

Artek Exploration Ltd. Announces Third Quarter 2014 Financial Results

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CALGARY, ALBERTA -- (Marketwired - Nov 12, 2014) - [Artek Exploration Ltd.](#) (TSX:RTK) of Calgary, Alberta ("Artek" or the "Company") is pleased to provide this summary of its financial and operating results for the three and nine months ended September 30, 2014. A complete copy of the Company's comparative financial statements for the three and nine months ended September 30, 2014, along with management's discussion and analysis in respect thereof will be filed on SEDAR and on the Company's website at www.artekexploration.com.

HIGHLIGHTS

	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	Change	2014	2013	Change
<i>(000s, except per share amounts)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
Financial						
Petroleum and natural gas						
revenues	16,798	14,568	15	54,944	42,765	28
Funds flow from operations ⁽¹⁾	6,940	5,876	18	23,590	19,417	21
Per share - basic	0.09	0.09	--	0.33	0.33	--
- diluted	0.09	0.09	--	0.32	0.32	--
Cash from operating activities	6,454	3,934	64	24,945	16,930	47
Net earnings	1,636	283	478	4,866	3,411	43
Per share - basic	0.02	0.00	--	0.07	0.06	17
- diluted	0.02	0.00	--	0.07	0.06	17
Net capital expenditures	23,475	38,349	(39)	68,930	76,753	(10)
Net debt ⁽²⁾	71,531	68,918	4	71,531	68,918	4
Shareholders' equity	215,808	155,458	39	215,808	155,458	39
<i>(000s)</i>	<i>(#)</i>	<i>(#)</i>	<i>(%)</i>	<i>(#)</i>	<i>(#)</i>	<i>(%)</i>
Share Data						
At period-end						
Basic	77,839	62,700	24	77,839	62,700	24
Options	5,483	4,818	14	5,483	4,818	14
Weighted average						
Basic	77,836	62,620	24	71,848	58,945	22
Diluted	79,237	64,355	23	73,420	60,608	21
			<i>(%)</i>			<i>(%)</i>
Operating						
Production						
Natural gas <i>(mcf/d)</i>	14,405	15,248	(6)	14,845	13,255	12
Crude oil <i>(bbls/d)</i>	1,044	982	6	994	1,045	(5)
NGLs <i>(bbls/d)</i>	503	360	40	486	333	46
Total <i>(boe/d)</i> ⁽³⁾	3,948	3,884	2	3,954	3,587	10
Average wellhead prices ⁽⁴⁾						
Natural gas <i>(\$/mcf)</i>	4.31	3.33	29	5.03	3.58	41
Crude oil <i>(\$/bbl)</i>	85.45	87.75	(3)	89.28	86.71	3
NGLs <i>(\$/bbl)</i>	51.56	50.61	2	61.13	50.74	20
Total <i>(\$/boe)</i> ⁽⁵⁾	45.14	39.93	13	49.00	43.34	13
Royalties <i>(\$/boe)</i>	(6.90)	(7.80)	(12)	(8.25)	(8.03)	3
Operating cost <i>(\$/boe)</i>	(13.15)	(10.68)	23	(12.80)	(10.30)	24
Transportation cost <i>(\$/boe)</i>	(2.25)	(1.89)	19	(2.20)	(1.92)	15
Operating netback <i>(\$/boe)</i> ⁽⁶⁾	22.84	19.56	17	25.74	23.10	11
General and administrative expense <i>(\$/boe)</i>	(2.46)	(2.30)	7	(2.45)	(2.49)	(2)
Interest expense <i>(\$/boe)</i>	(1.27)	(0.81)	57	(1.44)	(0.78)	85
Funds flow netback <i>(\$/boe)</i> ⁽⁷⁾	19.11	16.44	16	21.85	19.83	10
Drilling activity - gross (net)						

Development (#)	1 (0.5)	3 (2.2)	8 (5.0)	9 (5.2)
Exploration (#)	2 (1.2)	1 (0.6)	3 (1.8)	4 (2.8)
Total (#)	3 (1.7)	4 (2.8)	11 (6.8)	13 (8.0)
Average working interest (%)	57	70	62	62

- (1) *Funds flow from operations is calculated using cash from operating activities, as presented in the statement of cash flows, before changes in non-cash working capital and settlement of decommissioning costs. Funds flow from operations is used to analyze the Company's operating performance and leverage. Funds flow from operations does not have a standardized measure prescribed by International Financial Reporting Standards ("IFRS"), and therefore, may not be comparable with the calculations of similar measures for other companies.*
- (2) *Current assets less current liabilities, excluding fair value of derivative instruments.*
- (3) *For a description of the boe conversion ratio, refer to the advisories contained herein.*
- (4) *Product prices include realized gains/losses from financial derivative instruments.*
- (5) *Oil equivalent price includes minor sulphur sales revenue.*
- (6) *Operating netback equals petroleum and natural gas revenues plus realized gains or losses on financial derivatives less royalties, transportation and operating costs calculated on a per boe basis. Operating netback does not have a standardized measure prescribed by IFRS, and therefore, may not be comparable with the calculations of similar measures for other companies.*
- (7) *Funds flow netback equals petroleum and natural gas revenues plus realized gains or losses on financial derivatives less royalties, transportation, operating costs, general and administrative expenses and interest calculated on a per boe basis. Funds flow netback does not have a standardized measure prescribed by IFRS, and therefore, may not be comparable with the calculations of similar measures for other companies.*

Third Quarter Financial and Operating Highlights

- Increased average production to 3,948 boe/d, up 5% from the second quarter of 2014 and 2% from the third quarter of 2013.
- Improved crude oil and liquids volumes 15% to 1,547 bbls/d (of which 67% was oil and condensate) compared to the same period last year.
- Increased funds flow from operations to \$6.9 million, up 18% from the third quarter of 2013.
- Increased net earnings 478% to \$1.6 million versus the same period a year ago.
- Invested \$23.5 million in net capital expenditures, which included the drilling of 3 (1.7 net) wells at Inga, British Columbia.
- The Company previously released its best ever well test rates on its Montney and Doig plays in the Inga area at 1,477 boe/d gross (59% free liquids) and 2,061 boe/d gross (77% free liquids), respectively, during the quarter through the increasingly effective use of slickwater frac technology.

Financial Summary

The Company invested \$23.5 million in capital expenditures during the third quarter of 2014, including the drilling of 3 (1.7 net) wells at Inga. Third quarter capital investment included \$1.3 million on undeveloped land acquisitions and \$1.4 million on facilities. The Company sold some non-core oil and gas assets consisting of approximately 20 boe/d of production in the Gordondale, Alberta area for cash proceeds of approximately \$598,000.

During the period, funds flow from operations increased 18% to \$6.9 million and net earnings rose 478% to \$1.6 million. The Company's operating netback and funds flow netback from operations were \$22.84/boe and \$19.11/boe, respectively, in the third quarter. Artek's natural gas prices for the quarter rose 29% to \$4.31/mcf compared to the same period in 2013. In the 2014 three-month period, operating costs increased to \$13.15/boe from \$10.68/boe last year because of high third party water disposal costs associated with its Mulligan property and third party load fluid disposal at its Inga property. Artek has successfully installed water disposal facilities at Mulligan and will have its own water disposal facilities operational at Inga/Fireweed by December, and as a result, corporate operating costs are expected to decrease in the fourth quarter to under \$12.00/boe and under \$11.00/boe in 2015.

Artek has the following commodity contracts for the remainder of 2014: natural gas production swaps on 10,000 mmbtu/d from April to October 2014 at an average fixed price of \$3.64/GJ, 400 bbls/d of crude oil production at an average price of CDN\$100.75/bbl WTI to the end 2014 and the AECO basis on 2,000 mmbtu/d of natural gas has been fixed at 12.85% of Henry Hub for 2014.

Operations Review

Artek's average production for the three months ended September 30, 2014 was 3,948 boe/d (39% liquids), up 5% from the second quarter. The Company has had two drilling rigs running since the start of the third quarter and has brought three new wells on production during the quarter and anticipates regaining operational momentum in the fourth quarter. October average production was approximately 4,530 boe/d

based on field estimates with approximately 300 to 400 boe/d restricted or backed out due to pipeline bottlenecks that the Company should have largely mitigated by the end of November. Artek's 4-33-87-23W6M Doig well (60% working interest) at Inga, which was slickwater fraced and brought on-stream in the middle of the third quarter, has averaged 1,305 boe/d (468 bbls/d of free liquids) during the first 60 days of production, thereby making it one of the Company's strongest results to date. At Fireweed, the Company's A-65-I Montney well (50% working interest) has averaged 704 boe/d (58% free liquids or 411 bbls/d) during the first 60 days of production and has realized cumulative production of over 42,000 boe, and as a result, continues to support its ranking as one of the top producing Montney wells drilled in British Columbia to date. The Company has compiled approximately 93,517 gross acres of land or 146 (86 net) sections of contiguous land in the area around Artek's operated infrastructure and where several land acquisition transactions over the past year have ranged between \$3.0 million to \$4.2 million per section of undeveloped land. In addition, Artek's most recently completed Doig horizontal well at 11-16-87-23W6M (60% working interest), which was fraced with slickwater, and despite some facility restrictions, has averaged approximately 933 boe/d over 27 days of which approximately 72% or 675 bbl/d was condensate ranking it as one of the highest liquids rates achieved by the Company on the play. Production history is supporting Artek's belief that slickwater fracing technology is significantly improving the economics of both its Doig and Montney plays in the Inga area. Drill and complete cost targets going forward are in the \$7.2 million to \$7.5 million range with potential to be in the \$6.7 million to \$7.0 million range now that its own water source wells are up and running, with greater benefit from pad drilling going forward, and once the Company's water disposal facilities are fully operational by the end of November, 2014.

Outlook

Artek is currently completing two Inga Doig wells (60% W.I.) back-to-back with slickwater as well as drilling a Montney well (50% working interest) and a Doig well (50% working interest) in the Fireweed area. Artek expects to have all four remaining wells on-stream by year-end and meeting its exit guidance of 5,500 to 5,600 boe/d (40% liquids). Average production for 2014 is forecast to be approximately 4,200 to 4,250 boe/d (39% liquids).

The Company is currently marketing approximately 700 boe/d of non-core production for disposition, that if completed would allow Artek to focus greater effort on the more significant growth potential of its core producing properties at Inga and Fireweed.

ADVISORIES

Forward Looking Statements: This press release contains forward-looking statements. Management's assessment of future plans and operations and the timing thereof, the Company's 2014 capital expenditure plans including the number and locations of wells to be drilled, future results from operations, anticipated production efficiency improvements, commodity mix, initial production rates, expectations to improve drill and completion costs, financial capacity to carry out its planned 2014 capital program, forecasted 2014 average and exit production may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, the Company's actual results may differ materially from those expressed in, or implied by, the forward looking statements. Forward looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although Artek believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward looking statements because the Company can give no assurance that such expectations will prove to be correct.

In addition to other factors and assumptions which may be identified in this document and other documents filed by the Company, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Artek operates; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; 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; Artek's ability to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion; 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, taxes and environmental matters in the jurisdictions in which the Company operates; and Artek's ability to successfully

market its oil and natural gas products. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or at the Company's website (www.artekexploration.com). Furthermore, the forward looking statements contained in this document are made as at the date of this document and the Company does not undertake any obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

BOE Conversions: Barrel of oil equivalent ("BOE") amounts may be misleading, particularly if used in isolation. A BOE conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel. This conversion ratio of six thousand cubic feet of natural gas to one barrel is based on an energy equivalent 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 ratio on a 6:1 basis may be misleading as an indication of value.

Test results and initial production rates: complete details of the test results disclosed herein under the heading "Third quarter Financial and Operating Highlights" were previously disclosed in the Company's September 9, 2014 and October 16, 2014 press releases and are incorporated herein by reference; the pressure transient analysis or well test interpretation has not been carried out and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed. Test results and initial production rates disclosed herein may not necessarily be indicative of long-term performance or of ultimate recovery.

Artek is a crude oil and natural gas exploration, development and production company headquartered in Calgary, Alberta, Canada. Artek's shares trade on the TSX under the symbol "RTK".

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