

# Southern Pacific Announces Financial and Operational Results for the Year Ended June 30, 2013 and August Operational Update

12.09.2013 | [Marketwired](#)

CALGARY, ALBERTA--(Marketwired - Sep 11, 2013) - [Southern Pacific Resource Corp.](#) ("Southern Pacific" or the "Company") (TSX:STP) today announced its financial and operational results for the year ended June 30, 2013 and provided an operational update for the month of August 2013.

## OVERALL PERFORMANCE HIGHLIGHTS

- Total Company production including the capitalized bitumen production from STP-McKay Phase 1 and heavy oil production from STP-Senlac was 4,254 barrels per day ("bbl/d") for the three months ended June 30, 2013 and 3,660 bbl/d for the fiscal year ended June 30, 2013. Subsequently, total Company production averaged 4,782 bbl/d for the month of August 2013, representing a 7% increase from the prior month;
- At STP-McKay, production averaged 1,890 bbl/d for the month of August, representing a 39% increase over the month of July. Since first oil was achieved in late October 2012, STP-McKay continued to progress with production averaging 1,297 bbl/d during the fiscal quarter and 882 bbl/d for the fiscal year;
- At STP-Senlac, production averaged 2,892 bbl/d for the month of August, averaged 2,957 bbl/d during the quarter and 2,778 bbl/d for the fiscal year;
- Increased year-over-year total proved ("1P"), proven and probable ("2P") and proved, probable and possible ("3P") reserves by 2%, 11% and 12%, respectively;
- The Company's rail marketing strategy continues to be successful, improving the overall price received by \$7.61/bbl during the quarter at STP-Senlac. The Company has also committed a portion of its oil sales by rail at STP-Senlac for the remainder of the calendar year, which will benefit from U.S. Gulf Coast pricing. At STP-McKay, the Company had secured a one-year oil marketing deal with a major U.S. Gulf Coast refiner, effective April 1, 2013. This deal provides U.S. Gulf Coast pricing for its bitumen product at STP-McKay that is being shipped under the Company's rail transportation arrangements; and
- On January 25, 2013, the Company completed a senior secured second lien note issue for \$260 million that retired the previous higher interest rate second lien term loan facility and on May 9, 2013, the Company increased its previous \$75 million revolving credit facility to \$100 million. This has provided additional financial liquidity of \$55 million, removed potentially restrictive covenants and lowered overall borrowing costs. The credit facility includes provisions to increase the borrowing base as the Company's production base expands during ramp-up.

(thousands, except per share and per boe amounts)	Fiscal 2013	Fiscal 2012
Petroleum revenue, net of royalties	\$50,998	\$71,750
Cash from operating activities before net changes in non-cash working capital	\$20,696	\$46,906
Per share basic and diluted	\$0.05	\$0.14
Net income (loss)	(\$12,580 )	\$11,150
Per share basic and diluted	(\$0.03 )	\$0.03
Total assets	\$1,004,119	\$916,826
Combined average product prices (\$ per boe)	\$60.73	\$63.41
Operating netback (\$ per boe) <sup>(1)</sup>	\$35.18	\$41.93
Weighted average common shares outstanding		
basic	383,772	340,179
diluted	383,772	346,002
Production		

Heavy oil (bbl/day)	2,778	3,648
Total (boe/day) <sup>(2)</sup>	2,778	3,648

- (1) Operating netback is a non-GAAP measure defined as petroleum sales less royalties and less operating costs.
- (2) Total production excludes the capitalized production of 882 bbl/day from STP-McKay, which commenced production ramp up in late October 2012. Total Company production, including capitalized production was 3,660 bbl/d.

Southern Pacific has filed its Annual Consolidated Financial Statements and Management Discussion and Analysis for the year ended June 30, 2013. Southern Pacific has also filed its Form 51-101F1 - Statement of Reserves Data and Other Oil and Gas Information, Form 51-101F2 - Report on Reserves Data by Independent Qualified Reserves Evaluator, and Form 51-101F3 - Report of Management and Directors on Oil and Gas Disclosure, under National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. The oil and gas information is included in the Annual Information Form filed by Southern Pacific. Such filings can be accessed electronically on SEDAR at [www.sedar.com](http://www.sedar.com). Copies are also available on the Company's website at [www.shpacific.com](http://www.shpacific.com).

## AUGUST OPERATIONAL UPDATE

### Total Corporate Production

Total Company production, including bitumen production from STP-McKay and heavy oil from STP-Senlac, averaged 4,782 bbl/d for the month of August 2013, representing a 7% increase from the prior month.

### STP-McKay Thermal Project

Average bitumen production for the month of August at STP-McKay was 1,890 bbl/d, a 39% increase over the month of July. Improvements in production are largely attributed to increasing rates in the Pad 102 wells, however, there have been some improvements in Pad 101 as well. The High Pressure Steam Stimulation ("HPSS") treatments have been successfully completed on two wells to date (1P1 and 1P3). The wells have been running in stable SAGD mode since their treatments with much better temperature conformance down the well pair lengths, however, the steam chambers are relatively immature and it is expected to take several months before significant production improvements are noticed from these well pairs. As part of the ongoing strategy to maximize production at STP-McKay, one SAGD well pair (1P4) had its producing wellbore perforated in August. The purpose of perforating a wellbore is to ensure the horizontal liner slots are not plugged with fines or scale which should assist in improvements to wellbore conformance. The workover, which involved shutting in and cooling down the well pair, perforating and the subsequent start up, occupied most of the month of August. The well pair has recently been restarted, beginning with a circulation period to be followed by a conversion to SAGD mode. Southern Pacific plans to test the well in SAGD mode prior to an HPSS treatment, and then if deemed appropriate, will conduct an HPSS treatment on this well pair at a later date. The Company has regulatory approval to continue with the HPSS treatments on the remaining well pairs on Pad 101. However, some of the well pairs on Pad 101 have recently demonstrated considerable performance improvement under normal SAGD operation, so the application of the HPSS treatment will be evaluated on a pair by pair basis.

### STP-Senlac Thermal Project

STP-Senlac heavy oil production averaged 2,892 bbl/d for the month of August. One of the project's newest SAGD well pairs, K3, encountered further mechanical problems during the month of August, subsequent to the electric submersible pump failure that occurred in late July. It is apparent that there is a breach in the casing (liner system) of the producer that is allowing excessive sand to enter the wellbore. A workover is now underway to diagnose and repair the well. The Company expects the well to return to production by the end of September.

## YEAR END RESERVES AND CONTINGENT RESOURCES

In a report prepared by GLJ Petroleum Consultants ("GLJ"), the Company's independent reserves evaluator, effective June 30, 2013 (the "GLJ Report"), the Company increased year-over-year 1P, 2P and 3P reserves by 2%, 11% and 12%, respectively, primarily as a result of a small core hole exploration program completed at STP-McKay this past winter. The program focused on delineating lands to the north of the Company's

current STP-McKay project and involved the drilling of 10 core holes. Additionally, the Company had positive technical revisions in 1P and 2P reserves at STP-Senlac based on strong field performance and a geologic mapping improvement resulting from a stratigraphic test well drilled earlier this year to delineate Phase L.

Listed below is a summary of the Company's reserves and contingent resources, effective June 30, 2013 and are available for review in the Annual Information Form, which has been filed concurrent with this release.

### **Southern Pacific Resource Corp. Net Reserves and NPV effective June 30, 2013**

	Working Interest Recoverable (MMBOE)	Net Present Value (before tax- WI) (Cdn \$ million)		
		8%	10%	12%
<b>Reserves</b>				
Total Proved (1P)	123.0	\$1,084	\$896	\$756
Proved + Probable Reserves (2P)	276.1	\$1,950	\$1,510	\$1,177
Proved + Probable + Possible (3P)	383.1	\$2,833	\$2,178	\$1,702
<b>Contingent Resources</b>				
Low Estimate (P90) Contingent Resource	221.1	\$538	\$257	\$67
Best Estimate (P50) Contingent Resource	508.9	\$1,451	\$758	\$300
High Estimate (P10) Contingent Resource	967.6	\$3,832	\$2,344	\$1,322

Estimated values may not represent fair market value.

## **OUTLOOK**

Southern Pacific remains confident and dedicated to adding significant production growth throughout fiscal 2014. Operationally, the initial start-up at STP-McKay has been slower than expected, however, the Company believes that the project has reached a turning point as it is starting to show meaningful productivity improvements with the ultimate goal of reaching the project design capacity of 12,000 bbl/d for Phase 1. At STP-Senlac, the Company has completed Phase K with drilling operations expected to commence for Phase L in calendar Q2 2014.

Your continued support of Southern Pacific is appreciated as we continue to strive towards our objective of long-term value creation for all of our stakeholders.

## **CONFERENCE CALL**

A conference call will be held to review the fiscal 2013 results at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time) on Thursday, September 12, 2013. To participate, please dial (866) 225-0198 (toll-free in North America) or (416) 340-8061.

A replay of the conference call will be available until September 19, 2013 at midnight Mountain Time. To listen to the recording, please call (800) 408-3053 or (905) 694-9451 and enter passcode 6975472.

An updated corporate presentation is now available on Southern Pacific's website at [www.shpacific.com](http://www.shpacific.com).

## **ANNUAL GENERAL MEETING AND APPROVAL OF ADVANCE NOTICE POLICY**

Southern Pacific's annual meeting will be held at 2:30 p.m. (Mountain Time), November 21, 2013 in the Bow Valley Square Conference Centre (Bow Valley Square II), at 205 - 5 Avenue S.W., Calgary, Alberta.

The Corporation is also pleased to announce that the Board of Directors of the Corporation has approved certain amendments to the by-laws of the Corporation (the "Amendments"). Included in the Amendments is the addition of a provision requiring advance notice to the Corporation in circumstances where director nominations are made by shareholders of the Corporation other than pursuant to a proposal or a requisition

of shareholders made in accordance with the Business Corporations Act (Alberta). Among other things, the advance notice provision fixes a deadline by which holders of record of common shares of the Corporation must submit director nominations to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Corporation.

The Amendments are subject to the approval of the TSX and ratification by the shareholders of the Corporation, which shareholder ratification is being sought at the Annual General and Special Meeting of Shareholders of the Corporation to be held on November 21, 2013 in Calgary, Alberta.

## **About Southern Pacific**

[Southern Pacific Resource Corp.](#) is engaged in the exploration, development and production of in-situ thermal heavy oil and bitumen production in the Athabasca oil sands of Alberta and in Senlac, Saskatchewan. Southern Pacific trades on the TSX under the symbol "STP."

## **Advisory**

*This news release contains certain "forward-looking information" within the meaning of such statements under applicable securities law including estimates as to: future production, operations, operating costs, commodity prices, administrative costs, commodity price risk management activity, acquisitions and dispositions, capital spending, access to credit facilities and lending costs, income and oil taxes, regulatory changes, and other components of cash flow and earnings anticipated discovery of commercial volumes of bitumen, the timeline for the achievement of anticipated exploration, anticipated results from the current drilling program and, subject to regulatory approval and commercial factors, the commencement or approval of any SAGD project.*

*Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. 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 projected in the forward-looking statements. These factors include, but are not limited to the inherent risks involved in the exploration and development of oil and gas properties and of oil sands properties, delays in ramp-up operations, the uncertainties involved in interpreting drilling results and other geological data, fluctuating oil prices and discounts, the possibility of unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors including unforeseen delays. As an oil sands enterprise in the development stage, Southern Pacific faces risks including those associated with exploration, development, ramp-up, approvals and the continuing ability to access sufficient capital from external sources if required. Actual timelines associated may vary from those anticipated in this news release and such variations may be material. Industry related risks could include, but are not limited to, operational risks in exploration, development and production, delays or changes in plans, risks associated to the uncertainty of reserve estimates, health and safety risks and the uncertainty of estimates and projections of production, costs and expenses. For a description of the risks and uncertainties facing Southern Pacific and its business and affairs, readers should refer to Southern Pacific's most recent Annual Information Form. Southern Pacific undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, unless required by law.*

*The reader is cautioned not to place undue reliance on this forward-looking information.*

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