

Online Energy Inc. Provides an Operations Update

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CALGARY, ALBERTA -- (Marketwire - July 27, 2012) - [Online Energy Inc.](#) ("Online" or the "Company") (TSX VENTURE:ONL) is pleased to provide an update on the completion and testing of its Paddle River 1-5-55-7W5M Ostracod horizontal oil well.

The 1-5 well is the second Online 100% W.I. horizontal well on its Paddle River Ostracod oil project. It was drilled in March and reached a total depth of 3,089 metres, including a 1,254 metre horizontal trajectory. Completion operations, including a 14-stage multi-frac program, were recently completed. A total of 4,250 barrels of load fluid was pumped during the completion process. The well was subsequently production tested for a total of seven days. The well was swabbed-in for the first four days and was flowing for the final three days. During the seven day period, a total of 3,300 (78%) barrels of the water based load fluid was recovered. During the final three days of the test the well flowed 1 oil and associated solution gas at an average rate of 438 boe/d (73% oil). During the final 24 hours the well flowed at an average rate of 417 boe/d (70% oil).

The well is currently shut-in. Operations to equip the well and tie-in the solution gas to existing Online facilities will commence as soon as ground conditions permit. The Company anticipates the well will commence production by September 1, 2012 at an initial rate of approximately 400 boe/d (80% oil and NGLs).

While the Company is very encouraged by the initial results from the 1-5 well, it cautions that these results may not be indicative of its long-term performance. Ongoing technical work continues to improve the Company's understanding of its Paddle River Ostracod oil play and the ultimate potential of the project.

Online controls approximately 43 net sections of prospective lands on the Ostracod oil trend in the Paddle River area.

Outlook

While there currently is not an established decline curve for the Ostracod horizontal oil project due to the lack of data, the Company has budgeted that the 1-5 well will decline approximately 50% from its initial rate by December 31, 2012. Based on this estimate, the Company provides the following production guidance for the remainder of 2012:

	Total Boe/d	Oil & NGLs %
Q2	400	37
Q3	525	46
Q4	650	53

The Company estimates its working capital deficiency will be approximately \$3.3 million as of September 30, 2012. This includes all costs to drill, complete, equip and tie-in the 1-5 well. Completion costs for this well were higher than anticipated as a result of additional costs incurred to overcome wellbore integrity issues that were encountered. The Company has a credit facility consisting of a revolving operating demand loan to a maximum of \$4,750,000 and an additional acquisition or development demand loan to a maximum of \$1,250,000.

The Company has successfully assembled an extensive land position of 140 net sections in the Greater Paddle River area of west-central Alberta. This concentrated acreage position supports a large inventory of horizontal multi-frac well locations on a variety of resource plays including the Notikewin, Wilrich, Ostracod, Rock Creek, Nordegg and Duvernay formations. Online also maintains a growing inventory of low-risk vertical oil locations targeting the Viking and Nordegg formations as well as a number of low-cost re-entry opportunities.

Interested parties are invited to view the Company's corporate presentation which is periodically updated on its website at www.onln.ca.

Cautionary Statements:

This press release contains certain forward-looking statements (forecasts) under applicable securities laws relating to future events or future performance. Forward-looking statements are necessarily based upon assumptions and judgements with respect to the future. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "projects", "plans", "anticipates" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof affecting the economic performance of Online. Undue reliance should not be placed on these forward-looking statements which are based upon management's assumptions and are subject to known and unknown risks and uncertainties, including the business risks discussed above, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. These statements speak only as of the date specified in the statements.

In particular, this press release may contain forward looking statements pertaining to the following:

- the performance characteristics of the Company's oil and natural gas properties;*
- oil and natural gas production levels;*
- capital expenditure programs;*
- the quantity of the Company's oil and natural gas reserves and anticipated future cash flows from such reserves;*
- projections of commodity prices and costs;*
- supply and demand for oil and natural gas;*
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; and*
- treatment under governmental regulatory regimes.*

The Company's actual results could differ materially from those anticipated in the forward looking statements contained throughout this press release as a result of the material risk factors set forth below, and elsewhere in this press release:

- volatility in market prices for oil and natural gas;*
- liabilities inherent in oil and natural gas operations;*
- uncertainties associated with estimating oil and natural gas reserves;*
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;*
- incorrect assessments of the value of acquisitions and exploration and development programs;*
- geological, technical, drilling and processing problems;*
- fluctuations in foreign exchange or interest rates and stock market volatility;*
- failure to realize the anticipated benefits of acquisitions;*
- general business and market conditions; and*
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry.*

These factors should not be construed as exhaustive. Unless required by law, Online does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Natural gas reserves and volumes are converted to barrels of oil equivalent (Boe) on the basis of six thousand cubic feet (Mcf) of gas to one barrel (Bbl) of oil. Boes may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf to 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.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as the 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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