

# PRD Energy Inc: Announces Operational Update

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CALGARY, Aug 27, 2014 - [PRD Energy Inc.](#) ("PRD" or the "Company") (TSX VENTURE:PRD) announces completion of its financial statements and operating results as at and for the six months ended June 30, 2014 and provides an operational update on activities to date as well as an outlook for the remainder of 2014. The Company's interim condensed consolidated financial statements and management's discussion and analysis for the reporting period will be filed today on SEDAR at [www.sedar.com](http://www.sedar.com) and posted on the Company's website at [www.prdenergy.de](http://www.prdenergy.de)

## *Development of the Volkensen Production Licence*

In early August, the Company applied for a four well development permit on its Volkensen Production Licence. Volkensen is an oil pool which was abandoned in 1993 after producing approximately 900,000 barrels. The Company believes that potential recoveries can be enhanced through a three stage development plan:

- **Stage 1:** Drill two horizontal wells adjacent to the existing vertical wells based on existing 2D seismic, well control, reservoir data and other geological data available to the Company. This stage is expected to evaluate reservoir pressures, flow rates, and logs, amongst other things, to be used in stage 2 of the development.
- **Stage 2:** Drill two additional horizontal wells from the existing pad after the completion of the first two horizontal wells and evaluation of the planned 3D seismic program described below.
- **Stage 3:** Development of several additional wells depending on the results of the completed development program.

Subject to the receipt of all required regulatory approvals, site construction and drilling for the first stage is expected to commence in the fourth quarter of 2014 and continue into the first half of 2015.

The Volkensen well site design is expected to significantly reduce the environmental impact associated with large concrete pad structures typically utilized in the North West German Basin. The proposed matting and asphalt design is anticipated to have a secondary benefit of reducing costs of construction and remediation especially. This approach should also reduce the well site footprint, particularly when combined with the surface benefits of horizontal drilling.

## *Volkensen/Sittensen Seismic Program*

The Company has commenced the permitting of a 90 sq. km 3D seismic program for its Volkensen and Sittensen licences. Early indications from both the reservoir and 2D seismic data obtained to date have led the Company to believe that its Sittensen licence is highly prospective for conventional horizontal oil development. Subject to the receipt of all required regulatory approvals, the seismic program is expected to start in the fourth quarter of 2014 and be completed and interpreted in the first quarter of 2015.

The seismic data is expected to enable the Company to further delineate Volkensen and four additional high impact exploration prospects which it has identified to date. Other pools in the North West German Basin with reservoir intervals and trapping geometries similar to the Company's prospects have each recovered more than five million barrels of oil during their development. The seismic program will be funded from existing cash balances at a cost of approximately \$5,000,000 CDN.

PRD is the operator and 100% holder of both the Volkensen and Sittensen licences, subject to a 50%

back-in right in favour of the prior operator in respect of the Volkensen production licence only. Given the scope and prospects of these licences, the Company is evaluating one or more farm-out transactions with strategic partners with the goal of increasing activity and development on the Company's other licences.

### *Boerger Field*

PRD has received an expanded 3D seismic data set covering the Boerger field and surrounding area. It has completed its reprocessing of this data and submitted a field development plan to the operator, which the operator is currently reviewing. The Company is also in discussions with the operator to become the designated operator for all future field re-development in order to accelerate development timeframes for this pool. The Company has proposed drilling two wells from the Boerger 7A well site in the first quarter of 2015 as the next stage of development for the Boerger pool. In effect, the Company's accelerated Volkensen development drilling has substituted the well development activity originally planned for Boerger in the last quarter of 2014.

The operator and the Company completed facility modifications at Boerger 7A during June, 2014 and are assessing the effectiveness of these modifications. In that regard, the operator has shut-in production in order to carry out certain pressure transient tests and is expected to produce the Boerger 7A well intermittently for the remainder of the third quarter. Since being placed on production, the Boerger 7A well has completed 102 operating days between February 24 and June 30, 2014 and produced a total of 15,729 barrels of oil. PRD is encouraged by the initial results of this well, however feels that the well is not producing to its full capability due to production being limited to a portion of the horizontal length. The Company has proposed a work-over plan to the operator utilizing an acid squeeze to improve productive capability, a method which the Company believes would optimize completion methods for future wells.

The Boerger 7A well represents a significant milestone in the Company's development which it can use to expand its business in Germany over its significant land position. This operation has provided the Company with valuable operating experience which it is currently using to develop cost reduction strategies to apply to its independent operations elsewhere in Germany. Further, the knowledge gained of the regulations and regulatory process, the understanding of the local service company dynamics, and our improved public communication methods which incorporate transparency to all German stakeholders, are all as a result of drilling Boerger 7A. The permitting for the development of Volkensen and the 3D seismic shoot over the Volkensen and Sittensen Licences stand to be substantial beneficiaries of this experience which bodes well for our ability to be able to substantially increase activity in 2015 and beyond.

### *Other Licences*

The Company recently obtained legacy geophysical and production data over one of its production licences from one of the largest oil & gas companies in the North West German Basin marking the first transaction between PRD and this company. This transaction expands the Company's strategic access to legacy data which is an important step in advancing activity on its licences. The Company is evaluating the data received to date.

PRD is continuing to augment its understanding of its existing land base of 2,413,300 acres with improved access to data of Germany's major oil & gas companies. Management has recently completed a technical review of its existing licences and prospects resulting in the high-grading of certain exploration and production licences. These licenses are expected to be the focus of corporate activity in late 2015 and throughout 2016.

PRD remains committed to the German marketplace both environmentally and economically. In the last twelve months, the Company has increased its staffing levels in Germany from three professionals to over ten while continuing to manage its general and administrative expenses to a modest level. We are committed to expanding our business in Germany with highly skilled German people and expect to continue to increase employment in the country. World class netbacks and an attractive underdeveloped geologic environment, combined with the current geopolitical situation in Eastern Europe, provide incentives for both the oil and gas industry and its stakeholders to progress with development of Germany's vast natural resources.

### **About PRD Energy**

[PRD Energy Inc.](#) is a Calgary based oil and gas company engaged in the exploration, development and acquisition of, natural gas and crude oil in Germany. PRD's common shares are listed on the TSX Venture Exchange with the symbol "PRD".

## Forward looking information

This news release contains forward-looking information relating to enhancing potential recoveries from the Volkensen oil pool, expected results from first stage of the Volkensen development program, expected timing for commencement of the first stage of the Volkensen development program, environmental impacts and reduction of costs associated with operations, prospectivity of the Sittensen licence, expected timing for commencement and completion of the Volkensen/Sittensen seismic program and costs and funding in respect of that program, delineation of exploration prospects, production from the Boerger 7A well, optimizing production capabilities of future wells, cost reduction strategies, focus of corporate activities in 2015 and 2016, expanding the Company's business in Germany and other statements that are forward-looking in nature. Such forward-looking information is subject to important risks, uncertainties and assumptions. The results or events predicated in this forward-looking information may differ materially from actual results or events. As a result, you are cautioned not to place undue reliance on this forward-looking information.

Forward-looking information is based on certain factors and assumptions regarding, among other things, the Company's licenses, and in particular: (i) statements relating to the development of the Volkensen license including wellsite construction and drilling plans are based on a variety of assumptions including, the Company's ability to obtain permits by the end of October 2014, the reservoir pressure and net pay, and the economic feasibility; (ii) statements relating to the seismic program, the source of funding for the shooting the seismic and the results from the seismic data are based on a variety of assumptions including the Company's ability to obtain permits by the end of October 2014 and PRD Energy's ability finance or farmout a portion of the license; and (iii) statements relating to the ability of the Company to successfully increase production through the completion of a workover, are based on a variety of assumptions including that the Company will be named operator, the Company will obtain permits in a timely manner for additional wells and that PRD Energy will successfully complete a workover on the wells, the future performance of the Boerger 7A well, the success of future exploration and development activities, the impact of increasing competition; the general stability of the economic and political environments in which the Company operates or owns interests; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability to operate in a safe, efficient and effective manner; the ability of the Company to obtain financing to fund its operations on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its oil and natural gas products, and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward looking-information is subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what is currently expected. These factors include risks associated with the failure to obtain permits when expected, the failure identify economic operations in the Boerger pool following the proposed work-over, declining production from the Boerger 7A well, timing of field operations at Volkensen and Sittensen and the ability to attract a joint venture or farm-in partner, instability of the economic and political environments in which the Company operates or owns interests, ability to manage water production and disposal, oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, the inability to settle the definitive terms of the farmout arrangements, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals, inability to obtain approvals from the Company's partners in operations, and ability to access sufficient capital from internal and external sources, reliance on key personnel, regulatory risks and delays, including risks relating to the acquisition of necessary licenses and permits, environmental risks and insurance risks.

Certain information contained herein is considered "analogous information" as defined in National Instrument 51-101 ("NI 51-101"), including the production history for areas outside the Company's Sittensen and Volkensen licences. Such analogous information has not been prepared in accordance with NI 51-101 and

the Canadian Oil and Gas Evaluation Handbook and PRD is unable to confirm whether such information has been prepared by a qualified reserves evaluator. Such information is based on independent public data and public information received from other producers and PRD has no way of verifying the accuracy of such information. Such information has been presented to help demonstrate the basis for the Company's business plans and strategies. There is no certainty that such results will be achieved by PRD and such information should not be construed as an estimate of future reserves or resources or future production levels from the Company's licences.

You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Company may elect to, the Company is under no obligation and does not undertake to update this information at any particular time, except as required by law.

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 release.

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