

Coastal Energy Announces Second Quarter 2013 Financial Results & Operations Update

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HOUSTON, Aug. 12, 2013 (GLOBE NEWSWIRE) -- [Coastal Energy Company](#) (the "Company" or "Coastal Energy") (TSX:CEN) (AIM:CEO), an independent exploration and production company with assets in Southeast Asia, announces the financial results for the three and six months ended June 30, 2013. The functional and reporting currency of the Company is the United States dollar.

Q2 2013 Financial Highlights

- The Company reported Q2 total production of 23,843 boe/d, up 10% from year ago levels of 21,713 boe/d. Offshore production totaled 21,095 bbl/d, a 9% increase from year ago levels of 20,778 bbl/d. Offshore production was affected by mechanical downtime on two horizontal wells at Bua Ban North due to problems with a new completion technology. One of these wells has since been repaired and is performing in line with expectations. Onshore production was 2,748 boe/d, up 16% from 2,362 boe/d in the same period last year due to stronger natural gas demand in Thailand.
- EBITDAX for Q2 2013 was \$83.3 million, a 36% decline from the \$130.2 million recorded in Q2 2012. The decrease in EBITDAX was driven entirely by the timing of crude oil sales, as the Company recorded an increase in crude oil inventory of 526,017 bbl during the second quarter, the revenue from which will be recognized in the third quarter.
- Cash flow from operations per fully diluted share was \$0.82, a decrease from the year ago level of \$1.18, also driven by crude oil sales timing and the inventory build.
- After normalizing revenue to a production basis, rather than based on lifting volumes, Q2 2013 revenue would have been \$188.6 million, a 3% increase over year ago levels, driven by a 9% increase in production volumes and offset by a 5% decline in commodity pricing.

Operations Update

The Company has completed repair work on the first of two horizontal wells at Bua Ban North that experienced issues with the "swelling packer" completion. The repair work on the second well will be completed with a hydraulic workover unit later in August. The Company also drilled two additional water injection wells at Bua Ban North B for pressure maintenance in two separate fault blocks. The Manta drilling rig is currently being mobilized to Malaysia to begin the work program at the Kapal field.

The Company has begun to build on the success of its pilot hydraulic fracturing program which was completed in the first quarter. A total of five wells at Bua Ban Main have been sidetracked and the new wellbores have been designed to optimize fracture completion results. The frac equipment is expected to arrive in mid-August and the first frac well is expected to be onstream by early September.

Offshore production averaged 20,290 bbl/d for the month of July. Offshore production was affected by 3 days of downtime at the Bua Ban North B platform in July to bring the newly drilled water injectors onstream. Onshore production for July averaged 2,012 boe/d, lower than previous months due to normal seasonal maintenance at the Nam Phong plant, bringing total Company production to 22,302 boe/d for the month.

Randy Bartley, President & CEO of Coastal Energy commented:

"The first half of 2013 has met us with both continued success along with some operational headwinds. Total Company production for the second quarter increased 10% year over year, but offshore production has been affected by some operational and mechanical issues. Our previously expected offshore production ramp up has been further delayed by damage that was sustained to the two Mobile Offshore Production Units ("MOPUs") which were scheduled to be placed in service by the beginning of the third quarter. This has delayed initial production in Malaysia and the start-up of Songkhla H production in the Gulf of Thailand by approximately one quarter. Onshore production remains strong and has grown 16% year over year, and we

expect onshore production levels to remain elevated.

"During the second quarter the Company re-initiated its Normal Course Issuer Bid to repurchase up to 5% of the Company's outstanding shares. Management believes that this is an effective and accretive use of free cash flow at current market prices. The Company has already repurchased 259,800 shares at an average price of C\$15.30.

"Although the Company has encountered some operational challenges in the first half of 2013, these have largely been resolved and we expect continued growth as we continue to develop and explore our asset base."

The following financial statements for the Company are abbreviated versions. The Company's complete financial statements for the three and six months ended June 30, 2013 with the notes thereto and the related Management Discussion and Analysis can be found either on Coastal's website at www.CoastalEnergy.com or on SEDAR at www.sedar.com. All amounts are in US\$ thousands, except share and per share amounts.

	Three months ended		Six months ended	
	June 30,	June 30,	2013	2012
	2013	2012		
Revenues and Other Income				
Oil sales	136,904		194,639	363,704
Royalties	(14,037)		(20,514)	(40,347)
Oil sales, net of royalties			122,867	174,125
Reimbursement of expenses under Malaysia risk service contract				4,486
Other income (Note 12)		(1,015)	9,778	(754)
	126,338	183,903	329,374	342,568
Expenses				
Production	35,601		41,164	78,534
Malaysia risk service contract			4,486	--
Depreciation and depletion (Note 7)			13,878	18,590
Net profits interest (Note 13)		(7)	(7)	869
General and administrative		8,269	8,269	7,057
Exploration (Note 6)		13,230	286	13,230
Debt financing fees		1,045	351	1,573
Finance	132	195	1,347	1,201
(Gain) loss on property, plant and equipment				15
	76,649	68,512	156,603	134,380
Net income before income taxes, share of earnings from Apico LLC				
		49,689	115,391	172,771
Share of earnings from Apico LLC (Note 8)			5,391	5,497
				10,609
Net income before income taxes			55,080	120,888
Income taxes (Note 15)				
Current	(2,062)		45,289	43,003
Deferred	37,185		32,095	67,424
	35,123	77,384	110,427	125,695
Net income and comprehensive income			19,957	43,504
Net income and total comprehensive income attributable to:				
Shareholders of Coastal Energy			18,905	42,150
Non-controlling interest		1,052	1,354	1,969
	19,957	43,504	72,953	91,997
Net income per share:				
Basic (Note 14)	0.17		0.37	0.62
Diluted (Note 14)	0.16		0.36	0.61
				0.79
				0.76

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

As at	June 30 2013	December 31, 2012		
	\$	\$		
Assets				
Current Assets				
Cash	39,022	63,897		
Restricted cash (Note 4)		6,442	6,452	
Accounts receivable (Note 5)		33,897	56,848	
Derivative asset (Note 11)		84	132	
Crude oil inventory	21,754		15,611	
Marine fuel inventory	5,682		5,245	
Prepays and other current assets		3,969		628
Total current assets		110,850	148,813	
Non-Current Assets				
Exploration and evaluation assets (Note 6)			66,849	118,350
Property, plant and equipment (Note 7)			711,503	560,493
Investment in Apico LLC (Note 8)		65,806		60,266
Deposits and other assets	6,265		6,271	
Total non-current assets		850,423	745,380	
Total Assets	961,273	894,193		
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (Note 9)		139,799		217,757
Current portion of long-term debt (Note 11)		22		34
Current portion of derivative liabilities (Note 11)			181	1,372
Total current liabilities		140,002	219,163	
Non-Current Liabilities				
Long-term debt (Note 11)		95,933	95,066	
Non-current portion of derivative liabilities (Note 11)				14
Derivative liability - warrants (Note 10)			2,396	3,784
Deferred tax liabilities	165,847		98,423	
Decommissioning liabilities	45,599		46,726	
Total non-current liabilities		309,789	244,501	502
Shareholders' Equity (Note 14)				
Common shares	215,141	213,260		
Contributed surplus	22,292	18,940		
Warrants				
Retained earnings	264,807	193,877		
Total Shareholders' Equity		502,240	426,077	
Non-controlling interest	9,242		4,452	
Total equity	511,482	430,529		
Total liabilities and equity		961,273	894,193	

Commitments and contingencies (Note 17)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

	Three months ended		Six months ended				
	June 30, 2013	June 30, 2012	2013	2012			
Operating activities							
Net income	19,957		43,504	72,953	91,997		
Adjustments:							
Share of earnings from Apico LLC			(5,391)	(5,497)	(10,609)	(9,504)	
Unrealized gain on derivative instruments			(1,414)	(15,892)	(1,631)	(11,885)	
Depletion and depreciation			13,878	18,590	37,183	38,600	
Finance expense	132		195	1,347	1,201		
Amortisation of debt financing fees			339	351	867	632	
Share-based compensation		1,383		1,645	3,867	4,636	
Deferred income taxes		37,185		32,095	67,424	43,798	
Unrealized foreign exchange (gain) loss				616	(158)	(404)	
Gains (losses) on disposal of property, plant and equipment			15	--	(4)	--	
Exploration expense		13,230		286	13,230	286	
Income taxes paid		(71,733)		(129)	(78,717)	(129)	
Interest received		8	1	35	3		
Interest paid		(1,043)		(531)	(2,161)	(1,252)	
Dividends received from Apico LLC				2,729	--	5,069	
	9,891	74,460		108,449	158,351		
Change in non-cash working capital:							
Accounts receivable		111,813		4,306	22,951	(11,231)	
Inventory				(13,490)	3,584	(6,580)	(1,892)
Prepays and other current assets				(2,412)	(710)	(3,341)	38
Accounts payable and accrued liabilities				(7,628)	11,124	(14,565)	(8,233)
Current income taxes payable				(2,062)	45,160	43,003	81,768
Cash flow provided by operating activities				96,112	137,924	149,917	218,801

Financing Activities

Issuance of common shares, net of issuance costs				--	--	1,034	1,034	
Cash settlement of restricted stock units				--	--	--	(156)	
Repurchase of shares		--		(15,033)	--	--	(15,033)	
Borrowings under long-term debt			--	--	--	15,000	--	
Repayment of long-term debt			--	--	--	(15,000)	(30,000)	
Loan arrangement fees		(12)		(222)		(12)	(968)	
Distributions to non-controlling interest					(1,326)		(1,792)	(2,118)
Contributions from non-controlling interest					3,451	--	5,440	
Cash flow provided by (used in) financing activities				2,113	(16,013)	3,941	(45,767)	

Investing Activities

Decrease in restricted cash		42		18		10	22,054	
Expenditure on property, plant and equipment				(80,997)		(45,698)	(176,969)	(90,927)
Acquisition of increased ownership interest in Apico LLC				--		--	--	(9,250)
Proceeds from disposal of property, plant and equipment				--		--	533	--
Deposits and other assets				--		131	--	131
Cash flow used in investing activities				(80,955)		(45,549)	(176,426)	(77,992)

Effect of exchange rate changes on cash (1,797) (616)

	(2,307)	(1,391)					
(Decrease) increase in cash		15,473		75,746		(24,875)	9,344
Cash - Beginning of period		23,549		40,900		63,897	22,900
Cash - End of period		39,022		116,646		39,022	116,646

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Randy Bartley, President and Chief Executive Officer of the Company and a member of the Society of

Petroleum Engineering and Jerry Moon, Vice President, Technical & Business Development, a member of the American Association of Petroleum Geologists, a Licensed Professional Geoscientist and a Certified Petroleum Geologist in the state of Texas, have reviewed the contents of this announcement.

Additional information, including the Company's complete competent person's report may be found on the Company's website at www.CoastalEnergy.com or may be found in documents filed on SEDAR at www.sedar.com.

This statement contains 'forward-looking statements' as defined by the applicable securities legislation. Statements relating to current and future drilling results, existence and recoverability of potential hydrocarbon reserves, production amounts or revenues, forward capital expenditures, operation costs, oil and gas price forecasts and similar matters are based on current data and information and should be viewed as forward-looking statements. Such statements are not guarantees of future results and are subject to risks and uncertainties beyond Coastal Energy's control. Actual results may differ substantially from the forward-looking statements.

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