Horizon Oil Ltd: Quarterly Activities Report 31 March 2017

28.04.2017 | ABN Newswire

Sydney - Horizon Oil Ltd. (ASX:HZN) (OTCMKTS:HZNFF) is pleased to provide the Company's Quarterly Activities Report.

HIGHLIGHTS

FINANCIAL

- Revenue of US$17.9 million for March quarter 2017, inclusive of hedge settlements, an increase of 28.5% over prior quarter resulting from oil sales of 349,602 bbls at an average realised oil price of US$52.40/bbl. Horizon Oil's free cashflow break-even price is US$33/bbl.

- Cash at 31 March 2017: US$20.6 million.

- Net debt further reduced to US$117.4 million, equivalent to 2.2x FY2016 EBITDAX of US$54.0 million. Stable financial position, with steadily decreasing debt position.

- Continued rigorous management of exploration and development costs, with costs of US$2.9 million in quarter incurred to progress the Western LNG project in PNG and WZ 12-8E development in China.

PRODUCTION AND DEVELOPMENT

- Strong, long-lived production profile in China and NZ, buoyed by a strategic stake in large oil and gas development in PNG.

- Production for quarter 273,713 bbls, a 13.5% increase on prior quarter.

- Net production rate is approximately 4,300 bopd, including additional priority cost recovery oil entitlement in Block 22/12.

- Horizon Oil's average operating costs for the quarter were US$11.48/bbl (production) and US$8.99/bbl (sales), ahead of guidance of US$12-13/bbl.

- Production from Beibu Gulf fields, offshore China, reached production milestone of 13.9 mmbo in January 2017, causing reduction of the pipeline tariff from US$4.75/bbl to US$0.50/bbl. This led to a greater than 40% reduction in field operating costs with Beibu Gulf average quarterly field operating costs of US$7.42 (production) and US$5.10 (HZN sales), taking into account Horizon Oil's cost recovery oil entitlement.

- The Overall Development Plan for the WZ 12-8E field in Beibu Gulf is well advanced, with final investment decision scheduled in Q4 2017.

- Successful completion of water injection repairs at Maari/Manaia field and concurrent repair of isolated fatigue crack on wellhead platform. Field production recommenced on 12 January 2017 and the water reinjection system was restarted on 29 January 2017. This led to increased production of ~36% compared with the prior quarter.

- Key focus on commercialisation of gas resources in Western Province, PNG with formation of a joint working team between PRL 21 and PDL 10 joint ventures to progress the Western LNG project, a mid-scale LNG development concept aggregating 2.0 to 2.5 tcf of discovered and appraised gas resources in the region. Horizon Oil holds interests of 30% in PDL 10 and 27% in PRL 21, which will provide the cornerstone gas volumes for the Western LNG project.

- Completion of acquisition of a 50% working interest and operatorship of the Ubuntu gas condensate field, adjacent to PRL 21, further consolidating ownership of the material gas and condensate resources in Western Province, PNG.

CHIEF EXECUTIVE OFFICER'S COMMENTS

The March 2017 quarter saw a 13.5% increase in oil production from Horizon Oil's assets in Block 22/12 (China) and Maari/Manaia field (New Zealand). While very positive in itself, the benefit of that production increase was enhanced substantially by the Company's cost recovery oil entitlement in Block 22/12, contributing to a greater than 20% increase in oil sales and, with the increased oil price, a 28.5% increase in quarterly revenue to US$17.9 million, net of hedge settlements.

The Company's strong revenue generation capacity and sustained low production costs resulted in net operating cash flow of US$14.5 million for the quarter, indicating that our guidance for calendar 2017 of US$50-60 million should be achieved.

With a free cashflow break-even price of US$33/bbl (which includes capital expenditure), and material long-term production from our proven, developed and producing conventional oil fields, the Company continues to progressively reduce net debt. As previously noted, net debt is now at an undemanding multiple of 2.2x FY2016 net operating cashflow and will continue to fall.

This robust operating performance and associated material free cashflow enable the Company to confidently progress planning for the WZ 12-8E development in Block 22/12 in China with our partner CNOOC Ltd.. The WZ 12-8E development will address gross recoverable resources of 11 million barrels of oil and is targeted to come on stream in early 2019. As the development is incremental to existing facilities and the wellhead platform will be leased, the China field development costs will be comfortably funded from internally generated cash flow.

Importantly, the continuing consolidation of the ownership of gas condensate resources in Western Province, Papua New Guinea, together with the collaboration between the operators (Horizon Oil and Repsol) of the foundation resources of the Elevala/Ketu and Stanley gas fields, as well as the supporting Ubuntu and Puk Puk/Douglas gas fields, is facilitating the progression of the Western LNG gas aggregation project. The coordinated gas aggregation project aims to monetise 2.0 - 2.5 tcf of gas and 60 - 70 million barrels of associated condensate, in which Horizon Oil holds an approximate 25% interest. The joint venturers are receiving strong support for the project from the PNG Government.

To view the full report, please visit:
http://abnnewswire.net/lnk/UX8907NG

About Horizon Oil Ltd:

Horizon Oil Ltd. (ASX:HZN) (OTCMKTS:HZNFF) is an ASX-listed oil and gas exploration, development and production company, incorporated and domiciled in Australia. Horizon Oil portfolio is comprised of petroleum interests in China, New Zealand and Papua New Guinea. The producing assets in the Beibu Gulf of China (Block 22/12) and the Maari/Manaia Fields offshore New Zealand (PMP 38160) generate stable and significant cash flow which will continue at current levels into the next decade. Horizon Oil also has a substantial acreage holding of some 8,000 sq km in the forelands of Western Province of PNG, which includes the Stanley field (PDL 10), the Elevala/Tingu and Ketu fields (PRL 21) and the Ubuntu field (PRL 28). These fields contain material, appraised and independently certified gas-condensate resources and the company is currently working with its joint venture partners to aggregate these resources for a planned 1.5 million tonnes per annum LNG scheme, called Western LNG (WLNG).

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