

# ARC Resources Ltd. Reports First Quarter 2018 Financial and Operating Results

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CALGARY, May 2, 2018 /CNW/ - (ARX - TSX) [ARC Resources Ltd.](http://www.arcresources.com) ("ARC") is pleased to report its first quarter 2018 financial operating results. First quarter production averaged 131,016 boe per day, net income was \$54.9 million (\$0.16 per share) from operations totaled \$201.0 million (\$0.57 per share). ARC's unaudited condensed interim financial statements and ("financial statements"), as well as ARC's Management's Discussion and Analysis ("MD&A") as at and for the three months ended March 31, 2018, are available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

	Three Months Ended	
	December 31, 2017	March 31, 2018
<b>FINANCIAL</b>		
(Cdn\$ millions, except per share and boe amounts and shares outstanding)		
Net income	73.9	54.9
Per share <sup>(1)</sup>	0.21	0.16
Funds from operations <sup>(2)</sup>	221.1	201.0
Per share <sup>(1)</sup>	0.63	0.57
Dividends	53.1	53.1
Per share <sup>(1)</sup>	0.15	0.15
Capital expenditures, before land and net property acquisitions (dispositions)	245.1	213.7
Total capital expenditures, including land and net property acquisitions (dispositions)	247.7	116.3
Net debt outstanding <sup>(2)</sup>	728.0	728.0
Shares outstanding, weighted average diluted (millions)	353.8	353.8
Shares outstanding, end of period (millions)	353.5	353.5
<b>OPERATING</b>		
<b>Production</b>		
Crude oil (bbl/day)	24,641	25,037
Condensate (bbl/day) <sup>(3)</sup>	6,989	5,505
Natural gas (MMcf/day)	572.4	564.9
NGLs (bbl/day)	6,380	6,332
Total (boe/day) <sup>(4)</sup>	133,409	131,016
<b>Average realized prices, prior to gains or losses on risk management contracts <sup>(5)</sup></b>		
Crude oil (\$/bbl)	67.29	69.50
Condensate (\$/bbl)	69.04	77.42
Natural gas (\$/Mcf)	2.27	2.50
NGLs (\$/bbl)	35.31	31.39
Oil equivalent (\$/boe) <sup>(4)</sup>		









Operating netback (\$/boe) <sup>(4)(5)(6)</sup>

Commodity sales from production	27.48	28.85
Royalties	(2.15)	(2.45)
Transportation expenses	(2.44)	(2.61)
Operating expenses	(6.11)	(6.31)
Operating netback prior to gain on risk management contracts	16.78	17.48
Realized gain on risk management contracts	3.58	2.43
Operating netback including gain on risk management contracts	20.36	19.91

TRADING STATISTICS <sup>(7)</sup>

High price per share amounts (with the exception of dividends) are based on diluted weighted average common shares.

Low price to Note 10 "Capital Management" in ARC's financial statements and to the sections entitled, "Funds from Operations" and "Capitalization, Financial Resources and Liquidity" contained within ARC's MD&A.

Close price 14.75 14.04

<sup>(3)</sup> Condensate production was deliberately shut-in during the first quarter of 2018 for nearby completion activities on ARC's first multi-well pad at Attachie West.

<sup>(4)</sup> ARC has adopted the standard 6 Mcf:1 barrel when converting natural gas to boe. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 barrel 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 than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.

<sup>(5)</sup> Refer to Note 3 "Changes in Accounting Policies" in ARC's financial statements for details on revised presentation of certain items in the unaudited condensed interim consolidated statements of income for the three months ended March 31, 2017.

<sup>(6)</sup> Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. See "Non-GAAP Measures" contained within ARC's MD&A.

<sup>(7)</sup> Trading prices are stated in Canadian dollars and are based on intra-day trading on the Toronto Stock Exchange.

"A key focus of ARC's 2018 capital program is to sustain our Montney businesses while investing in the accretive liquid that we have identified at Attachie West and in the Lower Montney at Dawson and Parkland. We are pleased with the progress we made in the first quarter of 2018, successfully sustaining production across our Montney asset base, executing completion activities on the seven-well pad at our liquids-rich Attachie West asset, and expediting construction of our Sunrise Phase 2 processing facility expansion," explains Myron Stadnyk, President and CEO. "We continue to execute a comprehensive financial natural gas diversification program that manages risk and enhances price realizations, and we have divested non-core assets to optimize our portfolio and bolster our already-strong balance sheet. We are confident that our long-term approach to our business is setting ARC up to deliver strong corporate-level returns to our shareholders over the long term."

## STRATEGY OVERVIEW

ARC's strategy of risk-managed value creation and its enduring focus on profitability and sustainability have been paramount since inception, and those traits have become increasingly important to investors in the face of volatile commodities markets and competitive pressures. In 2016, ARC's decision to set the monthly dividend at \$0.05 per share, divest non-core assets, implement the Dividend Reinvestment Plan and Stock Dividend Program, further advanced our deliberate shift to investing in our liquid assets, which are both continentally and globally competitive. ARC is increasing its overall liquids exposure with development activities at Attachie West and the Lower Montney in the Dawson and Parkland fields. The 2016 divestments, as well as the divestments in the first quarter of 2018, have given ARC the ability to counter-cyclically fund infrastructure and capital programs on its core Montney properties, enabling the transformation of our business and allowing us to temporarily outspend our cash

maintaining our balance sheet strength within our target ratio of 1.0 to 1.5 times net debt to annualized funds from operations. Building upon ARC's strong performance in 2017, we are confident that we will continue to improve capital and operating performance, advance our excellent safety and environmental performance, and enhance the long-term optionality of our business plan.

ARC has coupled its asset development strategy with a deliberate physical marketing and financial diversification strategy that proactively secures market access for future development projects and takes a portfolio management approach to downstream market diversification. When combined with ARC's financial risk management activities, ARC is able to effectively execute its long-term plans in the current commodity price environment.

ARC's Board of Directors has designed management's compensation to encourage long-term thinking, long-term performance, and ensure alignment with the interests of ARC and its shareholders. The long-term incentive programs are directly aligned with the interests of the shareholders and include a mix of relative and absolute share performance with vesting occurring over a multi-year period. This long-term approach is distinctly unique when compared to ARC's North American peers.

## FINANCIAL AND OPERATING HIGHLIGHTS

### Financial Results

ARC delivered strong financial performance in the first quarter of 2018, recording net income of \$54.9 million (\$0.16 per share) and funds from operations of \$201.0 million (\$0.57 per share). First quarter 2018 funds from operations decreased 10 per cent on a per share basis, relative to the fourth quarter of 2017 as strengthened commodity prices in the period were offset by slightly lower production levels and reduced gains on ARC's risk management contracts. First quarter 2018 funds from operations increased 10 per cent, on a per share basis, relative to the first quarter of 2017, driven primarily by higher production levels and improved natural gas liquids pricing. Allocating capital profitably, strategically managing our portfolio of assets, and positioning the company for strong returns to our shareholders remains a key priority for ARC. ARC has delivered corporate-level returns on average of 10 per cent employed <sup>(1)</sup> of approximately 10 per cent since inception.

With the continued strengthening of crude oil prices, 63 per cent of ARC's commodity sales came from its crude oil and natural gas production in the first quarter of 2018. To manage natural gas price risk exposure, ARC's physical natural gas diversification and financial risk management activities have helped to significantly reduce our exposure to ongoing weakness in western Canadian natural gas prices and enhance our commodity price realizations. Through ARC's physical diversification activities, an average of \$0.32 per Mcf was realized in ARC's natural gas price in the first quarter of 2018. ARC's financial risk management provided additional cash flow protection with realized cash gains of \$0.74 per Mcf on ARC's natural gas risk management contracts in the first quarter of 2018, which is not included in ARC's realized natural gas price.

In 2018, ARC's natural gas sales portfolio is physically and financially diversified to multiple downstream markets including the Midwest, Eastern Canada and Henry Hub markets, and early in the second quarter of 2018, ARC increased its exposure to the Pacific Northwest market. Less than five per cent of ARC's expected overall commodity sales revenue from production is expected to come from the AECO and Station 2 markets for the remainder of 2018.

ARC also continues to execute on its risk management strategy for crude oil. The majority of ARC's crude oil production is from conventional light oil and condensate, which has much narrower differentials than the discounted pricing that has been experienced by Canadian heavy oil producers.

Total realized gains on risk management contracts for the first quarter of 2018 were \$28.6 million, and the fair value of risk management contracts at March 31, 2018 was \$248.7 million. Risk management contracts are in place for natural gas through 2019 and for crude oil through 2019.

ARC preserves its financial flexibility by maintaining a strong balance sheet. At March 31, 2018, ARC had \$728.0 million of debt outstanding, unchanged from December 31, 2017, and an additional \$1.2 billion of cash and credit capacity available as a result of account ARC's working capital surplus. The net debt to annualized funds from operations ratio was 0.9 times at the end of the first quarter of 2018, at the low end of ARC's targeted net debt levels of 1.0 to 1.5 times annualized funds from operations. Debt represents approximately 13 per cent of ARC's total capitalization. ARC has the flexibility to fund its 2018 sustaining capital requirements with cash flow generated from ARC's existing businesses, and growth capital with the redeployment of proceeds from divestments and additional debt if necessary. ARC will continue to manage conservative debt levels as a priority.

### Operating Results

ARC achieved average daily production of 131,016 boe per day in the first quarter of 2018 with an excellent safety record. Production was comprised of crude oil and liquids production of 36,874 barrels per day and natural gas production of 565 MMcf per day. As planned, ARC's first quarter 2018 average daily production was two per cent lower than the fourth quarter of 2017, driven largely by the planned shut-in of offset wells for completion activities on ARC's first multi-well pad at Attachie West. ARC kept gas plants in its core Montney areas, including Ante Creek, Dawson, Parkland/Tower and Sunrise, operating at capacity during the period. First quarter 2018 average daily production increased 14 per cent relative to the first quarter of 2017, which was primarily the result of new production flowing through the Dawson Phase III facility. ARC plans to keep its operated facilities at gas capacity throughout 2018, however expects that second quarter 2018 production will be lower than the first quarter by approximately five per cent due to significant turnarounds, planned maintenance activities, and anticipated spring break-up impacts to production and field operations. Due to excellent progress made to-date on the construction of the Sunrise Phase II facility, ARC expects to have an initial 60 MMcf per day of processing capacity in place by the end of the fourth quarter of 2018 subject to BC Hydro's completion of electrification, with some initial sales volumes being recorded in the period. Full-year 2018 average daily production is expected to be within the guidance range of 130,000 to 134,000 boe per day.

ARC's first quarter 2018 capital program was executed in a safe and environmentally responsible manner, with capital expenditures, before land and net property acquisitions and dispositions, totaling \$213.7 million. Capital expenditures in the period included the drilling of 20 operated wells (11 crude oil wells and nine natural gas and liquids-rich natural gas wells) and completion of 20 operated wells, including ARC's seven-well demonstration pad at Attachie West. Significant infrastructure investment in the period was directed at the Sunrise Phase II gas processing facility expansion, electrification activities at the Parkland/Tower gas processing and liquids-handling facility, and initial work on ARC's northeast British Columbia water handling and recycling facility. As part of its ongoing portfolio rationalization efforts and overall liability management program, ARC recorded net dispositions of \$98.1 million in the first quarter of 2018, including the divestment of 1,300 gross well bores (approximately 350 net well bores) and over 500 kilometers of pipeline. Full-year 2018 capital investment levels are expected to be \$690 million.

ARC actively identifies opportunities to reduce operating expenses to improve our cost structure. First quarter 2018 operating expenses of \$6.31 per boe were three per cent higher than the fourth quarter of 2017. On a full-dollar basis, operating expenses of \$74.4 million were relatively unchanged quarter-over-quarter. ARC is focused on cost management and achieving sustainable reductions to its cost structure through further growth in low-cost Montney production and efficiencies realized from owning and operating our facilities. As ARC continues to divest non-core assets and bring on new Montney production with lower relative costs to operate, it is expected that operating expenses will be increasingly more efficient.

The following economic, financial, and operational reviews provide further details to the above highlights. For additional commentary on ARC's first quarter 2018 financial and operating results, please view the following videos: "Myron's Minute", "ARC Resources Q1 2018 Finance Review" and "ARC Resources Q1 2018 Operations Review" available on ARC's website at [www.arcresources.com](http://www.arcresources.com).

(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. See "Non-GAAP Measures" contained within ARC's MD&A.

#### ORGANIZATIONAL UPDATE

Effective May 3, 2018, Mr. Tim Hearn will be retiring from ARC's Board of Directors after seven years of service. ARC would like to extend its sincere gratitude to Mr. Hearn for the guidance, wisdom and motivation that he provided to the ARC board and management teams over this period. With Mr. Hearn's retirement, ARC announces the following changes to its board committee structure:

- Mr. David Collyer will chair the Human Resources and Compensation Committee.
- Ms. Nancy Smith will chair the Risk Committee.
- Mr. John Dielwart will chair the Safety, Reserves and Operational Excellence Committee, which is a combination Safety and Environment Committee and the Reserves Committee, with Operational Excellence added to the Committee mandate.

These changes will take effect following ARC's Annual and Special Meeting on May 3, 2018.

## ECONOMIC ENVIRONMENT

ARC's financial and operating results for the three months ended March 31, 2018 were impacted by commodity prices and foreign exchange rates which are outlined in the following table.

Selected Benchmark Prices and Exchange Rates <sup>(1)</sup>	Three Months Ended				
	March 31, 2018	December 31, 2017	% Change	March 31, 2017	% Change
WTI crude oil (US\$/bbl)	62.89	55.30	14	51.78	21
Mixed sweet crude stream price at Edmonton (Cdn\$/bbl)	72.15	68.85	5	63.64	13
Condensate stream price at Edmonton (Cdn\$/bbl)	78.93	73.73	7	69.07	14
NYMEX Henry Hub Last Day Settlement (US\$/MMBtu)	3.00	2.93	2	3.32	(10)
Chicago Citygate Monthly Index (US\$/MMBtu)	3.27	2.93	12	3.40	(4)
AECO 7A Monthly Index (Cdn\$/Mcf)	1.85	1.96	(6)	2.94	(37)
Cdn\$/US\$ exchange rate	1.27	1.27	&mdash;	1.32	(4)

(1) The benchmark prices do not reflect ARC's realized sales prices. For average realized sales prices, refer to the section entitled, "Commodity Prices Prior to Gains or Losses on Risk Management Contracts" contained within ARC's MD&A. Prices and exchange rates presented above represent averages for the respective periods.

Global crude oil prices continued to strengthen in the first quarter of 2018, with robust demand and ongoing compliance to production cuts by OPEC members supporting a reduction in global inventories. The first quarter 2018 WTI benchmark price averaged 14 per cent higher than the fourth quarter of 2017 and 21 per cent higher than the first quarter of 2017.

ARC's crude oil production is primarily referenced to the mixed sweet crude stream price at Edmonton, which increased five per cent in the first quarter of 2018 relative to the fourth quarter of 2017 and increased 13 per cent relative to the first quarter of 2017. The differential between WTI and the mixed sweet crude stream price at Edmonton widened significantly in the first quarter of 2018, averaging US\$5.85 per barrel, which was four times wider than the fourth quarter of 2017 and 64 per cent wider than the first quarter of 2017. The combination of unplanned pipeline outages and apportionment and strong oil sands production has caused concerns regarding takeaway options for western Canadian crude oil production.

US natural gas prices, referenced by the average NYMEX Henry Hub Last Day Settlement price, were stable in the first quarter of 2018 compared to the fourth quarter of 2017, increasing two per cent, however decreased 10 per cent from the first quarter of 2017. US natural gas supply growth has been absorbed by the continued strength in demand growth.

Western Canadian natural gas prices continued to experience weakness in the first quarter of 2018 with the

AECO hub price decreasing six per cent relative to the fourth quarter of 2017 and 37 per cent relative to the first quarter of 2017. Despite demand within the Western Canadian Sedimentary Basin reaching record-high levels, concerns regarding oversupply and egress constraints in the basin are ongoing. The downward pressure that upcoming third-party pipeline maintenance is expected to have on seasonal pricing has also amplified the bearish outlook on near-term forward AECO differentials. The NYMEX Henry Hub Last Day Settlement price to AECO basis was US\$1.52 per MMBtu in the first quarter of 2018, nine per cent wider relative to the fourth quarter of 2017 and 38 per cent wider relative to the first quarter of 2017. ARC's realized natural gas price is diversified physically and financially to multiple sales points including the US Midwest and Pacific Northwest, Dawn, AECO, and Station 2 hubs. Less than five per cent of ARC's expected overall commodity sales revenue from production is exposed to the AECO and Station 2 markets for the remainder of 2018.

The Canadian dollar was largely unchanged relative to the US dollar in the first quarter of 2018, averaging Cdn\$/US\$1.27 (US\$/Cdn\$0.79). Strong Canadian economic data supported the Bank of Canada's decision to increase interest rates at the beginning of the first quarter of 2018, however, uncertainty surrounding US trade policy caused volatility in the Canadian dollar through the latter part of the period.

## FINANCIAL REVIEW

### Net Income

ARC recorded net income of \$54.9 million (\$0.16 per share) in the first quarter of 2018, which was \$19.0 million (\$0.05 per share) lower than net income of \$73.9 million (\$0.21 per share) recorded in the fourth quarter of 2017. A reduction in gains on ARC's risk management contracts amounting to \$97.3 million and a \$25.9 million increase in losses on foreign exchange were the primary drivers in the decrease to earnings in the first quarter of 2018 relative to the fourth quarter of 2017. Partially offsetting these items was an \$80.1 million gain recorded on the disposal of non-core assets in the first quarter of 2018, reduced income taxes of \$15.1 million, and a \$9.0 million reduction in charges to ARC's exploration and evaluation assets.

Net income in the first quarter of 2018 was \$87.6 million (\$0.24 per share) lower than net income of \$142.5 million (\$0.40 per share) recorded in the first quarter of 2017. A reduction in gains on ARC's risk management contracts amounting to \$152.0 million and increased losses on foreign exchange of \$33.7 million were the most significant drivers in the decrease to net income. Higher depletion expenses of \$12.1 million associated with higher production volumes also contributed to the decrease in earnings. These decreases were partially offset by an \$80.1 million gain recorded on the disposal of non-core assets in the first quarter of 2018, improved commodity sales of \$33.8 million, and lower income taxes of \$18.6 million.

### Funds from Operations

ARC's first quarter 2018 funds from operations of \$201.0 million (\$0.57 per share) decreased \$20.1 million (\$0.06 per share) relative to fourth quarter 2017 funds from operations of \$221.1 million (\$0.63 per share), with lower production levels and reduced realized gains on risk management contracts being the biggest drivers in the decrease. Slight increases in royalty expenses, general and administrative ("G&A") expenses, and current taxes also served to decrease funds from operations in the period. These contributors were partially offset by the positive impact that improved pricing had on commodity sales from production.

First quarter 2018 funds from operations increased \$23.8 million (\$0.07 per share) relative to first quarter 2017 funds from operations of \$177.2 million (\$0.50 per share), with increased production levels and improved crude oil and liquids pricing contributing to higher funds from operations. These items were partially offset by weakened natural gas prices and increased G&A expenses, driven primarily by higher expenses recorded on ARC's share-based compensation plans, and increased transportation expenses.

The following table details the change in funds from operations for the first quarter of 2018 relative to the fourth quarter of 2017 and to the first quarter of 2017.

Funds from Operations Reconciliation <sup>(1)(2)</sup>	Q4 2017 to Q1 2018		Q1 2017 to Q1 2018	
	\$ millions	\$/Share <sup>(3)</sup>	\$ millions	\$/Share <sup>(3)</sup>
Funds from operations for the three months ended December 31, 2017	221.1	0.63		
Funds from operations for the three months ended March 31, 2017			177.2	0.50
Volume variance				
Crude oil and liquids	(11.7)	(0.03)	17.1	0.06
Natural gas	(4.1)	(0.01)	19.3	0.05
Price variance				
Crude oil and liquids	7.0	0.01	27.8	0.08
Natural gas	11.7	0.03	(30.4)	(0.08)
Sales of commodities purchased from third parties	15.2	0.05	1.9	0.01
Interest income	0.5	&mdash;	(0.5)	&mdash;
Other income	(0.4)	&mdash;	0.4	&mdash;
Realized gain on risk management contracts	(15.2)	(0.04)	4.2	0.01
Royalties	(2.5)	(0.01)	(3.1)	(0.01)
Expenses				
Transportation	(0.8)	&mdash;	(5.8)	(0.02)
Commodities purchased from third parties	(16.3)	(0.04)	(2.6)	(0.01)
Operating	0.6	&mdash;	(3.4)	(0.01)
G&A	(2.3)	(0.01)	(8.2)	(0.02)
Interest	0.2	&mdash;	1.0	&mdash;
Current tax	(2.2)	(0.01)	5.2	0.01
Realized gain (loss) on foreign exchange	0.2	&mdash;	0.9	&mdash;
Funds from operations for the three months ended March 31, 2018	201.0	0.57	201.0	0.57

(1) Refer to Note 10 "Capital Management" in ARC's financial statements and to the sections entitled, "Funds from Operations" and "Capitalization, Financial Resources and Liquidity" contained within ARC's MD&A.

(2) Refer to Note 3 "Changes in Accounting Policies" in ARC's financial statements for details on revised presentation of certain items in the unaudited condensed interim consolidated statement of income for the three months ended March 31, 2017.

(3) Per share amounts are based on diluted weighted average common shares.  
Operating Netbacks

ARC's first quarter 2018 operating netback, prior to gains on risk management contracts, of \$17.48 per boe, increased four per cent relative to the fourth quarter of 2017, primarily as a result of strengthened commodity prices. ARC's first quarter 2018 operating netback, including gains on risk management contracts, of \$19.91

per boe, decreased two per cent relative to the fourth quarter of 2017, as a result of decreased realized gains on risk management contracts.

ARC's first quarter 2018 operating netback, prior to gains on risk management contracts, of \$17.48 per boe, decreased two per cent from the first quarter of 2017, and ARC's first quarter 2018 operating netback, including gains on risk management contracts, of \$19.91 per boe, decreased one per cent relative to the first quarter of 2017. Lower operating netbacks were due to the weakening of natural gas prices in the first quarter of 2018 relative to the first quarter of 2017.

ARC's first quarter 2018 royalty expenses of \$2.45 per boe (8.5 per cent total corporate royalty rate) increased 14 per cent from fourth quarter 2017 royalty expenses of \$2.15 per boe (7.8 per cent total corporate royalty rate), and decreased two per cent relative to first quarter 2017 royalty expenses of \$2.49 per boe (8.4 per cent of total corporate royalty rate). The movement in royalty expenses reflects the sliding scale effect that commodity prices have on royalties. Royalty expenses for the three months ended March 31, 2018 were \$28.9 million.

First quarter 2018 transportation expenses of \$2.61 per boe increased seven per cent from fourth quarter 2017 transportation expenses of \$2.44 per boe, and increased eight per cent relative to first quarter 2017 transportation expenses of \$2.42 per boe. The increase in transportation expenses is the result of new transportation agreements coming into effect on third-party pipelines as part of ARC's ongoing strategy to secure additional transportation to ensure ARC's production moves to market. Transportation expenses for the three months ended March 31, 2018 were \$30.8 million.

First quarter 2018 operating expenses of \$6.31 per boe increased three per cent from fourth quarter 2017 operating expenses of \$6.11 per boe, and was largely volume-driven. First quarter 2018 operating expenses decreased eight per cent relative to first quarter 2017 operating expenses of \$6.86 per boe and was the result of bringing on new production at Dawson with lower relative costs to operate. Operating expenses for the three months ended March 31, 2018 were \$74.4 million.

## Risk Management

ARC recorded total realized cash gains of \$28.6 million on its risk management contracts for the three months ended March 31, 2018.

ARC's natural gas risk management contracts realized cash gains of \$37.4 million for the three months ended March 31, 2018. Approximately 30 per cent of ARC's natural gas production was hedged at NYMEX Henry Hub with an average floor price of US\$3.53 per MMBtu in the first quarter of 2018, while market prices averaged US\$3.00 per MMBtu. Approximately 10 per cent of natural gas production was hedged at AECO with an average swap price of Cdn\$3.05 per GJ in the first quarter of 2018, while market prices averaged Cdn\$1.95 per GJ. ARC has hedged approximately 208,000 MMBtu per day of natural gas production for the remainder of 2018, and a portion of natural gas production is hedged for the period 2019 through 2023. ARC's natural gas risk management portfolio also includes AECO basis swap contracts which fix the AECO price received relative to the NYMEX Henry Hub price on a portion of its natural gas volumes for 2018 through 2021, and basis swap contracts which fix other regional sales prices received relative to the NYMEX Henry Hub price on a portion of its natural gas volumes for 2019 through 2023. Details pertaining to ARC's natural gas hedged volumes and prices for the period 2018 through 2023 are outlined in the table below.

ARC's crude oil risk management contracts realized cash losses of \$8.8 million for the three months ended March 31, 2018. ARC currently has 20,000 barrels per day of crude oil production hedged with WTI collars and swaps for the remainder of 2018 and has an additional 14,000 barrels per day of crude oil hedged for 2019. ARC's crude oil risk management portfolio also includes MSW basis swap contracts for 2018, fixing the discount between WTI and the mixed sweet crude stream price at Edmonton. Details pertaining to ARC's crude oil hedged volumes and prices for the period 2018 through 2019 are outlined in the table below.

ARC has risk management contracts in place, on a portion of natural gas and crude oil volumes, that are at price levels that support ARC's long-term business plans. The fair value of ARC's risk management contracts at March 31, 2018 was \$248.7 million. ARC will continue to take positions in natural gas, crude oil, foreign exchange rates, power and interest rates, as appropriate, to provide greater certainty over future cash flows. For a summary of the average crude oil and natural gas volumes associated with ARC's risk management

contracts as at March 31, 2018, see Note 11 "Financial Instruments and Market Risk Management" in ARC's financial statements as at and for the three months ended March 31, 2018.

Risk Management Contracts Positions Summary <sup>(1)</sup>

As at May 2, 2018	Q2 to Q4 2018		2019		2020
Crude Oil &ndash; WTI <sup>(2)</sup>	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl
Ceiling	65.39	4,000	65.63	2,000	&mdash;
Floor	50.00	4,000	50.00	2,000	&mdash;
Sold Floor	40.00	4,000	40.00	2,000	&mdash;
Swap	54.00	2,000	57.20	4,000	&mdash;
Crude Oil &ndash; Cdn\$ WTI <sup>(3)</sup>	Cdn\$/bbl	bbl/day	Cdn\$/bbl	bbl/day	Cdn\$/bbl
Ceiling	76.25	2,000	&mdash;	&mdash;	&mdash;
Floor	65.00	2,000	&mdash;	&mdash;	&mdash;
Swap	72.10	12,000	71.17	8,000	&mdash;
Total Crude Oil Volumes					
(bbl/day)		20,000		14,000	
Crude Oil &ndash; MSW					
(Differential to WTI) <sup>(4)</sup>	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl
Swap	(3.38)	7,000	&mdash;	&mdash;	&mdash;
Natural Gas &ndash; NYMEX					
Henry Hub <sup>(5)</sup>	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu
Ceiling	3.64	80,000	3.35	80,000	3.32
Floor	3.00	80,000	2.75	80,000	2.75
Sold Floor	2.50	80,000	2.25	80,000	2.25
Swap	4.00	90,000	4.00	40,000	&mdash;
Natural Gas &ndash; AECO <sup>(6)</sup>	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ
Ceiling	&mdash;	&mdash;	3.30	10,000	3.60
Floor	&mdash;	&mdash;	3.00	10,000	3.08
Swap	2.96	40,000	3.16	20,000	3.35
Total Natural Gas Volumes					
(MMBtu/day)		207,913		148,435	

Natural Gas &ndash; AECO Basis

(Percentage of NYMEX)	AECO/NYMEX MMBtu/day	AECO/NYMEX MMBtu/day	AECO/NYMEX MMBtu/day	AECO/NYMEX MMBtu/day
Sold Swap	84.7	90,000	83.7	40,000

Natural Gas &ndash; AECO Basis

(Differential to NYMEX)	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu
Sold Swap	(0.87)	91,127	(0.88)	120,959	(0.82)

Total AECO Basis Volumes

(MMBtu/day)	181,127	160,959
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Natural Gas &ndash; Other Basis

(Differential to NYMEX)	MMBtu/day	MMBtu/day	MMBtu/day
(MMBtu/day) <sup>(7)</sup>	7,782	50,000	

(1) The average price for the portfolio of options listed above does not have the same payoff profile as the individual option contracts. Viewing the average price of a group of options is purely for indicative purposes. All positions are financially settled against the benchmark prices.

(2) Crude oil prices referenced to WTI, multiplied by the WM/Reuters Intra-day Cdn\$/US\$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time.

(3) Crude oil prices referenced to WTI, multiplied by the WM/Reuters Intra-day Cdn\$/US\$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time.

(4) MSW differential refers to the discount between WTI and the mixed sweet crude grade at Edmonton, calculated on a monthly weighted average basis in US\$.

(5) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.

(6) Natural gas prices referenced to AECO 7A Monthly Index.

(7) ARC has entered into basis swaps at locations other than AECO.

(8) Cdn\$/US\$ referenced to WM/Reuters Intra-day Cdn\$/US\$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time.

OPERATIONAL REVIEW

ARC invested \$213.7 million of capital, before land and net property acquisitions and dispositions, in the first quarter of 2018, which included drilling 20 operated wells (11 crude oil wells and nine natural gas and liquids-rich natural gas wells) and completing 20 operated wells, including ARC's first multi-well pad at Attachie West. Capital expenditures in the period were also focused on various infrastructure initiatives in northeast British Columbia, including construction of the Sunrise Phase II facility expansion, electrification activities at ARC's Parkland/Tower facility, and continued activity on ARC's water handling and recycling infrastructure. Approximately 95 per cent of capital invested in the first quarter of 2018 was directed towards ARC's Montney assets.

As part of its ongoing commitment to responsible water management and reducing its overall freshwater

dependency, ARC has initiated the development of strategic water infrastructure in northeast British Columbia. At Sunrise, construction of a large freshwater storage facility is underway. This facility, when combined with recently-obtained long-term water licenses, will help de-risk completion operations at Sunrise and generate strong economic returns through the reduction of costs related to frac water access and handling. At Dawson and Parkland/Tower, final engineering and design work on ARC's water handling and recycling facility was successfully completed in the first quarter of 2018, and the equipment required for the project has been ordered. Construction of the produced water storage pit and water recycling facility is scheduled to resume after spring break-up, with the project anticipated to be in service by year-end 2018. With pipelines connecting the three assets, the water hub facility will be used to service frac operations, and will not only reduce ARC's dependency on freshwater for hydraulic fracturing operations in the area and mitigate the risk of potential water supply restrictions, but will also generate strong economic returns with a short payout period through the reduction of frac water access and transfer costs.

The following table outlines first quarter 2018 activity by ARC's key operating areas.

#### Three Months Ended March 31, 2018

Area	Wells Drilled	Wells Completed
Attachie	1	7
Sunris	3	&mdash;
Dawson	4	10
Parkland/Tower	8	&mdash;
Ante Creek	3	3
Other	1	&mdash;
Total	20	20

ARC achieved average daily production of 131,016 boe per day in the first quarter of 2018, comprised of 36,874 barrels per day of crude oil and liquids and 565 MMcf per day of natural gas. As planned, ARC's first quarter 2018 average daily production was two per cent lower than the fourth quarter of 2017, and was driven largely by the planned shut-in of offset wells at Attachie West for completion activities. First quarter 2018 average daily production increased 14 per cent relative to the first quarter of 2017 and was primarily the result of new production flowing through the Dawson Phase III facility.

ARC's position in the Montney is made up of approximately 1,200 net sections of land (approximately 770,000 net acres), with production from ARC's Montney assets representing nearly 90 per cent of total corporate production. ARC's excellent operating and capital efficiencies are supported by ARC owning and operating its own facilities, allowing for greater control over costs, safety performance, and pace of development. ARC continues to optimize well designs and maximize well value, pursue new technologies, and work with service providers to preserve its competitive cost structure. ARC actively monitors market conditions and executes a marketing strategy that proactively secures takeaway capacity for future development projects, diversifies ARC's sales portfolio, mitigates the impact of third-party infrastructure maintenance and outages, and ensures that production gets to market at optimal pricing.

#### Lower Montney

ARC's lands within the Montney fairway have significant development potential in the liquids-rich Lower Montney horizon. The Lower Montney is being appraised across all of ARC's Montney lands; 2017 appraisal activities resulted in the delineation of a significant portion of ARC's Montney lands moving inventory into the development stage. Based on encouraging results, ARC has plans to selectively pursue opportunities in the Lower Montney in 2018 by reallocating a portion of its 2018 capital budget to drill incremental Lower Montney liquids-rich wells. ARC will continue to expand Lower Montney production across its asset base, optimize

existing production, and will pilot the Lower Montney horizon in Attachie.

At Sunrise, a five-well pad piloting dual-layer development in the Lower Montney horizon was drilled and completed in 2017. Three of the five wells began producing in the first quarter of 2018 with the remaining wells scheduled to come on production as facility capacity becomes available. The wells are currently producing at an average restricted rate of 7 MMcf per day of natural gas through downhole chokes at high flowing pressure. Early analysis indicates strong productivity from these wells.

Encouraged by the significant success of the Lower Montney appraisal activities conducted at Parkland in 2017, ARC is planning a pipeline to connect ARC's Parkland and Dawson assets in 2018. Interconnecting these assets gives ARC the optionality to invest in crude oil and liquids-rich natural gas opportunities across Parkland/Tower and Dawson on the basis of highest profitability, gives ARC the ability to accelerate its development of the Lower Montney at Parkland, and take advantage of unutilized liquids processing capacity at Dawson Phase III. The interconnection is planned to be in service by late 2018.

#### Attachie

ARC's Attachie property is a highly prospective, Montney crude oil and liquids-rich natural gas exploration play located in northeast British Columbia, where ARC has a land position of 306 net sections (approximately 201,000 net acres). ARC invested \$45 million in the first quarter of 2018, directed primarily at completion activities on a seven-well pad at Attachie West. Development of these wells is focused on capital efficiency improvements, and allows ARC to appraise Attachie West's multi-layer development potential with one of the seven wells targeting the Lower Montney horizon. ARC plans to tie-in and bring the wells on production through the second half of 2018 through third-party processing infrastructure. In addition to completion activities, ARC drilled a liquids-rich natural gas well in the first quarter of 2018 and invested in upgrades to the area's oil battery. The battery will increase Attachie's liquids processing capacity from 2,500 barrels per day to 3,000 barrels per day.

ARC currently has six pilot wells on production at Attachie West, all of which have demonstrated strong wellhead condensate rates. The wells are producing through third-party infrastructure while long-term infrastructure requirements are being assessed. First quarter 2018 production at Attachie was approximately 600 boe per day, a decrease of 1,300 boe per day relative to the fourth quarter of 2017, due to the planned shut-in of offset wells at Attachie West for completion activities on ARC's seven-well pad.

ARC has initiated a front-end engineering evaluation of commercial development of Attachie West. ARC will continue to optimize and monitor production results in the area, including upcoming results from the seven-well pad, and will incorporate the learnings into future development plans at Attachie.

#### Sunrise

ARC has a land position of 32 net sections at Sunrise (approximately 21,000 net acres), a dry natural gas Montney play in northeast British Columbia with potential for up to six layers of development. With a significant natural gas resource base, high well deliverability, low capital requirements, and low operating expenses, Sunrise continues to create significant value and strong full-cycle economic returns in the current commodity price environment. First quarter 2018 Sunrise production was approximately 131 MMcf per day of natural gas, unchanged from the fourth quarter of 2017.

ARC invested approximately \$38 million on capital activities at Sunrise in the first quarter of 2018, including drilling the first three wells of a 14-well pad that is intended to supply gas to the Sunrise Phase II facility. The remaining wells on the pad will be drilled through the second quarter of 2018 and all 14 wells will be completed in the second half of 2018 before being tied-in to the facility to coincide with commissioning activities.

Progress on the Sunrise Phase II gas processing facility expansion has been excellent since the project was initially sanctioned in the second quarter of 2017. With construction activities ahead of schedule, it is expected that the facility will be operational by the fourth quarter of 2018, with an initial 60 MMcf per day of gas processing capacity in place by year-end 2018 subject to BC Hydro's completion of electrification. ARC expects to tie the wells from the first multi-well pad into the facility in the fourth quarter of 2018, with

production from these wells increasing through the quarter and into early 2019. Production is expected to further ramp up to the facility's maximum processing and sales capacity of 180 MMcf per day by June 2019, once final transportation arrangements have come into effect, and 60 MMcf per day of natural gas is moved from a third-party facility to the new Sunrise Phase II facility.

Upon completion of the facility expansion, ARC's total owned and operated processing and sales capacity at Sunrise will be 240 MMcf per day of natural gas. With increased control of ARC's Sunrise production volumes and the elimination of third-party processing fees, operating expenses in the area will be significantly reduced once the facility comes on-stream. Long-term takeaway capacity for production associated with the facility expansion has been secured.

#### Dawson

ARC's Dawson Montney is a low-cost natural gas play where ARC has a land position of 137 net sections (approximately 89,000 net acres). The Dawson play delivers strong economics and cash flow at current natural gas prices. Dawson production averaged 240 MMcf per day of natural gas and 3,700 barrels per day of condensate and NGLs during the first quarter of 2018, relatively unchanged from the fourth quarter of 2017. While the Dawson Phase III facility has reached its gas processing capacity, ARC plans to grow the area's liquids production with the continued development of the liquids-rich Lower Montney horizon, and will continue to examine opportunities to optimize existing liquids production. ARC invested approximately \$41 million at Dawson in the first quarter of 2018 to drill four wells and complete 10 wells.

ARC is evaluating the Phase IV expansion of the Dawson gas processing and liquids-handling facility, which has received regulatory approval. By taking advantage of Phase III investments and the recent success of ARC's Lower Montney development activities, Dawson Phase IV is an attractive infrastructure investment opportunity. Similar to Phase III, the facility has been designed to handle free liquids and richer gas production from the Lower Montney.

#### Parkland/Tower

ARC's Parkland/Tower property, a Montney play in northeast British Columbia, consists of 57 net sections at Tower (approximately 37,000 net acres), which produce predominantly light crude oil and condensate with liquids-rich associated gas; and 37 net sections at Parkland (approximately 24,000 net acres), which produce liquids-rich natural gas and dry gas. With contiguous lands, these areas share ARC-operated infrastructure and processing capacity. First quarter 2018 production at Parkland/Tower averaged 29,500 boe per day (approximately 40 per cent crude oil and liquids and 60 per cent natural gas), a slight increase from the fourth quarter of 2017. ARC plans to sustain production at similar levels throughout 2018, with crude oil and liquids production expected to be maintained at sales of over 10,000 barrels per day.

Capital investment at Parkland/Tower was approximately \$47 million in the first quarter of 2018, and included the drilling of eight crude oil wells and ongoing completion activities in the Tower field. Capital investment was also directed at progressing the electrification of ARC's owned-and-operated Parkland/Tower gas processing and liquids-handling facility, with the construction of transmission lines and the required substation. The facility is expected to be fully connected to the grid early in the second quarter of 2018, allowing the facility, as well as the area's water hub and a number of ARC's Tower well pads, to be fully run on hydro-electricity. The electrification project will reduce the Parkland/Tower facility's greenhouse gas emissions by 85 per cent and will generate strong economic returns through improved run-times, reduced carbon taxes, and increased carbon offset incentives. ARC also initiated upgrades to the refrigeration capacity at the Parkland/Tower facility in the first quarter of 2018, and once completed, will be able to enhance its liquids production by running the facility at cooler temperatures.

#### Ante Creek

ARC has a land position of 379 net sections at Ante Creek (approximately 243,000 net acres), a Montney crude oil play in northern Alberta that generates strong free cash flow and has significant future development potential. Production in the first quarter of 2018 was 15,500 boe per day (approximately 50 per cent crude oil and liquids), relatively unchanged from the fourth quarter of 2017. ARC invested approximately \$26 million at Ante Creek to drill three crude oil wells and to complete three wells in the first quarter of 2018. Optimization of base production remains a key objective for the area and the ongoing success from these activities, as

well as strong results from the recent optimization of well designs, have reaffirmed the overall strength of the asset base. ARC has initiated studies for the next phase of development at Ante Creek.

#### Pembina

ARC's Pembina Cardium assets deliver high-quality, light oil production, generating strong operating netbacks and free cash flow with major infrastructure already in place. ARC has a land position of 219 net sections in Pembina (approximately 140,000 net acres), where first quarter 2018 production averaged approximately 11,300 boe per day (approximately 85 per cent light oil and liquids). Production was four per cent higher than the fourth quarter of 2017 and was the result of new wells being brought on-stream during the period.

ARC invested approximately \$7 million at Pembina in the first quarter of 2018, focused primarily on maintenance and optimization activities and ongoing upgrades to aging infrastructure in the area. Optimizing production and waterflood management continue to be key components of ARC's operations at Pembina.

#### Redwater

ARC's Redwater region in Alberta produces high-quality, light crude oil. Production averaged approximately 3,200 boe per day in the first quarter of 2018, unchanged from the fourth quarter of 2017. 2018 capital investment at Redwater is focused on maintenance and optimization activities.

#### DIVIDENDS

As a dividend-paying corporation, ARC declares monthly dividends to its shareholders. ARC continually assesses dividend levels in light of commodity prices and economic conditions, capital expenditure programs, and production volumes to ensure that dividends are in line with ARC's long-term strategy and objectives.

ARC declared dividends totaling \$53.1 million (\$0.15 per share) for the three months ended March 31, 2018. The Board of Directors has confirmed a dividend of \$0.05 per share for April 2018, payable on May 15, 2018, and has conditionally declared a monthly dividend of \$0.05 per share for May 2018 through July 2018, payable as follows:

Ex-dividend Date	Record Date	Payment Date	Per Share Amount
April 27, 2018	April 30, 2018	May 15, 2018	\$0.05 <sup>(1)</sup>
May 30, 2018	May 31, 2018	June 15, 2018	\$0.05 <sup>(2)</sup>
June 28, 2018	June 29, 2018	July 16, 2018	\$0.05 <sup>(2)</sup>
July 30, 2018	July 31, 2018	August 15, 2018	\$0.05 <sup>(2)</sup>

(1) Confirmed on April 16, 2018.

(2) Conditionally declared, subject to confirmation by news release and further resolution by the Board of Directors.

The dividends have been designated as eligible dividends under the Income Tax Act (Canada). The declaration of the dividends is conditional upon confirmation by news release and is subject to any further resolution by the Board of Directors. Dividends are subject to change in accordance with ARC's dividend policy depending on a variety of factors and conditions existing from time-to-time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating and transportation expenses, royalty burdens, foreign exchange rates and the satisfaction of solvency tests

imposed by the Business Corporations Act (Alberta) for the declaration and payment of dividends. Shareholders, wherever resident, are encouraged to consult their own tax advisors regarding the tax consequences to them of receiving cash dividends.

## OUTLOOK

The foundation of ARC's business strategy is risk-managed value creation. High-quality assets, health, safety, environmental and operational excellence, financial flexibility and strength, top talent and a strong leadership culture are the key principles underpinning ARC's business strategy. ARC's goal is to create shareholder value in the form of regular dividends and returns through anticipated capital appreciation relating to profitable future growth.

ARC's 2018 capital program of \$690 million is focused on long-term profitability and balance sheet strength through the continued development of ARC's Montney crude oil, liquids-rich natural gas, and natural gas assets. The 2018 capital program will sustain ARC's base Montney businesses and will fund strategic infrastructure at the Sunrise Phase II gas processing facility, ARC's next major phase of growth, expected to come on-stream in stages starting in the fourth quarter of 2018 and to be at full capacity by mid-year 2019. The capital program will allow ARC to continue to develop the Lower Montney and advance the liquids-rich Attachie asset towards commercialization with the completion and tie-in of a seven-well pad at Attachie West, and invest in strategic water handling and recycling infrastructure to service ARC's northeast British Columbia assets. ARC plans to keep its Montney facilities at or near capacity throughout 2018, however expects that second quarter 2018 production will be lower than the first quarter by approximately five per cent due to significant turnarounds, planned maintenance activities, and anticipated spring break-up impacts to production and field operations. Due to excellent progress made to-date on the construction of Sunrise Phase II, ARC expects to have an initial 60 MMcf per day of processing capacity in place by the end of the fourth quarter of 2018 subject to BC Hydro's completion of electrification, with some initial sales volumes being recorded in the period. ARC expects 2018 annual average production to be in the range of 130,000 to 134,000 boe per day. Additional details on ARC's 2018 capital program and 2018 guidance can be found in the November 9, 2017 news release entitled, "[ARC Resources Ltd. Announces \\$690 Million Capital Program for 2018](#)" available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

Ongoing commodity price volatility may affect ARC's funds from operations, profitability and economic returns of its capital program over the long term. As continued volatility is expected, ARC will continue to take steps to mitigate these risks, including executing risk management and physical marketing diversification programs, focusing on capital and operating efficiencies, and protecting its strong financial position, with a targeted net debt to annualized funds from operations ratio of between 1.0 and 1.5 times. ARC will continue to screen projects for profitability in a disciplined manner and will adjust investment levels and the pace of development, if required, to ensure balance sheet strength is protected. The 2018 capital budget excludes land purchases and property acquisitions or dispositions. ARC will continue to pursue opportunities to consolidate its land position and grow its presence in key areas through land purchases and property acquisitions, and evaluate its asset portfolio on a continuous basis with a view to selling assets that do not meet ARC's investment guidelines. Through the normal course of business, acquisitions and dispositions may occur that could impact the expected production for the year.

ARC's full-year 2018 guidance estimates and a review of 2018 year-to-date actual results are outlined in the following table.

	2018 Guidance	2018 YTD	% Variance from Guidance
<b>Production</b>			
Crude oil (bbl/day)	25,000 - 27,000	25,037	&mdash;
Condensate (bbl/day) <sup>(1)</sup>	6,500 - 7,000	5,505	(15)
Natural gas (MMcf/day)	555 - 565	564.9	&mdash;
NGLs (bbl/day)	6,000 - 6,500	6,332	&mdash;
Total (boe/day)	130,000 - 134,000	131,016	&mdash;
<b>Expenses (\$/boe)</b>			
Operating	6.50 - 6.90	6.31	(3)
Transportation	2.80 - 3.00	2.61	(7)
G&A expenses before share-based compensation plans	1.25 - 1.45	1.30	&mdash;
G&A - share-based compensation plans <sup>(2)</sup>	0.40 - 0.55	0.43	&mdash;
Interest	0.80 - 1.00	0.91	&mdash;
Current income tax (per cent of funds from operations) <sup>(3)</sup>	0 - 5	4	&mdash;
Capital expenditures before land purchases and net property acquisitions (dispositions) (\$ millions)	690	213.7	N/A
Land purchases and net property acquisitions (dispositions) (\$ millions)	N/A	(97.4)	N/A
<b>(\$ millions)</b>			
Weighted average shares (millions)	353	353	&mdash;

(1) Condensate production was deliberately shut-in during the first quarter of 2018 for nearby completion activities on ARC's first multi-well pad at Attachie West.

(2) Comprises expenses recognized under the Restricted Share Unit and Performance Share Unit Plan, Share Option Plan and Long-term Restricted Share Award Plan, and excludes compensation charges under the Deferred Share Unit Plan. In periods where substantial share price fluctuation occurs, ARC's G&A expenses are subject to greater volatility.

(3) The current income tax estimate varies depending on the level of commodity prices.

ARC's 2018 guidance is based on full-year 2018 estimates; certain variances exist between 2018 year-to-date actual results and 2018 full-year guidance estimates due to the cyclical and seasonal nature of operations. ARC expects full-year 2018 actual results to closely approximate guidance. ARC's 2018 year-to-date condensate production is below the 2018 guidance range due to the planned shut-in of offset wells at Attachie West for completion activities. ARC expects to bring the shut-in wells back on production in the second quarter of 2018, and to bring the new wells on production in the second half of 2018 through third-party processing infrastructure. 2018 year-to-date operating expenses are below the 2018 guidance range, however, with a significant maintenance program planned, ARC expects operating expenses to increase in the second quarter of 2018 and trend towards guidance as the year progresses. Transportation expenses are also below the 2018 guidance range, however, ARC expects transportation expenses to trend towards guidance as additional transportation arrangements come into effect through the remainder of the year. On a per boe basis, all other expense items were within their respective guidance ranges.

## FORWARD-LOOKING INFORMATION AND STATEMENTS

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect," "anticipate," "continue," "estimate," "objective," "ongoing," "may," "will," "project," "should," "believe," "plans," "intends," "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: guidance as to the capital expenditure plans of ARC in 2018 and beyond and its production in 2018 and beyond, and its compensation structure under the heading "Strategy Overview", guidance as to the capital expenditure plans of ARC in 2018 and beyond and its production in 2018 and beyond, as well as its risk management plans for 2018 and beyond, and as to future processing capacity and future operating expenses under the heading "Financial and Operating Highlights", as to its views on future commodity prices under the heading "Economic Environment", as to its risk management plans for 2018 and beyond under the heading "Risk Management", as to its production, exploration and development plans, and capital expenditures for 2018 and beyond under the heading "Operational Review", as to its plans in relation to future dividend levels under the heading "Dividends", and all matters in respect of 2018 guidance under the heading "Outlook".

The forward-looking information and statements contained in this news release reflect several material factors, expectations and assumptions of ARC, including, without limitation: the production performance of ARC's crude oil and natural gas assets; the cost and competition for services throughout the oil and gas industry in 2018; the results of exploration and development activities during 2018; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of ARC's reserves and resource volumes; certain commodity price and other cost assumptions for 2018; the retention of ARC's key properties; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. ARC believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of ARC's products; changes to government regulations including royalty rates, taxes, and environmental and climate change regulation; market access constraints or transportation interruptions, unanticipated operating results, or production declines; changes in development plans of ARC or by third-party operators of ARC's properties, increased debt levels or debt service requirements; inaccurate estimation of ARC's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in ARC's public disclosure documents (including, without limitation, those risks identified in this news release and in ARC's Annual Information Form).

The internal projections, expectations or beliefs are based on the 2018 capital budget which is subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. The forward-looking information and statements contained in this news release speak only as of the date of this news release, and none of ARC or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

[ARC Resources Ltd.](#) is one of Canada's largest conventional oil and gas companies with an enterprise value <sup>(1)</sup> of approximately \$5.8 billion. ARC's common shares trade on the TSX under the symbol ARX.

[ARC Resources Ltd.](#)

Myron M. Stadnyk  
President and Chief Executive Officer

(1) Enterprise value is also referred to as total capitalization. Refer to Note 10 "Capital Management" in ARC's financial statements as at and for the three months ended March 31, 2018 and to the section entitled "Capitalization, Financial Resources and Liquidity" contained within ARC's MD&A.

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