

# Epsilon Energy Ltd. Announces Full Year 2013 Results

20.03.2014 | [Marketwired](#)

HOUSTON, TEXAS--(Marketwired - Mar 20, 2014) - [Epsilon Energy Ltd.](#) ("Epsilon") (TSX:EPS) today reported its financial results for the fourth quarter and full-year ended December 31, 2013. Highlights for the year include:

- Increased exit rate from 40 MMcf/d to 47 MMcf/d;
- Increased total estimated proved and probable reserves by 10% from 168 Bcf (per NI 51-101) at the 2012 year end less 2013 production of 13Bcf (Net 155Bcf) compared to 172 Bcf (per NI 51-101) as of December 31, 2013;
- Reduced operating costs 4% from \$.91 per Mcf in 2012 to \$0.87 per Mcf in 2013;
- Increased Net Cash Flows from operations from \$28.6 MM in 2012 to \$32.2 MM in 2013;
- Reduced Normalized Overhead from \$3.6 MM/yr to less than \$1.9 MM/yr;
- Engineering study indicates >50% increase in reserve potential, or 42 Bcf more than currently booked for Lower Marcellus undeveloped locations utilizing Short Stage Length (SSL) completions;
- Agreed to Canadian Asset Sales;
- Initiated Compression at the Auburn Facility and exited 2013 at capacity of 330 MMcf/d;
- Secured \$20 MM line of credit with only \$9 MM drawn

We are pleased with the progress that has been made within the company on a number of fronts. First, as discussed in prior press releases, our operating cost structure has been substantially reduced. We anticipate that the company's G&A costs will be less than \$1.9 MM in 2014, versus a normalized (before extraordinary items) \$3.6 MM in 2013. Second, we have devoted significant efforts to the evaluation of the company's proven reserves and reserve potential. Our operating partner is now implementing a new design on the Lower Marcellus completions which should materially enhance recovery from all of our PUD locations. Accordingly, we anticipate that the company's true reserve potential for its Lower Marcellus assets will become more apparent in 2014 and should meaningfully exceed our current bookings assuming gas prices remain constructive. Additionally, we believe that there is significant untapped potential from the Upper Marcellus as we have one well currently producing from this interval and offset operators are producing several more in adjacent areas. Third, we are encouraged by the growth potential in our Midstream Asset. We are currently in discussions with our operating partners to meaningfully expand the system capacity from current levels of 330 MMcf/d to 550 MMcf/d, in response to demand for incremental gathering and compression services in our operating area. Based on current expressions of interest from third parties, we anticipate throughput volumes to grow meaningfully through 2014 and 2015. If these volumes become committed to our system we would add compression during 2014 and expand the current system capacity. The sale of our Canadian assets would largely complete the restructuring initiatives undertaken by the current Management and Board of Epsilon to focus the company's efforts on its core Pennsylvania assets. We now have a significantly streamlined and aligned management team and Board of Directors focused on maximizing the value of our Midstream and Upstream Marcellus Shale assets. Further, the company is now in a very solid financial position with ample liquidity to fund its operations going forward and to further support the share buyback program started in 2013.

	Quarter Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012
Natural gas sales (\$000)	\$ 10,022	\$ 12,068	\$ 37,651	\$ 32,887
Volume (Mmcf)	3,838	4,284	13,062	13,925

Avg. Price (\$/Mcf)	\$ 2.61	\$ 2.82	\$ 2.88	\$ 2.36
Exit Rate (Mmcf/day)	46.8	39.7	46.8	39.7
Oil sales (\$000)	\$ 380	\$ 147	\$ 1,231	\$ 962
Volume (MBbl)	5	2	15	12
Avg. Price (\$/Bbl)	\$ 76.00	\$ 73.07	\$ 82.08	\$ 81.32
Midstream revenue (\$000)	<u>\$ 2,242</u>	<u>\$ 2,288</u>	<u>\$ 7,632</u>	<u>\$ 9,228</u>
Total revenue	<u>\$ 12,644</u>	<u>\$ 14,503</u>	<u>\$ 46,514</u>	<u>\$ 43,077</u>

In 2013, revenues increased 8% compared to 2012. The increase in revenues was driven by an increase in natural gas prices year-over-year. However, during 2013 realized prices were negatively impacted by a differential to NYMEX that averaged (\$0.71) for the year. Exiting 2013, Epsilon had four wells that were drilled and completed waiting on tie-in to the gathering lines. These wells were brought online during February of 2014.

Proved and probable reserves as of December 31, 2013 increased to 172 Bcf, a 10% increase over the 168 Bcf (less 13 Bcf of 2013 production) of proved and probable reserves reported as of December 31, 2012. The 10% increase in proved reserves was based upon an evaluation performed by Epsilon's independent reserve engineering firm, DeGolyer and MacNaughton. The five (5) year average prices utilized to value the Company's estimated proved natural gas reserves at December 31, 2013 were \$4.40 per Mcf, compared to \$4.04 per Mcf for natural gas at December 31, 2012.

The increase in reserves was driven by successful drilling results, favorable production rates and better than anticipated decline rates in the Marcellus. Based upon production results in 2013, proved and probable EUR's for Lower Marcellus producing wells averaged 8.2 Bcf per gross well with a median of 7.6 Bcf per gross well. The reserve estimates did not include any proved undeveloped or probable locations for the Upper Marcellus, Purcell Limestone or Utica Shale which are being drilled and tested by various operators in the region.

The gas gathering system generated \$8 million in revenue during 2013 exiting the year at a rate of 303 Mmcf/day. The midstream system began operating in September 2011 and construction of the compression facility was completed in July 2012 which allowed the system to reach compression capacity of 330 Mmcf/day with pipeline gathering capacity of 550 Mmcf/day.

		Years ended December 31,	
	Notes	2013	2012
Revenues:			
Oil & gas revenue		\$ 38,881,902	\$ 33,848,783
Gas gathering & compression revenue		<u>7,632,463</u>	<u>9,228,001</u>
Total revenue		<u>46,514,365</u>	<u>43,076,784</u>
Operating costs and expenses:			
Project operating costs		11,400,285	12,608,814
Depletion, depreciation, amortization and decommissioning accretion			
	6	16,991,304	23,712,504
Impairment expense (recovery)	5 & 6	13,312,358	(2,834,810 )
Stock based compensation expense (recovery)		(121,392 )	682,252
General and administrative		<u>7,189,389</u>	<u>2,930,057</u>
Total operating costs and expenses		<u>48,771,944</u>	<u>37,098,817</u>
Operating income (loss)		<u>(2,257,579 )</u>	<u>5,977,967</u>
Other income and expense:			
Interest income		13,864	95,552
Finance expense		(4,444,897 )	(3,613,487 )
Realized gain on commodity contracts	13	1,533,906	410,091
Net change in unrealized gain (loss) on commodity contracts	13	(3,558,053 )	1,988,065
Other income		<u>1,842</u>	<u>194</u>
Net other income (expense)		<u>(6,453,338 )</u>	<u>(1,119,585 )</u>
Income tax recovery - current	9	-	-
Income tax expense - deferred	9	<u>4,811,364</u>	<u>8,988,046</u>
NET LOSS		<u>\$ (13,522,281 )</u>	<u>\$ (4,129,664 )</u>

Net loss per share, basic	\$	(0.27 )	(\$0.08 )
Net loss per share, diluted	\$	(0.27 )	(\$0.08 )
Weighted average number of shares outstanding, basic		50,258,559	49,848,772
Weighted average number of shares outstanding, diluted		50,350,417	50,037,086

The Company generated a net loss of \$13.5 million for the year ended December 31, 2013 as compared to net loss of \$4 million in 2012. During 2013 Epsilon recorded impairments of \$13 million on Canadian and US (New York) properties while in 2012 Epsilon had a net impairment recovery of \$3 million. Epsilon also recorded a \$3.5 million change in unrealized loss on commodity contracts while in 2012, a \$2 million gain was recorded. Adjusted EBITDA, which excludes these items, increased to \$29.5 million from \$28 million in 2012.

The term Adjusted EBITDA consists of net income plus interest, taxes, depreciation and amortization. Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation from or as a substitute for net income or cash flow measures prepared in accordance with generally accepted accounting principles or as a measure of profitability or liquidity. Additionally, Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. Epsilon has included Adjusted EBITDA as a supplemental disclosure because its management believes that EBITDA provides useful information regarding our ability to service debt and to fund capital expenditures and provides investors a helpful measure for comparing its operating performance with the performance of other companies that have different financing and capital structures or tax rates. The following table sets forth a reconciliation of Adjusted EBITDA to net income, which is the most directly comparable measure of financial performance calculated under generally accepted accounting principles.

	Years ended December 31,	
	2013	2012
Net income (loss)	\$ (13,522 )	\$ (4,130 )
Add Back:		
Net interest expense	4,431	3,517
Deferred income tax (recovery) provision	4,811	8,988
Depreciation, depletion, amortization, and accretion	16,991	23,713
Stock based compensation expense (recovery)	(121 )	682
Net change in unrealized (gain) loss on commodity co	3,558	(1,988 )
Impairment expense (recovery)	13,312	(2,835 )
Other income	(2 )	-
Adjusted EBITDA	\$ 29,458	\$ 27,947

## Forward-Looking Statements

Certain statements contained in this news release constitute forward looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements are based on reasonable assumption but no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this news release should not be unduly relied upon.

## Special note for news distribution in the United States

The securities described in the news release have not been registered under the United States Securities Act of 1933, as amended, (the "1933 Act") or state securities laws. Any holder of these securities, by purchasing such securities, agrees for the benefit of [Epsilon Energy Ltd.](#) (the "Corporation") that such securities may not be offered, sold, or otherwise transferred only (A) to the Corporation or its affiliates; (B) outside the United States in accordance with applicable state laws and either (1) Rule 144(as) under the 1933 Act or (2) Rule 144 under the 1933 Act, if applicable.

## Contact

[Epsilon Energy Ltd.](#)

Michael Raleigh

CEO

(281) 670-0002

[michael.raleigh@epsilonenergyltd.com](mailto:michael.raleigh@epsilonenergyltd.com)

[www.epsilonenergyltd.com](http://www.epsilonenergyltd.com)

---

Dieser Artikel stammt von [Rohstoff-Welt.de](#)

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/169108--Epsilon-Energy-Ltd.-Announces-Full-Year-2013-Results.html>

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf-/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere [AGB/Disclaimer!](#)

---

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!  
Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2025. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).