

Petrobank Reports Q2 2013 Financial Results and Operational Update

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CALGARY, ALBERTA -- (Marketwired - Aug. 12, 2013) - [Petrobank Energy and Resources Ltd.](#) (TSX:PBG) announces our 2013 second quarter financial and operating results and updates our 2013 expenditure guidance.

The consolidated financial statements as at and for the three and six months ended June 30, 2013 and 2012 represent the operations of the assets and liabilities transferred to Petrobank pursuant to the corporate reorganization with PetroBakken Energy Ltd. (now renamed [Lightstream Resources Ltd.](#)) completed December 31, 2012. These assets and liabilities previously comprised the 'Petrobank Standalone' operating segment in our 2012 financial disclosure.

This news release includes forward-looking statements and information within the meaning of applicable securities laws. Readers are advised to review "Forward-Looking Statements" at the conclusion of this news release. A full copy of our 2013 Second Quarter Financial Statements and MD&A have been filed on our website at [www.petrobank.com](#) and under our profile on SEDAR at [www.sedar.com](#).

In this report, quarterly comparisons are second quarter 2013 compared to second quarter 2012 unless otherwise noted. All financial figures are unaudited and in Canadian dollars (\$) unless otherwise noted.

OVERVIEW

Q2 2013 Financial and Operating Highlights

- Average production at our Kerrobert THAI® project was 135 barrels of oil per day ("bopd") in Q2 2013, a decrease from 205 bopd in Q1 2013 and 236 bopd in Q2 2012. Kerrobert THAI® production averaged 160 bopd in July 2013 based on field estimates.
- Petrobank reported expenditures on exploration and evaluation assets of \$3.1 million in Q2 2013 compared to \$4.4 million in Q2 2012. This decrease is primarily due to a reduction in capitalized costs related to our Kerrobert project.
- We repurchased 158,800 Petrobank shares under our outstanding Normal Course Issuer Bid at a total cost of \$70,311 (\$0.44 per share).

OPERATIONAL UPDATE

Kerrobert THAI® Project

Second quarter 2013 production averaged 135 bopd, a decrease from Q1 2013 production of 205 bopd and 236 bopd in the second quarter of 2012. July 2013 production was 160 bopd based on field estimates. The decrease in production from Q1 2013 was primarily due to certain producing wells being shut-in for the majority of the quarter and an increase in unsold oil at our production facility due to timing of rail transportation availability.

We are disappointed that we have not been able to increase production at our Kerrobert THAI® project over the last year. We constantly review technology, reservoir and operational concerns. After several months of analysis, we believe that our biggest challenge is to form a well structured THAI® combustion front at the top of the reservoir which results in gravity drainage of the heated, upgraded heavy oil into the horizontal production wells. We believe that permeability channels have been created in the reservoir that flow from the upper combustion zone to the bottom of the reservoir. Injected air preferentially follows these channels rather than staying at the top of the reservoir, slowing the formation of a large THAI® combustion zone.

We are currently testing two strategies to help expand our combustion zone. As previously discussed, we have initiated water co-injection in several wells. The water is intended to alter the relative permeability in the channels to redirect air flow, keep air at the top of the reservoir and to help transfer heat horizontally across

the reservoir. We have also drilled two multi-THAI® air injection wells associated with two separate horizontal production wells. Our multi-THAI® patent involves the drilling of one or more injection wells along a horizontal production well to expand the combustion zone and to have a larger portion of the reservoir draining into the production well. Steam pre-heating has started on these injection wells and we intend to initiate air injection in September. Additional production from the multi-THAI® wells is expected to start in the fall.

Over the next several months, we intend to re-evaluate options to increase production at Kerrobert and reduce costs. In the short term, we may reduce costs by shutting-in low-volume wells that require workovers. In the medium term, we may drill more multi-THAI® wells and consider other techniques to help injected air stay at the top of the reservoir and form a broader THAI® combustion zone. With these changes, it may take longer for us to reach break-even production levels.

Saskatchewan Conventional Cold Production

At June 30, 2013, Petrobank had four conventional cold production wells operating on our Kerrobert Trend Lands that were producing an aggregate of approximately 50 bopd. We drilled and completed two horizontal wells in our Luseland area in July and we expect the new wells to contribute additional production volumes in the coming months.

Dawson Demonstration Project

At Dawson, we commenced cold production operations from both horizontal THAI® production wells in late 2012 and the wells produced at a combined rate of approximately 10 bopd in the second quarter of 2013. We have currently shut-in these wells to reduce costs as they have not produced at economic rates. We have also submitted an application to the Alberta Energy Regulator ("AER") to initiate two cyclic steam stimulation ("CSS") cycles with our THAI® production wells. If approved by AER, we believe that CSS will be more effective in pre-conditioning the reservoir for THAI® as CSS should result in more voidage than conventional cold production.

Business Operations Update

As we evolve our operations at Kerrobert, Petrobank remains focused on generating long term value for our shareholders. Recognizing that it may take longer to reach break-even production levels at Kerrobert, we are taking several steps to steward our working capital while increasing production and lowering expenses. In the short term, we plan to reduce expenditures at Kerrobert and other projects. Over the next several months, we will evaluate alternatives to increase production at our Kerrobert THAI® project and consider other value enhancing activities that take advantage of our strong capital position, attractive asset base and significant experience with combustion techniques.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2013, Petrobank had cash and cash equivalents of \$30.6 million, investments in marketable securities of \$44.7 million and a net working capital surplus (including cash and marketable securities) of \$71.0 million. Our focus in 2013 is to steward our capital to maintain financial flexibility to pursue future projects and acquisition opportunities while positioning the company to benefit from our strong capital base. We expect to fund our 2013 expenditures with cash on hand and sales revenue from production.

OUTLOOK AND GUIDANCE

With the first half of the year completed, we are updating our 2013 guidance to reflect slight changes to our planned activities. We are currently forecasting 2013 capital expenditures of \$16 million, a decrease of \$7 million from our previous guidance. Other expenditures, including operating costs, maintenance capital and general and administrative costs, are forecasted to be \$26 million in 2013, a decrease of an additional \$7 million from our original budget. In total, we are expecting expenditures to be approximately \$42 million in 2013, a reduction of \$14 million from our original expectations. Petrobank has taken these steps to conserve capital in recognition of lower than expected Kerrobert THAI® production rates and to focus capital on maximizing the value of our assets. We will continue to look for opportunities to reduce expenditures further until we have reached self-sustaining production levels. We expect to end 2013 with more than \$50 million of positive net working capital and no debt, assuming June 30, 2013 valuations for our marketable securities.

SUMMARY OF FINANCIAL RESULTS

The following table provides a summary of Petrobank's financial results for the three and six months ending June 30, 2013 and 2012. Unaudited consolidated financial statements with MD&A will be available on the Company's website at www.petrobank.com and on the SEDAR website at www.sedar.com.

	Three months ended June 30, 2013	2012	% Change	Six months ended Jun
Financial (\$000s, except where noted)				
Net loss (income)		4,151	4,282	(3)
Per share - basic and diluted (\$)		0.04		0.04
Expenditures on exploration assets		3,050		4,448
Total assets	147,249		337,185	(56)
Common shares outstanding, end of period (000s)				
Basic and diluted (1)		97,438		97,597

(1) Due to the corporate reorganization which occurred on December 31, 2012, the 2012 per share amounts are based on the number of shares outstanding on December 31, 2012.

[Petrobank Energy and Resources Ltd.](#) is a Calgary-based oil and natural gas exploration and production company with operations in western Canada. Petrobank is applying our patented THAI® heavy oil recovery process in the field. THAI® is an evolutionary in-situ combustion technology for the recovery of bitumen and heavy oil. THAI® is a registered trademark of Archon Technologies Ltd., a wholly-owned subsidiary of Petrobank Energy and Resources Ltd., for specialized methods for recovery of oil from subterranean formations through in-situ combustion techniques and methodologies with or without upgrading catalysts.

Forward-Looking Statements:

Certain information provided in this press release constitutes forward-looking statements. Specifically, this press release contains forward-looking statements relating to financial results, results from operations, the timing of certain projects, and anticipated sources of available financing. Forward-looking statements are necessarily based on a number of assumptions and judgments, including but not limited to, assumptions relating to the outlook for commodity and capital markets, the success of future resource evaluation and development activities, the successful application of our technology, the performance of producing wells and reservoirs, well development and operating performance, general economic conditions, weather and the regulatory and legal environment. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. You can find a discussion of those risks and uncertainties in our Canadian securities filings. Such factors include, but are not limited to: general economic, market and business conditions; weather conditions and access to our properties; fluctuations in oil prices; the results of exploration and development drilling, recompletions and related activities; timing and rig availability; outcome of exploration contract negotiations; fluctuation in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; uncertainties associated with the regulatory review and approval process in respect to our projects; risks associated with the application of early stage technology; risks associated with oil and gas operations; and other factors, many of which are beyond the control of the Company. There is no representation by Petrobank that actual results achieved during the forecast period will be the same in whole or in part as those forecasted. Except as may be required by applicable securities laws, Petrobank assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

Contact

[Petrobank Energy and Resources Ltd.](#)

John D. Wright, Chairman and Chief Executive Officer
403.750.4400

Petrobank Energy and Resources Ltd.
Peter Cheung, Vice President Finance and Chief Financial Officer
403.750.4400
ir@petrobank.com

www.petrobank.com

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