Coastal Energy Announces Third Quarter 2013 Financial Results & Operations Update

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HOUSTON, Nov. 11, 2013 (GLOBE NEWSWIRE) -- Coastal Energy Company (the "Company" or "Coastal Energy") (TSX:CEN) (LSE:CEO), an independent exploration and production company with assets in Southeast Asia, announces the financial results for the three and nine months ended September 30, 2013. The functional and reporting currency of the Company is the United States dollar.

Q3 2013 Financial Highlights

- The Company's offshore production increased to 20,388 bbl/d in the third quarter from 19,626 bbl/d in the same period last year due to increases from further development drilling at Bua Ban North as well as the inclusion of production at Bua Ban South. Total Company production increased slightly to 21,832 boe/d from 21,798 boe/d in the same quarter last year as onshore gas production declined to 1,444 boe/d from 2,172 boe/d due to extended seasonal maintenance at the Nam Phong power plant. Total Company production for the nine-month period increased slightly to 22,942 boe/d from 22,093 boe/d in the same period last year due to further development drilling.

- EBITDAX for Q3 2013 was $134.6 million, 18% higher than the $114.6 million recorded in Q3 2012 due to higher production and lifting volumes. The Company's inventory levels decreased by 77,437 barrels in Q3 2013 whereas 121,445 barrels were added to inventory during Q3 2012. The Company's EBITDAX for the nine-month period is in line with 2012 levels despite a modest decline in realized crude pricing due to higher production and lifting volumes.

- After normalizing revenue to a production basis, rather than based on lifting volumes, Q3 2013 revenue would have been $193.8 million, a 6% increase year on year, driven by a 4% increase in production volumes and a 2% decline in commodity pricing.

Operations Update

The Company has completed two development wells at the Kapal field in Malaysia and is currently drilling a third. The Mobile Offshore Production Unit (MOPU) refurbishment has been completed and the MOPU is expected to arrive on location later this month. First oil production at Kapal is expected shortly thereafter.

Following the completion of drilling at the Kapal field, the Manta drilling rig will mobilize to the Meranti field offshore Malaysia and begin appraisal & development drilling there.

Four of five wells at Bua Ban Main have undergone hydraulic fracturing stimulation. The first two wells (BB01 ST1 and BB04 ST1) tested the Eocene sands. The third and fourth wells (BB07 ST1 and BB09 ST1) are testing the Eocene and the Lower Oligocene. The BB07 ST1 and the BB09 ST1 are still cleaning up with increasing oil cuts. The fifth well (BB02 ST1) will be drilled horizontally into the Eocene. BB01 ST1 and BB04 ST1 are flowing mostly water at low rates with slight amounts of oil.

The Songkhla A18, the eastern side of the basin, is also being hydraulically fractured to test the viability of fracturing the Eocene reservoir on the eastern side of the basin.

Following the completion of the frac activities and workovers at Bua Ban Main, the Vickburg rig will have completed its contract and will be released. Approval of the EIA application for eleven exploration wells is expected in the coming weeks. Following this Coastal will submit the application for the Bua Ban development area, which we expect to be approved near the end of the first quarter. Once these are in place, a second rig will likely be contracted in order to maintain a balance between exploration and production.

A successful exploration well was drilled on Block L15/43 onshore Thailand (Coastal 39.0% working interest). The Sinphuhorm East 1 flowed at a restricted rate of 51 MMCF/D from the same horizon that is productive at Sinphuhorm field. The well proves the field extends beyond the current production license into the L15/43 exploration acreage surrounding the Sinphuhorm field. The well did not encounter a gas water contact.

Randy Bartley, President & CEO of Coastal Energy commented:

"The Company continued to make progress in the third quarter of 2013. The first wells at the Kapal field were drilled and we expect first production in Malaysia very shortly. Offshore Thailand production increased slightly from year ago levels and we expect gains to offshore production once the development drilling program at Bua Ban North resumes.

"Regarding our frac progam, the original Bua Ban South frac wells continue to perform in line with expectations after ten months of production. In our latest campaign at Bua Ban Main, the first two wells, which fracced much deeper into the Eocene, have been disappointing. However, the early results of the third and fourth wells in the Eocene and Lower Oligocene sandstone are encouraging. We are still early on the learning curve and are applying multiple fracture technologies to the various prospective reservoirs in the Bua Ban and Songkhla Main fields in order to determine the optimum method for producing these reservoirs. There is a significant amount of oil in place in these tighter reservoirs and we continue to be excited about the application of fracture technology in the Songkhla Basin.

"Onshore, we are very pleased with our second discovery drilled using the 3D seismic data acquired in 2011 and expect to continue to grow our onshore business. Onshore production was lower than previous levels due to increased maintenance at the Nam Phong power plant. However, year-to-date onshore production is still well above 2012 levels.

"We plan to move the rig to the Meranti field in Malaysia following completion of the work at Kapal, which will serve to increase production in Malaysia in late 2013 to early 2014."

The following financial statements for the Company are abbreviated versions. The Company's complete financial statements for the three and nine months ended September 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 September 30, 2013	2012	Nine months ended September 30, 2013	2012
Revenues and Other Income				
Oil sales	201,762	170,894	565,466	554,612
Royalties	(22,632)	(18,305)	(62,979)	(59,062)
Oil sales, net of royalties	179,130	152,589	502,487	
Reimbursement of expenses under Malaysia risk service contract	30,967	--	37,738	--
Other income (Note 12)	(1,361)	(5,122)	(2,115)	(5,5
	208,736	147,467	538,110	490,035
Expenses				
Production	38,448	32,718	116,982	110,092
Malaysia risk service contract	30,967	--	37,738	--
Depreciation and depletion (Note 7)	17,298	14,778	54,481	
Net profits interest (Note 13)	--	39	1,919	908
General and administrative	11,358	9,125	27,408	24,50
Exploration (Note 6)	665	7,191	13,895	7,477
Debt financing fees	4,228	501	5,801	1,133
Finance	2,579	1,940	3,926	3,141
Gain on property, plant and equipment	--	(252)	(4)	
	105,543	66,040	262,146	200,420
Net income before income taxes, share of earnings from Apico LLC	103,193	81,427	275,964	289,6
Share of earnings from Apico LLC (Note 8)	2,798	4,537	13,407	
Net income before income taxes	105,991	85,964	289,371	
Income taxes (Note 15)				
Current	32,774	42,135	75,777	124,032
Deferred	21,378	2,778	88,802	46,576
	54,152	44,913	164,579	170,608
Net income and comprehensive income	51,839	41,051	124,792	
Net income and total comprehensive income attributable to:				
Shareholders of Coastal Energy	50,720	40,100	121,704	
Non-controlling interest	1,119	951	3,088	2,663
	51,839	41,051	124,792	133,048
Net income per share:				
Basic (Note 14)	0.45	0.35	1.07	1.15
Diluted (Note 14)	0.44	0.34	1.04	1.10

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

As at	September 30 2013 $	December 31, 2012 $
Assets		
Current Assets		
Cash	66,213	63,897
Restricted cash (Note 4)	4,434	6,452
Accounts receivable (Note 5)	66,889	56,848
Derivative asset (Note 11)	101	132
Crude oil inventory	23,494	15,611
Marine fuel inventory	4,951	5,245
Prepaids and other current assets	2,297	628
Total current assets	168,379	148,813
Non-Current Assets		
Exploration and evaluation assets (Note 6)	69,545	118,350
Property, plant and equipment (Note 7)	790,987	560,493
Investment in Apico LLC (Note 8)	64,900	60,266
Deposits and other assets	6,265	6,271
Total non-current assets	931,697	745,380
Total Assets	1,100,076	894,193
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	190,725	217,757
Current portion of long-term debt (Note 11)	37	34
Current portion of derivative liabilities (Note 11)	1,662	1,372
Total current liabilities	192,424	219,163
Non-Current Liabilities		
Long-term debt (Note 11)	110,800	95,066
Non-current portion of derivative liabilities (Note 11)	515	502
Derivative liability - warrants (Note 10)	3,468	3,784
Deferred tax liabilities	187,225	98,423
Decommissioning liabilities	43,955	46,726
Total non-current liabilities	345,963	244,501
Shareholders' Equity (Note 14)		
Common shares	214,754	213,260
Contributed surplus	24,215	18,940
Retained earnings	310,068	193,877
Total Shareholders' Equity	549,037	426,077
Non-controlling interest	12,652	4,452
Total equity	561,689	430,529
Total liabilities and equity	1,100,076	894,193

Commitments and contingencies (Note 17)

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

	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
Operating activities				
Net income	51,839	41,051	124,792	133,048
Adjustments:				
Share of earnings from Apico LLC	(2,798)	(4,537)	(13,407)	(14,041)
Unrealized loss (gain) on derivative instruments	1,965	362	334	(11,523)
Depletion and depreciation	17,298	14,778	54,481	53,412
Finance expense	2,579	1,940	3,926	3
Amortisation of debt financing fees	4,079	147	4,946	
Share-based compensation	5,453	5,531	9,320	10,167
Deferred income taxes	21,378	2,778	88,802	46,576
Unrealized foreign exchange loss (gain)	826	17	422	(
Gains on disposal of property, plant and equipment	--	(252)	(4)	(252)
Exploration expense	665	7,191	13,895	7,477
Income taxes paid	(21,880)	(63,527)	(100,597)	(63,65
Interest received	133	2	168	5
Interest paid	(1,140)	(318)	(3,301)	(1,570)
Dividends received from Apico LLC	3,704	9,943	8,773	
	84,101	15,106	192,550	173,457
Change in non-cash working capital:				
Accounts receivable	(32,992)	(49,066)	(10,041)	(60,297)
Inventory	(1,009)	(1,325)	(7,589)	(3,217)
Prepaids and other current assets	1,672	106	(1,669)	
Accounts payable and accrued liabilities	18,925	6,348	4,360	
Current income taxes payable	18,931	45,520	61,934	127,288
Cash flow provided by operating activities	89,628	16,689	239,545	235,490
Financing Activities				
Issuance of common shares, net of issuance costs	317	727	1,605	2,753
Cash settlement of restricted stock units	(6,275)	--	(156)	
Repurchase of shares	--	(3,712)	(6,275)	(18,745)
Borrowings under long-term debt	15,000	50,000	30,000	
Repayment of long-term debt	--	--	(15,000)	(30,000)
Loan arrangement fees	(4,200)	(2,915)	(4,212)	(3,883)
Distributions to non-controlling interest	(1,335)	(1,074)	(3,	
Contributions from non-controlling interest	3,626	--	9,066	
Cash flow provided by (used in) financing activities	7,133	43,026	11,074	(2,741)
Investing Activities				
Decrease in restricted cash	2,008	(20)	2,018	22,034
Expenditure on property, plant and equipment	(70,953)	(140,551)	(247,922)	(231,478)
Acquisition of increased ownership interest in Apico LLC	--	--	--	(9,250)
Proceeds from disposal of property, plant and equipment	--	352	533	352
Deposits and other assets - Payments	--	(6,000)	--	(6,000)
Deposits and other assets - Refunds	--	--	--	131
Cash flow used in investing activities	(68,945)	(146,219)	(245,371)	(224,211)
Effect of exchange rate changes on cash	(625)	(875)	(2,932)	
Increase (decrease) in cash	27,191	(87,379)	2,316	6,
Cash - Beginning of period	39,022	116,646	63,897	22,
Cash - End of period	66,213	29,267	66,213	29,267

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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