

Artek Announces Year End 2014 Financial and Operating Results

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CALGARY, ALBERTA -- (Marketwired - Mar 18, 2015) - [Artek Exploration Ltd.](#) ("Artek" or the "Company") (TSX:RTK) is pleased to provide this summary of its financial and operating results for the three months and year ended December 31, 2014. A complete copy of the Company's audited comparative financial statements for the years ended December 31, 2014 and 2013, along with management's discussion and analysis in respect thereof will be filed on SEDAR at www.sedar.com and on the Company's website at www.artekexploration.com.

	Three Months Ended December 31,		Years Ended December 31,	
	2014	2013	2014	2013
<i>(000s, except per share amounts)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Financial				
Oil and gas revenues	16,939	14,913	71,883	57,678
Funds flow from operations ⁽¹⁾	6,570	6,422	30,160	25,839
Per share - basic	0.08	0.10	0.41	0.43
- diluted	0.08	0.10	0.40	0.42
Cash from operating activities	4,791	10,389	29,736	27,318
Net earnings (loss)	(39,752)	(140)	(34,843)	3,271
Per share - basic	(0.51)	0.00	(0.47)	0.05
- diluted	(0.51)	0.00	(0.47)	0.05
Capital expenditures	37,941	21,995	107,471	98,748
Property dispositions	21,909	-	22,507	-
Net debt (at period end) ⁽²⁾	(80,967)	(68,451)	(80,967)	(68,451)
Shareholders' equity	176,703	169,000	176,703	169,000
<i>(000s)</i>	<i>(#)</i>	<i>(#)</i>	<i>(#)</i>	<i>(#)</i>
Share Data				
At period-end				
Basic	77,851	66,942	77,851	66,942
Options	5,780	4,868	5,780	4,868
Weighted average				
Basic	77,851	64,129	73,361	60,252
Diluted	78,558	65,945	74,813	62,013
Operating				
Production				
Natural gas (mcf/d)	16,569	15,972	15,279	13,940
Crude oil (bbls/d)	1,640	884	1,157	1,004
NGLs (bbls/d)	540	480	499	370
Total (boe/d) ⁽³⁾	4,942	4,025	4,203	3,697
Average wellhead prices ⁽⁴⁾				
Natural gas (\$/mcf)	3.70	4.10	4.66	3.73
Crude oil (\$/bbl)	68.23	79.41	81.76	85.09
NGLs (\$/bbl)	33.43	54.37	53.58	51.93
Total (\$/boe) ⁽⁵⁾	38.86	40.10	45.99	42.45
Royalties (\$/boe)	(5.25)	(6.15)	(7.36)	(7.52)
Operating cost (\$/boe)	(11.86)	(11.35)	(12.52)	(10.59)
Transportation cost (\$/boe)	(4.32)	(2.13)	(2.83)	(1.97)
Operating netback (\$/boe) ⁽⁶⁾	17.43	20.47	23.28	22.38
General and administrative cost (\$/boe)	(1.92)	(2.02)	(2.29)	(2.36)
Interest cost (\$/boe)	(1.06)	(1.11)	(1.33)	(0.87)
Funds flow netback (\$/boe) ⁽⁷⁾	14.45	17.34	19.66	19.15
Wells drilled - gross (net)				
Development	2 (1.0)	1 (0.6)	10 (6.0)	10 (5.8)
Exploration	1 (0.6)	2 (1.2)	4 (2.4)	6 (4.0)
Abandoned	-	-	-	-

Total	3 (1.6)	3 (1.8)	14 (8.4)	16 (9.8)
Undeveloped land				
Gross (acres)			414,886	236,315
Net (acres)			262,254	164,698

(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 or losses from financial derivative contracts.

(5) Oil equivalent price includes minor sulphur sales revenue.

(6) Operating netback equals petroleum and natural gas revenues including realized hedging gains and losses on financial derivative instruments less royalties, operating costs and transportation costs calculated on a 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.

2014 FINANCIAL AND OPERATING HIGHLIGHTS

- Increased annual average production to 4,203 boe/d (39% liquids), a gain of 14% over 2013. Fourth quarter production rose to a new three-month high of 4,942 boe/d (44% liquids) and was up 23% from the same period last year.
- December 2014 exit production was 5,655 boe/d, of which over 2,600 bbls/d or 46% was crude oil and NGLs.
- Increased proved plus probable reserves 9% to 46.4 mmbbls, highlighted by a 12% gain in proved reserves to 24.0 mmbbls and a 31% increase in proved developed producing reserves to 6.6 mmbbls.
- Replaced 2014 production of 1,534 mboe by 2.7 times and 3.5 times with proved and proved plus probable reserves additions, respectively.
- Invested \$107.5 million in capital expenditures in 2014, including \$10.6 million on the Stoddart asset acquisition in our core operating area of northeast British Columbia, \$21.3 million on facilities and undeveloped land, and \$75.6 million on drilling and completion activities, resulting in the successful drilling of 14 (8.4 net) wells.
- Divested of approximately 420 boe/d (23% liquids) of non-core production for \$22.6 million.
- Achieved all-in finding, development and acquisition ("FD&A") costs, including future development costs ("FDC"), of \$11.35/boe on proved plus probable reserves and \$17.02/boe on proved reserves. Finding and development costs were \$13.02/boe on a proved plus probable basis, including FDC but excluding acquisitions and dispositions
- Achieved a recycle ratio of 2.0 times based on proved plus probable FD&A of \$11.35/boe and Artek's 2014 operating netback of \$23.28/boe.
- Increased proved plus probable reserves value 33% to \$520.8 million (before tax at 10% discount).
- Increased undeveloped land acreage 59% to 262,254 net acres.

* More detailed information in respect of the results of Artek's independent reserves evaluation for the year ended December 31, 2014 (the "Sproule Report") as evaluated by Sproule Associates Limited ("Sproule"), capital efficiencies including finding and development costs and finding, development and acquisition costs and related information was contained in Artek's press release dated February 18, 2015 and will be contained in Artek's Annual Information Form to be filed on SEDAR on or about March 19, 2015. It should not be assumed that the discounted future net revenues estimated by Sproule represent the fair market value of the reserves.

2014 FOURTH QUARTER FINANCIAL SUMMARY

The Company invested \$37.9 million in capital expenditures during the fourth quarter of 2014, including the drilling of 3 (1.6 net) wells in the Inga/Fireweed area. Fourth quarter capital investment included \$10.6 million on the Stoddart asset acquisition and \$6.0 million on facilities and undeveloped land acquisitions.

Artek's average production for the three months ended December 31, 2014 was 4,942 boe/d (44% liquids), up 23% from the previous year. December 2014 average production was 5,655 boe/d of which over 2,600 bbls/d or 46% was crude oil and NGLs. During the period, funds flow from operations increased 2% to \$6.6 million. The Company's operating netback and funds flow netback from operations were \$17.43/boe and \$14.45/boe, respectively, in the fourth quarter. Artek's realized natural gas price for the quarter decreased

10% to \$3.70/mcf and crude oil prices fell 14% to \$68.23/bbl compared to the same period in 2013.

The Company's fourth quarter loss of \$39.8 million was the result of a \$42.0 million (\$31.4 million net of deferred income tax reduction) write-down of the value of its natural gas producing properties in the Deep Basin area of northeastern British Columbia/northwestern Alberta and the Peace River Arch region of northwestern Alberta due to declines in the price forecasts for natural gas and crude oil as well as the fourth quarter \$10.1 million loss on the divestiture of non-core assets. The impairments were required under International Financial Reporting Standards even though, on a total Company basis, Artek had a significant ceiling test cushion of approximately \$102 million when its properties at Inga/Fireweed/Stoddart and Leduc Woodbend, which have significant liquids composition, were included. Artek increased its total corporate proved plus probable reserve value year over year by 33% to \$520.8 million using a 10% discount factor before tax.

2015 UPDATE

On February 20, 2015, Artek entered into an arrangement agreement with [Kelt Exploration Ltd.](#) ("Kelt"), pursuant to which Kelt has agreed to acquire all of the issued and outstanding common shares of Artek ("Artek Shares") on the basis of 0.34 of a common share of Kelt ("Kelt Shares") for each Artek Share held by way of a statutory Plan of Arrangement under the Business Corporations Act (Alberta) (the "Arrangement"). Completion of the Arrangement remains subject to satisfaction of customary conditions for a transaction of this nature, which include court and regulatory approvals and the approval of 66 2/3% of the votes to be cast by Artek shareholders at a meeting of shareholders currently scheduled to be held on April 16, 2015, with closing of the Arrangement expected to occur shortly thereafter.

The transaction with Kelt represents the culmination of Artek's strategy to build value, delineate and de-risk our resource assets to the point where the value for our shareholders might be more fully realized in a larger entity with greater resources, economies, and cost of capital, and as a result, we believe that this represents an exciting opportunity for Artek shareholders to participate in the future growth of the new company.

ADVISORIES

Forward-Looking Statements: This press release contains forward-looking statements. Management's assessment of future plans and operations and the timing thereof, the anticipated completion of the Arrangement and timing thereof, future results from operations, production estimates, commodity mix, productive capacity of new wells, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, the conditions for completion of the Arrangement may not be satisfied in a timely fashion or at all, 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 Arrangement, 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.

The recovery and reserve estimates of Artek's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. 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.

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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