

Canamax Energy Ltd. Announces Financial and Operating Results for the Third Quarter Ended September 30, 2015

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[Canamax Energy Ltd.](#) ("Canamax" or the "Company") (TSX VENTURE: CAC) is pleased to announce the Company's financial and operational results for the interim period ended September 30, 2015.

Highlights

During Q3 2015, Canamax completed two significant acquisitions and a financing which resulted in the Company materially increasing its production base and substantially eliminating its debt. Canamax's production averaged 1,244 boe/d during Q3 2015 (62% oil & NGL's) and the Company exited September 30, 2015 with net debt of only \$1.3 million with an undrawn operating loan facility of \$21 million. Due to the acquisitions and a successful fall drilling program, the Company is currently producing approximately 1,550 boe/d with a further 500 boe/d (primarily gas) of shut-in production.

As a result of its strong financial base, the Company is well positioned to take advantage of strategic acquisition opportunities that may arise given the number of companies in financial distress in western Canada. The significant transactions during Q3 2015 are summarized as follows:

- On July 9, 2015, Canamax closed a brokered private placement which resulted in the raising of \$15.4 million in gross proceeds (approximately \$14.2 million in net proceeds). The private placement included the issue of 21,724,268 subscription receipts at a price of \$0.60 per subscription receipt and 3,618,893 flow-through (CDE) common shares at a price of \$0.65 per share. The subscription receipts were subsequently converted to common shares on a 1 for 1 basis.
- On July 15, 2015, Canamax closed the acquisition of certain assets in Alberta consisting primarily of properties in Grande Prairie and Grimshaw (the "Greater Grimshaw Acquisition") for \$24.2 million. The acquisition added approximately 750 boe/d (54% oil & NGL's) of low decline production. The production and facilities from the Grande Prairie and Grimshaw properties each have contiguous, substantially 100%-owned acreage and facilities with significant development potential for Montney oil. The Grimshaw property is located just south of Canamax's largest core area, Flood Lake, with both properties producing from the same Montney fairway.
- On July 30, 2015, Canamax completed a plan of arrangement with Powder Mountain Energy Ltd ("Powder"), whereby Canamax acquired all of the outstanding shares of Powder in exchange for 45.9 million shares of Canamax. The acquisition of Powder added approximately \$21.7 million of working capital (substantially all cash) and 100 bbl/d of light oil production from properties located in southeast Saskatchewan.

Operational highlights during Q3 2015:

- The Q3 2015 average production of 1,244 boe/d (62% oil and NGL's) represented a 36% increase from Q2 2015 production of 914 boe/d (59% oil and NGL's).
- Funds flow from operations during Q3 2015 was \$0.7 million (\$0.01 per share) reflecting corporate netbacks of \$5.89 per boe. The corporate netbacks resulted from field netbacks of \$12.61 per boe less G&A (\$5.66 per boe) and finance expenses (\$1.07 per boe), net of a hedging gain (\$0.01 per boe). Reductions in future G&A on a boe basis are expected to occur as a result of the increased production base and reductions in finance expenses are expected to occur given the significantly reduced debt position.
- Canamax drilled 7 wells during Q3 2015 (6 verticals, 1 horizontal) and re-entered a previously drilled, but unstimulated horizontal well. All 8 wells were drilled on the Company's Flood Lake property and were successfully completed as Montney oil wells, with 4 of the vertical wells and the new horizontal well placed on production just prior to the end of September. The remaining 2 vertical wells and the horizontal re-entry were placed on production during October.

- The newly drilled horizontal well was completed in the Montney B zone utilizing completion techniques used for the first time in this area, including an increased number of frac stages and reduced proppant volumes per stage. This horizontal well recorded an initial 30-day production rate ("IP30") of 247 bbl/d of Montney oil plus an additional 136 mcf/d of solution gas (total of 270 boe/d). These production results exceeded the Company's expected IP30 type curve of 125 bbl/d of oil for horizontal wells targeting the Montney A and B zones in the Greater Grimshaw area.
- Also as previously announced, the six vertical wells were completed in the Worsley formation (just above the Montney A and B zones). The average IP30 rates of these wells was approximately 40 bbl/d of Montney oil, which was just below the area IP30 type curve for Worsley vertical wells of 50 bbl/d. However, the placement of these wells has provided further delineation and control points for the Worsley and Montney B reservoirs in the central and northeast portions of the Flood Lake property.
- As a result of the drilling of the six vertical wells, Canamax satisfied its capital commitment under a previously announced royalty agreement with a third party. As part of that agreement, the third party acquired an overriding royalty in these wells through aggregate payments of \$2.55 million to Canamax. This arrangement enabled Canamax to significantly reduce its upfront capital investment in these wells.
- As a result of the drilling and completion of the vertical and horizontal wells at Flood Lake during Q3 2015, Canamax fulfilled its \$2.3 million CDE flow-through share obligation during the quarter.
- As a result of the significant capacity constraints for natural gas on TransCanada pipelines, Canamax continued to shut-in approximately 100 boe/d (primarily natural gas) at Brazeau River through Q3 2015. These capacity constraints have also resulted in a weakening of spot prices for natural gas deliveries at certain Alliance pipeline receipt points in northern Alberta. As a result of the reduced Alliance pricing, Canamax shut-in a further 400 boe/d of production (substantially all gas) from the newly acquired Grande Prairie properties through the month of September.

Significant Events subsequent to Q3 2015:

- During late October, Canamax placed its horizontal re-entry well on production. This well, completed in the Montney A zone using the new horizontal completion techniques, has a high associated emulsion production rate which is encouraging. Canamax is currently working on sizing the production facilities to optimize emulsion production (including oil/water cuts) from this well and targeting to meet or exceed an IP30 production rate of 125 bbl/d of Montney oil. Since this well is not tied into the central gathering facilities at Flood Lake, the emulsion is currently being trucked to the Company's central battery at a high expense. Once representative production test data is achieved the well will be shut-in and re-activated when the pipeline tie-in to the central gathering facilities is constructed (targeted by February 2016).
- During November, Canamax drilled two horizontal wells at the Company's Grimshaw property adjacent to existing horizontal wells producing from the Montney B. Completion of these wells (which will utilize the new techniques used for the recently completed horizontals at Flood Lake) is scheduled to commence in early December.
- During mid-November, capacity constraints on the TransCanada pipeline receipt point near the Brazeau River property were partially alleviated. As a result, Canamax is in the process of re-activating a portion of its shut-in production on that property (with the definitive amount not known as at November 25, 2015). Pipeline capacity and plant constraints continue to impact the Grande Prairie area and the production in that area remains shut-in at the current time.

Financial and Operational Summary

<http://www.marketwired.com/press-release/canamax-announces-financial-operating-results-third-quarter-ended-september-2015>

Outlook

The significant erosion in oil and gas prices have presented a challenging operating environment for all oil and gas companies, including Canamax. However, as a result of the significant transactions completed during Q3 2015, the Company has been re-capitalized and has substantially grown its production base. The acquired Greater Grimshaw assets add significant development inventory to the Company's existing development portfolio. As a result of having minimal net debt, Canamax is in a strong financial position with operating flexibility moving forward.

The Company's management is encouraged by the results of the new completion techniques utilized for the

horizontal wells recently drilled and re-entered at Flood Lake and is hoping to achieve higher production rates and recoverable reserves for future horizontal wells drilled at Flood Lake and Grimshaw using this technology. As previously announced, Canamax's capital expenditure budget for Q4 2015 has been set at \$3.3 million, with \$2.8 million of this amount allocated to the drilling and completion of the two horizontal wells at Grimshaw. Going forward, the Company's capital expenditure budgets will be set on a quarter by quarter basis until more clarity is obtained on future commodity prices and the Province of Alberta royalty program. Canamax continues to evaluate strategic acquisition opportunities which become available as a result of the challenging environment with the primary objective of maintaining the Company's strong balance sheet.

Reconciliation of Funds from Operations

The reconciliation from cash flow from (used in) operating activities as reported in the condensed interim consolidated financial statements to funds from operations is as follows:

<http://www.marketwired.com/press-release/canamax-announces-financial-operating-results-third-quarter-ended-septem>

About Canamax

Canamax is a Montney oil focused junior oil and gas company with its core assets located in the Greater Grimshaw area of Northwestern Alberta.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Reader Advisories

Certain information in this press release constitutes forward-looking statements under applicable securities law. Any statements that are contained in this press release that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements are often identified by terms such as "may", "should", "anticipate", "expects", "seeks", "potential", "plans", "estimates", and similar expressions. Specific forward-looking statements included in this press release include comments related to expected production rates, utilization of new completion techniques at Flood Lake and Grimshaw, delineation of the Worsley and Montney B reservoirs in Flood Lake, completion of the newly drilled horizontal wells in Grimshaw, tie-in of the recently re-entered horizontal well in Flood Lake, capital expenditures, cashflow, operating costs and earnings, debt levels, working capital surplus levels, completion of drilling and re-completion programs, timing of placing production on stream, shut-in of existing production, realization of reductions in finance expenses and general and administrative costs.

Forward-looking statements necessarily involve known and unknown risks and uncertainties, including, without limitation, the impact of general economic conditions, the risks and liabilities inherent in oil and natural gas operations; marketing and transportation; loss of markets; volatility of commodity prices; currency and interest rate fluctuations; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions or dispositions; inability to access sufficient capital from internal and external sources; changes in legislation, including but not limited to income tax, environmental laws and regulatory matters, including changes in how they are interpreted and enforced; changes in incentive programs related to the oil and natural gas industry generally; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; and obtaining required approvals of regulatory authorities. Readers are cautioned that the foregoing list of factors is not exhaustive.

Readers are cautioned not to place undue reliance on forward-looking statements. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that the Company will derive from them. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

The forward looking statements contained in this press release are made as of the date of this press release, and Canamax 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 expressly required by securities law.

Conversion

BOE's may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: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 as compared to natural gas 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.

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For further information contact:

[Canamax Energy Ltd.](#)

Brad Gabel, President & CEO
(587) 349-5186

Chris Martin, CA, Vice President, Finance & CFO
(587) 349-5186
Website - www.canamaxenergy.ca

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