

Second Wave Petroleum Inc. Announces Filing of First Quarter 2013 Financial Results

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CALGARY, May 15, 2013 /CNW/ - [Second Wave Petroleum Inc.](#) ("Second Wave" or the "Company") announced today the filing of its interim financial statements and management's discussion and analysis for the quarter ended March 31, 2013, which have been filed on SEDAR at www.sedar.com.

Financial Summary

	Three months ended		Three months ended		
	March 31,		December 31,		
	(\$000s, except per share and per boe amounts)				
			2013	2012	% ∆
Sales volumes					
Oil (bbl/d)	1,080	1,559	(31)	1,061	2
Natural gas liquids (bbl/d)		117	84	39	126
Natural gas (mcf/d)	2,977		2,904	3	3,759
Combined boe/d (6:1)	1,693	2,126	(20)	1,813	(7)
Crude oil and liquids weighting (%)		71	77	(8)	65
Per boe					
Petroleum and natural gas sales			59.76	66.66	(10)
Royalties	(7.07)	(4.59)	54	(8.29)	(15)
Lease operating costs		(25.36)	(25.14)	9	(21.6)
Transportation	(1.56)	(2.33)	33	(0.39)	
Operating netback (2)	25.77	34.60	(26)	25.41	1
Net capital expenditures (3)	3,143		34,316	(91)	3,455
Cash from operating activities (2)		(576)	5,084	(111)	5,6
Cash from operating activities per share (2)			(0.01)	0.06	(117)
Net loss	(1,865)	(2,039)	9	(14,816)	87
Net loss per share	(0.02)	(0.02)	-	(0.18)	89

Notes:

(1) Represents the change from the first quarter of 2013 as compared with the fourth quarter of 2012.

(2) Cash from operating activities, cash from operating activities per share and operating netback are not recognized measures under IFRS and are therefore unlikely to be comparable to similar measures presented by other oil and gas companies. Management considers them to be important measures as they demonstrate the Company's ability to generate the cash flow necessary to fund future growth through capital investment.

(3) Includes expenditures on Exploration and Evaluation activities.

First Quarter Review

Production in the first quarter averaged approximately 1,693 boe/d (71% oil and natural gas liquids) representing a 7% and 20% decrease from 2012 fourth quarter and first quarter rates, respectively. A total of 1,575 boe/d or approximately 93% of Second Wave's corporate production is derived from its Judy Creek core area in Alberta. First quarter 2013 production dropped from fourth quarter 2012 levels as the Company shut in approximately 60 boe/d of net Beaverhill Lake production to accommodate off-setting drilling activity and the retirement of maximum rate limitation penalties, and curtailed an additional 75 boe/d of Pekisko production. Subsequent to the quarter end the shut-in Beaverhill Lake production has been brought back on line while the curtailed Pekisko production is expected to be brought back on line in the third and fourth quarters.

Average sales revenue per unit in the quarter was \$59.76 per boe representing a 7% increase and a 10% decrease from 2012 fourth quarter and first quarter levels, respectively. The reduction in sales revenue per unit on a year-over-year basis is directly related to a drop in benchmark oil prices and increased oil

differentials for crude oil produced in Alberta. On a quarter-over-quarter basis pricing has increased by approximately 7% as oil prices, oil differentials and natural gas pricing have improved since the fourth quarter of 2012.

Operating costs averaged approximately \$25.36 per boe for the first quarter of 2013 representing a 17% and 1% increase from 2012 fourth quarter and first quarter levels. On a quarter-over-quarter basis the operating cost increase was related primarily to the implementation and operation of the Company's close proximity Pekisko waterflood pilot in Judy Creek and certain seasonal costs that are typically incurred in the first quarter of each year. The Company anticipates that its operating costs will trend downward over the second half of the year as its Pekisko production increases as a consequence of bringing curtailed Pekisko production back on line and re-pressuring of the Pekisko pool in its close proximity pilot waterflood area.

Operating netbacks remained consistent with fourth quarter 2012 levels at \$25.77 per boe. Year-over-year netbacks decreased by 26% due primarily to higher royalty rates and lower commodity pricing.

The Company's Beaverhill Lake production in the first quarter was approximately 1,005 boe/d (80% oil and natural gas liquids) or 11% lower than fourth quarter 2012 levels with 60 boe/d or approximately half of this decline attributed to shut-in volumes as noted above and the remainder related to natural production declines. The Company successfully drilled and completed one (0.4 net) horizontal Beaverhill Lake well during the quarter at 12-25-063-10W5; however production testing was not initiated until very late in the first quarter with little to no sales volumes occurring in the first quarter. Subsequent to the quarter end the 12-25 well was tested for a total of approximately 33 days with cumulative oil production, estimated from field data, of 20,450 bbl over this test period for an average initial production rate of 620 bbl/d of oil. The 12-25 well was shut in April 30, 2012 and the Company currently anticipates that it will come back on production upon the installation of surface pumping equipment early in the third quarter of 2013.

The Company cautions that test results and initial production rates are not necessarily indicative of long-term performance or ultimate recovery.

Pekisko production in Judy Creek remained relatively constant quarter-over-quarter at 567 boe/d in the first quarter of 2013 versus 575 boe/d in the fourth quarter of 2012. Production additions in the first quarter from bringing on one (1.0 net) horizontal oil well were offset by curtailments as the Company re-directed the majority of its produced water volumes in its waterflood from the northwest end of the Judy Creek pool to its close proximity water flood pilot area at the south end of the pool. The Company anticipates it will take 3 to 6 months to re-pressurize the close proximity pilot water flood area, at which time the produced water from the pool will be more equitably distributed resulting in the expected return of approximately 75 boe/d of curtailed production in the north.

As previously announced on May 6, 2013 and May 13, 2013, subsequent to the quarter end Second Wave issued to Brookfield Bridge Lending Fund Inc. ("Brookfield"), the Company's controlling shareholder, a \$17.5 million principal amount 7.5% secured convertible debenture for net proceeds of \$17,325,000, and received a non-binding proposal from Brookfield to privatize Second Wave by acquiring all common shares of the Company not already owned by Brookfield and its affiliates for cash consideration of \$0.30 per share. Brookfield currently holds approximately 47.5% of the outstanding Second Wave common shares. A special committee of independent directors of the Company is supervising the preparation of a formal valuation of Second Wave pursuant to applicable securities laws and otherwise evaluating the Brookfield proposal. Second Wave will make a further announcement if and at such time as a definitive agreement is entered into with Brookfield regarding a going private transaction or the privatization proposal otherwise becomes binding.

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Barrels of Oil Equivalent (BOEs). The term BOE refers to barrel of oil equivalent, with natural gas converted to crude oil equivalent at a ratio of six thousand cubic feet to one barrel. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six mcf (six thousand cubic feet) to one bbl (one barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward-Looking Statements.

This news release contains forward-looking statements as to the Company's internal projections, expectations and beliefs relating to future events or circumstances. Forward-looking statements are typically (but not necessarily) identified by words such as "anticipate", "believe", "budget", "estimate", "expect", "plan", "intend", "potential", "may", "will", "should" or similar words suggesting future outcomes. Although the

Company believes that these forward-looking statements are reasonable, undue reliance should not be placed on them as they are subject to known and unknown risks and uncertainties, many of which are beyond the Company's control. Forward-looking statements are not guarantees of future outcomes. There can be no assurance that the plans, intentions or expectations contained in the forward-looking statements or upon which they are based will in fact occur or be realized, and actual results may differ from those expressed or implied in the forward-looking statements. The difference may be material.

Second Wave is subject to the inherent risks associated with the exploration, development, exploitation and production of oil and gas. More particularly, material risk factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements contained in this news release include: adverse changes in commodity prices, interest rates or currency exchange rates; accessibility of capital when required and on acceptable terms; lower than expected production of crude oil and natural gas; production delays; lower than expected reserve volumes on the Company's properties; increased operating costs; ability to attract and retain qualified personnel or to secure drilling rigs and other services on acceptable terms; competition for labour, equipment and materials necessary to advance the Company's projects; unforeseen engineering, environmental or geological problems; ability to obtain all required regulatory approvals on a timely basis and on satisfactory terms; and changes in laws and governmental regulations (including with respect to taxes and royalties). This list is not exhaustive. Readers should also review the risk factors described in other documents filed by the Company from time to time with securities regulatory authorities in Canada, including its most recent annual information form, copies of which are available electronically at www.sedar.com and at www.secondwavepetroleum.com.

Specific forward-looking statements contained in this news release include statements regarding: the resumption of curtailed Pekisko production; expectations for reduced operating costs per unit over the second half of 2013; re-pressurization of the Pekisko pool and the expected timing thereof; and placement of the 12-25-063-10W5 Beaverhill Lake well on production. In making such forward-looking statements, Second Wave has made various assumptions regarding, among other things: the accuracy of geological and geophysical data and interpretations of that data; future oil and natural gas prices; future capital requirements; future exchange rates; the accessibility and cost of capital (including credit); the Company's ability to economically produce oil and gas from its properties and the timing and cost to do so; and its ability to obtain qualified staff, equipment, services and supplies in a timely and cost-efficient manner.

The forward-looking statements included herein are made as of the date of this news release and Second Wave undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by securities laws.

For further information:

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