

# Manitok Energy Announces an Agreement to Sell 777 boe/d in the Central Alberta Foothills for \$22.85 Million

27.02.2014 | [Marketwired](#)

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CALGARY, ALBERTA--(Marketwired - Feb. 27, 2014) - [Manitok Energy Inc.](#) (the "Corporation" or "Manitok") (TSX VENTURE:MEI) is pleased to announce that it has entered into a definitive agreement to sell certain oil and gas assets in the Central Alberta Foothills (the "Asset Disposition") for gross proceeds to Manitok of \$22.85 million, less closing adjustments of approximately \$0.85 million.

The Asset Disposition includes approximately 777 boe/d (34% sweet natural gas, 60% sour natural gas and 6% liquids) of current production, based on February field estimates up to February 21, 2014, and 36,000 net acres of undeveloped land in the Antler, Banshee, Basing, Brown Creek, Cabin Creek, Gregg Lake, Lovett River, Smoky, Solomon, Sundance and Tower Creek areas. The assets were considered non-core and not forecast to receive any capital in 2014 or 2015.

The reserves associated with the Asset Disposition were 3,729 Mboe on a proved basis ("TP") and 4,708 Mboe on a proved plus probable basis ("TPP") based on Manitok's reserves report dated effective December 31, 2012 as prepared by Sproule Associated Limited. Depletion over the course of 2013 was 358 Mboe, based on average 2013 production of 981 boe/d. The reserves figures include TP of 1,129 Mboe and TPP of 1,269 Mboe from shut-in production at a Gregg Lake sour gas facility.

The effective date of the Asset Disposition is January 1, 2014 and the closing date is expected to be February 28, 2014. A portion of the proceeds will be held in escrow in connection with right of first refusals ("ROFRs") held by third parties who must either exercise or waive their ROFRs within 30 days. Approximately 220 boe/d of the Asset Disposition is subject to ROFRs.

Capital expenditures in 2014 will increase from \$104.5 million to approximately \$115.1 million, before the Asset Disposition. The increase is due to adding 2 (1.75 net) Foothills' wells to the 2014 capital program. Post the Asset Disposition, Manitok will maintain its previously disclosed 2014 production and cash flow guidance, however, net capital expenditures will decrease from \$104.5 million to \$93.1 million to reflect the proceeds from the Asset Disposition and the upward capital adjustment. Net debt at the end of 2014 is anticipated to be reduced by \$13.0 million from the previously announced guidance.

## Capital Expenditures and Guidance

The Corporation's 2014 capital program will be adjusted up by \$10.6 million as per the following table:

	Total Capital (\$ millions)	Wells Drilled		
		Gross	Net	
Foothills - Stolberg		50.9	14	8.5
Foothills - Other		21.3	4	3.4
Entice	30.3	18	18.0	
Land & Seismic		3.2	-	-
Other <sup>1</sup>	9.4	-	-	
<b>Total</b>	<b>115.1</b>	<b>36</b>	<b>29.9</b>	

<sup>1</sup> Other includes capital expenditures for a pilot waterflood project in Cordel, 2013 fourth quarter projects that carried into 2014, maintenance capital, corporate costs and capitalized overhead.

## 2014 Guidance

The Corporation is maintaining current guidance with adjustments to reflect the Asset Disposition and a \$10.6 million increase in capital expenditures. With the adjustments, net capital expenditures have

decreased by \$11.4 million to \$93.1 million. The following table summarizes the difference:

Year	2014 Guidance			
February 26, 2014		Difference from January 29, 2014		
2014 Production				
Annual (boe/d)	6,000 - 6,200	-		
% Oil and liquids	62% - 65%	-		
Exit rate (boe/d)	7,100 - 7,500	-		
% Oil and liquids	67% - 70%	-		
2014 Benchmark pricing				
Crude oil - WTI (US\$)	92.00	-		
\$CAD/\$US exchange rate	1.06	-		
Crude oil - WTI (\$CAD)	97.52	-		
Differential - WTI (\$CAD) to Realized	(10.77)	-		
Natural gas - AECO daily spot (\$/MMbtu)	3.30	-		
2014 Funds from operations	\$69 - \$71 million	-		
Capital expenditures, net of dispositions	\$93.1 million		(\$11.4) million	
Net debt at Dec 31, 2014	\$56 - \$58 million		(\$13.0) million	

## Credit Facilities

National Bank of Canada will review the Asset Disposition in conjunction with our 2013 reserves report and will provide an update to ManitoK's credit facility in the next several weeks. The credit facility is currently \$105 million.

## 2014 Financial Instruments

Manitok has a total of 1,300 bbls/d of WTI oil hedged at CAD\$94.52 for 2014. ManitoK has contracted forward physical sales of 6,000 GJs/d during the summer months from April 1, 2014 to October 31, 2014 at \$3.765/GJ and 5,000 GJs/d from March 1, 2014 to March 31, 2014 at \$5.10/GJ. In addition, the Corporation holds put options on 10,000 GJs/d for 2014 at an average price of \$3.55/GJ, with a deferred put option premium of \$0.35/GJ.

## Operational Update

Based on field estimates, average production from February 1, 2014 to February 21, 2014, is approximately 6,000 boe/d (58% oil) which includes the production from the Asset Disposition.

Manitok has drilled Stolberg Cardium oil wells number 21 and 22. Both are undergoing completions and tie-in activities and are expected to begin producing sometime in March 2014. Stolberg Cardium wells number 23 and 24 are currently being drilled.

The second Quirk Creek well was drilled and is currently undergoing completions operations. Both Quirk Creek wells are expected to be placed on production in March 2014 after completions and equipping.

Manitok spud its first well at Entice last week and drilling operations are continuing. ManitoK is anticipating that the rig will drill two to three wells at Entice before break-up assuming normal drilling operations and subject to the timing of break-up. A second drilling rig will spud another well at Entice in the first week of March 2014. It is also anticipated that the second rig will drill two to three wells assuming normal drilling operations and subject to the timing of break-up.

## Change of Auditor

The Corporation has filed a Notice of Change of Auditors on its SEDAR profile at [www.sedar.com](http://www.sedar.com) in connection with the appointment of KPMG LLP as the auditor of the Corporation. At the request of the Corporation, Kenway Mack Slusarchuk Stewart LLP ("KMSS") resigned as the auditor of the Corporation effective February 10, 2014. There were no disagreements, consultations or unresolved issues with KMSS.

## About ManitoK

Manitok is a public oil and gas exploration and development company focusing on conventional oil and gas reservoirs in the Canadian foothills and Southeast Alberta. The Corporation will utilize its experience and expertise to develop the untapped conventional oil and liquids-rich natural gas pools in both the Foothills and Southeast Alberta areas of the Western Canadian Sedimentary Basin.

For further information view our website at [www.manitokenergy.com](http://www.manitokenergy.com).

### **Forward-looking Statements**

*This press release contains forward-looking statements. More particularly, this press release contains statements concerning the anticipated date of closing of the Asset Disposition, planned capital expenditures, the anticipated year end net debt, the breakdown of planned capital expenditures by class and area, planned exploration and development activities, the anticipated 2014 average and exit rates of production, the anticipated annual funds from operations in 2014, anticipated review of Manitok's current credit facility as a result of the Asset Disposition, the hedging strategy for 2014 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 the operational parameters specifically set out in this press release and 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.*

*While the Corporation anticipates remaining disciplined with its 2014 capital program, readers are cautioned that the Corporation may make adjustments to its 2014 capital program, depending on business conditions and commodity prices throughout the fiscal year. Actual spending may vary due to a variety of factors, including changes to certain key expectations and assumptions set out below.*

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*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](http://www.sedar.com).*

*The forward-looking statements regarding Manitok's expected 2014 funds from operations and net debt 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" 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 measures reported by other companies where similar terminology is used. 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 GAAP, 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 denotes cash flow from operating activities as it appears on the Corporation's Statement of Cash Flows before decommissioning expenditures and changes in non-cash operating working capital. Funds from operations is also derived from net income (loss) plus non-cash items including deferred income tax expense, 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. 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.

### **Disclosure of Less Than All Reserves**

Readers are cautioned that the estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

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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