Cuda Oil and Gas Inc. Announces Third Quarter Financial and Operating Results

24.11.2020 | Newsfile

Calgary, November 23, 2020 - Cuda Oil and Gas Inc. (TSXV: CUDA) ("Cuda" or the "Company") announces its financial and operating results for the three and nine months ended September 30, 2020. Cuda's unaudited interim condensed consolidated financial statements and related management's discussion and analysis ("MD&A") as at and for the periods ended September 30, 2020 and 2019, are available under the Company's profile on the SEDAR website at www.sedar.com. Selected financial and operating information for the three and nine months ended September 30, 2020 appear below and should be read in conjunction with the related financial statements and MD&A.

Summary Financial and Operational Results (See "Non-GAAP Measures")

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
OPERATING				
Production				
Crude oil (bbls/d)	360	264	338	313
Natural gas (mcf/d)	1,386	90	1,500	1,119
Natural gas liquids ("NGLs")(bbls/d)	26	1	28	17
Total (boe/d)	617	280	616	516
Netbacks ($/boe)				
Average realized price (boe)	37.82	65.00	33.28	50.15
Royalties and production taxes	(10.42)	(20.43)	(9.10)	(13.74)
Operating and transportation	(13.31)	(21.90)	(11.62)	(18.06)
Operating netback	14.09	22.67	12.56	18.35
FINANCIAL ($)				
Revenue				
Crude oil	1,740,995	1,661,498	4,374,080	5,924,685
Natural gas	322,213	8,297	986,377	874,735
NGLs	84,702	3,091	253,990	260,714
Total	2,147,910	1,672,886	5,614,447	7,060,134
Adjusted funds flows from (used in) operations	135,596	(1,793,713)	(538,603)	(3,768,124)
Net loss	(3,735,350)	(3,054,961)	(8,205,469)	(31,125,405)
Capital expenditures	1,234,345	2,169,323	9,510,151	6,852,480

Third Quarter Highlights

- Production in Wyoming continues to respond positively to the gas flood project. With the 15 new wells in operation in 2020, third quarter production increased to 360 bbls/d from 307 bbls/d in the second quarter of 2020, an increase of 17% and an increase of 36%, 350 bbls/d versus 264 bbls/d, compared to 2019 third quarter production. Of particular importance, at the William Valentine Injection Pattern where the gas flood is most advanced and estimated and at only 60% of fill-up, wells continue to perform. The BFU 22-27 and BFU 23-27 produced 128 and 131 bbls/d in September 2020, compared to 34 and 31 bbls/d prior to gas injection, respectively.

- Cuda remains optimistic that opportunities to increase near-term crude oil production from Wyoming can materialize. The Company's project to increase the volume of gas injection to increase 2020 oil production has been slower than anticipated. The continuing impact of COVID-19 has caused WTI price volatility and unstable prices. The realized WTI price in the third quarter improved to $52.45 per bbl from $34.33 per bbl in the second quarter of 2020. However, compared to 2019 third quarter realized WTI price, third quarter 2020 realized WTI price was 24% lower.
- Realized natural gas prices increased in the third quarter of 2020 to $2.53 per mcf from $2.27 per mcf in the second quarter of 2020. The continuation of stable natural gas prices in 2020, allowed Cuda to continuously produce during higher price environments.
- Increases in crude oil production from Wyoming and stable AECO gas prices resulted in Cuda increasing its boe/d production in 2020 by 19%, compared to the first nine months of 2019.
- Cuda's operating netback (see Non-GAAP measures) increased to $14.09/boe for the third quarter, from $7.38/boe for the second quarter of 2020, due to improved crude oil and natural gas prices. Operating netback of $12.56/boe for the first nine months of 2020 was 32% below operating netback for the same period in 2019, reflecting the COVID-19 impact on 2020 crude oil prices.
- Adjusted funds flows from (used in) operations improved to $135,596 for the three months ended September 30, 2020 from ($1,793,713) for the same period of 2019, and improved to ($538,603) from ($3,768,124) for the nine months ended September 30, 2020 and 2019, respectively.

Financial Position

At September 30, 2020, the Company has a working capital deficiency (including the credit facilities, the convertible debentures and the promissory note) of $61,886,328 and an accumulated deficit of $70,045,144. For the three and nine months ended September 30, 2020, the Company reported net losses of $3,735,350 and $8,205,469 respectively and cash flows from operating activities of $961,383 and $2,308,193, respectively.

The COVID-19 health pandemic continues to cause unprecedented decline in crude oil demand and prices in 2020. The pandemic has negatively impacted the Company's performance in 2020 in spite of increased oil and gas production from both its Wyoming and Alberta assets. With uncertainty related to current COVID-19 circumstances, the Company has elected to focus towards capital expenditures at the Shannon Secondary Recovery Unit in Wyoming, through the Increased Miscible Gas Injection project. The Company estimates capital expenditures of approximately USD $0.73 million for the remainder of 2020, to return the Shannon Reservoir to initial pressures maximizing production response and oil revenue.

At September 30, 2020, the Company had $48.0 million outstanding under the Credit Facilities which matured on July 30, 2020 and remains unpaid which constitutes an event of default under the loan agreement. No waiver has been obtained for the event of default; however, the Company is working with the lender to amend key terms of the loan agreement, including the maturity date.

At September 30, 2020, the Company had $1.6 million outstanding under the convertible debentures which matured on July 21, 2020 and remains unpaid. The debenture holder granted an extension to the notice period to September 23, 2020 to avoid a situation of default. A further extension to the notice period has not been obtained and the Company is working with the debenture holder to amend key terms of the debenture agreement including the maturity date to cure the event of default.

At September 30, 2020, the Company had USD $7.4 million in outstanding joint interest billings and accrued interest with the operator of the Wyoming properties. On July 22, 2020, the Company received formal notification it was in default of its payment obligations under the Unit Operating Agreement. On August 26, 2020, the Company received notification from the operator that it granted the Company a 60-day extension to September 20, 2020 to cure the default. The Company has been unable to pay the outstanding amounts in the time period set out in the notice. A further extension to cure the default has not been obtained. The Company is working with the operator to cure the default.

Further rationalization of assets and/or funding through share issuances, private placements, restructuring of existing or new credit facilities, non-core property sales, increased production from core properties combined with improvements in realized oil and gas prices received and/or a combination of these alternatives will be required to continue as a going concern.

Non-GAAP Measures

This news release contains the terms "adjusted funds flow from (used in) operations", and "operating netback", which do not have standardized meanings prescribed by IFRS and therefore may not be comparable with the calculation of similar measures presented by other issuers.

- Adjusted funds flow from (used in) operations denotes cash flow from (used in) operating activities as it appears on the Company's consolidated statement of cash flows before decommissioning expenditures, if any, and changes in non-cash operating working capital.
- Operating netback denotes total revenue less royalty and production tax expenses, and operating and transportation costs calculated on a per boe basis. Management uses operating netback on a per boe basis in operational and capital allocation decisions.
- BOEs may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf:1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil 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.

Forward-Looking Information

This news release contains forward-looking information. All statements other than statements of historical fact included in this news release are forward-looking statements that involve various risks and uncertainties and are based on forecasts of future operational or financial results, estimates of amounts not yet determinable and assumptions of management. Risk factors that could prevent forward looking statements from being realized include the nature and scope of public health restrictions, the availability of key personnel, market conditions, third party and regulatory approvals, ongoing permitting requirements, the actual results of current exploration and development activities, operational risks, risks associated with drilling and completions, uncertainty of geological and technical data, conclusions of economic evaluations and changes in project parameters as plans continue to be refined as well as future oil and gas prices. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company disclaims any intention and has no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

For further information please contact:
Glenn Dawson - President and Chief Executive Officer
Cuda Oil and Gas Inc. (403) 454-0862

To view the source version of this press release, please visit https://www.newsfilecorp.com/release/68813