

# Manitok Energy Inc. Announces Financial Results for the First Quarter of 2014 and an Operational Update

30.05.2014 | [Marketwired](#)

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CALGARY, ALBERTA -- (Marketwired - May 29, 2014) - [Manitok Energy Inc.](#) (the "Corporation" or "Manitok") (TSX VENTURE:MEI) announces its financial and operating results for the first quarter of 2014.

The full text of Manitok's first quarter report containing its unaudited condensed interim financial statements as at and for the three months ended March 31, 2014 and the related management's discussion and analysis are available electronically on Manitok's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com) and also on Manitok's website at [www.manitokenergy.com](http://www.manitokenergy.com). All dollar figures are in Canadian dollars unless otherwise noted.

## First Quarter 2014 Operational & Financial Highlights:

- Record first quarter production averaged 5,351 boe/d (59% light oil and liquids) which is a 49% increase over production of 3,586 boe/d (50% light oil and liquids) in the first quarter of 2013. Production continued to increase over comparable quarters despite closing an asset divestiture of approximately 777 boe/d (34 % sweet natural gas and 60% sour natural gas) on February 28, 2014.
- Increased light oil production by 78% which increased Manitok's light oil production weighting to 57% of total production as compared to 47% of total production in the first quarter of 2013.
- Recorded average production per diluted share growth of 46% and funds from operations per diluted share growth of 91% when compared to the first quarter of 2013.
- Recorded funds from operations of \$15.5 million (\$0.21 per diluted share) which is a 97% increase over funds from operations of \$7.9 million (\$0.11 per diluted share) in the first quarter of 2013.
- Operating netback (excluding the realized gain or loss on financial instruments) was \$40.11/boe, which is a 44% increase over the operating netback of \$27.78/boe in the first quarter of 2013. While the increase in netback was aided by increased production volume and stronger commodity prices, Manitok also improved its operating cost structure in the first quarter as a result of the divestiture of dry sweet and sour natural gas assets in the central Alberta foothills where the operating costs were higher than the Stolberg area on a per boe basis.
- Capital expenditures were approximately \$24.1 million, before \$21.9 million in asset divestitures, which included drilling 9 (6.8 net) wells for about \$19.8 million and \$2.4 million on equipment and facilities. Of these 9 wells, 5 (2.8 net) were drilled in the Stolberg area and 4 (4.0 net) were drilled in the Entice area.
- At March 31, 2014, net debt was approximately \$26.6 million, which is 0.4 times annualized first quarter funds from operations.
- Increased net undeveloped land to 293,197 acres as at March 31, 2014, a 46% increase from 200,271 acres as at March 31, 2013.
- At March 31, 2014, there were 71,615,406 outstanding common shares of Manitok ("Manitok Shares"). Subsequent to the first quarter and up to May 27, 2014, a total of 1,881,800 Manitok Shares were purchased through the normal course issuer bid program, at an average price of \$2.47 per Manitok Share and 543,668 Manitok Shares were issued through Manitok's stock option plan, at an average price of \$1.45 per share, for a total net decrease in Manitok Shares of 1,338,132 since the first quarter of 2014. The total outstanding Manitok Shares as at May 27, 2014 was 70,277,274.

## OPERATIONAL AND FINANCIAL SUMMARY

Three months ended March 31,	2014	2013	
<b>OPERATING</b>			
Average daily production			
Light oil (bbls/d)	3,028		1,701
Natural gas (mcf/d)	13,352		10,810
NGLs (bbls/d)	98	83	
Total (boe/d)	5,351		3,586
Average realized sales price			
Light oil (\$/bbl)	96.92		89.09
Natural gas (\$/mcf)	6.51		3.70
NGLs (\$/bbl)	97.92	84.25	
Total (\$/boe)	72.88		55.39
Undeveloped Land (end of period)			
Gross (acres)	309,528		252,611
Net (acres)	293,197		200,271
<b>NETBACK AND COST (\$ per boe)</b>			
Petroleum and natural gas sales		72.88	55.39
Realized gain (loss) on financial instruments		(4.10)	0.86
Royalty income	0.02		0.44
Royalty expenses	(22.23)		(16.12)
Operating expenses, net of recoveries		(7.35)	(9.14)
Transportation and marketing expenses		(3.21)	(2.79)
Operating netback(1)	36.01		28.64
General and administrative expenses, net of recoveries		(3.51)	(4.11)
Interest and financing expenses		(0.41)	(0.29)
Interest and other income	0.01		0.11
Funds from operations netback(1)		32.10	24.35
<b>FINANCIAL</b>			
Petroleum and natural gas revenue (\$000)		35,112	18,021
Funds from operations (\$000)(1)		15,461	7,861
Per share - basic (\$)(1)	0.21		0.11
Per share - diluted (\$)(1)	0.21		0.11
Net income (loss) (\$000)	331		(135)
Per share - basic (\$)	-		-
Per share - diluted (\$)(2)	-		-
Common shares outstanding			
End of period - basic		71,615,406	70,357,180
End of period - diluted		77,689,147	76,759,280
Weighted average for the period - basic		73,097,543	70,348,151
Weighted average for the period - diluted		74,334,096	72,758,478
Capital expenditures, net of divestitures (\$000)		2,240	11,295
Working capital deficit (\$000) (1)		19,947	6,354
Drawn on credit facilities (\$000)		6,685	7,130
Total net debt (\$000) (1)		26,632	13,484

(1) Funds from operations, funds from operations per share, funds from operations netback, operating netback, working capital deficit and net debt do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP") and therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used they should be given careful consideration by the reader. Refer to the Non-GAAP Financial Measures section of this press release.

(2) The basic and diluted weighted average shares outstanding are the same for periods in which the Corporation records a net loss.

## Operational Update

Drilling and completions operations continue in Manitek's core areas although spring break-up has limited operational activity particularly in southern Alberta. Average production for the month of April 2014 was approximately 4,900 boe/d (61% oil) based on field estimates. This reflects the asset divestiture of 777 boe/d which closed on February 28, 2014.

## Entice

To date, Manitok has successfully drilled and cased a total of 4 vertical wells and 1 horizontal well in Entice. The wells were spaced across 4 of the 9 townships acquired through Encana Corporation ("Encana"), which are now held in Prairie Sky Royalty Ltd., in an effort to test multiple hydrocarbon bearing formations in the northern portion of the land base. All of the vertical wells encountered multiple pay zones and Manitok is focusing on several potential new pool discoveries in four different formations. The 4 vertical wells have proven that there is multi-zone potential across the land base. The horizontal well which targeted the Basal Quartz (Ellerslie) formation is being evaluated for deliverability and reservoir extent, through production testing and pressure build-up. Completion activity has been hampered to date by road bans associated with spring break-up and wet weather. Manitok anticipates that its completion operations and initial tests to determine commerciality of the potential new pools will be completed by mid-June and a more detailed report of the results will be provided at that time, along with information regarding the next phase of drilling at Entice which is scheduled to commence immediately after spring break-up. The lease agreement with Encana includes a \$22.0 million capital commitment for 2014 and to date Manitok has spent approximately \$8.4 million.

### **Cordel-Stolberg**

Of the last 4 (2.0 net) Cardium oil wells drilled (wells 23 to 26), 1 (0.3 net) is currently on production through permanent facilities while 2 (1.4 net) are currently on production through temporary facilities with tie-in to permanent facilities expected in July 2014. These wells were drilled at the north end of the field between producing wells in section 29 and a low rate well drilled in 2013 which defined the northern limits of the pool. The fourth well (0.3 net) which was drilled to the deepest portion of the structure, about 800 meters from the crest, encountered water with no oil cut. Manitok will use this well as a water injector for its upcoming Stolberg waterflood program. The 3 producing wells, when producing through permanent facilities in the third quarter of 2014, are expected to add about 450 boe/d (256 net) of initial light oil production along with associated gas.

Manitok is currently drilling 2 wells in Stolberg. The first well is targeting Cardium oil in the back-limb of the Stolberg structure in the center of the field, between the producing wells at the north and south ends of the field, which is anticipated to be a highly fractured area of the field. It is the first well of a 3 to 4 well pad where Manitok has a 30% working interest in each well. As part of the drilling program for the first well, a pilot hole was drilled to test for Cardium oil in the fore-limb of the Stolberg structure. The pilot hole was designed to gather both pressure and phase data from the fore-limb. The results showed the Cardium fore-limb's thickness is consistent with that found in most of the back-limb, the formation is oil bearing and at original reservoir pressure. This indicates that this part of the structure is not communicating with any of the 3 previously drilled fore-limb wells in the south end of the field or with the wells on the back-limb. Manitok is adjusting its drilling schedule to accommodate drilling a well into this newly discovered portion of the structure as soon as it is feasible. If successful, the Corporation will add several follow up locations to its current inventory. The current back-limb target will be production tested once drilling operations are finished which is anticipated to be within the next 2 weeks. The drilling rig will immediately move to the second well on the pad once production testing is complete.

The second well is a potential natural gas well targeting an upper formation in the Mannville group. Currently the well is drilling the horizontal section and it is anticipated to reach total depth in the next week. Early indications are encouraging as pressure responses and gas detection during drilling have been very positive. Once the drilling operation is finished, the well will be production tested immediately. If successful, the well can be tied-in and producing by early in the third quarter. The drilling rig will then move to a pad at the south end of the field where it will begin the first of up to 3 Cardium oil wells on a pad. Manitok will be in a position to release more information on the two wells mentioned above by mid-June.

In addition, the Cordel waterflood pilot as approved by the Alberta Energy Regulator is progressing. Manitok has successfully established water injection capability in the injection well. Facility design for the injection plant is complete and injection scheduled to commence in the next 30 days.

### **Quirk Creek**

Activity in Quirk Creek has been limited due to spring break-up. A total of 2 wells have been drilled and 1 well was placed on production in early April 2014. Based on field estimates, the production rate has averaged approximately 30 boe/d (net). The completion of the second well was suspended when road bans associated with spring break-up prohibited Manitok from moving in the drilling rig required to complete the well. Manitok anticipates that it will commence the completion on the second well in the next two weeks, weather permitting. Additional capital will not be allocated to the area until the second well has been properly evaluated.

## **2014 Guidance**

The 2014 guidance remains unchanged from the Corporation's press release dated February 27, 2014, a copy of which is available under Manitok's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **About Manitok**

Manitok is a public oil and gas exploration and development company focusing on conventional oil and gas reservoirs in the Canadian foothills and southeast Alberta. The Corporation will utilize its experience to develop the untapped conventional oil and liquids-rich natural gas pools in both the foothills and southeast Alberta areas of the Western Canadian Sedimentary Basin.

## **Forward-looking Statements**

*This press release contains forward-looking statements. More particularly, this press release contains statements concerning planned exploration and development activities, planned capital expenditures, the breakdown of planned capital expenditures by area, the development and growth potential of Manitok's properties and the anticipated increase in production from 3 producing wells in Cordel-Stolberg area due to producing through permanent facilities.*

*The forward-looking statements in this press release are based on certain key expectations and assumptions made by Manitok, including expectations and assumptions concerning the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the successful application of technology, prevailing weather conditions, commodity prices, royalty regimes and exchange rates and the availability of capital, labour and services.*

*Although Manitok believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Manitok can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), uncertainty as to the availability of labour and services, commodity price and exchange rate fluctuations, unexpected adverse weather conditions, general business, economic, competitive, political and social uncertainties, capital market conditions and market prices for securities and changes to existing laws and regulations. Certain of these risks are set out in more detail in Manitok's current Annual Information Form, which is available on Manitok's SEDAR profile at [www.sedar.com](http://www.sedar.com).*

*Forward-looking statements are based on estimates and opinions of management of Manitok at the time the statements are presented. Manitok may, as considered necessary in the circumstances, update or revise such forward-looking statements, whether as a result of new information, future events or otherwise, but Manitok undertakes no obligation to update or revise any forward-looking statements, except as required by applicable securities laws.*

## **Non-GAAP Financial Measures**

*This press release contains references to measures used in the oil and natural gas industry such as "funds from operations", "funds from operations netback", "funds from operations per share", "operating netback", "working capital deficit", and "net debt". These measures do not have standardized meanings prescribed by GAAP and therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used they should be given careful consideration by the reader. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations.*

*Funds from operations should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income as determined in accordance with GAAP, as an indicator of Manitok's performance or liquidity. Funds from operations is used by Manitok to evaluate*

*operating results and ManitoK's ability to generate cash flow to fund capital expenditures and repay indebtedness. Funds from operations denotes cash flow from operating activities as it appears on the Corporation's Statement of Cash Flows before decommissioning expenditures and changes in non-cash operating working capital. Funds from operations is also derived from net income (loss) plus non-cash items including deferred income tax expense, depletion and depreciation expense, exploration and evaluation expense, impairment expense, stock-based compensation expense, accretion expense, unrealized gains or losses on financial instruments and gains or losses on asset divestitures. Funds from operations netback is calculated on a per boe basis and funds from operations per share is calculated as funds from operations divided by the weighted average number of common shares outstanding. Operating netback denotes petroleum and natural gas revenue and realized gains or losses on financial instruments less royalty expenses, operating expenses and transportation and marketing expenses calculated on a per boe basis. Working capital deficit includes current assets less current liabilities excluding the current portion of the amount drawn on the credit facilities, the current portion of the fair value of financial instruments and the deferred premium on financial instruments. ManitoK uses net debt as a measure to assess its financial position. Net debt includes current assets less current liabilities excluding the current portion of the fair value of financial instruments and the deferred premium on financial instruments.*

### **Barrels of Oil Equivalent**

*The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated using a conversion ratio of six thousand cubic feet (6 mcf) of natural gas to one barrel (1 bbl) of crude oil. The boe conversion ratio of 6 mcf to 1 bbl 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.*

*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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