

# Strategic Oil & Gas Ltd. Announces Second Quarter 2014 Financial and Operating Results and Updated Reserves Report

15.08.2014 | [Marketwired](#)

## Achieves 40% Increase in Reserves Value

## Achieves \$41/boe Operating Netback at Marlowe

CALGARY, ALBERTA--(Marketwired - Aug 14, 2014) - Strategic Oil & Gas Ltd. ("Strategic" or the "Company") (TSX VENTURE:SOG) reports an updated independent reserves report dated July 1, 2014, showing significant growth in reserves volumes and value in the Company's Marlowe area, as well as financial and operating results for the three and six months ended June 30, 2014. Detailed results are presented in Strategic's interim condensed consolidated financial statements and related Management's Discussion and Analysis ("MD&A") which will be available through the Corporation's website at [www.sogoil.com](http://www.sogoil.com), on SEDAR at [www.sedar.com](http://www.sedar.com) and also at <http://media3.marketwire.com/docs/SOG2014FSMDA.pdf>.

### FINANCIAL AND OPERATIONAL SUMMARY

	Three Months Ended June 30			Six Months Ended June 30		
	2014	2013	% change	2014	2013	% change
Financial (\$thousands, except per share amounts)						
Oil and natural gas sales	23,723	23,770	-	45,483	41,657	9
Funds from operations <sup>(1)</sup>	3,541	8,672	(59 )	4,526	12,629	(64 )
Per share basic & diluted <sup>(1)</sup>	0.01	0.04	(75 )	0.01	0.06	(83 )
Cash provided by (used in) operating activities	(5,627 )	7,124	(179 )	4,476	9,962	(55 )
Per share basic & diluted	(0.02 )	(0.03 )	(33 )	0.01	0.05	(80 )
Net loss	(2,717 )	(2,336 )	16	(12,379 )	(5,709 )	117
Per share basic & diluted	(0.01 )	(0.01 )	-	(0.04 )	(0.02 )	100
Capital expenditures (excluding acquisitions)	13,540	14,782	(8 )	51,993	65,050	(20 )
Net acquisitions (dispositions)	(3,478 )	-	-	(3,821 )	10,098	(138 )
Bank debt	75,000	70,800	6	75,000	70,800	6
Net debt <sup>(1)</sup>	78,307	80,879	(3 )	78,307	80,879	(3 )
Operating						
Average daily production						
Crude oil (bbl per day)	2,294	2,768	(17 )	2,327	2,544	(9 )
Natural gas (mcf per day)	7,461	6,936	8	6,098	4,916	24
Barrels of oil equivalent (boe per day)	3,538	3,924	(10 )	3,343	3,364	(1 )
Average prices						
Oil & NGL, before risk management (\$ per bbl)	98.21	85.22	15	92.83	83.63	112
Oil & NGL, including risk management (\$ per bbl)	84.23	86.58	(3 )	81.74	84.49	(3 )
Natural gas (\$ per mcf)	4.75	3.65	30	5.05	3.54	43
Netback (\$ per boe) <sup>(1)</sup>						
Oil and natural gas sales	73.68	66.57	11	75.16	68.41	10
Royalties	(16.26 )	(13.46 )	21	(16.07 )	(14.74 )	9
Production expenses	(29.17 )	(24.15 )	21	(33.94 )	(26.48 )	28

Operating Netback	28.25	28.96	(2 )	25.15	27.19	(8 )
Common Shares (thousands)						
Common shares outstanding, end of period	361,001	210,404	72	361,001	210,404	72
Weighted average common shares (basic)	360,959	210,404	72	311,646	200,121	56
Weighted average common shares (diluted)	360,959	210,404	72	311,646	200,121	56

(1) Funds from operations, net debt and operating netback are non-IFRS measurements; see "Non-IFRS Measurements" in this MD&A.

## FINANCIAL & OPERATIONS SUMMARY

- Capital expenditures of \$13.5 million for the second quarter of 2014 were directed towards the sales oil pipeline, related infrastructure expansion, completion of the 10-24 Muskeg well which was drilled in the first quarter and the initiation of the Company's summer 2014 drilling program in June.
- Average daily production increased 12 percent to 3,538 boe/d for the three months ended June 30, 2014 from 3,147 boe/d for the first quarter of the year. The three Muskeg wells drilled during the first quarter achieved over 95 percent uptime and are performing at or above the Company's type curve. Sales volumes for the current period decreased by 10 percent from the second quarter of 2013 due to no new tie-in activity,, 9,000 barrels of oil production at Marlowe was used to fill the sales oil pipeline and the sale of 90 boe/d of non-operated production.
- Funds from operations increased to \$3.5 million (\$0.01 per share) in the current quarter from \$1.0 million (\$nil per share) for the first three months of 2014, due to higher production levels and a decrease of \$1.7 million in production costs. Included in the funds from operations for the current quarter was \$2.9 million (\$0.01 per share) of realized losses on risk management contracts related to the Company's oil sales hedging program.
- The Company realized a \$41.00/boe operating netback in the Marlowe core area in the current period as compared to \$27.99/boe in the first quarter of 2014, a 46% improvement due to a reduction of production costs at its core asset.
  - Achieved production costs of \$22/boe in the Marlowe core area in the current period as compared to \$38/boe in the first quarter of 2014, a reduction of 42%. Due to the fixed cost base of its operations, the Company will achieve further reductions in costs per boe during the second half of 2014 as more production is brought on. Strategic also expects further cost savings as the installation of sales oil pumps at the Marlowe 9-17 oil battery is completed in the third quarter of 2014, which will allow for increased volumes to flow through the newly constructed sales oil pipeline and further reduce trucking.
- The Company's operating netback increased to \$28.25/boe for the three months ended June 30, 2014 from \$21.61/boe for the first quarter of 2014 as a result of several factors:
  - A decrease in production costs by \$10.20/boe from the first quarter of 2014 mainly due to cost reduction initiatives focused on the Company's northern operations;
  - The effect of these cost decreases was partially offset by an increase in the Company's royalty rate to 22.4 percent from 20.6 percent in the first quarter of 2014, as no new wells with the 5% royalty were drilled during second quarter of 2014 and a decrease of \$3.14 in revenues per boe.
- Operating costs increased to \$1 million (\$3.10/boe) in the current quarter from the comparative period in 2013 due to costs incurred to repair the Bistcho facility and higher chemicals/fuel charges. Majority of the chemical/fuel expenses in the winter access area were incurred by the previous operator in 2013 prior to Strategic's acquisition of the asset.
- Strategic closed a disposition of non-core oil and gas assets in southern Alberta for proceeds of \$3.5 million. The sold assets consisted of approximately two sections of land and 90 boe/d of production (94% natural gas and associated liquids). The proceeds were allocated towards the Company's Muskeg stack development at Marlowe.
- The company has maintained its \$80 million credit facility with National Bank of Canada. The \$20 million acquisition/development facility has not been used to date in 2014 and has been removed from the credit facility, which will reduce bank fees going forward.

## RESERVES HIGHLIGHTS

- Strategic increased proved plus probable reserves by 32% to 16.0 MMboe (66% oil) after accounting for year to date production.
- The Company realized a 40% increase the net present value of proved and probable reserves, discounted at 10% to \$251 million as compared to year-end 2013.
- The net asset value per share calculated on a present value before tax of 10% ("PVBT10") increased to an estimated \$0.70 per share at June 30, 2014 inclusive of an internal land value of \$80 million.
- Total proved and probable, drilled and future locations increased to 43 which represent approximately 10% of the 400+ risked Muskeg locations at Marlowe.
- As a result of the strong performance of the 3 Muskeg wells drilled to date in 2014, average per well booking for proved and probable undeveloped reserves has increased by 30% to 250 MBOE from 190 MBOE at the end of 2013.

## Drilling Success Pushes Reserve Base Up 32%

The Company's oil, natural gas and natural gas liquids ("NGL") reserves were fully evaluated by McDaniel and Associates ("McDaniel") as at July 1, 2014, and are summarized below.

Gross Reserves <sup>(1)</sup>	Light and Medium Crude Oil (Mbbl)	Heavy Oil (Mbbl)	Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	Oil Equivalent (MBoe <sup>(2)</sup> )
Proved Producing	3,036	84	8,749	9	4,587
Proved Non-Producing	128	0	3,323	0	682
Proved Undeveloped	1,400	0	3,107	0	1,918
Total Proved	4,564	84	15,179	9	7,187
Total Probable	5,926	38	17,248	4	8,842
Total Proved and Probable	10,489	123	32,427	12	16,029

- (1) Gross Corporate reserves are the Company's total working interest share before the deduction of any royalties and without including any royalty interests of the Company. The July 1, 2014 reserves report has been prepared in accordance with the definitions, procedures and standards contained in the Canadian Oil and Gas Evaluation Handbook and NI 51-8208; 101-8208; Standards of Disclosure for Oil and Gas Activities.
- (2) The Company's aggregate proved and probable reserves are reported in barrels of oil equivalent (Boe). Boe may be misleading, particularly if used in isolation. A Boe conversion ratio for natural gas of 6 Mcf: 1 Boe has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead.

Proved and probable producing reserves represent 40 percent of total proved and probable reserves. Strategic's light and medium oil, natural gas and NGL reserves were evaluated by McDaniel using McDaniel's product price forecasts effective July 1, 2014 prior to provision for financial risk management contracts, income taxes, interest, debt service charges and general and administrative expenses. The following table summarizes the net present value from recognized reserves at July 1, 2014, assuming various discount rates, and incorporating future development costs and abandonment liabilities. **It should not be assumed that the discounted future net revenues estimated by McDaniel represent the fair market value of the Company's assets or future production from its assets.**

Summary of Before Tax Net Present Value of Future Net Revenue (Forecast Pricing) <sup>(1)</sup>

(\$ thousands)	Undiscounted	Discounted at		
		5%	10%	15%
Proved Producing	112,286	93,931	81,625	72,827
Proved Non-Producing	9,817	7,630	6,130	5,060
Proved Undeveloped	47,460	31,505	20,901	13,496
Total Proved	169,563	133,066	108,657	91,382
Total Probable	323,693	202,742	142,506	107,908
Total Proved and Probable	493,256	335,808	251,163	199,291

- (1) Tables may not add due to rounding. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Strategic's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

## OPERATIONS UPDATE

Strategic initiated its summer Muskeg drilling program on June 13, 2014, and has since drilled three wells and spud a fourth. Strategic made enhancements in the Muskeg well design that have proven successful in reducing drilling times and associated costs while boosting production rates. As a result of the efficiencies, the Company is well ahead of schedule and anticipates having five Muskeg wells drilled, completed and on stream by the end of the third quarter and intends to keep one rig active for the remainder of the year.

### Muskeg Production

The Muskeg 11-24 well was drilled and completed with a 13 stage frac and was the first well drilled on the western rim at Marlowe post break-up. Over the first 25 days the well has produced an oil equivalent rate of 487 boe/d (63% oil).

For comparison, the previous Muskeg 10-24 well was drilled and completed with a 15 stage frac prior to

spring break-up. Average production rates over the first 30 and 90 days were 560 and 420 boe/d, respectively. This well has produced 38,600 boe (60% oil) in three months and continues to outperform the Company's pre drill estimates.

### **Reduced Drilling Cost**

The Company has significantly decreased drilling days and other associated well costs. The average days to drill a horizontal Muskeg well post break-up has been 18 days, a decrease of 12 days from the wells drilled in the first quarter of 2014. The reduction in drilling days is a result of a shift change in the overall well plan that has been the first step in Strategic's continued focus on cost reductions. These reductions in drilling days have resulted in a cost savings of more than \$1.0 million per well from the average cost of the previously drilled wells.

### **GUIDANCE**

On January 17, 2014, Strategic provided annual guidance of 4,400-4,600 Boe/d of production (70% oil) and \$35-40 million in funds from operations. Strategic spent a significant portion of the capital program during the first half of 2014 on facility and pipeline projects. During the first half of 2014, the Company planned to drill seven wells however drilling was limited to three Muskeg wells in order to manage debt levels and as a result the production and funds from operations did not meet guidance. On June 17, 2014 Strategic provided an exit guidance of 4,000 Boe/d.

With the efficiency data drawn from its recent successful summer drilling program, Strategic is evaluating financing alternatives to capitalize on the positive momentum and accelerate development. The Company plans to drill up to 10 wells during the second half of the year. Strategic is encouraged by its recent success in the Muskeg program and is increasing its 2014 exit production guidance from 4,000 Boe/d to 4,600 Boe/d.

Strategic is planning a 20 well program for 2015 focused on further Muskeg development and 3 exploratory Keg River tests.

### **ABOUT STRATEGIC**

Strategic is a junior oil and gas company with a dominant land position of 500,000 acres in Canada. The company is committed to building a premier oil company through from its high-quality, concentrated reserve base, and constructing a company-operated integrated sales infrastructure to support the company's significant future growth. Strategic's common shares trade on the TSX Venture Exchange under the symbol SOG.

### **ADDITIONAL INFORMATION**

Additional information is also available at [www.sogoil.com](http://www.sogoil.com) and at [www.sedar.com](http://www.sedar.com).

### **Forward-Looking Statements**

This news release includes certain information, with management's assessment of Strategic's future plans and operations, and contains forward-looking statements which may include some or all of the following: (i) anticipated production rates; (ii) expected production and service costs and the impact of capital projects on production costs; (iii) expected capital spending; (iv) the Corporation's financial strength and capitalization; (v) estimates of reserves; (vi) potential financing and the use of proceeds; (vii) corporate production levels; (viii) wells to be drilled in 2014 and momentum from current drilling programs; (ix) timing for completion of drilling programs and resulting production additions; which are provided to allow investors to better understand the Corporation's business. By their nature, forward-looking statements are subject to numerous risks and uncertainties; some of which are beyond Strategic's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, changes in environmental tax and royalty legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market

volatility and ability to access sufficient capital from internal and external sources, and other risks and uncertainties described under the heading 'Risk Factors' and elsewhere in the Corporation's Annual Information Form for the year ended December 31, 2013 and other documents filed with Canadian provincial securities authorities and are available to the public at [www.sedar.com](http://www.sedar.com). Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The principal assumptions Strategic has made includes security of land interests; drilling cost stability; royalty rate stability; oil and gas prices to remain in their current range; finance and debt markets continuing to be receptive to financing the Corporation and industry standard rates of geologic and operational success. Actual results could differ materially from those expressed in, or implied by, these forward-looking statements. Strategic disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## Basis of Presentation

This discussion and analysis of Strategic's oil and natural gas production and related performance measures is presented on a working-interest, before royalties basis. For the purpose of calculating unit information, the Corporation's production and reserves are reported in barrels of oil equivalent (Boe) and Boe per day (Boed). Boe may be misleading, particularly if used in isolation. A Boe conversion ratio for natural gas of 6 Mcf: 1 Boe has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil 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.

## Non-IFRS Measurements

The Corporation utilizes certain measurements that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities, including net debt, operating netback and funds from operations. Readers are referred to advisories and further discussion on Non-IFRS measurements contained in the Corporation's MD&A.

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.

## Contact

Strategic Oil & Gas Ltd.  
Gurpreet Sawhney, MBA, MSc., PEng.  
President and CEO  
403.767.2949  
403.767.9122  
Strategic Oil & Gas Ltd.  
Aaron Thompson, CA  
CFO  
403.767.2952  
403.767.9122  
Strategic Oil & Gas Ltd.  
1100, 645 7th Avenue SW  
Calgary, AB  
T2P 4G8  
[www.sogoil.com](http://www.sogoil.com)

Dieser Artikel stammt von [Rohstoff-Welt.de](https://www.rohstoff-welt.de)

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/180236--Strategic-Oil-und-Gas-Ltd.-Announces-Second-Quarter-2014-Financial-and-Operating-Results-and-Updated-Reser>

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 -1999-2026. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).