

Long Run Exploration Announces Its 2015 Budget and Intention to Maintain Its Long Term Strategic Plan as a Sustainable Dividend Paying Mid-Size Oil and Gas Company

16.12.2014 | [Marketwired](#)

CALGARY, ALBERTA--(Marketwired - Dec 15, 2014) - [Long Run Exploration Ltd. \(TSX:LRE\)](#) ("**Long Run" or the "Company"**) is setting a 2015 capital budget that delivers on a sustainable long-term business model to shareholders. The management and Board of Directors looked at many factors in setting a course for Long Run in 2015. Financial models were run at a range of probable commodity prices. We reviewed our development inventory and need to maintain momentum in both field development and enhanced oil recovery.

In preparing for what is expected to be a challenging price environment in 2015, we evaluated the Company's core values as well as our longer term strategic goals. As a result, we have reaffirmed that our priorities for 2015 will remain:

- To improve our balance sheet through a focused high-grade development program and selective non-core dispositions;
- To execute a focused capital program that preserves our momentum going forward, both in conventional field development and enhanced oil recovery;
- To provide balanced yield to investors from a long-term sustainable model; and
- To continue to develop a balanced inventory of properties which provide flexibility in future planning as well as upside from improved cost efficiencies, operating efficiencies and enhanced recovery.

Our 2015 development plan and budget accounts for current and forecast pricing for crude oil, natural gas liquids and natural gas. The workup to our 2015 capital budget is based on a 2015 oil price forecast for WTI of US\$70 per barrel and a natural gas price forecast for AECO of \$3.50 per GJ. As it is too early to estimate the inevitable impact that lower commodity prices will have on both operating and capital costs, our guidance and 2015 capital budget do not include any benefits from potential cost reductions.

Long Run's 2015 capital budget will support production of 35,000 Boe/d to 36,000 Boe/d based on net capital expenditures of \$165 million and the flexibility to reallocate the timing of certain projects during the year. Based on these parameters, we anticipate funds flow from operations to range from \$200 to \$210 million in 2015. Should commodity prices improve, the Company intends to use additional funds flow to accelerate debt repayment and improve financial flexibility. For 2015, Long Run has placed hedges on approximately 35% of our 2015 production balanced between oil and natural gas. Approximately 50% of our oil production is hedged for the first quarter of 2015 at an average floor of approximately WTI US\$91.60, which will assist in supporting our funds flow from operations. Long Run's risk management philosophy is to hedge approximately 35 to 50% of our annual production volumes.

Currently, Long Run is paying a monthly dividend of \$0.035 per share (\$0.42 per share annualized), for a total of approximately \$80 million annually based on 193.5 million shares outstanding. We believe, given our commodity price forecast for 2015, that it is prudent to lower the amount of our monthly dividend to \$0.0175 per share (\$0.21 per share annualized), for a total of approximately \$40 million, beginning with the January 2015 dividend payable in February 2015. Based on our current forecasts and budget for 2015, we believe that this level of dividend is sustainable.

Long Run's Board of Directors has approved the implementation, subject to the approval of the Toronto Stock Exchange, of a dividend reinvestment plan ("DRIP"). The DRIP will allow shareholders to automatically reinvest all or any portion of the cash dividends received on their common shares towards the acquisition of additional Long Run common shares. The Company expects to use any cash savings generated by the DRIP plan for debt repayment. Participation in the DRIP will be voluntary and it is anticipated that the plan

will not include a cash investment option. Further details and timing of the plan will be provided upon implementation, which is anticipated to be in the first quarter of 2015.

Corporate 2015 Guidance

Long Run remains committed to providing sustainable long-term value to its shareholders through a focus on capital discipline and operational efficiency.

2015 Guidance ⁽¹⁾	
Production average	35,000 - 36,000 Boe/d
% oil and NGLs	44%
Funds flow from operations ⁽²⁾⁽³⁾	\$200 - \$210 million
Net capital expenditures ⁽⁴⁾	\$165 million
Dividend ⁽⁵⁾	\$40 million
Dividend per share (annual)	\$0.21
Basic payout ratio ⁽²⁾⁽⁶⁾	20%
Total sustainability ratio ⁽²⁾⁽⁶⁾	100%
Key Assumptions:	
WTI	US\$70/Bbl
AECO	\$3.50/GJ
FX USD/CDN	1.145

1. 2015 guidance has been updated from the preliminary 2015 guidance released in June 2014 in order to reflect the lowering of our commodity price assumptions for 2015. June 2014 preliminary guidance was based on WTI US\$92.50/Bbl; AECO \$4.22/Mcf; FX USD/CDN 1.1.
2. See "Non-GAAP Measures" section.
3. Funds flow calculations are based on average operating costs of \$13.00/Boe and average general and administration costs of \$2.50/Boe for 2015.
4. Net capital expenditures are calculated as capital expenditures net of acquisitions and divestitures. No acquisitions or divestitures are currently included in our budget.
5. Excluding impact of the DRIP.
6. Based on mid-range of funds flow guidance, excluding impact of the DRIP.

2015 Capital Expenditures

Long Run's capital budget for 2015 of \$165 million will be directed towards drilling and tying in low risk, high rate of return light oil and liquids rich natural gas development wells in the Peace River Montney and Deep Basin Cardium core areas. The Company anticipates drilling approximately 40 wells in 2015, with an estimated 12 month capital efficiency of approximately \$26,000 per Boe per day. Development plans for 2015 include up to 15 wells in the Peace River area and up to 25 wells in the Deep Basin. During the first quarter, net capital expenditures of \$60 to \$70 million are anticipated with up to a total of approximately 20 net wells drilled. We will continue a strong focus on advancing enhanced oil recovery ("EOR") projects in the Peace River Montney and Redwater Viking project areas. Long Run will steward towards a sustainable model for 2015, funding our 2015 capital budget and dividend payments with funds flow from operations.

Long Run currently has non-core property disposition packages that are being actively marketed as part of our ongoing asset rationalization process. For 2015, we are targeting the sale of 1,000 to 4,000 Boe/d of non-core assets. These potential sales have not been included in our guidance or budget for the year. Any proceeds from the sale of these assets would be used to strengthen our balance sheet through debt reduction.

Deep Basin and Crocotta Acquisition Integration Update

Long Run is excited with the development potential and performance of our newly established Deep Basin core area. The Pine Creek and Kakwa areas provide top tier economics comparable with our Peace River Montney play, and the Deep Basin area as a whole contributes to substantial operational efficiencies and per unit cost reductions. The Deep Basin is a key part of our 2015 capital plan, with capital expenditures of approximately \$90 million (25 wells) planned for the area.

Integration of the Deep Basin assets acquired within the Alberta Cardium trend has been successful and Long Run is pleased with results from our initial drilling activities in the area. Long Run has drilled five successful horizontal Cardium wells in the Pine Creek area to date, and is currently drilling the last of six horizontal Cardium wells in the Wapiti/Kakwa area.

The first three wells drilled at Pine Creek have been producing since early fall, averaging 315 Boe/d (49% oil and NGLs) per well during their first 30 days, which is in-line with the Company's forecast type curve. Two additional Pine Creek Cardium wells were placed on production in early December with the average initial rates exceeding type curve expectations.

At Wapiti, two horizontal Cardium wells have been drilled, completed and tested at initial rates that meet our forecast type curve expectations. Completion operations are underway at Kakwa on the first two-well pad, with the second two-well pad expected to be completed early in the new year. These new Kakwa wells will be on-stream shortly after completion to take advantage of capacity Long Run has secured in a newly commissioned third-party gas plant which is scheduled to start up in late December. Access to this additional processing capacity will significantly reduce Long Run's exposure to downtime in the Kakwa area.

Enhanced Oil Recovery Update

Long Run's ongoing enhanced oil recovery projects continue to advance according to our expectations. Currently, the Company is injecting water for pressure maintenance and enhanced recovery at two major oil plays: the Peace River Montney and the Redwater Viking. We are excited about the potential benefits the Company may see in the next 18 months from our EOR projects, including improved recoveries, lower production declines and improved capital efficiencies.

Prior to 2013, no EOR efforts had been applied to the Montney at Girouxville or Normandville. In 2013, Long Run began injection via one vertical well at Normandville and one horizontal well at Girouxville, with the intention of testing the injectivity of the Montney zone. Since this time, we have observed that these injection wells are highly capable of accepting water in quantities necessary for enhanced recovery, and have shown no evidence of deteriorating injectivity. The Normandville EOR project expansion became operational in early December 2014. This project encompasses an area of five sections and includes 16 horizontal producers, eight horizontal injection wells and one vertical injection well. Full-field implementation at Normandville is planned to cover at least 12 sections and include up to 60 producing and 20 injection wells.

At Girouxville, a similar EOR project expansion is underway with startup scheduled for January 2015. This expanded EOR project is planned to cover an area of 1.5 sections and will include six horizontal Montney producers with four horizontal injection wells. At Girouxville, full-field implementation is planned to ultimately cover more than 20 sections and include up to 130 producers with 50 injectors.

These expanded pilots form the basis from which EOR would be implemented across the rest of the Girouxville and Normandville Montney fields, beginning in early 2016. Based on our reservoir models, we expect EOR to significantly improve oil recovery from both the Girouxville and Normandville fields.

The Viking play at Redwater is the site of Long Run's second major EOR project. Prior to 2013, there had been no EOR activity in this field. Long Run initiated our first Viking pilot EOR project in the north part of the field in December of 2013. This initial project included two horizontal injection wells, six producers, and covered an area of 0.5 sections. A third horizontal injection well was later converted within this project area. A second complementary EOR pilot project, located in the south part of the trend, began injection in early December 2014. Together these projects cover an area of 1.125 sections and include 11 horizontal Viking producers, six vertical Viking producers, and five horizontal injection wells. Technical data gathered from these two EOR pilots will be used to evaluate field-wide EOR implementation, which could ultimately cover in excess of 30 sections along the Redwater Viking trend.

Corporate Reorganization

On behalf of the Board of Directors, William Andrew, Chairman and CEO, announces the following executive reorganization effective immediately:

- Dale Miller, President and Chief Operating Officer - responsible for the production, operations and engineering functions at Long Run. Mr. Miller will continue to report to the Chairman and CEO.
- Dale Orton, Senior Vice President, Development - responsible for exploration and development strategy and execution, including business development. Mr. Orton will report to the President and COO.
- Corine Bushfield, Senior Vice President and Chief Financial Officer - responsible for the financial management of Long Run as well as investor relations and corporate resources. Ms. Bushfield will report to the Chairman and CEO.

In 2015, the Company will continue to target funding both the capital program and dividend payments with funds flow from operations. With prudent financial management, continued operational execution and on-going risk management, Long Run strives to deliver long-term value to its shareholders through the execution of a sustainable business model.

Long Run is a Calgary-based intermediate oil and natural gas company focused on light oil development and exploration in western Canada.

Visit the Company's website at www.longrunexploration.com.

ADVISORIES

Non-GAAP Measures

The press release contains terms commonly used in the oil and gas industry, such as 12 month capital efficiency, funds flow from operations, basic payout ratio and total sustainability ratio. These terms are not defined by International Financial Reporting Standards ("IFRS") and should not be considered an alternative to, or more meaningful than, cash provided by operating activities as determined in accordance with IFRS as an indicator of Long Run's performance. These measures are commonly used in the oil and gas industry and by Long Run to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Long Run's determination of these measures may not be comparable to that reported by other companies. 12 month capital efficiency is calculated as net capital expenditures divided by the expected first 12 months of production from new wells drilled. Funds flow from operations is calculated as cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. Basic payout ratio is calculated by dividing dividends by funds flow from operations. Total sustainability ratio is defined as net capital expenditures plus dividends divided by funds flow from operations. Long Run has provided information on how these measures are calculated in the Management's Discussion and Analysis for the three and nine months ended September 30, 2014 dated November 5, 2014, which is available under the Company's SEDAR profile at www.sedar.com.

Barrels of Oil Equivalent

Barrels of oil equivalent may be misleading, particularly if used in isolation. A Boe conversion ratio of six thousand cubic feet of natural gas to one barrel of crude oil 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 that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency conversion ratio of 6:1, utilizing a conversion on a 6:1 basis is misleading as an indication of value.

Initial Production Rates

Initial production rates disclosed herein may not necessarily be indicative of long-term performance or ultimate recovery.

Forward Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively

"forward-looking information") within the meaning of applicable securities laws relating to the Company's plans and other aspects of Long Run's anticipated future operations, management focus, objectives, strategies and priorities; 2015 updated guidance including 2015 average production and commodity mix, funds flow from operations, capital expenditures, dividends and dividends per share, basic payout ratio and total sustainability ratio and budgeted 2015 average operating costs and general and administrative costs; our capital expenditure program, nature of expenditures and method of funding capital expenditures and dividends; commodity prices and plans if commodity prices improve; dividend policy commencing January, 2015; plans to implement a DRIP, expected timing and certain expected terms thereof and use of proceeds therefrom; expected capital efficiency of wells to be drilled; use of proceeds from possible non-core asset sales; timing of start-up of new gas plant; anticipated effects of accessing additional processing capacity; potential benefits of EOR projects; and expected size of full field implementation of EOR projects and timing thereof. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future.

The forward-looking information is based on certain key expectations and assumptions made by Long Run's management, including expectations and assumptions concerning commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs and general and administrative costs; performance of existing and future wells; reserve volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labor and services; the impact of increasing competition; ability to market oil and natural gas successfully; and Long Run's ability to access capital, and obtaining the necessary regulatory approvals. Included herein are estimates of Long Run's 2015 funds flow from operations, basic payout ratio and total sustainability ratio based on assumptions provided herein and other assumptions utilized in arriving at Long Run's capital budget. To the extent such estimates constitute a financial outlook, they were approved by management on December 15, 2014 and are included herein to provide readers with an understanding of the effects of the anticipated funds available to Long Run to fund its capital expenditures, dividends and the effects thereof and readers are cautioned that the information may not be appropriate for other purposes.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Long Run can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Company will derive there from. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide a more complete perspective on Long Run's future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

These forward-looking statements are made as of the date of this press release and Long Run disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Dividends

The payment and the amount of dividends declared in any month will be subject to the discretion of the board of directors of the Corporation and will depend on the board of director's assessment of Long Run's outlook for growth, capital expenditure requirements, funds from operations, potential acquisition opportunities, debt position and other conditions that the board of directors may consider relevant at such future time. The amount of future cash dividends, if any, may also vary depending on a variety of factors, including fluctuations in commodity prices.

ABBREVIATIONS

Oil and Natural Gas Liquids

Bbl barrels

Bbl/d barrels per day

NGLs natural gas liquids

Boe barrels of oil equivalent

Boe/d barrels of oil equivalent per day

Liquids light oil, heavy oil, and NGLs

Natural Gas

Mcf thousand cubic feet

Mcf/d thousand cubic feet per day

MMcf/d Million cubic feet per day

Contact

[Long Run Exploration Ltd.](#)

William E. Andrew

Chair and Chief Executive Officer

(403) 261-6012

[Long Run Exploration Ltd.](#)

Corine Bushfield

Senior Vice President and Chief Financial Officer

(403) 261-6012

[Long Run Exploration Ltd.](#)

Lauren Kimak

Investor Relations

(403) 716-3222 or (888) 598-1330

information@longrunexploration.com

www.longrunexploration.com

Dieser Artikel stammt von [Rohstoff-Welt.de](#)

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/188506--Long-Run-Exploration-Announces-Its-2015-Budget-and-Intention-to-Maintain-Its-Long-Term-Strategic-Plan-as-a-S>

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf-/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere [AGB/Disclaimer!](#)

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!
Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2026. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).