

Parex Resources Announces 2018 First Quarter Results

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CALGARY, Alberta, May 08, 2018 (GLOBE NEWSWIRE) -- [Parex Resources Inc.](#) ("Parex" or the "Company") (TSX:PXT), a company focused on Colombian oil and gas exploration and production, is pleased to announce unaudited financial and operating results for the three months ("First Quarter" or "Q1") ended March 31, 2018. All amounts herein are in United States dollars ("USD") unless otherwise stated.

Please note Parex will not hold a conference call to discuss First Quarter results. In lieu, the Company invites stakeholders to attend its Annual General and Special Meeting of Shareholders ("AGM") on Wednesday, May 9, 2018 beginning at 9:30 am Mountain Time.

Q1 2018 Financial and Operational Highlights

- Quarterly production was 40,586 boe/d (99% crude oil), representing an increase of 4 percent over the previous quarter ended December 31, 2017 and an increase of 25 percent over the three months ended March 31, 2017;
- Generated \$100.9 million in funds flow from operations (\$0.65 (or CAD\$0.82)¹ per share basic share). Based on the Q1 2018 Brent oil price of \$67.27/bbl, the operating netback was \$39.10/boe and funds flow netback was \$28.10/boe;
- Earned net income of \$71.5 million (\$0.46 per share basic) compared to the three months ended March 31, 2017 where a net income of \$40.1 million (\$0.26 per share basic) was recorded;
- Capital expenditures were \$58.2 million in the period compared to \$35.6 million in the three months ended March 31, 2017. Parex expects to invest near the high end of the 2018 capital guidance of \$260 - \$290 million. It is expected that activity levels will increase significantly in the second half of 2018;
- Working capital increased to \$205.8 million at March 31, 2018 compared to \$163.4 million at December 31, 2017 mainly as a result of free funds flow of \$42.7 million in the quarter. Bank debt continues to be \$nil;
- Repurchased 789,120 common shares pursuant to the Normal Course Issuer Bid at a cost of \$11.2 million (average cost per share of Cdn\$18.18);
- Participated in drilling 12 gross wells in Colombia resulting in 8 oil wells, 1 disposal well, 2 abandoned wells and 1 under test, for a success rate of 80 percent; and
- Parex continued to maintain a strong financial position. The Company held no debt, an undrawn bank credit facility and \$294 million of cash as at March 31, 2018.

¹ Using USD-CAD Bank of Canada 2018 3 month average rate of 1.264

	Three Months Ended		
	March 31,	March 31,	Dec. 31,
	2018	2017	2017
Operational			
Average daily production			
Oil & Gas (boe/d) ⁽¹⁾	40,586	32,591	39,007
Average daily sales of produced oil & natural gas			
Oil (bbl/d)	39,378	33,308	38,203
Gas (Mcf/d)	3,138	1,644	2,724
Oil & Gas (boe/d)	39,901	33,582	38,657
Oil inventory - end of period (bbls)	164,800	3,160	103,020
Operating netback (\$/boe) ⁽¹⁾			
Reference price - Brent (\$/bbl)	67.27	54.61	61.46

Oil & natural gas revenue (excluding hedging) ⁽²⁾	55.98	42.21	50.43
Royalties	(7.29)) (4.38) (5.58)
Net revenue ⁽²⁾	48.69	37.83	44.85
Production expense	(5.35)) (5.09) (5.41)
Transportation expense ⁽²⁾	(4.24)) (4.60) (4.05)
Operating netback (\$/boe)	39.10	28.14	35.39
Funds flow provided by operations (\$/boe)	28.10	22.47	26.39
Financial (USD\$000s except per share amounts)			
Oil and natural gas revenue ⁽²⁾	202,450	130,079	180,738
Net income	71,512	40,106	55,921
Per share - basic	0.46	0.26	0.36
Funds flow from operations	100,901	67,906	93,861
Per share - basic	0.65	0.44	0.61
Capital expenditure	58,210	35,563	66,341
Total assets	1,229,897	984,855	1,121,908
Working capital surplus	205,771	131,056	163,401
Long-term debt ⁽³⁾	—	—	—
Outstanding shares (end of period) (000s)			
Basic	155,647	153,714	154,742
Weighted average basic	155,037	153,284	154,812
Diluted ⁽⁴⁾	164,000	164,688	164,055

(1) The table above contains Non-GAAP measures. See "Non-GAAP Measures" for further discussion.

(2) In Q1 the Company changed its accounting policy regarding revenue and transportation costs. The Company has changed prior period transportation expense on a gross dollar and per boe basis. Transportation costs have decreased from previous quarter disclosure of \$10-11/boe to \$4-5/boe. Offsetting this decrease, realized sales prices have decreased by the same amount. The change has no effect on operating netback, net income, or funds flow from operations. For further information refer to the 'Impact of Accounting Policy Change' section on page 5 of the Company's MD&A for the three months ended March 31, 2018.

(3) Borrowing limit of \$100.0 million as of March 31, 2018.

(4) Diluted shares as stated include the effects of common shares and in-the-money stock options outstanding at the period-end. The March 31, 2018 closing stock price was Cdn\$18.12 per share.

2018 Guidance

Parex's guidance for 2018, as previously press released on November 7, 2017 is as follows:

Annual production (boe/d, 99% oil)	41,000-43,000
Capital Expenditures (millions)	
Maintenance (14 gross wells and related facilities)	\$90
Growth Capital (30-36 gross wells and related facilities)	\$170-200
Total (millions)	\$260-\$290

Based on 2018 results to date and the growth opportunities we have identified, we expect both annual production and capital expenditures to be at the high end of the guidance ranges. Planned capital expenditures are expected to be fully funded by funds flow from operations, with working capital being retained for future opportunities and to buy back outstanding shares as deemed appropriate.

Operational Update

Production: We expect Q2 2018 production to average 42,000 boe/d. The full year production is expected to average 43,000 boe/d, which is the top-end of the 2018 production guidance range of 41,000-43,000 boe/d.

Aguas Blancas (WI 50%): Parex has begun drilling a new 5 well water-flood development pattern, building on the success of the first waterflood pilot which is currently producing approximately 400 bopd.

Cabrestero (WI 100%): The Company continues to expand and develop the Bacano and Totoro fields. In the Bacano field, we plan to drill 2 injection wells for pressure support and 4 development wells. In Totoro, a 2018 discovery, we plan to drill 3 appraisal wells during Q2/Q3 2018.

Capachos (WI 50%): The Capachos Sur-2 well has been drilled to the target depth and testing operations began on May 5, 2018.

Following the testing of Capachos Sur-2, the drilling rig will be mobilized to the Andina-1 (formerly Capachos Norte-1) exploration prospect. Parex continues to advance the engineering and procurement of the gas processing facility that would be operational by year-end 2018.

De Mares (WI 50%): Following the successful drilling of Coyote-2 and Coyote-3, a service rig is being mobilized to stimulate and test both wells.

LLA-30 (WI 100%): The stratigraphic exploration prospect Cocoa-1 was drilled and abandoned.

LLA-34 (WI 55%): The Company continues to drill delineation and development wells along the Tigana/Jacana trend with a total of approximately 15 planned in 2018. Additionally, approximately 5 exploration wells are planned, including the Tigui Sur-1 well which will assess the northern extent of the Totoro-1 discovery on the Cabrestero block.

Annual General and Special Meeting - May 9, 2018

Parex invites stakeholders to attend its AGM on Wednesday, May 9, 2018 beginning at 9:30 am Mountain Time at the Conference Centre on the 4th floor of Eighth Avenue Place East Tower, 525 - 8th Avenue S.W., Calgary, Alberta T2P 1G1. A live audio webcast of the AGM will be also available via the following link:

<http://event.on24.com/wcc/r/1671198-1/5E32915F2FFE57EC83A29356FD8C8D6B>

The recording of the AGM as well as the presentation will be made available at www.parexresources.com within hours of the AGM concluding.

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.

For more information, please contact:

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Non-GAAP Measures

The Company discloses several financial measures ("non-GAAP Measures") herein that do not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS"). These

financial measures include operating netback per boe, funds flow netback per boe, funds flow from operations per boe and free funds flow. 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.

The Company considers operating netbacks per boe to be a key measure as they demonstrate Parex' profitability relative to current commodity prices. The following is a description of each component of the Company's operating netback per boe and how it is determined:

- Oil and natural gas sales per boe is determined by sales revenue excluding risk management contracts less non-cash oil revenue from overlifted Ocesa pipeline volumes divided by total equivalent sales volume including purchased oil volumes;
- Royalties per boe is determined by dividing royalty expense by the total equivalent sales volume and excludes purchased oil volumes;
- Production expense per boe is determined by dividing production expense by total equivalent sales volume and excludes purchased oil volumes; and
- Transportation expense per boe is determined by dividing transportation expense by the total equivalent sales volumes including purchased oil volumes.

Funds flow from operations per boe or funds flow netback per boe, is a non-GAAP measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital, divided by produced oil and natural gas sales volumes.

Free funds flow is determined by funds flow provided by operations less capital expenditures

Shareholders and investors should be cautioned that these measures should not be construed as an alternative to net income or other measures of financial performance as determined in accordance with IFRS. Parex' method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies. Please see the Company's most recent Management's Discussion and Analysis, which is available at www.sedar.com for additional information about these financial measures.

Oil & Gas Matters Advisory

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

This press release contains a number of oil and gas metrics, including operating netbacks. These oil and gas metrics have prepared by management and 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 metric should not be unduly relied upon. Management uses these oil and gas metrics for its own performance measurements and to provide security holders with measures to compare the Company's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this news release, should not be relied upon for investment or other purposes.

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; the Company's expectation that its 2018 capital expenditures and production will be at the high-end of its guidance and that activity levels will increase significantly in the second half of 2018; the Company's 2018 capital expenditure budget, including the expected allocations of such expenditures; the Company's belief that its capital expenditures will be fully funded from funds flow from operations; the Company's forecasted second quarter 2018 and full year 2018 average production; the Company's anticipated drilling, development, exploration and other growth plans and activities for its assets, including the Company's drilling plans at Aguas Blancas and Cabrestero, the status of engineering and procurement of the gas to be drilled at LLA-34; results of drilling and testing; and activities to be undertaken in various areas.

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; 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; risk that Parex' evaluation of its existing portfolio of development and exploration opportunities is not consistent with its expectations; that production test results may not necessarily indicative of long term performance or of ultimate recovery; 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).

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 anticipated Brent oil prices; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; 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; 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; 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 and production 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.

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