BlackPearl Announces Fourth Quarter and Full Year 2013 Financial and Operating Results

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CALGARY, ALBERTA--(Marketwired - Feb 27, 2014) - **BlackPearl Resources Inc.** ("we", "our", "us", "BlackPearl" or the "Company") (TSX:PXX)(OMX:PXXS) is pleased to announce its financial and operating results for the three and twelve months ended December 31, 2013.

Highlights and accomplishments in 2013 included:

- Q4 2013 oil and gas production was 10,454 boe/day, up 15% from the same quarter in 2012; oil and gas production for the year increased 4% in 2013 to 9,730 boe/day;
- Q4 2013 revenues were up 14% to $54 million compared to Q4 2012 and funds flow from operations (a non-GAAP measure) in the fourth quarter was $21 million, an increase of 17% from the same quarter in 2012; oil and gas revenues for the year increased 9% in 2013 to $222 million and funds flow from operations increased 4% to $86 million;
- Q4 2013 net income was $0.2 million compared to a loss of $4.3 million in Q4 2012. Net income for the year increased to $6.4 million in 2013 compared with net income of $45,000 in 2012; 2013 net income included a gain of $3.6 million on the disposition of certain minor oil and gas properties;
- As reported on January 30, 2014, Sproule Unconventional Limited ("Sproule"), our independent reserves evaluator, increased BlackPearl's year-end 2013 oil and gas proved plus probable reserves 36% to 291 million barrels of oil equivalent, before royalties and contingent resources (best estimate) for our three core properties were 631 million barrels of oil equivalent, before royalties (see cautionary statement on contingent resources below);
- At Blackrod, we have been steaming the second pilot well pair since November and we expect to convert this well pair to steam assisted gravity drainage (SAGD) operation in March. We are testing a commercial well design after incorporating our learnings from the first pilot well pair. The first well pair has been operating for over two years and has produced in excess of 215,000 barrels of oil. Regulatory bodies are continuing to review our commercial development application. The 80,000 barrel per day SAGD commercial development application was filed in May 2012 with the Alberta Energy Regulator (formerly the Energy Resources Conservation Board and Alberta Environment). We are planning to build Blackrod in phases, with the first phase of the project expected to be 20,000 barrels of oil per day. At December 31, 2013, Sproule assigned 182 million barrels of probable reserves and 566 million barrels of contingent resources (best estimate) to the Blackrod project. This included 90 million barrels of contingent resources related to the acquisition last year of an additional 10 sections of land contiguous to our existing acreage position. We are planning to seek a joint venture arrangement at Blackrod to accelerate development.
- At Mooney, in 2013 we continued to see positive production response from the first phase of the ASP (Alkali Surfactant Polymer) flood. Production from the flood area was 2,164 bbls/day in Q4 2013 which were the highest production volumes since the ASP flood was initiated in 2011. Further production increases are anticipated in 2014 as more of the flooded area responds to the re-pressurization of the reservoir. In addition, we successfully drilled four horizontal wells in Q4 2013 on phase two lands and one well was drilled to delineate potential future phases at Mooney. Further drilling on phase two and three lands is planned in 2014. We are also planning to expand the ASP flood to the phase two lands in the second half of 2014.

- At Onion Lake, in 2013 we drilled 35 vertical wells as part of our continuing primary development program. We have a development drilling inventory of approximately 120 wells, with 20 to 25 wells planned in 2014. During 2013, we received regulatory approval for the 12,000 barrels of oil per day Onion Lake enhance oil recovery (EOR) project and commenced with associated commercial engineering designs. Subsequent to December 31, 2013, the Company's Board of Directors approved development of the first phase of the Onion Lake EOR project. This first phase is being designed for production of approximately 6,000 barrels of oil per day. Capital costs for the first phase are expected to be approximately $200 million, which includes some pre-investment in infrastructure for the second phase of development. Construction of the first phase will take 13 to 16 months, with initial steam injection targeted for mid-2015. In preparation for drilling horizontal wells for thermal operations we have shut-in some of our existing primary production at Onion Lake. This will impact our Onion Lake production during the first half of 2014 until we complete our summer drilling program.

John Festival, President of BlackPearl, commenting on activities indicated that "BlackPearl made some significant achievements in 2013. Receiving regulatory approval for our Onion Lake EOR project and securing the financing for the first phase of this project in early 2014 were important milestones for BlackPearl. The $80 million in equity financings we recently announced combined with an expansion of our existing credit facilities to $150 million ensures we have a fully financed capital program for the year. Our long term growth is tied to development of our thermal projects and it is exciting for our organization to begin construction of the first phase of this project this year.

We continued to see a positive response from our ASP flood at Mooney in 2013 which gives us the confidence to expand the flood to the phase two lands in 2014.

At Blackrod, a successful pilot operation combined with the applicable regulatory approvals, which we expect in 2014, should provide a very attractive opportunity as we seek a joint venture partner to accelerate commercial development of this project."

Financial and Operating Highlights

	Three months ended December 31,		Twelve months ended December 31,	
	2013	2012	2013	2012
Daily sales volumes (1)				
Oil (bbls/d) (2)	10,243	8,994	9,491	9,304
Natural gas (mcf/d)	1,266	440	1,434	374
Combined (boe/d)	10,454	9,067	9,730	9,366
Product pricing ($)				
Crude oil - per bbl	58.44	58.77	65.09	61.76
Natural gas - per mcf	3.50	3.18	3.16	2.45
Combined - per boe	57.67	58.45	64.11	61.45
($000s, except where noted)				
Oil and natural gas revenue - gross	54,072	47,569	222,157	204,525
Net income (loss) for the period	226	(4,277)	6,449	45
Per share, basic ($)	0.00	(0.01)	0.02	0.00
Per share, diluted ($)	0.00	(0.01)	0.02	0.00
Funds flow from operations (3)	20,735	17,684	86,206	82,595
Capital expenditures	22,749	34,635	93,491	139,548
Property dispositions	(5,011)	-	(5,011)	-
Working capital, end of period	(8,782)	(7,963)	(8,782)	(7,963)
Long term debt	-	-	-	-
Shares outstanding, end of period (000s)	300,425	295,766	300,425	295,766

(1) Boe is based on a conversion ratio of 6 mcf of natural gas to 1 bbl of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and is not intended to represent a value equivalency at the wellhead.

(2) Includes production from the Blackrod SAGD pilot. All sales and expenses from the Blackrod SAGD pilot are being recorded as an adjustment to the capitalized costs of the project until the technical feasibility and commercial viability of the project is established.

(3) Funds flow from operations is a non-GAAP measure (as defined herein) that represents cash flow from operating activities before decommissioning costs incurred and changes in non-cash working capital related to operations. Funds flow from operations does not have standardized meanings prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures used by other companies. Management uses this non-GAAP measurement for its own performance measures and to provide its shareholders and investors with a measurement of the Company's efficiency and its ability to fund a portion of its growth expenditures.

FOURTH QUARTER 2013 ACTIVITIES

Oil and gas revenues were $54.1 million in the fourth quarter of 2013 compared to $47.6 million in the same quarter of 2012. The increase in revenues was primarily attributable to an increase in production on a boe basis.

Lower wellhead prices in Q4 2013 were the result of wider heavy oil differentials. The heavy oil differential (between WTI and Western Canadian Select) was US$32.21 per barrel in Q4 2013 compared to US$18.46 per barrel in the same quarter of 2012. Increased production and refinery shutdowns for maintenance contributed to the widening of the differential.

BlackPearl sold an average of 10,454 boe per day during the fourth quarter of 2013, an increase of 15% over the same quarter in 2012. The increase in sales volumes were mostly attributable to continued development drilling at Onion Lake and John Lake, as well as the continued positive re-pressurization response from the first phase of the ASP flood at Mooney.

Royalty rates decreased to 21% in the fourth quarter of 2013 compared to 23% in the same quarter of 2012, which reflects the proportionate increase in production from the Mooney field, which has lower royalties than our other producing areas due to incentive programs for EOR projects. Production costs increased by 26% in the fourth quarter of 2013 compared to the same quarter in 2012. The increase in production costs is attributable to increased costs at Onion Lake due to the relative maturity of the field and to injection and polymer costs associated with the ASP flood at Mooney. Prior to 2013, all operating costs associated with the ASP flood were capitalized while the reservoir was being re-pressurized. G&A expenses were $2.1 million in the fourth quarter compared to $2 million in the fourth quarter of 2012.

Funds flow from operations in the fourth quarter of 2013 was $20.7 million compared to $17.7 million in the fourth quarter of 2012. The increase in funds flow from operations was primarily due to the increase in production volumes as compared to the same quarter in 2012. Net income in the fourth quarter of 2013 was $0.2 million compared to a loss of $4.3 million in the fourth quarter of 2012. Net income in 2013 included a $3.6 million gain on the sale of one of our minor non-core assets and also included an asset impairment charge of $3 million related to our assets in the Salt Lake Saskatchewan area.

Capital expenditures in the fourth quarter of 2013 were $22.7 million, a 34% decrease compared to the fourth quarter of 2012. The decrease is a result of reduced drilling activity in Q4 2013.

Production

	Three months ended December 31,		Twelve months ended December 31,	
Production by Area (boe/d)	2013	2012	2013	2012
Onion Lake	5,186	4,857	4,797	5,947
Mooney	3,837	3,329	3,685	2,537
John Lake	1,066	649	898	573
Blackrod SAGD Pilot	262	221	236	272
Other	103	11	114	37
	10,454	9,067	9,730	9,366

Operating Statistics

	Three months ended December 31,		Twelve months ended December 31,	
($/boe)	2013	2012	2013	2012
Oil and natural gas revenue	57.67	58.45	64.11	61.45
Royalties	11.87	13.29	12.62	13.68
Transportation costs	1.77	3.07	2.77	2.76
Production costs	19.65	17.89	20.84	17.82
Operating netback[1]	24.38	24.20	27.88	27.19

(1) Operating Netback is a non-GAAP measure. Operating netback does not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable to similar measures used by other companies in the oil and gas industry.

The Company's financial statements, notes to the financial statements, management's discussion and analysis and Annual Information Form have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.blackpearlresources.ca). The Annual Information Form includes the Company's reserves and resource data for the period ended December 31, 2013 as evaluated by Sproule and other oil and natural gas information prepared in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. BlackPearl's annual general meeting of shareholders will be held on May 8, 2014 in Calgary Alberta.

2014 Guidance

BlackPearl also announced its initial financial and operating guidance for 2014. BlackPearl has established a capital expenditure budget of $260 - 270 million for 2014. Over 70% of the budget will be spent on the construction of the first phase of the thermal EOR project at Onion Lake. This first phase of the project will have design capacity for production of 6,000 barrels of oil per day. The project entails construction of central processing facilities for steam generation, water handling and oil treating, drilling 10 SAGD well pairs on two pads, drilling water source and disposal wells, as well as installation of water, steam and emulsion pipeline infrastructure. Our total cost estimate for this phase of the project is approximately $200 million. We anticipate construction will take 13 to 16 months and steam injection will begin in mid 2015. Construction of the thermal project will not impact our 2014 plans to continue primary development at Onion Lake and we expect to drill 20 to 25 vertical wells in 2014.

At Mooney, following the success of the initial phase of the ASP flood we are planning to expand the flood to the Phase 2 lands. We have drilled 33 horizontal wells to date on the Phase 2 lands and we have two remaining wells to be drilled on these lands to complete the flood patterns, which we plan to drill in the first quarter. Commencement of ASP injection will begin later in the year which will entail the conversion of about 18 wells from producers to ASP injectors. In 2014, we also expect to begin development drilling on the Phase 3 lands, with 10 to 12 horizontal wells planned, five of which will be drilled in the first quarter.

At Blackrod, we anticipate obtaining regulatory approval for the construction of the first 20,000 barrel per day phase of development of our commercial SAGD project in 2014. We will continue to monitor results from the initial pilot well pair which has been producing for over two years and has produced 215,000 barrels of oil. In addition, we look forward to the initial results from the second pilot well pair where we recently commenced steam injection. We are continuing to look for a joint venture partner for this large project that would allow us to accelerate commercial development.

Our total production is expected to average between 10,000 and 10,500 barrels of oil per day in 2014. This yearly production guidance incorporates lower first half 2014 production at Onion Lake due to the shut-in of some production in preparation for thermal operations and having some wells reach their economic limit in early 2014 after having produced an average of over 90,000 barrels of oil per well. Onion Lake production is expected to increase again after completion of our summer drilling program. Funds flow from operations is estimated to be between $80 and $85 million, based on a WTI oil price of US$92.00 per barrel and a WCS (a heavy oil reference price) price of C$76.60 per barrel.

In order to mitigate some of the risk of changes in commodity prices and reduce some of the volatility in our future revenue stream BlackPearl has entered into several WCS fixed price swaps. For the period from March to December 2014, we have hedged 3,500 barrels of oil per day (or approximately 35% of our current production) at an average WCS swap price of C$82.07 per barrel.

The capital program is expected to be funded from cash flow from operating activities, the Company's bank credit facilities and expected proceeds from the recently announced public offering and private placement of BlackPearl common shares.

Forward-Looking Statements

Certain of the statements made and information contained herein is forward-looking statements and forward looking information (collectively referred to as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historic fact are forward-looking statements. Forward-looking statements are typically identified by such words as "anticipated", "plan", "planned", "continue", "continued", "estimate", "expect", "may", "will", "project", "potential", "could", "should" or similar words suggesting future events or future performance. In addition, statements relating to "reserves", "resources", or "contingent resources" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources, as applicable, described exist in the quantities predicted or estimated and can be profitably produced in the future. In particular, this document contains forward-looking statements pertaining to the volumes of BlackPearl's proved and probable reserves, the volumes BlackPearl's contingent resources, potential production levels for the Blackrod SAGD project and the Onion Lake thermal project, the probable reserves and contingent resources assigned to the Blackrod project, anticipated production increases from the ASP flood at Mooney in 2014, timing for expansion of the Mooney ASP flood, the estimated drilling inventory at Onion Lake, and the capital costs, timing of construction and target date for initial steam injection for the first phase of the Onion Lake EOR project, the estimated capital budget of $260 to $270 million for 2014, the number of vertical wells to be drilled at Onion Lake in 2014, the number of wells to be drilled at Mooney and the timing for conversion of the phase 2 lands to ASP flood, timing to receive regulatory approval for the Blackrod SAGD project, estimated oil production levels for 2014, the estimated 2014 funds flow from operations of $80 to $85 million, expected proceeds from the recently announced public offering and private placement of BlackPearl common shares and the sufficiency of the recent financings to fund our capital program for the year.

The forward-looking information contained herein is based on expectations and assumptions by management regarding, among other things, future production levels, future oil and natural gas prices, continuation of existing tax, royalty and regulatory regimes, foreign exchange rates, estimates of future operating costs, timing and amount of capital expenditures, performance of existing and future wells, the ability to obtain financing on acceptable terms, availability of skilled labour and drilling and related equipment, general economic and financial market conditions and the ability to market oil and natural gas successfully to current and new customers. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Undue reliance should not be placed on forward-looking statements. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will be realized. Actual results will differ, and the differences may be material and adverse to the Company and its shareholders.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that the goals or figures contained in forward-looking statements will not be achieved. 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 recovery process, credit risks associated with counterparties, the failure of the Company or the holder of licences,
leases and permits to meet requirements of such licences, leases and permits, reliance on third parties for pipelines and other infrastructure, changes in royalty regimes, failure to accurately estimate abandonment and reclamation 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. Readers are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Readers are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by the Corporation 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.

Cautionary Statement on Contingent Resources

This news release 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. .These volumes are the arithmetic sums of the Best Estimate Resources for Blackrod, Mooney and Onion Lake. 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. Please refer to our Annual Information Form for a more detailed discussion of our contingent resources.

Non-GAAP Measures

"Funds flow from Operations" is a non-GAAP measure that represents cash flow from operating activities before decommissioning costs incurred and changes in non-cash working capital related to operations. Cash flow from operations does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures used by other companies.

"Operating Netback" is a non-GAAP measure. Operating netback does not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable to similar measures used by other companies in the oil and gas industry.

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
www.blackpearlresources.ca