

BlackPearl Announces Second Quarter 2013 Financial and Operating Results

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CALGARY, ALBERTA -- (Marketwired - Aug. 8, 2013) - [BlackPearl Resources Inc.](#) ("BlackPearl" or the "Company") (TSX:PXX) (OMX:PXXS) is pleased to announce its financial and operating results for the three and six months ended June 30, 2013.

Second quarter highlights include:

- Oil and gas production for the quarter averaged 9,986 boe/day, a 10% increase compared to Q1;
- Cash flow from operations was \$22.8 million, a 15% increase from a year earlier and a 127% increase compared to Q1 this year;
- Higher oil prices and narrower heavy oil differentials contributed to a 19% increase in revenues to \$58.3 million compared to Q2 2012;
- Net earnings for the quarter were \$2.6 million compared to \$0.2 million in Q2 2012;
- At Blackrod, recent operating adjustments have resulted in solid SAGD pilot performance, June production was in excess of 600 barrels of oil per day. We have drilled the second pilot well pair and expect to begin steam injection later this year;
- At Blackrod, we acquired an additional 10 sections of oil sands acreage adjacent to our existing oil sands leases. Internal estimates indicate this acquisition could add 50 to 75 million barrels of contingent resources (best estimate) to the project;
- At Onion Lake, we received technical approval for the 12,000 bbl/day thermal project from the Saskatchewan government. Environmental approval from the federal government is expected shortly;
- At Mooney, we continue to achieve good operating performance from the ASP (Alkali, Surfactant, Polymer) flood. We expect to expand the flood area in 2014.

John Festival, President of BlackPearl, commenting on Q2 2013 activities, indicated that:

"Both operationally and financially we had a good second quarter. Increased oil production combined with higher realized heavy oil prices resulted in a significant improvement in revenues and cash flows compared to the first three months of the year.

"We are pleased with the recent performance of the pilot at Blackrod. The pilot performance continues to demonstrate the project's commerciality and we will continue to use the pilot to optimize our operating procedures as we advance our application for the first 20,000 barrel per day commercial phase through the regulatory approval process.

"We are very close to receiving federal environmental approval for the Onion Lake thermal project. Previously we announced it is our intention to proceed with the Onion Lake project before we initiated the Blackrod development and we were planning a \$350 million debt offering to finance the Onion Lake project. We elected to defer this financing as a result of the volatility in the debt markets in June. We will continue to monitor the debt markets and to review other financing options over the next few months."

Property Review

Blackrod SAGD Pilot Project

At Blackrod, we have seen very positive initial results from the first SAGD pilot well as a result of changes we made to the sand control system in the well earlier this year. During the month of June the pilot produced in

excess of 600 barrels of oil per day. The June production volumes included some flush production and we expect production from the well will stabilize between 400 and 450 barrels of oil per day in July.

We drilled a second SAGD well pair at Blackrod during the first half of 2013. This well was drilled longer (950 metres) than the first well pair and deeper in the reservoir. The objective of the well is to continue testing alternative production techniques to optimize our operating procedures before we move forward with commercial development. We expect to initiate steam injection in the well later this year.

The regulatory approval process is continuing for the first 20,000 barrel per day commercial phase of the Blackrod SAGD project. The application and environmental impact assessment were filed in May 2012. Typically, it has taken 18 to 24 months to obtain regulatory approval for these projects.

During the second quarter we also acquired an additional 6,400 acres of oil sands acreage directly south and contiguous to our existing Blackrod lands. Our internal estimate suggests that the acquisition could add 50 to 75 million barrels of "best estimate" contingent resources to the Blackrod commercial project (see cautionary statement on contingent resources later in this release).

As indicated in previous news releases due to the much larger capital requirements for the first phase of commercial development at Blackrod and the challenging capital markets to raise funding for large projects we elected to initially proceed with development of the Onion Lake thermal project. We expect to advance the first phase of development at Blackrod after the Onion Lake thermal project is operating although we will consider options to accelerate the Blackrod development, which may include bringing on a joint venture partner to fund the initial phase of development of the project.

We have a 100% working interest in the Blackrod project and as at December 31, 2012 our independent reserves evaluator assigned 180 million barrels of probable reserves to the first phase of commercial development and a best-estimate recoverable contingent resource of 476 million barrels for the remainder of the project (see cautionary statement regarding contingent resources later in this release).

Onion Lake

At Onion Lake, due to spring break-up, no new conventional drilling occurred in the second quarter; however, the 11 wells drilled in the first quarter were brought on production which increased our production from the area to approximately 5,000 barrels per day for the quarter. We are planning to drill an additional 20 to 25 wells during the second half of the year.

We are continuing to advance the Onion Lake thermal project through the regulatory review process. Both provincial and federal government approval is required before construction of the project can commence. During the second quarter we received technical approval for the project from the Saskatchewan government. We are waiting on environmental approval from the federal government, which is anticipated during the third quarter.

Also, during the second quarter we reached agreement with the Onion Lake First Nation ("OLFN") to exchange their working interest in the thermal project for a gross overriding royalty interest. As a result, BlackPearl now has a 100% working interest in the thermal project. The existing working interest participation by OLFN will continue for all primary production operations. We are continuing with detailed engineering design for the thermal project but ordering of equipment will be deferred until financing is in place for the project.

The Onion Lake thermal project is expected to have production capacity of about 12,000 barrels of oil per day with initial capital costs expected to be between \$300 and \$350 million. At December 31, 2012, the Company's independent reserves evaluator assigned 74 million barrels of "best estimate" contingent resources to the thermal project at Onion Lake.

Mooney

At Mooney, the ASP flood continues to perform in-line with our expectations. Production in the flood area was flat between Q1 and Q2 at 1,846 and 1,857 boe (barrels of oil equivalent) per day respectively. The southern portion of the reservoir is still being re-pressurized and we expect it will take several more months before we see a production response from the flood in these areas.

To date we have drilled 29 horizontal wells on the phase 2 expansion lands at Mooney. We are planning to drill an additional 5 wells on these lands later this year or early next year. The ASP flood will then be expanded to these lands in 2014.

Production

Oil and gas production averaged 9,986 boe per day in the second quarter of 2013, a 5% increase from the comparable quarter in 2012 and a 10% increase from our Q1 2013 production volumes. The increase in production is mainly attributable to higher production associated with the ASP flood at Mooney as well as additional drilling at Onion Lake during the first quarter.

	Three months ended		Six months ended	
	June 30,		June 30,	
(boe/day)	2013	2012	2013	2012
Onion Lake	4,995	6,396	4,660	6,527
Mooney	3,692	2,288	3,791	2,157
John Lake	800	457	791	508
Blackrod	304	298	189	274
Other	195	32	108	64
	9,986	9,471	9,539	9,530

Financial Results

Oil and gas revenues increased 19% in the second quarter of 2013 to \$58.3 million compared with \$49.1 million in Q2 2012. The increase is attributable to a 5% increase in oil sales volumes and a 13% increase in our realized oil price in 2013.

The increase in our realized wellhead price reflects higher WTI reference oil prices in Q2 2013 compared with Q2 2012 (US\$94.29/bbl vs US\$93.44/bbl), as well as narrower heavy oil differentials (Cdn\$19.36/bbl vs Cdn\$23.08/bbl).

Operating costs were \$20.90 per boe in Q2 2013 compared with \$16.71 per boe in Q2 2012. The increase in operating costs in 2013 is primarily due to starting to expense injection and polymer costs associated with the ASP flood at Mooney. During the initial re-pressurization of the reservoir these costs were capitalized.

Transportation costs increased in the second quarter of 2013 compared to 2012 as a higher proportion of our production is now coming from the Mooney area where trucking distances to sales points are longer than in our other areas.

Cash flow from operations (before working capital adjustments) increased 15% in Q2 2013 to \$22.8 million compared to \$19.8 million in Q2 2012. The increase is primarily attributable to higher sales volumes and higher oil prices.

Financial and Operating Highlights

(\$000, except where noted)	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Daily production / sales volumes				
Oil (bbl/d) (2)	9,662	9,415	9,303	9,483
Natural gas (mcf/d)	1,942	334	1,414	284
Combined (boe/d) (1)	9,986	9,471	9,539	9,530
Product pricing (\$)				
Crude oil - per bbl	67.30	59.10	59.24	63.70
Natural gas - per mcf	3.59	1.94	3.46	2.06
Combined - per boe	66.20	58.82	58.50	63.44
Revenue				
Oil and gas revenue - gross	58,322	49,099	98,993	106,879
Royalties (\$/boe)	13.33	12.72	10.68	14.17
Transportation costs (\$/boe)	3.32	2.82	3.45	2.47
Operating costs (\$/boe)	20.90	16.71	21.93	18.18
Net income (loss) for the period				
Per share, basic and diluted	2,597	218	(3,047)	3,799
	0.01	0.00	(0.01)	0
Cash flow from operating activities, before working capital adjustments				
	22,823	19,765	32,862	
Capital expenditures	27,315	32,453	46,416	75,922
Working Capital, end of period	4,055	9,604	4,055	9,604
Long term debt	25,000	-	25,000	-
Shares outstanding, end of period	296,122,308	285,318,179	296,122,308	285,318,179

1. Boe amounts are based on a conversion ratio of 6 mcf of gas to 1 barrel of oil. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

2. includes production from the Blackrod SAGD pilot.

Outlook

We expect our oil and gas production to average between 9,000 to 10,000 boe/d for the year, unchanged from our Q1 update. Cash flow from operations for the year is anticipated to range between \$65 to \$70 million. This is slightly higher than our Q1 outlook as a result of using higher forecast oil prices in our Q2 update. Capital spending is anticipated to be between \$95 to \$100 million for the year, a decrease from the \$125 to \$140 million forecast in our Q1 update. The decrease in our planned capital expenditures reflects reduced spending on our thermal projects at Onion Lake and Blackrod. Engineering and design work will continue in the Onion Lake thermal project; however equipment orders will be deferred until additional financing is in place. During the second half of 2013, we also expect to drill 20 to 25 conventional heavy oil wells at Onion Lake and up to 10 additional horizontal wells at Mooney and other areas. It is expected that this capital program will be funded from anticipated cash flow from operations and the Company's credit facilities. We have not incorporated the potential of any additional financing for our thermal projects in our current guidance.

The 2013 second quarter report to shareholders, including the financial statements, management's discussion and analysis and notes to the financial statements are available on the Company's website (www.blackpearlresources.ca) or SEDAR (www.sedar.com).

Non-GAAP Measures

This news release includes terms commonly used in the oil and natural gas industry, such as cash flow and

cash flow from operations which represent cash flow from operating activities expressed before changes in non-cash working capital. These terms are used by the Company to analyze operating performance, leverage and liquidity and to provide shareholders and investors with additional information to measure the Company's performance and efficiency and its ability to fund a portion of its future activities and to service any long-term debt if incurred in the future. These terms do not have standardized meanings prescribed by GAAP and therefore may not be comparable with the calculation of similar measures by other entities. Consequently, these are referred to as non-GAAP measures.

Contingent Resources

This document makes reference to contingent resources. Contingent resources are defined in the COGE Handbook as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. In the case of the contingent resources assigned to BlackPearl's three core projects the contingencies include the requirement for more evaluation drilling to better define the resource, the absence of submission of commercial SAGD development applications (for future phases of development at Blackrod), the likelihood of attaining regulatory approvals for commercial SAGD development (for our Onion Lake SAGD project), further establishment of increased oil production response from the ASP flood at Mooney and the uncertainty of the timing of production and development. There is no certainty that it will be commercially viable to produce any of the contingent resources. Best estimate (P50) is a classification of estimated resources described in the COGE Handbook as being considered to be the best estimate of the quantity that will be actually recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the best estimate. For further discussion regarding our contingent resources see our 2012 Annual Information Form available on the Company's website (www.blackpearlresources.ca) or SEDAR (www.sedar.com).

Forward-Looking Statements

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as "anticipate", "anticipated", "believe", "appears", "plan", "target", "continue", "continuing", "estimate", "expect", "hope", "may", "intends", "deferred", "will", "project", "timing", "in the event", "move toward", "should", "scheduled", "outlook" or similar words suggesting future outcomes.

In particular, this document contains forward-looking statements pertaining to the determination of commercial production rates for the Blackrod project, anticipated timing for receipt of regulatory approval for the Blackrod commercial development application as well as the Onion Lake thermal development application, potential stabilized production of the Blackrod SAGD pilot well, anticipated timing of steam injection at the second well pair at Blackrod, anticipated additions to contingent resources from the recent acquisition of oil sands acreage at Blackrod, estimated timing for development of the first phase of the Blackrod SAGD project, drilling plans at Onion Lake and Mooney for the remainder of the year, anticipated productive capacity and capital costs of the Onion Lake thermal project, timing for additional production response from the ASP flood at Mooney as well as the expected timing to expand the flood and corporate guidance for 2013 included in the "Outlook" section of this release.

Statements relating to reserves and contingent resources are forward-looking, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and contingent resources described exist in the quantities predicted or estimated and can profitably be produced in the future.

The forward-looking statements in this report reflect certain assumptions and expectations by management. The key assumptions that have been made in connection with these forward-looking statements include the continuation of current or, where applicable, assumed industry conditions, the continuation of existing tax, royalty and regulatory regimes, commodity price and cost assumptions, the continued availability of cash flow or financing on acceptable terms to fund the Company's capital programs, the accuracy of the estimate of the Company's reserves and resource volumes and that BlackPearl will conduct its operations in a manner consistent with past operations. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties which could cause

actual results to differ materially from those contained in forward-looking statements. These factors include, but are not limited to, risks associated with fluctuations in market prices for crude oil, natural gas and diluent, general economic, market and business conditions, substantial capital requirements, uncertainties inherent in estimating quantities of reserves and resources, extent of, and cost of compliance with, government laws and regulations and the effect of changes in such laws and regulations from time to time, the need to obtain regulatory approvals on projects before development commences, environmental risks and hazards and the cost of compliance with environmental regulations, aboriginal claims, inherent risks and hazards with operations such as fire, explosion, blowouts, mechanical or pipe failure, cratering, oil spills, vandalism and other dangerous conditions, potential cost overruns, variations in foreign exchange rates, diluent supply shortages, competition for capital, equipment, new leases, pipeline capacity and skilled personnel, uncertainties inherent in the SAGD bitumen and Alkali Surfactant Polymer recovery processes, credit risks associated with counterparties, the failure of the Company or the holder of licenses, leases and permits to meet requirements of such licenses, leases and permits, reliance on third parties for pipelines and other infrastructure, changes in royalty regimes, failure to accurately estimate decommissioning costs, inaccurate estimates and assumptions by management, effectiveness of internal controls, the potential lack of available drilling equipment and other restrictions, failure to obtain or keep key personnel, title deficiencies with the Company's assets, geo-political risks, risks that the Company does not have adequate insurance coverage, risk of litigation and risks arising from future acquisition activities. Further information regarding these risk factors may be found under "Risk Factors" in the Annual Information Form.

Undue reliance should not be placed on these forward-looking statements. Readers are cautioned that the actual results achieved will vary from the information provided herein and the variations could be material. Readers are also cautioned that the foregoing list of assumptions, risks and factors is not exhaustive. There can be no assurance by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained in this report are made as of the date hereof, and the Corporation does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

Contact

[BlackPearl Resources Inc.](#)

John Festival, President and Chief Executive Officer
(403) 215-8313

BlackPearl Resources Inc.
Don Cook, Chief Financial Officer
(403) 215-8313
(403) 265-8324 (FAX)
www.blackpearlresources.ca

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