

Synergy Resources Reports Fiscal Third Quarter 2013 Results

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Revenues up 64% to \$12.3 Million, Driving Operating Income up 26% to \$4.9 Million and Net Income of \$0.07 per Share; Company to Host Earnings Conference Call Today, July 10, 2013 at 12:00 p.m. ET; Phone Numbers Are 877-407-9122 for Toll Free Dial-In; or 201-493-6747 for International/Local Dial-In

PLATTEVILLE, CO -- (Marketwired - Jul 10, 2013) - [Synergy Resources Corporation](#) (NYSE MKT: SYRG), a U.S. oil and gas exploration and production company focused in the Denver-Julesburg Basin, reported its fiscal third quarter results for the period ended May 31, 2013.

Third Quarter 2013 Financial Highlights vs. Same Year-Ago Quarter

- Revenues increased 64% to \$12.3 million
- Operating income increased 26% to \$4.9 million
- Net income increased 32% to \$3.6 million
- Adjusted EBITDA (a non-GAAP metric) increased 61% to a total of \$9.3 million, representing a 76% return on revenue

Third Quarter 2013 Operational Highlights

- Net oil and natural gas production increased to 207,543 barrels of oil equivalent (BOE), a year over year increase of 66%.
- Average daily production increased to 2,256 BOE, a sequential quarter increase of 9% from 2,067 BOE produced during the second quarter and a 66% increase from 1,356 BOE in the year-ago quarter.
- As non-operator, participated in 6 gross horizontal wells (2 net) in the Wattenberg Field.
- As of May 31, 2013, our well count increased to a total of 294 gross oil and gas wells (221 net), including 9 wells in various stages of drilling or completion activities.
- Spudded the first operated horizontal well on the Renfroe pad where we have a 97% working interest and over 80% net revenue interest.

Third Quarter 2013 Financial Results

Revenues totaled \$12.3 million, up 13% from \$10.9 million in the previous quarter and up 64% from \$7.5 million in the same quarter a year ago. The year-over-year improvement was attributed to a 66% increase in production, primarily from our operated vertical program and from our participation in non-operated horizontal wells in the Wattenberg Field, offset by a 2% decrease in the realized average selling price per BOE. During fiscal Q3 2013, average selling prices were \$83.98 per barrel of oil and \$4.76 per mcf of gas, as compared to \$91.21 and \$3.62, respectively, a year-ago.

Operating income increased to \$4.9 million, up 9% from \$4.5 million in the previous quarter and up 26% from \$3.8 million in the same year-ago period. Net income was \$3.6 million or \$0.07 per basic share and \$0.06 per diluted share, up 49% from \$2.4 million or \$0.05 per basic and diluted share in the year ago period.

Adjusted EBITDA (a non-GAAP financial measure) increased to \$9.3 million, up from \$7.9 million in the previous quarter and up from \$5.8 million in the same period a year-ago.

As of May 31, 2013, our cash and equivalents totaled \$19.2 million, as compared to \$19.3 million at August 31, 2012. At May 31, 2013, there was \$44.5 million borrowed under the revolving line of credit.

The following tables present certain per unit metrics that compare results of the corresponding quarterly

reporting periods:

Year over Year Three Months Ended

May 31, May 31,
2013 2012 Change

Production:

Oil (Bbls) 115,225 69,230 66 %
Gas (McF) 553,909 333,200 66 %
BOE (Bbls) 207,543 124,763 66 %
BOEPD 2,256 1,356 66 %

Revenues (in thousands):

Oil \$ 9,677 \$ 6,314 53 %
Gas 2,637 1,208 118 %
Total \$ 12,314 \$ 7,522 64 %

Average sales price:

Oil \$ 83.98 \$ 91.21 -8 %
Gas \$ 4.76 \$ 3.62 31 %
BOE (Bbls) \$ 59.33 \$ 60.29 -2 %

Lease operating expense (\$/BOE) \$ 5.05 \$ 3.65 38 %

Production taxes (\$/BOE) \$ 5.14 \$ 5.64 -9 %

DD&A expense (\$/BOE) \$ 18.41 \$ 14.70 25 %

G&A expense (\$/BOE) \$ 7.29 \$ 6.87 6 %

Quarter over Quarter Three Months Ended

May 31, February 28
2013 2013 Change

Production:

Oil (Bbls) 115,225 100,694 14 %
Gas (McF) 553,909 512,069 8 %
BOE (Bbls) 207,543 186,039 12 %
BOEPD 2,256 2,067 9 %

Revenues (in thousands):

Oil \$ 9,677 \$ 8,478 14 %
Gas 2,637 2,443 8 %
Total \$ 12,314 \$ 10,921 13 %

Average sales price:

Oil \$ 83.98 \$ 84.20 0 %
Gas \$ 4.76 \$ 4.77 0 %
BOE (Bbls) \$ 59.33 \$ 58.70 1 %

Lease operating expense (\$/BOE) \$ 5.05 \$ 4.20 20 %

Production taxes (\$/BOE) \$ 5.14 \$ 5.88 -13 %

DD&A expense (\$/BOE) \$ 18.41 \$ 17.07 8 %

G&A expense (\$/BOE) \$ 7.29 \$ 7.46 -2 %

Year over Year Nine Months Ended

May 31, May 31,
2013 2012 Change

Production:

Oil (Bbls) 296,220 160,995 84 %
Gas (McF) 1,489,624 794,691 87 %
BOE (Bbls) 544,490 293,444 86 %
BOEPD 1,994 1,075 86 %

Revenues (in thousands):

Oil \$ 24,662 \$ 14,646 68 %
Gas 6,887 3,574 93 %
Total \$ 31,549 \$ 18,220 73 %

Average sales price:

Oil \$ 83.25 \$ 90.97 -8 %
Gas \$ 4.62 \$ 4.50 3 %
BOE (Bbls) \$ 57.94 \$ 62.09 -7 %

Lease operating expense (\$/BOE) \$ 4.32 \$ 3.57 21 %
Production taxes (\$/BOE) \$ 5.46 \$ 5.70 -4 %
DD&A expense (\$/BOE) \$ 17.11 \$ 15.68 9 %
G&A expense (\$/BOE) \$ 7.37 \$ 8.72 -15 %

Monty Jennings, Chief Financial Officer, commented, "In our fiscal third quarter we began the transition to horizontal operations and we have been focused on readying our initial horizontal pad sites for drilling activity and building our inventory of permits for horizontal wells in the Wattenberg Field. Although we didn't complete any new operated wells in the third quarter, our production has grown through additional compression equipment on our vertical well pad sites and through continued participation in non-operated wells. The third quarter was another record quarter in both production and revenue for Synergy while we maintained a high operating margin. We look forward to completing our first five operated horizontal wells later this quarter and continuing our aggressive horizontal drilling program which should accelerate our growth in fiscal 2014."

Conference Call Information

Synergy Resources President and CEO Ed Holloway, Executive Vice President William Scaff, Jr., CFO Monty Jennings, and VP of Operations Craig Rasmuson will host the presentation, followed by a question and answer period.

Date: Wednesday, July 10, 2013
Time: 12:00 p.m. Eastern time (10:00 a.m. Mountain time)

877-407-9122 Toll Free Dial-In (US & Canada)
201-493-6747 International/Local Dial-In

The conference call will be webcast simultaneously which you can access via this link:
<http://syrginfo.equisolvewebcast.com/q3-2013> and via the investor section of the company's web site at www.syrginfo.com.

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, contact Jon Kruljac with Synergy Resources at 303-840-8166. A replay of the call will be available after 3:00 p.m. Eastern time on the same day and until July 24, 2013.

Replay Dial-In Numbers
877-660-6853 Toll Free (US & Canada)
201-612-7415 International/Local
Replay ID#411931

About Synergy Resources Corporation

[Synergy Resources Corporation](http://www.syrginfo.com) is a domestic oil and natural gas exploration and production company. Synergy's core area of operations is in the Denver-Julesburg Basin, which encompasses Colorado, Wyoming, Kansas, and Nebraska. The Wattenberg field in the D-J Basin ranks as one of the most productive fields in the U.S. The company's corporate offices are located in Platteville, Colorado. More company news and information about Synergy Resources is available at www.syrginfo.com.

Important Cautions Regarding Forward Looking Statements

This press release may contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "believes", "expects", "anticipates", "intends", "plans", "estimates", "should", "likely" or similar expressions, indicates a forward-looking statement. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of management, and information currently available to management. The actual results could differ materially from a conclusion, forecast or projection in the forward-looking information. Certain material factors or assumptions were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information. The identification in this press release of factors that may affect the company's

future performance and the accuracy of forward-looking statements is meant to be illustrative and by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. Factors that could cause the company's actual results to differ materially from those expressed or implied by forward-looking statements include, but are not limited to: the success of the company's exploration and development efforts; the price of oil and gas; worldwide economic situation; change in interest rates or inflation; willingness and ability of third parties to honor their contractual commitments; the company's ability to raise additional capital, as it may be affected by current conditions in the stock market and competition in the oil and gas industry for risk capital; costs, which may be affected by delays or cost overruns; costs of production; environmental and other regulations, as the same presently exist or may later be amended; the company's ability to identify, finance and integrate any future acquisitions; and the volatility of the company's stock price.

Financial Statements

Condensed financial statements are included below. Additional financial information, including footnotes that are considered an integral part of the financial statements, will be included in Synergy's Edgar Filings at www.sec.gov on Form10-Q for the period ended May 31, 2013.

SYNERGY RESOURCES CORPORATION CONDENSED BALANCE SHEETS (Unaudited, in thousands)

May 31,
2013 August 31,
2012

ASSETS

Cash and cash equivalents \$ 19,211 \$ 19,284
Other current assets 10,792 7,183
Total current assets 30,003 26,467

Oil and gas properties and other equipment 172,810 92,702
Deferred tax asset, net - 332
Other assets 728 1,230
Total assets \$ 203,541 \$ 120,731

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities 24,319 15,592
Revolving credit facility 44,486 3,000
Deferred tax liability, net 4,288 -
Asset retirement obligations 2,694 1,027
Total liabilities 75,787 19,619

Shareholder's equity:

Common stock and paid-in capital 141,985 123,927
Accumulated deficit (14,231) (22,815)
Total shareholders' equity 127,754 101,112
Total liabilities and shareholders' equity \$ 203,541 \$ 120,731

SYNERGY RESOURCES CORPORATION CONDENSED STATEMENTS OF OPERATIONS (Unaudited, in thousands, except share and per share data)

Three Months Ended Nine Months Ended
May 31, May 31, May 31, May 31,
2013 2012 2013 2012

Oil and gas revenues \$ 12,314 \$ 7,522 \$ 31,549 \$ 18,220

Expenses

Lease operating expenses 1,048 456 2,352 1,048
Production taxes 1,067 703 2,975 1,672
Depreciation, depletion, and amortization 3,820 1,834 9,316 4,600
General and administrative 1,514 682 4,013 2,559
Total expenses 7,449 3,675 18,656 9,879

Operating income 4,865 3,847 12,893 8,341

Other income (expense)

Commodity derivative gain 540 - 386 -

Interest expense, net (94) - (94) -

Interest income 5 16 20 27

Total other income 451 16 312 27

Income before income taxes 5,316 3,863 13,205 8,368

Deferred income tax (provision) benefit (1,701) (1,432) (4,620) 1,809

Net income \$ 3,615 \$ 2,431 \$ 8,585 \$ 10,177

Net income per common share:

Basic \$ 0.07 \$ 0.05 \$ 0.16 \$ 0.23

Diluted \$ 0.06 \$ 0.05 \$ 0.15 \$ 0.22

Weighted average shares outstanding:

Basic 55,238,098 51,292,810 53,283,695 44,968,566

Diluted 58,918,586 53,174,793 55,623,990 46,775,994

SYNERGY RESOURCES CORPORATION CONDENSED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

Nine Months Ended

May 31, 2013 May 31, 2012

Cash flow from operating activities:

Net income \$ 8,585 \$ 10,177

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation, depletion, and amortization 9,316 4,600

Provision for deferred taxes 4,620 (1,809)

Other, non-cash items 626 323

Changes in operating assets and liabilities 5,096 3,787

Total adjustments 19,658 6,901

Net cash provided by operating activities 28,243 17,078

Cash flows from investing activities:

Acquisition of property and equipment (70,269) (34,026)

Net cash used in investing activities (70,269) (34,026)

Cash flows from financing activities:

Net proceeds from equity transactions 467 37,422

Net proceeds from/(repayments of) debt 41,486 (2,200)

Net cash provided by financing activities 41,953 35,222

Net increase (decrease) in cash and cash equivalents (73) 18,274

Cash and equivalents at beginning of period 19,284 9,491

Cash and equivalents at end of period \$ 19,211 \$ 27,765

About Non-GAAP Financial Measures

The company uses "adjusted EBITDA," as a non-GAAP financial measure to evaluate financial performance such as period-to-period comparisons. This Non-GAAP measure is not defined under U.S. GAAP and should be considered in addition to, not as a substitute for, indicators of financial performance reported in accordance with U.S. GAAP. The company may use non-GAAP measures that are not comparable to measures with similar titles reported by other companies. Also, in the future, the company may disclose different non-GAAP financial measures in order to help investors more meaningfully evaluate and compare the company's future results of operations to its previously reported results. The company encourages investors to review its financial statements and publicly-filed reports in their entirety and not rely on any single financial measure. The section titled "Reconciliation of Non-GAAP Financial Measures" includes a detailed description of this measure as well as a reconciliation to its most similar U.S. GAAP measure.

Reconciliation of Non-GAAP Financial Measures

The company defines adjusted EBITDA as net income adjusted to exclude the impact of interest expense, interest income, income taxes, depreciation, depletion and amortization, stock based compensation, and the plus or minus change in fair value of derivative assets or liabilities. The company believes adjusted EBITDA is relevant because it is a measure of cash flow available to fund capital expenditures and service debt and is a metric used by some industry analysts to provide a comparison of its results with its peers. The following table presents a reconciliation of the company's non-GAAP financial measures to the nearest GAAP measure.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (Unaudited, in thousands)

Three Months Ended

May 31, 2013 February 28, 2013 May 31, 2012

Adjusted EBITDA:

Net income	\$ 3,615	\$ 2,732	\$ 2,431
Depletion, depreciation, and amortization	3,820	3,176	1,834
Provision for deferred income tax	1,701	1,604	1,432
Stock based compensation	611	215	108
Commodity derivative change	(502)	134	-
Interest and related items, net	89	(8)	(16)
Adjusted EBITDA	\$ 9,334	\$ 7,853	\$ 5,789

Nine Months Ended

May 31, 2013 May 31, 2012

Adjusted EBITDA:

Net income	\$ 8,585	\$ 10,177
Depletion, depreciation, and amortization	9,316	4,600
Provision for deferred income tax	4,620	(1,809)
Stock based compensation	994	323
Commodity derivative change	(368)	-
Interest and related items, net	74	(27)
Adjusted EBITDA	\$ 23,221	\$ 13,264

Contact

Investor Relations Contact:

Jon Kruljac

[Synergy Resources Corporation](#)

jkruljac@syrginfo.com

Tel (303) 840-8166

Company Contact:

Rhonda Sandquist

Synergy Resources Corporation

rsandquist@syrginfo.com

Tel (970) 737-1073

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