

Open Range Energy Corp. Reports Quarterly Growth in Funds from Operations, Declining Cash Costs and Strong Montney Light Oil Production

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CALGARY, May 9, 2012 - [Open Range Energy Corp.](#) (TSX:ONR) ("Open Range" or the "Company") is pleased to report growth of 39 percent in its first quarter 2012 funds from operations over the same period of 2011, total cash costs for the period of \$1.06 per mcf, and initial 30-day productivity (IP30) of 475 bbls of light oil per day on its first Montney horizontal well at Waskahigan.

The Company has filed its unaudited interim financial statements and related management's discussion and analysis for the three-month period ended March 31, 2012 on www.sedar.com and on the Company's website at www.openrangeenergy.com.

Highlights

In the three months ended March 31, 2012, Open Range:

- Incurred operating costs of only \$2.69 per boe of production, a decline of 27 percent from the first quarter of 2011 and 17 percent from the fourth quarter of 2011;
- Incurred all-in cash costs (operating, transportation, G&A and interest) of only \$1.06 per mcf of production, a decline of 31 percent from the first quarter of 2011 and 12 percent from the fourth quarter of 2011;
- Generated funds from continuing operations of \$7.57 million (\$0.10 per share), an increase of 39 percent from the first quarter of 2011 despite weakening natural gas prices;
- Had average production of 6,575 boe per day, an increase of 76 percent from the first quarter of 2011 and 26 percent from the fourth quarter of 2011. Of this amount, crude oil and natural gas liquids production more than doubled quarter-over-quarter to 577 bbls per day;
- Drilled, completed and tested the 100 percent working interest 13-24-63-23-W5M Montney horizontal light oil well at Waskahigan, and completed associated facilities, bringing the well on-stream in late March; and
- Completed construction of its 20 mmcf per day capacity deep cut processing facility at the Company's core Ansell/Sundance Deep Basin property, bringing the new facility on-stream in early March.

Subsequent to March 31, 2012, Open Range:

- Generated IP30 of 475 bbls per day plus 0.8 mmcf per day of solution gas on the 13-24 Montney light oil well, for an all-in first-month rate of 608 boe per day;
- Received confirmation of the renewal of its \$75 million credit facilities with a syndicate of banks.

Message to Shareholders

We are very pleased at the results of our first horizontal well targeting Montney light oil at the Company's 100 percent working interest, 13-section, Company-operated Waskahigan property. The 13-24-63-23-W5M well was fractured over 14 stages in mid-February and tested up tubing at an initial rate of 2,371 boe per day. Following completion of an oil battery and solution gas pipeline, the well was brought on-production in mid-March. Its subsequent IP30 of 475 bbls per day of 40° API light oil, with relatively low solution gas content of approximately 0.8 mmcf per day, provided an all-in first-month rate of 608 boe per day. This exceeded our expectations and further de-risks our current 20-well Montney inventory. We look forward to commencing our next well early in the second half of the year.

The 13-24 well is currently producing approximately 200 bbls per day and netbacks to date are estimated at approximately \$50 per bbl. The well has experienced good run times with few production interruptions, even through the recent springtime period of road-weight restrictions. Since coming on-stream the well has generated total sales revenue of approximately \$1.5 million and cumulative production of nearly 20,000 barrels of oil. This well, plus the Company's higher overall production, helped to more than double Open Range's crude oil and liquids production in the first quarter of 2012, to 577 bbls per day, over the comparable period last year. These results confirm Open Range's decision to focus the Company's budgeted \$45 million 2012 capital program on developing its light oil potential at Waskahigan.

Financial results

In the face of declining natural gas prices, Open Range was still able to grow its funds from continuing operations to \$7.57 million in the first quarter of 2012. This was due to realizing the benefits of our increasingly efficient operations at the Company's core Ansell/Sundance Deep Basin property, at a larger scale of production.

Production growth of 76 percent from the first quarter of 2011, to 6,575 boe per day in the most recent quarter, combined with a decline of 27 percent in quarterly operating costs, to only \$2.69 per boe of production, and a decline in all-in cash costs of 31 percent, to only \$1.06 per mcf of production, offset the 42 percent decline in the Company's average realized natural gas sales price. This dampened the decline in our operating netback, which was \$15.59 per boe in the most recent quarter, thereby driving the 39 percent increase in funds from continuing operations. Lower G&A and interest expense per boe of production supported the corporate netback, which came in at \$12.65 per boe in the first quarter.

The Company's net debt increased to \$68 million at the end of the most recent quarter. This partly reflected lower-than-anticipated cash flow growth due to declining natural gas prices, as well as the front-loading of the 2012 capital program. The Company's syndicate of banks recently confirmed renewal of our bank lines at \$75 million, confirming the high quality and low cost structure of Open Range's asset base and the Company's increasing leverage to light oil.

Ansell/Sundance

Our core liquids-rich natural gas producing asset at Ansell/Sundance continued to perform very well as we responded to weakening gas prices by adopting a maintenance approach for this low-cost, high-quality and high-working-interest property. Ansell/Sundance production averaged 6,250 boe per day through the first quarter. During this period we completed two horizontal Wilrich wells, one of which set a new Company IP7 record of 7.8 mmcf per day plus 150 bbls per day of natural gas liquids. Additionally we drilled two strategic vertical wells for purposes of land retention and horizontal inventory delineation.

Also in the first quarter we brought our 20 mmcf per day deep cut gas processing facility on-stream. The new facility experienced minimal start-up issues and has delivered exceptional flow time. Natural gas liquids recoveries are meeting the engineering assumptions, and currently the plant is extracting approximately 13 bbls of liquids per mmcf of raw inlet gas.

Given the highly competitive cost structure of Ansell/Sundance, which delivered strong additional gains in operating efficiency as discussed above, this property can continue to generate positive cash flow at current gas prices. As a result, the Company has no intention to shut in any natural gas production.

Outlook

Open Range is well-positioned to continue generating positive cash flow through this period of weak natural gas prices. We are focused on implementing our plan to exploit the Montney light oil potential at Waskahigan and increase the Company's liquids weighting. With the strong success of our first well we are on-track to carry out the planned light oil program. The Company-operated oil battery is scaled to handle production from multiple wells, and the solution gas pipeline has been routed across the sites of our next three surveyed well locations, positioning us to achieve greater capital efficiencies in the follow-on wells.

Three additional horizontal Montney wells are planned before year-end, as per previous announcements, with the next well to spud early in the second half. The Company's capital spending for the balance of the year will be funded by anticipated funds from operations. The Company is on track to meet its average production guidance for 2012 of 6,200 boe per day and an exit rate of 5,800 boe per day, including at least 700 bbls per day of light oil and an overall liquids weighting of at least 20 percent.

Due to weaker than anticipated natural gas prices, the Company's 2012 funds from operations guidance has

been reduced from the previous \$40 million to \$25 million. This is based on an average corporate realized natural gas price of \$2.00 per mcf, after hedging, and the expectation that natural gas prices are likely to remain low for the balance of the year. We have hedged 12,500 GJ per day through a swap arrangement at \$1.95 per GJ (equivalent to approximately \$2.05 per mcf) from May through December, plus a further 5,000 GJ per day at \$2.23 per GJ (\$2.34/mcf) from June through December. This covers approximately 65 percent of Open Range's estimated natural gas production for the second half of the year at a sales price significantly above the Company's current cash costs.

On behalf of the Board of Directors,

Scott Dawson
President, Chief Executive Officer and Director

May 9, 2012

[Open Range Energy Corp.](#) is a publicly traded Canadian energy company with focused operations in the Deep Basin region of Alberta. Open Range has approximately 74.7 million common shares issued and outstanding, which trade on the Toronto Stock Exchange under the symbol "ONR".

Reader Advisory

This news release contains certain forward-looking statements and other information (collectively "forward-looking information") about our current expectations, estimates and projections. Forward-looking information in this news release is identified by words such as "anticipate", "believe", "expect", "plan", "forecast", "target", "could", "potential", "may" or similar expressions and includes suggestions of future outcomes, including statements about our growth strategy and related milestones and schedules, forecast operating and financial results, planned capital expenditures, expected future production, including the timing, stability or growth thereof and the commodity price environment. Readers are cautioned not to place undue reliance on forward-looking information as our actual results may differ materially from those expressed or implied. Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to Open Range and others that apply to the industry generally. The factors or assumptions on which the forward-looking information is based include: our projected capital investment levels, the flexibility of capital spending plans and the associated sources of funding; estimates of quantities of oil, bitumen, natural gas and liquids from properties and other sources not currently classified as proved; the successful and timely implementation of capital projects; our ability to generate sufficient cash flow from operations to meet our current and future obligations; our expectations of the general activity of the oil and gas industry; and other risks and uncertainties described from time to time in the filings we make with securities regulatory authorities. Actual results could differ materially from those currently anticipated due to a number of factors, risks and uncertainties.

Such risks and uncertainties include, without limitation, risks associated with oil and natural gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, operating risk liability, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, the impact of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations (including the adoption of new environmental laws and regulations) and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to Open Range or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Additional information on the foregoing risks and other factors that could affect Open Range's operations and financial results are included in the Company's annual information form and other reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and Open Range 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, except as may be required by applicable securities laws.

The terms "funds from operations", "funds from continuing operations", "operating netback", "corporate

netback" and "netback" in this news release are not recognized measures under IFRS. Open Range management believes that in addition to net earnings and cash flow from operations as per IFRS, funds from operations, operating netback and similar terms are useful supplemental measurements. Open Range utilizes funds from operations to evaluate operating performance and assess leverage. The Corporation considers funds from operations to be an important measure of the results generated by its principal business activities before the consideration of how those activities are financed or how the results are taxed and before abandonment expenditures. Operating netback is a benchmark used in the oil and natural gas industry to assess operating profitability by measuring the contribution of oil and natural gas sales following the deduction of royalties, operating expenses and transportation costs. Users are cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with IFRS as an indication of Open Range's performance.

Certain natural gas volumes have been converted to barrels of oil equivalent ("boe") on the basis of six thousand cubic feet (mcf) to one barrel (bbl). A boe conversion ratio of 6 mcf:1 barrel 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 barrel, utilizing a conversion ratio at 6 mcf: 1 barrel may be misleading as an indication of value, particularly if used in isolation.

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