash flows, long term bank debt and the sale of approximately \$5 million of non-strategic oil and natural gas properties. Based on this 2014 capital program, we expect oil production to steadily grow from first quarter levels throughout 2014 as stable conventional oil production volumes are augmented by growing Little Bow ASP oil production volumes.

Production Guidance

In the November 13, 2013 third quarter results press release, guidance for fourth quarter 2013 production was provided at 4,550 barrels of oil and liquids per day and 15.00 million cubic feet of natural gas per day. Despite the announced additional property sales, these guidance levels are reaffirmed.

First quarter 2014 production rates are now forecast to average 4,300 barrels of oil per day and 14.30 million cubic feet of natural gas per day, although these estimates will depend on the magnitude and timing of our 2014 property disposition program.

FORWARD-LOOKING STATEMENTS

This press release offers our assessment of Zargon's future plans and operations as at December 2, 2013, and contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "plan", "intend", "believe" and similar expressions (including the negatives thereof) are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: guidance as to our 2013 and 2014 capital budgets, including the allocation thereof and the sources of funding and various plans, forecasts and estimates, and other operational forecasts and plans and results therefrom under the heading "Updated 2013 Outlook and 2014 Capital Budgets"; our plans with respect to our Little Bow ASP project referred to under the heading "Updated 2013 Outlook and 2014 Capital Budgets"; and all matters, including guidance as to our estimated 2013 and 2014 production and production mix, and anticipated decline rates, under the heading "Production Guidance".

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements 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 or statements including, without limitation: those relating to results of operations and financial condition; general economic conditions; industry conditions; changes in regulatory and taxation regimes; volatility of commodity prices; escalation of operating and capital costs; currency fluctuations; the availability of services; imprecision of reserve estimates; geological, technical, drilling and processing problems; environmental risks; weather; the lack of availability of qualified personnel or management; stock market volatility; the ability to access sufficient capital from internal and external sources; and competition from other industry participants for, among other things, capital, services, acquisitions of reserves, undeveloped lands and skilled personnel. Risks are described in more detail in our Annual Information Form, which is available on www.zargon.ca and on www.sedar.com. Forward-looking statements are provided to allow investors to have a greater understanding of our business.

FURTHER INFORMATION

Based in Calgary, Alberta, Zargon's securities trade on the Toronto Stock Exchange and there are currently 30.087 million common shares outstanding.

Zargon Oil & Gas Ltd. is a Calgary based oil and natural gas company working in the Western Canadian and Williston sedimentary basins that has delivered a long history of returns and dividends (distributions). Zargon's business is focused on oil exploitation projects that profitably increase oil production and recovery factors from existing oil reservoirs.

In order to learn more about Zargon, we encourage you to visit Zargon's website at www.zargon.ca where you will find a current shareholder presentation, financial reports and historical news releases.

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