

# Chinook Energy Inc. Announces its Third Quarter Financial and Operational Results and Provides an Operational Update, 2014 Guidance and Management Changes

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CALGARY, ALBERTA -- (Marketwired - Nov. 14, 2013) - [Chinook Energy Inc.](#) (TSX:CKE) ("our", "we" or "us") today announced our third quarter financial and operational results and provided an operational update, 2014 guidance and management changes.

We have filed our unaudited consolidated financial statements for the three and nine months ended September 30, 2013 and 2012 and related management's discussion and analysis ("MD&A") on the SEDAR website ([www.sedar.com](http://www.sedar.com)) and our website ([www.chinookenergyinc.com](http://www.chinookenergyinc.com)).

## THIRD QUARTER 2013 HIGHLIGHTS

Three months ended Nine months ended

September 30 September 30

2013 2012 2013 2012

### OPERATIONS

#### Production

Oil (bbl/d) 3,456 3,516 3,439 3,510

Natural gas liquids (bbl/d) 753 1,141 877 1,155

Natural gas (mcf/d) 35,820 43,839 35,998 46,215

Average daily production (boe/d) 10,180 11,964 10,316 12,367

#### Sales

Oil (bbl/d) 3,558 3,929 3,288 3,388

Natural gas liquids (bbl/d) 753 1,141 877 1,155

Natural gas (mcf/d) 35,820 43,839 35,998 46,215

Average daily sales (boe/d) 10,282 12,377 10,165 12,245

#### Sales Prices

Average oil price (\$/bbl) \$ 104.46 \$ 95.61 \$ 99.57 \$ 96.15

Average natural gas liquids price (\$/bbl) \$ 62.36 \$ 56.42 \$ 58.61 \$ 61.03

Average natural gas price (\$/mcf) \$ 3.00 \$ 2.57 \$ 3.61 \$ 2.31

#### Corporate Netbacks (1)

Average commodity pricing (\$/boe) \$ 51.17 \$ 44.67 \$ 50.05 \$ 41.07

Royalties (\$/boe) \$ (3.30) \$ (2.50) \$ (3.98) \$ (3.37)

Net production expenses (\$/boe) (1) \$ (19.28) \$ (18.38) \$ (17.73) \$ (16.97)

Cash G&A (\$/boe) (1) \$ (2.46) \$ (2.54) \$ (2.77) \$ (3.07)

Corporate netbacks (\$/boe) (1) \$ 26.13 \$ 21.25 \$ 25.57 \$ 17.66

#### Wells Drilled (net)

Oil 3.86 1.11 9.24 5.13

Gas - - - 1.00

Dry - - 0.86 0.96

Total wells drilled (net) 3.86 1.11 10.10 7.09

Three months ended Nine months ended

September 30 September 30

2013 2012 2013 2012

### FINANCIAL (\$ thousands, except per share amounts)

Petroleum & natural gas revenues, net of royalties \$ 45,285 \$ 48,012 \$ 127,830 \$ 126,500

Cash flow (1) \$ 23,146 \$ 20,935 \$ 66,843 \$ 49,939

Per share - basic and diluted (\$/share) \$ 0.11 \$ 0.10 \$ 0.31 \$ 0.23

Net income (loss) \$ 3,812 \$ (12,417) \$ 12,302 \$ (54,320)

Per share - basic and diluted (\$/share) \$ 0.02 \$ (0.06) \$ 0.06 \$ (0.25)

Capital expenditures \$ 20,961 \$ 22,674 \$ 69,066 \$ 59,203

Net debt (1) \$ 65,105 \$ 80,428 \$ 65,105 \$ 80,428

Total assets \$ 593,192 \$ 628,542 \$ 593,192 \$ 628,542  
Common Shares (thousands)  
Weighted average during period  
- basic and diluted 214,188 214,188 214,188 214,188  
Outstanding at period end 214,188 214,188 214,188 214,188

(1) Cash flow, net debt, corporate netback, net production expense and cash G&A are non-IFRS measures. These terms do not have any standardized meanings as prescribed by IFRS and, therefore, may not be comparable with the calculations of similar measures presented by other companies. See headings entitled "Cash Flow from Operations", "Net Debt", "Corporate Netback", "Net Production Expense" and "Cash G&A" in the Reader Advisory below for further information on such terms.

- Increased third quarter production to 10,180 boe per day (42% oil and natural gas liquids), from 9,916 boe per day in the second quarter 2013. Tunisia production averaged 1,813 boe per day and production from Canadian operations increased by four percent from the second quarter to 8,367 boe per day with a 15% increase in oil production to 1,853 barrels per day from 1,606 barrels per day.

- Sales volumes in the third quarter were 10,282 boe per day compared to 10,205 boe per day in second quarter 2013. Crude oil held in inventory at the end of the third quarter was approximately 46,000 barrels and was subsequently sold in October.

- Improved field operating netbacks by 20% to \$28.59 per boe and corporate netbacks by 23% to \$26.13 compared to third quarter 2012.

- Achieved record year to date cash flow of \$66.8 million (\$0.31 per share) from \$49.9 million (\$0.23 per share) in the same period of 2012, an increase of 34%.

- Decreased net debt to \$65.1 million or approximately 0.73 times annualized 2013 cash flow. We have a \$115 million Canadian credit facility and US\$46.5 million of availability on an international credit facility.

- Maintained a 100% oil focused capital program of \$21 million with \$10 million invested in Canada and \$11 million in Tunisia. We participated in one (0.86 net) well on our Tunisian BBT concession and three (3.0 net) wells on our Albright and Beaverlodge properties increasing current net production three fold on these properties to over 1,000 boe per day (80% oil).

- Identified and surveyed well locations to be drilled in the first quarter of 2014 on two new Montney resource opportunities at Gold Creek and Birley/Umbach with 85 gross (65 net) combined sections of offsetting lands.

## THIRD QUARTER OPERATIONAL REVIEW

### Canada

We drilled three (3.0 net) wells on our Albright/Beaverlodge properties in the Grande Prairie area during the third quarter. All three wells were brought on production within six weeks of spud with initial 30 day rates averaging 220 boe per day (86% oil) per well, exceeding our previous estimates of 100 boe per day at Albright and 140 boe per day at Beaverlodge. Net production has increased from 280 boe per day (55% oil) to current production of slightly over 1,000 boe per day (80% oil) since the asset was acquired in December 2012. We have identified 30 more firm locations on our current acreage at Albright and Beaverlodge and are commencing a six (5.0 net) well program late in the fourth quarter 2013 and continuing through spring break-up in 2014.

On the southern portion of our Grande Prairie area, at Karr, we have participated in the drilling of five (1.86 net) Dunvegan wells with results that continue to exceed our preliminary expectations with initial 30 day production rates ranging from 250 boe per day to 600 boe per day. A four (1.2 net) well drilling program was commenced late in the third quarter by the operator with the first two wells being drilled and cased and awaiting completion. Up to 23 additional locations have been identified at Karr with four (1.5 net) wells planned for 2014 along with the construction of a central battery and treating facility.

Through the use of new and ever-improving drilling and completion techniques, this multi-year inventory of Dunvegan locations in our Grande Prairie area continues to improve results and capital efficiencies and will continue to be the main focus of our Canadian operations in 2014.

At Gold Creek we have over 50 gross (35 net) sections of Montney rights within the upper and middle Montney oil fairway and will operate the drilling of a horizontal Montney well in the first quarter of 2014.

Recent industry activity has seen record setting landsale prices with several operators licencing wells immediately offsetting our lands. To date, we have surveyed five (3.75 net) locations. The estimated cost to drill and complete these wells is approximately \$8.0-\$9.5 million, however, recent results by other operators in the area have disclosed lower costs as would be expected by the optimization and design of various drilling and completion techniques in the early stages of area development. Industry activity remains robust in the Gold Creek area which will provide continued delineation of the resource across our acreage and would justify an expanded development program beyond the first quarter of 2014.

At Birley/Umbach we have an interest in 35 (26 net) sections of Montney rights. Industry operators have announced encouraging results from nearby liquids rich Montney natural gas activity in 2013. We completed a vertical well in 2011 to delineate and establish this resource opportunity and will operate the drilling of one (0.75 net) horizontal Montney location in the first quarter of 2014. Gross costs to drill and complete a well are expected to be approximately \$5.5 million.

Our Canadian activity continues to increase its profitability with a year to date operating netback of \$17.92 per boe, a 65% increase from \$10.85 per boe in the same period of 2012. Our focus on replacing our declining natural gas production with continued oil development supports a path towards continued improvement in our operating netbacks.

## Tunisia

Production in Tunisia has averaged 1,978 boe per day through the third quarter of 2013 with full year volumes re-forecast to average 1,925 boe per day. Production volumes through the third quarter from Tunisia represent 19% of total corporate production yet contribute 38% of our \$138.9 million in operating revenue. Delays in program execution in 2013 have resulted in a reduced capital program in 2013 which in turn has adversely affected our previous Tunisian production and cash flow forecasts but will not adversely affect our corporate guidance as these are offset with improved results from our Canadian business. Our main producing asset at Bir Ben Tartar ("BBT") generates phenomenal operating netbacks of approximately \$75.94 per boe making it the most valuable and strategic asset in our portfolio. Capital activity in the third quarter included the drilling and completion of one (0.86 net) well at TT20 and the completion of one (0.86 net) well at TT21. The TT20 well was completed and subsequently suspended pending the installation of a jet pump in order to conduct a longer term test.

During the third quarter there was little change, for better or worse, in the stability, security or business climate in Tunisia. There continues to be an ongoing dialogue about transitioning to an interim government that would govern until elections can be held in 2014, but initial steps on the "roadmap" continue to be postponed and debated. A slow deterioration in the effectiveness and efficiency of the bureaucracy, and a deteriorating fiscal situation in the country, are likely to continue at least until a new government is able to set a course and provide enough stability to attract new capital for the numerous good opportunities existing in many parts of the economy, including oil and gas.

In the immediate area of our field operations tensions have been lessening and we have had no interruptions due to social unrest or demonstrations. Early in the third quarter, we were informed by the Agence Nationale de Protection de l'Environnement ("ANPE"), the regulatory agency responsible for granting environmental approvals for our operations, that they had initiated a change to the approval process for future operations. In response to that, we have resubmitted our application early in Q4 for our 2013/2014 program. We expect to hear about approvals for our program in the next four weeks and will re-commence the drilling program as soon as possible after that. This delay will cause at least one planned 2013 vertical well to be shifted into early 2014 and we now expect to drill five wells in 2013 and five wells in 2014 at BBT. The ongoing efforts of our staff to build and maintain effective community engagement have been key to the increased stability in our operating region and we remain confident that our full 2014 drilling and facility construction program will proceed once all approvals are in place. In the event we experience delays in our Tunisia program, our inventory of drill ready development opportunities in Canada allows us to shift capital in 2014 to Canada which should serve to smooth out future forecast variances.

## OUTLOOK

Our corporate guidance for the balance of 2013 remains on track, despite the downward re-forecasted Tunisian annual production volumes as these decreases have been offset by our Canadian segment's growth and improved results. As announced on August 14, 2013, our corporate guidance for 2013 remains as follows:

2013 Guidance  
(\$ millions, except boe/d) Consolidated International Canada  
Production (boe/d) 9,350 - 10,000 2,000 - 2,250 7,350 - 7,750

Cash flow \$85 - \$90 \$45 - \$48 \$40 - \$42  
Capital expenditures \$95 - \$100 \$51 - \$53 \$44 - \$47  
Net debt \$60 - \$65 \$- \$60 - \$65  
Credit facilities \$115 US \$46.5 \$115

Our Board of Directors has approved an initial capital budget for 2014 of \$85 million, of which \$49 million is allocated to Canada and \$36 million to Tunisia. Our management is currently finalizing a detailed review on the timing of 2014 capital spending plans and anticipates releasing our 2014 guidance by mid-December.

Our focus for 2014 will be on increasing our oil weighting in western Canada. Our Canadian capital program will be directed almost exclusively toward oil opportunities along with continued non-core asset rationalization and a focus on improving capital and operating efficiencies. In Tunisia, we will continue to appraise and develop our BBT concession along with pursuing various strategic initiatives intended to improve a low market valuation relative to our Canadian peers which can be attributed to the hybrid nature of our asset base. The strength of our balance sheet will enable us to pursue additional acquisition opportunities in our core area of Grande Prairie in what is continuing to be an exciting and opportunistic asset market.

## MANAGEMENT CHANGES

Effective December 31, 2013, Walter Vrataric will assume the role of CEO in addition to his current role of President. Matthew Brister will continue as Chairman of the Board of Directors. Grant Wierzba will retire from his role of VP Operations but continue as a Director. Tim Halpen (COO Canada), Roy Smitshoek (COO International) and Ryan White (VP Drilling and Completions) will assume aspects of Mr. Wierzba's role. Messrs. Brister and Wierzba will continue to provide support to our company, in particular with our ongoing Tunisian operations. These changes are the final steps in a senior management succession that began in 2012 and ensures that our Canadian and Tunisian operations continue to be properly managed.

## About Chinook Energy Inc.

Chinook is a Calgary-based public oil and gas exploration and development company that combines high quality natural gas-weighted assets in Western Canada with an exciting high growth oil business onshore and offshore Tunisia in North Africa.

## Reader Advisory

### Forward-Looking Statements

In the interest of providing shareholders and potential investors with information regarding Chinook, including management's assessment of the future plans and operations of Chinook, certain statements contained in this news release constitute forward-looking statements or information (collectively "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular, this news release contains, without limitation, forward-looking statements pertaining to: the volume and product mix of Chinook's oil and natural gas production on certain newly drilled wells, projected well costs; operations to be conducted, wells to be drilled and/or completed, infrastructure projects and the timing thereof on certain of Chinook's Canadian and Tunisian properties and, in certain cases, the expected increase in production volumes resulting therefrom; anticipated timing of the regulatory response regarding the approval of future drilling on Chinook's BBT Concession; future results from operations and operating metrics; and future development, exploration, acquisition and development activities (including drilling plans) and the timing thereof and related production expectations; as well as management's future expectations regarding production, cash flow, capital expenditures, net debt and credit facilities set out under the heading "Outlook".

With respect to the forward-looking statements contained in this news release, Chinook has made assumptions regarding, among other things: that Chinook will continue to conduct its operations in a manner consistent with past operations, the ability of Chinook to continue to operate in Tunisia with anticipated logistical security and operational issues, future capital expenditure levels, future oil and natural gas prices, future oil and natural gas production levels, Chinook's ability to obtain equipment in a timely manner to carry out development activities, the impact of increasing competition, the ability of Chinook to add production and reserves through development and exploitation activities, the results of seismic and other appraisal activities (including waterflood modeling and seismic data gathering); certain commodity price and other cost

assumptions, the continued availability of adequate debt and equity financing and cash flow to fund its planned expenditures. Although Chinook believes that the expectations reflected in the forward-looking statements contained in this news release, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this news release, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that predictions, forecasts, projections and other forward-looking statements will not occur, which may cause Chinook's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, without limitation, political and security risk associated with Chinook's Tunisian operations, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve and resource estimates, the continued impact of shut-in production, environmental risks, competition from other producers, inability to retain drilling rigs and other services, capital expenditure costs, including drilling, completion and facilities costs, unexpected decline rates in wells, delays in projects and/or operations resulting from surface conditions, wells not performing as expected, delays resulting from or inability to obtain the required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the forgoing list of factors is not exhaustive. Additional information on these and other factors that could affect Chinook's operations and financial results are included in Chinook's annual information form for the year ended December 31, 2012 and other documents on file with Canadian securities regulatory authorities which may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) and at Chinook's website ([www.chinookenergyinc.com](http://www.chinookenergyinc.com)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and Chinook does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

### **Barrels of Oil Equivalent**

Barrels of oil equivalent (boe) is calculated using the conversion factor of 6 mcf (thousand cubic feet) of natural gas being equivalent to one barrel of oil. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl (barrel) 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.

### **Corporate Netback**

The reader is cautioned that this news release contains the term corporate netback, which is not a recognized measure under IFRS and is calculated as a period's sales of petroleum and natural gas, net of royalties less net production and operating expenses and cash G&A as divided by the period's sales volumes. Management uses this measure to assist them in understanding Chinook's profitability relative to current commodity prices and it provides an analysis tool to benchmark changes in operational performance against prior periods and to peers on a comparable basis. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms such as net income determined in accordance with IFRS as a measure of performance. Chinook's method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

### **Operating Netback**

The reader is cautioned that this news release contains the term operating netback, which is not a recognized measure under IFRS and is calculated as a period's sales of petroleum and natural gas, net of royalties less net production and operating expenses as divided by the period's sales volumes. Management uses this measure to assist them in understanding Chinook's profitability relative to current commodity prices and provides an analysis tool to benchmark changes in operational performance against prior periods and to peers on a comparable basis. Chinook's method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

### **Net Production Expense**

The reader is cautioned that this news release contains the term net production expense, which is not a recognized measure under IFRS and is calculated as production and operating expense less processing and gathering income. Management uses net production expense to determine the current periods' cash cost of operating expenses. Chinook's method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

### **Cash G&A**

The reader is cautioned that this news release contains the term cash G&A, which is not a recognized measure under IFRS and is calculated as G&A less stock-based compensation and the amortization of the deferred lease liability.

### **Cash Flow from Operations**

The reader is cautioned that this news release contains the term cash flow from operations, which is not a recognized measure under IFRS and is calculated from cash flow from continuing operations adjusted for changes in non-cash working capital. Management believes that cash flow is a key measure to assess the ability of Chinook to finance capital expenditures and debt repayments. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms such as cash flow from operating activities, net income or other measures of financial performance calculated in accordance with IFRS. Chinook's method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

### **Net Debt**

The reader is cautioned that this news release contains the term net debt, which is not a recognized measure under IFRS and is calculated as bank debt adjusted for working capital excluding mark-to-market derivative contracts. Working capital excluding mark-to-market derivative contracts is calculated as current assets less current liabilities both of which exclude derivative contracts and current liabilities excludes the current portion of debt. Management uses net debt to assist them in understanding Chinook's liquidity at specific points in time. Mark-to-market derivative contracts are excluded from working capital, in addition to net debt, as management intends to hold each contract through to maturity of the contract's term as opposed to liquidating each contract's fair value or less.

### **Future Oriented Financial Information**

This news release, in particular the information in respect of anticipated cash flows, may contain Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management of the Company to provide an outlook of the Company's activities and results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward-Looking Statements" and assumptions with respect to production rates and commodity prices. The actual results of operations of the Company and the resulting financial results may vary from the amounts set forth herein, and such variation may be material. The Company and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.

### **Analogous Information**

In this news release, Chinook has provided certain information on the production profile and estimates of increased productivity rates on properties adjacent to the Company's properties which is "analogous information" as defined by applicable securities laws. This analogous information is derived from publicly available information sources which the Company believes are predominantly independent in nature. Some of this data may not have been prepared by qualified reserves evaluators or auditors and the preparation of any estimates may not be in strict accordance with Canadian Oil & Gas Evaluation Handbook. Regardless, estimates by engineering and geotechnical practitioners may vary and the differences may be significant. Chinook believes that the provision of this analogous information is relevant to Chinook's activities and forecasting, given its property ownership in the area; however, readers are cautioned that there is no certainty that the forecasts provided herein based on analogous information will be accurate.

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