

# Canadian Oil Sands Limited Releases 2012 Budget

08.12.2011 | [Marketwired](#)

CALGARY -- (Marketwire - Dec. 8, 2011) - [Canadian Oil Sands Limited](#) (OCTQX:COSWF) (TSX:COS) (COS) today announced its budget for 2012. COS plans to invest \$1,460 million at the Syncrude project in 2012 to support its strong base of production and implement technologies to accelerate reclamation of tailings, a by-product of the bitumen extraction process. Approximately \$974 million will be directed to discrete, major infrastructure projects that should position Syncrude for 10 to 20 years of production while improving operational efficiency and environmental performance.

"We are well positioned to fund our business plan with a strong balance sheet and excellent liquidity," said Marcel Coutu, President and Chief Executive Officer. "During 2012, we plan to maintain our dividend, at least at the current level, based on the assumptions in our outlook for the year and support from our cash balances as necessary. We will remain unhedged to capture the full value of oil prices for potentially higher dividends in the near term. Further out, we look forward to the completion of our mine train projects in 2014 and correspondingly higher free cash flow, assuming continued strength in oil prices, to support dividend growth."

## Highlights of the 2012 Budget

- COS' production outlook for Syncrude is 106 million to 117 million barrels (39 to 43 million barrels net to COS). The single point production estimate is 113 million barrels (41.5 million barrels net to COS). The production outlook incorporates a turnaround of Coker 8-3 in the first half of 2012. The lower end of the production range incorporates lower capacity utilization rates as well as a turnaround of Coker 8-1, which is a possibility following its recent operational interruption.
- Sales are expected to total \$3,684 million, based on a WTI crude oil price assumption of US\$85 per barrel, a foreign exchange rate of \$0.98 U.S./Cdn, and a premium for synthetic crude oil to WTI of \$2 per barrel.
- Operating expenses are expected to decline to \$36.75 per barrel of fully upgraded, light, sweet crude oil, which includes purchased energy costs of \$4.16 per barrel. The decline in per barrel operating expenses over 2011 is largely the result of higher estimated production volumes.
- Cash flow from operations is estimated at \$1,725 million (\$3.56 per share), based on the outlook and assumptions provided above and detailed in our Guidance Document dated December 8, 2011. Free cash flow (cash flow from operations less capital expenditures) is estimated at \$265 million (\$0.55 per share).
- Net debt is anticipated to rise from the current very low levels as cash balances are used to fund a portion of 2012 capital spending and dividends. Our conservative 2011 finance plan has positioned COS to manage risk associated with an uncertain outlook for the global economy, thereby providing some stability to our dividend level, which is set quarterly by our Board of Directors.
- The 2012 budget includes \$30 million of current taxes. Under our guidance assumptions, during 2012, Canadian Oil Sands will record deferred taxes of approximately 15 per cent to 20 per cent of cash flow from operations before taxes that are expected to flow through current tax expense and cash flow from operations in 2013.

"Syncrude's focus remains on improving capacity utilization, which offers the best opportunity to add significant value in the near term. We are disappointed with the pace of utilization improvement at Syncrude; however, we continue to believe a strong foundation for operational excellence under the leadership of ExxonMobil and Imperial Oil is being established that should support more predictable and robust production rates over the long term," said Coutu.

The focus on safely increasing utilization rates is the key factor behind the Syncrude owners' endorsement to defer production from the undeveloped Aurora South leases until the early 2020s. Syncrude's owners remain focused on profitably growing production over the long-term, and delaying expansion to enable Syncrude time to scope and develop execution plans to better control risk should provide the most robust economics. In the meantime, Syncrude's large existing asset base should continue to generate substantial cash flow.

Canadian Oil Sands' approach is to provide a dividend level that reflects the cash generated by the Syncrude operation over the long term.

Added Coutu: "We have an excellent asset in our Syncrude project, which is producing high volumes of light, sweet crude oil receiving attractive netbacks today; plus, we have a reserve base that will support production for decades. We continue to manage this business to deliver value over the long-term. With our strong balance sheet, we are well-positioned to weather possible further softening of the global economy while avoiding hedging, over-leveraging and equity dilution, thereby offering our investors long-term exposure to the price of crude oil."

## 2012 Budget

(millions of Canadian dollars, except volume and per barrel amounts)

### Operating assumptions

Syncrude production (mmbbls)		113		
Canadian Oil Sands sales (mmbbls)			41.5	
Sales, net of crude oil purchases and transportation			\$	3,684
Operating expenses	\$	1,526		
Operating expenses per barrel	\$		36.75	
Crown royalties	\$	212		
Cash flow from operations	\$		1,725	

Total capital expenditure assumptions \$ 1,460

### Business environment assumptions

West Texas Intermediate (US\$/bbl)	\$	85.00		
Premium (Discount) to average Cdn\$ WTI prices (Cdn\$/bbl)	\$		2.00	
Foreign exchange rate (US\$/Cdn\$)	\$	0.98		
AECO natural gas (Cdn\$/GJ)	\$	3.75		

### 2012 Capital Investments Allocation

(millions of Canadian dollars)

		Syncrude (100%)		COS (36.7%)
<b>Major Projects</b>				
Syncrude Emissions Reduction (SER)	\$	46	\$	17
Mine Train Relocations/Replacements	\$	1,579	\$	580
<b>Tailings Management</b>				
Aurora North (Composite Tails plant)	\$		416	\$
Mildred Lake (Centrifuge plant)	\$	611	\$	224
\$	1,027	\$	377	
Total Major Projects	\$	2,652	\$	974
Maintenance of Business	\$	1,102	\$	405
Capitalized interest	n.a.		\$	81
Total capital expenditures	\$	3,754	\$	1,460

The 2012 budget can be impacted by a variety of factors. Some of the more significant variables include, without limitation:

- Crude oil prices: Canadian Oil Sands' 2012 production is currently unhedged. Accordingly, COS' cash flow from operations is highly sensitive to changes in crude oil prices and foreign exchange rates. Every U.S.\$1.00 per barrel change in the annual WTI crude oil price impacts cash flow from operations by about \$35 million, or \$0.07 per share. Other sensitivities are provided in our Guidance Document dated December 8, 2011.

- Syncrude operational reliability and production: Timing of unit turnarounds and maintenance cannot be precisely scheduled and unplanned outages may occur. In addition to the impact on production, unplanned maintenance costs can affect operating expenses.

More information on Canadian Oil Sands' 2012 Budget is provided in our 2012 Guidance Document, which is available on COS' web site at [www.cdnoilsands.com](http://www.cdnoilsands.com) under "Investor Centre". Canadian Oil Sands intends to continue providing quarterly updates to its guidance.

## Conference Call Today

A conference call and webcast will be held today at 9:00 a.m. MT (11:00 a.m. ET). To participate, please dial (888) 231-8191 (toll-free in North America) or (647) 427-7450 approximately 10 minutes prior to the conference call. An archived recording of the call will be available from approximately 11:00 a.m. MT on December 8 until midnight of December 15, 2011 by dialing (855) 859-2056 or (403) 451-9481 and entering conference password 33030024.

A live audio webcast of the conference call also will be available on Canadian Oil Sands' web site at [www.cdnoilsands.com](http://www.cdnoilsands.com), or via the following link:

<http://www.cdnoilsands.com/investor-centre/presentations-and-events/default.aspx>

## Canadian Oil Sands Limited

[Canadian Oil Sands Limited](#) provides a pure investment opportunity in the oil sands through its 36.74 per cent interest in the Syncrude Project. Syncrude is a leader in Canada's oil sands industry, operating since 1978 with a productive capacity today of 350,000 barrels per day of light, high-quality crude oil.

For more information please visit our web site at: [www.cdnoilsands.com](http://www.cdnoilsands.com)

Shares Listed

Toronto Stock Exchange: COS

OCTQX: COSWF

## Forward-looking Information Advisory:

*In the interest of providing Canadian Oil Sands Limited ("Canadian Oil Sands" or the "Corporation") shareholders and potential investors with information regarding the Corporation, including management's assessment of the Corporation's future production and cost estimates, plans and operations, certain statements throughout this release contain "forward-looking information" under applicable securities law. Forward-looking statements are typically identified by words such as "anticipate", "expect", "believe", "plan", "intend" or similar words suggesting future outcomes. Forward-looking statements in this press release include, but are not limited to, statements with respect to: the expectation that the major projects should position Syncrude for 10 to 20 years of production while improving operational efficiency and environmental performance; the expectation that the mine train replacements and relocations will be completed in 2014 and, assuming continued strength in oil prices, provide the Corporation with higher free cash flow to support dividend growth; the expected 2012 single-point Syncrude production estimate of 113 million barrels (41.5 million barrels net to the Corporation) and the expected 2012 Syncrude production range of 106 to 117 million barrels (39 to 43 million barrels net to the Corporation); the timing of the turnaround of Coker 8-1; the expectation that the work with Imperial Oil and ExxonMobil should result in more predictable and robust production rates over the longer term; the expected operating expenses for 2012; the type of maintenance that will be required in 2012; the expected purchased energy costs in 2012; the expected West Texas Intermediate ("WTI") price in 2012; the expected premium to WTI, foreign exchange rates and natural gas prices in 2012; the expected cash flow from operations and cash flow from operations per share in 2012; the expected free cash flow and free cash flow per share in 2012; the expected amount of Crown royalties in 2012; expected sales in 2012; the expectation that net debt will rise in 2012; the expected amount of current taxes in 2012; the expected amount of deferred taxes that the Corporation will record in 2012; future dividends and any increase or decrease from current payment amounts; plans regarding crude oil hedges in the future; plans regarding equity issuances in the future; the estimated reserves; the expectation that production from the undeveloped Aurora South leases will begin in the early 2020s; the expected amount of major project costs for the mine train relocations/replacements, the Aurora North composite tails plant, the Mildred Lake centrifuge plant and the Syncrude Emissions Reduction project in 2012; the expected amount of maintenance of business costs in 2012; the expected amount of capitalized interest in 2012 and the expected amount of total capital expenditures in 2012.*

*You are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Corporation believes that the expectations represented by such forward-looking statements are reasonable and reflect the current views of the*

*Corporation, there can be no assurance that such expectations will prove to be correct.*

*The factors or assumptions on which the forward-looking information is based include, but are not limited to: the assumptions outlined in the Corporation's guidance document as posted on the Corporation's website at [www.cdnoilsands.com](http://www.cdnoilsands.com) as of the date hereof and as subsequently amended or replaced from time to time, including without limitation, the assumptions as to production, operating expenses and oil prices; the successful and timely implementation of capital projects; the ability to obtain regulatory and Syncrude joint venture owner approval; our ability to either generate sufficient cash flow from operations to meet our current and future obligations or obtain external sources of debt and equity capital; the continuation of assumed tax, royalty and regulatory regimes and the accuracy of the estimates of our reserves volumes.*

*Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this press release include, but are not limited to: general operational issues relating to a complex, integrated mining and upgrading facility; operating constraints due to weather, especially as it relates to bitumen production; general economic, business and market conditions; changes in commodity prices; the unanimous joint venture owner approval for major expansions; the impact that pipeline capacity and refinery demand have on prices for our product; effective execution of planned turnarounds; the occurrence of unexpected events such as fires, equipment failures and other similar events; the impacts of legislative or regulatory changes, especially as such relate to royalties, taxation, the environment and tailings; unsuccessful and untimely implementation of capital projects and such other risks and uncertainties described in the Corporation's Annual Information Form dated March 10, 2011 and in the reports and filings made with the securities regulatory authorities from time to time by the Corporation, which are available on the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.cdnoilsands.com](http://www.cdnoilsands.com).*

*You are cautioned that the foregoing list of important factors is not exhaustive. The 2012 Budget reflects various assumptions, which are outlined in the guidance document dated December 8, 2011. Furthermore, the forward-looking statements contained in this press release are made as of the date of this press release, and unless required by law, the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement. The information was approved by management on December 8, 2011 and circumstances after this date may change the outcomes or results achieved.*

*Non-GAAP Financial Measures: In this press release we refer to financial measures that do not have any standardized meaning as prescribed by Canadian GAAP, such as cash flow from operations, cash flow from operations on a per share basis, free cash flow, free cash flow on a per share basis and certain per barrel measures. Please refer to Canadian Oil Sands' Third Quarter 2011 report, which is available on the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.cdnoilsands.com](http://www.cdnoilsands.com) for more information regarding non-GAAP financial measures. Free cash flow is not discussed in our Third Quarter 2011 Report, but is discussed in this press release. Free cash flow is a non-GAAP financial measure which we believe provides additional meaningful information about the Corporation's liquidity and its capacity to fund dividends.*

*Unless otherwise noted: All figures are based on Canadian Oil Sands' 36.74 per cent working interest in the Syncrude joint venture; all financial figures are in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").*

## **Contact Information**

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