

Cub Energy Inc. Announces Second Quarter 2013 Financial and Operating Results

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HOUSTON, TEXAS--(Marketwired - Aug 26, 2013) - [Cub Energy Inc.](#) ("**Cub**" or the "**Company**") (**TSX VENTURE:KUB**) a Black Sea region-focused upstream oil and gas company, announced today its unaudited interim financial and operating results for the three and six months ended June 30, 2013.

Cub's complete quarterly reporting package, including the unaudited interim financial statements and associated Management's Discussion and Analysis, has been filed on SEDAR (www.sedar.com) and has been posted on the Company's website at www.cubenergyinc.com. All currency references in this press release are in US dollars except as otherwise indicated.

Operational Highlights

- Production averaged 1,490 Boe/d (96% natural gas) an increase of 24% over second quarter 2012;
- Current Production of 1,575 Boe/d
- Fifth consecutive quarter of production growth;
- Net back of \$37.21/Boe or \$6.20/Mcfe for the current period decreased by 27% from \$50.95/Boe or \$8.49/Mcfe in 1H 2012 due to an increase in royalty payable from 18% to 25% and due to increased production expenses for Kub Gas (operating staff increases and to a non-recurring bonus payment);
- Natural gas price of \$11.66/Mcf and condensate price of \$90.08/bbl;
- Record production levels were reached with KUB-Gas gross production of 28.5 MMcfe/d (8.55 MMcfe/d net to Cub);
- A new pool gas discovery was made on the Makeevskoye Licence in the Serpukhovian Zone and further tested gas on the Olgovskoye Licence with the O-15 well.

Financial Highlights

- Gross revenue from hydrocarbon sales by Kub-Gas for the first six months of 2013 increased 24% to \$57.6 million (2012 - \$46.5 million) of which Cub's 30% share was \$17.3 million (2012 - \$13.9 million);
- Income from the equity investment in KGHL was \$4.5 million (2012 - \$4.1 million);
- The Company estimates that its pro-rata portion of cash flow from operations from Kubgas Holdings, not including changes in working capital, to be approximately \$3,875,000 million for the three months ended June 30, 2013;

(thousands of Canadian dollars)	Quarter Ended June 30, 2013	Quarter Ended March 31, 2013	Six Months Ended June 30, 2013	Quarter Ended June 30, 2012	Six Months Ended June 30, 2012
\$					
Petroleum and natural gas revenue	823,000	1,055,000	1,878,000	514,000	514,000
Income from equity investment (30%) net	2,352,000	2,153,000	4,505,000	2,155,000	4,064,000
Funds generated from operations ⁽¹⁾		696,000			
Net Income / (loss)	1,257,000	763,000	2,020,000	181,000	2,372,000
Per share - basic	-	-	0.01	-	0.01
Per share - diluted	-	-	0.01	-	0.01
Capital expenditures ⁽²⁾	906,000	323,000	1,229,000	954,000	954,000
Capital expenditures within equity investment (30% net)	1,131,000	1,548,000	2,679,000	1,699,500	4,721,700
Working capital / (deficit)	10,232,000	10,611,000	10,232,000	1,378,000	1,378,000

Cash and cash equivalents	4,116,000	11,740,000	4,116,000	1,383,000	1,383,000
Long-term debt	-	-	-	-	-

Notes:

1. Funds generated from operations calculated as revenue plus income from equity investment less cost of sales and selling and general administrative expenses.
2. Includes exploration and evaluation costs.

Mikhail Afendikov, Chief Executive Officer of Cub Energy, commented, "Strong production delivery and the evolution of free cash flow leaves us well positioned for the year. We are excited about the acquisition of three additional licences in Ukraine and our move into Turkey in the second quarter. Both of these moves offer tremendous upside potential as we continue our growth in the Black Sea region. We have begun our work programme on these new assets and look forward to operational results in the second half of the year. We have the skills and resources to reward investors with consistent, accretive, organic growth. This is a great time in Cub's story and we are excited about what is to come."

Corporate Highlights

- On June 3, 2013, the Company closed on its strategic acquisition of a private Ukrainian oil and gas exploration company ("TGI"). The TGI assets consist of approximately 70,000 gross acres of undeveloped land, in close proximity to Cub's existing acreage, and give the Company an estimated on block gross 2C contingent gas resources of 14.18 Bscf and on block gross best estimate prospective resources of 9.65 Bscf. ⁽¹⁾⁽²⁾⁽³⁾
- On June 26, 2013, the Company closed on an arrangement agreement providing for the acquisition of all of the issued and outstanding shares of [Anatolia Energy Corp.](#) ("Anatolia"). Pursuant to the Transaction, the shareholders of Anatolia received 0.106 of a share in the Company for each Anatolia share held. Anatolia shareholders received approximately 13.9 million Cub shares. The transaction gave Cub an interest in 11 licenses in four primary project areas within Turkey consisting of approximately 1,163,000 gross acres (581,000 net) and are highly prospective for both conventional and unconventional resources.

NEW TURKISH PETROLEUM LAW HIGHLIGHTS

- The Turkish government approved the new petroleum law on May 30, 2013 after several years of review and significant input from the oil and gas industry's member organization in Turkey, known as PETFORM, of which Cub is a member. The Company views the new law as positive for the industry;
- The attractive fiscal terms for oil and gas in Turkey remains unchanged;
- Under this New Law, we will be able to renew all of our licences with an initial term of 5 years, to be followed by three phases of two-year extensions with drilling activity. New licences will require a 2% deposit for the work program that will be negotiated with the government;
- The Turkish government approved the new petroleum law on May 30, 2013 after several years of review and significant input from the oil and gas industry's member organization in Turkey, known as PETFORM, of which Cub is a member. The Company views the new law as positive for the industry;
- A number of attractive features of the current Turkish fiscal and royalty regime were maintained, including: a 12.5% royalty rate on oil and gas production; provision to extend the term of an exploration licence up to 11 years from the initial term of five years (four years currently), provided a discovery is made by the end of the ninth year; and, provision to extend a production lease up to 40 years from an initial term of 20 years.

2013 Outlook

- Kub-Gas is in the process of a number of recompletions, dual completions, workovers and production enhancement projects;
- A number of operations on current wells including fracture stimulations, re-entries, dual completions and re-completions will be done on up to five wells in the second half of 2013;
- The RK-22 well in Ukraine is expected to spud Q3 2013;
- The Yolduzu-1 well on the Besni Licence in Turkey is expected to spud Q3 2013;
- Planning continues for the first test of the Dadas Shale from the Caliktepe-2 well. This operation will consist of the drilling of a horizontal leg in the Dadas Shale, to be followed by a multi-stage frac. It is expected that this operation will be conducted in Q2 2014.

About Cub Energy Inc.

[Cub Energy Inc.](#) (TSX VENTURE:KUB) is an upstream oil and gas company, with a proven track record of exploration and production cost efficiency in the Black Sea region. The Company's strategy is to implement western technology and capital, combined with local expertise and ownership, to increase value in its undeveloped land base, creating and further building a portfolio of producing oil and gas assets within a high pricing environment.

For further information please contact us or visit our website: www.cubenergyinc.com

Oil and Gas Equivalents

Production information is commonly reported in units of barrel of oil equivalent ("boe" or "Mboe" or "MMboe") or in units of natural gas equivalent ("Mcf") or ("MMcf") or ("Bcfe"). However, boe's or Mcfe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf = 1 barrel, or a Mcfe conversion ratio of 1 barrel = 6 Mcf, is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

(1)"Contingent Resources" are those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not yet considered mature enough for commercial development because of one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. Contingent Resources are further categorized into low case (1C), best case (2C) and high case (3C) according to the level of certainty associated with the estimates and may be sub-classified based on economic viability.

(2)"Prospective Resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

(3) Prospective and Contingent Resources as per the RPS Energy resources evaluation dated 31 May 2012.

** There is no certainty that it will be commercially viable to produce any portion of the resources.*

Reader Advisory

Except for statements of historical fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is 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. Cub believes that the expectations reflected in the forward-looking information are reasonable; however there can be no assurance those expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: general economic conditions in the Ukraine and globally; industry conditions, including fluctuations in the prices of natural gas; governmental regulation of the natural gas industry, including environmental regulation; unanticipated operating events or performance which can reduce production or cause production to be shut in or delayed; failure to obtain industry partner and other third party consents and approvals, if and when required; competition for and/or

inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for natural gas; liabilities inherent in natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, skilled personnel and supplies; incorrect assessments of the value of acquisitions; geological, technical, drilling, processing and transportation problems; changes in tax laws and incentive programs relating to the natural gas industry; failure to realize the anticipated benefits of acquisitions and dispositions; and the other factors. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

This cautionary statement expressly qualifies the forward-looking information contained in this news release. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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