

# Blackbird Energy Inc. Announces Record First Quarter 2019 Financial and Operating Results Including Revenue of \$7.4 Million and Corporate Production of 1,736 boe/d

22.12.2018 | [GlobeNewswire](#)

CALGARY, Dec. 21, 2018 - (TSX-V: BBI) [Blackbird Energy Inc.](#) ("Blackbird" or the "Company") is pleased to announce its record financial and operational results for the quarter ended October 31, 2018. Blackbird's unaudited condensed consolidated interim financial statements and related management's discussion and analysis for the quarter ended October 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).

## Highlights

- Significant Exposure to High-Quality Liquids Supports Record Revenue: Blackbird achieved record revenue from its Pipestone / Elmworth project during the first quarter of 2019. The Company reported \$7.4 million (\$46.31/boe) of petroleum and natural gas sales during the three months ended October 31, 2018 which represents a 186% increase from the comparative three months ended October 31, 2017. Blackbird continues to realize the benefit of its significant liquids weighting with revenues being bolstered by realized condensate and oil prices of \$76.57/bbl for the quarter. Approximately 72% of total revenues were attributable to the Company's high-quality liquids production during the quarter.
- Record Production of 1,736 boe/d: During the three months ended October 31, 2018, the Company achieved a record average total production rate of 1,736 boe/d comprised of 47% liquids. During the quarter, Blackbird produced 5.5 mmcfd of natural gas, 723 bbls/d of condensate and oil, 98 bbls/d of NGLs and 2 boe/d of non-core production. The Company produced for approximately 84 days during the first quarter of 2019 compared to 92 total calendar days in the quarter (91% run-time) with limited third-party gas processing plant downtime experienced.
- Strong Operating and Corporate Netbacks: Blackbird's operating and corporate netbacks\* were \$23.12/boe and \$13.92/boe, respectively, for the first quarter of 2019. Stronger realized sales prices combined with reduced operating and general and administrative expenses on a per boe basis resulted in an improvement to the operating and corporate netbacks\* of 61% and 530%, respectively, in the three months ended October 31, 2018 compared to the three months ended October 31, 2017.
- Adjusted Funds Flow: The Company generated \$2.2 million of adjusted funds flow\* during the three months ended October 31, 2018.
- Condensate & Oil Gas Ratio: The Company's condensate & oil gas ratio ("CGR") averaged 132 bbls/mmcf during the three months ended October 31, 2018 on its sales.
- Total Liquids Gas Ratio: The Company's total liquids gas ratio ("LGR") averaged 150 bbls/mmcf during the three months ended October 31, 2018.
- Capital Investment and Successful Drilling Program: Blackbird invested \$11.4 million during the three months ended October 31, 2018, drilling 3 gross (3 net) Montney wells and furthering its infrastructure development north of the Wapiti River. All three wells were drilled from Blackbird's 9-14-71-7W6 northern pad-site and implemented an extended reach lateral program. The Company drilled its 102/2-27-71-7W6 Upper Montney, 103/14-22-71-7W6 Upper Montney and 100/2-27-71-7W6 Middle Montney wells in an average of 24.5 days and with an average horizontal length of 3,031 meters. Subsequent to October 31, 2018, Blackbird moved its drilling rig east to the 12-36-70-6W6 pad to drill the 100/11-12-71-6W6 Middle Montney well. The drilling of the 100/11-12-71-6W6 well allows Blackbird to validate up to 20 sections of land while also delineating the Company's unexplored northeastern acreage. The Company began ordering its long lead time equipment required for its Pipestone / Elmworth northern infrastructure development during the quarter. Blackbird expects that construction will commence on this project in January 2019.

- **Equity Financings:** During the quarter the Company completed a non-brokered private placement consisting of 6,249,181 common shares issued on a "Canadian Development Expenses flow-through" basis (the "CDE Flow-Through Shares") at a price of \$0.37 per CDE Flow-Through Share and 16,000,000 common shares issued on a "Canadian Exploration Expenses flow-through" basis (the "CEE Flow-Through Shares") at a price of \$0.40 per CEE Flow-Through Share for total combined gross proceeds of \$8.7 million.
- **Balance Sheet Strength Maintained:** At October 31, 2018, Blackbird had working capital of \$3.8 million, which included \$11.7 million of cash and no bank debt. The working capital surplus combined with the undrawn loan facility provides Blackbird with approximately \$23.0 million of future available funding\* at October 31, 2018.

\* See "Non-IFRS Measures" below.

The following table summarizes certain financial and operational figures, and should be read in conjunction with Blackbird's unaudited condensed consolidated interim financial statements and related MD&A for the quarter ended October 31, 2018:

<i>(CDN\$ thousands, except where otherwise noted)</i>	Three months ended October 31		
	2018	2017	% Change
<b>Financial</b>			
Petroleum and natural gas sales	7,397	2,582	186
Cash provided by (used in) operating activities	1,009	(2,114 )	(148 )
Net loss and comprehensive loss	(1,132 )	(1,737 )	(35 )
Net loss per share – basic and diluted (\$/share)	(0.00 )	(0.00 )	- -
Working capital	3,759	21,317	(82 )
Available funding <sup>(1)</sup>	23,041	22,317	3
Capital expenditures	11,368	29,241	(61 )
<b>Operating</b>			
<i>Production</i>			
Condensate & oil (bbls/d)	723	328	120
NGLs (bbls/d)	98	30	227
Natural gas (mcf/d)	5,478	2,112	159
Non-core (boe/d)	2	2	-
Total (boe/d)	1,736	712	144
Liquids ratio (%)	47	50	(6 )
Condensate & oil gas ratio (bbls/mmcf)	132	155	(15 )
Total liquids gas ratio (bbls/mmcf)	150	170	(12 )
<i>Average Montney realized selling prices</i>			
Condensate & oil (\$/bbl)	76.57	60.50	27
NGLs (\$/bbl)	29.28	30.26	(3 )
Natural gas (\$/mcf)	4.04	3.44	17
<i>Netbacks (\$/boe)</i>			
Petroleum and natural gas sales	46.31	39.41	18
Royalties	(2.16 )	(2.09 )	3
Operating expenses	(6.27 )	(10.62 )	(41 )
Transportation and processing expenses	(14.76 )	(12.33 )	20
Operating netback <sup>(1)</sup>	23.12	14.37	61
General and administrative expenses	(9.04 )	(14.05 )	(36 )
Financing costs	(0.25 )	- -	-
Interest income	0.09	1.89	(95 )
Corporate netback <sup>(1)</sup>	13.92	2.21	530

Note:

(1) See the Company's Q1 2019 interim financial statements and related MD&A filed on SEDAR for

*further information regarding its calculation of "available funding", "operating netback" and "corporate netback".*

## Outlook

On October 30, 2018, the Company announced that it had entered into an agreement with Pipestone Oil Corp. ("Pipestone Oil") that provides for the strategic combination of Blackbird and Pipestone Oil (the "Transaction").

On December 19, 2018, Blackbird held its special meeting of shareholders (the "Blackbird Shareholders"), at which the Transaction was approved by a majority of over 99% of votes cast. The Blackbird Shareholders also approved the continuance of Blackbird from British Columbia into Alberta (the "Continuance"), which is necessary for the Transaction to proceed as proposed. The Continuance was completed following the meeting, such that Blackbird is now an Alberta corporation governed by the Business Corporations Act (Alberta) ("BCA").

The Transaction is structured as a court-approved arrangement under section 193 of the BCA. On December 20, 2018, the Alberta Court of Queen's Bench granted a final order approving the arrangement under the BCA. The Transaction has also been conditionally accepted by the TSX Venture Exchange, subject to the filing of customary documentation. No other regulatory approvals remain outstanding.

In connection with the Transaction, Blackbird and Pipestone Oil also entered into agreements with certain of their existing shareholders who have committed to common equity financings totaling approximately \$111.0 million and Pipestone Oil arranged approximately \$198.5 million of debt financing (collectively, the "Financings").

The Transaction will result in the strategic combination of two adjacent and contiguous Pipestone Montney land bases under a single well-capitalized, high growth company that will operate under the name Pipe Stone Energy Corp. ("Pipestone Energy").

The Transaction and Financings are expected to close on or about January 4, 2019. For additional information relating to the Transaction and guidance on Pipestone Energy's future plans please refer to the Company's website at [www.blackbirdenergyinc.com](http://www.blackbirdenergyinc.com) or to SEDAR at [www.sedar.com](http://www.sedar.com).

## 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:

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*The TSX Venture Exchange Inc. has neither approved nor disapproved the contents of this press release.*

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*Neither the TSX Venture Exchange nor its regulation services provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this press release.*

## 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: "MMcf" which means million cubic feet; "MMcf/d" which means million cubic feet per day; "bbls/MMcf" which means barrels per million cubic feet; and "Boe/d" which means barrels of oil equivalent 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 validation of up to 20 sections of Montney land through current drilling activity, the construction of Blackbird's infrastructure located to the north of the Wapiti River and timing thereof, the strategic combination of two adjacent and contiguous Pipestone Montney land bases under a single well-capitalized, high growth company that will operate under the name Pipestone Energy, the Financings and amounts to be received, and the expected closing date of the Transaction and Financings.

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 the likelihood of satisfying all conditions to completion of the Transaction and Financings as provided in the definitive agreements providing therefor; and also 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 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

This press release contains references to "operating netback", "corporate netback", "adjusted funds flow" and "available funding" which are terms commonly used in the oil and natural gas industry but without any standardized meaning or method of calculation prescribed by International Financial Reporting Standards ("IFRS") or applicable law. Accordingly, the Company's determination of these metrics may not be comparable to similar measures presented by other issuers.

"Operating netback" equals the total of petroleum and natural gas sales less royalties,

operating expenses and transportation and processing expenses calculated on a per boe basis. Operating netback is utilized by Blackbird to analyze the performance of its oil and natural gas assets at the field-level by isolating the impact of changes in production volumes.

“Corporate netback” is calculated as the operating netback further adjusted for corporate overhead by deducting G&A expenses and financing costs and adding back interest income earned on a per boe basis to determine overall corporate performance.

“Adjusted funds flow” is defined as cash provided by (used in) operating activities adjusted for changes in non-cash working capital. Management of Blackbird considers adjusted funds flow to be a useful supplemental cash flow measure for assessing the Company’s ability to generate cash necessary to finance operating activities and capital expenditures on a continuing basis by eliminating non-cash charges. Adjusted funds flow as presented does not and is not intended to represent, and should not be considered an alternative to or more meaningful than, cash provided by (used in) operating activities or other measures of cash flow calculated in accordance with IFRS.

“Available funding” is calculated as the Company’s working capital plus the undrawn capacity of its operating loan facility. Working capital is comprised of current assets less current liabilities. The available funding measure allows management and other users to evaluate Blackbird’s short-term liquidity and ability to fund future capital expenditures.

For more details on non-IFRS measures, refer to our management’s discussion and analysis for the three months ended October 31, 2018 available on SEDAR.

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