

Hemisphere Energy Provides Corporate Update and Announces 2019 Fourth Quarter and Year-end Financial and Operating Results

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Vancouver, April 23, 2020 - [Hemisphere Energy Corp.](#) (TSXV: HME) ("Hemisphere" or the "Company") is pleased to provide a corporate update and announce its financial and operating results for the fourth quarter and year ended December 31, 2019.

Corporate Update and Outlook

In recent months, COVID-19 has had an unprecedented impact on the global economy as countries have locked down their citizens in an attempt to stop the spread of the virus. This instantaneous loss in demand for oil and its byproducts, coupled with an oil price war between Saudi Arabia and Russia, has resulted in historic lows in the price of oil. Although there is uncertainty around the duration and severity of the impact of these events, Hemisphere has taken numerous steps to protect its balance sheet, assets, staff, contractors, and community.

Hemisphere has completed a detailed review of its operating costs in all producing areas and has shut-in approximately 180 boe/d (93% heavy crude oil and 7% conventional natural gas) of uneconomic production, representing just under 10% of corporate first quarter production of approximately 1970 boe/d (99% heavy crude oil and 1% conventional natural gas). The Company continues to monitor oil prices and will act to shut-in further volumes if required. In the first quarter of 2020, the Company incurred approximately \$400,000 in capital expenditures, but has since deferred all other non-essential capital spending until the oil price environment improves. Hemisphere has the ability to quickly restart production from its shut-in wells when oil prices and demand outlook improve.

Hemisphere also has an extensive risk management program with hedges in place until June 30, 2021, and the current mark-to-market value of these hedges is approximately \$8.9 million (as of market close April 22, 2020). In early April, Hemisphere opted to protect its assets by adding significant hedge volumes through the second quarter of 2020. This has allowed the Company greater flexibility in decisions to avoid shutting in certain production and risking damage to its reservoirs and wellbores, while mitigating the downside scenario of a possible negative oil price environment, which has since been experienced for the first time in history. These hedges included a 750 bbl/d WTI swap at \$23.80 and a 750 bbl/d WCS differential at \$17.55. A full list of the Company's current hedge book is tabled below:

Product Type	Volume	Price	Index	Term
Crude oil Swap	425 bbl/d	US\$55.85	WTI-NYMEX	April 1, 2020 - June 30, 2020
Crude oil Swap	750 bbl/d	US\$23.80	WTI-NYMEX	April 1, 2020 - June 30, 2020
Crude oil Swap	100 bbl/d	US\$16.95	WCS	April 1, 2020 - June 30, 2020
Crude oil Swap	100 bbl/d	US\$15.25	WCS	April 1, 2020 - June 30, 2020
Crude oil Swap	100 bbl/d	US\$14.35	WCS	April 1, 2020 - June 30, 2020
Crude oil Swap	750 bbl/d	US\$17.55	WCS	May 1, 2020 - June 30, 2020
Crude oil Swap	200 bbl/d	US\$50.67	WTI-NYMEX	January 1, 2020 - August 31, 2020
Crude oil Swap	425 bbl/d	US\$55.85	WTI-NYMEX	July 1, 2020 - September 30, 2020
Crude oil Swap	100 bbl/d	US\$15.30	WCS	July 1, 2020 - September 30, 2020
Crude oil Collar	120 bbl/d	US\$40.00-US\$68.25	WTI-NYMEX	January 1, 2020 - December 31, 2020
Crude oil Collar	200 bbl/d	US\$40.00-US\$67.05	WTI-NYMEX	September 1, 2020 - December 31, 2020
Crude oil Swap	425 bbl/d	US\$54.85	WTI-NYMEX	October 1, 2020 - December 31, 2020
Crude oil Collar	275 bbl/d	US\$40.00-US\$65.50	WTI-NYMEX	January 1, 2021 - March 31, 2021
Crude oil Collar	350 bbl/d	US\$40.00(put)/US\$48.60(put)/US\$60(call)	WTI-NYMEX	January 1, 2021 - March 31, 2021
Crude oil 3-Way Collar	625 bbl/d	US\$40.00(put)/US\$48.00(put)/US\$60(call)	WTI-NYMEX	April 1, 2021 - June 30, 2021

Hemisphere has a supportive relationship with its lender, Cibolo Energy Partners, which is based in Houston, Texas and is focused exclusively on alternative financing in small to mid-sized upstream energy companies. In response to the current oil commodity outlook, Hemisphere has proactively entered into an agreement with its lender to temporarily waive the application of and compliance with its two financial covenants (being the interest coverage ratio and total leverage ratio covenants), two reserve-based covenants (being the PDP coverage ratio and total proved reserve coverage ratio covenants), and its production covenant that are included in the credit agreement with the lender, in each case for the fiscal quarter ending June 30, 2020.

In response to the COVID-19 pandemic, Hemisphere has also taken various steps to mitigate the spread of the virus including having office staff work remotely and field operation staff follow government advice for social distancing. The Company's priority is to protect the health and safety of staff and their families while working to ensure reliable supply of an essential resource to market. Hemisphere will continue to monitor the situation and follow all health authority guidance as it evolves moving forward.

Over the past number of years Hemisphere has organically grown its production and reserve value significantly from its low decline, long life oil assets in southern Alberta. With low operating costs and efficient operations both in the field and office, Hemisphere is positioned to weather the current oil price environment until global oil demand returns with the easing of COVID-19 related lockdowns, and will be ready to quickly restart operations and development as soon as conditions allow.

2019 Financial and Operating Results

In 2019, Hemisphere achieved record operational success with significant reserve, production, and revenue growth. The Company executed a \$10.9 million capital expenditure program to drill 11 development oil wells. This development activity led to tremendous technical success resulting in a 50% production increase year over year, substantial reserve and valuation growth, and the Company becoming big enough to weather the current market volatility.

2019 Highlights

- Achieved annual average production rate of 1,665 boe/d (97% heavy crude oil and 3% conventional natural gas), a 50% increase over 2018.
- Realized fourth quarter average production rate of 2,166 boe/d (97% heavy crude oil and 3% conventional natural gas).
- Generated record annual revenue of \$31.5 million, a 77% increase over 2018.
- Increased operating netback year over year by 192% to \$18.7 million.
- Generated \$13.1 million of funds flow from operations, an increase of 550% from 2018.
- Reduced operating and transportation costs by 11% over 2018 to \$12.36 per boe.
- Increased Proved Developed Producing (PDP) net present value of future net revenue, discounted at 10%, before tax (NPV10 BT) by 69% to \$115.7 million, and reserve volumes by 50% to 4.9 MMboe (98% heavy crude oil and 2% conventional natural gas).
- Increased Proved (1P) NPV10 BT by 39% to \$198.2 million and reserve volumes by 30% to 9.9 MMboe (98% heavy crude oil and 2% conventional natural gas).
- Increased Proved plus Probable (2P) NVP10 BT by 18% to \$234.5 million and reserve volumes by 15% to 12.2 MMboe (98% heavy crude oil and 2% conventional natural gas).

Selected financial and operational highlights should be read in conjunction with Hemisphere's audited annual financial statements and related Management's Discussion and Analysis for the year ended December 31, 2019. These reports, including the Company's Annual Information Form for the year ended December 31, 2019, are available on SEDAR at www.sedar.com and on Hemisphere's website at www.hemisphereenergy.ca. All amounts are expressed in Canadian dollars unless otherwise noted.

Financial and Operating Summary

	Three Months Ended December 31		Year Ended December 31	
	2019	2018	2019	2018
FINANCIAL				
Petroleum and natural gas revenue	\$ 9,472,078	\$ 2,886,840	\$ 31,511,084	\$ 17,756,439
Operating netback ⁽¹⁾	6,118,678	651,962	18,719,149	6,415,532

Cash flow provided by operating activities	3,530,061	231,079	10,496,875	2,230,071
Adjusted funds flow from operations ⁽²⁾	4,334,995	(725,431)	13,088,551	2,012,847
Per share, basic and diluted	0.05	(0.01)	0.14	0.02
Net income (loss)	(2,542,542)	25,334	2,234,430	(4,853,569)
Per share, basic and diluted	(0.03)	0.00	0.02	(0.05)
Capital expenditures	968,711	1,469,284	10,947,329	16,057,316
Net debt ⁽³⁾	31,982,764	35,446,384	31,982,764	35,446,384
Gross Term loan ⁽⁵⁾	\$ 34,418,200	\$ 35,458,800	\$ 34,418,200	\$ 35,458,800

Operating

Average daily production

Oil (bbl/d)	2,101	1,313	1607	1,062
Natural gas (Mcf/d)	381	377	342	287
NGL (bbl/d)	2	2	1	2
Combined (boe/d)	2,166	1,378	1,665	1,111
Oil and NGL weighting	97%	95%	97%	96%

Average sales prices

Oil (\$/bbl)	\$ 48.57	\$ 23.20	\$ 53.30	\$ 45.26
Natural gas (\$/Mcf)	2.21	2.19	1.87	1.76
NGL (\$/bbl)	38.64	47.65	42.05	54.75
Combined (\$/boe)	\$ 47.53	\$ 22.78	\$ 51.85	\$ 43.78

Operating netback (\$/boe)

Petroleum and natural gas revenue	\$ 47.53	\$ 22.78	\$ 51.85	\$ 43.78
Royalties	4.97	3.03	6.38	7.60
Operating costs	8.36	8.91	9.81	11.15
Transportation costs	2.67	2.76	2.55	2.70
Operating field netback ⁽⁴⁾	31.53	8.07	33.11	22.34
Realized commodity hedging loss	0.83	2.93	2.31	6.52
Operating netback ⁽¹⁾	\$ 30.70	\$ 5.14	\$ 30.80	\$ 15.82

Notes:

(1) Operating netback is a non-IFRS measure calculated as the operating field netback plus the Company's realized commodity hedging gain (loss) per barrel of oil equivalent. Operating netback per boe is a non-IFRS measure calculated as the operating field netback plus the Company's realized commodity hedging gain (loss) per barrel of oil equivalent.

(2) Adjusted funds flow from operations is a non-IFRS measure that represents cash generated by operating activities, before changes in non-cash working capital and adjusted for any decommissioning expenditures, and may not be comparable to measures used by other companies.

(3) Net debt is a non-IFRS measure calculated as current assets minus current liabilities including term loan or bank indebtedness and excluding fair value of financial instruments and lease liabilities.

(4) Operating field netback per boe is a non-IFRS measure calculated as the Company's oil and gas sales, less royalties, operating expenses and transportation costs per barrel of oil equivalent.

(5) Gross term loan is calculated as the total USD draws on the term loan translated to Canadian Dollars at the period end exchange rate.

As at December 31

2019 2018

Share Information

Common shares outstanding	88,902,302	89,793,302
Stock options outstanding	8,184,000	8,419,000
Warrants outstanding	13,750,000	13,750,000
Fully diluted shares outstanding	110,836,302	111,962,302

Weighted-average shares outstanding - basic	89,662,316	89,793,302
Weighted-average shares outstanding - fully diluted	90,362,590	89,793,302

About Hemisphere Energy Corporation

[Hemisphere Energy Corp.](#) is a producing oil and gas company focused on developing conventional oil assets with low risk drilling opportunities. At this time, the Company plans to limit capital spending and pay down debt where possible. Once markets allow, the Company will return to its plans of continual growth in production, reserves, and cash flow by drilling existing projects and executing strategic acquisitions. Hemisphere has the oil weighted assets to develop, the team to deliver results, and the access to capital required to move projects forward while providing top tier economics. Hemisphere trades on the TSX Venture Exchange as a Tier 1 issuer under the symbol "HME".

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Forward-looking Statements

Certain statements included in this news release constitute forward-looking statements or forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular, but without limiting the generality of the foregoing, this news release includes forward-looking statements regarding the go-forward effects of Covid-19 on the Company's operations and the oil and gas industry, generally, the Company's plans to continue to monitor oil prices and act to shut-in further volumes if required, Hemisphere's belief that the oil price environment will improve and that it has deferred all other non-essential capital spending until such time, Hemisphere's expectation that it has the ability to quickly restart production from its shut-in wells when oil prices and demand outlook improve, Hemisphere's plans to follow all health authority guidance as the Covid-19 situation evolves moving forward, Hemisphere's plans to limit capital spending and pay down debt where possible during this time of depressed prices, and the Company's plans of continual growth in production, reserves, and cash flow by drilling existing projects and executing strategic acquisitions once markets allow.. In addition, 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.

Forward-looking statements are based on a number of material factors, expectations or assumptions of Hemisphere which have been used to develop such statements and information but which may prove to be incorrect. Although Hemisphere believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Hemisphere can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the length of time that oil and gas operations will be impaired by the outbreak of Covid-19; the current and go-forward oil price environment; that Hemisphere will continue to conduct its operations in a manner consistent with past operations; the future ramifications, if any, of the Corporation's decision to shut-in certain of its production; that results from drilling and development activities are consistent with past operations; the quality of the reservoirs in which Hemisphere operates and continued performance from existing wells; the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of Hemisphere's reserve volumes; certain commodity price and other cost assumptions; continued availability of debt and equity financing and cash flow to fund Hemisphere's current and future plans and expenditures; the impact of increasing competition; the general stability of the economic and political environment in which Hemisphere operates; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of Hemisphere to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Hemisphere has an interest in to operate the field in a safe, efficient and effective manner; the ability of Hemisphere to obtain financing on acceptable terms; field production rates

and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Hemisphere to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Hemisphere operates; and the ability of Hemisphere to successfully market its oil and natural gas products.

The forward-looking statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, 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 statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Hemisphere's products, the early stage of development of some of the evaluated areas and zones; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Hemisphere or by third party operators of Hemisphere's properties, increased debt levels or debt service requirements; inaccurate estimation of Hemisphere's oil and gas reserve volumes; limited, unfavourable 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 Hemisphere's public disclosure documents, (including, without limitation, those risks identified in this news release and in Hemisphere's Annual Information Form).

The forward-looking statements contained in this news release speak only as of the date of this news release, and Hemisphere does not assume any obligation to publicly update or revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-IFRS Measures

This news release contains terms that are non-IFRS measures and commonly used in the oil and gas industry which are not defined by or calculated in accordance with International Financial Reporting Standards ("IFRS"), such as: (i) funds flow from operations; (ii) net debt; and (iii) operating netback, operating netback per boe and operating field netback per boe. These terms should not be considered an alternative to, or more meaningful than the comparable IFRS measures (as determined in accordance with IFRS) which in the case of funds flow from operations is cash provided by operating activities and cash flow from operating activities and in the case of operating field netback and operating netback are net income or net loss. There is no IFRS measure that is reasonably comparable to net debt. These measures are commonly used in the oil and gas industry and by Hemisphere to provide shareholders and potential investors with additional information regarding: (i) in the case of funds flow from operations, the Company's ability to generate the funds necessary to support future growth through capital investment and to repay any debt; (ii) in the case of operating netback, operating netback per boe and operating field netback per boe the indication of the Company's profitability relative to current commodity prices; and (iii) in the case of net debt, the capital structure of the Company.

Hemisphere's determination of these measures may not be comparable to that reported by other companies. Funds flow from operations is calculated as cash generated by operating activities, before changes in non-cash working capital; operating field netback is calculated as the Company's oil and gas sales, less royalties, operating expenses, and transportation costs; operating field netback per boe is calculated as operating field netback divided by production for the applicable period on a per barrel of oil equivalent basis; operating netback and operating netback per boe adjusts operating field netback and operating field netback per boe, respectively, for any realized gains or losses on commodity hedges and net debt is calculated as current assets minus current liabilities including bank indebtedness and excluding fair value of financial instruments and any flow-through share premium. The Company has provided additional information on how these measures are calculated in the Management's Discussion and Analysis for the year ended December 31, 2019, which is available under the Company's SEDAR profile at www.sedar.com.

Oil and Gas Advisories

All estimated reserve volumes and the estimated net present values of the future net revenues of such reserve estimates included in this news release are as attributed by McDaniel Associates & Consultants Ltd., the Company's independent reserve evaluators in its report dated effective as of December 31, 2019 and

prepared in accordance with the COGE Handbook and National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

A barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, 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 on a 6:1 basis may be misleading as an indication of value.

It should not be assumed that the net present value of the estimated net revenues of the reserves presented in this news release represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions upon which such estimates are made will be attained and variances could be material. The reserve estimates of Hemisphere's crude oil, natural gas liquids and natural gas reserves and any estimated recovery factors provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

Definitions and Abbreviations

bbl	Barrel	Mcf	thousand cubic feet
bbl/d	barrels per day	Mcf/d	thousand cubic feet per day
\$/bbl	dollar per barrel	\$/Mcf	dollar per thousand cubic feet
boe	barrel of oil equivalent	NGL	natural gas liquids
boe/d	barrel of oil equivalent per day	NPV10 BT	Net Present Value discounted at 10%, before tax
\$/boe	dollar per barrel of oil equivalent	IFRS	International Financial Reporting Standards
WCS	Western Canadian Select	G&A	General and Administrative Costs
US\$	United States Dollar		

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