

# Caracal Energy Provides Operational Update and 2014 Guidance

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CALGARY, Jan. 20, 2014 /CNW/ - [Caracal Energy Inc.](#) (LSE: CRCL) ("Caracal Energy" or the "Company") provides an operational update on its activities in Chad and 2014 guidance.

## Executive Summary

- Production has increased to approximately 12,000 gross barrels oil per day ("bopd");
- On track to achieve first oil lifting in Q1 2014;
- Commissioned the Southern Processing Terminal ("SPT");
- Continued construction of the Mangara Central Processing Facility (the "CPF"), 12 inch oil pipeline and 6 inch gas pipeline, all of which are expected to be completed in Q1 2014;
- Ordered long lead facilities for the Badila expansion;
- Placed Badila-4 and Badila-5 on production at maximum producing rates of approximately 1,000 and 5,000 bopd respectively;
- Mangara-6 development well was spud on November 19, 2013 and drilled to a depth of 3,109 meters ("m"). Petrophysical evaluation in the Lower Cretaceous C sands ("C sands") proved the zone to be oil bearing. A Drill Stem Test ("DST") over the Lower Cretaceous E sands ("E sands") successfully flowed oil to surface. The Company cored 18m of E sand, which showed clear signs of oil pay. The Company believes that the E sands could have a positive impact on reserves;
- Production flow tests conducted over the Krim-1 C sands measured rates as high as 1,470 bopd and the D sands flow tested at up to 702 bopd. No reserves were assigned to these C and D sands in the report by McDaniel & Associates Consultants Ltd., an independent qualified reserves evaluator, ("McDaniel")1;
- Drilled and cased the Bitanda-1 exploration well, which was spud on December 5, 2013, and was rig released on December 31, 2013. Based on petrophysical interpretation, there is a potential of 38 m of net reservoir interval in the Upper Cretaceous M sands and 66 m in the D sands, which will be subsequently tested;
- Commenced the 2014 2D and 3D seismic acquisition program;
- Finalized rig contracts and received definitive rig schedule from the rig contractor for an additional four drilling rigs and two completion rigs, bringing the total to six drilling rigs and three completion rigs;
- 2014 guidance of \$475 -\$525 million net capital expenditures (\$375 -\$425 million net of the remaining \$100 million GlencoreXstrata plc carry), 22,000 - 26,000 bopd annual average gross production (11,000 - 13,000 bopd working interest production) and funds flow from operations of \$220 - \$270 million.

## Gary Guidry, Chief Executive Officer, said:

"We continue to increase production as additional wells are brought on stream and facilities are commissioned. We are forecasting a 2014 exit rate of 40,000 to 45,000 bopd, an approximate 270 percent increase to the 2013 exit rate. While we did not achieve our 2013 exit rate of 14,000 bopd, with the recent commissioning of the South Processing Terminal, we anticipate meeting this target by the end of January. With the signing of the drilling rig contract, we have visibility on our 2014 and 2015 drilling program. We continue to be on schedule to move a drilling rig to the Doseo Salamat area at the end of the first quarter of 2014, which contains the Kibea discovery and targets approximately a billion barrels out of the total 4.1 billion barrels of gross mean unrisked prospective resources<sup>2</sup>".

## Production

Between December 1, 2013 and January 18, 2014, gross production averaged 11,274 bopd with current production of approximately 12,000 bopd from Badila-1, 2, 4 and 5. The Company experienced facility challenges, primarily the ability to handle water. These issues have been resolved through additional tankage and the commissioning of the SPT.

The Company remains on schedule for its first lifting from the oil export terminal in Kribi, Cameroon during March 2014. Caracal's entitlement of the first lifting will be approximately 560,000 barrels ("bbls").

## Exploration and Development - Drilling

The Company contracted additional rigs for arrival on the following definitive dates:

Rig	Size	Delivery date
GW 60 (Drilling)	1200 HP	May 2014
GW 61 (Drilling)	1200 HP	August 2014
GW 63 (Drilling)	1200 HP	September 2014
GW 64 (Drilling)	1200 HP	September 2014
GW 102 (Completion)	750 HP	May 2014
GW 103 (Drilling & Completion)	750 HP	June 2014

### Krim-1 Exploration Well Update

As previously disclosed in the December 9th, 2013 press release, the Lower Cretaceous E sands were tested open hole at up to 2,580 bopd over the following intervals:

Interval (mKB)	Maximum Oil Rate* (bopd)	Flowing WHP (psig)	Choke Size (in.)	Total Flow Duration (hr)	Gas-Oil Ratio (scf/stb)	Gravity (Deg)
E (2,582 - 2,630)	2,580	120	64/64	29	100	34 - 37

\* - A total of 921 bbls of oil and 8 bbls of water/completion fluid recovered

In addition to the above test, the Company recently successfully tested the C and D sands. The flow rates are summarized below:

Interval (mKB)	Maximum Oil Rate* (bopd)	Flowing WHP (psig)	Choke Size (in.)	Total Flow Duration (hr)	Gas-Oil Ratio (scf/stb)	Gravity (Deg)
C (2,012-2,166)	1,470*	140	96/64	38	519	
D (2,219-2,520)	702**	120	1/2	38	-	35

\* - A total of 1,600 bbls of oil and

\*\* - A total of 557 bbls of oil and 1 bbl of water/completion fluid were recovered.

There was no evidence of water or pressure depletion during the tests of the C, D and E sands. There are currently limited reserves assigned to the E sands and no reserves assigned to the C and D sands1.

### Bitanda-1: Exploration Well Update

The Bitanda exploration well ("Bitanda-1") was spud on December 5, 2013. The well reached total depth of 2,497 m on December 20, 2013 and the rig was released on December 31, 2013. Based on petrophysical interpretation, there is a potential of 38 m of net reservoir interval in the Upper Cretaceous M sands and 66 m in the D sands, which will be subsequently tested.

### Mangara-6: Combined Development and Exploration Well Update

The Company has logged and cased the C sand reservoir and subsequently drilled the E sands to a total depth of 3,108 m.

A DST over the E sands flowed oil to surface. The Company cored 18 m in the E sands, which showed clear signs of oil pay. The Company believes that the E sands have the potential to add significant reserves.

The Company has tested E sands potential in Mangara-5, Mangara-6 and in Krim-1 and is currently evaluating the additional potential upside across a broad area.

### **Exploration and Appraisal - Seismic Acquisition**

The Company commenced 2D seismic acquisition throughout its concessions on schedule and is currently acquiring data. The 250 lineal km in DOB/DOI blocks is acquired. The 1,500 km of 2D seismic acquisition will focus on well placement for structures in the 2014-2016 exploration drilling program, as well as to identify additional prospects currently not captured in the Company's resource estimates. The Company anticipates the new 2D seismic will provide additional information sufficient to potentially convert identified leads into drillable prospects.

### **Kibea and Beche:**

The Company also commenced its 3D seismic acquisition program in the Kibea area on schedule. Of the 708 square kilometers ("km<sup>2</sup>") planned for 2014, 455 km<sup>2</sup> will focus on the Kibea discovery and the nearby Beche exploration area. The Beche area includes three prospects similar to the discovery at Kibea. The seismic data acquisition continues to progress on schedule.

Kibea is a light oil discovery (33 - 35 degrees API) with 45.9 MMbbls of gross 2P reserves based on the September 30, 2013 McDaniel Report. The McDaniel Resource Report<sup>2</sup> estimates additional prospective resources in the Kibea discovery of 20.0 MMbbl on a gross unrisked Pmean basis.

The Company is scheduled to move a drilling rig to the Doseo Salamat area by the end of Q1, 2014. In addition to the Kibea discovery, the gross unrisked prospective resources<sup>2</sup> for the top prospects in the area include the following:

Prospect	P90 (MMbbl)	P50 (MMbbl)	Pmean (MMbbl)	P10 (MMbbl)	COS (%)
Beche	38.8	116.1	169.7	358.0	29.2
Beche-B	25.4	79.3	116.8	244.2	24.6
Beche-C	32.7	95.9	141.5	300.8	21.0
TOTAL			428.0		

### **Construction Projects - Mangara Development**

The 97 km of 12 inch oil and 6 inch natural gas shipping pipelines from Mangara to Badila are nearing completion, and are expected to be completed in March 2014.

During the last 60 days, the Company focused its efforts on commissioning the SPT. The SPT was completed in January, 2014 and will temporarily process additional Badila crude oil until the Badila expansion is completed.

Due to the focus on the SPT, the Mangara field CPF is expected to be fully commissioned in March 2014.

### **2014 Guidance**

The Company's forecasted work program for 2014 is as follows:

- Drill and complete 20 to 22 development wells;
- Drill 8 to 10 exploration wells;
- Commission the Mangara pipeline and CPF;
- Expand the Mangara and Badila processing facilities;
- Commence the FEED and land acquisition for the Doseo pipeline.

The expected costs and production from the above program as are follows:

- Production: 22,000 to 26,000 gross bopd (11,000 to 13,000 working interest bopd);
- Capital: \$765 to \$845 million gross (\$375 to \$425 million net to Caracal and after the \$100 million GlencoreXstrata plc carry);
- Annual funds flow from operations: \$220 to \$270 million, \$1.50 to \$1.85 per share;
- Q4 2014 annualized funds flow from operations: \$439 to \$480 million, \$3.00 to \$3.28 per share.

### **About Caracal Energy Inc.**

[Caracal Energy Inc.](#) is an international exploration and development company focused on oil and gas exploration, development and production activities in the Republic of Chad, Africa. In 2011, the Company entered into three production sharing contracts ("PSCs") with the government of the Republic of Chad. These PSCs provide exclusive rights, along with its partners, to explore and develop reserves and resources over a combined area of 26,103 km<sup>2</sup> in southern Chad. The PSCs cover two world-class oil basins with oil discoveries, and numerous exploration prospects.

The Company's shares trade on the London Stock Exchange under the symbol CRCL.

The most recent Corporate Presentation dated January 2014 can be found on the Company's website at [www.caracalenergy.com](http://www.caracalenergy.com).

### **Cautionary Statements**

This announcement contains certain forward-looking information and statements. Forward-looking information typically contains statements with words such as "intend", "target", "anticipate", "plan", "estimate", "expect", "potential", "could", "will", or similar words suggesting future outcomes. Information relating to reserves and resources is deemed to be forward-looking information, as it involves the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future. The Company cautions readers not to place undue reliance on forward-looking information which by its nature is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company. In addition, any forward-looking information is made as of the date hereof, and each of the Company and its affiliates expressly disclaim any obligation or undertaking to update, review or revise such forward-looking information contained in this announcement to reflect any change in its expectations or any change in events, conditions or circumstances on which such information is based unless required to do so by applicable law.

Forward-looking information is not based on historical facts but rather on current expectations and assumptions regarding, among other things, the timing and scope of certain of the Company's operations and the timing and level of production from the Company's properties, plans for and results of drilling activity and testing programs, future capital and other expenditures (including the amount, nature and sources of funding thereof), continued political stability, and timely receipt of any necessary government or regulatory approvals. Although the Company believes the expectations and assumptions reflected in such forward-looking information are reasonable, they may prove to be incorrect. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from those anticipated by the Company including, but not limited to, risks associated with the oil and gas industry (e.g. operational risks in exploration and production; inherent uncertainties in interpreting geological data; changes in plans with respect to exploration or capital expenditures; interruptions in operations together with any associated insurance proceedings; reductions in production capacity, the uncertainty of estimates and projections in relation to costs and expenses and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the uncertainty associated with negotiating with foreign governments, risk associated with international activity, including the risk of political instability, the risk of adverse economic market conditions, the actual results of marketing activities and the risk of regulatory changes. Forward-looking information cannot be relied upon as a guide to future performance.

Terms related to reserves and resources classifications referred to in this announcement are based on definitions and guidelines in the Canadian Oil and Gas Evaluation Handbook which are as follows.

"Proved reserves" are those reserves that can be estimated with a high degree of certainty to be

recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"Probable reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves. This category of reserves can also be denoted as 1P;
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves. This category of reserves can also be denoted as 2P; and
- at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves. This category of reserves can also be denoted as 3P.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook. 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.

"Prospective resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery (geological chance of success or "COS") and a chance of development (economic, regulatory, market, facility, corporate commitment or political risks). The chance of commerciality is the product of these two risk components. The prospective resource estimates referred to herein have not been risked for either the chance of discovery or the chance of development.

There is no certainty that any portion of the prospective resources will be discovered. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development or that it will be commercially viable to produce any portion of the prospective resources.

Figures related to the Company's reserves and resources are derived from the September 30, 2013 McDaniel Report and the June 30, 2013 McDaniel Report.

A description of the uncertainties and significant positive and negative factors associated with the estimates of reserves and resources in respect of the September 30, 2013 McDaniel Report is contained in the Company's November 7, 2013 material change report and a description of the uncertainties and significant positive and negative factors associated with the estimates of reserves and resources in respect of the June 30, 2013 McDaniel Report is contained in the Company's July 25, 2013 material change report. Copies of these documents are available on the internet under the Company's profile at [www.sedar.com](http://www.sedar.com).

Information relating to reserves and resources is deemed to be forward-looking information, as it involves the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future. Well-test results are not necessarily indicative of long-term performance or ultimate recovery.

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1 McDaniel Reserves Report effective September 30, 2013

2 McDaniel Prospective Resources Report effective June 30, 2013

#### **For further information:**

##### **Caracal Energy Inc.**

Gary Guidry, President and Chief Executive Officer  
Trevor Peters, Chief Financial Officer  
403-724-7200

Longview Communications - Canadian Media Enquiries  
Alan Bayless 604-694-6035  
Joel Shaffer 416-649-8006

FTI Consulting - UK Media Enquiries  
Ben Brewerton / Ed Westropp / Georgia Mann  
+ 44 (0) 207 8313 3113  
caracalenergy.sc@fticonsulting.com

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