

# Blackbird Energy Inc. Announces Strong Year End 2018 Financial and Operating Results Including Record Revenue of \$20.4 Million

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CALGARY, Oct. 02, 2018 - (TSX-V: BBI) [Blackbird Energy Inc.](#) ("Blackbird" or the "Company") is pleased to announce its financial and operational results for the year ended July 31, 2018. Blackbird's audited consolidated financial statements, management's discussion and analysis ("MD&A"), annual information form, and statement of reserves data and other oil and gas information, for the year ended July 31, 2018 are available on SEDAR at [www.sedar.com](http://www.sedar.com) and are also posted on Blackbird's website at [www.blackbirdenergyinc.com](http://www.blackbirdenergyinc.com).

"The twelve months ended July 31, 2018 were transformative for Blackbird and have positioned the Company for the most significant phase of anticipated growth in its history. Through our drilling and completions activity we were able to successfully delineate the majority of our Pipestone/Elmworth acreage in both the Upper and Middle Montney intervals. We have made significant advancements in our development and infrastructure planning, and have entered into the agreements we consider necessary for the Company to graduate to an intermediate producer. We recently concluded drilling operations on our third well north of the Wapiti River, and Blackbird remains on track to meet its initial commitment through the Tidewater Facility in mid-2019," said Garth Braun, President, CEO and Chairman of Blackbird.

## 2018 Fourth Quarter Highlights

- **Significant Exposure to Condensate Supports Revenue:** Blackbird reported \$5.3 million (\$50.43/boe) of petroleum and natural gas sales for the three months ended July 31, 2018. These results were achieved with the Company producing for approximately 58% of the quarter due to third-party natural gas processing facility shut-downs. Blackbird continues to realize the benefit of its significant liquids weighting, and revenue was supported by strong realized condensate and oil prices of \$83.47/boe for the quarter.
- **Fourth Quarter Average Production of 1,148 boe/d:** During the three months ended July 31, 2018, the Company achieved production of 1,754 boe/d (52% liquids) from operated wells for the 53 days it was on production. Total production averaged 1,148 boe/d on a calendar day basis for the three months, with volumes being impacted by approximately 39 days of the third-party downtime.
- **Strong Operating and Corporate Netbacks:** Blackbird's operating and corporate netbacks\* were \$29.94/boe and \$20.08/boe, respectively, for the fourth quarter of 2018.
- **Adjusted Funds Flow:** The Company generated \$2.1 million of adjusted funds flow\* during the three months ended July 31, 2018.
- **Condensate & Oil Gas Ratio:** The Company's condensate & oil gas ratio ("CGR") averaged 175 bbls/mmcf during the three months ended July 31, 2018.
- **Total Liquids Gas Ratio:** The Company's total liquids gas ratio ("LGR") averaged 203 bbls/mmcf during the three months ended July 31, 2018.

\* See "Non-IFRS Measures" below.

## 2018 Year-End Highlights

- **Record Annual Revenue of \$20.4 Million:** Blackbird reported \$20.4 million (\$48.81/boe) of petroleum and natural gas sales for the year ended July 31, 2018. These results were achieved with the Company producing for approximately 55% of the year due to third-party natural gas processing facility shut-downs.
- **2018 Annual Average Production of 1,143 boe/d:** For the year ended July 31, 2018, the Company achieved production of 1,991 boe/d (54% liquids) from operated wells for the 200 days it was on production. Total production averaged 1,143 boe/d on a calendar day basis for the year, with volumes being impacted by approximately 165 days of the third-party downtime.

- Operating and Corporate Netbacks: Blackbird's operating and corporate netbacks\* were \$26.16/boe and \$16.99/boe, respectively, for the year ended July 31, 2018.
- Adjusted Funds Flow: The Company generated \$7.1 million of adjusted funds flow\* during the year ended July 31, 2018.
- Condensate & Oil Gas Ratio: The Company's CGR averaged 188 bbls/mmcft during the year ended July 31, 2018.
- Total Liquids Gas Ratio: The Company's LGR averaged 206 bbls/mmcft during the year ended July 31, 2018.
- Capital Investment: Blackbird invested \$54.4 million during the year ended July 31, 2018, drilling 3 gross (2.2 net) wells, completing 6 gross (4.4 net) wells, recompleting 2 gross (2.0 net) wells and bringing 8 gross (4.8 net) wells on production. The Company also upgraded its existing 12-14-70-7W6 facility to handle higher pressures, performed minor workovers on certain wells and further advanced its development north of the Wapiti River including constructing the 9-14-71-7W6 pad-site which was subsequently used for drilling activities.
- Balance Sheet Strength Maintained: At July 31, 2018, Blackbird had positive working capital of \$4.6 million, which included \$6.2 million of cash and no bank debt.
- Continued Expansion of Montney Footprint: During the year ended July 31, 2018, Blackbird acquired a total of 11 gross (10.0 net) sections of additional Pipestone/Elmworth Montney land for cash consideration of \$1.6 million.
- Execution of Long Term Natural Gas Processing Agreement: On November 1, 2017 Blackbird announced it had executed an agreement with Tidewater Midstream and Infrastructure Ltd. ("Tidewater") for firm processing of raw gas from the Company's condensate rich Pipestone/Elmworth Montney play in the greater Grande Prairie area of Alberta. The companies agreed to an initial term of five years with firm capacity of 20 mmcf/d expected to commence in mid-2019, increasing to 25 mmcf/d 12 months after plant start-up and to 30 mmcf/d 18 months after plant start-up.
- Successful Development and Delineation Program: Blackbird drilled 3 (2.2 net) Montney wells during the year ended July 31, 2018 including 2 (2.0 net) Upper Montney wells and 1 (0.2 net) Middle Montney well. Pursuant to this drilling program, Blackbird believes that it has established approximately 114 of its 133 gross sections of Montney lands as being situated in the over-pressured liquids-rich Montney corridor at Pipestone/Elmworth.

\* See "Non-IFRS Measures" below.

The following table summarizes certain 2018 financial and operational figures, and should be read in conjunction with Blackbird's audited annual financial statements and annual MD&A for the year ended July 31, 2018:

(CDN\$ thousands, except where otherwise noted)	Three months ended July 31			Year ended July 31		
	2018	2017	% Change	2018	2017	%
<b>Financial</b>						
Petroleum and natural gas sales	5,331	2,797	91	20,363	6,234	229
Cash provided by (used in) operating activities	3,868	1,285	201	8,101	(2,799)	396
Net income (loss) and comprehensive income (loss)	3,038	(3,164)	196	(451)	(10,600)	95
Net income (loss) per share – basic and diluted (\$/share)	0.00	(0.00)	-	(0.00)	(0.02)	100
Working capital	4,619	48,759	(91)	4,619	48,759	0
Available funding <sup>(1)</sup>	23,901	49,059	(51)	23,901	49,059	0
Capital expenditures	2,900	23,855	(88)	54,418	78,294	(30)
<b>Operating</b>						
<b>Production</b>						
Condensate & oil (bbls/d)	544	291	87	576	170	233
NGLs (bbls/d)	85	43	98	55	20	175
Natural gas (mcf/d)	3,103	2,664	16	3,060	1,331	128
Non-core (boe/d)	2	4	(50)	2	7	(71)
Total (boe/d)	1,148	782	47	1,143	419	177
Liquids ratio (%)	55	43	28	55	45	22
Condensate & oil gas ratio (bbls/mmcft)	175	109	61	188	128	46
Total liquids gas ratio (bbls/mmcft)	203	125	62	206	143	44
<i>Average Montney realized selling prices</i>						

Condensate & oil (\$/bbl)	83.47	55.72	50	74.75	59.57	2
NGLs (\$/bbl)	23.16	23.40	(1)	26.98	25.45	6
Natural gas (\$/mcf)	3.38	4.93	(31)	3.67	4.75	(2)
<i>Netbacks (\$/boe)</i>						
Petroleum and natural gas sales	50.43	38.91	30	48.81	40.79	2
Royalties	(1.27)	(2.27)	(44)	(2.54)	(2.59)	(2)
Operating expenses	(7.57)	(8.34)	(9)	(7.41)	(10.19)	(2)
Transportation and processing expenses	(12.35)	(22.96)	(46)	(12.70)	(19.38)	(3)
Operating netback <sup>(1)</sup>	29.24	5.34	448	26.16	8.63	2
General and administrative expenses	(8.84)	(14.89)	(41)	(9.45)	(26.00)	(6)
Financing costs	(0.40)	-	-	(0.22)	(0.08)	1
Interest income	0.08	2.46	(97)	0.50	2.93	(8)
Corporate netback <sup>(1)</sup>	20.08	(7.09)	383	16.99	(14.52)	2

Note:

(1) See the Company's 2018 financial statements and related annual MD&A filed on SEDAR for further information regarding its calculation of "available funding", "operating netback" and "corporate netback".

## 2018 Year-End Reserves Highlights

The following reserves data information is based on the results of the Company's independent year-end reserves evaluation prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") effective July 31, 2018 (the "McDaniel Report"), and McDaniel's previous year-end evaluation effective July 31, 2017.

- Increase of 126% in Proved Developed Producing Reserves: Proved developed producing ("PDP") reserves were 3,175.9 mboe at July 31, 2018, a 126% increase from July 31, 2017. The increase in PDP reserves was primarily attributable to the inclusion of 4.8 net additional wells in the McDaniel Report, bringing Blackbird's total productive well count to 8.8 net wells for the year ended July 31, 2018.
- Increase of 9% in Proved Plus Probable Reserves: Proved plus probable ("2P") reserves were 59,096.7 mboe at July 31, 2018, a 9% increase from July 31, 2017.
- 2P NPV10 of \$411.0 Million: The estimated net present value of related future net revenue at July 31, 2018 (before taxes, discounted at 10%) was \$44.9 million for Blackbird's PDP reserves (\$15.1 million at July 31, 2017) and \$411.0 million (\$395.3 million at July 31, 2017) for its 2P reserves, notwithstanding a lower natural gas price forecast for the July 31, 2018 reserves report.

The following tables summarize the estimates of Blackbird's gross reserves at July 31, 2018 and July 31, 2017, as estimated by McDaniel, Blackbird's independent qualified reserves evaluators, using the forecast price and cost assumptions in effect at the applicable reserves evaluation date:

### Summary of Gross Reserves<sup>(1)</sup>

Reserves Category	July 31, 2018 (Mboe)	July 31, 2017 (Mboe)	Change from July 31, 2017
Proved Developed Producing	3,175.9	1,407.0	126%
Total Proved	29,128.2	28,577.8	2%
Probable	29,968.5	25,794.9	16%
Total Proved Plus Probable	59,096.7	54,372.7	9%

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

### Summary of Reserves at July 31, 2018<sup>(1)(2)</sup>

Reserves Category	Oil	Natural Gas		Natural Gas Liquids <sup>(3)</sup>		Total Oil Equivalent	
	Gross (Mbbbls)	Gross (MMbbls)	Net (MMcf)	Gross (Mbbbls)	Net (Mbbbls)	Gross (Mboe)	Net (Mboe)
Proved							
Developed Producing	40.0	37,944.0	10,476.2	1,245.3	998.1	3,175.9	2,782.0
Developed Non-Producing	0.0	929.6	869.9	123.6	106.7	278.5	251.7
Undeveloped	0.0	78,525.7	71,833.0	12,586.2	10,409.4	25,673.8	22,380.0
Total Proved	40.0	90,099.3	83,179.0	13,955.0	11,514.2	29,128.2	25,413.7
Total Probable	12.6	92,108.8	82,486.0	14,604.4	11,051.9	29,968.5	24,810.0
Total Proved Plus Probable	52.6	182,208.1	165,665.0	28,559.5	22,566.2	59,096.7	50,223.7

(1) "Gross" means Blackbird's working interest (operating or non-operating) share before the deduction of royalties and without including any royalty interests of Blackbird. "Net" means Blackbird's working interest (operating or non-operating) share after the deduction of royalty obligations, plus Blackbird's royalty interests in reserves.

## Outlook

The twelve months ended July 31, 2018 were transformational for Blackbird and have positioned the Company to make the transition to an intermediate producer. Blackbird drilled 3 (2.2 net) Montney wells during the year ended July 31, 2018 including 2 (2.0 net) Upper Montney wells and 1 (0.2 net) Middle Montney well, and in doing so de-risked the majority of its acreage in both the Upper and Middle Montney intervals by establishing productivity and high liquids content across the majority of the Company's Pipestone/Elmworth Montney acreage.

Blackbird made significant strides in its development planning during the 12 months ended July 31, 2018. The Company remains on track to commence the construction of its gas management site located at 5-14-071-07-W6M in the Dimsdale area in the fall of 2018, which will include two water disposal wells and a compressor facility, and will be tied-in to the planned Tidewater deep cut sour gas processing facility to be located near Wembley, Alberta (the "Tidewater Facility"), which remains on schedule for a mid-2019 on-stream date.

The Company commenced the first phase of its 2018 development drilling north of the Wapiti River on August 15, 2018 with the spudding of its 102/2-27-71-07W6 Upper Montney well. The 102/2-27-71-07W6 was Blackbird's first extended reach horizontal and included a record lateral length of 2,956 meters and drilled in 22.9 days. The well was drilled with an increased hole size to accommodate larger production casing, which management expects will provide for increased liquids rates. The Company expects to commence completion operations on this well in the fall of 2018, with the program expected to include approximately 77 stages across the 2,956 meter lateral to be completed at an intensity of approximately 75 tonnes per stage.

Blackbird is currently drilling its second extended reach horizontal from its 9-14 pad-site, the 103/14-22-71-07W6 Upper Montney well. The 103/14-22-71-07W6 is being drilled using the same program as the Company's first extended reach horizontal and drilling operations are expected to conclude in early October.

In total, the Company expects it will need to drill and complete six Montney wells north of the Wapiti River by mid-2019 to meet its initial 20 mmcf/d commitment through the Tidewater Facility. Additionally, Blackbird plans to drill one land retention well from its 12-36 pad-site prior to December 31, 2018.

Blackbird is pleased to report that for the period from August 1, 2018 to the date of this filing it has been able to produce continuously due to no third-party gas processing facility downtime experienced.

## Appointment of Travis Belak as Chief Financial Officer

Effective October 2, 2018, Karen Minton will be stepping down from her role as Chief Financial Officer of Blackbird. Pursuant to her resignation Travis Belak, previously Controller of the Company, has been

promoted to Chief Financial Officer of Blackbird and will assume responsibility for the Company's finance, treasury, accounting, tax and capital markets functions.

"Working at Blackbird has been an exceptional experience, and I would like to sincerely thank Garth Braun and the Blackbird board for the opportunity. For personal reasons, I have decided to step down from my role as Chief Financial Officer of Blackbird. Although my resignation does not come without regret, it gives me comfort to know that I am leaving the Company in strong financial standing. It also brings me pleasure to be succeeded by my good friend and colleague Travis Belak. Travis and I have worked closely together during my tenure at Blackbird and I am certain that he will excel in his new role as Chief Financial Officer," said Karen Minton, Chief Financial Officer of Blackbird.

Mr. Belak is a Chartered Accountant with over 8 years of broad-based accounting and finance experience in the oil and gas industry. Mr. Belak has been with Blackbird for the past four years, most recently serving as Controller. He has played an integral role in the development, maintenance and continuous improvement of the Company's financial processes including regulatory filings, internal reporting, controls and taxation. Mr. Belak began his career with Ernst & Young LLP and has since held positions of increasing responsibility with [Canadian Natural Resources Ltd.](#) and Blackbird. Mr. Belak is an active member of the Institute of Chartered Accountants of Alberta (ICAA) and Chartered Professional Accountants of Canada (CPA Alberta).

"We appreciate Karen's contributions to Blackbird and wish her success in all her future endeavors. At the same time, we are pleased to announce Travis Belak will be assuming the role of Chief Financial Officer. Mr. Belak has been a valuable member of the Blackbird team since joining us in February 2015 and is the ideal candidate for the role," said Garth Braun, President, Chief Executive Officer and Chairman of Blackbird.

#### 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](http://www.blackbirdenergyinc.com) or contact:

[Blackbird Energy Inc.](#)

Garth Braun  
Chairman, CEO and President  
(403) 500-5550  
[gbraun@blackbirdenergyinc.com](mailto:gbraun@blackbirdenergyinc.com)

Allan Dixon  
Business Development Manager  
(403) 699-9929 Ext 103  
[adixon@blackbirdenergyinc.com](mailto:adixon@blackbirdenergyinc.com)

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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, 2018 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 MEASURES

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 further information on non-IFRS measures, including a reconciliation to IFRS measures refer to our 2018 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, 2018. 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 in 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, 2018 available on SEDAR.

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