

# Long Run Exploration Ltd. Announces Revised 2015 Capital Budget, Suspension of Dividend and Update on Operations

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CALGARY, ALBERTA--(Marketwired - Feb 9, 2015) - [Long Run Exploration Ltd.](#) ("Long Run" or the "Company") (TSX:LRE) announces a revised 2015 capital budget, suspension of dividend and update on operations.

## Current Economic Environment & Dividend Suspension

As a result of a volatile and uncertain commodity price environment, and current oil and natural gas prices significantly below our previously forecast 2015 assumptions, Long Run's Board of Directors and management have prudently decided to reduce our 2015 capital budget to \$100 million and suspend our monthly dividend. The success of our drilling program has led us to conclude that it is in the long term interest of our shareholders to redirect funds to maintaining operational momentum in our key areas. These measures will help to ensure that we can continue to deliver on a sustainable long term business model.

Our business plan focuses on strengthening the balance sheet, actively managing our property portfolio and targeting a development program of Long Run's highest quality assets. We will continue to monitor market conditions and adjust our business model to balance financial flexibility, operational momentum and the Company's dividend policy.

Long Run will pay the previously announced January dividend on February 13, 2015 to shareholders of record at the close of business on January 30, 2015.

## Fourth Quarter 2014 Update

During the fourth quarter of 2014, Long Run focused activity on our new Deep Basin core area. Capital expenditures totaled approximately \$70 million in the fourth quarter and included \$15 million of capital originally planned for the first quarter of 2015. First quarter 2015 net capital expenditures will be lower by \$15 million accordingly.

Production averaged approximately 36,500 Boe/d (49% liquids), including longer than expected third party outages at Kakwa and Wapiti, as well as production downtime resulting from a third party gas pipeline replacement at Cherhill. We expect third party outages to be materially reduced with the completion of the facility expansion at Kakwa and the infrastructure modifications at Cherhill in the first quarter of 2015.

## 2015 Capital & Production Guidance

Long Run is revising our 2015 capital budget to \$100 million, based on annual average commodity price assumptions of WTI US\$52.50/Bbl, AECO \$2.60/GJ and FX CDN/USD \$0.80. The capital budget will be directed to oil and liquids rich natural gas development wells in the Deep Basin Cardium and Peace River Montney core areas. First half of 2015 development capital is anticipated to be \$50 million with the drilling of 9 wells, including 5 in the Peace River Montney, 3 in the Pine Creek Cardium and 1 in the Kakwa Cardium. To help improve our capital efficiencies, we are currently working with our vendors to reduce our field costs.

Long Run's revised capital budget is expected to be fully funded by funds flow from operations. In the current economic environment, we will continually review our 2015 plan and adjust our development program as

required.

Our revised drilling program is estimated to support average production of 32,000 - 33,000 Boe/d (43% liquids) for 2015.

Prior to the decrease in commodity prices, Long Run had several non-core property disposition packages being actively marketed as part of our ongoing asset rationalization process. We are continuing to evaluate our disposition opportunities to generate additional cash flow to improve our balance sheet.

Given the dramatic change in commodity prices, our 2015 guidance, released on December 15, 2014 based on an average oil price of WTI US\$70/Bbl, should no longer be relied upon and is being withdrawn.

## **Operational Update**

Long Run has successfully drilled and completed the first of a three well horizontal Cardium program at Pine Creek planned for the first quarter of 2015. The initial flow rate at the end of a 68 hour test, of 3 MMcf/d with 500 Bbl/d of light sweet oil, was approximately double our forecasted initial rate, significantly surpassing our expectations.

At Kakwa, Long Run has successfully drilled and completed one horizontal Cardium well to date in 2015. This well flowed at 2.8 MMcf/d of natural gas at the end of a 125 hour production test, with expected natural gas liquids of approximately 90 Bbl/d. This result exceeds our expectations for Cardium wells in this area. In total, Long Run has now drilled and completed five horizontal Cardium gas wells at Kakwa since establishing ownership in the area in mid-2014. Total tested natural gas rates of these wells is approximately 17 MMcf/d (3.5 MMcf/d average per well), with estimated natural gas liquids of 500 Bbl/d, exceeding Long Run's expectations by 40%. These positive results have provided Long Run with enough deliverability to fill our committed capacity at the expanded Musreau gas plant with fewer new wells than previously anticipated. As a result, we have deferred the drilling of two additional Kakwa wells, and the associated capital, from our first quarter capital program.

We continue to be excited about the potential benefits the Company may see in the next 18 months from our enhanced oil recovery ("EOR") projects in the Peace River Montney and the Redwater Viking. These benefits include improved recoveries, lower production declines and improved capital efficiencies. In January, the expanded Montney EOR project at Girouville began injection. Based on our reservoir models, we expect EOR to significantly improve oil recoveries. We will continue to monitor the performance of these projects over the course of the year. Minimal capital input will be required in 2015 to maintain the momentum of these projects.

Visit the Company's website at [www.longrunexploration.com](http://www.longrunexploration.com).

## **ADVISORIES**

### *Forward Looking Statements*

This press release contains 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; planned reductions to first quarter 2015 net capital expenditures; expectation that third party outages will be reduced in the first quarter of 2015 with completion of facilities expansion; revised 2015 capital expenditure budget, timing of expenditures, nature of expenditures, method of funding of expenditures and plans to continue to review development program; expected average 2015 production and commodity mix; and anticipated benefits for EOR project and expectation that the minimal capital input will be required in 2015; and plans to pay previously-announced dividends. 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.

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](http://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.

#### *Production Tests and Initial Production Rates*

Production test rates and initial production rates disclosed herein are not determinative of the rates at which the wells will continue to produce and decline thereafter and may not necessarily be indicative of long-term performance or ultimate recovery. Such rates may be based on limited data available at this time.

#### *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.

#### ABBREVIATIONS

Oil and Natural Gas Liquids	Natural Gas
Bbl barrels	Mcf thousand cubic feet
Bbl/d barrels per day	Mcf/d thousand cubic feet per day
NGLs natural gas liquids	MMcf/d Million cubic feet per day
Boe barrels of oil equivalent	
Boe/d barrels of oil equivalent per day	
Liquids light oil, heavy oil, and NGLs	

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