

ARC Resources Ltd. Reports First Quarter 2019 Financial and Operational Results

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CALGARY, April 30, 2019 /CNW/ - (ARX - TSX) [ARC Resources Ltd.](#) ("ARC" or the "Company") is pleased to report its 2019 financial and operational results. ARC's unaudited condensed interim consolidated financial statements and notes ("statements") and ARC's Management's Discussion and Analysis ("MD&A") as at and for the three months ended March 31, 2019 are available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.

"ARC advanced several key projects in the first quarter of 2019, including obtaining regulatory approval for multiple phase 1 development at Attachie West, an area that will provide our company with liquids-rich opportunities for many years to come," explained Myron Stadnyk, ARC's President and Chief Executive Officer. "We are executing on a strategy that is focused on long-term full-cycle returns and overall profitability of the business. With a compelling asset base, coupled with a clean balance sheet and current attractive yield, ARC is positioned to create shareholder value."

ARC delivered excellent operational results in the first quarter of 2019, achieving record quarterly production of 139,054 boe per day, managing the Company's operating expense of \$5.24 per boe, and recording zero lost-time for employees and contractors. ARC's 2019 capital program of \$775 million is focused on investing in multi-year development projects to grow the Company's liquids production at Attachie West and Dawson in northeast British Columbia, and at Amax in northern Alberta. Approximately \$295 million of the planned \$775 million capital budget will be invested in facilities, power and water infrastructure, with the majority of the production associated with these infrastructure projects expected to be realized in 2020 and 2021. ARC has made significant progress in its 2019 plan to-date. Capital expenditures totaled \$213.7 million in the first quarter of 2019, approximately \$53 million of which was invested in major infrastructure projects. An active drilling and completion program in the first quarter will deliver oil and liquids-rich production through the remainder of the year, and ARC's plan to bring 60 MMcf per day of natural gas currently flowing through a third-party facility to ARC's Sunrise Phase II facility in the second quarter of 2019 will eliminate third-party processing fees and improve the Company's operating expense.

In 2019, ARC expects to generate funds from operations in excess of its anticipated 2019 dividends of approximately \$400 million and sustaining capital ⁽¹⁾ requirements of approximately \$400 million. Discretionary funds from operations in excess of dividends and sustaining capital requirements, and the redeployment of cash proceeds from previously completed non-core dispositions will be being invested in key multi-year development projects that will grow the Company's liquids production.

Looking ahead to the second quarter of 2019, ARC's operations will be affected by third-party pipeline maintenance, significant turnarounds, and anticipated spring break-up impacts to production and field operations. As such, production is expected to be approximately five per cent lower and ARC's operating expense per boe is expected to be approximately 10 per cent higher than the first quarter of 2019. ARC expects that production will ramp up through the second half of 2019 as final transportation arrangements come into effect at Sunrise and initial production from a multi-well pad currently being drilled at the liquid rich Attachie West area is brought on-stream in the fourth quarter of 2019. ARC's full-year 2019 operating expense is expected to be within the guidance range of \$5.30 to \$5.70 per boe, and full-year 2019 average daily production is expected to be within the guidance range of 135,000 to 142,000 boe per day.

(1) Sustaining capital refers to estimated capital expenditures to maintain production from existing facilities at current production levels. Sustaining capital does not have any standardized meaning and therefore may not be comparable to similar measures presented by other entities.

Key takeaways from ARC's financial and operational results for the first quarter of 2019 include:

Production	Delivered average daily production of 139,054 boe per day, a two per cent increase from the fourth quarter of 2018 with increased natural gas production at Sunrise Phase II partially offset by lower production in Alberta due to cold weather.
Funds from Operations	Funds from operations totaled \$186.2 million (\$0.53 per share). Lower realized gain on risk management contracts and foreign exchange, and higher general and administrative ("G&A") expense due to increases in the valuation of ARC's share-based compensation awards, were the primary drivers in the decrease from the fourth quarter of 2018.
Capital Program	Advanced key infrastructure projects at Dawson, Ante Creek, and Attachie West in order to build out future processing capacity. ARC also executed on its drilling and completions program to maintain production at existing infrastructure at or near capacity.
Attachie West Regulatory Approval	Obtained regulatory approval for the construction of the Attachie West Phase I facility, along with the approval for multiple future phases of expansion.
Low Cost Structure	Continued to manage ARC's low cost structure with a first quarter 2019 operating expense of \$5.24 per boe.
Crude Oil and Liquids Pricing	Benefited from the tightening of Canadian oil differentials, with the average realized price for crude oil increasing 47 per cent and the average realized price for condensate increasing 13 per cent compared to the fourth quarter of 2018.
Natural Gas Sales Diversification Strategy	Continued to realize the benefits of ARC's physical and financial diversification program for natural gas, protecting commodity sales from single price hub exposure. ARC realized \$0.57 per Mcf from diversification activities and recorded a realized gain on risk management contracts of \$0.36 per Mcf for natural gas in the first quarter of 2019.
Balance Sheet	Maintained a strong balance sheet to maximize financial flexibility, with a net debt balance of \$796.3 million and a net debt to annualized funds from operations ratio of 1.1 times at March 31, 2019.
Returns to Shareholders	Distributed a monthly dividend of \$0.05 per share and continued investing in ARC's profitable business to create shareholder value.

FINANCIAL AND OPERATIONAL RESULTS

	Three Months Ended		
(Cdn\$ millions, except per share amounts, boe amounts, and common shares outstanding)	December 31, 2018	March 31, 2019	March 31, 2020
FINANCIAL RESULTS			
Net income (loss)	159.7	(54.6)	54.9
Per share ⁽¹⁾	0.45	(0.15)	0.16
Funds from operations ⁽²⁾	208.6	186.2	201.0
Per share ⁽¹⁾	0.59	0.53	0.57
Dividends	53.1	53.1	53.1
Per share ⁽¹⁾	0.15	0.15	0.15
Capital expenditures, before land and net property acquisitions (dispositions)	131.6	213.7	213.7
Total capital expenditures, including land and net property acquisitions (dispositions)	130.9	213.7	116.3
Net debt outstanding ⁽²⁾	702.7	796.3	728.0
Common shares outstanding, weighted average diluted (millions)	353.9	353.4	353.8
Common shares outstanding, end of period (millions)	353.4	353.4	353.5
OPERATIONAL RESULTS			
Production			
Crude oil (bbl/day) ⁽³⁾	20,092	18,251	25,030
Condensate (bbl/day)	8,458	8,210	5,505
Crude oil and condensate (bbl/day)	28,550	26,461	30,535
Natural gas (MMcf/day)	603.3	632.5	564.9
Natural gas liquids ("NGLs") (bbl/day)	7,402	7,183	6,332
Total (boe/day) ⁽⁴⁾	136,502	139,054	131,000
Average realized prices, prior to gain or loss on risk management contracts			
Crude oil (\$/bbl)	43.30	63.72	69.50
Condensate (\$/bbl)	57.25	64.81	77.42
Natural gas (\$/Mcf)	2.85	2.79	2.50
NGLs (\$/bbl)	29.12	25.43	31.39
Oil equivalent (\$/boe) ⁽⁴⁾	24.09	26.20	28.85
Operating netback (\$/boe) ⁽⁴⁾⁽⁵⁾			
Commodity sales from production			

Royalties	(1.67)	(1.52)	(2.45)
Operating expense	(5.04)	(5.24)	(6.31)
Transportation expense	(2.66)	(2.96)	(2.61)
Operating netback prior to gain on risk management contracts	14.72	16.48	17.48
Realized gain on risk management contracts	3.62	1.62	2.43
Operating netback including gain on risk management contracts	18.34	18.10	19.91

TRADING STATISTICS ⁽⁶⁾

High price	14.84	10.49	15.90
Low price	7.38	7.82	11.88
Close price	8.10	9.12	14.04
Average daily volume (thousands of shares)	2,117	2,291	1,406

(1) Per share amounts (with the exception of dividends) are based on weighted average diluted common shares.

(2) Refer to Note 11 "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.

(3) Approximately 3,700 barrels per day of non-core crude oil production was divested in 2018.

(4) ARC has adopted the standard six thousand cubic feet of natural gas to one barrel of oil ratio 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.

(5) 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. Refer to the section entitled, "Non-GAAP Measures" contained within ARC's MD&A.

(6) Trading prices are stated in Canadian dollars on a per share basis and are based on intra-day trading on the Toronto Stock Exchange.

The following strategic, financial, and operational reviews provide further details to the above takeaways. For additional commentary on ARC's financial and operational results for the first quarter of 2019, please view the following videos: "Myron's Minute", "ARC Resources Q1 2019 Financial Review", and "ARC Resources Q1 2019 Operations Review" available on ARC's website at www.arcresources.com.

COMMODITY PRICE ENVIRONMENT

ARC employs an integrated approach to its physical marketing and financial risk management programs, which is underpinned by a strong understanding of market fundamentals. ARC uses market fundamental analysis to set a view on the outlook for commodity prices to drive decisions across the business. This detailed analysis provides the basis for ARC's financial hedging and physical marketing strategies, which help to reduce cash flow volatility, diversify price risk, and also supports ARC's strategic planning and budgeting processes. ARC regularly monitors commodity prices and market conditions and has the flexibility to adjust the investment levels and pace of development of its capital plans accordingly.

Crude Oil and Liquids

The outlook on global crude oil prices improved considerably in the first quarter of 2019, reflecting the impact that OPEC members' compliance with output cuts and US-imposed sanctions on Iran have had on the global

supply-demand balance. Locally, the Alberta Government's mandatory oil production curtailment, which came into effect in January 2019, had a significant tightening effect on Canadian oil differentials. While ARC's physical oil production was not impacted by the mandated production curtailment in the first quarter of 2019, its corporate crude oil and condensate realizations did benefit from the tighter differentials, with average crude oil realizations increasing 47 per cent and average condensate realizations increasing 13 per cent relative to the fourth quarter of 2018. The majority of ARC's crude oil production is made up of conventional light oil and condensate, which continue to realize premium pricing relative to heavier crude oil grades.

Natural Gas

Cold weather conditions and strong winter demand in western Canada resulted in relatively strong local natural gas prices in the first quarter of 2019. Despite withdrawal season ending with storage levels below the five-year average, local egress is expected to be constrained through the summer months as third-party maintenance and planned outages get underway, which may lead to pricing volatility. In the US, natural gas prices moderated after a strong fourth quarter of 2018, when higher prices were driven by cold weather and declining inventories. The near-term outlook for US natural gas prices is expected to be range bound given that growing production is expected to be largely met with strong domestic and export demand.

ARC maintains a strategy to physically and financially diversify its realized natural gas price to multiple North American downstream sales points in order to mitigate the impact of pricing volatility and to increase exposure to more attractive markets. Approximately 48 per cent of ARC's corporate natural gas volumes are exposed to a combination of US Midwest, Henry Hub, Malin, and Dawn pricing hubs in 2019, and 23 per cent of corporate natural gas volumes are exposed to AECO and Station 2 prices. The remaining 29 per cent is financially hedged. As a result of this diversification strategy, less than 10 per cent of ARC's expected commodity sales revenue is exposed to the AECO and Station 2 markets in 2019.

2019 CAPITAL BUDGET AND NEAR-TERM PLAN

ARC's 2019 capital budget was designed to create value through the development of a compelling suite of multi-year projects to increase ARC's productive capacity and pay a meaningful dividend to shareholders. ARC's near-term plan to 2021 includes the development of five infrastructure projects, with a continued commitment to maintain ARC's monthly dividend of \$0.05 per share and the overall profitability of the business. The plan's pace of development supports ARC's enduring principle of strong balance sheet performance and controlling ARC's corporate decline rate to achieve leading capital efficiencies and grow ARC's liquids production. The development plan for 2019 to 2021 includes the following projects, which to varying degrees, are all currently underway:

Sunrise Phase II: Bringing the newly constructed 180 MMcf per day Sunrise gas processing facility to full capacity in 2019. The initial 60 MMcf per day of processing and sales capacity is currently in use, and the remaining balance will be available in June 2019 once final transportation arrangements are in place. The exact timing and pace at which the production is brought on-stream will be commodity price-dependent.

Dawson Phase I & II: Upgrading the Dawson Phase I & II gas processing facility with liquids-handling capabilities by year-end 2019.

Dawson Phase IV: Constructing and bringing the liquids-rich Dawson Phase IV gas processing and liquids-handling facility on production in the second quarter of 2020.

Ante Creek 10-36: Expanding the Ante Creek 10-36 facility to grow the area's light oil production, scheduled for completion in the second quarter of 2020.

Attachie West Phase I: Advancing infrastructure development at Attachie West to commission and bring to capacity the first phase of gas processing and liquids-handling in 2021. ARC obtained regulatory approval for the first phase of development, along with approval for multiple future phases of expansion, in the first quarter of 2019.

ARC's disciplined capital plan was designed to deliver profitable growth through investing funds from

operations generated from existing businesses and the remaining proceeds from previously completed non-core asset dispositions. ARC regularly monitors commodity prices and market conditions to ensure that, first and foremost, its balance sheet and dividend are protected.

ARC's plan is expected to generate strong economic returns and deliver meaningful production and cash flow per share growth with balanced cash inflows and outflows over the long term. ARC will continue to manage conservative debt levels as a priority, targeting a net debt to annualized funds from operations ratio of between 1.0 and 1.5 times, and will continue to monitor prevailing commodity prices and market conditions. Should conditions change such that they adversely impact ARC's ability to effectively and profitably deliver on its strategic plans, ARC will adjust its investment levels and pace of development accordingly.

FINANCIAL REVIEW

Balance Sheet and Capital Allocation

ARC maintains financial flexibility through its strong balance sheet, with \$796.3 million of net debt outstanding at March 31, 2019, and a net debt to annualized funds from operations ratio of 1.1 times. ARC had an additional \$1.4 billion of cash and credit capacity available at the end of the first quarter of 2019, taking into account the Company's working capital surplus. ARC's credit facility is currently undrawn.

In 2019, ARC expects to generate funds from operations in excess of its anticipated 2019 dividends of approximately \$210 million and sustaining capital ⁽¹⁾ requirements of approximately \$400 million. Discretionary funds from operations in excess of dividend and sustaining capital requirements, and the redeployment of cash proceeds from previously completed non-core dispositions, are being invested in key development projects.

ARC's outlook is that once the productive capacity at Dawson Phase IV is brought on-line in 2020, the Company will be able to fund its dividends and sustain and grow its business entirely out of funds from operations at moderate commodity price levels. At that time, ARC will have the option to pursue one, or a combination, of the following with the Company's unallocated funds from operations: debt reduction, future development opportunities, initiating a share buyback program, and increasing its dividend.

(1) Sustaining capital refers to estimated capital expenditures to maintain production from existing facilities at current production levels. Sustaining capital does not have any standardized meaning and therefore may not be comparable to similar measures presented by other entities.

Net Income (Loss)

ARC recognized a net loss of \$54.6 million (\$0.15 per share) in the first quarter of 2019 compared to net income of \$159.7 million (\$0.45 per share) in the fourth quarter of 2018 and net income of \$54.9 million (\$0.16 per share) in the first quarter of 2018. The decrease in earnings is primarily attributed to an unrealized loss recorded on the mark-to-market of ARC's risk management contracts and no gain recognized from the disposal of non-core assets in the first quarter of 2019 compared to a gain recorded in the first quarter of 2018. The impact of these items was partially offset by reduced deferred income taxes and an increase in unrealized gain on foreign exchange resulting from the revaluation of ARC's US dollar-denominated debt.

Funds from Operations

ARC's first quarter 2019 funds from operations of \$186.2 million (\$0.53 per share) decreased by \$22.4 million (\$0.06 per share) relative to fourth quarter 2018 funds from operations of \$208.6 million (\$0.59 per share). Commodity sales revenue from crude oil and liquids increased \$24.5 million (\$0.07 per share) relative to the prior quarter, however, a reduced realized gain on risk management contracts of \$25.1 million (\$0.07 per share) and a reduced realized gain on foreign exchange of \$13.1 million (\$0.04 per share) were the most significant contributors to the lower funds from operations in the period. Also serving to decrease funds from operations was increased G&A expense of \$11.8 million (\$0.03 per share), reflecting the increase in the fair value of ARC's share-based compensation plans due to the appreciation in ARC's common share price during the first quarter of 2019.

Funds from operations for the first quarter of 2019 decreased \$14.8 million (\$0.04 per share) from first

quarter 2018 funds from operations of \$201.0 million (\$0.57 per share). Lower commodity sales from crude oil and liquids due to both a decrease in volumes and pricing, reduced realized gain on risk management contracts, and increased transportation expense were the primary drivers in lower funds from operations year-over-year. Partially offsetting these items were higher commodity sales from natural gas due to higher volumes and improved pricing, and lower royalties and operating expense.

The following table details the change in funds from operations for the first quarter of 2019 relative to the fourth quarter of 2018 and the first quarter of 2018.

Funds from Operations Reconciliation ⁽¹⁾	Q4 2018 to Q1 2019		Q1 2018 to Q1 2019	
	\$ millions	\$/share ⁽²⁾	\$ millions	\$/share ⁽²⁾
Funds from operations for the three months ended December 31, 2018	208.6	0.59		
Funds from operations for the three months ended March 31, 2018			201.0	0.57
Volume variance				
Crude oil and liquids	(12.2)	(0.04)	(21.2)	(0.06)
Natural gas	4.2	0.01	15.0	0.04
Price variance				
Crude oil and liquids	36.7	0.11	(22.7)	(0.06)
Natural gas	(3.4)	(0.01)	16.5	0.05
Sales of commodities purchased from third parties	(8.4)	(0.02)	(9.4)	(0.02)
Interest income	0.3	—	0.6	—
Other income	0.4	—	0.1	—
Realized gain on risk management contracts	(25.1)	(0.07)	(8.3)	(0.02)
Royalties	2.0	0.01	9.9	0.03
Expenses				
Commodities purchased from third parties	7.5	0.02	8.4	0.02
Operating	(2.3)	(0.01)	8.8	0.02
Transportation	(3.6)	(0.01)	(6.2)	(0.02)
G&A	(11.8)	(0.03)	(2.3)	(0.01)
Interest and financing ⁽³⁾	—	—	—	—
Current tax	6.4	0.02	1.8	0.01
Realized gain (loss) on foreign exchange	(13.1)	(0.04)	(5.8)	(0.02)
Funds from operations for the three months ended March 31, 2019	186.2	0.53	186.2	0.53

- (1) Refer to Note 11 "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) Per share amounts are based on weighted average diluted common shares.
- (3) Excludes accretion of asset retirement obligations.

Physical Marketing and Financial Risk Management

ARC's crude oil and liquids production comprised 52 per cent of total commodity sales revenue in the first quarter of 2019. The majority of ARC's liquids production is made up of conventional light oil and condensate, which had average realized prices of \$63.72 per barrel and \$64.81 per barrel, respectively, in the first quarter of 2019.

In managing its natural gas price risk exposure, ARC's physical diversification and financial risk management activities have helped to increase ARC's exposure to more attractive North American markets and enhance corporate natural gas realizations. ARC's financial risk management program provides additional cash flow protection. Summarized in the following table are the positive impacts that ARC's physical natural gas diversification and financial risk management activities had on the Company's realized natural gas price in the first quarter of 2019.

Realized Natural Gas Price Including Realized Gain on Risk Management Contracts Three Months Ended

(\$/Mcf)	March 31, 2019
Average price before diversification activities	2.22
Diversification activities	0.57
Realized gain on risk management contracts ⁽¹⁾	0.36
Realized natural gas price including realized gain on risk management contracts	3.15

(1) Realized gain on risk management contracts is not included in ARC's realized natural gas price.

Total realized gain on risk management contracts for the first quarter of 2019 was \$20.3 million, and the fair value of ARC's risk management contracts at March 31, 2019 was \$119.7 million. ARC will continue to monitor commodity prices and execute on its risk management program to reduce the volatility of its funds from operations and to support its dividend and capital program. For details pertaining to ARC's risk management program and for a summary of the average oil and natural gas volumes associated with ARC's risk management contracts as at March 31, 2019, refer to Note 12 "Financial Instruments and Market Risk Management" in ARC's financial statements.

Operating Netback

Summarized in the following table are the components of ARC's operating netback for the first quarter of 2019 relative to the fourth quarter of 2018 and the first quarter of 2018.

Operating Netback ⁽¹⁾	Three Months Ended			Three Months Ended
	March 31, 2019	December 31, 2018	% Change	March 31, 2019
(\$/boe)				
Commodity sales from production	26.20	24.09	9	26.20
Royalties	(1.52)	(1.67)	(9)	(1.52)
Operating expense	(5.24)	(5.04)	4	(5.24)
Transportation expense	(2.96)	(2.66)	11	(2.96)
Operating netback prior to gain on risk management contracts	16.48	14.72	12	16.48
Realized gain on risk management contracts	1.62	3.62	(55)	1.62
Operating netback including gain on risk management contracts	18.10	18.34	(1)	18.10

(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. Refer to the section entitled, "Non-GAAP Measures" contained within ARC's MD&A.

ARC's operating netback, prior to gain on risk management contracts, for the first quarter of 2019 increased 12 per cent from the fourth quarter of 2018. This was primarily due to strengthened crude oil and condensate pricing. ARC's operating netback, including gain on risk management contracts, decreased one per cent in the first quarter of 2019 with a reduced realized gain on risk management contracts offsetting the positive impact that stronger crude oil and condensate pricing had on ARC's operating netback.

ARC's first quarter 2019 royalties decreased nine per cent from the fourth quarter of 2018, and decreased 38 per cent from the first quarter of 2018. Lower royalties reflect the sliding scale effect that commodity prices have on royalty rates, as well as the increase in ARC's natural gas production, which is subject to lower relative royalty rates compared to crude oil and liquids. Royalties for the three months ended March 31, 2019 were \$19.0 million.

ARC's operating expense for the first quarter of 2019 increased four per cent from the fourth quarter of 2018 and was largely driven by higher electrical expenses and increased labour expenses related to ARC's share-based compensation plans. ARC's first quarter 2019 operating expense decreased 17 per cent relative to the first quarter of 2018 and is the combination of bringing on new Montney production with lower relative costs to operate and disposing of non-core assets with higher relative costs to operate throughout 2018. Operating expense for the three months ended March 31, 2019 was \$65.6 million.

ARC expects that its operating expense per boe in the second quarter of 2019 will be higher than the first quarter by approximately 10 per cent due to third-party pipeline maintenance, significant turnarounds, and anticipated spring break-up impacts to production and field operations. ARC's full-year 2019 operating expense is expected to be within the guidance range of \$5.30 to \$5.70 per boe.

ARC's transportation expense for the first quarter of 2019 increased 11 per cent relative to the fourth quarter of 2018 and increased 13 per cent relative to the first quarter of 2018. The increase in transportation expense is primarily due to additional transportation agreements which have been assigned temporarily to a third party as part of ARC's physical marketing diversification efforts, and is directly offset by an increase to revenue. There is no impact to ARC's operating netback or funds from operations as a result of these agreements. Transportation expense for the three months ended March 31, 2019 was \$37.0 million.

OPERATIONAL REVIEW

ARC's position in the Montney resource play is made up of approximately 1,100 net sections of land (approximately 714,000 net acres), with production from these assets representing greater than 90 per cent of total corporate production. ARC's history of disciplined execution in the Montney has positioned the Company to deliver excellent capital and operating efficiencies and generate strong rates of return on its projects. Owned-and-operated infrastructure affords ARC greater control over costs and the production mix of its liquids recovery, strong safety and environmental performance, and the ability to manage a flexible pace of development. ARC looks to optimize well designs and maximize well value, pursue technological advancements, and work with service providers to preserve its competitively low cost structure. ARC is a leader in sustainability practices and is committed to reducing its greenhouse gas emissions intensity and freshwater usage through responsible development activities. ARC actively monitors market conditions and executes a strategy that proactively secures takeaway capacity for future development projects, mitigates the impact of third-party infrastructure outages, and diversifies ARC's sales portfolio to ensure that production gets to market at optimal pricing.

Capital Expenditures

ARC's first quarter 2019 capital expenditures, before land and net property acquisitions and dispositions, totaled \$213.7 million. Capital investment was focused on ARC's Montney assets, with 21 wells drilled (12 oil wells and nine liquids-rich wells) and 28 wells completed, and the advancement of several infrastructure projects including, the Dawson Phase I and II liquids-handling facility upgrade, the Dawson Phase IV facility, the Ante Creek 10-36 facility expansion project, and initial investments for the first phase of development at Attachie West. ARC's 2019 capital program of \$775 million is focused on drilling to maintain production at existing infrastructure at or near capacity while investing in building out future processing capacity.

The following table outlines the number of wells drilled and completed in each of ARC's core operating areas.

Area	Three Months Ended March 31, 2019	
	Wells Drilled	Wells Completed
Dawson	7	5
Parkland/Tower 8		7
Sunrise	—	9
Ante Creek	6	7
Total	21	28

Production

Average daily production of 139,054 boe per day in the first quarter of 2019 was comprised of 26,461 barrels per day of light oil and condensate, 7,183 barrels per day of NGLs, and 633 MMcf per day of natural gas. ARC's first quarter 2019 average daily production was two per cent higher than the fourth quarter of 2018, with increased natural gas production at the Sunrise Phase II facility partially offset by lower production in Alberta due to cold weather.

Average daily production in the first quarter of 2019 increased six per cent relative to the first quarter of 2018 and was predominantly the result of ARC's continued focus on the liquids-rich lower Montney at Dawson, and new natural gas production at the Sunrise Phase II facility. Partially offsetting these increases to production was the disposal of approximately 4,700 boe per day of non-core production throughout 2018.

ARC expects that production during the second quarter of 2019 will be lower than the first quarter by

approximately five per cent due to third-party pipeline maintenance, significant turnarounds, and anticipated spring break-up impacts to production and field operations. ARC expects that production will ramp up through the second half of 2019 as final transportation arrangements come into effect at Sunrise and initial production from a multi-well pad currently being drilled at the liquids-rich Attachie West area is brought on-stream in the fourth quarter of 2019.

Full-year 2019 average daily production is expected to be within the guidance range of 135,000 to 142,000 boe per day.

Attachie

ARC's Attachie property is a highly prospective Montney condensate and liquids-rich natural gas play located in northeast British Columbia where ARC has a land position of 308 net sections (approximately 202,000 net acres).

With its condensate-rich production profile, significantly over-pressured reservoir, a large contiguous land position, and proven multi-layer development potential, Attachie West is a leading development opportunity within ARC's portfolio. Production at Attachie West averaged 3,300 boe per day in the first quarter of 2019, comprised of 1,800 barrels per day of condensate and 9 MMcf per day of natural gas. ARC expects current production levels to continue to decrease moderately through the second and third quarters of 2019 as existing wells on production naturally decline and are shut-in for offset frac operations. Production is expected to increase in the fourth quarter of 2019 when initial production from the multi-well pad that is currently being drilled is brought on-stream. The liquids processing capacity at Attachie West's battery is 3,500 barrels per day.

ARC invested \$16 million at Attachie West during the first quarter of 2019, primarily directed at initial drilling and lease construction costs for a 10-well pad. The multi-well pad is focused on well design optimization to maximize well productivity and improve capital efficiencies, and will provide data to finalize the technical design for commercial development at Attachie West. There are currently two active rigs on site and completion activities are scheduled for the second half of the year, with initial production expected in the fourth quarter of 2019.

In the first quarter of 2019, ARC obtained regulatory approval for the construction of its Attachie West Phase I facility, along with the approval for multiple future phases of expansion. Attachie West Phase I is being designed to process 60 MMcf per day of natural gas, 10,000 barrels per day of condensate, and 4,000 barrels per day of NGLs. The facility is expected to be brought on-stream in 2021, and initial egress and long-term takeaway capacity for production has been secured on TransCanada Corporation's North Montney Mainline. As part of the first phase of development at Attachie West, ARC invested in the construction of a major access road for the area during the first quarter of 2019. The ARC owned-and-operated access road extends over 20 kilometres and will help reduce the area's operating expense and improve capital efficiencies.

Dawson

ARC's flagship Dawson property is a low-cost Montney natural gas and liquids-rich 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 prevailing natural gas prices, and is further enhanced by the growing liquids-rich production being developed in the lower Montney horizon. Dawson production averaged 47,400 boe per day in the first quarter of 2019, comprised of 257 MMcf per day of natural gas, 2,800 barrels per day of condensate, and 1,800 barrels per day of NGLs.

ARC invested \$64 million during the first quarter of 2019 to drill seven wells and complete five wells, and to advance work on two key infrastructure projects in the area. The Dawson Phase I & II liquids-handling upgrade is being developed to support ARC's broad shift to liquids-rich lower Montney development. All major equipment required for the upgrade was delivered to the Phase I & II site during the first quarter of 2019, and a 10-day outage is planned at the facility during the third quarter of 2019 to allow for the completion of the upgrade. The project is expected to be operational by year-end 2019. At Dawson Phase IV, shop fabrication of major equipment commenced in the first quarter of 2019, and the power-generation turbines required for the facility have been installed at the site. Dawson Phase IV remains on schedule to be

brought on-stream in the second quarter of 2020.

Parkland/Tower

ARC's Parkland/Tower property, a light oil and liquids-rich natural gas Montney play in northeast British Columbia, consists of 57 net sections at Tower (approximately 37,000 net acres), which produce predominantly light 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. With contiguous lands, these areas share ARC owned-and-operated infrastructure and processing capacity. Production at Parkland/Tower averaged 30,300 boe per day in the first quarter of 2019, comprised of 7,400 barrels per day of light oil and condensate, 3,500 barrels per day of NGLs, and 116 MMcf per day of natural gas. Of the 30,300 boe per day produced, 3,500 boe per day (approximately 40 per cent condensate and NGLs) was directed to the Dawson Phase III facility for processing and sales via the Parkland-Dawson interconnect pipeline. ARC will continue to focus investment on the high condensate-to-gas ratios these liquids-rich Parkland wells produce.

Capital investment at Parkland/Tower in 2019 is focused on driving strong cash flow generation. ARC invested \$78 million during the first quarter of 2019 to drill six wells and complete seven wells at Tower, and to drill two lower Montney wells at Parkland.

Sunrise

ARC has a land position of 32 net sections at Sunrise (approximately 21,000 net acres), a highly prolific dry natural gas Montney play in northeast British Columbia. Production at Sunrise Phase II continued to grow during the first quarter of 2019, with production for the Sunrise area averaging 183 MMcf per day of natural gas, and representing a 20 per cent increase from the fourth quarter of 2018.

ARC invested \$14 million at Sunrise during the first quarter of 2019 to complete nine natural gas wells that were drilled in the third quarter of 2018. ARC plans to tie these wells in to Sunrise Phase II in the second quarter of 2019.

The Sunrise Phase II facility was designed for 180 MMcf per day of gas processing and sales capacity, and brings ARC's total owned-and-operated processing and sales capacity for the entire Sunrise area to 240 MMcf per day of natural gas. Production is planned to be processed through Sunrise Phase II according to the following, approximate timeline:

- 60 MMcf per day of processing and sales capacity is currently in use.
- By June 2019, 60 MMcf per day of existing natural gas production that is currently being processed through a third party facility is expected to be redirected to ARC's operated Sunrise Phase II facility. With complete control of ARC's Sunrise production volumes, the Company expects its operating expense to be significantly reduced with the elimination of processing fees.
- In June 2019, an additional 60 MMcf per day of incremental processing capacity will be available once final transportation arrangements have come into effect. The exact timing and pace at which the production is brought on-stream will be commodity price-dependent.

Ante Creek

ARC has a land position of 325 net sections at Ante Creek (approximately 208,000 net acres), a Montney light oil play in northern Alberta that generates strong cash flows and profitable returns, and has significant future development potential. Cold weather impacted operations at Ante Creek in the first quarter of 2019, with production decreasing nine per cent from the fourth quarter of 2018 to average 14,800 boe per day (approximately 50 per cent light oil and liquids).

Capital investment of \$32 million during first quarter of 2019 included drilling six oil wells, completing seven wells, and advancing fabrication of major equipment for the Ante Creek 10-36 facility expansion project. The facility expansion is expected to be on-stream in the second quarter of 2020.

Pembina

ARC's Cardium assets in Pembina deliver high-quality, light oil production, and generate an attractive operating netback and cash flows with major infrastructure already in place. ARC has a land position of 217 net Cardium sections in Pembina (approximately 139,000 net acres), where first quarter 2019 production averaged 10,600 boe per day, of which over 80 per cent was light oil and liquids production. Approximately \$3 million of capital was invested during the first quarter of 2019. ARC's current focus at Pembina is to manage cash flow generation from the asset base with modest drilling programs being conducted to manage production declines.

OUTLOOK

ARC's 2019 capital program of \$775 million focuses on liquids growth to deliver a meaningful cash flow per share increase over the long term, while maintaining ARC's strong financial position and dividend. The 2019 budget includes investment in multi-year infrastructure development projects that will add facility capacity at Attachie West and Dawson in northeast British Columbia, and Ante Creek in northern Alberta. The majority of the production associated with these infrastructure projects is expected to be added in 2020 and 2021. Annual average production is expected to be in the range of 135,000 to 142,000 boe per day in 2019. Additional details on ARC's 2019 capital program and 2019 guidance can be found in the November 8, 2018 news release entitled, "[ARC Resources Ltd. Announces \\$775 Million Capital Program for 2019 That Will Advance Multi-year Infrastructure Development Projects at Attachie West, Dawson, and Ante Creek](#)" available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.

As continued commodity price volatility is expected, ARC will continue to take steps to mitigate this risk, including managing its pace of development, focusing on capital and operating efficiencies, executing financial and physical marketing diversification programs, 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 and will adjust investment levels and the pace of development, if required, to ensure balance sheet strength is protected.

ARC's capital budgets exclude land purchases and property acquisitions and dispositions. ARC will continue to pursue opportunities to consolidate its land position and grow its presence in key operating areas through land purchases and property acquisitions, and evaluates 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 2019 guidance estimates and a review of 2019 year-to-date actual results are outlined in the following table.

	2019 Guidance	2019 YTD Actuals	% Variance from Guidance
Production			
Crude oil (bbl/day)	18,000 - 22,000	18,251	—
Condensate (bbl/day)	7,500 - 8,500	8,210	—
Crude oil and condensate (bbl/day)	25,500 - 30,500	26,461	—
Natural gas (MMcf/day)	620 - 630	632.5	—
NGLs (bbl/day)	6,000 - 6,500	7,183	11
Total (boe/day)	135,000 - 142,000	139,054	—
Expenses (\$/boe)			
Operating	5.30 - 5.70	5.24	(1)
Transportation	2.60 - 2.90	2.96	2
G&A expense before share-based compensation plans	1.10 - 1.30	1.24	—
G&A - share-based compensation plans ⁽¹⁾	0.35 - 0.50	0.62	24
Interest and financing ⁽²⁾	0.70 - 0.90	0.85	—
Current income tax (per cent of funds from operations) ⁽³⁾	2 - 7	3	—
Capital expenditures before land purchases and net property acquisitions (dispositions) (\$ millions)	775	213.7	N/A
Weighted average shares (millions)	353	353	—

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

(2) Excludes accretion of asset retirement obligations.

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

ARC's 2019 guidance is based on full-year 2019 estimates; certain variances exist between 2019 year-to-date actual results and 2019 full-year guidance estimates due to the cyclical and seasonal nature of operations. ARC expects full-year 2019 actual results to closely approximate guidance.

- NGLs production is above the guidance range due to strong results from lower Montney development across ARC's asset base.
- Operating expense is below the guidance range, however is expected to trend towards guidance as the year progresses due to third-party pipeline maintenance, significant turnarounds, and anticipated spring break-up impacts to production operations expected in the second quarter of 2019. Additional maintenance activities are also planned for the third quarter of 2019.
- Transportation expense is above the guidance range due to additional transportation agreements which have been entered into temporarily to a third party as part of ARC's physical marketing diversification efforts, and is directly offset by an increase in revenue. There is no impact to ARC's operating netback or funds from operations as a result of these agreements. ARC expects that transportation expense will increase slightly in the second half of the year as new transportation arrangements for Sunrise Phase II and Attachie West come into effect.

- G&A expense is above the guidance range due to an increase in the fair value of ARC's share-based compensation as a result of the appreciation of ARC's common share price during the first quarter of 2019.

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: as to ARC's views on future commodity prices and planned natural gas diversification activities under the heading "Commodity Price Environment"; as to the execution of its business plan, and guidance as to the capital expenditure plans of ARC in 2019 and beyond and its production expectations, and net debt to annualized funds from operations ratio for 2019 and beyond, as to plans to internally fund growth capital with funds from operations generated from ARC's existing businesses and proceeds from non-core dispositions, as to expectations that the 2019 budget will generate strong returns, meaningful production, and cash flow per share growth over the long term under the heading "2019 Capital Budget and Near-term Plan"; as to plans to internally fund dividends and sustaining capital with funds from operations generated from ARC's existing businesses, as to plans to fund key development projects from both unallocated funds from operations and proceeds from non-core dispositions, as to reducing debt, pursuing future development opportunities, initiating a share buyback program, increasing its dividend, or a combination of the four, with unallocated funds from operations, as to ARC's ability to satisfy its dividend and sustaining and growth capital once productive capacity at Dawson Phase IV is brought on-line, and as to its risk management and planned natural gas diversification activities for 2019 and beyond under the heading "Financial Review"; as to its production, exploration and development and infrastructure plans, and capital expenditures for 2019 and beyond, and as to the timing and regulatory approvals and as to future operational and capital expenditure plans by area (including planned capital expenditures, timing for completion of infrastructure and processing capacities), and as to planned production processing timelines under the heading "Operational Review"; and all matters in respect of 2019 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 oil and natural gas assets; the cost and competition for services throughout the oil and gas industry in 2019 and beyond; the results of exploration and development activities during 2019; the general continuance of current industry conditions including commodity and forward strip pricing; 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 reserve and resource volumes; certain commodity price and other cost assumptions for 2019 and beyond; the retention of ARC's key properties; ARC's knowledge and past experience with developing major infrastructure projects will be applicable to similar projects in the future; 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 underlying the 2019 capital budget and corporate outlook from 2019 to 2021 are subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. ARC's financial outlook for 2019 and beyond provides shareholders with relevant information on Management's expectations for results of operations,

excluding any potential acquisitions or dispositions, for 2019 and beyond. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted and ARC's 2019 guidance may not be appropriate for other purposes. The forward-looking information and statements contained in this news release speak only as of the date of this news release, and ARC assumes no obligation to publicly update or revise such information or statements 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 of approximately \$3.8 billion. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

[ARC Resources Ltd.](#)

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