

Alvopetro Announces First Quarter Financial and Operating Results

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CALGARY, ALBERTA--(Marketwired - May 22, 2014) - [Alvopetro Energy Ltd.](#) (TSX VENTURE:ALV) is pleased to announce our first quarter 2014 financial and operating results.

Since creating Alvopetro as a standalone company in the fourth quarter of 2013, we have made considerable progress, including assembling a complete team of highly qualified professionals, successfully drilling our first well on Block 197 and reprocessing 3D seismic over our land base. Through the drilling of our 1ALV5BA well, we obtained geological and reservoir information, optimized our operational practices and began technical work to define our reservoir access solution.

Our activities to date and our plans for the remainder of 2014 are focused on targeting our mature fields, pursuing shallow conventional exploration, and proving the commercial viability of the Gomo tight oil play in the Recôncavo Basin. We expect to drill our next well on Block 183 starting in the second quarter of 2014 and plan to drill up to three additional wells in 2014. Our financial resources, combined with our experienced team, position us to achieve our goal of applying developed basin innovation to underexploited opportunities.

Financial and Operating Highlights

- During the first quarter of 2014, we drilled our 1ALV5BA well on Block 197. The well reached a total depth of 3,275 meters and has been cased and cemented. Based on the results of mud-logging and open-hole logs, we have filed a Notice of Discovery with the National Agency of Petroleum, Natural Gas and Biofuels (the "ANP").
- Based on open-hole logs, the 1ALV5BA well encountered 43 meters of potential net hydrocarbon pay over several separate intervals, with an average porosity of 9.5 percent, using an 8 percent porosity cut-off. Additional technical work and testing is required to determine the extent, if any, of potential commercial hydrocarbons associated with the 1ALV5BA well. We plan to commence a multi-zone testing program in the second quarter of 2014, subject to customary ANP approvals.
- During the drilling of the 1ALV5BA well, Alvopetro completed three core runs (100% core recovery), recovering over 78 meters of core. We are currently undertaking extensive Special Core Analysis.
- Alvopetro entered into a credit support facility for up to CAD \$30.0 million and issued letters of credit in support of financial guarantees required for Alvopetro's work commitments under the terms of its concession contracts.
- On May 15, 2014, the Company signed concession contracts for each of the four blocks awarded in Brazil's 12th Bid Round and paid \$0.6 million in associated signature bonuses.
- Our cash and working capital resources remain strong, at \$87.4 million as at March 31, 2014.
- On Block 183, Alvopetro has commenced civil works on the site of our upcoming well. We expect to begin drilling this well in the second quarter of 2014.

Summary of Q1 2014

Alvopetro was established effective November 28, 2013 as a result of an agreement among [Petrominerales Ltd.](#) ("Petrominerales"), [Pacific Rubiales Energy Corp.](#) ("Pacific Rubiales") and [Alvopetro Energy Ltd.](#) (formerly 1774501 Alberta Ltd.) whereby the parties agreed to complete an arrangement (the "Arrangement") under section 193 of the *Business Corporations Act* (Alberta). The following table provides a summary of Alvopetro's financial and operating results for the three months ended March 31, 2014 and March 31, 2013. The consolidated interim financial statements with the Management's Discussion and Analysis ("MD&A") are available on our website at www.alvopetro.com and will be available on the SEDAR website at www.sedar.com.

SUMMARY OF Q1 2014 RESULTS

	Three months ended March 31,	
	2014	2013
Financial		
(\$000s, except where noted)		
Oil sales	314	298
Funds flow from operations ⁽¹⁾	(3,016)	(734)
Per share - basic and diluted (\$) ⁽²⁾	(0.04)	(0.01)
Net loss	(4,021)	(921)
Net loss attributable to common shareholders	(4,021)	(730)
Per share - basic and diluted (\$) ⁽²⁾	(0.05)	(0.01)
Capital expenditures	7,371	253
Total assets	155,936	50,211
Debt	-	-
Net working capital surplus ⁽¹⁾⁽³⁾	65,716	420
Common shares outstanding, end of year (000s)		
Basic ⁽²⁾	85,167	85,167
Diluted ⁽⁴⁾	88,162	85,167
Operations		
Operating netback (\$/bbl) ⁽¹⁾		
Brent benchmark price	107.90	112.49
Sales price	99.94	94.72
Transportation expenses	(3.50)	0.62
Realized sales price	96.44	95.34
Royalties and production taxes	(10.82)	(4.64)
Production expenses	(103.12)	(72.99)
Operating netback	(17.50)	17.71
Average daily crude oil production (bopd)	35	35

Notes:

(1) Non-GAAP measure. See "Non-GAAP Measures" section in this press release.

(2) All Alvopetro common shares currently outstanding were issued in connection with the Arrangement and there were no shares of [Alvopetro Energy Ltd.](#) outstanding at March 31, 2013. However, for comparison purposes and for all per share computations, the December 31, 2013 common share balance is assumed for March 31, 2013.

(3) Includes current restricted cash of \$6.0 million (March 31, 2013 - \$nil) but excludes non-current restricted cash of \$21.7 million.

(4) Consists of outstanding common shares and stock options of the Company as at March 31, 2014.

2014 Annual General Meeting of Shareholders, Letter to Shareholders and updated Corporate Presentation

All shareholders are invited to participate in our annual meeting of shareholders to be held on Monday, May 26, 2014 at 9:00 a.m. (Calgary time) at the Centrium Place Conference Centre, 2nd Floor (+15 level), 332 - 6th Avenue S.W., Calgary, Alberta. Alvopetro's annual letter to shareholders is available on our website at www.alvopetro.com/shareholder-documents and our updated corporate presentation is available at <http://www.alvopetro.com/corporate-presentation>.

***Alvopetro Energy Ltd.**'s vision is to be the premier independent exploration and production company in Brazil, maximizing shareholder value by being the lowest cost operator and applying innovation to underexploited opportunities. Alvopetro aims to implement a large-scale, repeatable, low-risk, multi-well development program, utilizing advanced technology and completion techniques. Alvopetro's strong financial position, along with our experienced team of professionals, local operating capabilities and highly prospective land base, will enable us to efficiently develop our resource play opportunities.*

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

All amounts contained in this press release are in United States dollars, unless otherwise noted.

Forward-Looking Statements and Cautionary Language. This news release contains "forward-looking information" within the meaning of applicable securities laws. The use of any of the words "will", "intend" and

other similar words or expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning financial results and operating results, reserves and potential hydrocarbons in our 1ALV5BA well, exploration and development prospects of Alvopetro and the expected timing of certain of Alvopetro's testing and operational activities. The forward-looking statements are based on certain key expectations and assumptions made by Alvopetro, including expectations and assumptions concerning testing results on the 1ALV5BA well, the timing of regulatory licenses and approvals, availability of capital, the success of future drilling and development activities, prevailing commodity prices and economic conditions, the availability of labour and services, the ability to transport and market our production, timing of completion of infrastructure and transportation projects, weather and access to drilling locations. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Although Alvopetro 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 Alvopetro can give no assurance that it will prove to be correct. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Alvopetro are included in our annual information form which may be accessed through the SEDAR website at www.sedar.com. The forward-looking information contained in this news release is made as of the date hereof and Alvopetro undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Cautionary statements regarding the filing of a Notice of Discovery. Operators in Brazil are required to inform the ANP, through the filing of a Notice of Discovery, of potential hydrocarbon discoveries. These routine notifications to the ANP are not necessarily indicative of commercial hydrocarbons, potential production, recovery or reserves. Data obtained from the 1ALV5BA well identified in this press release, including hydrocarbon shows, open-hole logging, net pay and porosities, should be considered to be preliminary until testing, detailed analysis and interpretation has been completed. Hydrocarbon shows can be seen during the drilling of a well in numerous circumstances and do not necessarily indicate a commercial discovery or the presence of commercial hydrocarbons in a well. There is no representation by Alvopetro that the data relating to the 1ALV5BA well contained in this press release is necessarily indicative of long-term performance or ultimate recovery. The reader is cautioned not to unduly rely on such data as such data may not be indicative of future performance of the well or of expected production or operational results for Alvopetro in the future.

Non-GAAP Measures. This press release contains financial terms that are not considered measures under Canadian generally accepted accounting principles ("GAAP"), such as funds flow from operations, funds flow per share, and operating netback. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. Specifically, funds flow from operations and funds flow per share reflect cash generated from operating activities before changes in non-cash working capital. Management considers funds flow from operations and funds flow per share important as they help evaluate performance and demonstrate the Company's ability to generate sufficient cash to fund future growth opportunities. Operating netback is determined by dividing oil sales less royalties and production taxes, transportation and operating expenses by sales volume of produced oil. Management considers operating netback important as it is a measure of profitability per barrel sold and reflects the economic quality of production. Funds flow from operations, funds flow per share, and operating netbacks may not be comparable to those reported by other companies nor should they be viewed as an alternative to cash flow from operations, net income or other measures of financial performance calculated in accordance with GAAP.

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