

# Crown Point Announces Results for the Three and Six Months Ended June 30, 2014 and Provides Operational Update

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CALGARY, ALBERTA--(Marketwired - Aug 27, 2014) - [Crown Point Energy Inc.](#) ("**Crown Point**" or the "**Company**") (**TSX VENTURE:CWV**) today announces its operating and financial results for the three and six months ended June 30, 2014. Copies of the Company's unaudited condensed interim consolidated financial statements and related Management's Discussion and Analysis ("MD&A") are being filed with Canadian securities regulatory authorities and will be made available under the Company's profile at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.crownpointenergy.com](http://www.crownpointenergy.com). All dollar figures are expressed in United States dollars unless otherwise stated.

## FINANCIAL AND OPERATING HIGHLIGHTS

"During the first half of 2014, Crown Point focused on advancing initiatives designed to grow production and capture exploration upside from our core operating regions," said Murray McCartney, CEO of Crown Point Energy. "In the near-term, our core objectives include drilling additional wells in our 10-well development and exploration drilling program at Tierra del Fuego and completing and testing the La Hoyada x-1 exploration well at Cerro de Los Leones to assess its potential as a conventional Vaca Muerta discovery."

Highlights include:

- **Argentina New Gas Incentive Program Approval:** On August 9, 2014, Crown Point received formal notification of its inclusion in the New Gas Subsidy Program. The New Gas Program will remain in effect until the end of 2017.
- **Tierra del Fuego:** Three wells of the ten well Los Flamencos development drilling program have been cased as potential Springhill gas wells and the drilling of the fourth well in the program is progressing. The initial completion operations of the three cased wells are expected to commence at the end of August.
- **Fracture Stimulation Equipment:** The fracture stimulation equipment is on location in Tierra del Fuego and stimulation operations are expected to commence within a week.
- **Cerro de Los Leones:** The La Hoyada x-1 well was drilled as a potential conventional Vaca Muerta oil discovery to a total depth of 1,953 metres. In late June 2014, the Company suspended completion and evaluation operations on the La Hoyada x-1 well for the duration of the Argentine winter with plans to return to the well after winter and conduct additional testing.
- **El Valle:** On June 30, 2014, the Company completed the sale of its 50% interest in the El Valle Exploitation Concession for consideration of \$525,000, plus disposition adjustments, to its former joint interest partners in El Valle.

Results for the three and six months ended June 30, 2014 include:

- **Average Daily Sales Volumes:** 1,447 BOEPD and 1,509 BOEPD for the three and six months ended June 30, 2014, respectively, as compared to 1,800 BOEPD and 1,896 BOEPD for the three and six months ended June 30, 2013, respectively. This decrease was in part a result of the termination of NGL exports in mid-May 2013 in connection with the Company's decision to leave the majority of NGL production in the gas stream, the effect of staged compressor maintenance, disputes with El Valle working interest partners and natural declines in oil and gas production.
- **Operating Netback per BOE:** \$13.27 and \$13.75 for the three and six months ended June 30, 2014, respectively, as compared to \$13.11 and \$14.38 for the three and six months ended June 30, 2013, respectively. Total Company operating netbacks decreased in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 due mainly to a decrease in NGL and gas prices earned in the 2014 period which were partially offset by lower royalties and operating costs.

- **Funds Flow From Operations:** \$0.72 million and \$1.5 million for the three and six months ended June 30, 2014, respectively, compared to \$0.3 million and \$2.6 million for the three and six months ended June 30, 2013, respectively. The Company received and recognized \$0.36 million of proceeds from the sale of Petroleo Plus credits in the second quarter of 2014 as compared to \$1.2 million received and recognized in the first quarter of 2013.

### Operating Netbacks - Total Company

|                                     | Three months ended June 30 |          |              |          | Six months ended June 30 |          |              |          |
|-------------------------------------|----------------------------|----------|--------------|----------|--------------------------|----------|--------------|----------|
|                                     | 2014                       |          | 2013         |          | 2014                     |          | 2013         |          |
| Total sales volumes (BOE)           | 131,665                    |          | 163,799      |          | 273,095                  |          | 343,261      |          |
| Average daily sales volumes (BOEPD) | 1,447                      |          | 1,800        |          | 1,509                    |          | 1,896        |          |
|                                     |                            | Per      |              | Per      |                          | Per      |              | Per      |
|                                     |                            | BOE      |              | BOE      |                          | BOE      |              | BOE      |
| Total oil and gas revenue (\$)      | 3,930,200                  | 29.85    | 5,275,267    | 32.21    | 8,373,625                | 30.66    | 11,659,435   | 33.97    |
| Total royalties (\$)                | (686,182 )                 | (5.21 )  | (945,814 )   | (5.77 )  | (1,514,040 )             | (5.54 )  | (2,187,891 ) | (6.37 )  |
| Total operating costs (\$)          | (1,497,244 )               | (11.37 ) | (2,183,092 ) | (13.33 ) | (3,106,445 )             | (11.37 ) | (4,537,964 ) | (13.22 ) |
| Total operating netback (\$)        | 1,746,774                  | 13.27    | 2,146,361    | 13.11    | 3,753,140                | 13.75    | 4,933,580    | 14.38    |

## OPERATIONS

### CERRO DE LOS LEONES, NEUQUEN BASIN, ARGENTINA

The Company's 100% interest in the Cerro de Los Leones exploration concession covers approximately 306,646 acres in the Mendoza portion of the Neuquén Basin.

On February 12, 2014 the Company announced that it had drilled, logged, cased and rig released the La Hoyada x-1 exploration well as a potential Vaca Muerta oil discovery. The La Hoyada x-1 well was drilled to a total depth of 1,953 metres and encountered persistent oil shows and gas while drilling through the Vaca Muerta formation which consisted of 125 metres of shale and 84 metres of imbedded fractured igneous intrusives. Completion operations on the La Hoyada well commenced in late May and were suspended in late June for the duration of the Argentine winter with plans to return to the well after winter and conduct additional testing.

### TIERRA DEL FUEGO, ARGENTINA

The Company's 25.78% working interest in the Tierra del Fuego area of Argentina covers approximately 489,000 acres (126,000 net acres) in the Austral Basin and includes the Las Violetas, Angostura Sur and Rio Cullen exploitation concessions. The primary term of all three concessions expires in November 2026.

Crown Point's Tierra del Fuego Concessions are high quality natural gas weighted assets possessing the capability to deliver increased levels of production and reserves in an expected increasing natural gas price market.

To date, three wells of the ten well Los Flamencos development drilling program have been cased as potential Springhill gas wells and the drilling of the fourth well in the program is progressing. The initial completion operations of the three cased wells are expected to commence at the end of August. In addition, a fracture stimulation program is expected to commence within a week on four older producing wells in the Los Flamencos natural gas pool plus some or all of the newly cased wells. A similar program undertaken in 2010 significantly improved deliverability from five wells in the Los Flamencos pool.

Drilling operations during the Argentine winter have been impacted by a combination of cold weather with snow alternating with rain. This has created difficult conditions to move equipment, as a result operations have been slowed down or delayed. The following wells have either been drilled or are being drilled in the Las Flamencos natural gas pool:

- LF-1008 has been drilled to a final total depth of 2210 metres, logged and cased as a potential gas well after penetrating an 11 metre gross Springhill sand section. A 350 ton fracture stimulation is planned for the Springhill.
- LF-1027, located on the crest of the structure, was drilled to final total depth of 2242 metres. The well was logged and cased as a potential gas well with a 16 metre gross Springhill sand section. A 350 ton fracture stimulation is planned for the Springhill.
- LF-1024, a Gas Plus location, has been drilled to a total depth of 2200 metres, logged and cased as a potential gas well with a 13.5 metre gross Springhill sand section.
- LF-1028 is currently drilling after a two week delay due to difficult and muddy conditions caused by inclement weather.

## **EL VALLE, ARGENTINA**

The disposition of El Valle is part of an ongoing effort to focus human and capital resources on areas that Company believes will provide the greatest return for its shareholders and drive growth in the future. El Valle had experienced higher than predicted production declines and increasing costs of operation since the second quarter of 2013 which were increasingly damaging El Valle's financial performance. In addition, Crown Point was engaged in various disputes with its working interest partners at El Valle, some of which had become the subject of formal arbitration proceedings. As part of the disposition, all arbitration proceedings have been discontinued and the parties have released one another from all claims. As part of the disposition agreement the purchasers have assumed Crown Point's \$13 million of net future capital commitments in respect of its 50% interest in the El Valle Exploitation Concession.

## **OUTLOOK**

The Company's efforts over the next few quarters will be focused principally on two areas in Argentina: Tierra del Fuego for lower risk natural gas focused repeatable drilling and Cerro de Los Leones for completion and testing of the La Hoyada X-1 exploration well, the first in a potential high impact oil exploration program in the Neuquén basin.

Management expects that production additions from the drilling and fracture stimulation program in Tierra del Fuego will commence in September and, as a result, management expects to see rising production volumes and field sales receipts through to the end of the year. The new production and stronger natural gas prices coupled with the benefits of the \$7.50/Mcf New Gas Subsidy Program paid by the Argentine federal government on incremental production levels are expected to have a positive impact on Crown Point's operating results.

The balance of the 10 well program on the Las Violetas Exploitation Concession will consist of four more development wells in the Los Flamencos gas pool and two exploration wells, one on the Puesto Quince prospect and another near the southern San Luis natural gas pool. All of the drilling locations have been fully imaged with 3-D seismic.

The Puesto Quince prospect lies to the northeast of the Los Flamencos and Los Patos producing pools and is adjacent to the Rio Chico gas pool. The feature has a seismically mapped aerial extent of approximately 50 km<sup>2</sup>. The San Luis exploration prospect has been defined with 3-D seismic and is located on a separate fault block near the San Luis gas pool.

Oil price realizations in Argentina were temporarily impacted by the peso devaluation and economic conditions during the first quarter of 2014. In May, oil prices were negotiated to be greater than the price received prior to the peso devaluation of early 2014, or approximately \$9 per barrel greater than the price realized in the first quarter. The Company believes market conditions will continue to have a positive impact on oil and natural gas prices as there is not sufficient hydrocarbon production in Argentina to meet the demand for energy consumption in the country. The Company also expects to realize benefits from its approved participation in the New Gas Subsidy Program. This new hydrocarbon subsidy program provides an incentive for producers to effectively earn higher gas prices for increases in natural gas production above base production levels.

## **About Crown Point**

[Crown Point Energy Inc.](#) is an international oil and gas exploration and development company headquartered in Calgary, Canada, incorporated in Canada, trading on the TSX Venture Exchange and operating in South America. Crown Point's exploration and development activities are focused in the, Austral and Neuquén basins in Argentina. Crown Point has a strategy that focuses on establishing a portfolio of producing properties, plus production enhancement and exploration opportunities to provide a basis for future growth.

## **Advisory**

*Certain Oil and Gas Disclosures: Barrels of oil equivalent (BOE) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet (6 Mcf) to one barrel (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. In addition, given that the value ratio based on the current price of crude oil in Argentina as compared to the current price of natural gas in Argentina 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. "BOEPD" means barrels of oil equivalent per day. "Mcf" means thousand cubic feet. "Mbbls" means thousands of barrels.*

*Non-IFRS Measures: This press release discloses "funds flow from operations" and "operating netbacks", which do not have standardized meanings under International Financial Reporting Standards ("IFRS") and as such may not be comparable with the calculation of similar measures used by other entities. Funds flow from operations should not be considered an alternative to or more meaningful than, cash flow from operating activities as determined in accordance with IFRS as an indicator of the Company's performance. Management uses funds flow from operations to analyze operating performance and considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investment. A reconciliation of funds flow from operations to cash flow from operating activities is presented in the MD&A under "Non-IFRS Measures". Operating netbacks are calculated on a per unit basis as oil, natural gas and natural gas liquids revenues less royalties, transportation and operating costs. Management believes this measure is a useful supplemental measures of the Company's profitability relative to commodity prices. See "Operating Netbacks - Total Company".*

*Forward looking information: Certain information set forth in this document, including Crown Point's core objectives of drilling additional wells in our 10-well development and exploration drilling program at Tierra del Fuego and completing and testing the La Hoyada x-1 exploration well at Cerro de Los Leones to assess its potential as a conventional Vaca Muerta discovery; the expectation that the initial completion operations of the three cased wells at Tierra del Fuego are expected to commence at the end of August; the Company's intent to return to the La Hoyada x-1 well after the Argentine winter to conduct additional testing; the Company's belief that the sale of its interests in El Valle will help focus human and capital resources on areas that will provide the greatest return for its shareholders and drive growth in the future; the Company's intent to focus its efforts over the next few quarters principally on two areas in Argentina: Tierra del Fuego and Cerro de Los Leones; the expectation that Tierra del Fuego provides lower risk natural gas focused repeatable drilling and Cerro de Los Leones provides potential for a high impact oil exploration program in the Neuquén basin; expected details and timing of the Company's current drilling and fracture stimulation program in Tierra del Fuego; Management's expectation that production additions from the drilling and fracture stimulation program in Tierra del Fuego will commence in September and management's resultant expectation that the Company will see rising production volumes and field sales receipts through to the end of the year; the expectation that the drilling and fracture stimulation production and stronger natural gas prices coupled with the benefits of the \$7.50/Mcf New Gas Subsidy Program paid by the Argentine federal government on incremental production levels will have a positive impact on Crown Point's operating results; and the Company's belief that market conditions in Argentina will continue to have a positive impact on oil and natural gas prices as there is not sufficient hydrocarbon production in Argentina to meet the demand for energy consumption in the country; is considered forward-looking information, and necessarily involve risks and uncertainties, certain of which are beyond Crown Point's control. Such risks include but are not limited to:*

*risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation; risks associated with operating in Argentina, including risks of changing government regulations (including the adoption of, amendments to, or the cancellation of government incentive programs or other laws and regulations relating to commodity prices, taxation, currency controls and export restrictions, in each case that may adversely impact Crown Point), expropriation/nationalization of assets, price controls on commodity prices, inability to enforce contracts in certain circumstances, the potential for a sovereign debt default or a hyperinflationary economic environment, and other economic and political risks; risks that third party operators will not operate in projects where Crown Point has an interest in a safe, efficient and*

effective manner; risks that third parties will not satisfy their contractual obligations; loss of markets and other economic and industry conditions; volatility of commodity prices; currency fluctuations; imprecision of reserve estimates; environmental risks; competition from other producers; inability to retain drilling services; incorrect assessment of value of acquisitions and failure to realize the benefits therefrom; delays resulting from or inability to obtain required regulatory approvals; the lack of availability of qualified personnel or management; stock market volatility and ability to access sufficient capital from internal and external sources; and economic or industry condition changes. Actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that Crown Point will derive therefrom. With respect to forward-looking information contained herein, the Company has made assumptions regarding: the impact of increasing competition; the general stability of the economic and political environment in Argentina; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the costs of obtaining equipment and personnel to complete the Company's capital expenditure program; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms when and if needed; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration activities; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, commodity price controls, import/export matters, taxes and environmental matters in Argentina; and the ability of the Company to successfully market its oil and natural gas products. Additional information on these and other factors that could affect Crown Point are included in reports on file with Canadian securities regulatory authorities, including under the heading "Risk Factors" in the Company's annual information form, and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). Furthermore, the forward-looking information contained in this document are made as of the date of this document, and Crown Point does not undertake any obligation to update publicly or to revise any of the included forward looking information, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities law.

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