

# Cub Energy Inc.: M-22 Well Finds Gas in Multiple Zones and Ukraine Parliament Passes New Legislation on Royalty Rates

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HOUSTON, TEXAS--(Marketwired - Jan 7, 2015) - [Cub Energy Inc.](#) ("**Cub**" or the "**Company**") (TSX **VENTURE:KUB**) announces the Makeevskoye-22 ("M-22") exploration well has reached its total depth of 3,629 metres, and has encountered gas in six zones. Two of those zones appear to be net pay, with the other four having resource potential. Casing has been run and cemented, and the operator, KUB-Gas LLC ("KUB-Gas"), is now preparing to complete, test and tie-in the well. Cub has a 30% ownership interest in KUB-Gas through its 30% shareholding of KUBGAS Holdings Limited. Also, Ukraine's Parliament recently passed new legislation, which includes amendments to the Tax Code of Ukraine concerning gas royalties. More specifically, the amendments include a permanent royalty rate of 55% (which has been in effect since August 1, 2014, as a temporary measure), and are silent on the discounted royalty rate for newly drilled wells.

## M-22 Log Results

M-22 was spud on October 1, 2014, and is located on the southwest side of the major fault that runs through the Makeevskoye and Olgovskoye licences. The table below shows the breakdown of the log results for the six prospective zones:

M-22 Log Results Summary

	Net Pay (metres)	Average Porosity (%)
S6	12.0	9
S13a	6.0	10
	Net Thickness (metres)	Average Porosity (%)
S5	4.0	6
S7	3.5	6
S13	8.5	8.5
S13b	6.0	8.5

The S6 and S13a zones appear to be the most promising. The S6 is commercially productive in the nearby M-16, M-17 and O-15 wells. The S-13a has the best log calculated porosity of the six zones and had gas shows during drilling, but it remains untested within KUB-Gas's licences. The well is being cased to total depth, and test programs for both zones are being planned.

The S5, S7, S13 and S13b zones have resource potential. All appear tighter than the S6 and S13a. The S13 and S13b zones have underlying water legs, which will require additional study and analysis to verify their production potential.

In addition to potential production and reserves increases (pending successful testing), the M-22 well has two significant impacts on the exploration and development program in the Makeevskoye and Olgovskoye licences:

- It validates gas potential on the southwest side of the major bounding fault that runs through the area. KUB-Gas has identified two new development locations, and will look for additional exploration targets after incorporating the M-22 results into its geological model.
- Pending a successful test, the S13a is a new productive zone, the deepest in which commercial gas has been discovered, which could expand the prospect inventory across both licences.

Once testing is completed in early February, the Company anticipates that the well will be tied in within a few weeks as several flowlines were pre-built in late 2014 in advance of the drilling program. The final tie-in will be subject to the usual regulatory approvals from the Ukrainian authorities.

### **Ukraine Parliament Continues Gas Royalty Rate at 55%**

Ukraine's Parliament recently passed amendments to the Tax Code of Ukraine and, among other changes, permanently set the natural gas royalty rate at 55% for production at or above depth of 5,000 metres. Wells producing at depths more than 5,000 metres are subject to a 28% royalty rate. This royalty rate was first introduced as a temporary, emergency measure effective August 1, 2014, and was said to expire at the end of 2014. However, the recent Tax Code amendments made these rates permanent, effective January 1, 2015. Presumably, the discounted coefficient 55% royalty rate (effectively 30.25%) for new wells has been eliminated because the amended law does not address it. The Company will be seeking clarification on this and other aspects of the administration of the new amendments on an expedited basis.

Mikhail Afendikov, Chairman and CEO of Cub said: *"We are united with other private producers in Ukraine, as well as the American Chamber of Commerce, the European Business Council and other international business leaders to persuade Ukraine's Parliament to reverse its actions. In the meantime, we are preserving our capital options given that this recent legislation will continue to result in lower netbacks and cashflow."*

### **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.

For further information please contact us or visit our website: [www.cubenergyinc.com](http://www.cubenergyinc.com)

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*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 Ukraine, the Black Sea Region and globally; political unrest and security concerns in Ukraine; 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 realise 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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