Bonanza Creek Energy Announces Third Quarter 2017 Financial Results and Operational Update

08.11.2017 | GlobeNewswire

- Production from enhanced completions is outperforming offset wells by ~40%
- Expecting ~15% reductions to annualized LOE and midstream operating expense
- Improved drilling cycle times with record spud-to-total depth of 3.4 days for a 4,100' lateral
- Third quarter production volumes averaged 15.8 MBoe per day

DENVER, Nov. 08, 2017 - Bonanza Creek Energy, Inc. (NYSE:BCEI) (the "Company" or "Bonanza Creek") today announces its third quarter 2017 financial results and operating outlook and has posted an updated investor presentation on its corporate website.

Seth Bullock, Interim CEO commented, "Our third quarter operations program was very encouraging with great production results from our enhanced completions and record drill times on SRL wells drilled during the quarter. I am pleased to announce that initial results from our enhanced completion program are significantly out-pacing offset wells that used the previous completion design. These increased production results along with the significant structural cost reductions that have been identified and implemented this year are laying the ground work for a strong 2018. I am confident that this reorganized Company is successfully shaping a culture that pursues continuous improvement and maximizes returns for its shareholders."

Operational Highlights

Production Results from Enhanced Completions

At the end of the second quarter, the Company completed its first pad of four drilled uncompleted ("DUC") wells which utilized enhanced completion design. These 4,100-foot standard reach lateral ("SRL") wells were completed using approximately 2,000 pounds of sand per lateral foot, approximately 100-foot stage spacing, and enhanced recovery flow back. Initial results from these first four wells are very encouraging, with an approximate 40% increase in overall average production and an approximate 60% increase in average oil production through the first 120 days when compared to offsetting wells. The offsetting wells utilized the Company's previous standard design of approximately 1,000 pounds of sand per lateral foot and stage spacing of approximately 225 feet.

Drilling and Completion Activity

During the third quarter the Company's operated program drilled six gross and net wells (4 SRL and 2 XRL), and completed zero wells. The Company's non-operated program had one net completion during the third quarter. Newly drilled wells for the quarter included three wells on the Company's central legacy acreage, one well on its French Lake acreage, and two wells of an eight-well pad on its western legacy acreage. The Company's non-operated program had four gross, one net completion during the third quarter. Subsequent to the quarter, the Company finished drilling its 8-well pad and completed five wells on its central acreage positions, and completed its one French Lake well. The results from these wells along with the remaining 2017 program, which exclusively utilized an enhanced completion design, are expected during the first half of 2018 and will help to inform the Company's drilling and completion program into 2019. Year-to-date, the Company's operated drilling program has exceeded expectations with faster drill times. Spud-to-rig release times have decreased by approximately 20% when compared to the 2016 program, and are currently averaging less than six days for an SRL.

Wattenberg Gas Takeaway

Due to increased line pressures on the gathering system operated by the Company's primary gas processor, Bonanza Creek entered into a 15-year gas purchase agreement with Sterling Energy Investments, LLC, a nearby third-party gas processor, on September 1, 2017. The agreement will allow the Company to deliver approximately 6.5 MMcf per day of wet gas, or approximately 20% of the Company's third quarter 2017

Rocky Mountain gas production, into Sterling's system. A new pipeline and interconnect, constructed by Sterling, will provide an additional gas processing outlet for gas production from the Company via its Rocky Mountain Infrastructure (RMI) gas gathering system. Gas will begin flowing to Sterling during the first half of November 2017. The Company is currently evaluating additional alternatives to minimize the potential of production headwinds from regional infrastructure constraints.

Third Quarter 2017 Results

During the third quarter of 2017, the Company reported average daily production of 15.8 MBoe per day, at the low end of the Company's guidance range of 15.8 – 16.2 MBoe per day. Production during the quarter was negatively affected by the aforementioned increased line pressures on a third-party regional gas gathering and processing system in addition to extended downtime from offset completion operations. The Company's third quarter production decreased by 25% when compared to the third quarter of 2016 due to minimal drilling and completion activity throughout 2016 and the first half of 2017. Product mix for the third quarter of 2017 was 52% oil, 21% NGLs, and 27% natural gas.

Net revenue for the third quarter of 2017 was $45.2 million, compared to $49.3 million for the third quarter of 2016. Crude oil accounted for approximately 76% of total revenue. Differentials for the Company's Rocky Mountain oil production during the quarter averaged approximately $4.45 per Bbl off of NYMEX WTI. Corporate average realized prices for the third quarter of 2017 are presented below.

Average Realized Prices	Three Months Ended September 30, 2017
Oil (per Bbl)	44.72
Gas (per Mcf)	2.33
NGL (per Bbl)	17.79
Boe (Per Boe)	30.85

Lease operating expense ("LOE") for the third quarter of 2017 was $9.6 million, or $6.63 per Boe, a 3% reduction in total LOE compared to $9.9 million or $5.13 per Boe in the third quarter of 2016. Per unit metrics increased year over year as a result of declining volumes. These metrics are expected to improve as cost reductions are implemented and production volumes stabilize and increase. Future expected LOE reductions from cost saving initiatives are discussed in the "Production, Capital, and Expense Outlook" section below.

Below is a breakout of the Company's regional LOE and gas plant and midstream operating expense for the third quarter of 2017.

Three Months Ended September 30, 2017	Rocky Mountain		Mid-Continent		Total Company	
	($M)	($/Boe)	($M)	($/Boe)	($M)	($/Boe)
Lease operating expense	$ 6,638	$ 5.76	$ 3,005	$ 9.97	$ 9,643	$ 6.63
Gas plant and midstream operating expense	$ 1,299	$ 1.13	$ 1,966	$ 6.52	3,265	$ 2.24
Total	$ 7,937	$ 6.89	$ 4,971	$ 16.49	$ 12,908	$ 8.87

The Company's general and administrative ("G&A") expense was $15.2 million for the third quarter of 2017, a 19% decrease from the third quarter of 2016. The decrease is primarily due to $5.9 million in advisory fees related to financial alternatives that were incurred in 2016. The Company's recurring cash G&A for the third quarter was, $8.6 million, compared to $10.9 million in the third quarter of 2016. The 21% decrease in recurring cash G&A is due primarily to the cost reduction initiatives that were implemented since restructuring, including the previously announced reduction in force, which occurred in August of 2017.

Recurring cash G&A is a non-GAAP measure. Please refer to the reconciliation to GAAP general and administrative expense in the financial exhibits to this press release.

Production, Capital, and Expense Outlook

The Company is providing updated production, capital, and expense guidance for the remainder of the year. The Company is reducing its full-year production guidance by 4%, to a mid-point of 16.0 MBoe per day as a result of increased line pressures in the basin, and significant processing downtime expected in the fourth quarter. To mitigate these line pressure issues, the Company has secured an agreement with another third party gas processor in the basin, and is actively exploring additional options to alleviate these basin level bottlenecks that negatively impact production. Due to changes in activity timing, CAPEX guidance for the year has been lowered to a midpoint of $112 million compared to previous guidance of $125 million. As a part of its ongoing cost structure review, the Company has identified further savings to its LOE, which will be implemented throughout 2018. The Company expects to reduce its run-rate LOE and gas plant/midstream operating expense by approximately $8.0 to $9.0 million in total, or approximately 15% of their annualized third quarter amounts, by the beginning of 2019. These LOE savings along with the previously announced G&A savings are concrete examples of the Company's commitment to reducing its cost structure and increasing full-cycle returns.

Below is a table summarizing the Company's production, capital, and expense guidance for the remainder of 2017.

Guidance Summary
Three Months Ended
December 31, 2017 Twelve Months Ended
December 31, 2017

Production (MBoe/d) 13.8 – 14.2 15.7 – 15.9
LOE ($/Boe) $6.50 – $7.00
Midstream expense ($/Boe) $1.90 – $2.10
Cash G&A* ($MM) $41 – $43
Production taxes (% of pre-derivative realization) 7% – 8%
Total CAPEX ($MM) $108 – $115

** Cash G&A guidance assumes severance costs of $1.6 million in the third quarter of 2017 and non-recurring expenses of $5.4 million. Cash G&A is a non-GAAP measure that excludes the Company's stock based compensation. The Company does not guide to GAAP G&A expense as it has less certainty to the stock based compensation portion of GAAP G&A.*

Financial Highlights

As of the end of the third quarter, the Company had liquidity of $223 million, which included cash on hand of $31 million and $192 million of borrowing capacity under its credit facility. The Company has no outstanding term debt and its credit facility is undrawn. Based on the terms of the credit facility, the Company's next borrowing base redetermination will occur in April of 2018. The Company's balance sheet strength allows it to be flexible, patient and selective in its investment decisions, and the opportunity to participate in acquisition opportunities and the flexibility to objectively evaluate divestiture candidates.

Commodity Derivative Position

The Company's current hedge position is summarized in the table below and reflects additional hedges the Company entered into through October 27, 2017.

Crude Oil
(NYMEX WTI) Natural Gas
(NYMEX Henry Hub)
Bbls/day Weighted Avg.
Price per Bbl MMBtu/day Weighted Avg.
Price per MMBtu
4Q17
Swap 2,000 $51.86 — —
Collar 2,000 $41.50/$51.00 2,600 $3.00/$3.30
1Q18
Swap 2,000 $51.61 6,000 $3.36
Collar 2,000 $42.00/$52.50 5,600 $2.75/$3.43
2Q18
Swap 2,000 $51.61 — —
Collar 2,000 $42.00/$52.50 5,600 $2.75/$3.43
3Q18
Swap 2,000 $51.96 — —
Collar 2,000 $43.00/$53.50 5,600 $2.75/$3.43
4Q18
Swap 2,000 $51.96 — —
Collar 2,000 $43.00/$53.50 5,600 $2.75/$3.43
1Q19

Swap — — — —
Collar 2,000 $43.00/$54.53 2,600 $2.75/$3.40
2Q19
Swap — — — —
Collar 1,330 $44.01/$54.79 857 $2.75/$3.40

Conference Call Information

The Company will host a conference call to discuss these financial and operating results on November 9, 2017 at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time). A webcast of the live event, as well as a replay, will be available on the Investor Relations section of the Company's website at www.bonanzacrk.com. Dial-in information for the conference call is included below.

Type Phone Number Passcode
Live Participant 877-793-4362 7577527
Replay 855-859-2056 7577527

About Bonanza Creek Energy, Inc.

Bonanza Creek Energy, Inc. is an independent oil and natural gas company engaged in the acquisition, exploration, development and production of onshore oil and associated liquids-rich natural gas in the United States. The Company's assets and operations are concentrated primarily in the Rocky Mountain region in the Wattenberg Field, focused on the Niobrara and Codell formations, and in southern Arkansas, focused on oily Cotton Valley sands. The Company's common shares are listed for trading on the NYSE under the symbol: "BCEI." For more information about the Company, please visit www.bonanzacrk.com. Please note that the Company routinely posts important information about the Company under the Investor Relations section of its website.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements are based on certain assumptions made by the Company based on management's experience, perception of historical trends and technical analyses, current conditions, anticipated future developments and other factors believed to be appropriate and reasonable by management. When used in this press release, the words "will," "potential," "believe," "estimate," "intend," "expect," "may," "should," "anticipate," "could," "plan," "predict," "project," "profile," "model" or their negatives, other similar expressions or the statements that include those words, are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These statements include statements regarding development and completion expectations and strategy; decreasing operating and capital costs; impact of the Company's reorganization; and updated 2017 guidance. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, that may cause actual results to differ materially from those implied or expressed by the forward-looking statements, including the following: changes in natural gas, oil and NGL prices; general economic conditions, including the performance of financial markets and interest rates; drilling results; shortages of oilfield equipment, services and personnel; operating risks such as unexpected drilling conditions; ability to acquire adequate supplies of water; risks related to derivative instruments; access to adequate gathering systems and pipeline take-away capacity; and pipeline and refining capacity constraints. Further information on such assumptions, risks and uncertainties is available in the Company's SEC filings. We refer you to the discussion of risk factors in our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 16, 2017, and other filings submitted by us to the Securities Exchange Commission. The Company's SEC filings are available on the Company's website at www.bonanzacrk.com and on the SEC's website at www.sec.gov. All of the forward-looking statements made in this press release are qualified by these cautionary statements. Any forward-looking statement speaks only as of the date on which such statement is made, including guidance, and the Company undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

For further information, please contact:

[Bonanza Creek Energy, Inc.](https://www.rohstoff-welt.de)
James R. Edwards, Director - Investor Relations
720-440-6136
jedwards@bonanzacrk.com