

# Parex Announces 2016 Third Quarter Results Highlighted by the Jacana Field Continued Development

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CALGARY, November 10, 2016 - [Parex Resources Inc.](#) ("Parex" or the "Company") (TSX: PXT), a company headquartered in Calgary, Alberta and focused on Colombian oil exploration and production, announces its unaudited financial and operating results for the three months ("Third Quarter" or "Q3") ended September 30, 2016. All amounts herein are in United States dollars ("USD") unless otherwise stated.

Due to the observance of Remembrance Day on Friday, November 11, 2016, the conference call to discuss Q3 results will be held on November 14, 2016 beginning at 9:30 am Mountain Time (11:30 am Eastern Time) instead of one day following the release of quarterly results as typically held.

## Q3 2016 Financial and Operational Highlights

- Quarterly oil and natural gas production was 29,754 barrels of oil equivalent per day ("boe/d"), a two percent increase from the previous quarter and nine percent growth over the prior year comparative quarter. Q3 2016 marks the 16th period of consecutive quarter-over-quarter production growth;
- Generated funds flow from operations of \$45.1 million (\$0.30 (CAD\$0.39)<sup>1</sup> per basic share) as compared to \$0.21 per share for the preceding quarter. Funds flow from operations were 235 percent higher than the prior year comparative quarter;
- Realized Brent referenced sales price was \$40.19/boe, generating an operating netback of \$20.87/boe and a funds flow netback of \$16.42/boe;
- Reduced combined operating and transportation unit costs by 21 percent from the comparative quarter in 2015;
- Participated in drilling 4 gross wells (2.65 net wells)<sup>2</sup> resulting in 3 oil wells and 1 dry and abandoned ("D&A") well. Capital expenditures for the quarter were \$26.3 million compared to \$37.7 million in the comparative period of 2015;
- With funds flow from operations exceeding capital expenditures, Parex recorded \$18.8 million in free cash flow; and
- Maintained balance sheet strength; exiting the third quarter with \$117.7 million in working capital surplus, no bank debt and \$175 million of undrawn syndicated bank credit facility. Parex expects a Q4 2016 capital program of \$65-\$75 million.

1 Q3 average CAD/USD noon rate of 0.7663

2 Oil: Jacana-4, Jacana-5 & Tigana-4; D&A: Katmandú Norte-2

During the first nine months of 2016, Brent oil price averaged approximately \$43.15/bbl. Parex continues to demonstrate sustainability in low commodity prices; the Company has increased production quarter-over-quarter, recorded \$47.6 million in free cash flow and reduced per barrel operating and transportation expenses.

## Third Quarter Financial Summary

Three Months  
Ended Sep. 30, Nine Months  
ended Sep. 30,  
2016 2015 2016  
Operational  
Average daily production

Oil & Gas (boe/d) 29,754 27,377 29,373  
 Average daily sales oil and natural gas (1)  
 Oil (bbl/d) 29,601 26,948 29,645  
 Gas (Mcf/d) 1,518 - 1,362  
 Oil & Gas (boe/d) 29,854 26,948 29,872

Operating netback (\$/boe)(1)  
 Reference Price - Brent 46.98 51.16 43.15  
 Oil revenue 40.19 44.62 35.59  
 Royalties (3.25 ) (3.58 ) (2.94 )  
 Net revenue 36.94 41.04 32.65  
 Production expense (4.49 ) (7.03 ) (4.65 )  
 Transportation expense (11.58 ) (13.31 ) (11.73 )  
 Operating netback 20.87 20.70 16.27

Financial (\$000s except per share amounts)  
 Oil and natural gas revenue 127,541 123,249 313,630

Net income (loss) 6,811 (27,417 ) (1,004 )  
 Per share - basic 0.04 (0.18 ) (0.01 )  
 Funds flow from operations 45,091 13,448 92,340  
 Per share - basic 0.30 0.09 0.61

Capital expenditures 26,313 37,674 44,742

Total assets 947,354 1,003,271 947,354  
 Working capital surplus (2) 117,747 62,689 117,747  
 Bank debt (end of period) (3) - - -

Outstanding shares (end of period) (000s)  
 Basic 152,666 150,208 152,666  
 Weighted average basic 152,700 150,164 151,985  
 Diluted (4) 161,534 156,979 161,534

The table above contains Non-GAAP measures. See "Non-GAAP Terms" for further discussion.

*(1) Average daily sales and the operating netback per boe is determined by sales revenue divided by total equivalent sales volume including purchased oil volumes and pipeline overlift volumes. Royalties and production expense are divided by total equivalent sales volume excluding purchased oil volumes and pipeline overlift volumes. Transportation expense is divided by total equivalent sales volumes including purchased oil volumes and excluding pipeline overlift volumes.*

*(2) Working capital calculation does not take into consideration the undrawn \$175 million (September 30, 2015 - \$200 million) available under the syndicated bank credit facility.*

*(3) Syndicated bank credit facility borrowing base of \$175 million as at September 30, 2016.*

*(4) Diluted shares as stated include the effects of common shares and in-the-money stock options, RSUs and DSUs outstanding at the period-end. The September 30, 2016 closing stock price was Cdn\$16.65 per share.*

## Operational Update

On September 8, 2016, Parex provided a detailed operational update and outlined its drilling program for the second half of 2016. The following information reflects the progression of the Company's drilling activities since the update.

Aguas Blancas (working interest ("WI") 50%): a significant project milestone was reached on October 9, 2016 when the Aguas Blancas appraisal well, AB-26, was spud. This well represents the first well drilled on the Aguas Blancas block since 1964 and the Company's first well drilled in the Magdalena Basin. The second well, AB-9 was spud on November 5, 2016. Parex plans to drill and case 3 wells on one pad then move the drilling rig to another pad to drill 2 other wells prior to year-end of 2016. A service rig will be used to test and complete the first 3 wells.

Cabrestero (WI 100%): mobilizing to drill the exploration well Bacano-2. This well will be drilled from an

existing Akira pad and requires a 2.6 kilometer horizontal deviation to reach the Guadalupe stratigraphic target, which is the main producing formation in the adjacent block LLA-34 at the Jacana and Tigana oil fields. Following the mechanical failure in the drilling of the Bacano-1 exploration well, the Company conducted a thorough technical analysis and developed a revised drilling plan in order to drill Bacano-2 prior to year-end 2016. The drilling of Bacano-2 is targeting the same bottom hole location as the previously proposed Ponyo-1 exploration prospect.

Cerrero (WI 100%): the exploration well Katmandu Norte-2 was drilled and subsequently abandoned after testing in October 2016.

Llanos 32 (WI 70%): the exploration well Xorop-1 was drilled, cased and is being prepared for completion operations. The drilling rig is being mobilized to the Bacano-2 location.

Llanos 34 (WI 55%): the exploration well Jacana-6 was drilled, cased and is being prepared for completion operations. The drilling rig is being mobilized to the LLA-34 Chiricoca exploration prospect. Civil works have begun on the Jacana Sur pad at the southwest current mapped limit of the field.

Playon (WI 50%): the Boranda-1 exploration well was drilled, cased and completion operations are underway.

VIM-1 (WI 100%): a 525 km<sup>2</sup> 3D seismic program is currently underway.

In Q4 2016, Parex plans to drill 8-10 wells, including 5 appraisal wells on Aguas Blancas. The Company expects production for Q4 2016 to average 30,500 boe/d and full year 2016 production therefore to be approximately 29,600 boe/d, representing approximately an 8% year-over-year growth.

### **2017 Guidance:**

Parex released the 2017 Guidance today under a separate news release. The 2017 highlights for the full year include:

- Production: 34,000-36,000 boe/d;
- Capital Expenditures: \$200-\$225 million fully funded from cash flow; and
- Drill 39-44 wells.

### **Q3 2016 Conference Call**

Parex will host its conference call to discuss the third quarter results and the 2017 Guidance on Monday, November 14, 2016 beginning at 9:30 am Mountain Time. To participate in the conference call, dial 1-866-696-5910, pass code: #8129640. The live audio will be carried at: <http://bell.media-server.com/m/p/83ctej49>

This news release does not constitute an offer to sell securities, nor is it a solicitation of an offer to buy securities, in any jurisdiction.

### **Non-GAAP Terms**

This report contains financial terms that are not considered measures under GAAP such as funds flow used in, or from operations, working capital, operating netback per barrel and adjusted net income, but do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures.

Funds flow from operations is a non-GAAP term that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. Management uses funds from (used in) operations to analyze operating performance and monitor financial leverage, and considers funds from (used in) operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments. Funds flow from operations is reconciled with net (loss) income in the consolidated statements of cash flows.

### ***Advisory on Forward Looking Statements***

Certain information regarding Parex set forth in this document contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", "forecast", "budget" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent Parex' internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Parex' actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex.

In particular, forward-looking statements contained in this document include, but are not limited to, statements with respect to the performance characteristics of the Company's oil properties; supply and demand for oil and the global price of oil; financial and business prospects; the Company's anticipated 2017 capital budget, including the amount thereof; the Company's expected 2016 full year average production rate, forecasted 2017 average production based on certain oil prices, and anticipated future production growth; the Company's 2017 capital expenditure budget, including the expected allocations of such expenditures; the Company's anticipated drilling, development, exploration and other growth plans within its capital expenditure budget, including the Company's plans to fulfill certain farm-in and other earning commitments; the Company's belief that its capital budget will be fully funded from funds flow from operations at current Brent strip pricing; Parex' anticipated debt levels; the Company's anticipated cash netbacks for 2017; financial and business prospects and financial outlook; results of drilling and testing, results of operations; drilling plans; activities to be undertaken in various areas; capital plans in Colombia and annual production; plans to acquire and process 3-D seismic; timing of drilling and completion; and planned capital expenditures and the timing thereof. In addition, statements relating to "reserves" or "resources" are by their nature 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. The recovery and reserve estimates of Parex' reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic conditions in Canada and Colombia; prolonged volatility in commodity prices; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced, in Canada and Colombia; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; obtaining required approvals of regulatory authorities, in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; volatility in market prices for oil; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil industry; changes to pipeline capacity, ability to access sufficient capital from internal and external sources; risks related to the lawsuit brought in Texas against Parex and certain foreign subsidiaries; failure of counterparties to perform under contracts; risk that Brent oil prices are lower than anticipated; risk that Parex' evaluation of its existing portfolio of development and exploration opportunities is not consistent with its expectations; the risks that any estimate of potential net oil pay is not based upon an estimate prepared or audited by an independent reserves evaluator; that there is no certainty that any portion of the hydrocarbon resources will be discovered, or if discovered that it will be commercially viable to produce any portion thereof or that production test results may not necessarily indicative of long term performance or of ultimate recovery; data should be considered to be preliminary until pressure transient analysis or well-test interpretation has been completed; the risk that the amounts of operating netbacks, G&A, finance expenses and tax expenses are higher or lower than anticipated; and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Parex' operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

Although the forward-looking statements contained in this document are based upon assumptions which Management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this document, Parex has made assumptions regarding, among other things: current and anticipated commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the price of oil, including the anticipated Brent oil price; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and

related equipment; effects of regulation by governmental agencies; receipt of partner, regulatory and community approvals; royalty rates, future operating costs; effects of regulation by governmental agencies; uninterrupted access to areas of Parex' operations and infrastructure; recoverability of reserves and future production rates; the status of litigation; timing of drilling and completion of wells; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Parex' conduct and results of operations will be consistent with its expectations; that Parex will have the ability to develop its oil and gas properties in the manner currently contemplated; that Parex' evaluation of its existing portfolio of development and exploration opportunities is not consistent with its expectations; anticipated operating netbacks, G&A, finance expenses and tax expenses; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of Parex' reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that Parex will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this document in order to provide shareholders with a more complete perspective on Parex' current and future operations and such information may not be appropriate for other purposes. Parex' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Parex will derive. These forward-looking statements are made as of the date of this document and Parex disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This press release and, in particular the information in respect of the Company's expected capital expenditures, funds flow from operations and netbacks for 2017, may contain future oriented financial information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of the Company's activities and results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions discussed in this press release. The actual results of operations of the Company and the resulting financial results may vary from the amounts set forth herein, and such variations may be material. The Company and management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments. FOFI contained in this press release was made as of the date of this press release and the press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law.

The term "Bbl" means a barrel of oil equivalent on the basis of 6 Mcf of natural gas to 1 barrel of oil ("bbl"). Bbl's may be misleading, particularly if used in isolation. A bbl 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. Given 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 Mcf: 1 bbl, utilizing a conversion ratio at 6 Mcf: 1 bbl may be misleading as an indication of value.

This press release contains certain oil and gas metrics, including cash netback, which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. Cash netback is calculated as operating netback, less G&A, finance expenses and tax expenses.

Cash netback is not a recognized measure under International Financial Reporting Standards ("IFRS") and does not have a standardized meaning. Management believes that such financial measure is useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities. Investors should be cautioned that this measure should not be construed as an alternative to other measures of financial performance as determined in accordance with IFRS. The Company's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies.

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