

# Artek Exploration Ltd. Provides Operations Update

17.01.2015 | [Marketwired](#)

CALGARY, ALBERTA -- (Marketwired - Jan 16, 2015) - [Artek Exploration Ltd.](#) (TSX:RTK) ("Artek" or the "Company") is pleased to provide the following operational update.

In the Inga/Fireweed area, during the final two months of 2014, the Company drilled and completed two horizontal Doig wells and one Montney well. The Doig horizontal well at 5-28-87-23W6M was completed using a 22 stage slickwater frac and has been on production for approximately 7 weeks. The well produced at an average controlled rate of 1,959 boe/d of which 1,319 bbl/d was free condensate and 73% was total liquids over the first 30 days of production and was still flowing at 1,410 PSI at the end of the period. The second Doig at 5-27-87-23W6M well was completed using a 29 stage slickwater frac and averaged a controlled rate of 1,280 boe/d during the first 30 days of production of which approximately 930 bbl/d was free condensate and 77% was total liquids, and was still flowing at 859 PSI at the end of the period. These well results rank as some of the best initial 30 day production rates on the Company's Doig play, particularly with respect to the liquids rates being realized, and are a result of progressively improving slickwater fracing methodology. In addition, the Company drilled and completed a Montney horizontal well at A-6-A/94-A-13. The well was completed using a 36 stage slickwater frac in December and after a 166 hour production test period was flowing at an average rate of 4.0 mmcf/d and 1,005 bbl/d of condensate or 1,675 boe/d at a flowing pressure of 826 PSI over the last 24 hours of the test. The well has been on production for 30 days and averaged a controlled rate of 1,147 boe/d over that period of which approximately 696 bbl/d was free condensate and total liquids was 798 bbl/d or 70% and the well was still flowing at 425 PSI at the end of the 30 day period. This Montney horizontal well result represents one of the best 30 day production rates realized in British Columbia particularly with respect to the liquids rates from the Montney or any other formation. It represents a considerable improvement over Artek's third quarter Montney horizontal at A-65-I/94-A-12, which ranked in the top 2 wells in British Columbia during the first three quarters of 2014 on oil or condensate rate based on public data, averaging approximately 903 boe/d over the first 30 days of which 513 bbl/d or 55% was free condensate and 67% was total liquids. The Company is very pleased with these initial production results which support the Company's significant investment over the past two years in 99,790 (57,923 net) acres or 156 (90 net) sections of Montney rights that it operates in the greater Inga/Fireweed area. Industry is currently developing the Montney play at anywhere from 4 to 8 wells per section.

As previously released the Company divested of approximately 400 boe/d (23% liquids) of non-core production and approximately 1.8 million boe of proved reserves and undeveloped land in Alberta for \$21.85 million in December of 2014. In addition, in late December, Artek completed an acquisition of certain strategic assets immediately contiguous to its core area at Fireweed/Inga for approximately \$10.6 million net (the "Acquisition"). The assets were acquired with its partner [Kelt Exploration Ltd.](#) at a 50% working interest. Artek is the operator.

Core area Acquisition summary for Artek's 50% share:

- Production of approximately 450 boe per day (33% liquids) based on field estimates;
- Total proved reserves of 930,000 boe (1);
- Total proved plus probable reserves of 2.2 million boe (47% liquids) with total future development capital of \$16.9 million (1)
- 4 compression facilities or 8,000 hp of compression, 279 km of pipeline, and an oil battery/terminal
- over 56,000 gross acres of land including 2,275 gross acres of Montney rights
- internal estimates of an additional 15 gross drilling locations

1. Reflects "gross" reserves based upon the Company's internal reserve evaluation effective December 31, 2014 and using independent reserves evaluator, Sproule Associates Limited January, 2015 pricing assumptions and in accordance with the definitions and provisions contained in the COGE Handbook.

The Acquisition represents a strategic compliment to the Company's core producing assets at Inga. In addition to the low decline liquids rich natural gas production and drilling upside, the assets come with

significant infrastructure. Artek believes that, in the short term, operating costs on existing Inga production could potentially be reduced by as much as \$2 million per year (or approximately \$1.10 /boe) with long term potential for up to \$4 million to \$5 million per year due to reduced transportation costs for natural gas and liquids and as more volumes are redirected through the infrastructure. In addition, the infrastructure allows for significant natural gas volumes to flow into a medium cut third party facility at Stoddart which is expected to result in greater liquids yield from its liquids rich natural gas and incremental liquids volumes to be processed through its own terminal which will result in higher liquids netbacks than previously realized. The December acquisition and divestiture activity on a net basis was slightly positive on cash flow, grew production on natural gas and liquids, will reduce operating costs on existing production, secured facilities and pipe that will reduce future capital requirements, increased infrastructure and land footprint in its core area and resulted in balance sheet improvement of approximately \$10 million.

The Company anticipates averaging approximately 4,200 boe/d (39% oil and natural gas liquids) in 2014 consistent with prior guidance. With its last three wells voluntarily restricted, production volumes for December based on field estimates averaged approximately 5,655 boe/d of which in excess of 2,600 boe/d or 46% were oil and natural gas liquids, exceeding the Company's prior released exit guidance with a significantly higher percentage of total liquids. Exit net debt at year end 2014 was approximately \$79 million. With the performance of its last several wells, particularly on the liquids side, which are currently being choked back, the Company believes it has the ability, and that it is prudent to minimize first half capital spending given the near term outlook for commodity prices. Currently, the Company is drilling one Montney horizontal well at Inga that it anticipates slickwater fracing with 32 to 36 stages. Management believes it can grow production year over year with a fairly minimal capital program but will continue to monitor commodity prices on a daily basis and will provide more detail with respect to future capital spending options during 2015 in the next several weeks.

## **ADVISORIES**

*Forward-Looking Statements: This press release contains forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends", "forecast" and similar expressions are intended to identify forward-looking information or statements. In particular, without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: Management's assessment of future plans and operations and the timing thereof, future results from operations, commodity mix, initial test and production rates, productive capacity of new wells, anticipated cost and netback improvements at Inga/Fireweed, the potential of the Company's Montney Lands at Inga and Fireweed, 2014 average and exit production guidance, year-end net debt estimates, expectations regarding 2015 capital spending and first quarter plans, and financial capacity to carry out its planned capital program 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, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, the inability to fully realize the benefits of the acquisitions, 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](http://www.sedar.com)) or at the Company's website ([www.artekexploration.com](http://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: 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 Toronto Stock Exchange under the symbol "RTK".

The Toronto Stock Exchange has neither approved nor disapproved of the information contained herein.

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/190131--Artek-Exploration-Ltd.-Provides-Operations-Update.html>

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