Midway Energy Ltd.: Releases 3rd Quarter 2011 Results

27.02.2012 | Marketwired

Midway Energy Ltd. ("Midway" or the "Company") (TSX: MEL) is pleased to announce its financial and operating results for the nine months ended September 30, 2011.

Highlights

- Midway's light oil properties contributed to record revenue in the third quarter of $28.11 million and funds from operations of $17.65 million ($0.19 per basic share);

- Production averaged 4,608 boe per day for the third quarter of 2011, a 21 percent increase over the prior quarter and a 109 percent increase over the same period in 2010;

- We are on track to meet or exceed our 2011 exit guidance of 5,200 to 5,300 boe per day;

- The first well drilled in our four well Swan Hills program continues to track our type curve (300,000 boe) for the play, the second well is starting to move up to the type curve on a production basis, and the third and fourth wells do not have enough production history; and

- We tested a new heavy (15 degree API) oil pool on Company lands. Initial plans are to drill one to two wells in 2012 to further evaluate the new pool discovery.

Operations Update

Midway completed its 2011 drilling program in early October and spent 95 percent of its budget prior to the end of the third quarter. Our quarter-end debt, net of working capital ("net debt"), was $117 million and is expected to decrease by approximately $10 to $12 million for year end. Management also believes the Company's year-end reserve evaluation will support a substantial increase in its credit facilities in early 2012.

We have undertaken several initiatives in support of our 2012 capital program, including additional land acquisitions in a new area which has the potential for the development of another light oil resource play, the completion of two vertical wells to test the potential of a new heavy oil pool, construction of a water disposal facility in Swan Hills, and well licensing and lease construction costs to prepare for the 2012 drilling program.

Garrington

Midway's Garrington area, which is made up almost entirely of Cardium light oil production, averaged 3,870 boe per day in the third quarter of 2011, accounting for 84 percent of the Company's production. In the third quarter we drilled 5.7 net Cardium horizontal wells and completed 8.7 net wells. Of the completed wells, 7.7 net wells contributed to production in the third quarter.

As at September 30th, Midway had drilled 19 Cardium wells in 2011 with 16 contributing to production in the first nine months of the year and the others coming on production in the fourth quarter.

Swan Hills

We are continuing to expand our knowledge of the Beaverhill Lake oil play in Swan Hills. This year's extremely long spring break-up was not anticipated and Midway will plan for it more thoroughly next year. Our budget included drilling and completing four net horizontal Beaverhill Lake wells in 2011, all of which were completed prior to the end of the quarter. From a technical perspective, we believe that we have a much better understanding of the play and we look forward to the resumption of drilling in the first quarter of 2012.

Guidance for 2012

Midway is now in a position to fund internal growth entirely from its funds from operations. Based on a crude oil price of $87 per barrel WTI, we anticipate being able to accomplish the following:

- Operating income for 2012 of $95 million to $100 million;

- Average annual production of 5,900 boe per day, - a 45 percent increase over 2011;

- A 40 percent increase in production from Q4 2011 to Q4 2012.

The majority of our 2012 program will be spent on 100 percent Company owned lands which gives Midway the flexibility to alter its capital program to meet fluctuations in crude oil prices in 2012. Midway will hedge a portion of its 2012 crude oil production to reduce the downside commodity price risk. Our 2012 capital program will see the Company drill 17 to 19 net horizontal wells in the Garrington Cardium, six to eight horizontal wells in the Swan Hills area and two to four horizontal wells in new oil resource areas.

Corporate Highlights

($ 000's, except operational, share and per share amounts)

	Q3 2011	Q3 2010	Change (%)	9 months 2011	9 months 2010	Change (%)
Petroleum and natural gas revenue	28,111	9.520				
Funds from operations	17,653	5,177				
Basic per share	0.19	0.08	142			
Diluted per share	0.18	0.07	143			
Net earnings (loss)	6,364	(2,076)	n/a			
Basic per share	0.08	(0.03)	n/a			
Diluted per share	0.08	(0.03)	n/a			
Working capital deficiency (1)	13,769	4,905				
Bank debt	103,234	22,405	361			
PP&E expenditures	37,934	18,530				
E&E expenditures	5,018	(104)	n/a			
Total assets	319,344	157,259	103			
Weighted average shares (000's)						
Basic	79,255	67,196	18			
Diluted	81,797	67,196	22			
Common shares outstanding (000's)						
Basic	79,439	66,044	17			
Diluted	86,428	75,246	15			
Average production:						
Oil and NGL's (bbl/d)	3,221	1,205				
Natural gas (mcf/d)	8,321	6,021				
Oil equivalent (boe/d 6 : 1)	4,608	2,209				
Average realized prices:						
Oil and NGL's ($/bbl)	84.86	66.17				
Natural gas ($/mcf)	3.83	3.91	(			
Oil equivalent (boe/d 6 : 1)	66.24	46.78				
Netback ($/boe)						
Petroleum and natural gas sales	66.24	46.78				
Royalties	7.57	3.92	93			
Operating expenses	11.97	11.42				
Operating netback	46.70	31.44	4			

(1) Excludes the current portion of bank debt.

Forward-looking Statements

This news release contains forward-looking statements relating to the Company's plans and other aspects of the Company's anticipated future operations, management focus, strategies, financial and operating results and business opportunities. Forward-looking statements typically use words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. In particular, this press release contains forward-looking statements relating, but not limited to:

- drilling, development and completion plans, targets and prospects and the expected results therefrom;
- plans to decrease year-end net debt;
- anticipated increase in year-end reserves;
- anticipated increase in the Company's credit facilities in 2012;
- anticipated drilling locations in the Company's core and potential new core areas;
- 2012 expected operating income;
- anticipated 2011 fourth quarter exit and 2011 and 2012 average annual production rates;
- Midway's hedging strategy;
- Midway's 2012 capital program, the allocation and timing thereof and the source of funding of the Company's capital program and growth plans;
- performance characteristics of Midway's oil and natural gas properties; and
- Midway's business strategy and management focus and the results therefrom.

These forward-looking statements are based on various assumptions including: the outlook for petroleum and natural gas prices; estimated amounts and timing of capital expenditures and the results therefrom; the timing, location and extent of future drilling operations and the results therefrom; estimates of future production and operating costs; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; future exchange and interest rates, Midway's ability to obtain equipment in a timely manner to carry out development activities, impact of increasing competition, ability to market oil and natural gas successfully and the ability of Midway to access capital. While Midway considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties and other factors that contribute to the possibility that the predicted outcome will not occur, including, without limitation: risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation; loss of markets; volatility of commodity prices; currency fluctuations; imprecision of reserve estimates; environmental risks; competition from other producers; inability to retain drilling rigs and other services; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; general economic conditions in Canada, the U.S. and globally; and ability to access sufficient capital from internal and external sources. Readers are cautioned that the foregoing list of factors is not exhaustive.

Although Midway believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements and you should not unduly rely on forward-looking statements. The forward-looking statements contained in this news release are made as the date of this new release and the company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-GAAP Financial Measures

Midway uses the following terms for measurement within this press release that do not have a standardized prescribed meaning under International Financial Reporting Standards ("IFRS") and previous GAAP and are considered non-GAAP measures. These measurements may not be comparable with the calculation of similar measurements of other entities.

The terms "funds from operations", "funds from operations per share" and "operating netback per boe" in this press release are not recognized measures under GAAP. Management of Midway believes that in addition to net earnings and cash flow from operating activities as defined by GAAP, these terms are useful supplemental measures to evaluate operating performance and assess leverage. Users are cautioned; however, that these measures should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as an indication of Midway's performance. For a reconciliation of funds from operations refer to Midway's Management's Discussion and Analysis ("MD&A") for the three and nine month period ended September 30, 2011.

Midway considers funds from operations to be an important measure of Midway's ability to generate the funds necessary to finance capital expenditures and repay debt. All references to funds from operations throughout this press release are based on cash provided by operating activities before the change in non-cash working capital and actual decommissioning obligation expenditures since Midway believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and as such may not be useful for evaluating Midway's operating performance. Funds from operations per share are calculated using the weighted average number of shares outstanding used in calculating earnings per share. Operating netback per boe is determined by deducting royalties and operating expenses from petroleum and natural gas sales (all on a per boe basis). Midway's method of calculating funds from operations and operating netback per boe may differ from that of other companies and, accordingly, may not be comparable to measures used by other companies.

51-101 Advisory

In conformity with National Instrument 51-101, Standards for Disclosure of Oil and Gas Activities ("NI 51-101"), natural gas volumes have been converted to barrels of oil equivalent ("boe") using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that the term "boe" may be misleading, particularly if used in isolation.

Filings

Midway has filed with Canadian securities regulatory authorities its unaudited consolidated financial statements for the three and nine months ended September 30, 2011 and the accompanying MD&A. These filings are available under Midway's SEDAR profile at www.sedar.com. Full pdf versions of our September 30, 2011 unaudited consolidated financial statements and the accompanying MD&A are available on our website at www.midwayenergy.com.

Information Regarding Midway

Midway Energy Ltd. is a public oil and natural gas exploration and development company, located in Calgary, Alberta with operations pursued in Alberta. Midway currently trades on the Toronto Stock Exchange (TSX) under the Symbol "MEL".

Contact Information

Midway Energy Ltd.
M. Scott Ratushny, Chairman and Chief Executive Officer
(403) 216-2705

Midway Energy Ltd.
Douglas K. Smith, Chief Financial Officer
info@midwayenergy.com
www.midwayenergy.com