

Legacy Oil + Gas Inc. announces second quarter 2013 results

12.08.2013 | [CNW](#)

CALGARY, Aug. 12, 2013 /CNW/ - [Legacy Oil + Gas Inc.](#) ("Legacy" or the "Company") (TSX:LEG) is pleased to announce it has filed on SEDAR its interim financial statements and related Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2013. Selected financial and operational information is outlined below and should be read in conjunction with Legacy's interim financial statements and the related MD&A which are available for review at www.legacyoilandgas.com or www.sedar.com.

FINANCIAL + OPERATIONAL HIGHLIGHTS (1)

	Three Months Ended			Six Months Ended		
	June 30			June 30		
Unaudited (Cdn \$000's, except per share amounts)	2013	2012	%change	2013	2012	
Financial						
Petroleum and natural gas sales, net of royalties	113,547	80,818	40	214,395		
Funds generated by operations (2)	71,335	47,424	50	133,389	107,989	24
Per share basic	0.46		0.33	39	0.89	0.75
Per share diluted (3)	0.45	0.33	36	0.88	0.75	17
Net income (loss)	(2,498)	(687)	264	(2,673)	590	(553)
Per share basic	(0.02)	-	n/a	(0.02)	-	n/a
Per share diluted (3)	(0.02)	-	n/a	(0.02)	-	n/a
Capital expenditures (excluding acquisitions)	70,915	53,214	33	178,192		
Net acquisitions (cash consideration) (5)	76,892	4,874	1,478	84,851	4,904	1
Net debt and working capital surplus (deficit) (2)	(664,657)	(442,694)	50	(664,657)		
Operating						
Production						
Crude oil (Bbls per day)	14,773	11,368	30	14,293	11,869	20
Heavy oil (Bbls per day)	104	197	(47)	114	186	(39)
Natural gas (Mcf per day)	12,397	13,547	(8)	12,619	13,237	(5)
Natural gas liquids (Bbls per day)	1,221	1,252	(2)	1,299	1,461	(11)
Barrels of oil equivalent (Boe per day) (4)	18,164	15,075	20	17,809	15	
Average realized price						
Crude oil (\$ per Bbl)	91.33	82.42	11	89.14		
Heavy oil (\$ per Bbl)	73.22	64.32	14	63.88	72.76	(12)
Natural gas (\$ per Mcf)	3.95	2.30	72	3.81	2.51	52
Natural gas liquids (\$ per Bbl)	53.47	59.50	(10)	57.94	55.71	4
Barrels of oil equivalent (\$ per Boe) (4)	80.99	70.01	16	78.88	73.54	7
Netback (\$ per Boe) (2)(4)						
Petroleum and natural gas sales	80.99	70.01	16	78.88	73.54	7
Royalties	12.30	11.09	11	12.37	12.10	2
Operating expenses	13.71	14.34	(4)	13.79	14.87	(7)
Transportation expenses	2.68	3.42	(22)	2.79	2.93	(5)
Operating Netback (\$ per Boe) (2)	52.30	41.16	27	49.93	43.64	14
Undeveloped land holdings (gross acres)	440,763	604,103	(27)	440,763	604,103	
(net acres)	342,726	454,941	(25)	342,726	454,941	(25)
Common Shares (000's)						
Common shares outstanding, end of period	157,212	143,309	10	157,212	143,309	4
Weighted average common shares (basic)	154,777	143,309	8	149,100	143,309	4
Weighted average common shares (diluted) (3)	157,441	143,883	9	152,011	144,500	5

(1) Consolidated financial and operating highlights for Legacy Oil + Gas Inc. and all of its subsidiaries ("Legacy" or the "Company")

(2) Management uses funds generated by operations, net debt and working capital surplus (deficit) and operating netback to analyze operating performance and leverage. These terms, as presented, do not have

a standardized meaning prescribed by International Financial Reporting Standards and therefore they may not be comparable with the calculation of similar measures for other entities.

(3) In calculating the net income (loss) per share diluted, Legacy excludes the effect of outstanding stock options, stock incentives and share warrants and uses the weighted average common shares (basic) where the Company has a net loss for the period. In calculating funds generated by operations per share diluted, the Company includes the effect of outstanding stock options, stock incentives and share warrants using the treasury stock method.

(4) Boe means barrel of oil equivalent. All Boe conversions in this report are derived by converting natural gas to oil equivalent at a ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent. Boe may be misleading, particularly if used in isolation. A Boe conversion rate of 1 Boe: 6 Mcf 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 of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency ratio of 1 Boe : 6 Mcf, utilizing a conversion ratio of 1 Boe : 6 Mcf may be misleading as an indication of value.

(5) For the three months and six months ended June 30, 2013, the Company issued 13.9 million common shares valued at \$73.1 million as part consideration for acquisitions (2012 - Nil common shares as part consideration for acquisitions).

ACCOMPLISHMENTS

- Increased average production from 15,075 Boe per day in the second quarter of 2012 to 18,164 Boe per day in the second quarter of 2013 (20 percent increase)
- Increased oil and NGL's weighting from 85 percent in the second quarter of 2012 to 89 percent in the second quarter of 2013
- Increased funds generated from operations of \$47.4 million in the second quarter of 2012 to a record \$71.3 million in the second quarter of 2013 (50 percent increase)
- Increased funds generated from operations of \$0.33 per share in the second quarter of 2012 to a record \$0.46 per share in the second quarter of 2013 (39 percent increase)
- Legacy's operating netbacks increased year over year from \$41.16 per Boe in the second quarter of 2012 to a record \$52.30 per Boe in the second quarter of 2013 (27 percent increase), in spite of only a one percent increase in WTI prices
- Reduced operating expenses from \$14.34 per Boe in the second quarter of 2012 to \$13.71 per Boe for the second quarter of 2013 (4 percent decrease)
- Reduced total operating costs (operating plus transportation costs) from \$17.76 in the second quarter of 2012 to \$16.39 in the second quarter of 2013 (8 percent decrease). This represents the sixth consecutive quarter of reduced per Boe operating plus transportation costs
- Reduced G&A expenses from \$3.57 per Boe in the second quarter of 2012 to \$2.66 per Boe in the second quarter of 2013 (25 percent decrease)
- Drilled 35 gross (28.6 net) light oil wells in the second quarter of 2013, with a 100 percent success rate
- The Herriman #6 well set a modern era Turner Valley single day production record of 700 Boe per day and the 30 day rate averaged 535 Boe per day with production not fully optimized. Current rate is in excess of 500 Boe per day
- Drilled successful step-out Midale wells at Steelman, Taylorton, Pinto and Alameda South, proving up numerous additional development locations
- Expanded pilot waterfloods at Taylorton, Heward and Frys/Antler
- Significantly increased crude oil hedging program to 8,000 Bbls per day at WTI C\$98.31/Bbl for the first half of 2013, 8,000 Bbls per day at WTI C\$96.71/Bbl for the first half of 2014 and 2,000 Bbls per day at WTI C\$95.49/Bbl for the first half of 2014
- Legacy's banking syndicate increased the borrowing base from the previous \$525 million to \$600 million,

bringing total borrowing capacity to \$800 million

- Legacy announced the closing of the acquisition of Villanova Oil Corp. and the acquisition of light oil assets from a senior producer. Combined, these acquisitions added 1,775 Boe per day of production (90 percent light oil, average 39 API) and 9.1 MMBoe of Proved plus Probable reserves

Operations Overview

In the second quarter of 2013, the Company drilled 35 gross (28.6 net) light oil wells, with a 100 percent success rate. Due to a less severe than anticipated spring break-up in the Company's Williston Basin core area, drilling operations were able to commence in mid-May enabling an acceleration of capital spending in the quarter. Production volumes were marginally impacted by the heavy rains and subsequent flooding in southern Alberta. Various portions of the Turner Valley Field were shut-in as a precautionary measure, however production was restored within days of the flood waters subsiding. The Company continues to be on track to meet its previously announced increased full year production and capital expenditure guidance.

Turner Valley

At Turner Valley, Legacy has continued to evolve drilling and completion practices to optimize both production rate and capital costs. Drilling to-date has targeted infill locations testing areas of varying water cut, reservoir pressure, proximity to water injection and three different stratigraphic horizons. New logging while drilling (LWD) equipment and the recently acquired 3D seismic have enabled longer horizontal drilling runs (greater than 90 percent) in the pay zones increasing reservoir exposure in these multi-lateral horizontal wells. Legacy's most recent wells at Candor #2, Hartell #7 and now Herriman #6 exemplify the successful evolution of the development at Turner Valley.

Candor #2 was brought on production in late March and has an average 30 day initial production rate of 375 Boe per day, with a peak production rate of 485 Boe per day. This well is currently producing at a stable 225 Boe per day with a zero percent watercut. Legacy's Hartell #7 has an average 30 day initial production rate of 135 Boe per day and is currently at 160 Boe per day with a high fluid level. Herriman #6 set a modern era Turner Valley single day production record of 700 Boe per day and the 30 day rate averaged 535 Boe per day with production not fully optimized. Current rate is approximately 500 Boe per day with a 33 percent watercut.

Conventional Mississippian

Legacy continues to show strong success in Steelman, with three successful wells being put on production in the second quarter of 2013. Average 30 day initial production rates from these wells was 260 Boe per day per well. With the commissioning of the new Steelman battery and tie-in of the wells, area production of 3,500 Boe per day was achieved in April 2013. Two years ago production from the Steelman area was approximately 350 Boe per day.

The Company has successfully expanded the boundaries of the Midale play with its drilling activity in the quarter. Two horizontal offsets to the Midale new pool discovery at Taylorton have been drilled, with the first well producing in excess of 350 Boe per day. A two mile step-out well at Pinto has an average 30 day initial production rate of 235 Boe per day and has proved up additional development locations. An offset horizontal well was drilled at Pinto East (Alameda South) and is producing 225 Boe per day while flowing for the last four weeks. Numerous follow-up locations have been identified in all areas, with additional drilling planned for 2013.

Spearfish

At Pierson, Manitoba, results continue to meet the Legacy established historical type curve. The Company drilled 4 (3.4 net) wells in the second quarter 2013. Company operated wells have outperformed area competitors' wells with respect to recoverable reserves and lower capital costs, in spite of Legacy drilling mile long horizontal laterals versus competitors drilling half-mile horizontal laterals.

In North Dakota, the Company has had similar success in the Spearfish. Favourable surface access conditions permitted the drilling of 9 (6.3 net) wells in the second quarter 2013.

Waterfloods

At Taylorton, the Company has continued to observe improved waterflood response in the Bakken Formation in both the original and expanded pilot areas. A total of five wells have been converted to water injection, expanding the pilot area to cover portions of four sections.

At Heward, the pilot Bakken waterflood project initiated in December 2011 continues to demonstrate waterflood response as the oil production rate in eight offsetting wells has increased since the commencement of the pilot. The Company is rapidly expanding the waterflood pilot project from three injectors with four additional water injector conversions anticipated in the third and fourth quarter of 2013.

At Frys/Antler, a pilot waterflood initiated in December 2012 in the Torquay Formation has shown early signs of response. Approval has been received to expand the pilot to the offsetting sections. The analogous field at Sinclair, located immediately east of Frys/Antler now has 34 sections under waterflood and has seen oil production rate increases ranging from 50 to 100 percent after waterflood response.

At Pierson, applications are being prepared for two pilot waterfloods, with anticipated approvals late in the third quarter of 2013. The Spearfish Formation has been successfully waterflooded over the past 20 years in six different project areas that are good analogs to Legacy's proposed pilot.

Legacy has made application at Steelman for its first water injector and is working on additional water injection conversions. The Midale Formation has been successfully waterflooded for more than 50 years in the offsetting Steelman units.

ACQUISITIONS

Legacy acquired all of the issued and outstanding shares of Villanova Oil Corp., a Saskatchewan based private oil company, pursuant to a plan of arrangement under the Business Corporations Act (Alberta), for \$21.3 million cash consideration and the issuance of 13.9 million Legacy common shares. Also in the second quarter, Legacy closed the acquisitions of light oil assets in the Company's core areas of Turner Valley and Taylorton from a senior producer for total cash consideration of \$57.5 million plus Legacy's minor working interest in the Freda Lake Unit.

INCREASE TO BANK BORROWING BASE

The Company's syndicate of Canadian banks increased the Company's borrowing base to \$600 million from the previous \$525 million. In addition, security for the facility in the form of a fixed and floating charge debenture has been increased to \$1 billion from the previous \$750 million, and the term-out date for the facility was extended to April 25, 2014. The borrowing base continues to be subject to semi-annual review, the next of which is scheduled to occur in October 2013.

HEDGING UPDATE AND EVENTS AFTER THE REPORTING PERIOD

The following is a summary of financial derivative contracts in place for the company as at June 30, 2013:

Crude Oil Commodity Contracts (1)

Term	Contract	Weighted Average	Weighted Average
		Volume	Swap Price
		Bbl/d	C\$/Bbl
Jul 2013 - Dec 2013	Swap	7,000	97.91
Jan 2014 - Jun 2014	Swap	6,000	95.93
Jul 2014 - Dec 2014	Swap	1,000	94.45

(1) NYMEX WTI Monthly average converted to Canadian dollars

The following is a summary of financial derivative contracts entered into subsequent to June 30, 2013:

Crude Oil Commodity Contracts (1)

Term	Contract	Weighted Average Volume Bbl/d	Weighted Average Swap Price C\$/Bbl
Jul 2013 - Dec 2013	Swap	1,000	101.11
Jan 2014 - Jun 2014	Swap	2,000	99.05
Jul 2014 - Dec 2014	Swap	1,000	96.53

(1) NYMEX WTI Monthly average converted to Canadian dollars

OUTLOOK

Our goal at Legacy is to deliver 10 to 15 percent per share growth per year, spending cash flow plus our growth rate, for the next three to five years. These results have been achieved in the past three years as demonstrated by:

- Three year annualized production growth rate of 47 percent (17 percent per share)
- Three year annualized cash flow growth of 50 percent (19 percent per share)

Our demonstrated improved capital efficiencies, capital allocation and enhanced well production results now show that Legacy is positioned to achieve these growth rates spending cash flow or less, based on WTI US\$90.00 per Bbl. This sustainable model is designed to deliver superior returns over the near and long term in a low risk platform and is characterized by:

- More than 2,000 net development locations for light oil
- 2013 exit production is forecast to grow 20 percent year over year compared to 2012
- Development drilling focused capital program for 2013 (81 percent to drilling, completion, equipping, tie-in)
- Fast-tracking waterflood projects in the Bakken, Torquay (Three Forks), Spearfish and now Midale to build significant net asset value while moderating corporate declines and providing additional opportunities for value creation

Legacy's light oil assets, strong financial position and significant oil hedging program not only provide downside mitigation in periods of lower commodity prices or volatility, but also provide upside torque to the continued operational success due to:

- Production that is 90 percent weighted to light oil and NGL's (oil weighting increasing)
- Record Q2 2013 operating netbacks of \$52.30 per Boe
- Operating costs and G&A costs decreased per Boe
- Expanded banking facility with surplus capacity

Legacy's positive operational and financial results and crude oil hedging program, when combined with the current robust oil price environment, enable a rapid de-levering and improvement of the Company's balance sheet and its debt to forward cash flow by the end of 2013. As a result, Legacy is further positioned to pursue sustainable growth and shareholder value creation opportunities beyond its historical track record.

CONFERENCE CALL DETAILS

Management will be holding a conference call for investors, financial analysts, media and any interested persons on Tuesday, August 13, 2013 at 9:00 a.m. (MDT) (11:00 a.m. EDT) to discuss the 2013 second quarter results.

The investor conference call details are as follows:

Participant Dial-In Number(s):

- Operator Assisted Toll-Free Dial-In Number: (888) 231-8191
- Local Dial-In Number: (403) 451-9838
- Conference ID: 15507999

Note: In order to join this conference call, you will be required to provide the Conference ID Number listed above.

Legacy is a uniquely positioned, well-capitalized, technically driven, intermediate oil and natural gas company with a proven management team committed to aggressive, cost-effective growth of light oil

reserves and production in large hydrocarbon in-place assets and resource plays. Legacy's common shares trade on the TSX under the symbol LEG.

This press release shall not constitute an offer to sell, nor the solicitation of an offer to buy, any securities in the United States, nor shall there be any sale of securities mentioned in this press release in any state in the United States in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Forward-Looking Information - This press release contains forward-looking statements. More particularly, it contains forward-looking statements concerning: (i) the meeting of full year production and capital expenditure guidance, (ii) planned drilling, development and waterflood activities, (iii) Legacy's positioning to achieve potential growth rates in production and cash flow per share, (iv) the potential number of drilling locations, (v) forecast year over year growth in exit rate production, and (vi) Legacy's positioning to achieve improvements in its balance sheet and debt to forward cash flow ratio.

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Legacy, including expectations and assumptions concerning the success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the viability of waterflood projects, the availability and performance of facilities and pipelines, the geological characteristics of Legacy's properties, the successful application of drilling, completion and seismic technology, prevailing weather and break-up conditions, commodity prices, royalty regimes and exchange rates, the application of regulatory and licensing requirements and the availability of capital, labour and services.

Although Legacy believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Legacy can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), constraint in the availability of services, commodity price and exchange rate fluctuations, adverse weather or break-up conditions and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects, waterflood projects or capital expenditures. These and other risks are set out in more detail in Legacy's Annual Information Form for the year ended December 31, 2012 dated March 18, 2013.

The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

For further information:

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/140108--Legacy-Oil--Gas-Inc.-announces-second-quarter-2013-results.html>

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