

Insignia Energy announces its 2012 year end crude oil and natural gas reserves and first half 2013 capital budget

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CALGARY, Feb. 7, 2013 /CNW/ - [Insignia Energy Ltd.](#) ("ISN" - TSX) ("Insignia" or the "Company") is pleased to announce the results of its independent reserve evaluation, effective December 31, 2012, of the Company's reserves by GLJ Petroleum Consultants Ltd. ("GLJ").

2012 YEAR-END RESERVE HIGHLIGHTS

- Finding & Development ("F&D") costs for 2012 were \$10.60/boe proved reserves and \$8.07/boe proved plus probable reserves, including change in future development costs;
- Finding, Development & Acquisition/Disposition ("FD&A") costs for 2012 were \$4.40/boe proved reserves and \$0.42/boe proved plus probable reserves, including change in future development costs;
- Achieved a F&D recycle ratio of 2.1x based on an estimated 2012 average operating netback of \$17.09/boe and the F&D of \$8.07/boe for proved plus probable reserves and achieved a FD&A recycle ratio of 40.8x based on an estimated 2012 average operating netback of \$17.09/boe and the FD&A cost of \$0.42/boe for proved plus probable reserves;
- Proved reserves decreased by 2.7 per cent to 7.2 mmboe and were essentially flat on a fully diluted per share basis;
- Proved plus probable reserves decreased by 2.5 per cent to 15.0 mmboe and were essentially flat on a fully diluted per share basis;
- Based on field estimates, Insignia's production averaged approximately 3,575 boe per day and 3,290 boe per day for the fourth quarter and full year 2012, respectively, which represented a 1.8 percent increase in fourth quarter 2012 production compared to the fourth quarter of 2011 production and a 3.8 percent increase on a fully diluted per share basis;
- In 2012, Insignia spent \$22.1 million (unaudited), which represented approximately 1.3 times estimated 2012 cash flow and, factoring in the \$6.0 million of dispositions, represents a ratio of 1.0 times estimated 2012 cash flow; and,
- Based on fourth quarter 2012 average production, Insignia's reserve life index is 5.5 years on a proved basis and 11.4 years on proved plus probable basis.

NET ASSET VALUE ("NAV") (a)

The net present value of the future net revenue attributable to the Company's proved plus probable reserves (before tax and discounted at 10%) was \$110.6 million resulting in a net asset value per share of \$1.98 per fully diluted common share.

	December 31, 2012 NAV GLJ Price Forecast (2013-01)
\$Millions, except per share amounts	
Proved plus Probable Reserves	
Discounted at 10% (Before Tax) (b)	\$110.6
Undeveloped Lands (c)	18.0
Net Debt (Unaudited) (a)	(11.2)
Proceeds from Dilutive Stock Options to NAV	4.3
Net Asset Value	121.7
Shares Outstanding (fully diluted) (000's) (d)	61,464
NAV per Share	\$1.98

- (a) Financial information is based on management prepared financial statements for the year ended December 31, 2012 which are in the process of being audited by Insignia's independent auditors and, accordingly, such financial information is subject to change based on the results of the audit. See "Cautionary Statements - Unaudited Financial Information" below.
- (b) Company's working interest (operating or non-operating) or "net" share after deduction of royalty obligations plus the Company's royalty interest in reserves.
- (c) Undeveloped land value is based on a management prepared internal estimate as at December 31, 2012. Insignia had a total of 118,366 net undeveloped acres at year end 2012.
- (d) Represents total common shares outstanding as of December 31, 2012 (basic-57,858,909) plus the dilutive stock options (December 31, 2012- 3,218,000) and warrants (December 31, 2012 - 387,125).

RESERVES

See "Cautionary Statement - Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" for explanations and discussions and "Cautionary Statement - Forward looking information and statements" for a statement of principal assumptions and risks that may apply.

Summary of Oil and Gas Reserves as of December 31, 2012

LIGHT AND
MEDIUM OIL HEAVY OIL CONVENTIONAL
NATURAL GAS NATURAL GAS
LIQUIDS TOTAL OIL
EQUIVALENT
RESERVES CATEGORY Gross
(Mbbbl) Net
(Mbbbl) Gross
(Mbbbl) Net
(Mbbbl) Gross
(MMcft) Net
(MMcft) Gross
(Mbbbl) Net
(Mbbbl) Gross
(Mboe) Net
(Mboe)
PROVED
Producing 674 586 38 35 19,080 18,341 298 234 4,190 3,912
Developed Non-Producing 8 7 - - 778 670 17 12 155 131
Undeveloped - - - - 15,718 14,043 223 164 2,843 2,504
TOTAL PROVED 681 593 38 35 35,576 33,054 538 410 7,187 6,547

PROBABLE 395 339 31 25 40,493 35,813 644 455 7,819 6,788
TOTAL PROVED PLUS
PROBABLE 1,077 932 69 60 76,069 68,868 1,182 866 15,006 13,336

Net Present Values of Future Net Revenue
As of December 31, 2012, Forecast Prices and Costs

BEFORE INCOME TAXES DISCOUNTED AT
(%/year) AFTER INCOME TAXES DISCOUNTED AT
(%/year)
RESERVES CATEGORY 0%
(M\$) 5%
(M\$) 10%
(M\$) 15%
(M\$) 20%
(M\$) 0%
(M\$) 5%
(M\$) 10%
(M\$) 15%
(M\$) 20%

(M\$)

PROVED

Producing 93,793 74,962 63,000 54,733 48,669 93,793 74,962 63,000 54,733 48,669
Non-Producing 2,425 1,921 1,552 1,274 1,061 2,425 1,921 1,552 1,274 1,061
Undeveloped 20,040 10,519 4,716 1,034 (1,374) 20,040 10,519 4,716 1,034 (1,374)
TOTAL PROVED 116,258 87,402 69,267 57,041 48,356 116,258 87,402 69,267 57,041 48,356

TOTAL PROBABLE 113,351 65,669 41,284 27,383 18,831 113,351 65,669 41,284 27,383 18,831

TOTAL PROVED PLUS

PROBABLE 229,609 153,071 110,551 84,424 67,187 229,609 153,071 110,551 84,424 67,187

Notes:

(1) Net present value of future net revenue may not represent fair market value.

(2) Other Company revenue and costs not related to a specific production group have been allocated proportionately to the above noted production groups.

(3) Estimated future abandonment and reclamation costs related to a property have been taken into account by GLJ in determining reserves that should be attributed to a property and, in determining the aggregate future net revenue therefrom, the reasonable estimated future well abandonment costs were deducted. No allowance was made, however, for reclamation of well sites or the abandonment and reclamation of any facilities or wells which have no reserves assigned.

(4) The after-tax net present value of the Insignia's oil and gas properties reflects the tax burden on the properties on a stand-alone basis. It does not consider the corporate tax situation, or tax planning. It does not provide an estimate of the value at the level of the corporation, which may be significantly different. Insignia's financial statements and the management's discussion and analysis should be consulted for information at the level of the corporation.

Summary of Pricing and Inflation Rate Assumptions

Forecast Prices and Costs, GLJ Forecast Effective January 1, 2013

OIL NATURAL GAS

Year WTI at

Cushing

Oklahoma

(\$US/Bbl) Edmonton City

Gate

(\$Cdn/Bbl) Natural Gas

AECO

Average Price

(\$Cdn/Mmbtu) Pentanes Plus

Edmonton Par

(\$Cdn/Bbl) Butanes

Edmonton Par

(\$Cdn/Bbl) Inflation

Rates(1)

%/Year Exchange

Rate(2)

(\$US/\$Cdn)

Forecast

2013 90.00 85.00 3.38 96.63 65.45 2.0 1.000
2014 92.50 91.50 3.83 97.91 70.46 2.0 1.000
2015 95.00 94.00 4.28 97.76 72.38 2.0 1.000
2016 97.50 96.50 4.72 100.36 74.31 2.0 1.000
2017 97.50 96.50 4.95 100.36 74.31 2.0 1.000
2018 97.50 96.50 5.22 100.36 74.31 2.0 1.000
2019 98.54 97.54 5.32 101.44 75.11 2.0 1.000
2020 100.51 99.51 5.43 103.49 76.62 2.0 1.000
2021 102.52 101.52 5.54 105.58 78.17 2.0 1.000
2022 104.57 103.57 5.64 107.71 79.75 2.0 1.000
2023+ Escalated oil, gas and product prices at 2% per year thereafter

Notes:

- (1) Inflation rates for forecasting prices and costs.
(2) Exchange rates used to generate the benchmark reference prices in this table.

Reconciliation of Gross Reserves By Principal Product Type Forecast Prices and Costs

LIGHT AND MEDIUM OIL HEAVY OIL CONVENTIONAL NATURAL GAS

FACTORS Proved

(Mbbbl) Probable

(Mbbbl) Proved

Plus

Probable

(Mbbbl) Proved

(Mbbbl) Probable

(Mbbbl) Proved

Plus

Probable

(Mbbbl) Proved

(MMcf) Probable

(MMcf) Proved

Plus

Probable

(MMcf)

December 31, 2011 836 505 1,340 58 49 107 35,122 40,760 75,882

Discoveries - - - - -

Extensions - 39 39 - - - 1,925 4,079 6,004

Infill Drilling - - - - -

Improved Recovery - - - - - 155 53 208

Technical Revisions 137 (189) (52) 5 (18) (13) 5,867 755 6,623

Acquisitions - - - - -

Dispositions - - - - -

Economic Factors (100) 41 (59) - - - (2,355) (5,155) (7,510)

Production (192) - (192) (25) - (25) (5,138) - (5,138)

December 31, 2012 681 395 1,077 38 31 69 35,576 40,493 76,069

NATURAL GAS LIQUIDS BOE

FACTORS Proved

(Mbbbl) Probable

(Mbbbl) Proved

Plus

Probable

(Mbbbl) Proved

(Mboe) Probable

(Mboe) Proved

Plus

Probable

(Mboe)

December 31, 2011 637 654 1,291 7,384 8,001 15,385

Discoveries - - - - -

Extensions 64 115 180 385 834 1,219

Infill Drilling - - - - -

Improved Recovery 1 1 2 27 9 36

Technical Revisions (25) (110) (135) 1,096 (191) 905

Acquisitions - - - - -

Dispositions - - - - -

Economic Factors (54) (16) (70) (547) (834) (1,381)

Production (85) - (85) (1,158) - (1,158)

December 31, 2012 538 644 1,182 7,187 7,819 15,006

Note: Insignia has no unconventional reserves (Bitumen, Synthetic Crude Oil, Natural Gas from Coal, etc.).

FINDING, DEVELOPMENT & ACQUISITION COSTS

In 2012, Insignia's capital program was directed toward the drilling of four (3.5 net) wells and the completion of seven (5.5 net) wells in the Company's three core areas. Exploration and Development Expenditures ("E&D") included opportunistic land purchases in a low natural gas price environment. In 2012, Insignia spent \$22.1 million on E&D of which \$2.1 million was on land purchases and \$18.9 million on drilling, completions and equipping.

2012 2011 Three Year Average

2010-2012

Proved Proved

plus

Probable Proved Proved

plus

Probable Proved Proved

plus

Probable

Exploration and Development expenditures (\$ thousands) (note 2) 22,070 22,070 26,992 26,992 80,558 80,558

Net Acquisitions/(Dispositions) (\$ thousands) (note 2) (5,962) (5,962) - - (6,230) (6,230)

Change in future development capital (\$ thousands)

- Exploration and Development (11,879) (15,782) 10,632 (11,430) 11,445 (3,378)

- Acquisitions/Dispositions - - - - -

Reserves additions after revisions (Mboe)

- Exploration and Development 961 779 2,408 1,926 5,167 6,732

- Acquisitions/Dispositions - - - - (10) (12)

961 779 2,408 1,926 5,157 6,720

F&D and FD&A (\$/boe)

Including Change in Future Development Cost (note 1)

Exploration and development 10.60 8.07 15.62 8.08 17.80 11.46

Dispositions - - - - 602.88 505.12

Total FD&A 4.40 0.42 15.62 8.08 16.63 10.56

Excluding Change in Future Development Cost

Exploration and development 22.97 28.33 11.21 14.01 15.59 11.97

Dispositions - - - - 602.88 505.12

Total FD&A 16.76 20.68 11.21 14.01 14.41 11.06

Operating Netback per boe (note 3) 17.09 17.09 23.91 23.91 19.49 19.49

Recycle Ratio - F&D (including FDC) (note 3) 1.6 2.1 1.5 3.0 1.1 1.3

Recycle Ratio - FD&A (including FDC) (note 3) 3.9 40.8 1.5 3.0 1.2 1.4

Reserves Replacement Ratio 83% 67% 202% 162% 153% 152%

Reserve Life Index based on fourth quarter average production (years) 5.5 11.4 5.8 12.0 - -

Notes:

1. Calculation includes reserve revisions and changes in future development costs. Insignia also calculates FD&A costs which incorporate both the costs and associated reserve additions related to acquisitions net of any dispositions during the year. The aggregate of the exploration and development costs incurred in the most recent financial year end and the change during the year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year.

2. 2012 figures include information based on estimated unaudited financial results that may change on the completion of the audited financial statements. The 2012 and 2011 Exploration and Development expenditures are presented in accordance with International Financial Reporting Standards and the 2010 Exploration and Development expenditures for the purposes of the three year average are presented in accordance with Canadian GAAP applicable at the time.

3. Recycle ratio is calculated as operating netback divided by F&D/FD&A costs. Operating netback is calculated as revenue minus royalties, operating expenses, transportation expenses and net of any realized gains or losses on financial contracts.

FUTURE DEVELOPMENT COSTS USING FORECAST PRICES AND COSTS

Year	Proved Future Development Costs	Proved plus Probable Future Development Costs
	(\$ thousands)	(\$ thousands)
2013	5,400	12,404
2014	13,056	20,883
2015	17,635	23,000
2016	2,149	20,562
2017	0	24,544
2018 and subsequent	0	6
Undiscounted total	38,240	101,399
Discounted @ 10%/yr	31,901	78,768

On Insignia's current properties, management has identified in excess of 200 potential net drilling locations which the Company may exploit. In the 2012 year end reserve report of these 200 potential net drilling locations, 9.0 net wells have been included in the proved reserves and 25.4 net wells (13% of the potential drilling locations) have been included in the total proved plus probable reserves. Entering 2013, the Company has a significant unbooked drilling inventory.

LAND HOLDINGS

The Company has completed an internal evaluation of the fair market value of the Company's undeveloped land holdings as at December 31, 2012. This evaluation was completed principally using industry activity levels, third party transactions and land acquisitions that occurred in proximity to Insignia's undeveloped lands during the past year. The Company has estimated the value of its net undeveloped acreage at \$18 million (\$152 per acre).

A summary of the Company's land holdings at December 31, 2012 is outlined below:

(acres)	Developed		Undeveloped		Total	
	Gross	Net	Gross	Net	Gross	Net
Alberta	81,115	53,043	110,510	87,185	191,625	140,228
British Columbia	4,726	1,050	21,846	7,483	26,572	8,533
Saskatchewan	20,622	20,211	24,143	23,698	44,765	43,909

Total 106,463 74,304 156,499 118,366 262,962 192,670

FIRST HALF 2013 CAPITAL BUDGET

In the first half of 2013, the Board of Directors of Insignia have approved a capital budget of \$7.5 million which is intended to be directed to the drilling, completion and tie-in of one (1.0 net) Mannville liquids rich natural gas well at Caroline and one (0.2 net) horizontal Cardium oil well at Pembina and one (1.0 net) recompletion of a vertical Montney well at Pouce Coupe.

NORMAL COURSE ISSUER BID ("NCIB")

On March 16, 2012 the Company had announced a NCIB to purchase the Company's common shares on the TSX. As of December 31, 2012 the Company had purchased 1,103,200 common shares at an average price of \$0.79 per common share for a total cost of \$0.9 million. As a result of the NCIB the Company had 57,858,909 common shares outstanding as of December 31, 2012.

CAUTIONARY STATEMENTS

Unaudited financial information

Certain financial and operating information included in this press release for the quarter and year ended December 31, 2012, such as exploration and development expenditures, cash flow, finding, development and acquisition costs, net debt, operating netback and net asset value, are based on estimated unaudited financial results for the quarter and year then ended, and are subject to the same limitations as discussed under "Forward- looking information and statements" set out below. These estimated amounts may change

upon the completion of audited financial statements for the year ended December 31, 2012 and changes could be material.

Information Regarding Disclosure on Oil and Gas Reserves and Operational Information

The reserves data set forth above is based upon an independent reserves assessment and evaluation prepared by GLJ with an effective date of December 31, 2012 (the "GLJ Report"). The presentation summarizes the Company's crude oil, natural gas liquids and natural gas reserves and the net present values before income tax of future net revenue for the Company's reserves using forecast prices and costs based on the GLJ Report. The GLJ Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in National Instrument 51-101 ("NI 51-101").

All evaluations and reviews of future net revenue are stated prior to any provisions for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. It should not be assumed that the estimates of future net revenues presented in the tables above represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of our crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

The reserve data provided in this release only represents a summary of the disclosure required under NI 51-101. Additional disclosure will be provided in the Company's Annual Information Form filed on www.sedar.com on or before March 31, 2013.

In relation to the disclosure of net asset value ("NAV"), the NAV table shows what is normally referred to as a "produce-out" NAV calculation under which the current value of the Company's reserves would be produced at forecast future prices and costs and do not necessarily represent a "going concern" value of the Company. The value is a snapshot in time and is based on various assumptions including commodity prices and foreign exchange rates that vary over time. It should not be assumed that the future net revenues estimated by GLJ represent the fair market value of the reserves, nor should it be assumed that Insignia's internally estimated value of its undeveloped land holdings represent the fair market value of the lands.

Non-GAAP Measures Advisory

The above information includes non-GAAP measures not defined under generally accepted accounting principles ("GAAP") applicable to public companies at the relevant time, which for certainty, for financial years beginning on or after January 1, 2011 is International Financial Reporting Standards applicable to public accountable enterprises, including operating netback, recycle ratio, net cash and reserve life index. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Operating netback is calculated as revenue less royalties, operating expenses, transportation expenses and net of any realized gains or losses on financial contracts. Recycle ratio is calculated as operating netback divided by the capital cost of reserve F&D/FD&A costs which is one of our indicators to ensure our capital programs are adding reserves at an economic cost. Reserve life index is calculated by dividing our reserves by our annualized fourth quarter production which is one of our indicators for quality of a reserve base.

Forward-looking information and statements

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: capital expenditures; the volumes and estimated value of Insignia's oil and gas reserves; the life of Insignia's reserves; the volume and product mix of Insignia's oil and gas production; and future oil and natural gas prices.

In addition, forward-looking statements or information are based on a number of material factors, expectations or assumptions of Insignia which have been used to develop such statements and information but which may prove to be incorrect. Although Insignia believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Insignia can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: results from drilling and development activities consistent with past

operations; the continued and timely development of infrastructure in areas of new production; continued availability of debt and equity financing and cash flow to fund Insignia's current and future plans and expenditures; the impact of increasing competition; the general stability of the economic and political environment in which Insignia operates; the timely receipt of any required regulatory approvals; the ability of Insignia to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Insignia has an interest in to operate the field in a safe, efficient and effective manner; the ability of Insignia to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Insignia to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Insignia operates; and the ability of Insignia to successfully market its oil and natural gas products.

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, 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 information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Insignia's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Insignia or by third party operators of Insignia's properties, increased debt levels or debt service requirements; inaccurate estimation of Insignia's oil and gas reserve and resource volumes; limited, unfavourable or a lack of access to capital markets; increased operating costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in Insignia's public disclosure documents, (including, without limitation, those risks identified in this news release and Insignia's Annual Information Form).

The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Insignia does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

BOE equivalent

Barrel of oil equivalents or BOEs 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. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

ABOUT INSIGNIA

Insignia is a Calgary, Alberta based oil and gas exploration, development and production company whose shares are traded on the Toronto Stock Exchange under the trading symbol "ISN".

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