

Blackbird Energy Inc. Announces Year End 2017 Reserves, Financial and Operating Results

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CALGARY, Alberta, Nov. 28, 2017 (GLOBE NEWSWIRE) -- (TSX-V:BBI) [Blackbird Energy Inc.](#) ("Blackbird" or the "Company") is pleased to announce its reserves, financial and operational results for the year ended July 31, 2017. Blackbird's audited consolidated financial statements, management's discussion and analysis, annual information form and statement of reserves data and other oil and gas information, as mandated by National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" of the Canadian Securities Administrators, for the year ended July 31, 2017 are available on SEDAR at www.sedar.com and are also posted on Blackbird's website at www.blackbirdenergyinc.com.

Significant 2017 Highlights

- **Gas Processing:** In November, 2017 Blackbird executed an agreement for firm processing of raw gas produced from the Company's condensate rich Pipestone / Elmworth Montney play. The agreement has an initial term of five years with firm capacity of 20.0 mmcf/d expected to commence in the second quarter of calendar 2019, increasing to 25.0 mmcf/d twelve months after plant start-up and to 30.0 mmcf/d eighteen months after plant start-up;
- **Equity Financings:** Closed an upsized and over-subscribed marketed public offering for total gross proceeds of \$84.8 million on March 14, 2017, a non-brokered private placement for total gross proceeds of \$5.1 million on November 1, 2016 and a non-brokered private placement for total gross proceeds of \$8.0 million on October 27, 2016;
- **Capital Investment:** Blackbird invested \$78.3 million during the year ended July 31, 2017, drilling 10 gross (6.2 net) wells, completing 7 gross (4.0 net) wells, recompleting 1 gross (1.0 net) wells, bringing 4 gross (4.0 net) wells on production and constructing / commissioning its Pipestone / Elmworth facility as well as associated gathering system;
- **Total Assets:** \$191.9 million at July 31, 2017 compared to \$79.6 million at July 31, 2016, representing a 141% increase;
- **Balance Sheet:** Working capital of \$48.8 million at July 31, 2017, which included \$60.5 million of cash and no bank debt;
- **Reserves:** Reported Pipestone / Elmworth Montney proved plus probable ("2P") reserves estimated before tax net present value using a 10% discount rate ("NPV10%") of \$395 million at July 31, 2017, an increase of 858% from July 31, 2016;
- **Land:** During the year ended July 31, 2017 Blackbird acquired a total of 46.25 gross (30.2 net) sections of additional Pipestone / Elmworth Montney lands;
- **2017 Production:** While on production during the year, Blackbird produced 5.2 mmcf/d of natural gas, 665 bbls/d of condensate, and 78 bbls/d of NGLs for total production of 1,609 boe/d. During the year ended July 31, 2017, Blackbird averaged production of 1.3 mmcf/d of natural gas, 170 bbls/d of condensate, and 20 bbls/d of NGLs for total production of 419 boe/d despite significant third party natural gas processing shut-downs, which resulted in significant increases to operating costs. Blackbird's four tied-in wells produced for an average of 94 days during fiscal 2017, compared to 365 total calendar days in the year;
- **2017 Condensate Gas Ratio:** 128 bbls/mmcf during the year ended July 31, 2017;
- **2017 Total Liquids Gas Ratio:** 143 bbls/mmcf during the year ended July 31, 2017;
- **2017 Revenue:** \$6.2 million during the year ended July 31, 2017;
- **2017 Operating Netback:** \$8.63/boe during the year ended July 31, 2017;
- **Q4 Production:** While on production during the quarter, Blackbird produced 5.5 mmcf/d of natural gas, 594 bbls/d of condensate, and 88 bbls/d of NGLs for total production of 1,589 boe/d. During the three months ended July 31, 2017, Blackbird averaged production of 2.7 mmcf/d of natural gas, 291 bbls/d of condensate, and 43 bbls/d of NGLs for total production of 782 boe/d despite significant third party natural gas processing shut-downs, which resulted in significant increases to operating costs. Blackbird's four tied-in wells produced for an average of 45 days during Q4 2017, compared to 92 total calendar days in the quarter;
- **Q4 Condensate Gas Ratio:** 109 bbls/mmcf during the three months ended July 31, 2017;
- **Q4 Total Liquids Gas Ratio:** 125 bbls/mmcf during the three months ended July 31, 2017;
- **Q4 Revenue:** \$2.8 million during the three months ended July 31, 2017; and

- Q4 Operating Netback: \$5.34/boe during the three months ended July 31, 2017.

See below for a summary table containing certain 2017 financial and operational figures:

By the Numbers – 2017

(CDN\$ thousands, except where otherwise noted)	Three months ended July 31			Year ended July 31		
	2017	2016	% Change	2017	2016	% Change
Financial ⁽¹⁾						
Petroleum and natural gas revenue	2,797	8	34,863	6,234	33	18,918
Funds provided by (used in) operating activities	1,285	(377)	(441)	(2,799)	(2,856)	(20)
Net (loss) income	(3,164)	(1,331)	138	(10,600)	69	(15,269)
Net (loss) income per share – basic and diluted (\$/share)	(0.00)	(0.00)	-	(0.02)	0.00	(100)
Total assets	191,906	79,602	141	191,906	79,602	141
Working capital	48,759	29,454	66	48,759	29,454	66
Capital expenditures	23,855	2,201	984	78,294	17,673	338
Operating ⁽¹⁾						
Production						
Condensate (bbls/d)	291	-	-	170	-	-
NGLs (bbls/d)	43	-	-	20	-	-
Natural gas (mcf/d)	2,664	-	-	1,331	-	-
Non-core (boe/d)	4	9	(56)	7	6	17
Total (boe/d)	782	9	8,589	419	6	6,813
Liquids ratio (%)	43	-	-	45	-	-
Condensate gas ratio (bbls/mmcft)	109	-	-	128	-	-
Liquids gas ratio (bbls/mmcft)	125	-	-	143	-	-
Average Montney realized selling prices						
Condensate (\$/bbl)	55.72	-	-	59.57	-	-
NGLs (\$/bbl)	23.40	-	-	25.45	-	-
Natural gas (\$/mcf)	4.93	-	-	4.75	-	-
Netbacks (\$/boe)						
Petroleum and natural gas revenue	38.91	10.61	267	40.79	15.54	162
Royalties	(2.27)	-	-	(2.59)	-	-
Operating	(8.34)	(131.30)	(94)	(10.19)	(128.55)	(94)
Transportation, processing and other	(22.96)	-	-	(19.38)	-	-
Operating netback	5.34	(120.69)	104	8.63	(113.01)	104
Pipestone / Elmworth Montney sections of land (net)	108.9	83.75	30	108.9	83.75	30

Note:

(1) See the Company's 2017 financial statements and the accompanying management's discussion and analysis (the "2017 Annual MD&A") filed on SEDAR for further discussion and disclaimers regarding the figures above.

Summary of Corporate Reserves Data

Blackbird's independent reserve evaluator, McDaniel & Associates Consultants Ltd. ("McDaniel"), completed their independent reserve evaluations effective July 31, 2017.

The Company's total gross proved reserves ("1P") were 28,578 Mboe at July 31, 2017, an increase of 848% from the comparative period in 2016. Total gross 2P reserves were 54,373 Mboe at July 31, 2017, an increase of 740% from the comparative period in 2016.

Blackbird's total gross 2P reserves at July 31, 2017, were estimated to have a before tax net present

value, using a discount rate of 10%, of \$395.3 million compared to \$41.3 million at July 31, 2016, representing a 858% increase.

As at July 31,	2017		2016	
	Mboe ⁽¹⁾	\$M ⁽²⁾	Mboe ⁽¹⁾	\$M ⁽²⁾
Proved Reserves (1P) ⁽³⁾	28,578	167,210	3,014	14,014
Proved Plus Probable Reserves (2P) ⁽³⁾	54,373	395,311	6,475	41,275

Notes:

(1) Company gross reserves as determined by McDaniel.

(2) NPV10% as determined by McDaniel.

(3) See the 2017 Annual MD&A and the Company's Form 51-101F1 – Statement of Reserves Data and Other Oil and Gas Information (the "2017 Statement of Reserves Data") filed on SEDAR for further discussion and disclaimers regarding the figures above and changes in reserves.

A breakdown of Blackbird's reserves reported at July 31, 2017, is as follows:

RESERVES CATEGORY	OIL		NATURAL GAS		NATURAL GAS LIQUIDS ⁽³⁾		TOTAL OIL EQUIVALENT	
	Gross ⁽¹⁾ Mbbbl	Net ⁽²⁾ Mbbbl	Gross ⁽¹⁾ MMcf	Net ⁽²⁾ MMcf	Gross ⁽¹⁾ Mbbbl	Net ⁽²⁾ Mbbbl	Gross ⁽¹⁾ Mboe	Net ⁽²⁾ Mboe
Developed Producing	-	-	4,930	4,569	585	474	1,407	1,236
Developed Non-Producing	-	-	326	302	46	41	100	91
Undeveloped	-	-	91,110	81,928	11,885	9,882	27,070	23,537
TOTAL PROVED	-	-	96,366	86,799	12,517	10,396	28,578	24,863
TOTAL PROBABLE	4,309	3,517	74,245	64,455	9,112	6,886	25,795	21,146
TOTAL PROVED + PROBABLE	4,309	3,517	170,611	151,254	21,628	17,282	54,373	46,008

Notes:

(1) Gross reserves are working interest reserves before royalty deductions.

(2) Net reserves are working interest reserves after royalty deductions plus royalty interest reserves.

(3) Includes field condensate.

Finding & Development Costs

	2017 ⁽¹⁾		2016 ⁽¹⁾	
	Proved	Proved plus probable	Proved	Proved plus probable
Finding & development costs (\$/boe)	16.24	12.99	20.70	11.19

Note:

(1) The calculation of finding and development costs includes all exploration and development capital for the year plus the change in future development capital for the year. This total capital including the change in the future development capital is divided by the change in reserves for the year.

Blackbird is encouraged by its finding and development costs achieved to date. The metrics indicate strong capital efficiency, particularly with respect to proved reserves year over year.

Outlook

Blackbird remains well positioned with its significant, contiguous, multi-interval land block located in an active corridor of the liquids-rich Montney, a strong balance sheet highlighted by \$48.8 million of working capital surplus at July 31, 2017, and early-stage production which is generating cash flow.

During fiscal 2017 Blackbird drilled 10 gross (6.2 net) wells, a record number for the Company. The Company drilled a combination of wells which further developed its western acreage located south of the Wapiti River while delineating its eastern acreage south of the Wapiti River. Results from Blackbird's

eastern lands have encouraged management to proceed with surveying for its eastern gathering system, to facilitate tie-in of pads in this area. The Company anticipates construction of the eastern gathering system to commence and be completed during the second half of fiscal 2018.

Blackbird has recently drilled and cased the 6-33-71-7W6 (surface location) Upper Montney well, the Company's first well located to the north of the Wapiti River. Through continued drilling optimization Blackbird further reduced its drilling days on the 6-33-71-7W6 making it the fastest well in the Company's history to date. Blackbird expects to complete the well in December, 2017. This is a significant well for Blackbird and will delineate the northern extent of Blackbird's land while also retaining 14 sections of Montney rights.

The agreement with Tidewater Midstream and Infrastructure Ltd. signed in November, 2017 sets the stage for Blackbird's future growth as it provides a long-term commitment for gas processing. The agreement allows for firm capacity of 20.0 mmcf/d expected to commence in the second quarter of calendar 2019, increasing to 25.0 mmcf/d twelve months after plant start-up and to 30.0 mmcf/d eighteen months after plant start-up. The Tidewater gas processing facility will have the benefits of deep cut capability which will allow Blackbird to realize premium pricing for NGLs as well as a solution for gas storage and fuel gas needs. With material future gas processing volumes now secured for its Pipestone / Elmworth project Blackbird will continue to build on its momentum by further developing and delineating its lands through fiscal 2018. The Company will seek additional financing to underpin its transition to full development.

About Blackbird

[Blackbird Energy Inc.](#) is a highly innovative oil and gas exploration and development company focused on the condensate and liquids-rich Montney fairway at Pipestone / Elmworth, near Grande Prairie, Alberta.

For more information, please view our Corporate Presentation at www.blackbirdenergyinc.com or contact:

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ADVISORIES REGARDING OIL AND GAS INFORMATION

This news release contains the term barrels of oil equivalent ("Boe"). Natural gas is converted to a Boe using six thousand cubic feet of gas to one barrel of oil. Boes may be misleading, particularly if used in isolation. The foregoing conversion ratios are based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As well, given that the value ratio based on the current price of crude oil to natural gas is significantly different from the 6:1 energy equivalency ratio, using a conversion ratio on a 6:1 basis may be misleading as an indication of value.

Other abbreviations used in the news release include: "Mboe" which means thousand barrels of oil equivalent; "Mbbbl" which means thousand barrels; "MMcf" which means million cubic feet; and "MMcf/d" which means million cubic feet per day.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This press release contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. The use of any of the words "will", "expects", "believe", "plans", "potential" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this press release contains forward looking statements, including the construction of an eastern gathering system and timing thereof, the eastern gathering system facilitating tie-in of Blackbird's eastern pads located south of the Wapiti River, the completion of the 6-33-71-7W6 well and timing thereof, retaining of Montney rights, the commencement and benefits of the agreement with Tidewater Midstream and Infrastructure Ltd., Blackbird's momentum and building on this momentum through further development and delineation of its lands during fiscal 2018 and the Company seeking and/or obtaining additional financing to support a transition to full development in the future. In addition, statements relating to "reserves" are deemed to be forward-looking information as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future.

By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond Blackbird's control, including the impact of general economic conditions, industry conditions, current and future commodity prices, currency and interest rates, anticipated production rates, borrowing, operating and other costs and funds from operations, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws and royalties; the ability to access sufficient capital from internal sources and bank and equity markets; and including, without limitation, those risks considered under "Risk Factors" in our Annual Information Form for the year ended July 31, 2017 available on SEDAR.

This press release, in particular the information in respect of estimated revenues and/or production while flowing, may contain future-oriented financial information or financial outlook within the meaning of applicable securities laws. Such future-oriented financial information or financial outlook has been prepared for the purpose of providing information about management's reasonable expectations as to the anticipated results of its proposed business activities. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

NON-IFRS MEASUREMENTS

Within this new release, references are made to a term commonly used in the oil and natural gas industry. Management uses "operating netback" to analyze operating performance. This term does not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable with the calculation of a similar measure for other entities. This term is used by management to analyze operating performance on a comparable basis with prior periods of Blackbird. Operating netback equals the total of revenues less royalties, transportation, processing and operating expenses calculated on a Boe basis. For more details on non-IFRS measures, including a reconciliation to IFRS measures refer to our 2017 Annual MD&A available on SEDAR.

RESERVES ADVISORIES

The reserves estimates prepared herein have been evaluated by an independent qualified reserves evaluator in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* and the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and are effective as of July 31, 2017. All reserves information has been presented on a gross basis, which is the Company's working interest share before deduction of royalties and without including any royalty interests of the Company. The

reserves have been categorized accordance with the reserves definitions as set out in the COGE Handbook. The discounted and undiscounted net present value of future net revenues attributable to reserves do not represent the fair market value of such reserves. For more information on reserves refer to the Company's Statement of Reserves Data and Other Oil and Gas Information effective July 31, 2017 available on SEDAR.

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