

Bonavista Energy Corporation Announces 2014 First Quarter Results

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CALGARY, ALBERTA--(Marketwired - May 1, 2014) - [Bonavista Energy Corp.](#) ("Bonavista") (TSX:BNP) is pleased to report to shareholders its condensed consolidated interim financial and operating results for the three months ended March 31, 2014. The unaudited financial statements and notes, as well as management's discussion and analysis, are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](#) and on Bonavista's website at [www.bonavistaenergy.com](#).

Highlights	Three months		
	ended March 31,		%
	2014	2013	Change
Financial			
(\$ thousands, except per share)			
Production revenues	315,033	227,493	38 %
Funds from operations ⁽¹⁾	160,794	110,008	46 %
Per share ^{(1) (2)}	0.80	0.57	40 %
Dividends declared ⁽³⁾	39,575	37,670	5 %
Per share	0.21	0.21	-
Net loss	(44,937)	(3,219)	(1,296 %)
Per share ⁽⁴⁾	(0.22)	(0.02)	(1,000 %)
Adjusted net income ⁽⁵⁾	20,779	16,614	25 %
Per share ⁽⁴⁾	0.10	0.09	11 %
Total assets	4,239,008	4,157,694	2 %
Long-term debt, net of working capital	1,215,085	1,065,159	14 %
Long-term debt, net of adjusted working capital ⁽⁶⁾	1,100,583	1,046,540	5 %
Shareholders' equity	2,209,460	2,269,232	(3 %)
Capital expenditures:			
Exploration and development	176,635	115,802	53 %
Acquisitions, net of dispositions	(99,468)	35,968	(377 %)
Weighted average outstanding equivalent shares: (thousands)⁽⁴⁾			
Basic	200,920	194,686	3 %
Diluted	203,629	196,709	4 %
Operating			
(boe conversion - 6:1 basis)			
Production:			
Natural gas (mmcf/day)	287	273	5 %
Natural gas liquids (bbls/day)	15,065	14,746	2 %
Oil (bbls/day) ⁽⁷⁾	11,117	12,085	(8 %)
Total oil equivalent (boe/day)	73,936	72,333	2 %
Product prices:⁽⁸⁾			
Natural gas (\$/mcf)	5.07	3.26	56 %
Natural gas liquids (\$/bbl)	60.61	48.65	25 %
Oil (\$/bbl) ⁽⁷⁾	79.68	75.05	6 %
Operating expenses (\$/boe)	9.26	9.16	1 %
General and administrative expenses (\$/boe)	1.16	1.11	5 %
Cash costs (\$/boe) ⁽⁹⁾	13.37	13.25	1 %
Operating netback (\$/boe) ⁽¹⁰⁾	27.01	19.49	39 %

NOTES:

1. Management uses funds from operations to analyze operating performance, dividend coverage and leverage. Funds from operations as presented do not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculations of similar measures for other entities. Funds from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net income or other measures of financial performance calculated in accordance with IFRS. All references to funds from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital, decommissioning expenditures and interest expense. Funds from operations per share is calculated based on the weighted average number of shares outstanding consistent with the calculation of net income per share.
2. Basic funds from operations per share calculations include exchangeable shares which are convertible into common shares on certain terms and conditions.
3. Dividends declared include both cash dividends and common shares issued pursuant to Bonavista's dividend reinvestment plan (DRIP) and Bonavista's stock dividend program (SDP). For the three months ended March 31, 2014 approximately 1.1 million common shares were issued under the DRIP and SDP with an approximate value of \$15.7 million. For the three months ended March 31, 2013, approximately 1.3 million common shares were issued under the DRIP and SDP with an approximate value of \$17.3 million.
4. Basic net income per share calculations include exchangeable shares which are convertible into common shares on certain terms and conditions.
5. Amounts have been adjusted to exclude unrealized gains and losses on financial instrument commodity contracts, net of tax.
6. Amounts have been adjusted to exclude associated assets or liabilities from financial instrument commodity contracts and decommissioning liabilities.
7. Oil includes light, medium and heavy oil.
8. Product prices include realized gains and losses on financial instrument commodity contracts.
9. Cash costs equal the total of operating, transportation, general and administrative, and financing expenses.
10. Operating netback equals production revenues including realized gains and losses on financial instrument commodity contracts, less royalties, operating and transportation expenses, calculated on a boe basis.

Share Trading Statistics (\$ per share, except volume)	Three months ended			
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
High	16.22	14.04	14.37	16.77
Low	13.46	11.25	12.70	13.33
Close	16.17	13.92	12.93	13.65
Average Daily Volume - Shares	566,650	1,000,966	620,864	428,813

MESSAGE TO SHAREHOLDERS

Following a successful year in 2013, in which Bonavista steadily improved our cost of adding production and reserves, we remained committed to advancing the efficiency of our business plan throughout the first quarter of 2014. A key component to our success in 2013 involved the continued concentration of our operations in our West Central and Deep Basin core areas. In the first quarter of 2014, 95% of our exploration and development expenditures were allocated to these two core areas with approximately 21% invested in infrastructure and facilities designed to support our development plans over the next 18 months. To complement our strategy of asset concentration, we completed our previously announced first quarter non-core divestitures for proceeds of approximately \$101.2 million. Proceeds from these transactions will be used to enhance our exploration and development spending and pursue acquisition opportunities within these core areas and strengthen our balance sheet.

Collectively, these initiatives will continue to improve capital and operating efficiencies, enhance the economics of our business and maximize total shareholder return. With the progress that we have made to date, we are pleased to be forecasting a debt to funds from operations ratio of 1.7:1 at year-end and a total payout ratio of 98% for 2014. All of these factors have enabled us to suspend our dividend reinvestment and stock dividend plans for the remainder of this year, leading to increased performance on a per share basis.

Operational and financial accomplishments in the first quarter of 2014 include:

- Increased production volumes to 73,936 boe per day representing a 2% increase from first quarter 2013 levels of 72,333 boe per day;
- Invested \$176.6 million in exploration and development activities, drilling 37 gross (27.6 net) wells with an overall success rate of 100%. Included in this spending is \$35.7 million directed towards facility and infrastructure improvements;
- Divested of approximately \$101.2 million of higher cost non-core assets producing approximately 2,500 boe per day;
- Generated production revenues of \$315.0 million, representing a 38% increase when compared to the first quarter of 2013;
- Realized funds from operations of \$160.8 million (\$0.80 per share) representing a 46% increase from the first quarter of 2013;
- Achieved operating netbacks of \$27.01 per boe representing a 39% increase from the first quarter of 2013;
- Attained a natural gas price increase of 56% to \$5.07 per mcf, when compared to \$3.26 per mcf realized in the same period in 2013. Natural gas liquids pricing increased 25% to \$60.61 per bbl in the first quarter of 2014 from \$48.65 per bbl for the same period in 2013; and
- Delivered cumulative dividends of over \$2.6 billion or \$27.24 per common share since 2003, when Bonavista introduced a dividend component to our shareholder return.

Acquisition and divestiture activity subsequent to the first quarter of 2014 include:

- Divested of our heavy oil assets producing approximately 2,350 boe per day for proceeds of \$83 million; and
- Acquired liquids-rich natural gas assets producing approximately 1,000 boe per day for \$23 million, further concentrating our assets and strengthening our position in our Glauconite play.

First Quarter 2014 Core Area Highlights

West Central Alberta Core Area

With access to over 1.7 million acres, containing approximately 740 of our drilling locations, our West Central region is our largest area of operations. This core area offers liquids-rich natural gas and multi-zone oil resources, year round accessibility and extensive infrastructure including over 2,800 kilometers of operated pipelines and 34 facilities, the majority of which are operated by Bonavista.

In 2014, we will spend approximately \$370 to \$380 million in exploration and development activities in the West Central region drilling between 95 and 100 horizontal wells. During the first quarter, our exploration and development capital spending in this area totaled approximately \$87 million and included up to seven rigs in operation, drilling 25 wells.

A key focus during the quarter was the infrastructure enhancement in our Hoadley Glauconite play. This will support our annual compounded production growth forecast of 18% through to 2016 for the West Central area. We are moving confidently towards this goal, exiting the quarter at a production rate of approximately 45,000 boe per day, representing a 6% increase from approximately 42,600 boe per day at the end of the first quarter of 2013.

Hoadley Glauconite Liquids Rich Natural Gas:

Bonavista drilled 14 horizontal Glauconite wells during the first quarter of 2014 as part of a planned 64

horizontal well program for 2014, representing a 57% increase in drilling activity when compared to 2013. Of these wells, nine were completed and brought on production in the quarter with production results consistent with our type curve expectations. The remaining five wells are currently being completed and are expected to be tied-in during the second quarter of 2014.

During the first quarter, Bonavista continued with its extended reach horizontal program by drilling one well in its Hoadley area. We are pleased with the performance of this well, with 2,200 meters in horizontal length drilled, it has a first month production rate of 1,400 boe per day. Subsequent to the first quarter, Bonavista has successfully drilled our fourth 2,800 meter extended reach horizontal well in the Willesden Green area and are currently drilling our fifth 2,800 meter extended reach horizontal well in the Strachan area. As this technology is refined, we expect the use of this technique to further improve capital efficiencies throughout the entire Glauconite trend. This has been evidenced by an average cost reduction of 13% per well in our first three extended reach horizontal wells when compared to the cost to access the equivalent reservoir from two separate horizontal wells. For the remainder of 2014, we are planning three additional extended reach horizontals, two in our Willesden Green area and one in our Strachan area.

To support this activity, Bonavista completed the construction of two 28 kilometer pipelines which will provide an incremental 120 mmcf per day of transportation capacity from the Hoadley Glauconite play to the Rimbey processing facility. The next step, prior to accessing this incremental capacity, will be the construction of a 30 mmcf per day compression facility at Wilson Creek, which is expected to be commissioned in the third quarter of 2014, reaching full capacity in the first quarter of 2015.

Subsequent to the first quarter 2014, we added to our Glauconite play with the acquisition of approximately 1,000 boe per day of liquids-rich natural gas assets for approximately \$23 million, which is consistent with our asset concentration strategy.

Our 2014 Glauconite program is expected to yield strong production growth rates. Bonavista is well positioned to achieve this growth from the Glauconite in 2014 and beyond, as evidenced by current Glauconite horizontal production of approximately 18,700 boe per day, an increase of 210% over the past three years.

Ellerslie Liquids Rich Natural Gas:

Bonavista brought one horizontal Ellerslie well on production during the first quarter, as part of a 2014 horizontal drilling program of 10 wells. Currently, we have five wells on production from our 2013 drilling program which continue to outperform our type curve expectations. These wells have shown a relatively shallow first year decline rate of approximately 47% and have combined production of approximately 2,100 boe per day. Following this successful 2013 Ellerslie program, Bonavista completed a three dimensional seismic program to determine the extent of the Ellerslie reservoir at Westeroose. This program is now complete and data is being processed in preparation of our drilling program in the second half of 2014.

Our plan for 2014, is to focus on the lower operational risk areas of Garrington and Westeroose where attractive economics are generated from healthy oil and natural gas liquids yields of approximately 100 bbls per mmcf. As we gain additional operational experience in Ellerslie, we will continue to enhance the value of this play with our compelling drilling inventory. Bonavista has assembled a land base of 135 sections with approximately 200 locations on this land base. With netbacks currently averaging approximately \$34 per boe and decline rates of less than 50% in the first year of production, we continue to believe that Ellerslie will become more relevant in the near future.

Cardium Light Oil:

Bonavista drilled eight horizontal Cardium wells in the first quarter, five of which were focused in our Lochend area. Initial well performance is expected to be consistent with our 2013 Cardium horizontal wells, which demonstrated average initial production rates of 300 bbls per day of light oil.

Near the end of 2013, Bonavista constructed a 37 kilometer pipeline from our Lochend field to a deep cut natural gas processing facility in Harmattan. This pipeline has created an unrestricted flow path for both oil and natural gas production and will accommodate our planned Cardium Lochend activity of 12 wells in 2014.

In addition to the pipeline, Bonavista is also installing a multi-well battery at Lochend that will be operational in the second quarter of 2014.

Deep Basin Core Area

In 2014, we plan to spend approximately \$160 to \$170 million on exploration and development in the Deep Basin, drilling up to 30 wells. During the first quarter, Bonavista spent approximately \$81 million on exploration and development activities, using four rigs to drill 12 wells.

Similar to our West Central core area, we focused on adding incremental compression and transportation capacity in our Wilrich play at Ansell. The pipeline and compression facility will complement our current processing capacity of approximately 230 mmcf per day, allowing for increased control through operatorship of our product transportation networks.

Since our expansion into the Deep Basin core area in 2010, we have assembled approximately 280,000 net acres and 200 future horizontal locations. With compelling economics, the Wilrich play provides impressive sensitivity to increased natural gas pricing, resulting in an attractive recycle ratio and quick payout. In addition, the natural gas liquids content of our Bluesky play translates into impressive returns supported by strong initial production rates and shallower decline profiles.

Wilrich Natural Gas:

Following a very successful year with the Wilrich formation in 2013, Bonavista drilled seven wells in the first quarter compared to the 19 wells planned for 2014. Of these wells, five were drilled at Ansell and two were drilled at Marlboro.

Our efforts at Ansell during the first quarter were focused on increasing our infrastructure capacity. In mid-April, Bonavista commissioned two 30 kilometer pipelines, totaling transportation capacity of 120 mmcf per day. Additionally, Bonavista completed the construction of a 30 mmcf per day compressor station. Currently six of our seven Wilrich wells at Ansell are producing through this new facility and infrastructure at combined rates averaging 25 mmcf per day. Our goal is for an unrestricted flow path for our Ansell Wilrich development, to monitor production performance while planning our drilling program for 2015.

At Marlboro, two wells were drilled and have tested at our type curve expectations, currently producing at a combined rate of seven mmcf per day. Given the positive well performance and reduced costs, we are planning to follow up with three additional wells at Marlboro in 2014 and may consider a facility expansion in early 2015.

Given the large natural gas resource in place, prolific production performance and our disciplined cost structure, our Wilrich economics are materially enhanced with the recent increase in natural gas prices. We are increasingly optimistic of the impact our Ansell play will have in our corporate development plans over the next three years with single-well economics at an AECO natural gas price of \$4.00 per gj, yielding a recycle ratio of approximately 4:1 and a payout in less than one year.

Bluesky Liquids Rich Natural Gas:

During the first quarter, Bonavista participated in five horizontal Bluesky wells, three of which were operated and two of which were non-operated. The three operated horizontal wells were drilled on 100% owned acreage in our Pine Creek area, which was acquired in an asset transaction in the fourth quarter of 2013. All three wells have exceeded our type curve expectations, with a first month average production rate of 770 boe per day per well. Bonavista has been able to achieve post-acquisition production growth of approximately 2,300 boe per day above the base acquisition volume of 725 boe per day by investing \$14.8 million.

From a rate of return perspective, the individual well economics of the Bluesky formation are the best of our liquids-rich natural gas plays. As such, our plans for the remainder of the year include the drilling of four

additional Bluesky wells.

Emerging Opportunities

Bonavista drilled and completed a Falher horizontal well in the Morningside area during the first quarter resulting in an initial production rate approximating 1,000 boe per day, including 55 bbls per mmcf of natural gas liquids. We are pleased with the initial performance of this well and plan to drill an additional four Falher horizontal wells in 2014 to further delineate the reservoir. To accommodate this growth, we will be adding compression and infrastructure in the second half of the year.

Bonavista will continue to evaluate and observe the activity in proximity to its Blueberry Montney play in northeast British Columbia. We plan on improving our understanding of characteristics of the reservoir and the techniques required to optimize recovery most efficiently. We are currently drilling our first horizontal Montney well and are planning on drilling one additional well later in the year to complete our 2014 program in this area.

Strengths of Bonavista Energy Corporation

Throughout our history, from an initial restructuring in 1997 to create a high growth junior exploration company, through the energy trust phase between July 2003 and December 2010, and since January 2011 as a dividend paying corporation, Bonavista has remained committed to the same operating philosophies despite the endless volatility and uncertainty inherent in a commodity business like the energy sector. We have consistently improved the quality of our projects and have maintained a high level of investment activity on our asset base. This has resulted in an increase in corporate production by approximately 110% since converting to an energy trust in July 2003 and a further 10% since converting back to a corporation three years ago. These results stem from the expertise of our people and their entrepreneurial approach to consistently generating profitable development projects in an unpredictable commodity price environment within the Western Canadian Sedimentary Basin. Our experienced technical teams have a solid understanding of our assets as they exercise the discipline and commitment required to deliver long-term value to our shareholders. These core operating and financial principles have been with our organization from the beginning and remain solidly intact today. We actively participate in undeveloped land purchases, producing property acquisitions and farm-in opportunities, which have all enhanced the quality of our extensive drilling inventory. These activities have led to low cost reserve additions and a predictable production base that continues to grow at a steady pace. Our production is approximately 68% natural gas weighted and is geographically focused in multi-zone regions primarily in Alberta. The predictable production performance and low cost structure of our asset base ensures favourable operating netbacks in most operating environments. Furthermore, our assets are predominantly operated by Bonavista, providing control over the pace of operations and direct influence over our operating and capital cost efficiencies.

Our team brings a successful track record of executing low to medium risk development programs, while incorporating acquisitions and sound financial management. Our Board of Directors and management team possess extensive experience in the oil and natural gas business. They have successfully guided our organization through many different economic cycles utilizing a proven strategy consisting of disciplined cost controls and prudent financial management. Directors, management and employees also own approximately 11% of the equity of Bonavista, aligning our interests with external shareholders.

Outlook

An extremely cold winter throughout much of North America coupled with increasing North American natural gas decline rates has resulted in a significant increase in the demand for natural gas. Consequently, we have witnessed large withdrawals from natural gas storage sending current storage levels on the continent to 13-year lows. These fundamental changes to natural gas markets have generated a constructive pricing environment and when coupled with our improvements in capital efficiency, have dramatically strengthened our financial position. This is evidenced by our forecasted exit 2014 debt to funds from operations ratio of approximately 1.7:1 and a total payout ratio of 98%. As a result of the increased funds from operations and significantly improved financial flexibility, our Board of Directors has approved the suspension of our dividend reinvestment and stock dividend plans for the remainder of 2014. Reinstatement of these plans in 2015 and thereafter will depend on commodity pricing futures, our operational performance and our financial flexibility at the time.

Operationally, we have invested approximately 44% of our \$80 million 2014 facilities budget in the first quarter. This infrastructure investment gives us more control over the transportation and capacity to bring our products to market and will secure the required capacity to meet our production growth targets for 2014 and beyond. We continue to concentrate our efforts in our two focus areas where we strive to be the most efficient producer within these operating areas.

Our exploration and development program of between \$580 and \$600 million remains robust with plans to drill between 130 and 135 gross wells (109 and 111 net wells) with approximately 90% of capital spending focused in our two core areas. This exploration and development program would provide growth of approximately six to eight percent over 2013, prior to our disposition activity. As a result of our dispositions, net of acquisitions to date, our net capital budget for 2014 has been reduced to between \$420 and \$440 million. With this capital spending program, production volumes are forecasted to be between 75,000 and 77,000 boe per day representing a four percent increase over 2013. We remain focused on organically growing our core areas, while simultaneously pursuing acquisition opportunities that will continue to concentrate our asset portfolio in our focus areas.

As Mr. Walter Yeates did not stand for re-election at this year's Annual General Meeting, he will be stepping down from our Board of Directors, effective today. Mr. Yeates has served on the Board of Directors since 2003 and has provided valuable guidance, expertise and oversight during his tenure with us. We would like to thank him for his 11 years of service to Bonavista and wish him all the best in the future.

We greatly appreciate the dedication and support of our employees, directors and shareholders. It is this collective commitment and trust that empowers us to achieve our goal of maximizing shareholder return.

FORWARD-LOOKING INFORMATION

Corporate information provided herein contains forward-looking information. The reader is cautioned that assumptions used in the preparation of such information, particularly those pertaining to cash dividends, production volumes, commodity prices, operating costs and drilling results, which are considered reasonable by Bonavista at the time of preparation, may be proven to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein and the variations may be material. There is no representation by Bonavista that actual results achieved during the forecast period will be the same in whole or in part as those forecast.

Bonavista is a mid-sized energy corporation committed to maintaining its emphasis on operating high quality oil and natural gas properties, providing moderate growth and delivering consistent dividends to its shareholders and ensuring financial strength and sustainability.

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