

PetroMagdalena announces filing of first quarter 2012 results

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TORONTO, May 31, 2012 /CNW/ - [PetroMagdalena Energy Corp.](#) (TSXV: PMD) filed on May 30, 2012 its unaudited interim condensed consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2012. These documents will be posted on the Company's website at www.petromagdalena.com and at www.sedar.com under the Company's SEDAR profile.

Luciano Biondi, the Company's Chief Executive Officer, stated: "We are continuing to build on our success from 2011. In the first quarter of 2012, we have growth in production, revenues and operating netback compared with both the fourth quarter and the first quarter of last year. Continued exploration success led to two new discoveries in the first quarter of 2012 and as we commence the development phase of our 2012 drilling campaign, we remain on track to achieve our 2012 production guidance. We experienced blockades in the Llanos Basin this year, yet we are encouraged with our progress in developing closer working relationships with the community, its leaders and the regional and central government to promote improved relations going forward. We continue to work for sustainable solutions in the area."

Financial and Operating Summary

	First Quarter	
	2012	2011
Financial		
Revenue from oil and gas sales	\$ 31,012	\$ 20,837
Gross margin (3)	12,027	4,987
Net loss (4)	(10,152)	(10,333)
Basic and diluted loss per share	(0.07)	(0.08)
Total assets at period end	343,559	387,193
Total debt (5) at period end	57,874	12,030
Operational		
Average daily production (boed) (1)	3,847	2,294
Total sales (boe) (2)	299,614	256,532
Operating netback (\$/boe) (3)	74.66	52.27

(1) Company share, gross before deduction of ANH royalties

(2) Company share, net after deduction of ANH royalties

(3) See Additional Financial Measures in the MD&A.

(4) 2012 includes \$17.5 million of costs for exploratory wells at Santa Cruz, Arrendajo and Cubiro that did not discover proved reserves.

(5) Includes amounts due within one year and obligation under finance lease.

First Quarter 2012 Highlights

Production: The Company is maintaining its guidance of an average gross production of 4,300 to 4,700 boed for 2012. The Company's gross share of production for the first quarter of 2012 averaged 3,847 boed, up 6% from the fourth quarter of 2011 and up 68% from the first quarter a year ago. The discoveries at Cernicalo and Azor added approximately 330 boed to the Company's gross share of production in the first quarter of 2012. An 11-day illegal protest in the province of Casanare in March 2012 temporarily disrupted trucking operations in the area and adversely impacted the Company's gross share of production for the first quarter of 2012 by approximately 171 boed.

Revenues: Stronger oil prices and increased production levels grew revenues in the first quarter of 2012 to \$31.0 million, up 12% from the fourth quarter of 2011 and up 49% from the first quarter a year ago. An approximately 24,000 bbls increase in net oil inventories from Arrendajo and Cubiro in the first quarter of 2012 to approximately 54,000 bbls will reverse as sales are completed in the second quarter of 2012.

Operating netback: The Company's operating netback increased to \$74.66 per boe in the first quarter of

2012, an approximate \$13 per boe improvement compared with the fourth quarter of 2011 and \$22 per boe higher than the first quarter of 2011. An approximate \$3 per boe increase in revenues to \$110 per boe, coupled with reductions in production and transportation costs contributed to the Company's fifth consecutive quarter of operating netback improvement.

G&A expenses: G&A of \$3.4 million, or approximately \$11 per boe sold, in the first quarter of 2012 was in line with G&A in the fourth quarter of 2011 and well below the \$4.7 million incurred in the first quarter a year ago. Continued production growth in 2012 is expected to maintain G&A at approximately \$10 to \$11 per boe sold.

Exploration: Successful discoveries in the first quarter of 2012 at Cernicalo in the Cubiro Block and Azor in the Arrendajo Block are expected to add to the Company's 13.3 MMbbls of 2P oil reserves reported as of December 31, 2011.

Liquidity: The Company received \$11.3 million of proceeds in March 2012 from a new three-year term loan with a local Colombian bank to help fund an expansion in the 2012 work program as a result of the new discoveries.

Net Loss: The net loss for the first quarter of 2012 amounted to \$10.2 million or \$0.07 per share compared with a net loss of \$10.3 million or \$0.08 per share in the first quarter last year. The 2012 first quarter net loss includes \$17.5 million of costs for exploratory wells at Santa Cruz, Arrendajo and Cubiro that did not discover proved reserves.

2012 Outlook

On May 23, 2012, the Company announced the resolution of a blockade affecting the Cubiro Block involving an illegal protest where public roads in the province of Casanare were being blocked, leading to a lack of public order in the area. Rig operations were interrupted and trucking operations were halted, which impacted production schedules. This was the third blockade in recent months, impacting a total of 44 production days and adversely impacting the Company's gross share of production by approximately 90,000 bbls, or 250 boed on an annualized basis. The Company's gross share of daily production has averaged approximately 4,000 boed since operations resumed. The Company believes that the steps taken during the recent blockade to increase its connection to the local community will reduce the likelihood of further such occurrences. Despite these disruptions, the Company continues to expect that its daily average production in 2012 will average between 4,300 to 4,700 boed for the full year. This estimate is conservatively based solely on planned development wells at Cubiro and Arrendajo and does not include any production from exploration wells planned to be drilled during the balance of 2012.

For 2012, the Company will continue with a capital and exploration program focused on its core oil assets and leveraging its successes in the 2011 drilling campaign. A revised budget in the range of \$75 to \$80 million has been approved for the 2012 work program. The 2012 work program includes funding to drill the three exploration wells started in the fourth quarter of 2011 and will continue the emphasis on Cubiro and Arrendajo with up to eleven development wells and three more exploration wells (Petirrojo-1X, Azor Sur-1X and Copa A Norte-1X). In the second half of 2012, the Company will be working to commence its exploration program at Mecaya in the Putumayo Basin, starting with the acquisition of seismic data, leading to a workover well and development well in 2013. At Carbonera, drilling commenced in mid-March of 2012 of the Cantoclara-1X exploration well (formerly called San Roque-1). The Company funded the Cantoclara-1X well, due to the YPF farm-out not yet finalized. Seismic acquisition is also being planned in 2012 for Topoyaco. At Cubiro, the Company will invest approximately \$4 million to replace rental oil facilities to reduce production costs. The Company also expects to commence the exploration program in the second half of 2012 on the LLA-47 block in the Llanos Basin with a 3D seismic survey. The revised budget for the Company's capital and exploration program for 2012 is fully funded by cash balances, cash from operations, the \$10 million local bank facility entered into in March 2012, proceeds from non-core assets dispositions and farm-in arrangements.

Webcast

Management will hold a webcast on Thursday, May 31, 2012 at 9:00 a.m. (Eastern Time) to discuss the 2012 first quarter results. Analysts and interested investors are invited to participate as follows:

Audience Toll Free: 1 (888) 895-5271

Audience Toll: 1 (847) 619-6547

Confirmation No.: 32515414

A playback of this conference call will be available online at www.petromagdalena.com

[PetroMagdalena](http://www.petromagdalena.com) is a Canadian-based oil and gas exploration and production company, with working interests in 19 properties in five basins in Colombia. Further information can be obtained by visiting our website at www.petromagdalena.com.

All monetary amounts in U.S. dollars unless otherwise stated. This news release contains certain "forward-looking statements" and "forward-looking information" under applicable Canadian securities laws concerning the business, operations and financial performance and condition of PetroMagdalena. Forward-looking statements and forward-looking information include, but are not limited to, statements with respect to estimated production and reserve life of the various oil and gas projects of PetroMagdalena; the estimation of oil and gas reserves; the realization of oil and gas reserve estimates; the timing and amount of estimated future production; costs of production; success of exploration activities; and currency exchange rate fluctuations. Except for statements of historical fact relating to the company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of PetroMagdalena and there is no assurance they will prove to be correct. Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include changes in market conditions, risks relating to international operations, fluctuating oil and gas prices and currency exchange rates, changes in project parameters, the possibility of project cost overruns or unanticipated costs and expenses, labour disputes and other risks of the oil and gas industry, failure of plant, equipment or processes to operate as anticipated. Although PetroMagdalena has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. PetroMagdalena undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Statements concerning oil and gas reserve estimates may also be deemed to constitute forward-looking statements to the extent they involve estimates of the oil and gas that will be encountered if the property is developed. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 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. Estimated values of future net revenue disclosed do not represent fair market value.

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Glossary

1P: Proven reserves
 2P: Proven + Probable reserves
 3P: Proven + Probable + Possible reserves
 ANH: Agencia Nacional de Hidrocarburos
 API: American Petroleum Institute
 BBLs: Barrels of Oil
 BOE: Barrels of Oil Equivalent

 BOFD: Barrels of Fluid Per Day
 BOPD: Barrels of Oil Per Day
 BOEPD: Barrels of Oil Equivalent Per Day
 BS&W: Basic Sediments and Water
 E&PC: Exploration & Production Contract

 ESP: Electric Submersible Pump
 FOB: Freight on Board

G&A: General and Administrative Expenses
 MMCF: Million Cubic Feet
 MD: Measured Depth
 MMBBLs: Million Barrels of Oil
 MMBTU: Millions British Thermal Unit
 NPV: Net Present Value
 PSI: Pounds per Square Inch.
 The unit of pressure.
 TD: Total Depth of the well
 TVD: True Vertical Depth of the well
 TVDSS: True Vertical Depth Sub Sea
 WI: Working Interest
 WTI: West Texas Intermediate
 Oil Price Index

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