

Manitok Energy Inc. Announces Financial Results for the Second Quarter of 2013

30.08.2013 | [Marketwired](#)

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CALGARY, ALBERTA -- (Marketwired - Aug. 29, 2013) - [Manitok Energy Inc.](#) (the "Corporation" or "Manitok") (TSX VENTURE:MEI) announces its financial and operating results for the second quarter of 2013.

The full text of Manitok's second quarter report containing its unaudited condensed interim financial statements as at and for the three and six months ended June 30, 2013 and the related management's discussion and analysis will be available electronically on Manitok's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and also on Manitok's website at www.manitokenergy.com. All dollar figures are in Canadian dollars unless otherwise noted.

Second Quarter 2013 Operational & Financial Highlights:

- An increase in average production by 133% to 4,045 boe/d for the second quarter of 2013 from 1,733 boe/d for the comparable period in 2012.

- Increased the crude oil and NGLs weighting to 52% of total production in the second quarter of 2013 from 22% of total production in the second quarter of 2012.

- Funds from operations increased by 356% to \$11.3 million (\$0.16 per share) in the second quarter of 2013 from \$2.5 million (\$0.04 per share) for the comparable period in 2012.

- Operating netback increased by 47% to \$34.73 per boe for the second quarter of 2013 from \$23.60 per boe for the comparable period in 2012 due to the increase of light oil volumes in the total production mix.

- Achieved strong quarterly per share growth as production and funds from operations per weighted average diluted share increased 100% and 292%, respectively, while decreasing net debt to \$9.2 million as at June 30, 2013 from \$10.9 million as at June 30, 2012.

Total operating costs in the second quarter of 2013 were \$6.42 per boe net of recoveries and \$7.06 per boe prior to recoveries, which is 27% and 36% lower, respectively, on a boe basis, than the comparable period last year. Transportation and marketing costs were \$2.93 per boe, up from \$1.87 per boe in the comparable period last year due mainly to the increased proportion of oil production.

- Manitok's capital expenditures before divestitures for the second quarter of 2013 were \$9.6 million, which is down 11% from \$10.8 million in the comparable quarter in 2012.

- Drilled 4 gross (1.5 net) wells in the second quarter of 2013, 3 (1.0 net) in the Stolberg area of Alberta and 1 (0.5 net) in the Cabin Creek area of Alberta.

- Completed a disposition of royalty interest properties for total cash consideration of \$3.3 million.

- As at June 30, 2013, Manitok had net debt of approximately \$9.2 million and unused credit facilities of \$90.0 million.

- Purchased 282,700 shares at an average price of \$2.54 in the quarter pursuant to its normal course issuer bid ("NCIB"). Subsequent to the second quarter, the Corporation has acquired an additional 1,087,100 shares at an average price of \$2.65 per share under its NCIB program.

- Increased net income to \$4.8 million (\$0.07/share) for the second quarter of 2013 from \$0.5 million (\$0.01/share) for the comparable period in 2012. The income in the second quarter of 2013 included a gain on divestiture of \$0.7 million compared to loss on divestiture of \$0.4 million in the second quarter of 2012.

Operational and Financial Highlights
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
2013	2012	2013	2012	2012
Operating				
Average daily production				
Natural gas (mcf/d)	11,692		8,134	
Light oil (bbls/d)	2,016		301	
Heavy oil (bbls/d)	-		-	
NGLs (bbls/d)	81	76		
Total (boe/d)	4,045	1,733		
Average realized sales price (CAD\$)				
Natural gas (\$/mcf)	3.95		1.96	
Light oil (\$/bbl)	89.77		84.14	
Heavy oil (\$/bbl)	-		-	
NGLs (\$/bbl)	73.92	74.61		
Total (\$/boe)	57.64	27.08		
Undeveloped Land (end of period)				
Gross (acres)	258,069		199,882	
Net (acres)	206,383		147,908	
Netback and Cost				
(\$ per boe)				
Petroleum and natural gas sales		57.64		27.08
Realized gain on financial instruments		(0.96)		2.11
Royalty income	0.61		0.32	
Royalty expenses	(13.21)		4.73	
Operating expenses, net	(6.42)		(8.77)	
Transportation and marketing expenses		(2.93)		(1.87)
Operating netback	34.73		23.60	
General and administrative expenses, net			(3.62)	
Interest and financing expenses		(0.41)		(0.17)
Interest and other income	0.07			0.03
Funds from operations netback(1)	30.77			15.75
Financial				
Petroleum and natural gas revenue (\$000)	21,441	4,320	39,462	10,381
Funds from operations (\$000)(1)	11,324	2,482	19,185	4,453
Per share - basic (\$)(1)	0.16	0.04	0.27	0.07
Per share - diluted (\$)(1)	0.16	0.04	0.27	0.07
Net loss (\$000)	4,831	499	4,696	(1,960)
Per share - basic (\$)	0.07	0.01	0.07	(0.03)
Per share - diluted (\$)	0.07	0.01	0.06	(0.03)
Common shares outstanding				
End of period - basic	70,086,140	61,736,031	70,086,140	61,736,031
End of period - diluted	76,661,580	66,571,531	76,661,580	66,571,531
Weighted average for the period - basic	70,219,904	61,797,394	70,319,686	61,798,962
Weighted average for the period - diluted	72,139,108	61,935,604	72,290,765	62,158,209
Capital expenditures, net (\$000)	6,335	(2,364)	17,630	7,313
Working capital deficiency (\$000)(2)	9,226	8,780	9,226	8,780
Drawn on credit facilities (\$000)	-	2,135	-	2,135
Total net debt (\$000)	9,226	10,915	9,226	10,915

(1) Funds from operations, funds from operations per share and funds from operations netback are non-GAAP measures that represent cash flow from operating activities as determined in accordance with International Financial Reporting Standards ("IFRS") before changes in non-cash operating working capital and decommissioning expenditures. Funds from operations should not be considered an alternative to, or more meaningful than cash flows from operating activities as determined in accordance with IFRS as an indicator of the Corporation's performance. Funds from operations, funds from operations per share (basic and diluted), and funds from operations netback do not have any standardized meaning prescribed by IFRS and may not be comparable with the calculation of similar measures for other entities.

(2) Working capital deficiency is defined as current assets less current liabilities excluding the current portion of the amount drawn on the credit facilities and the fair value of financial instruments.

Operations

Based on recent field estimates, current corporate production is approximately 4,240 boe/d (47.5% crude oil and condensate, 0.5% NGLs). The field estimates include a contribution of about 300 bbls/d of oil from the four well pad, which was recently drilled in the Stolberg area. The 4 (1.33 net) wells on the pad are expected to be on full production by early October and are anticipated to add another 200 to 300 bbls/d to net production. Manitok is currently drilling 2 (1.5 net) wells at Stolberg. One is the first horizontal well of an expected 2 (1.6 net) well pad targeting Cardium oil on section 29, which has produced over 575,000 bbls of light oil (454,000 net) from 3 (2.4 net) wells over the last 14 months. The second is a liquids rich natural gas well (0.75 net), offsetting a Manitok liquids rich gas well drilled in 2011. That well initially flowed at approximately 5.0 Mmcf/d (3.75 net) with about 10.0 bbls/Mmcf (7.5 net) of wellhead condensate and has produced nearly 3.0 Bcf (2.25 net) of natural gas and approximately 22,000 bbls (16,500 net) of condensate over the course of about two years. The current drill will intersect the same Ostracod pool and is ultimately targeting a repeat of the same zone about 100 to 250 metres deeper. If successful, Manitok intends to produce the two zones separately within the same wellbore.

Normal Course Issuer Bid

As of today, Manitok has purchased a total of 1,369,800 shares for approximately \$3.6 million (average price of \$2.62 per share) in 2013, pursuant to its NCIB programs. Management believes that with potential acquisition values ranging from 5 to 7 times next year's projected funds from operations, buying Manitok shares at less than 3 to 4 times next year's projected funds from operations under its NCIB program is advantageous to Manitok shareholders with a longer term view.

2013 Guidance

Assuming drilling success based on Manitok's expected outcomes and applied risk parameters, Manitok expects to exit 2013 with production ranging from 5,300 to 5,500 boe/d (approximately 55% to 57% crude oil and condensate, 0.5% NGLs), which would be a 40% to 45% increase over the 2012 exit production rate. At that production level, funds from operations is estimated to be \$5.7 to \$6.0 million per month, which would be an increase of approximately 50% over the 2012 exit funds from operations rate. It is anticipated that there will be an additional 400 to 500 boe/d of production (about 85% crude oil) added in the first quarter of 2014 where the majority of the capital expenditures relating to that production will be incurred in the fourth quarter of 2013.

Manitok has increased its 2013 capital expenditure budget by 7% to approximately \$76.0 million or \$72.6 million net of dispositions. This is an increase of \$5.0 million to the previously guided \$71.0 million which was made up of \$63.0 million for drilling, completions, tie-ins and equipping and \$8.0 million for land and seismic. The increased \$76.0 million of capital expenditures is made up of \$70.0 million of drilling, completions, tie-ins and equipping and \$6.0 million of land and seismic. The updated forecast includes 19 (12.1 net) wells with all but 2 (1.75 net) targeting Cardium light oil predominantly in the Stolberg area and also in the Cabin Creek and Quirk Creek areas. The first of the two wells not targeting Cardium is a vertical liquids rich natural gas well targeting an Ostracod pool (mentioned in the operations section above) and the second is an exploration well targeting an oil zone other than the Cardium in a new area. The increased capital budget will be financed with funds from operations and Manitok's existing \$90.0 million credit facilities with the National Bank of Canada.

Average production in 2013 is expected to range between 4,200 to 4,400 boe/d (approximately 52% crude oil and condensate, 0.5% NGLs), which would be an increase of 76% to 84% over its 2012 average production. Manitok anticipates funds from operations to be \$48.0 to \$50.0 million, which is lower than the previous guidance of \$55.0 to \$57.0 million. However, it still results in an anticipated increase of over 150% from funds from operations in 2012. The main reasons for the decrease are timing delays of new production additions due to drilling four wells on one pad versus drilling four wells on two pads, lower working interests in wells than previously budgeted due to a pooling agreement, and a lower oil weighting than anticipated, decreasing from 57% to 52% on total production for 2013, due mostly to adding a liquids rich gas well to the 2013 drilling program in lieu of an additional Cardium oil well. Manitok would like to caution the readers that changes to the drilling and production schedules may be necessary from time to time in order to capture value from new opportunities or gain efficiencies in its operations. Given the relatively low number of drills Manitok will execute in a one year period and the potentially high initial production rates associated with these wells, these changes may initially have a negative short term impact to funds from operations; however that does not materially change the ultimate value created over the life of the well.

After adjusting for the increased capital expenditures in 2013 and the shares purchased through our NCIB, net debt at the end of 2013 is now expected to range between \$38.0 to \$40.0 million. The net debt to twelve

month trailing funds from operations ratio is anticipated to be about 0.8 times as at December 31, 2013 and the net debt to the exit funds from operations rate ratio is anticipated to be about 0.6 times as at December 31, 2013.

The 2013 re-forecasted budget assumes an average price of US\$99.00/bbl of WTI crude oil, an average differential of \$6.00/bbl, an average \$CAD/\$US exchange rate of 1.03 and an average price of \$3.08/mmbtu of AECO natural gas which results in about a \$3.60/mcf realized field price due to heat content. For 2013, royalties, combined operating and transportation costs net of recoveries, general and administrative expenses ("G&A") and interest are expected to average approximately \$16.09, \$9.06, \$3.42 and \$0.47 per boe respectively. The average operating netback for 2013 is anticipated to be approximately \$34.28/boe, with a range of \$23.85/boe at the beginning of the year to \$43.34/boe at year end. The average funds from operations netback (operating netback, net of G&A and interest), is anticipated to be approximately \$30.39/boe, ranging from \$18.27/boe at the beginning of the year to \$40.57/boe at year end.

Details regarding ManitoK's hedging activities are available in ManitoK's unaudited condensed interim financial statements as at and for the three and six months ended June 30, 2013 and the related management's discussion and analysis which will be available electronically on ManitoK's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and also on ManitoK's website at www.manitokenergy.com.

ManitoK's anticipated capital expenditures and estimated production results are based upon various assumptions as to equipment availability, well production rates, well drainage areas, success rates, timing and costs of future well drilling, the availability of capital, future costs and availability of labour and services.

Management Addition

The Corporation is extremely pleased to announce the appointment of Ms. Yvonne McLeod as Vice-President, Drilling and Facilities. Ms. McLeod has been with ManitoK for about 18 months, most recently as our Drilling Manager and has proven she has the technical expertise, leadership skills, integrity and passion to be an excellent member of ManitoK's executive team.

About ManitoK

[ManitoK](#) is a public oil and gas exploration and development company focusing on conventional oil and gas reservoirs in the Canadian foothills. ManitoK's corporate strategy is that of being an "early mover" in the exploitation phase of the development life cycle of hydrocarbon reserves in the Canadian foothills. The Corporation will continue to utilize its experience and expertise to develop the untapped conventional sweet oil and liquids-rich natural gas pools in this large and under-exploited region of the Western Canadian Sedimentary Basin.

Forward-looking Statements

This press release contains forward-looking statements. More particularly, this press release contains statements concerning planned capital expenditures, the breakdown of planned capital expenditures by class, the anticipated 2013 average and exit rates of production, anticipated funds from operations, the anticipated year end net debt and debt to trailing funds from operations and the development and growth potential of ManitoK's properties.

The forward-looking statements in this press release are based on certain key expectations and assumptions made by ManitoK, including expectations and assumptions concerning the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the successful application of technology, prevailing weather conditions, commodity prices, royalty regimes and exchange rates and the availability of capital, labour and services.

Although ManitoK believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because ManitoK can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental

risks), uncertainty as to the availability of labour and services, commodity price and exchange rate fluctuations, unexpected adverse weather conditions and changes to existing laws and regulations. Certain of these risks are set out in more detail in Manitok's current Annual Information Form, which is available on Manitok's SEDAR profile at www.sedar.com.

The forward-looking statements regarding Manitok's expected 2013 funds from operations are included herein to provide readers with an understanding of Manitok's anticipated funds from operations and Manitok's ability to fund its expenditures based on the assumptions described herein. Readers are cautioned that this information may not be appropriate for other purposes.

Forward-looking statements are based on estimates and opinions of management of Manitok at the time the statements are presented. Manitok may, as considered necessary in the circumstances, update or revise such forward-looking statements, whether as a result of new information, future events or otherwise, but Manitok undertakes no obligation to update or revise any forward-looking statements, except as required by applicable securities laws.

Non-GAAP Financial Measures

This press release contains references to measures used in the oil and natural gas industry such as "funds from operations", "funds from operations netback", "funds from operations per share", "operating netback", "working capital deficiency (surplus)" and "net debt". These measures do not have any standardized meanings prescribed by generally accepted accounting principles ("GAAP") and therefore, reported amounts may not be comparable to similarly titled measures reported by other companies. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding Manitok's liquidity and its ability to generate funds to finance its operations.

Funds from operations should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net earnings as determined in accordance with IFRS, as an indicator of Manitok's performance or liquidity. Funds from operations is used by Manitok to evaluate operating results and Manitok's ability to generate cash flow to fund capital expenditures and repay indebtedness. Funds from operations or funds from operations netback denotes cash flow from operating activities as it appears on the Corporation's Statement of Cash Flows before changes in non-cash operating working capital and decommissioning expenditures. Funds from operations or funds from operations netback is also derived from net income (loss) plus non-cash items including deferred income tax expense (recovery), depletion and depreciation expense, exploration and evaluation expense, impairment expense, stock-based compensation expense, accretion expense, acquisition-related expenses, unrealized gains or losses on financial instruments and gains or losses on asset divestitures. Funds from operations per share denotes funds from operations divided by the weighted average number of shares outstanding. Operating netback denotes petroleum and natural gas revenue and realized gain (loss) on financial instruments less royalty expenses, operating expenses and transportation and marketing expenses. Working capital deficiency (surplus) includes current assets less current liabilities excluding the current portion of the amount drawn on the credit facilities and the fair value of financial instruments. Manitok uses net debt as a measure to assess its financial position. Net debt includes current liabilities less current assets excluding the current portion of the fair value of financial instruments.

Barrels of Oil Equivalent

The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated using a conversion ratio of six thousand cubic feet of natural gas (6 mcf) to one barrel of oil (1 bbl). This boe conversion ratio of 6 mcf to 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.

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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