

# Spartan Energy Corp. Announces 2018 Corporate Budget and Guidance

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CALGARY, ALBERTA--(Marketwired - Jan. 11, 2018) - [Spartan Energy Corp.](#) ("Spartan" or the "Company") (TSX:SPE) to announce that its Board of Directors has approved a development capital budget of \$183 million for 2018. This capital budget reflects Spartan's continuing commitment to our business plan of delivering attractive, sustainable per share production through our drilling program, while managing our declines and generating excess funds flow to be deployed in projects that enhance value for our shareholders.

## 2017 Capital Budget

For 2018, Spartan's Board of Directors has approved a total development capital budget of \$183 million. This program includes the drilling of approximately 140 net development oil wells and is anticipated to deliver annual average production of 23,400 boe/d, 2018 exit production of 25,000 boe/d, representing average production growth of 6% and exit production growth of 11%.

Based upon a WTI price assumption of US\$60.00 and a Cdn/US exchange rate of \$0.80, we expect to generate funds from operations of approximately \$267 million in 2018, yielding excess funds flow (funds flow from operations less total development capital expenditures) of approximately \$84 million. Consistent with our business strategy, we intend to invest a portion of our excess funds flow in projects that add incremental growth and long term value for Spartan shareholders, including waterflood projects, land and seismic and strategic acquisitions.

## Drilling and Maintenance Capital

Spartan's 2018 drilling program will be primarily focused on our high rate of return, low risk open-hole Mississippian wells in southeast Saskatchewan. Greater than 80% of our budget will be directed to drilling, completions, equipping and tie-ins. The remainder allocated to facilities, environmental, workovers, capitalized G&A and costs associated with non-operated units, Weyburn and Midale CO<sub>2</sub> units.

We plan to spend approximately 35% of our drilling budget to drill 64 net open-hole wells. These wells deliver top tier economics with our internal type curve well delivering a half cycle rate of return of 135% - 227% and paying out in 8-11 months (Spartan December 2017 pricing with return and payout ranges based on whether well is drilled on Crown or freehold acreage). We have brought approximately 200 net open-hole wells on production since 2014, with average production rates on these wells in excess of our internal type curve. In 2017, IP90 production rates on open-hole wells with greater than 90 days of production history exceeded our type curve by greater than 15%. Spartan continues to have a multi-year inventory of open-hole locations, as our 64 wells planned for 2018 represent approximately 5% of our open-hole drilling inventory.

In addition to our open-hole program, Spartan's 2018 program will advance the development of our conventional Ratcliffe opportunity at Oungre, where we commenced drilling in the second half of 2017. We will allocate approximately 22% of our drilling budget to drill 29 net Ratcliffe wells, including 1 net single leg and 11 net dual leg wells in the Oungre unit. These wells will provide long term value to Spartan shareholders as part of our waterflood project at Oungre, which is further detailed in our 2018 investor presentation.

Spartan will also continue to develop our frac Midale unconventional resource play in 2018, with approximately 33% of our drilling budget allocated to drill 30 net wells on our lands at Alameda, Pinto and Elcott. Our internal type curve well delivers a half cycle rate of return of 55% - 82% and pays out in 13 - 17 months (type well at Alameda using Sproule December 2017 pricing with return and payout ranges based on whether well is drilled on Crown or freehold acreage). Spartan's frac Midale wells drilled in 2017 delivered IP90 oil rates in excess of 20% above our type curve. Our 2018 budget represents approximately 11% of our identified frac Midale inventory.

The remaining 10% of our drilling budget will be directed to the continued development of our newly discovered Viking and Plato. Due to spring breakup, our budget is weighted towards the second half of the year. The timing of our capital spending is subject to change.

investment in waterflood projects will contribute to our strong exit to exit growth rate and leave Spartan well positioned attractive growth rates again in 2019.

## Investment of Excess Funds Flow

### *Waterflood Projects*

In 2018, Spartan intends to invest a significant portion of our excess funds flow to advance waterflood projects on our Saskatchewan asset base. We are budgeting to spend approximately \$17 million on waterflood, with the majority allocated to injector conversions and pipelines on our core Oungre property.

Our Oungre unit total development plan includes 25 dual and 26 single leg horizontal wells, 53 injector conversions and injection wells, for total capital of \$87 million. Based on internal management estimates and certain timing assumptions, we forecasted to yield F&D costs of less than \$5.00 per boe and a net present value in excess of \$300 million (before tax) at 10% and based on Sproule December 2017 pricing). Inclusive of the drilling of horizontal wells, Spartan will invest approximately \$30 million in the Oungre unit in 2018, with the majority of the production response to be realized in 2019 and beyond.

### *Land and Seismic*

Spartan has budgeted \$5 million on land and seismic acquisitions for 2018. These investments will allow Spartan to continue to add to and refine our deep inventory of highly economic drilling locations on our southeast Saskatchewan asset base.

### *Strategic Acquisitions*

Spartan was successful in completing tuck-in acquisitions in 2017, as we spent approximately \$34 million to further consolidate our core Oungre and Winmore areas. In the first quarter we added approximately 30 boe/d and 13.2 net sections of land production for Ratcliffe and Torquay drilling in the Oungre area for consideration of \$6.5 million. In the third quarter we increased our interest in the Oungre unit to 100% for consideration of \$4.4 million, adding production and reserves while strategically supporting the implementation of our Oungre waterflood project. More recently, late in the fourth quarter we completed a strategic acquisition in our core Winmore area for total consideration of approximately \$22.8 million, comprised of \$15.8 million in cash and Spartan shares. This acquisition added approximately 250 bopd of low decline production and 45 net open-hole drilling locations in Winmore. Our Winmore property has consistently delivered the best results in the Company, with average IP90 rates of production drilled to date exceeding our internal open-hole type curve by greater than 100%.

For 2018, based on our budget price assumptions, Spartan will have approximately \$62 million of excess funds flow after investments made in waterflood, land and seismic. Assuming this excess funds flow is applied to repay debt, Spartan's 2018 year-end net debt (exclusive of finance lease obligations) is approximately 0.6 times our 2018 forecast funds flow operations. This provides significant financial flexibility to deliver incremental per share growth to our shareholders through additional tuck-in acquisitions in southeast Saskatchewan or, depending on market conditions, share repurchases under a normal course issuer bid.

## Outlook

Since our inception in 2013, Spartan has continually executed on our strategy of delivering attractive, sustainable growth while prudently managing our balance sheet and supplementing our growth with accretive acquisitions. Over the past 3 years we have delivered a compound annual production per share growth rate of 15% while significantly upgrading the quality of our assets and expanding our suite of opportunities. Our assets are characterized by a low decline production base, a deep inventory of economic drilling locations in southeast Saskatchewan and a roster of impactful waterflood projects. Together with the financial flexibility provided by our strong balance sheet, Spartan remains well positioned to deliver both near term growth and long term value creation for our shareholders.

## 2018 Financial and Operating Guidance Summary

### Production

Average (boe/d)	23,400
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Exit (boe/d)	25,000
Financial	
Funds flow from operations (\$MM) <sup>(1)</sup>	\$267
Per share - basic <sup>(1)</sup>	\$1.51
Total development capital expenditures (\$MM) <sup>(1)</sup>	\$183
Excess funds flow (\$MM) <sup>(1)</sup>	\$84
2018 exit net debt to 2018 funds flow from operations <sup>(1)(2)</sup>	0.6x
Pricing	
Crude oil - WTI (US\$/bbl)	\$60.00
Exchange rate (\$Cdn/\$US)	\$0.80
Cromer (\$Cdn/bbl)	\$69.50
Netbacks (\$/boe)	
Oil and gas sales	\$59.53
Royalties	\$9.52
Production expense	\$16.65
Operating netback <sup>(1)</sup>	\$33.36
G&A (cash portion)	\$1.09
Interest	\$1.05
Corporate netback <sup>(1)</sup>	\$31.22

## Notes:

1. Funds flow from operations, excess funds flow, total development capital expenditures, operating netback and non-IFRS measures. See "Non-IFRS Measures".
2. Estimated net debt as at December 31, 2018, including 2018 principal repayments in respect of outstanding financial obligations but excluding the outstanding principal amount of such obligations as at December 31, 2018 of \$22.3 million. Estimated net debt as at December 31, 2018 includes \$22.2 million of capital spending on waterflood, land and seismic investments.

## Updated Corporate Presentation

Spartan is pleased to announce that an updated corporate presentation is available on the Company's website at [www.spartanenergy.ca](http://www.spartanenergy.ca).

*Forward-Looking Statements. Certain information included in this press release constitutes forward-looking information applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this press release may include, but is not limited to, statements about corporate strategy, timing and level of 2018 capital expenditures, future acquisition opportunities, future production levels, netbacks, funds flow from operations and excess funds flow, 2018 exit net debt and net debt to funds flow ratio, potential and development costs and net present value of our Oungre waterflood project, future drilling locations, economics and performance of our wells, future waterflood, land and seismic investments and future commodity prices and exchange rates.*

*The forward-looking statements contained in this press release are based on certain key expectations and assumptions of Spartan, including expectations and assumptions concerning the success of future drilling, development and completion of the performance of existing wells, the performance of new wells, the performance of enhanced oil recovery projects, the performance of facilities and pipelines, the geological characteristics of Spartan's properties, the successful application of drilling, completion and seismic technology, prevailing weather and break-up conditions and access to our drilling locations, commodity prices, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the availability of capital, labour and services, our ability to complete planned capital expenditures within budgeted cost estimates, the ability to market our oil and gas successfully, our ability to integrate assets and employees acquired through acquisitions, the creditworthiness of industry partners and our ability to acquire additional assets.*

*Although Spartan believes that the expectations and assumptions on which the forward-looking statements are based are*

*reasonable, undue reliance should not be placed on the forward-looking statements because Spartan can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the uncertainty of reserve estimates; the uncertainty of estimates and forecasts relating to production, costs and expenses, and health, safety and environmental risks), incorrect assessment of the value of acquisitions, failure to realize the benefits of acquisitions, constraint in the availability of services, commodity price and rate fluctuations, changes in legislation (including but not limited to tax laws, royalty regimes and environmental legislation), adverse weather or break-up conditions and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Production forecasts are directly impacted by commodity price and the actual timing of our capital expenditures. Actual results may vary materially from forecasts due to changes in interest rate differentials, exchange rates and the timing of expenditures and production additions. These and other risks are set out in detail in Spartan's Annual Information Form for the year ended December 31, 2016.*

The forward-looking information contained in this press release is made as of the date hereof and Spartan undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward looking information contained in this press release is expressed by this cautionary statement.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") including Spartan's prospective results of operations, cash flow, free cash flow, operating and cash netbacks, net debt, operating components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set out in the above paragraphs and the assumption outlined in the Non-IFRS measures section below. FOFI contained in this press release was made as of the date of this press release and was provided for the purpose of providing further information about Spartan's anticipated future business operations. Spartan disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable securities laws. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for those disclosed herein.

#### Oil and Gas Advisories

**BOE Disclosure.** The term barrels of oil equivalent ("BOE") may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All BOE conversions are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

**Non-IFRS Measures.** *Non-IFRS Measures. Certain financial measures referred to in this press release, such as adjusted funds flow from operations, funds flow from operations per share, excess funds flow, total development capital expenditures, net debt excluding finance lease obligations are not prescribed by IFRS. Funds flow from operations is calculated based on cash flows from operating activities before changes in non-cash working capital, transaction costs and decommissioning obligations and expenditures incurred. Funds flow from operations per share is calculated using weighted average shares outstanding at the end of the period with the calculation of net income (loss) per share. Excess funds flow is calculated based on funds flow from operations less total development capital expenditures. Total development capital expenditures is calculated as total capital expenditures less seismic, waterflood capital and acquisitions. Spartan uses funds flow from operations and excess funds flow to analyze performance and leverage, and considers funds flow from operations and excess funds flow to be key measures as they demonstrate the Company's ability to generate cash necessary to fund future capital investments and repay debt. Spartan's determination of funds flow from operations, on an absolute and per share basis, and excess funds flow may not be comparable to that reported by other companies. Net debt is calculated as bank debt plus trade and other liabilities less current assets and includes 2018 principal repayments in respect of outstanding finance lease obligations but excludes the outstanding principal amount of such obligations as at December 31, 2018 of \$22.3 million. Spartan management considers net debt to funds flow from operations ratio to be a meaningful measure of the Company's leverage and ability to repay debt.*

*This press release also contains other industry benchmarks and terms, including operating netbacks (calculated on a per unit basis as oil, gas and natural gas liquids revenues, plus/minus realized derivative contracts, less royalties and less operating and transportation costs), and corporate netbacks (calculated on a per unit basis as oil, gas and natural gas liquids revenues, plus/minus realized derivative contracts, less royalties, less operating and transportation costs, less general and administrative expenses and less interest expense), which are not recognized measures under IFRS. Management believes that in addition to net income (loss) and cash flow from (used in) operating activities, adjusted funds flow from operations, excess funds flow, and operating and corporate netbacks are useful supplemental measures as they provide an indication of Spartan's operational performance, leverage and liquidity. Investors should be cautioned, however, that these measures should not be considered an alternative to both net income (loss) and cash flow from (used in) operating activities, which are determined in accordance with IFRS.*

*IFRS, as indicators of Spartan's performance.*

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