

Americas Petrogas Announces Second Quarter 2014 Results

02.09.2014 | [Marketwired](#)

CALGARY, ALBERTA--(Marketwired - Sep 2, 2014) - [Americas Petrogas Inc.](#) ("Americas Petrogas" or the "Company") (TSX VENTURE:BOE) announces its second quarter 2014 results.

Summary Financial and Operational Highlights

Selected financial and operational information is outlined below and should be read in conjunction with the Company's interim consolidated financial statements and the related Management's Discussion and Analysis ("MD&A") for the quarter, which have been filed on SEDAR under the Company's profile at www.sedar.com and are also available on the Company's website at www.americaspetrogas.com. All amounts are in Canadian dollars unless otherwise stated.

• Gross Oil Sales: So far in 2014, as the Company reduces its capital expenditures and manages its cash position while the strategic review with Jefferies is ongoing, oil sales volumes in 2014 have been lower in comparison to 2013. During the six months ended June 30, 2014, an average of 1,110 barrels of oil were sold per day (net) at an average selling price of \$84.46 generating gross oil sales of \$17.2 million. During the six months ended June 30, 2013, an average of 2,401 barrels of oil were sold per day (net) at an average selling price of \$77.50 generating gross oil sales of \$33.7 million.

During the three months ended June 30, 2014, an average of 997 barrels of oil were sold per day (net) at an average selling price of \$87.79 generating gross oil sales of \$8.1 million. During the three months ended June 30, 2013, an average of 2,398 barrels of oil were sold per day (net) at an average selling price of \$78.92 generating gross oil sales of \$17.2 million.

• Operating Netback: For the six months ended June 30, 2014, operating netback (a non-GAAP measure) was \$7.3 million (calculated as gross oil sales of \$17.2 million less royalties of \$2.6 million and production costs of \$7.3 million) or \$35.76 per barrel with no Oil Plus benefits recognized during the period. For the six months ended June 30, 2013, operating netback (excluding Oil Plus benefits) was \$20.1 million (calculated as gross oil sales of \$33.7 million less royalties of \$4.5 million and production costs of \$9.1 million) or \$46.20 per barrel.

For the three months ended June 30, 2014, operating netback was \$3.2 million (calculated as gross oil sales of \$8.1 million less royalties of \$1.3 million and production costs of \$3.6 million) or \$34.59 per barrel with no Oil Plus benefits recognized during the quarter. For the second quarter of 2013, operating netback (excluding Oil Plus benefits) was \$9.8 million (calculated as gross oil sales of \$17.2 million less royalties of \$2.3 million and production costs of \$5.1 million) or \$44.72 per barrel. "Operating netback" is a non-GAAP measure and is calculated as revenues from oil sales less royalties and production costs. Operating netback is used as an indicator of operating performance, profitability and liquidity. "Operating netback (excluding Oil Plus benefits)" excludes any Oil Plus benefits credited to production costs. Operating netback does not have a standardized meaning prescribed by IFRS. It is unlikely for non-GAAP measures to be comparable to similar measures presented by other companies.

• Net Loss: Net loss attributable to owners of the Company was \$39.6 million, which included \$23.9 million of non-cash, foreign exchange losses on intercompany loans between the Canadian parent company and its Argentina subsidiary, for the six months ended June 30, 2014. This compares to net income attributable to owners of the Company of \$9.5 million, which included \$3.6 million of non-cash, foreign exchange losses on intercompany loans between the Canadian parent company and its Argentina subsidiary, for the six months ended June 30, 2013. For the second quarter of 2014, net loss attributable to owners of the Company was \$15.1 million, which included \$5.9 million of non-cash, foreign exchange losses on intercompany loans between the Canadian parent company and its Argentina subsidiary. This compares to net income attributable to owners of the Company of \$5.1 million, which included \$1.9 million of non-cash, foreign exchange losses on intercompany loans between the Canadian parent company and its Argentina subsidiary, for the second quarter of 2013.

• Cash Position: \$22.2 million of consolidated cash and cash equivalents as of June 30, 2014.

(\$ in thousands)	June 30, 2014		December 31, 2013	
Cash and cash equivalents	\$	22,228	\$	18,334
Working capital ⁽¹⁾	\$	19,757	\$	21,687

⁽¹⁾ Working capital is a non-GAAP measure and is calculated as current assets less current liabilities. Working capital is used to assess liquidity and general financial strength. Working capital does not have a standardized meaning prescribed by IFRS. It is unlikely for non-GAAP measures to be comparable to similar measures presented by other companies. Working capital should not be considered an alternative to, or more meaningful than current assets or current liabilities as determined in accordance with IFRS.

Cash from Operating Activities: During the six months ended June 30, 2014, the Company generated \$11.3 million of cash from operating activities (which includes changes in non-cash balance sheet operating items), compared to the same period of 2013 when the Company generated \$17.8 million in operating activities (which includes changes in non-cash balance sheet operating items). The decrease in cash inflow in 2014 is attributable to lower oil sales volume and changes in non-cash balance sheet operating items.

Capital Expenditures: The Company spent \$15.0 million on capital expenditures in the first half of 2014, compared to \$54.4 million spent in the first half of 2013. The capital expenditures during the first half of 2014

relate primarily to the constructing of facilities at Medanito Sur.

- **Oil Plus Benefits:** during the first half of 2014, the Company did not recognize any Oil Plus benefits, though \$7.3 million of Oil Plus benefits (recognized in 2013) were collected in January 2014. During the year ended December 31, 2013, the Company recognized \$25.5 million of Oil Plus benefits (related to production and reserve increases). As of the current date, a total of \$26.8 million of Oil Plus benefits have already been collected. An additional \$15.6 million has been applied for and remains to be collected.

Highlights and Recent Activities

- In June 2014, the Company completed a public offering (the "Offering") of 19,166,666 units (the "Units") at a price of \$0.90 per Unit ("Offering Price") for gross proceeds of \$17.3 million. The Offering was conducted by a syndicate of underwriters (the "Underwriters"). Each Unit consisted of one common share (each, a "Common Share") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"), with each Warrant entitling the holder thereof to acquire one Common Share in the capital of the Company at a price of \$1.125 until 36 months from the closing date of the Offering.
- Ryder Scott Company estimated (updated as of March 31, 2014) that the Company has 7.56 billion BOE P50 Best Case Unrisked Prospective (Recoverable) Resources (27% oil/condensate and 73% gas) in the Company's nine unconventional shale oil and shale gas properties. The Ryder Scott estimates only considered the Vaca Muerta, Agrio and Los Molles shales. The report did not consider additional zones of interest such as the Mulichinco, Quintuco, Tordillo, and other prospective formations.
- Americas Petrogas is currently reviewing strategic alternatives for maximizing shareholder value. The Company engaged Jefferies LLC as its sole financial advisor to assist management in evaluating a range of strategic alternatives. The review is ongoing, and the Company continues to evaluate a range of potential alternatives.
- The gas reinjection program, which the Company began in April 2014, has been successful at slowing the rate of production decline. The initial injection rate in April 2014 was approximately 1 million cubic feet per day (mmcf) of associated gas into the top of the El Tordillo formation at the easternmost updip area of the El Jabali Field. More recently, gas reinjection has increased to approximately 2.8 mmcf. The total gas treatment and injection capacity is 7 mmcf.
- During the second quarter of 2014, the Company began re-processing 3D seismic data for the Medanito Sur and Rinconada Norte blocks. The output from the re-processing will be used to complete an Integration study using the latest interpretation technology and well data in order to optimize the selection of drilling locations. The early results are encouraging and significant usable data for drilling locations is expected to be available by or before October 2014.
- With respect to the Company's unconventional Vaca Muerta shale exploration wells on the Los Toldos blocks, the Company in conjunction with its partner ExxonMobil, continued to conduct long-term production testing on the LTE.x-1 well and the ADA.x-1 well.
- The Company and its partner, Gas y Petróleo del Neuquén (owned by the provincial government), have agreed and presented to the Secretary of Energy of Neuquén province a request to reschedule the drilling of the committed well on Loma Ranqueles (LRa.x-2 well). Written approval from the Neuquén government is pending. The Company is in advanced negotiations to contract a rig to spud the well, which is expected before or in January 2015.
- As of January 2014, the Company successfully completed and brought on-stream its own power generation facility at Medanito Sur using associated gas from oil production. This now allows substantially all of the operations at Medanito Sur to be powered via the produced gas. This, in turn, has significantly reduced the need for rental generators and associated diesel and labour costs. Management estimates that it will be able to power approximately 400 pump jacks and associated surface process facilities using this system.
- The Company and YPF are working towards an extension of the contract terms on the Huacalera Block.
- In May 2014, the Peruvian state-owned company Activos Mineros S.A.C. and the Executive Director of ProlInversion executed the transfer agreement formally granting the Bayovar Property to Americas Petrogas' Peruvian subsidiary.

- In August 2014, the Company announced discovery of near-surface Sechura phosphate rock on its Bayovar Property. The Company's Peruvian subsidiary completed a trenching program on Bayovar concession 6, one of four concessions on Americas Petrogas' Bayovar Property. A total of five trenches were sampled over a distance of 350 meters. The lab results were favourable.

For further information regarding the Company's financial results, financial position and related changes, please see the interim consolidated financial statements and the related MD&A.

About Americas Petrogas Inc.

[Americas Petrogas Inc.](http://www.americaspetrogas.com) is a Canadian company whose shares trade on the TSX Venture Exchange under the symbol "BOE". Americas Petrogas has conventional and unconventional shale oil and gas and tight sands oil and gas interests in numerous blocks in the Neuquén Basin of Argentina. Americas Petrogas has joint venture partners, including ExxonMobil and YPF, on various blocks in the shale oil and gas corridor in the Neuquén Basin, Argentina. Americas Petrogas also owns an 80% interest in GrowMax Agri Corp., a private company involved in the exploration for near-surface potash, phosphates and other minerals, and potential development of a fertilizer project in Peru. Indian Farmers Fertiliser Co-operative Limited (IFFCO) owns a 20% interest in GrowMax Agri Corp. For more information about Americas Petrogas Inc., please visit www.americaspetrogas.com

Forward Looking Information

This Press Release contains forward-looking information including, but not limited to, the Company's goals and growth strategy, testing of the LTE.x-1 well, testing of the ADA.x-1 well, approval for rescheduling the committed well on Loma Ranqueles, negotiations to contract a rig for drilling the committed well on Loma Ranqueles, timing of spudding the committed well on Loma Ranqueles, re-processing of 3D seismic data for the Medanito Sur and Rinconada Norte blocks and related results, the Company's own power generation facility at Medanito Sur, the ongoing strategic review, plans to extend the commitments on Huacalera Block, estimates of reserves and resources, potential of the Company's phosphate project in Peru, and lab results of the recent trenching program on Bayovar concession 6. The recovery and resources estimates for the Company's properties described in this Press Release are estimates only and there is no guarantee that the estimated resources will be recovered. The actual resources for the Company's properties may be greater or less than those calculated. Additional forward-looking information is contained in the Company's Annual and Interim MD&A and Annual Information Form, and reference should be made to the additional disclosures of the assumptions, risks and uncertainties relating to such forward-looking information in those documents.

Forward-looking information is based on management's expectations regarding the Company's future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity (including the timing, location, depth and the number of wells), environmental matters, business prospects and opportunities and expectations with respect to general economic conditions. Such forward-looking information reflects management's current beliefs and assumptions and is based on information, including reserves and resources information, currently available to management. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information, including but not limited to, risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production, delays or changes to plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of geological interpretations; the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environment risks, extensions of concessions and commitments), the risk of commodity price and foreign exchange rate fluctuations, the uncertainty associated with negotiating with foreign governments and third parties located in foreign jurisdictions and the risk associated with international activity and the risk of being unable to raise significant funds on terms acceptable to the Company to meet its capital and operating expenditure requirements in respect of its properties.

Although the forward-looking information contained herein is based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with this forward-looking information. Readers are cautioned that the presence of phosphates in samples is not necessarily indicative that phosphates are capable of being successfully produced in commercial quantities.

There is no assurance reserves will be assigned to such phosphate-bearing formations. There is no assurance that future trenches will be dug or that future wells will be drilled on the Bayovar Property or that if dug/drilled, will be successful. This forward-looking information is made as of the date hereof and the Company assumes no obligation to update or revise this information to reflect new events or circumstances, except as required by law. Because of the risks, uncertainties and assumptions inherent in forward-looking information, prospective investors in the Company's securities should not place undue reliance on this forward-looking information.

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

The term BOE (barrels of oil equivalent) is used in this press release. All calculations converting natural gas to BOE have been made using a conversion ratio of six thousand cubic feet (six "Mcf") of natural gas to one barrel of oil, unless otherwise stated. The use of BOE may be misleading, particularly if used in isolation, as the conversion ratio of six Mcf of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Uncertainty Ranges are described by the COGEH as low, best, and high estimates for reserves and resources. The Best Estimate is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

In the case of undiscovered resources or a subcategory of undiscovered resources, there is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. For undiscovered hydrocarbons, the term 'unrisked' means that no geologic or chance of discovery ("play risk") has been incorporated into the hydrocarbon volume estimates

The estimates of resources for individual properties may not reflect the same confidence level as estimates of resources for all properties, due to the effects of aggregation.

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Die URL für diesen Artikel lautet:

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