

Epsilon Energy Provides 2019 Capital and Production Guidance

21.02.2019 | [GlobeNewswire](#)

HOUSTON, Feb. 21, 2019 - [Epsilon Energy Ltd.](#) (NASDAQ: EPSN; TSX: EPS) ("Epsilon" or the "Company") today announced that its board of directors has approved a \$20 to \$25 million capital budget for 2019 which is expected to be fully funded from operational cash flow. The Company forecasts this capital program to generate 30% growth in production. The Company has liquidity of \$35MM and does not anticipate utilizing funds from its undrawn credit facility.

In the Marcellus Shale, the operator expects to turn four gross wells (2,600 net lateral feet to Epsilon's interests) to sales during Q1. The initial forecast of 4 to 6 MMcf/d net production from these wells is expected to increase Marcellus production to 26 Mcf/d at the end of Q1. The performance of the Upper Marcellus wells in this group of new producers will be carefully monitored as few wells to date have targeted this section of the Marcellus in our leasehold. The Company expects to participate in the drilling and completing of an additional 8,000 to 10,000 net lateral feet to its interests in the lower Marcellus during 2019. According to information from the operator, the wells are expected to be turned to sales in Q4.

In the NW Stack, an appraisal program of three single mile laterals (5,740 net lateral feet to Epsilon's interests) is planned to test the Meramec interval during 2019. The first well is expected to spud during Q1. Following an assessment of the early performance of this group of wells, the Company will determine the feasibility of a continuous one rig drilling program throughout the remainder of 2019.

With the development plans referenced above, the Company anticipates production growth of 27 – 33% year over year to a range of 9.7 – 10.2 Bcfe. For 2019, natural gas is expected to comprise approximately 95% of total production. The Company has hedged 4.8 Bcf of its expected natural gas volumes for the year at an average NYMEX price of \$2.83 and realized price of \$2.30 net of basis.

The capital program is subject to quarterly review by the Company's management and board of directors which provides flexibility to deploy additional capital. This program directs more than 60% of the current budget for development to the Marcellus Shale assets in Susquehanna Co., Pennsylvania. Epsilon's technical team continues to evaluate additional leasehold interests in our existing area of interest as well as attractive projects in other areas.

About Epsilon

[Epsilon Energy Ltd.](#) is a North American on-shore focused independent exploration and production company engaged in the acquisition, development, gathering and production of oil and gas reserves. Our primary areas of operation are the Marcellus basin in northeast Pennsylvania and the Anadarko basin in Oklahoma. Our assets are concentrated in areas with known hydrocarbon resources, which are conducive to multi-well, repeatable drilling programs. For more information, please visit www.epsilonenergyltd.com, where we routinely post announcements, updates, events, investor information, presentations and recent news releases.

Forward-Looking Statements

Certain statements contained in this news release constitute forward looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated. Such risks and

uncertainties may include, but are not limited to: volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; geological, technical, drilling and processing problems; general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; delay or failure to receive board or regulatory approvals; the actual results of future operations; competition; changes in legislation, including environmental legislation, affecting Epsilon; the timing and availability of external financing on acceptable terms; and lack of qualified, skilled labour or loss of key individuals. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements found in the Company's filings on the SEDAR website at www.sedar.com and with the United States Securities and Exchange Commission, including its Registration Statement on Form 10, as filed on December 21, 2018 and any subsequently filed quarterly reports on Form 10-K, 10-Q or current reports on Form 8-K. Although Epsilon has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Readers are cautioned that the foregoing list of factors is not exhaustive.

All forward-looking statements speak only as of the date they are made and are based on information available at that time. We assume no obligation to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements were made or to reflect the occurrence of unanticipated events except as required by federal securities laws. As forward-looking statements involve significant risks and uncertainties, caution should be exercised against placing undue reliance on such statements.

Oil and Gas Advisories

The reserves and associated future net revenue information set forth in this news release are estimates only. In general, estimates of oil and natural gas reserves and the future net revenue therefrom are based upon a number of variable factors and assumptions, such as production rates, ultimate reserves recovery, timing and amount of capital expenditures, ability to transport production, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the oil and natural gas reserves attributable to any particular group of properties, as well as the classification of such reserves and estimates of future net revenues associated with such reserves prepared by different engineers (or by the same engineers at different times) may vary. The actual reserves of the Company may be greater or less than those calculated. In addition, the Company's actual production, revenues, development and operating expenditures will vary from estimates thereof and such variations could be material.

Statements relating to "reserves" are deemed to be forward-looking statements 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. There is no assurance that forecast price and cost assumptions will be attained and variances could be material.

Proved reserves are those reserves which are most certain to be recovered. There is at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves. Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties due to the effects of aggregation. The estimated future net revenues contained in this news release do not necessarily represent the fair market value of the Company's reserves.

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/319967--Epsilon-Energy-Provides-2019-Capital-and-Production-Guidance.html>

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