

# **PXP Announces 2012 Full-Year Results: Realizes Significant Net Income Growth Year-over-Year, Generates Substantial Growth in Net Cash Provided by Operating Activities, and Delivers Solid Reserve Replacement and Substantially Higher Reserve Value**

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HOUSTON, Feb. 21, 2013 /PRNewswire/ -- [Plains Exploration & Production Company](#) (NYSE:PXP) ("PXP" or the "Company") announces 2012 fourth-quarter and full-year financial and operating results. These results reflect the one month benefit of the Gulf of Mexico assets acquired on November 30, 2012.

## **FOURTH-QUARTER HIGHLIGHTS**

- Total revenues were \$869.2 million, a 68% increase compared to fourth-quarter 2011.
- Total daily sales volumes averaged approximately 132.9 thousand barrels of oil equivalent ("BOE"), a 35% increase per diluted share, or a 62% increase per diluted share pro forma for the December 2011 asset sales, compared to fourth-quarter 2011.
- Oil daily sales volumes averaged 93.0 thousand barrels, a 91% increase per diluted share, or 115% per diluted share pro forma for the December 2011 asset sales, compared to fourth-quarter 2011.
- Net cash provided by operating activities was \$284.2 million, a 51% increase over fourth-quarter 2011.
- Operating cash flow (a non-GAAP measure) was \$536.2 million, an 89% increase over fourth-quarter 2011.
- Income from operations was \$177.0 million, a 73% increase over fourth-quarter 2011.
- Net income attributable to common stockholders was \$218.6 million, or \$1.65 per diluted share compared to fourth-quarter 2011 net income attributable to common stockholders of \$97.7 million, or \$0.69 per diluted share.
- Adjusted net income attributable to common stockholders (a non-GAAP measure) was \$54.8 million, or \$0.41 per diluted share, compared to fourth-quarter 2011 adjusted net income attributable to common stockholders of \$28.6 million, or \$0.20 per diluted share. The adjusted fourth-quarter results include an increase in stock-based compensation expense which resulted in a \$0.05 after-tax decrease in earnings per diluted share. Stock-based compensation increased due to the 30% increase in PXP stock price following the Freeport-McMoRan Copper & Gold Inc. merger announcement in December. Also included in the adjusted quarterly results was an increase in the oil and gas depreciation, depletion and amortization ("DD&A") rate which resulted in a \$0.29 after-tax decrease in earnings per diluted share. The higher DD&A rate primarily reflects the impact of lower sustained natural gas prices on gas reserves and our Gulf of Mexico acquisition.

## **FULL-YEAR HIGHLIGHTS**

- Total revenues were \$2.6 billion, a 31% increase compared to full-year 2011.
- Total daily sales volumes averaged approximately 106.2 thousand BOE, a 16% increase per diluted share, or a 42% increase per diluted share pro forma for the December 2011 asset sales, compared to full-year 2011.
- Oil daily sales volumes averaged 66.6 thousand barrels, a 47% increase per diluted share, or 67% per diluted share pro forma for the December 2011 asset sales, compared to full-year 2011.

- Net cash provided by operating activities was \$1.3 billion, a 20% increase over full-year 2011.
- Operating cash flow (a non-GAAP measure) was \$1.6 billion, a 42% increase over full-year 2011.
- Income from operations was \$615.7 million, a 4% increase over full-year 2011.
- Net income attributable to common stockholders was \$306.4 million, or \$2.32 per diluted share compared to full-year 2011 net income attributable to common stockholders of \$205.3 million, or \$1.44 per diluted share.
- Adjusted net income attributable to common stockholders (a non-GAAP measure) was \$229.2 million, or \$1.74 per diluted share, compared to full-year 2011 adjusted net income attributable to common stockholders of \$223.0 million, or \$1.56 per diluted share. Included in the adjusted results was an increase in the oil and gas DD&A rate which resulted in a \$1.11 after-tax decrease in earnings per diluted share. The higher DD&A rate primarily reflects the impact of lower sustained natural gas prices on gas reserves.

## **2012 RESERVES**

- Proved reserves increased 7% to 440.4 million BOE.
- Probable reserves are 193.8 million BOE.
- The Company estimates possible reserves to be 157.0 million BOE and resource potential to be 2,817.0 million BOE.
- 100% of proved reserve volumes and 99% of probable reserve volumes are based upon reserve reports prepared by independent petroleum engineers. 1% of probable reserve volumes, possible reserve volumes and resource potential were prepared by PXP, which were not audited by an independent petroleum engineer.
- Standardized measure of discounted future net cash flows for proved reserves is \$10.0 billion compared to \$5.1 billion in 2011.
- PV-10 value for proved reserves (a non-GAAP measure) is \$13.7 billion compared to \$7.9 billion in 2011.
- Proved developed reserves are 63% of total proved reserves.
- Proved oil reserves as a percentage of proved reserves are 82%.
- Reserve replacement for proved reserves (a non-GAAP measure) is 181%.

## **FINANCIAL SUMMARY**

PXP reported fourth-quarter revenues of \$869.2 million and net income attributable to common stockholders of \$218.6 million, or \$1.65 per diluted share, compared to revenues of \$517.5 million and net income attributable to common stockholders of \$97.7 million, or \$0.69 per diluted share, for the fourth-quarter 2011. The fourth-quarter net income attributable to common stockholders includes certain items affecting the comparability of operating results. Those items consist of realized and unrealized gains and losses on our mark-to-market derivative contracts resulting in a net loss of \$15.5 million due in large part to increased crude oil forward prices, a \$298.9 million unrealized gain on investment in McMoRan Exploration Co. ("McMoRan") common stock, acquisition, merger and related financing costs of \$70.5 million, and other items. When considering these items, PXP reports adjusted net income attributable to common stockholders of \$54.8 million, or \$0.41 per diluted share (a non-GAAP measure), compared to \$28.6 million, or \$0.20 per diluted share, for the same period in 2011.

For the full-year, PXP reports revenues of \$2.6 billion and net income attributable to common stockholders of \$306.4 million, or \$2.32 per diluted share, compared to revenues of \$2.0 billion and net income attributable to common stockholders of \$205.3 million, or \$1.44 per diluted share, for the same period in 2011. These results include certain items affecting comparability of operating results. These items consist of realized and unrealized gains and losses on our mark-to-market derivative contracts, an unrealized gain on investment in McMoRan common stock, acquisition, merger and related financing costs and other items. When considering these items, adjusted net income attributable to common stockholders for the full-year of 2012 was \$229.2 million, or \$1.74 per diluted share (a non-GAAP measure), compared to \$223.0 million, or \$1.56 per diluted share, for the same period in 2011.

A reconciliation of non-GAAP financial measures used in this release to comparable GAAP financial measures is included with the financial tables.

## **OPERATIONAL UPDATE**

PXP's 2012 fourth-quarter daily sales volumes averaged 132.9 thousand BOE per day, a 35% increase per diluted share and a 62% increase per diluted share pro forma for the December 2011 asset sales compared to fourth-quarter 2011.

Crude oil sales volumes averaged 85.4 thousand barrels per day, compared to fourth-quarter 2011 average volumes of 46.4 thousand barrels per day. The robust volume growth is driven primarily by one month contribution from the deepwater Gulf of Mexico assets acquired in November 2012, continued strength in the Eagle Ford Field, and steady, consistent performance in California.

Natural gas liquids sales volumes averaged 7.7 thousand barrels per day, compared to fourth-quarter 2011 average volumes of 5.9 thousand barrels per day. The increase reflects one month contribution from the deepwater Gulf of Mexico assets acquired in November 2012 partially offset by the South Texas and Texas Panhandle asset sales in December 2011.

Natural gas sales volumes averaged 239.2 million cubic feet ("MMcf") per day compared to 318.8 MMcf per day in the fourth-quarter 2011. Lower volumes reflect the impact of the December 2011 asset sales and lower drilling activity in the Haynesville Field, partially offset by one month contribution from the deepwater Gulf of Mexico assets acquired in November 2012 and increased production from the Eagle Ford Field.

In the Eagle Ford Field, fourth-quarter daily sales volumes averaged 40.4 thousand BOE per day net to PXP compared to fourth-quarter 2011 average daily sales volumes of 9.1 thousand BOE per day net to PXP. At the end of January, PXP had 7.9 net drilling rigs operating on its acreage and 39 wells drilled but waiting on completion or connection to pipelines.

In the Gulf of Mexico, PXP closed the acquisition of interests in certain deepwater Gulf of Mexico oil and gas properties including 100% interests in the Holstein, Marlin and Horn Mountain production facilities in November 2012. Post-closing production from the platforms is reflected in PXP's fourth quarter results beginning in December. After pre-closing adjustments of approximately \$218.9 million from the effective date of October 1, 2012, PXP paid a total of \$5.9 billion. At the sanctioned Lucius development in Keathley Canyon, the operator and its partners completed the drilling of a development well on the western flank of the field that encountered 910 net feet of oil pay. Currently another development well is drilling on the eastern flank of the structure with three additional development wells and/or sidetracks scheduled for 2013. Drilling operations began during the fourth quarter at the Phobos prospect, a large multi-block, four-way closure with Tertiary objectives, approximately 12 miles south of the Lucius Field on Sigsbee Escarpment Block 39.

In California, fourth-quarter daily sales volumes averaged 38.7 thousand BOE per day net to PXP compared to the fourth-quarter 2011 daily sales volume average of 40.0 thousand BOE per day net to PXP.

In the Haynesville Field, fourth-quarter daily sales volumes averaged 162.8 MMcf per day net to PXP compared to fourth-quarter 2011 average daily sales volumes of 199.8 MMcf per day net to PXP. The sales volume decline reflects significantly lower drilling activity during the quarter. At the end of January, there were no drilling rigs operating in which PXP had a working interest.

## **CAPITAL SPENDING**

For the fourth-quarter of 2012, PXP had cash expenditures of approximately \$491 million for additions to oil and gas properties and leasehold acquisitions. Of the \$491 million total, \$36 million was funded by Plains Offshore Operations Inc., PXP's consolidated subsidiary. PXP's fourth quarter operating cash flow was \$536 million.

For the full year of 2012, PXP had cash expenditures of approximately \$1.9 billion for additions to oil and gas properties and leasehold acquisitions. Of the \$1.9 billion total, \$205 million was funded by Plains Offshore Operations Inc. PXP's full-year operating cash flow was approximately \$1.6 billion.

## **COMMODITY PRICES**

During the fourth-quarter of 2012, Brent crude oil price averaged \$110.05 per barrel compared to \$108.96

per barrel in the fourth-quarter 2011. PXP's 2012 fourth-quarter crude oil average realized price per barrel before derivative transactions was \$98.34 per barrel, or approximately 89% of Brent, compared to \$90.71 per barrel in the fourth-quarter 2011, or approximately 83% of Brent. Since October, PXP's realized price before derivative transactions has increased from approximately 86% of Brent to approximately 94% of Brent in January. Including the impact of derivative transactions, the fourth-quarter 2012 crude oil average realized price was \$98.34 per barrel, or approximately 89% of Brent, compared to \$87.19 per barrel in the fourth-quarter 2011, or 80% of Brent.

During the fourth-quarter of 2012, the oil average realized price per barrel before derivative transactions, which includes 7.7 thousand BOE per day net to PXP of natural gas liquids, was \$93.28 per barrel, or approximately 85% of Brent, compared to \$87.02 per barrel in the fourth-quarter 2011, or 80% of Brent. Including the impact of derivative transactions, the average realized price in the fourth-quarter 2012 was \$93.28 per barrel, or 85% of Brent, compared to \$83.90 per barrel in the fourth-quarter 2011, or 77% of Brent.

During the fourth-quarter of 2012, NYMEX gas price averaged \$3.38 per million British thermal units ("MMBtu") compared to \$3.57 per MMBtu in the fourth-quarter 2011. PXP's 2012 fourth-quarter natural gas average realized price before derivative transactions was \$3.19 per MMBtu, or approximately 94% of NYMEX, compared to \$3.30 per MMBtu in the fourth-quarter 2011, or 92% of NYMEX. Including the impact of derivative transactions, the average realized price in the fourth-quarter 2012 was \$3.44 per MMBtu, or approximately 102% of NYMEX, compared to \$3.53 per MMBtu in the fourth-quarter 2011, or 99% of NYMEX.

## **PROVED RESERVES**

Year-end estimated proved reserves of 440.4 million BOE were 82% oil, 63% developed and had a pre-tax PV-10 value of \$13.7 billion, a 74% increase over 2011 PV-10 value. The robust increase in the PV-10 value is primarily attributable to a greater concentration of oil reserves.

In 2012, PXP added total proved reserves of 68.6 million BOE. Extensions and discoveries were 58.9 million BOE, primarily in the Eagle Ford Field and Lucius Field. Deepwater Gulf of Mexico acquired reserves were 126.4 million BOE, negative revisions, predominately gas price related in the Haynesville Field and Madden Field, were 114.4 million BOE, and minor reserve divestments were 2.3 million BOE. These reserve additions replaced 181% of 2012 production.

PXP's reserve estimate, the Standardized Measure and PV-10 calculations are based on the twelve-month average of first-day-of-the-month West Texas Intermediate spot oil price of \$94.71 per barrel and Henry Hub spot natural gas price of \$2.76 per million British thermal unit. All prices were adjusted for energy content, quality and basis differentials by area and were held constant throughout the lives of the properties, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. A summary of the Company's proved reserves reconciliation, costs incurred, Standardized Measure, and PV-10 are included with the financial tables.

## **MANAGEMENT COMMENT**

James C. Flores, Chairman, President and CEO of PXP commented, "PXP delivered exceptional quarterly results and ended the year ahead of expectations. For the year, PXP attained record sales volumes, increased its oil margins and cash flow, preserved commodity price upside through its hedging program and acquired high-margin offshore deepwater Gulf of Mexico assets to ensure long-term sustainable growth. PXP begins 2013 with a durable onshore and offshore oil business, increasing oil production per share, strong oil growth assets with premium pricing, and increasing cash flow growth potential. These characteristics complement the large, long-life, low cost, and expandable asset base characteristics of Freeport-McMoRan Copper & Gold Inc. with whom we have entered into a transaction to merge our operations."

## **CONFERENCE CALL**

PXP will host a conference call today, Thursday, February 21, at 8:00 a.m. Central time. Investors wishing to participate in the conference call may dial 1-800-567-9836 or 1-973-935-8460. The conference call and replay ID is: 88518328. The replay can be accessed by dialing 1-855-859-2056 or 1-404-537-3406. A live webcast of the conference call will be available in the Investor Information section of PXP's website at [www.pxp.com](http://www.pxp.com).

PXP is an independent oil and gas company primarily engaged in the activities of acquiring, developing,

exploring and producing oil and gas in California, Texas, Louisiana, and the Gulf of Mexico. PXP is headquartered in Houston, Texas.

## **ADDITIONAL INFORMATION & FORWARD-LOOKING STATEMENTS**

This press release contains forward-looking information regarding PXP that is intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. All statements included in this press release that address activities, events or developments that PXP expects, believes or anticipates will or may occur in the future are forward-looking statements.

These include statements regarding:

- \* completion of the proposed merger,
- \* reserve and production estimates,
- \* oil and gas prices,
- \* the impact of derivative positions,
- \* production expense estimates,
- \* cash flow estimates,
- \* future financial performance,
- \* capital and credit market conditions,
- \* planned capital expenditures, and
- \* other matters that are discussed in PXP's filings with the SEC.

These statements are based on our current expectations and projections about future events and involve known and unknown risks, uncertainties, and other factors that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. Please refer to our filings with the SEC, including our Form 10-K and Forms 10-Q, for a discussion of these risks.

References to quantities of oil or natural gas may include amounts that the Company believes will ultimately be produced, but that are not yet classified as "proved reserves" under SEC definitions. In this press release, the Company uses the terms "possible reserves" and "resource potential" to describe the Company's internal estimates of volumes of oil and gas that are not classified as proved reserves but are potentially recoverable through exploratory drilling or additional drilling or recovery techniques. Resource potential is a broader description of potentially recoverable volumes than probable and possible reserves, as defined by the SEC regulations. SEC guidelines prohibit us from including resource potential in filings with the SEC. References in this press release to oil include crude oil, condensate, and natural gas liquid volumes.

All forward-looking statements in this press release are made as of the date hereof, and you should not place undue reliance on these statements without also considering the risks and uncertainties associated with these statements and our business that are discussed in this press release and our other filings with the SEC. Moreover, although we believe the expectations reflected in the forward-looking statements are based upon reasonable assumptions, we can give no assurance that we will attain these expectations or that any deviations will not be material. Except as required by law, we do not intend to update these forward-looking statements and information.

## **IMPORTANT ADDITIONAL INFORMATION WILL BE FILED WITH THE SEC**

In connection with the proposed business combination transaction between PXP and FCX, FCX has filed with the SEC a registration statement on Form S-4 that contains a proxy statement/prospectus to be mailed to the PXP stockholders in connection with the proposed transaction. **THE REGISTRATION STATEMENT AND THE PROXY STATEMENT/PROSPECTUS CONTAIN IMPORTANT INFORMATION ABOUT PXP, FCX, THE PROPOSED TRANSACTION AND RELATED MATTERS. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND THE PROXY STATEMENT/PROSPECTUS CAREFULLY WHEN THEY BECOME AVAILABLE.** Investors and security holders may obtain free copies of the registration statement and the proxy statement/prospectus and other documents filed with the SEC by PXP and FCX through the web site maintained by the SEC at [www.sec.gov](http://www.sec.gov). In addition, investors and security holders may obtain free copies of the registration statement and the proxy statement/prospectus by phone, e-mail or written request by contacting the investor relations department of PXP or FCX at the following:

Plains Exploration & Production Company  
700 Milam, Suite 3100  
Houston, TX 77002  
Attention: Investor Relations  
Phone: (713) 579-6000

Email: investor@pxp.com

Freeport-McMoRan Copper & Gold Inc.  
333 N. Central Ave.  
Phoenix, AZ 85004  
Attention: Investor Relations  
Phone: (602) 366-8400  
Email: ir@fmi.com

## **PARTICIPANTS IN THE SOLICITATION**

PXP and FCX, and their respective directors and executive officers, may be deemed to be participants in the solicitation of proxies in respect of the proposed transactions contemplated by the merger agreement. Information regarding directors and executive officers of PXP is contained in the proxy statement/prospectus dated February 8, 2013, which is filed with the SEC. Information regarding FCX's directors and executive officers is contained in FCX's definitive proxy statement dated April 27, 2012, which is filed with the SEC.

This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

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