

# Cub Energy Inc. Announces 2014 First Quarter Financial and Operational Results

16.05.2014 | [Marketwired](#)

HOUSTON, TEXAS--(Marketwired - May 15, 2014) - [Cub Energy Inc.](#) ("**Cub**" or the "**Company**") (TSX **VENTURE:KUB**), a Black Sea region-focused upstream oil and gas company, announced today its unaudited interim financial and operating results for the three months ended March 31, 2014. All dollar amounts are expressed in United States dollars.

In the first quarter of 2014, Cub achieved several key accomplishments including its eighth consecutive quarter of production growth and operational success on the Company's 100% working interest Rusko-Komarovske-21 ("**RK-21**") well which was drilled during the first quarter and subsequently tied-in.

## Operational Highlights

- Production averaged 1,857 boe/d (95% natural gas) for the three months ended March 31, 2014 for an increase of 22% over 1,528 boe/d in the same period in 2013;
- Exit rate of 1,952 boe/d at March 31, 2014 for a 6% decrease over exit rate of 2,070 boe/d at December 31, 2013;
- Current production of approximately 1,900 boe/d;
- Achieved average natural gas price of \$8.63/Mcf and condensate price of \$78.19/bbl for the three months ended March 31, 2014;
- On March 14, 2014, the RK-21 well was spud and subsequently cased to TD, tested 2.6 MMcf/d and tied-in;
- Completed the expansion of the Kub-Gas (30% WI) Makeevskoye and Olgovskoye production and processing facility in 2013. Gas began flowing on March 6, 2014 resulting in increased capacity to 68 MMcf/d from the previous 30 MMcf/d. While this work was completed by the end of the first quarter of 2014, full production gains are pending re-routing of gas production and permitting which is expected in the next couple of months;
- The M-17 well (30% WI) was drilled to its total depth of 3,445 metres and the S7 zone tested gas at a rate of over 0.9 MMcf/d through a seven millimetre choke; and
- Cub also announced the O-24 well (30% WI) tested and flowed gas at low rates in the R30c zone. The Company plans to fracture stimulate this zone later this year.

## Financial Highlights

- Netback of \$30.28/Boe or \$5.05/Mcfe for the quarter ended March 31, 2014;
- Revenue from hydrocarbon sales for the three months ended March 31, 2014 increased 55% to \$1.7 million (2013 - \$1.1 million) which was driven by the recent success of RK-22;
- Revenue from hydrocarbon sales by KUB-Gas for the three months ended March 31, 2014 were \$23.4 million (2013 - \$28.7 million) for a decrease of 18% of which the Company's 30% share was \$7.0 million (2013 - \$8.6 million). The decrease was due to lower gas prices and the devaluation of the Ukrainian Hryvnia;
- The total pro-rata revenue from hydrocarbon sales, a non-IFRS measure combining the Company's revenue and 30% of the allocated KUB-Gas revenue, totaled \$8.7 million (2013 - \$9.7 million) for the three months ended March 31, 2014;
- During the three months ended March 31, 2014, the Company received \$1.0 (2013 - \$3.0) in the form of dividends from KUB-Gas representing the distribution of excess cash flow;
- Income from the Company's 30% equity investment in KUB-Gas for the three months ended March 31, 2014 was \$1.1 million (2013 - \$2.2 million);
- The net loss for the three months ended March 31, 2014 was \$0.9 million or \$0.00 per share (2013 - net income of \$0.3 million or \$0.00 per share);
- Capital expenditures of \$1.1 million (2013 \$0.3 million) for the three months ended March 31, 2014 and the pro-rata capital expenditures, a non-IFRS measure combining the Company's capital expenditures and 30% of the allocated KUB-Gas capital expenditures, totaled \$3.2 million (2013 - \$1.9 million) for the three month ended March 31, 2014.

- The Company utilized \$1.0 million of the available \$5.0 million unsecured line of credit with Pelicourt during the three months ended March 31, 2014

(in thousands of US dollars)	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Petroleum and natural gas revenue	1,701	1,055
Pro-rata petroleum and natural gas revenue <sup>(1)</sup>	8,734	9,668
Net profit (loss)	(915 )	276
Earnings (loss) per share - basic and diluted	(0.00 )	0.00
Funds generated from (used in) operations <sup>(2)</sup>	(126 )	1,583
Pro-rata funds generated from operations <sup>(3)</sup>	2,391	2,692
Capital expenditures <sup>(4)</sup>	1,074	323
Pro-rata capital expenditures <sup>(4)</sup>	3,222	1,871
Pro-rata netback (\$/boe)	30.28	43.84
Pro-rata netback (\$/Mcf)	5.05	7.31
	March 31, 2014	December 31, 2013
Working capital (deficit)	(306 )	942
Cash and cash equivalents	1,908	1,617
Long-term debt	1,000	-

## Notes:

- (1) Pro-rata petroleum and natural gas revenue is a non-IFRS measure that adds the Company's petroleum and natural revenue earned in the respective periods to the Company's 30% equity share of the KUB-Gas petroleum and natural gas sales that the Company has an economic interest in.
- (2) Funds from operations is a non-IFRS measure and is defined as cash flow from operating activities, excluding changes in non-cash working capital.
- (3) Pro-rata funds from operations is a non-IFRS measure that adds the Company's funds from operations in the respective periods to the Company's 30% equity share of the KUB-Gas funds from operations that the Company has an economic interest in. The KUB-Gas funds from operations is calculated as the income from equity investment less the KUB-Gas depletion and depreciation.
- (4) Capital expenditures includes the purchase of property, plant and equipment and the purchase of exploration and evaluation assets. Pro-rata capital expenditures is a non-IFRS measure that adds the Company's capital expenditures in the respective periods to the Company's 30% equity share of the KUB-Gas capital expenditures that the Company has an economic interest in.

Mikhail Afendikov, Chief Executive Officer of Cub Energy, commented, *"During the first quarter we continued our production growth with a particular emphasis on our western 100% owned Ukrainian assets. The RK-22 well was brought on production in late 2013 and improved our production and cashflow. We recently announced the success of the follow up RK-21 well with plans to drill the RK-1 re-entry, RK-23 and RK-24 wells in the next two quarters. Gas prices realised during the first quarter were negatively impacted by the temporary agreement between Russia and Ukraine and the devaluation of the Ukrainian currency. The gas price agreement between Russian and Ukraine was terminated at the end of March 2014 and gas prices have improved materially in April and May of 2014 which we anticipate will improve income and cashflow in our upcoming quarter."*

## Outlook

For the remainder of 2014, the Company will continue its previously announced work program on its 100% owned Tysagaz assets in western Ukraine. The Company plans to drill the RK-23 and RK-24 development wells, re-enter the RK-1 well for completion in a deeper zone and plans to drill up to two wells on the Stanivske licence.

Operations expected in the remainder of 2014 for KUB-Gas include the drilling of four wells including the current O-11 well, four fracture stimulations and a workover of the O-6 well and construction of pipeline to tie-in wells as needed. The Makeevskoye and Olgovskoye production and processing facilities is expected to be optimized in the next couple of months.

## Supporting Documents

Cub's complete quarterly reporting package, including the unaudited interim financial statements and associated Management's Discussion and Analysis, have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and has been posted on the Company's website at [www.cubenergyinc.com](http://www.cubenergyinc.com).

## About Cub Energy Inc.

[Cub Energy Inc.](#) (TSX VENTURE:KUB) is an upstream oil and gas company, with a proven track record of exploration and production cost efficiency in the Black Sea region. The Company's strategy is to implement western technology and capital, combined with local expertise and ownership, to increase value in its undeveloped land base, creating and further building a portfolio of producing oil and gas assets within a high pricing environment.

## Oil and Gas Equivalents

A barrel of oil equivalent ("boe") or units of natural gas equivalents ("Mcf") is calculated using the conversion factor of 6 Mcf (thousand cubic feet) of natural gas being equivalent to one barrel of oil. A boe conversion ratio of 6 Mcf: 1 bbl (barrel) or a Mcfe conversion of 1bbl: 6 Mcf is, based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the boe ratio is useful for comparative measures, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

## Reader Advisory

*Except for statements of historical fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Cub believes that the expectations reflected in the forward-looking information are reasonable; however there can be no assurance those expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.*

*Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: general economic conditions in the region and globally; industry conditions, including fluctuations in the prices of natural gas; governmental regulation of the natural gas industry, including environmental regulation; unanticipated operating events or performance which can reduce production or cause production to be shut in or delayed; failure to obtain industry partner and other third party consents and approvals, if and when required; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for natural gas; liabilities inherent in natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, skilled personnel and supplies; incorrect assessments of the value of acquisitions; geological, technical, drilling, processing and transportation problems; changes in tax laws and incentive programs relating to the natural gas industry; failure to realize the anticipated benefits of acquisitions and dispositions; and the other factors. Readers are cautioned that this list of risk factors should not be construed as exhaustive.*

*This cautionary statement expressly qualifies the forward-looking information contained in this news release. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.*

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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