

Sanchez Energy Announces 2018 Capital Budget, Production, and Financial Guidance

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HOUSTON, Jan. 17, 2018 (GLOBE NEWSWIRE) -- [Sanchez Energy Corp.](#) (NYSE:SN) (“Sanchez Energy” or the “Company”) today announced its capital budget, production, and financial guidance for 2018. Highlights include:

- *The Company’s 2018 capital budget calls for total spending of \$420 million to \$470 million, a reduction of approximately \$100 million (at the midpoint) when compared to 2017 capital spending;*
- *Based on its capital budget, Sanchez Energy expects full year 2018 production to average between 88,000 barrels of oil equivalent per day (“Boe/d”) and 92,000 Boe/d;*
- *Sanchez Energy’s three-year plan is aimed at achieving a sustainable business model, delivering organic production growth while spending within cash flow;*
- *Based on its three-year plan, Sanchez Energy projects full year 2019 production between 92,000 Boe/d and 96,000 Boe/d, and 2020 production between 102,000 Boe/d and 108,000 Boe/d, assuming similar levels of capital spending as planned for 2018;*
- *Average horizontal well lateral length is anticipated to be roughly 8,000 feet in 2018, reflecting a year-over-year increase of approximately 1,500 feet;*
- *Drilling and completion activity is expected to average 6 rigs and 3.5 completions crews in 2018, resulting in approximately 180 gross drilled wells and 210 gross wells turned to production; and*
- *Sanchez Energy’s 2018 drilling and completion budget, which accounts for nearly 90 percent of its total capital budget, will be allocated approximately 50 percent to Catarina, 45 percent to Comanche, and 5 percent to Maverick.*

MANAGEMENT COMMENTS

“This marks the first year the Company has provided a three-year plan with its annual guidance,” said Tony Sanchez, III, Chief Executive Officer of Sanchez Energy. “Our goal is to achieve a sustainable business model that yields organic production growth while at the same time delivers full-cycle free cash flow generation at the corporate level. Given our strong asset base and well results, we believe we are on pace to deliver this goal in 2019. As we reduce capital spending while continuing to increase the Company’s cash flow, Sanchez Energy’s balance sheet shows significant deleveraging potential over our planning horizon.

“Sanchez Energy’s 2018 capital budget calls for total spending of approximately \$445 million, at the midpoint of guidance, and will target development drilling of high rate of return wells that optimize capital efficiencies across our Western Eagle Ford assets. Delivering on our commitment to financial discipline, the 2018 capital budget represents a reduction of approximately \$100 million from 2017 capital spending.

“Despite the significant reduction in capital spending planned for 2018, we anticipate strong year-over-year production growth. Driving our ability to increase capital efficiency is the combination of multi-zone development, pad drilling, and longer laterals. These factors are contributing to improved returns on capital investment across our portfolio, while helping to minimize cost inflation in 2018.

“The first quarter 2018 will see the benefit of initial production from approximately 30 remaining drilled but uncompleted (“DUC”) wells from the Comanche acquisition. These DUCs, along with the Company’s recent well results, currently have us on-pace to reach production of approximately 90,000 Boe/d within the first half of 2018, delivering an expected average daily production rate of between 88,000 Boe/d and 92,000 Boe/d for 2018.

“Based on similar annual capital spending as planned for 2018, production levels are forecast to range from 92,000 Boe/d to 96,000 Boe/d in 2019 and 102,000 Boe/d to 108,000 Boe/d in 2020. This

healthy, yet controlled, rate of growth through disciplined investment gives us a line of sight to full-cycle free cash flow generation at the corporate level.”

2018 CAPITAL BUDGET

Sanchez Energy projects 2018 capital spending to range between \$420 million and \$470 million, which represents a reduction of approximately \$100 million from 2017 capital spending. Nearly 90 percent of the Company’s 2018 capital budget is allocated to drilling and completion activity, with 50 percent of the drilling and completion budget allocated to Catarina, 45 percent allocated to Comanche, and 5 percent allocated to Maverick. Sanchez Energy’s capital budget reflects minimal service cost increases for 2018. Average horizontal well lateral length is anticipated to be approximately 8,000 feet in 2018, which reflects a year-over-year increase of about 1,500 feet. The Company has allocated the remaining 10 percent of its total capital budget for leasing, geological and geophysical activities, facilities, and other capital expenditures.

GUIDANCE

The Company’s production for the first quarter is projected to average between 82,000 Boe/d and 84,000 Boe/d. Recent completions and drilling activity currently have the Company on-pace to reach production of approximately 90,000 Boe/d within the first half of 2018. In the second half of 2018, the Company anticipates additional growth in its daily production rate, with an average production rate of between 88,000 Boe/d and 92,000 Boe/d projected for the full year.

Operating costs per barrel are expected to decline throughout 2018 as production levels increase. Operating costs and expenses, including cash production expense per barrel of oil equivalent (“Boe”), are summarized in the following table:

	Guidance 1Q 2018
Production Volumes:	
Oil (Bbls/d)	28,000 - 29,000
NGL (Bbls/d)	27,000 - 28,000
Natural Gas (Mcf/d)	159,000 - 161,000
Barrel of Oil Equivalent (Boe/d)	82,000 - 84,000
Operating Costs & Expenses :	
Cash Production Expense (\$/Boe) ⁽¹⁾	\$9.50 - \$10.00
Non-Cash Production Expense (\$MM)	\$5.9 - \$6.1
Production & Ad Valorem Taxes (% of O&G Revenue)	5% - 6%
Cash G&A (\$MM) ⁽²⁾	\$22.5 - \$23.5

(1) Cash Production Expense guidance only relates to production expenses reported on the cash flow statement and does not include the effect from the deferred gain related to the Western Catarina Midstream divestiture.

(2) Excludes all restricted stock but includes phantom stock based compensation based on a share price of \$5.17.

Note: Cash Production Expense, Non-Cash Production Expense and Cash G&A are Non-GAAP Financial Measures. See "Non-GAAP Financial Measures" at the end of this press release.

ABOUT SANCHEZ ENERGY CORPORATION

[Sanchez Energy Corp.](http://www.sanchezenergycorp.com) (NYSE:SN) is an independent exploration and production company focused on the acquisition and development of U.S. onshore unconventional oil and natural gas resources, with a current focus on the Eagle Ford Shale in South Texas where we have assembled over 286,000 net acres. For more information about Sanchez Energy Corporation, please visit our website: www.sanchezenergycorp.com.

NON-GAAP FINANCIAL MEASURES

This press release contains disclosure of cash production expense, non-cash production expense and cash G&A, which are “non-GAAP financial measures,” as defined in SEC rules. Cash production expense equals oil and natural gas production expense minus non-cash production expenses. Non-cash production expense equals oil and natural gas production expense minus cash

production expenses. Cash G&A expense equals G&A excluding certain non-recurring acquisition and divestiture expenses and stock based compensation. Cash production expense, non-cash production expense and cash G&A are presented herein in an attempt to assist the public in understanding the difference between oil and natural gas production expense and G&A as will be reported in SEC filed financials. We also view the non-GAAP measures of cash production expense, non-cash production expense and cash G&A as a useful tool for comparisons of our financial indicators with those of peer companies. In addition, these measures are commonly used by management, analysts and investors as an indicator of cost management and operating efficiency on a comparable basis from period to period. Cash production expense, non-cash production expense and cash G&A should not be considered as an alternative to oil and natural gas production expense or G&A presentations, as defined by GAAP. We are unable to provide a reconciliation of the forward-looking non-GAAP financial measures, cash production expense, non-cash production expense and cash G&A, to the most directly comparable GAAP financial measure, oil and natural gas production expense and G&A, because the information necessary for a quantitative reconciliation of the forward-looking non-GAAP financial measure to the most directly comparable GAAP financial measure is not available to us without unreasonable efforts. The probable significance of providing these forward-looking non-GAAP financial measures without the directly comparable GAAP financial measures is that such GAAP financial measures may be materially different from the corresponding non-GAAP financial measures.

FORWARD LOOKING STATEMENTS

This press release contains, and our officers and representatives may from time to time make, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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, including statements relating to the expected financial and operational results of the Company, future drilling plans and the expected synergies and benefits related to the Comanche transaction. 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," "budget," "forecast," "guidance," "profile," "model," "strategy," "future," 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.

Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements, including, but not limited to the failure to successfully execute our business and financial strategies, the failure of acquired assets, including the Comanche assets, and our joint ventures (including our partnership with affiliates of the Blackstone Group, L.P.) to perform as anticipated, the inability to successfully integrate the various assets acquired by us into our operations, fully identify potential problems with respect to such properties and accurately estimate reserves, production and costs with respect to such properties, the failure to continue to produce oil and gas at historical rates, the costs of operations, delays, and any other difficulties related to producing oil or gas, the price of oil or gas, the marketing and sales of produced oil and gas, the estimates made in evaluating reserves, competition, general economic conditions and the ability to manage our growth, our expectations regarding our future liquidity, leverage or production, our expectations regarding the results of our efforts to improve the efficiency of our operations to reduce our costs, disruptions due to extreme weather conditions, such as extreme rainfall, hurricanes or tornadoes and other factors described in the Company's most recent Annual Report on Form 10-K and any updates to those risk factors set forth in the Company's Quarterly Reports on Form 10-Q or Current Reports on Form 8-K. Further information on such assumptions, risks and uncertainties is available in Sanchez Energy's filings with the U.S. Securities and Exchange Commission (the "SEC"). The Company's filings with the SEC are available on our website at www.sanchezenergycorp.com and on the SEC's website at www.sec.gov. In light of these risks, uncertainties and assumptions, the events anticipated by the Company's forward-looking statements may not occur, and, if any of such events do occur, Sanchez Energy may not have correctly anticipated the timing of their occurrence or the extent of their impact on its actual results. Accordingly, you should not place any undue reliance on any of the Company's forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made 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.

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