

Hawk Exploration Ltd. Announces Third Quarter 2014 Results

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CALGARY, Nov. 26, 2014 - [Hawk Exploration Ltd.](#) ("Hawk" or the "Corporation") is pleased to announce its results for the three and nine months ended September 30, 2014. The Corporation's interim financial statements for the three and nine months ended September 30, 2014 and its management's discussion and analysis for the three and nine months ended September 30, 2014 are available for viewing on SEDAR at www.sedar.com under Hawk's profile or on the Corporation's website at www.hawkexploration.ca under Investor Information - Financial Reports.

HIGHLIGHTS

Highlights for the three months ended September 30, 2014 were as follows:

- Averaged production of 652 boe/d in the third quarter of 2014, an increase of 6% from 613 boe/d of production in the third quarter of 2013;
- Generated cash flow from operations of \$1.7 million in the third quarter, a 18% decrease from the \$2.1 million of cash flow generated in the third quarter of 2013 due to lower realized oil prices;
- Drilled two (1.4 net) wells in the third quarter of 2014 resulting in one (0.7 net) successful heavy oil well and one (0.7 net) abandoned well;
- Closed the previously announced asset acquisition from Trihawk Energy Ltd,
- Entered into a new \$13.5 million credit facility with Alberta Treasury Branches, and
- Subsequent to the third quarter, drilled three (3.0 net) successful heavy oil wells in western Saskatchewan.

Selected financial and operational information for the three and nine months ended September 30, 2014 is provided as follows:

| | Three months ended Sept. 30, | | | Nine months ended Sept. 30, | | |
|---|------------------------------|----------|----------|-----------------------------|-----------|----------|
| | 2014 | 2013 | % Change | 2014 | 2013 | % Change |
| Financial (\$'000's except per share amounts) | | | | | | |
| Petroleum and natural gas sales | \$ 4,627 | \$ 4,788 | (3%) | \$ 14,266 | \$ 11,598 | 23% |
| Cash flow from operations ⁽¹⁾ | 1,732 | 2,105 | (18%) | 5,440 | 4,922 | 11% |
| Per share | 0.05 | 0.06 | (17%) | 0.16 | 0.14 | 14% |
| Comprehensive income (loss) | 131 | 67 | 99% | (185) | 240 | (177%) |
| Per share | 0.00 | 0.00 | 0% | (0.01) | 0.01 | (200%) |
| Capital expenditures ⁽²⁾ | 2,499 | 3,342 | (25%) | 7,216 | 5,879 | 23% |
| Working capital deficit - excluding bank debt and commodity contracts, end of period ⁽¹⁾ | | | | \$ 2,461 | \$ 2,613 | (6%) |
| Bank debt, end of period | | | | 6,900 | 3,250 | 112% |
| Total assets, end of period | | | | \$ 37,442 | 33,349 | 12% |
| | Three months ended Sept. 30, | | | Nine months ended Sept. 30, | | |
| | 2014 | 2013 | % Change | 2014 | 2013 | % Change |
| Common Shares outstanding end of period: | | | | | | |
| Class A Shares | | | | 45,576 | 34,481 | 32% |
| Class B Shares | | | | - | 1,080 | (100%) |
| Options to acquire Class A Shares | | | | 4,527 | 2,473 | 83% |

Operations

Production

| | | | | | | |
|---|----------|----------|-------|----------|----------|-------|
| Crude oil and natural gas liquids (bbl/d) | 632 | 593 | 7% | 652 | 596 | 9% |
| Natural gas (mcf/d) | 116 | 123 | (6%) | 112 | 153 | (27%) |
| Total (boe/d) | 652 | 613 | 6% | 671 | 621 | 8% |
| Oil and liquids as percent of total | 97% | 97% | 0% | 97% | 96% | 1% |
| Average Selling Price | | | | | | |
| Crude oil and ngl's (per bbl) | \$ 78.79 | \$ 87.38 | (10%) | \$ 79.30 | \$ 70.48 | 13% |
| Natural gas (per mcf) | 4.09 | 2.51 | 63% | 4.93 | 3.21 | 54% |
| Total (per boe) | 77.18 | 84.95 | (9%) | 77.91 | 68.38 | 14% |
| Netbacks (per boe at 6:1) ⁽³⁾ | | | | | | |
| Price | \$ 77.18 | \$ 84.95 | (9%) | \$ 77.91 | \$ 68.38 | 14% |
| Royalties | (16.89) | (17.54) | (4%) | (16.40) | (13.25) | 24% |
| Production expense | (23.39) | (18.76) | 25% | (22.13) | (18.35) | 21% |
| Transportation expense | (1.21) | (1.75) | (31%) | (1.56) | (1.75) | (11%) |
| Operating netback (\$/boe) | \$ 35.69 | \$ 46.90 | (24%) | \$ 37.82 | \$ 35.03 | 8% |

(1) The terms cash flow from operations, cash flow from operations per share, working capital deficit and net debt to annualized cash flow ratio are additional GAAP financial measures. These measures are further described on page 3 of the Corporation's MD&A for the three and nine months ended September 30, 2014 under the heading "Additional GAAP and Non-GAAP Financial Measures". Users are cautioned that additional GAAP financial measures may not be comparable with the calculation of similar measures by other entities.

(2) Capital expenditures include cash exploration and evaluation expenditure plus cash property, plant and equipment net of dispositions and exclude asset retirement obligations and capitalized share-based payments.

(3) Management uses the terms operating and cash flow netbacks per boe which are non-GAAP measures. These measures are key performance indicators however do not have a standardized meaning as prescribed by GAAP and therefore, may not be comparable with the calculation of similar measures by other entities. Management considers operating and cash flow netbacks to be important measures as they demonstrate profitability relative to current commodity prices.

Operational Review and Update

During the third quarter of 2014, Hawk completed a 6 square kilometer three dimensional ("3D") seismic program in the Forest Bank area of western Saskatchewan and drilled one (0.65 net) vertical oil well. Under the terms of the farm-in agreement ("Farm-In") at Forest Bank, Hawk paid for 100% of the capital costs of the well and earned a 65% working interest in one section of land. The well encountered oil pay in the McLaren, Waseca and Sparky formations. The well was completed in the Sparky formation, placed on production early in the fourth quarter of 2014, and has been producing at an average rate of 60 bbl/d (39 net). Hawk has committed to drilling one (0.65 net) additional well under the Farm-In which will earn the Corporation a 65% working interest in an additional one section of land at Forest Bank. This well is expected to be drilled in the first quarter of 2015.

Hawk also drilled one (0.7 net) vertical well in the Cadogan area of Alberta in the third quarter of 2014 which did not encounter economic quantities of oil and was subsequently abandoned.

In the fourth quarter of 2014, Hawk has drilled two (2.0 net) vertical heavy oil wells and one (1.0 net) horizontal heavy oil well in western Saskatchewan. At Yonker, Hawk drilled one (1.0) vertical oil well under a farm-in agreement with an industry partner and earned a 100% working interest in one section of land with a flat 5% overriding royalty. The well was completed in the McLaren formation and has been producing at an average rate of approximately 40 bbl/d since it was placed on production in the middle of October 2014.

In the Rush Lake area of western Saskatchewan, Hawk acquired a 100% working interest in 160 acres of land offsetting Hawk's existing land during the third quarter and drilled one (1.0 net) heavy oil well on the acquired acreage in the fourth quarter of 2014. The well encountered oil pay in the Waseca and Sparky/GP formations and is currently being completed and equipped for production.

In the Eureka area of western Saskatchewan, Hawk drilled one (1.0 net) horizontal well in the fourth quarter of 2014 in the Lower Mannville sand adjacent to the Corporation's two existing vertical oil wells. The horizontal well was completed and recently placed on production. Hawk has committed to drilling an additional vertical well in the Eureka area in the first quarter of 2015 which will earn the Corporation a 100% working interest in 480 acres of land.

Production for the third quarter of 2014 averaged 652 boe/d, a 6% increase from the 613 boe/d produced in the third quarter of 2013. Hawk's current production is approximately 750 boe/d, based on field estimates.

Financial

Hawk achieved cash flow from operations in the third quarter of 2014 of approximately \$1.7 million compared to \$2.1 million for the third quarter of 2013 as a result of lower realized oil prices in the third quarter of 2014 compared to 2013. Average Western Canadian Select ("WCS") prices for the third quarter of 2013 decreased 13% to US\$76.99 per bbl compared to US\$88.35 per bbl in the third quarter of 2013, while the differential between WCS and West Texas Intermediate crude oil ("Differential") widened to US\$20.18 per bbl in the third quarter of 2014 compared to US\$17.48 per bbl for the third quarter of 2013.

Hawk generated an operating netback of \$35.69 per boe for the third quarter of 2014 which is a 24 percent decrease from the operating netback for the third quarter of 2013 of \$46.90 per boe due to lower realized oil prices and an increase in production expenses in Q3 2014. Hawk's average realized oil price for the third quarter of 2014 averaged \$78.82 per bbl, a 10% decrease from the \$87.55 per bbl realized oil price for the third quarter of 2013.

At September 30, 2014, Hawk had \$6.9 million drawn on its existing \$13.5 million credit facility. The Corporation continues to maintain a solid balance sheet with net debt and working capital deficit of approximately \$9.4 million at September 30, 2014 which equates to a net debt to annualized cash flow from operations of 1.3:1.

Outlook

The Corporation had a very successful drilling program in the second half of 2014 and has grown its land base around its discoveries through strategic farm in agreements and by way of land acquisitions. At Forest Bank, in 2015, the Corporation expects to drill one (0.65 net) well in the first quarter of 2015. Hawk has also identified several well recompletions to complete existing wellbores in up-hole zones and has identified additional drilling locations from its 3D seismic program shot in 2014. At Eureka, the Corporation expects to drill one (1.0 net) vertical well in the first quarter of 2015 as part of an existing farm-in agreement in the area. Hawk also expects to drill additional follow up wells to its recent discoveries at Yonker and Rush Lake in western Saskatchewan.

With the recent decline in world oil prices, Hawk is expecting lower realized oil prices in the fourth quarter of 2014 although the effect of the lower oil prices is expected to be lessened with lower heavy oil differentials and a weakening Canadian dollar. Additionally for the fourth quarter of 2014, Hawk has hedges in place on 200 bbl/d of oil production an average price of \$100.63 per bbl for Canadian dollar WTI and a further 100 bbl/d of oil production hedged for the first half of 2015 at an average price of \$104.20 per bbl for Canadian dollar WTI.

The Corporation plans to announce its 2015 capital budget in December 2014.

Hawk is an emerging exploration company engaged in the exploration, development and production of conventional crude oil and natural gas in western Canada and is based in Calgary, Alberta. The Class A Shares of Hawk trade on the TSX Venture Exchange under the trading symbols of HWK.A.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as the term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Certain statements contained in this press release constitute forward-looking statements. All forward-looking statements are based on the Corporation's beliefs and assumptions based on information available at the time the assumption was made. 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 in such forward-looking statements. Hawk believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking statements included in this press release should not be unduly relied upon. These statements speak only as of the date of this press release.

In particular, but without limiting the forgoing, this press release contains forward-looking statements pertaining to the following: the performance characteristics of Hawk's oil and natural gas properties; business strategies and plans; projections of market prices and cost; supply and demand for oil and natural gas; planned development of the Corporation's oil and natural gas properties; the timing of and nature of capital expenditure program for the first quarter of 2015; and the expected sources of funding for the 2015 capital

expenditure program.

The material factors and assumptions used to develop these forward looking statements include, but are not limited to: the ability of the Corporation to engage drilling contractors, to obtain and transport equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities and plans; the ability of the Corporation to market its oil and natural gas and to transport its oil and natural gas to market; the timely receipt of regulatory approvals and the terms and conditions of such approval; the ability of the Corporation to obtain drilling success consistent with expectations; and the ability of the Corporation to obtain capital to finance its exploration, development and operations.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors including, without limitation: 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; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions and exploration and development programs; geological, technical, drilling and processing problems; changes in tax laws and incentive programs relating to the oil and natural gas industry; failure to realize the anticipated benefits of acquisitions; general business and market conditions; and certain other risks detailed from time to time in Hawk's public disclosure documents (including, without limitation, the other factors discussed under "Risk Factors" in the Corporation's most recently filed Annual Information Form).

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement. Except as required under applicable securities laws, Hawk does not undertake any obligation to publicly update or revise any forward-looking statements.

Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet (mcf) of natural gas to one barrel (bbl) of oil is based on an energy conversion method primarily applicable at the burner tip and is not intended to represent a value equivalency at the wellhead. All boe conversions in this press release are derived by converting natural gas to oil in the ratio of six thousand cubic feet of natural gas to one barrel of oil. Certain financial amounts are presented on a per boe basis, such measurements may not be consistent with those used by other companies.

SOURCE [Hawk Exploration Ltd.](#)

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