

# Gear Energy Ltd. announces third quarter 2019 operating results

06.11.2019 | [CNW](#)

CALGARY, Nov. 6, 2019 - [Gear Energy Ltd.](#) ("Gear" or the "Company") (TSX:GXE) is pleased to provide the following third quarter operating update to shareholders. Gear's Interim Consolidated Financial Statements and related Management's Discussion and Analysis ("MD&A") for the period ended September 30, 2019 are available for review on Gear's website at [www.gearenergy.com](http://www.gearenergy.com) and on [www.sedar.com](http://www.sedar.com).

## Financial Summary

	Three months ended		Nine months ended	
(Cdn\$ thousands, except per share, share and Sep 30, Sep 30, Jun 30, Sep 30, Sep 30,	2019	2018	2019	2018
per boe amounts)				
FINANCIAL				
Funds from operations <sup>(1)</sup>	15,968	11,578	17,104	48,104
Per boe	25.07	18.65	26.25	25.22
Per weighted average basic share	0.07	0.06	0.08	0.22
Cash flows from operating activities	13,613	16,831	18,881	38,475
Net income (loss)	3,493	706	5,684	2,365
Per weighted average basic share	0.02	-	0.03	0.01
Capital expenditures	11,800	18,749	3,334	24,386
Decommissioning liabilities settled	1,170	318	474	2,043
Net acquisitions (dispositions) <sup>(2)</sup>	115	65,470	(162)	(1,085)
Net debt <sup>(1) (3)</sup>	69,837	83,733	72,127	69,837
Weighted average shares, basic (thousands)	219,084	198,826	219,093	219,063
Shares outstanding, end of period (thousands)	218,873	218,776	219,093	218,873
				218,776
OPERATING				
Production				
Heavy oil (bbl/d)	3,929	4,484	4,104	4,060
Light and medium oil (bbl/d)	2,059	1,228	2,166	2,030
Natural gas liquids (bbl/d)	218	268	228	227
Natural gas (mcf/d)				237







4,021

4,879



Total (boe/d)	6,922	6,748	7,161	6,987	6,766
Average prices					
Heavy oil (\$/bbl)	52.93	56.79	60.45	55.45	51.89
Light and medium oil (\$/bbl)	65.88	76.57	71.60	67.24	72.37
Natural gas liquids (\$/bbl)	26.70	35.02	13.11	22.04	38.18
Natural gas (\$/mcf)	0.79	0.93	0.92	1.33	1.24
Selected financial results (\$/boe)					
Commodity and other sales	50.97	53.70	57.23	53.26	49.76
Royalties	(6.06)	(7.33)	(6.87)	(5.78)	(5.79)
Operating costs	(17.20)	(17.69)	(18.08)	(18.00)	(16.91)
Operating netback <sup>(1)</sup>	27.71	28.68	32.28	29.48	27.06
Realized risk management gain (loss)	0.80	(6.55)	(1.65)	(0.35)	(5.44)
General and administrative	(2.03)	(1.81)	(2.47)	(2.18)	(2.39)
Interest	(1.52)	(1.05)	(1.90)	(1.76)	(0.97)
Transaction costs and realized gain (loss) on foreign exchange	0.11	(0.62)	(0.01)	0.03	(0.21)

## TRADING STATISTICS

(\$ based on intra-day trading)

High	0.60	1.47	0.88	0.88	1.47
------	------	------	------	------	------

<sup>(1)</sup> Funds from operations, net debt, and operating netback are non-GAAP measures and additional information with respect to these measures can be found under the heading "Non-GAAP Measures" in Gear's MD&A.

Close	0.47	1.17	0.57	0.47	1.17
(2) Net acquisitions (dispositions) exclude non-cash items for decommissioning liability and deferred taxes and is net of post-closing adjustments.	406	522	412	367	603

<sup>(3)</sup> Net debt includes the risk management liability acquired through the Steppe Resources Inc. corporate acquisition. September 30, 2019 – \$0.7 million, September 30, 2018 – \$6.2 million, June 30, 2019 – \$1.6 million.

## MESSAGE TO SHAREHOLDERS

Gear is pleased to deliver another solid quarter for our shareholders. The strategy has continued to advance as planned, with a strong summer drilling program supporting ongoing production stability, strong funds from operations covering more than the quarter's entire capital program and further meaningful reductions in net debt.

Since the beginning of the year Gear has reduced net debt by 24 per cent from \$91.9 million to \$69.8 million and recorded a strong net debt to annualized funds from operations ratio of 1.1 times for the third quarter of 2019. Meanwhile production has grown slightly from 6,847 boe per day in the fourth quarter of 2018 to 6,922

boe per day in the third quarter of 2019. In addition, annual guidance for 2019 is being increased slightly with a tighter production range of 6,900 to 7,100 boe per day (previously 6,800 to 7,100 boe per day) along with a five percent reduction in anticipated 2019 capital and abandonment expenditures to \$40.5 million (previously \$42.5 million). With current future strip prices, Gear is on track to invest approximately 65 per cent of estimated 2019 funds from operations while maintaining stable production through the year. Despite these solid results, Gear shares continue to trade at a discounted valuation, with today's share price of \$0.42 representing an enterprise value of approximately 2.4 times the annualized third quarter 2019 debt adjusted funds from operations.

## QUARTERLY HIGHLIGHTS

- Generated \$16.0 million of funds from operations (\$25.07 per boe) compared to \$11.6 million in the third quarter of 2018 and \$17.1 million in the second quarter of 2019. The seven per cent decrease from the second quarter of 2019 was realized despite an 11 per cent decrease in realized commodity prices. Stability in funds from operations was assisted by a decrease in operating costs of \$0.88 per boe, an increase in realized risk management gains of \$2.45 per boe, and a decrease in G&A and interest expenses of \$0.82 per boe as compared to the second quarter of 2019. Gear reported third quarter net income of \$3.5 million.
- Reduced net debt by an additional \$2.3 million through the third quarter for a total reduction of \$22.1 million, or 24 per cent, from the beginning of 2019 to the end of the third quarter of 2019. Net debt was \$69.8 million as at September 30, 2019 including \$62.9 million of bank debt, \$13.3 million of convertible debentures, and \$6.4 million of positive working capital. Net debt to quarterly annualized funds from operations for the third quarter was 1.1 times.
- During the third quarter, drilled seven heavy oil wells and one light oil well in Central Alberta with 100% success. Subsequent to quarter-end, seven of the eight wells have averaged approximately 100 boe per day per well over the first 30 days of production. The remaining heavy oil well has just recently started producing. The heavy oil wells were drilled, completed, and equipped at a total average cost of \$0.9 million or approximately 12 per cent under budget, as a result of improved well design and shorter drill times. For the fourth quarter, Gear anticipates drilling three more heavy oil wells in Wildmere and Maidstone and two light oil wells in Tableland. Gear plans on releasing details for its 2020 capital program and guidance in December 2019.
- Continued to maintain a relatively flat production profile, with volumes averaging 6,922 boe per day for the third quarter and 6,987 boe per day for the first nine months of 2019. Fourth quarter production is expected to incline slightly as a result of production from Gear's third quarter drilling program.
- Through the first nine months of 2019, Gear invested \$2.0 million on decommissioning expenditures and is forecasting to invest a total of \$3.0 million for the full year. During the nine months ended September 30, 2019 Gear abandoned 50 wells at an average cost of \$24,000 per well or approximately half of what was estimated by the provincial regulators. As of today's date, Gear has abandoned 71 wells in 2019, which is over four times the number of wells that are anticipated to be drilled during the year.
- In late September 2019, Gear commenced its normal course issuer bid. During the third quarter, Gear purchased and cancelled 0.2 million common shares at a total cost of \$0.1 million. Subsequent to the third quarter, Gear purchased and cancelled an additional 0.4 million common shares to date for an additional cost of \$0.2 million. In order to best balance the future allocation of capital between drilling, debt repayment, and share buybacks, Gear will continue to closely monitor commodity prices, forecasted funds from operations, debt levels, expected returns on its capital program, and the share price.

## Forward-looking Information and Statements

This press release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this press release contains forward-looking information and statements pertaining to the following: the percentage of 2019 funds from operation invested; the expected annual 2019 average production; the expected 2019 capital and abandonment expenditures; the intention to drill three heavy oil wells and two light oil wells in the fourth quarter; the expectation that fourth quarter production will slightly incline; the expected timing for releasing details for Gear's 2020 capital program and guidance; and the continuous monitoring of the business to allocate future capital to drilling, debt repayments, and share

buybacks.

The forward-looking information and statements contained in this report reflect several material factors and expectations and assumptions of Gear including, without limitation: that Gear will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of Gear's reserves and resource volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. Gear believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

To the extent that any forward-looking information contained herein may be considered future oriented financial information or a financial outlook, such information has been included to provide readers with an understanding of management's assumptions used for budgeting and developing future plans and readers are cautioned that the information may not be appropriate for other purposes. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Gear's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Gear or by third party operators of Gear's properties, increased debt levels or debt service requirements; any action taken by Gear's lenders to reduce the borrowing capacity under Gear's credit facilities; inaccurate estimation of Gear's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Gear's public documents including risk factors set out in Gear's most recent annual information form, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The forward-looking information and statements contained in this press release speak only as of the date of this press release, and Gear does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

#### NON-GAAP Measures

This press release contains the terms funds from operations, net debt, net debt to quarterly annualized funds from operations and operating netback, which do not have standardized meanings under Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. Management believes that these key performance indicators and benchmarks are key measures of financial performance for Gear and provide investors with information that is commonly used by other oil and gas companies. Funds from operations is calculated as cash flows from operating activities before changes in non-cash operating working capital and decommissioning liabilities settled. Net debt is calculated as debt less current working capital items, excluding risk management contracts and the current portion of decommissioning liabilities. Net debt to quarterly annualized funds from operations is calculated as net debt divided by the annualized funds from operations for the most recently completed quarter. Operating netbacks are calculated based on the amount of revenues received on a per unit of production basis after royalties and operating costs. Additional information relating to certain of these non-GAAP measures, including the reconciliation between funds from operations and cash flow from operating activities, can be found in the MD&A.

#### Barrels of Oil Equivalent

Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six Mcf to one Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and do not represent a value equivalency at the wellhead. Additionally, 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 ratio of 6:1 may be misleading as an indication of value.

#### Initial and Other Production Rates

Any references in this document to initial production rates are useful in confirming the presence of

hydrocarbons, however, such rates are not determinative of the rates at which such wells or other future wells will continue production and decline thereafter. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. In addition, Gear has disclosed the cumulative production of wells on certain Gear properties; there is no certainty that other wells on such properties will achieve such production levels. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Gear.

SOURCE [Gear Energy Ltd.](#)

Contact

Ingram Gillmore, President & CEO, 403-538-8463, Email: [info@gearenergy.com](mailto:info@gearenergy.com); David Hwang, Vice President Finance & CFO, 403-538-8437, Website: [www.gearenergy.com](http://www.gearenergy.com)

---

Dieser Artikel stammt von [Rohstoff-Welt.de](https://www.rohstoff-welt.de)

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/338299--Gear-Energy-Ltd.-announces-third-quarter-2019-operating-results.html>

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf-/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere [AGB/Disclaimer](#)!

---

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!  
Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2026. Es gelten unsere [AGB](#) und [Datenschutzrichtlinen](#).