

# Winstar Reports Third Quarter 2012 Operational and Financial Results

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CALGARY, Nov. 8, 2012 - [Winstar Resources Ltd.](#) ("Winstar" or the "Company") (TSX: WIX) reports its operating and financial results for the third quarter of 2012. All values are expressed in US dollars unless otherwise stated.

## Highlights for the three months ended September 30, 2012

- Q3 2012 Tunisian production: 1,465 Barrels of oil equivalent per day ("boepd"), up 13% over Q3 2011 and up 27% over the previous quarter.
- Q3 2012 Funds from continuing operations: \$6.0 million (\$7.1 million with inventory included) consistent with Q3 2011 and up 34% from the prior quarter excluding the effects of inventoried production.
- Q3 2012 Tunisian after tax field operating netback: \$64.13 per barrel of oil equivalent ("boe"), while still relatively strong, represents a decrease of 13% compared to Q3 2011 and 11% compared to the prior quarter.

The Company's Q3 financial and operating results reflect the partial recovery of production further to disruptions encountered in the second quarter of 2012, while full production capacity is not expected to be reached until Q4 2012. After tax field operating netback remained strong for the Company at \$64.13 despite decreases from comparative periods of Q3 2011 and Q2 2012 due to a decline in realized commodity prices and the effects of current tax. The Company has maintained its strong balance sheet, ending the quarter with \$11.6 million in cash and \$9.5 million of working capital with no debt.

## Investor Conference Call

A conference call to discuss the results will be held on Friday, November 9, 2012

Time: 8:00 a.m. Mountain daylight time (10:00 a.m. Eastern daylight time)

Dial-in: North American participants (toll free) 1-866-544-4631

Participants outside North America 1-416-849-5571

Shortly after the conclusion of the call, a replay will be available by dialing 1-866-245-6755 or 1-416-915-1035. The pass code is 123486. The replay will be available until December 9, 2012. Thereafter, a copy of the call can be accessed through a link on Winstar's website at [www.winstar.ca](http://www.winstar.ca)

## Production

During the third quarter of 2012 Winstar's Tunisian production averaged 1,465 boepd compared to 1,294 during Q3 2011 and 1,155 during Q2 2012. The company re-established production from three wells at Chouech Essaïda that suffered mechanical failures to their electric submersible pumps ("ESP") essentially as a result of abrupt production shut downs during labour unrest at our southern Tunisian concessions during the second quarter of 2012. Production from these wells returned to original rates through the quarter and over 500 barrels of oil per day ("bopd") of production plus associated gas has been restored. Workover activities are ongoing on two additional wells at Chouech Essaïda with the hope of adding an additional 300-450 bopd of production plus associated gas.

Production at Chouech Essaïda Silurian #1 ("CS SIL #1") has been limited by a dislodged downhole plug that is restricting flow and has reduced deliverability to less than 400 boepd compared to over 1,000 boepd realized during Q1 2012. Workover operations to restore full deliverability to this well are currently ongoing. This well is a high deliverability gas condensate well and its gas sales are determined by nominations from STEG, the Tunisian National Utility Company which purchases 100% of Winstar's gas from Chouech Essaïda. During Q3 2012 Chouech Essaïda gas sales were 1.8 million cubic feet per day (mmcf), up 23% over Q3 2011 and up 129% compared to the prior quarter as STEG has demonstrated increased

consistency with its gas capacity, taking all of Winstar's available production with only minimal disruptions since July 2012. With the restored production and CS Sil #1, Winstar hopes that gas deliverability will reach historical highs of over 5.5 mmcf/d. Ultimate gas sales will be based on STEG gas takes, which the Company hopes will stabilize following the commissioning of a standby compressor at the STEG natural gas processing facility in El Borma that has been overhauled is expected to be installed in late November.

### **Tunisian production details (net to Winstar)**

Well/Concession Current

(boepd)\* Capacity

(boepd)\*\* Ongoing operations

Chouech Essaida #3 - 100-150 This well was damaged during production disruptions and is currently awaiting delivery of ESP equipment prior to completion.

Chouech Essaida #7 - 150-200 Discovered an ESP blockage at this well in October and repair operations are currently ongoing.

Chouech Essaida #11 - 200-300 This well was schedule for workover prior to production disruptions and is currently awaiting delivery of ESP components prior to completion.

Chouech Essaida Silurian #1 130 200-300 Workover ongoing to remove downhole blockage

Chouech Essaida other (#1,#8,#9,#12) 525 525

Chouech Essaida Gas 300 500 - 1,000 Dependent on gas takes from STEG and success of various workovers.

Sabria (three active wells) 200 200

Ech Chouech (one active well) 100 100

Sanhrar (one active well) 80 80

1,335 2,055 - 2,855

\*Based on average production during October 2012.

\*\*Based on historical production rates realized during period of optimal production. These forward looking rates involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated. Production capacity does not include a potential of 600 - 1,000 boepd of incremental production from Chouech Essaida Silurian #10.

Sales during the quarter ended September 30, 2012 were 1,303 boepd, which is significantly lower than total production volumes due to approximately 14,300 barrels ("bbls") of Q3 2012 unsold production held in storage at the end of the quarter. Crude oil and condensate are produced daily, but sold monthly or semi-monthly through large volume tanker sales. There was no crude sale booked in September 2012 which resulted in the material difference between reported Q3 2012 production and sales.

Funds from continuing operations (\$6.0 million) does not recognize the value of this 14,300 bbls of crude inventory stored at September 30, 2012, which was sold in October at a price of US \$109 per bbl. Based on royalties and operating expenses of \$385,000 included in inventory and estimated incremental current taxes of \$81,000, the sale of this inventory in Q3 2012 would have added an estimated additional \$1.1 million to funds from operations. The total Q3 2012 funds from operations including the estimated value of inventory would have been \$7.1 million.

### **Financial highlights**

	Three months ended 2012	September 30, 2011	% change	Nine months ended 2012	September 30, 2011	% change
Sales and prices						
Oil and liquid sales (boepd)		946		1,003	(6)	1,140
Natural gas sales (mcf/d)		2,144		1,749	23	2,491
Average daily boe sales 6:1 (boepd)			1,303		1,294	1,555
Average oil and liquid price (\$/bbl)			106.57		113.77	(6)
Average natural gas price (\$/mcf)			15.62		14.09	11
14.90						
Financial (US \$ thousands except for unit amounts)						
Petroleum and natural gas sales		12,351		12,764	(3)	45,84
Funds from continuing operations		5,970		7,137	(16)	25,28
Per share- basic & diluted		0.17		0.20	(15)	
Net earnings from continuing operations			1,189		478	149
Per share- basic & diluted		0.03		0.01	200	0.12
Field operating netback after tax (\$/boe)			64.13		73.68	(13)
Capital expenditures		4,601		14,347	(68)	
Working capital at period end		9,501		3,562	167	9,501
Common shares (thousands)						
Weighted average during period			- basic	35,839	35,745	
- diluted		35,894	35,873		-	35,870
Outstanding at period end		35,844	35,751		-	

## Operations, capital expenditures and outlook

Operations in Tunisia during Q3 2012 were focused primarily on workover programs at Chouech Essaida to repair down-hole pumping equipment that was damaged during three separate production disruptions in the second quarter of 2012. A total of four wells suffered damaged from the abrupt shut-down of the electrical panel at Chouech Essaida and required subsequent workovers during the quarter. In conjunction with these operations, the Company had scheduled workovers to optimize mechanical lifting at two additional locations, resulting in a total of six workover operations ongoing during the third quarter of 2012. Due to the large volume of simultaneous operations involving the Company's down-hole lifting equipment, its inventory of ESP components was depleted and the long lead times to manufacture and transport this equipment to Tunisia has lead to delays in its final two workover operations. The Company expects to complete these operations in Q4 2012 once the required components are received.

The Company recently mobilized a 2,000 horsepower Pergemine drilling rig to perform a recompletion of Chouech Essaida Silurian #10 ("CS Sil #10"). The workover is currently ongoing and the total cost of this operation is expected to reach \$3.5 million and could result in incremental production of 600 to 1,000 bopd plus associated gas.

The remaining previously announced capital program includes the drilling of a new Ordovician oil well at Sabria (45% working interest), which is subject to equipment availability, stable commodity prices and general stability and has been deferred to the start of 2013. The total cost of the capital program in Tunisia is estimated at \$8.1 million net to Winstar, with the potential of adding 200-400 boepd of production by the end of Q1 2013.

In Romania, the Company has completed the acquisition of and is currently processing an 80 square kilometer 3D seismic program over its new gas discovery at Moftinu. Preliminary indications from the processing are encouraging, and in addition to a better definition of the size and structure of the discovery, this new 3D program should generate direct hydrocarbon indicators in the form of amplitude anomalies which should help to more accurately define the gas pool and its limits.

During period following Tunisia's change of government and the "Arab Spring" which impacted the entire region, the Company experienced limited interruptions of service due to civil unrest until its first production disruption caused by labour disputes in Q2 2012, for a total of 11 days of production interruption. Following its initial settlement with relevant labour union at the end of June 2012, Winstar has continued ongoing communications in the interest of eliminating potential conflicts. A schedule has been agreed upon to resolve outstanding issues not considered material to the initial settlement and monitor ongoing labour issues as they may arise.

The Company's primary focus in Tunisia during the fourth quarter of 2012 will be the workover operations on the remaining suspended wells in the Chouech Essaida concession to restore the Company's production to its capacity estimated at 2,500 boepd and the recompletion and production of CS Sil #10 and prepare for the

drilling of the next Sabria well.

In Romania, the Company is encouraged by its early success with the Moftinu discovery, which was the second well drilled on the Satu Mare block, and has the option to continue into the second phase of its work commitment with its joint venture partner in the Satu Mare exploration permit. During this second phase, Winstar would drill two exploration wells and acquire 180 kilometers of 3D seismic by the end of May 2015 at an anticipated cost of \$8.0 million to earn up to a 60% working interest in the entire Satu Mare concession.

### **Strategic alternatives process**

On July 3, 2012 Winstar announced the retention of FirstEnergy Capital LLP to initiate a process to explore and evaluate potential strategic alternatives with a view to enhancing shareholder value. The Company does not intend to comment further regarding the review process unless a specific transaction is approved by the Board of Directors, the review process is concluded or it is otherwise determined that further disclosure is necessary.

### **BOE**

References herein to boe mean barrels of oil equivalent derived by converting gas to oil in the ratio of 6,000 cubic feet (mcf) of gas to one barrel (bbl) of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based upon an energy conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead.

### **Non-GAAP Measures**

Funds from operations are a non-GAAP measure, defined by the Company as cash flow from operating activities excluding:

- The change in non-cash working capital related to continuing and discontinued operations, which is eliminated to show the net cash effect on income;
- Geological and geophysical expenses which are costs incurred for the purpose of generating future investment opportunities and are therefore not indicative of operational performance; and

### **The Company also presents:**

- Funds from operations per share, whereby amounts per share are calculated using weighted average common shares outstanding.

Management uses funds from operations to analyze performance and considers it to be a key measure as they demonstrate the Company's ability to generate the cash necessary to fund future capital investments. Winstar's determination of funds from operations may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

After tax field operating netback is a non-GAAP measure defined by the Company as revenue, less royalty, operating expense and current income tax. Management considers after tax field operating netbacks an important measure as they demonstrate the Company's profitability from field operations, before general and administrative costs, relative to current commodity prices.

### **Forward-looking Statements**

*This press release contains certain forward-looking statements. These statements relate to future events or future performance of the Company. When used in this press release, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to certain events, and are subject to a number of risks, uncertainties and assumptions. Many factors could cause Winstar's actual results, performance, or achievements to materially differ from those described in this press release. Should one or more of these risks or uncertainties*

*materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in other public disclosures made by the Company or this press release as intended, planned, anticipated, believed, estimated, or expected. Specific forward-looking statements in this press release include, among others, statements pertaining to the following: factors upon which Winstar will decide whether or not to undertake a specific course of action; and estimated volumes and timing of future production; business plans for drilling, exploration and development; and other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance. The risks to which the Company is subject include those of the oil and gas industry in general, including operational risks in exploring for, developing and producing crude oil and natural gas; risks and uncertainties involving geology of oil and gas fields and deposits; volatility in global market prices for oil and natural gas; general economic conditions; competition; liabilities and risks, including environmental liability and risks inherent in oil and gas operations; uncertainties as to the availability and cost of financing and changes in capital markets; alternatives to and changing demand for petroleum products; and changes in legislation and the regulatory environment, including uncertainties with respect to the Kyoto Protocol.*

*Furthermore, statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be produced profitably in the future. The forward-looking statements contained in this press release are expressly qualified in their entirety by this cautionary declaration. These statements speak only as of the date of this press release. The Company does not intend and does not assume any obligation, to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.*

[Winstar Resources Ltd.](#) is a Calgary-based junior oil and gas Company, which explores for, develops, produces and sells crude oil, natural gas liquids and natural gas in Tunisia and conducts exploration activities in Romania. Winstar's common shares trade on The Toronto Stock Exchange under the symbol WIX.

Winstar's consolidated Interim Financial Statements and Management Discussion and Analysis for the three and nine month period ended September 30, 2012 can be obtained at [www.winstar.ca](http://www.winstar.ca).

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