

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

01.08.2019 | [CNW](#)

CALGARY, July 31, 2019 - (ARX - TSX) [ARC Resources Ltd.](#) ("ARC" or the "Company") is pleased to report its second 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 and six months ended July 31, 2019 are available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.

ARC achieved strong financial and operational results in the second quarter of 2019, delivering average daily production of 134,938 barrels of oil equivalent ("boe") per day and generating net income of \$94.4 million (\$0.27 per share) and funds from operations ⁽¹⁾ of \$193.0 million (\$0.54 per share). ARC's lower Montney development activities continue to grow the Company's high-value condensate production, driving a six per cent increase in crude oil and liquids production in the second quarter relative to the first quarter of 2019 to total 35,543 barrels per day. As expected, the impacts of planned maintenance and third-party pipeline maintenance and outages in the second quarter of 2019 resulted in natural gas production decreasing 10 per cent relative to the first quarter of 2019 to total 596 MMcf per day.

During the period, ARC adjusted its planned 2019 capital expenditure program from \$775 million to \$700 million. The adjusted capital expenditure program is consistent with ARC's principles to maintain a strong balance sheet, deliver a sustainable return to shareholders, and demonstrate capital discipline amidst a volatile commodity price backdrop. The 2019 capital program advances construction of the Dawson Phase IV gas processing and liquids-handling facility, the Company's next major development project, which is anticipated to be brought on-stream in the second quarter of 2020. ARC plans to maintain production through existing facility infrastructure at or near capacity in 2019, with annual average production expected to be in the range of 136,000 to 142,000 boe per day.

ARC recently announced a reduction to its planned 2019 capital program from \$775 million to \$700 million and its planned 2020 capital program to a range of \$550 million to \$625 million. The Dawson Phase IV project will be completed by mid-year 2020. The new project will provide additional funds from operations to further strengthen ARC's long-term business. With this investment completed, excess funds from operations after dividends and sustaining capital ⁽²⁾ will be used to consider options such as share repurchases and future development opportunities.

(1) Refer to Note 12 "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) Sustaining capital refers to estimated capital expenditures to maintain production from existing facilities at approximately 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 second quarter of 2019 include:

Production	Delivered average daily production of 134,938 boe per day, which included oil and liquids production from the first quarter of 2019 due to strong oil production and condensate production from the lower Montney. Natural gas production decreased from the first quarter of 2019 due to planned maintenance activities at Dawson and unplanned outages at Sunrise.
Funds from Operations ⁽¹⁾	Funds from operations totaled \$193.0 million (\$0.54 per share), an increase from the first quarter of 2019. Increased current tax recoveries and lower general and administrative expense due to a reduction in the valuation in ARC's share-based compensation expense were partially offset by lower commodity prices and lower-than-expected operating expense were partially offset by lower commodity prices due to depressed natural gas prices.
Capital Program	Advanced Dawson Phase IV, ARC's next major phase of development, which is expected to be on-stream in the second quarter of 2020. Drilled 23 wells and completed six lower Montney development across ARC's asset base. ARC adjusted its planned 2020 capital program to a range of between \$700 million and its planned 2020 capital program to a range of between \$500 million and \$700 million.
Operational Excellence	Performed the first major turnaround at ARC's Dawson Phase III facility, ahead of schedule, on budget, and successfully redirected 60 MMcf per day of natural gas from a third-party owned-and-operated Sunrise Phase II facility, thereby eliminating third-party natural gas purchases. ARC's second quarter 2019 operating expense was \$5.05 per boe and 2019 operating expense was in a range of \$5.00 to \$5.35 per boe.
Sustainability Performance	Delivered exceptional environmental performance, reducing corporate greenhouse gas emissions intensity levels by 17 per cent and reducing freshwater usage by 25 per cent relative to the first quarter of 2019, respectively.
Crude Oil and Condensate Pricing	Continued to benefit from improved crude oil and condensate fundamentals, with prices for commodities increasing 10 per cent relative to the first quarter of 2019.
Natural Gas Sales Diversification Strategy	Realized the benefits of ARC's physical and financial diversification program by reducing exposure to ARC's commodity sales from single price hub exposure. ARC realized \$0.67 per boe from natural gas risk management activities and recorded a realized gain on natural gas risk management contracts of \$0.67 per boe in the second quarter of 2019.
Balance Sheet	Maintained capital discipline to maximize financial flexibility, resulting in a strong balance sheet with a debt balance (1) of \$200.2 million and a net debt to annualized funds from operations ratio of 0.4x as of June 30, 2019.
Returns to Shareholders	Committed to its monthly dividend, ARC distributed \$53.1 million (\$0.15 per share) in the second quarter of 2019, and continued investing in ARC's profitable businesses.

(1) Refer to Note 12 "Capital Management" in ARC's financial statements and the section entitled "Funds from Operations" and "Capitalization, Financial Resources and Liquidity" contained within ARC's MD&A.

FINANCIAL AND OPERATIONAL RESULTS

	Three Months Ended			Six Months Ended	
(Cdn\$ millions, except per share amounts, boe amounts, and common shares outstanding)	2019	2019	2018	2019	2018
	March 31,	June 30,	June 30,	June 30,	June 30,
FINANCIAL RESULTS					
Net income (loss)	(54.6)	94.4	(45.9)	39.8	9.0
Per share ⁽¹⁾	(0.15)	0.27	(0.13)	0.11	0.03
Funds from operations ⁽²⁾	186.2	193.0	204.4	379.2	405.4
Per share ⁽¹⁾	0.53	0.54	0.58	1.07	1.15
Dividends	53.1	53.1	53.1	106.2	106.2
Per share ⁽¹⁾	0.15	0.15	0.15	0.30	0.30
Capital expenditures, before land and net property acquisitions (dispositions)	213.7	174.2	164.8	387.9	378.5
Total capital expenditures, including land and net property acquisitions (dispositions)	213.7	173.3	164.1	387.0	280.4
Net debt outstanding ⁽²⁾	796.3	829.2	757.0	829.2	757.0
Common shares outstanding, weighted average diluted (millions)	353.4	353.9	353.5	353.9	353.8
Common shares outstanding, end of period (millions)	353.4	353.4	353.5	353.4	353.5
OPERATIONAL RESULTS					
Production					
Crude oil (bbl/day) ⁽³⁾	18,251	18,272	24,893	18,261	24,965
Condensate (bbl/day)	8,210	10,230	6,960	9,226	6,236
Crude oil and condensate (bbl/day)	26,461	28,502	31,853	27,487	31,201
Natural gas (MMcf/day)	632.5	596.4	537.9	614.2	551.3
Natural gas liquids ("NGLs") (bbl/day)	7,183	7,041	6,380	7,111	6,356
Total (boe/day) ⁽⁴⁾	139,054	134,938	127,879	136,985	129,439
Average realized prices, prior to gain or loss on risk management contracts					
Crude oil (\$/bbl)	63.72	70.26	78.57	67.01	74.05
Condensate (\$/bbl)	64.81	71.38	85.10	68.47	81.73

Natural gas (\$/Mcf)	2.79	1.74	1.91	2.28	2.21
NGLs (\$/bbl)	25.43	7.71	32.98	16.61	32.20
Oil equivalent (\$/boe) ⁽⁴⁾	26.20	23.04	29.59	24.63	29.22
Netback (\$/boe) ⁽⁴⁾⁽⁵⁾					
Commodity sales from production	26.20	23.04	29.59	24.63	29.22
Royalties	(1.52)	(1.28)	(2.55)	(1.40)	(2.50)
Operating expense	(5.24)	(5.05)	(6.50)	(5.15)	(6.40)
Transportation expense	(2.96)	(3.00)	(2.61)	(2.97)	(2.61)
Netback	16.48	13.71	17.93	15.11	17.71
Realized gain on risk management contracts	1.62	1.97	2.55	1.79	2.49
Netback including gain on risk management contracts	18.10	15.68	20.48	16.90	20.20

TRADING STATISTICS ⁽⁶⁾

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

Low price
⁽²⁾ Refer to Note 12 "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
⁽³⁾ Approximately 3,700 barrels per day of non-core crude oil production was divested in 2018.

Average daily volume (thousands of shares) 2,291 2,255 1,150 2,273 1,276

⁽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 financial and operational reviews provide further details to the above takeaways. For additional commentary on ARC's financial and operational results for the second quarter of 2019, please view the following videos: "Myron's Minute", "ARC Resources Q2 2019 Financial Review", and "ARC Resources Q2 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 to protect its strong

financial position.

Crude Oil and Condensate

Average global crude oil prices increased in the second quarter of 2019, with supply levels impacted by OPEC members' compliance with output cuts and US-imposed sanctions on Iran and Venezuela, and demand levels impacted by the ongoing trade dispute between China and the US. Locally, Canadian crude oil differentials remained relatively narrow throughout the period, with the Alberta government continuing to limit local producers' crude oil output. While ARC's physical oil production has not been impacted by the mandated production curtailment, its corporate crude oil and condensate realizations have benefited from the tighter differentials. 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

US production neared record highs and western Canadian production was adversely impacted by third-party pipeline maintenance activities in the second quarter of 2019, causing relative weakness across all major North American natural gas benchmark prices. 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 24 per cent of corporate natural gas volumes are exposed to AECO and Station 2 prices. The remaining 28 per cent is financially hedged. As a result of this diversification strategy, ARC seeks to capture higher margins for its natural gas production than if it were solely exposed to local markets.

FINANCIAL REVIEW

Balance Sheet and Capital Allocation

ARC is disciplined in maintaining financial flexibility through its strong balance sheet, with \$829.2 million of net debt ⁽¹⁾ outstanding at June 30, 2019, and a net debt to annualized funds from operations ratio of 1.1 times. Including its working capital surplus, ARC had an additional \$1.3 billion of cash and credit capacity available at the end of the second quarter of 2019. ARC's credit facility was undrawn at June 30, 2019.

In 2019, ARC expects to generate funds from operations ⁽¹⁾ in excess of its 2019 dividend obligations of approximately \$210 million and its sustaining capital ⁽²⁾ requirements of approximately \$400 million. 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 at Dawson and Ante Creek.

(1) Refer to Note 12 "Capital Management" in ARC's financial statements and to the section entitled, "Capitalization, Financial Resources and Liquidity" contained within ARC's MD&A.

(2) Sustaining capital refers to estimated capital expenditures to maintain production from existing facilities at approximately 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 net income of \$94.4 million (\$0.27 per share) in the second quarter of 2019 compared to net loss of \$54.6 million (\$0.15 per share) in the first quarter of 2019. The quarter-over-quarter increase in earnings is primarily attributed to a reduction in the unrealized loss recorded on the mark-to-market of ARC's risk management contracts, an increase in total income tax recoveries related to the benefit realized on the Accelerated Investment Incentive deductions and reduced provincial tax rates becoming substantively

enacted in the period, and lower G&A expense, reflecting the decrease in the fair value of ARC's share-based compensation plans due to the depreciation in ARC's common share price during the second quarter of 2019. The impact of these items was partially offset by a decrease in commodity sales from production.

ARC recognized net income of \$39.8 million (\$0.11 per share) in the first half of 2019 compared to net income of \$9.0 million (\$0.03 per share) in the first half of 2018. The increase in earnings is primarily attributed to an increase in income tax recoveries and an increase in unrealized gain on foreign exchange resulting from the revaluation of ARC's US dollar-denominated debt. Partially offsetting these items was no recorded gain from the disposal of non-core assets in the first half of 2019 compared to a gain recorded in the first half of 2018, and lower commodity sales from production.

Funds from Operations

ARC recorded funds from operations of \$193.0 million (\$0.54 per share) in the second quarter of 2019, representing an increase of \$6.8 million (\$0.01 per share) relative to first quarter 2019 funds from operations of \$186.2 million (\$0.53 per share). The quarter-over-quarter increase was made up of several offsetting items, with increased cash tax recoveries (\$0.07 per share), improved commodity sales revenue from crude oil and liquids (\$0.06 per share), and lower G&A expense (\$0.03 per share), all increasing funds from operations. Lower commodity sales revenue caused by lower natural gas prices (\$0.18 per share) reduced funds from operations in the second quarter of 2019 relative to the first quarter of 2019.

ARC recorded funds from operations of \$379.2 million (\$1.07 per share) in the first half of 2019, a decrease of \$26.2 million (\$0.08 per share) relative to first half 2018 funds from operations of \$405.4 million (\$1.15 per share). Lower commodity sales from crude oil and liquids due to both a decrease in volumes and pricing, a 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 current tax expense, royalties and operating expense.

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

Funds from Operations Reconciliation ⁽¹⁾	Q1 2019 to Q2 2019 YTD 2018 to YTD 2019			
	\$ millions \$/share ⁽²⁾		\$ millions \$/share ⁽²⁾	
Funds from operations for the three months ended March 31, 2019	186.2	0.53		
Funds from operations for the six months ended June 30, 2018			405.4	1.15
Volume variance				
Crude oil and liquids	13.6	0.04	(41.2)	(0.11)
Natural gas	(7.1)	(0.02)	25.0	0.07
Price variance				
Crude oil and liquids	5.6	0.02	(65.5)	(0.19)
Natural gas	(57.0)	(0.18)	7.8	0.02
Sales of commodities purchased from third parties	2.5	0.01	(14.7)	(0.04)
Interest income	(0.9)	—	0.8	—
Other income	0.7	—	1.0	—
Realized gain on risk management contracts	3.9	0.01	(13.8)	(0.04)
Royalties	3.3	0.01	23.9	0.07
Expenses				
Commodities purchased from third parties	(0.6)	—	15.1	0.04
Operating	3.6	0.01	22.4	0.06
Transportation	0.2	—	(12.6)	(0.04)
G&A	11.9	0.03	2.5	0.01
Interest and financing ⁽³⁾	0.5	—	0.2	—
Current tax	23.0	0.07	31.0	0.09
Realized gain (loss) on foreign exchange	3.6	0.01	(8.1)	(0.02)
Funds from operations for the three months ended June 30, 2019	193.0	0.54		
Funds from operations for the six months ended June 30, 2019			379.2	1.07

(1) Refer to Note 12 "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

Driven by the quarter-over-quarter increase in benchmark crude oil and condensate prices, ARC's crude oil

and liquids production comprised 67 per cent of total commodity sales revenue in the second quarter of 2019. The majority of ARC's liquids production is made up of conventional light oil and condensate, which realized average pricing of \$70.26 per barrel and \$71.38 per barrel, respectively. For the first half of 2019, ARC's crude oil and condensate production comprised 58 per cent of total commodity sales revenue, and realized average pricing of \$67.01 per barrel and \$68.47 per barrel, respectively.

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 price 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 for the three and six months ended June 30, 2019.

Realized Natural Gas Price Including Realized Gain on Risk Three Months Ended Six Months Ended

Management Contracts (\$/Mcf)	June 30, 2019	June 30, 2019
Average price before diversification activities	1.07	1.66
Diversification activities	0.67	0.62
Realized gain on risk management contracts ⁽¹⁾	0.63	0.50
Realized natural gas price including realized gain on risk management contracts	2.37	2.78

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

The total realized gain on risk management contracts for the three and six months ended June 30, 2019 was \$24.2 million and \$44.5 million, respectively, and the fair value of ARC's risk management contracts at June 30, 2019 was \$104.5 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 June 30, 2019, refer to Note 13 "Financial Instruments and Market Risk Management" in ARC's financial statements.

Netback

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

	Three Months Ended			Six Months Ended		
	June 30, 2019	March 31, 2019	% Change	June 30, 2019	June 30, 2018	% Change
Netback ⁽¹⁾						
(\$/boe)	2019	2019		2019	2018	
Commodity sales from production	23.04	26.20	(12)	24.63	29.22	(16)
Royalties	(1.28)	(1.52)	(16)	(1.40)	(2.50)	(44)
Operating expense	(5.05)	(5.24)	(4)	(5.15)	(6.40)	(20)
Transportation expense	(3.00)	(2.96)	1	(2.97)	(2.61)	14
Netback	13.71	16.48	(17)	15.11	17.71	(15)
Realized gain on risk management contracts	1.97	1.62	22	1.79	2.49	(28)
Netback including gain on risk management contracts	15.68	18.10	(13)	16.90	20.20	(16)

(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 netback and ARC's netback including gain on risk management contracts decreased 17 per cent and 13 per cent, respectively, in the second quarter of 2019 relative to the first quarter of 2019. The decrease in ARC's netback is primarily due to the weakening of natural gas prices in the period.

ARC's netback and ARC's netback including gain on risk management contracts decreased 15 per cent and 16 per cent, respectively, in the first half of 2019 relative to the first half of 2018. The decrease in ARC's netback is due to lower crude oil and liquids pricing, and is partially offset by a year-over-year decrease in ARC's royalties and operating expense.

ARC's royalties for the second quarter of 2019 decreased 16 per cent from the first quarter of 2019 and reflect the sliding scale effect that lower natural gas prices had on royalty rates. ARC's royalties for the first half of 2019 decreased 44 per cent from the first half of 2018 and reflect the sliding scale effect that lower crude oil and liquids prices had on royalty rates. The year-over-year decrease also reflects the increase in ARC's natural gas production, which is generally subject to lower relative royalty rates compared to crude oil and liquids production. ARC's royalties for the three and six months ended were \$15.7 million and \$34.7 million, respectively.

ARC's operating expense for the second quarter of 2019 decreased four per cent from the first quarter of 2019. Lower-than-expected costs incurred to conduct the first major turnaround at the Dawson Phase III facility, the successful repatriation of 60 MMcf per day of natural gas production at Sunrise, and the deferral of planned maintenance and workover activities due to wet weather conditions were the primary contributors to the quarter-over-quarter decrease in ARC's operating expense. ARC's operating expense for the first half of 2019 decreased 20 per cent from the first half 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. ARC's operating expense for the three and six months ended June 30, 2019 was \$62.0 million and \$127.6 million, respectively.

ARC's transportation expense for the second quarter of 2019 was relatively unchanged from the first quarter of 2019, whereas ARC's transportation expense for the first half of 2019 increased 14 per cent relative to the first half of 2018. The year-over-year increase in transportation expense primarily reflects higher trucking

charges and pipeline tariffs related to increased condensate and natural gas volumes associated with new production in northeast British Columbia. Additionally, tariffs for transportation agreements, which have been temporarily assigned to a third party as part of ARC's physical marketing diversification efforts, increased transportation expense, however these costs are directly offset by increases to commodity sales from production. There is no impact to ARC's netback or funds from operations as a result of these agreements. ARC's transportation expense for the three and six months ended June 30, 2019 was \$36.8 million and \$73.8 million, respectively.

OPERATIONAL REVIEW

ARC's position in the Montney resource play is made up of approximately 1,100 net sections of land (approximately 707,000 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 degree 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 GHG 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 invested \$174.2 million, before land and net property acquisitions and dispositions, to drill 23 liquids-rich wells and complete six wells, and invest in infrastructure in the second quarter of 2019. ARC's first half 2019 capital investment of \$387.9 million, before land and net property acquisitions and dispositions, was directed at drilling 44 wells (32 liquids-rich wells and 12 oil wells) and completing 34 wells. ARC continues to invest in the advancement of ARC's next major phase of development at Dawson Phase IV, as well as the Dawson Phase I & II and Ante Creek 10-36 facility upgrades.

With its 2019 capital program of \$700 million, ARC continues to focus on capital discipline, and will maintain production through existing facility 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 for the first half of 2019.

Area	Six Months Ended June 30, 2019	
	Wells Drilled	Wells Completed
Dawson	20	5
Parkland/Tower 8		13
Sunrise	—	9
Attachie West	10	—
Ante Creek	6	7
Total	44	34

Sustainability Performance

Responsible development practices have been engrained in ARC's long-term strategy of risk-managed value creation since inception. Strong environmental and health and safety performance underpins ARC's sustainable future growth.

ARC continues to differentiate itself as a leader in producing some of the lowest GHG emissions per unit of boe production within the Canadian energy industry. Since 2017, ARC has invested in facility and multi-well pad electrification projects at its Dawson, Parkland, and Sunrise fields. As a result of these investments, ARC's GHG emissions intensity was reduced by 17 per cent relative to 2017, to 0.019 tonnes of CO₂ equivalent per boe in 2018. During this same time frame, absolute GHG emissions were reduced by 11 per cent despite production increasing by eight per cent. ARC is on track to achieve its 25 per cent GHG emissions intensity reduction target by the end of 2021, relative to its 2017 baseline levels.

ARC is committed to responsible water management. In the second quarter of 2019, ARC completed its three-year plan to invest \$55 million on water-related projects, which were executed with the overall objective of improving capital efficiencies, reducing operational risks, and increasing the recycling of produced water for the Company's hydraulic fracturing operations. As part of this plan, ARC successfully constructed and added a combined 700,000 cubic metres of water storage capacity in the Ante Creek, Dawson, Parkland, and Sunrise fields. ARC also completed construction of an ARC owned-and-operated produced water recycling facility in Parkland, allowing for the reuse of nearly all of the produced water from the field. ARC expects robust economic returns on this investment and anticipates that it will reduce water access costs and risks as ARC continues to develop its core operating areas. As a result of these investments, ARC's freshwater usage was reduced by 25 per cent from 2017 to 2018, with now approximately 20 per cent of the Company's water requirements coming from non-produced sources.

Strong safety and spill management performance also continue to be critical components of ARC's strong sustainability performance. In 2018, ARC recorded zero lost-time incidents for its employees and contractors, and reduced the Company's total spill volumes by 65 per cent from 2017 to 2018.

For additional information on ARC's 2018 environmental, social, and governance performance, please refer to the sustainability performance tables available on ARC's website at www.arcresources.com/responsibility.

Production

ARC's average daily production in the second quarter of 2019 was 134,938 boe per day, comprised of 28,502 barrels per day of light oil and condensate, 7,041 barrels per day of NGLs, and 596 MMcf per day of natural gas. As expected, production was three per cent lower than the first quarter of 2019, with planned maintenance activities and third-party pipeline outages causing decreases in natural gas production at Dawson and Sunrise. Crude oil and liquids production was higher than the first quarter of 2019 due to increased light oil production at Ante Creek and increased condensate production at Parkland/Tower.

Average daily production of 136,985 boe per day in the first half of 2019 was made up of 27,487 barrels per day of light oil and condensate, 7,111 barrels per day of NGLs, and 614 MMcf per day of natural gas. Average daily production increased six per cent relative to the first half of 2018 and was predominantly the result of ARC's continued focus on the liquids-rich lower Montney horizon at Dawson and Parkland, and increased 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 anticipates that production will ramp up through the second half of 2019 with final transportation arrangements expected to come into effect at Sunrise in the second half of 2019, and with initial production from the first four wells of a new multi-well pad at the liquids-rich Attachie West area planned to be brought on-stream in the fourth quarter of 2019. Full-year 2019 average daily production is expected to be within the guidance range of 136,000 to 142,000 boe per day.

Dawson

ARC's flagship Dawson property in northeast British Columbia 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 flows at prevailing commodity prices.

ARC conducted its first major turnaround at the Dawson Phase III gas processing and liquids-handling facility in the second quarter of 2019. The turnaround, which was scheduled to coincide with third-party pipeline maintenance, was completed ahead of schedule and under budget. Due to the planned downtime associated with the turnaround, production at Dawson decreased eight per cent relative to the first quarter of 2019 to average 43,500 boe per day. Second quarter 2019 production was comprised of 237 MMcf per day of natural gas, 2,500 barrels per day of condensate, and 1,500 barrels per day of NGLs.

ARC continues to focus its development at Dawson on the higher liquids areas of the field, and invested \$148 million during the first half of 2019 to drill 20 wells, complete five wells, and to advance work on the two key infrastructure projects being developed 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. A 10-day outage is planned at the facility during the third quarter of 2019 to allow for the completion of the upgrade, which is expected to be operational by year-end 2019. At Dawson Phase IV, pile driving activities and shop fabrication of major equipment continued in the second quarter of 2019. The facility remains on schedule to be brought on-stream in the second quarter of 2020.

Parkland/Tower

ARC's Parkland/Tower property is a Montney play in northeast British Columbia that consists of 94 net sections (approximately 61,000 net acres), which produce predominantly light oil and condensate with liquids-rich gas. With contiguous lands, the Parkland and Tower areas share ARC owned-and-operated infrastructure and processing capacity.

Production at Parkland/Tower averaged 32,600 boe per day in the second quarter of 2019, representing an eight per cent increase from the first quarter of 2019 due to new wells being brought on production during the period. Production was comprised of 9,200 barrels per day of light oil and condensate, 3,600 barrels per day of NGLs, and 119 MMcf per day of natural gas. Of the 32,600 boe per day produced in the second quarter of 2019, 5,000 boe per day (approximately 45 per cent condensate and NGLs) was directed to the Dawson Phase III facility for processing and sales via the Parkland-Dawson interconnect pipeline.

Capital investment at Parkland/Tower in 2019 is primarily focused on driving strong cash flow generation. ARC invested \$112 million during the first half of 2019 to drill eight wells and complete 13 wells. New wells at Tower are now being classified as condensate-rich natural gas wells.

Sunrise

ARC has a land position of 32 net sections at Sunrise (approximately 21,000 net acres), a prolific dry natural gas Montney play in northeast British Columbia, where production averaged 165 MMcf per day in the second quarter of 2019. Second quarter production was 10 per cent lower than the first quarter of 2019 due to third-party pipeline restrictions and outages that affected ARC's operations in the period. To protect the area's netback, ARC continues to manage its Sunrise production levels depending on prevailing natural gas prices.

During the second quarter of 2019, ARC successfully redirected 60 MMcf per day of existing natural gas production that had previously been processed through a third-party facility to ARC's operated Sunrise Phase II gas processing facility. With the repatriation of these volumes, ARC expects to realize a significant reduction in the area's operating expense with the elimination of third-party processing fees. An additional 60 MMcf per day of incremental processing capacity at the Sunrise Phase II facility will be available once final transportation arrangements come into effect in the second half of 2019. The timing of the production being brought on-stream will be commodity-price dependent.

ARC invested \$25 million at Sunrise during the first half of 2019 to complete and tie-in nine natural gas wells to the Sunrise Phase II facility.

Attachie

ARC's Attachie property is a 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, large contiguous land position, and proven multi-layer development potential, Attachie West remains an attractive investment opportunity within ARC's portfolio. Production at Attachie West averaged 3,000 boe per day in the second quarter of 2019, comprised of 1,500 barrels per day of condensate and 8 MMcf per day of natural gas.

The work currently being completed at Attachie West is advancing the asset towards commercialization in the most economic manner possible. ARC invested \$47 million at Attachie West during the first half of 2019, which included the drilling of a 10-well pad in the second quarter of 2019 as well as infrastructure investments. The multi-well pad is focused on well design optimization to maximize well productivity and improve capital efficiencies. Completion activities for four of the 10 wells are scheduled to commence in the third quarter of 2019, with initial production expected in the fourth quarter of 2019. The liquids processing capacity at Attachie West's battery is 3,500 barrels per day and natural gas production is currently being processed through third-party infrastructure.

Capital investment in the first half of 2019 was also focused on advancing the planning for the Attachie West Phase I gas processing and liquids-handling facility. This included obtaining regulatory approval for construction of multiple phases of development in the area, as well as approval for the sales line that will tie into the North Montney Mainline. Construction of the ARC owned-and-operated access road, which extends over 20 kilometers and will help reduce the area's operating expense and improve capital efficiencies, is nearing completion.

Ante Creek

ARC has a land position of 314 net sections at Ante Creek (approximately 201,000 net acres), a Montney light oil play in northern Alberta that generates strong cash flows and profitable returns. Second quarter 2019 production increased 10 per cent relative to the first quarter of 2019 to average 16,400 boe per day (approximately 50 per cent light oil and liquids), which was the result of new wells being brought on production during the quarter.

ARC invested \$41 million during the first half of 2019, which was directed at drilling six oil wells, completing seven wells, and advancing the Ante Creek 10-36 facility expansion project. The facility expansion, which will allow ARC to grow its light oil volumes in the area, remains on schedule to be brought on-stream in the second quarter of 2020.

Pembina

ARC's Alberta Cardium assets in Pembina deliver high-quality, light oil production, and generate attractive 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 second quarter 2019 production averaged 10,100 boe per day, of which over 80 per cent was light oil and liquids production. Approximately \$7 million of capital was invested during the first half of 2019, with ARC's current focus at Pembina being to manage production declines and maximize cash flow generation through modest drilling programs.

OUTLOOK

ARC's revised 2019 capital program of \$700 million is focused on capital discipline and 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 Dawson in northeast British Columbia and at Ante Creek in northern Alberta; production associated with these infrastructure projects is expected to be added in 2020. ARC plans to maintain its existing facility infrastructure at or near capacity in 2019, with annual average production expected to be in the range of 136,000 to 142,000 boe per day. Additional details on ARC's 2019 revised capital program can be found in the June 20, 2019 news release entitled, "[ARC Resources Ltd. Updates Its 2019 and 2020 Capital Expenditure Plans](#)". This news release was an update and did not restate all of the budgetary information that did not change from ARC's original 2019 budget. Please refer to 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". Both news releases are available on ARC's website at www.arcreources.com and as filed on SEDAR at www.sedar.com.

ARC will continue to take steps to mitigate expected commodity price volatility, including managing its pace of development, focusing on capital and operating efficiencies, executing financial and physical marketing diversification programs, and to protect 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 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.

The following revisions have been made to ARC's full-year 2019 guidance estimates:

- Total production is expected to be in the range of 136,000 to 142,000 boe per day, with crude oil and condensate expected to be in the range of 26,000 to 30,000 barrels per day and NGLs production expected to be in the range of 7,000 barrels per day. The guidance for natural gas production is unchanged and is expected to be in the range of 1.0 to 1.5 MMcf per day.
- Operating expense has been reduced to a range of \$5.00 to \$5.35 per boe to reflect cost savings realized throughout 2019 and to better represent the Company's current operating expense levels.
- Transportation expense has been increased to a range of \$2.90 to \$3.10 per boe as ARC continues to mitigate the impact of third-party pipeline outages and optimize its netback by securing additional downstream transportation arrangements.
- G&A expense relating to ARC's share-based compensation expense has been reduced to a range of \$0.20 to \$0.30 per boe to reflect the impact that ARC's lower share price had on ARC's share-based compensation expense in the first half of 2019.
- Interest expense has been reduced to a range of \$0.75 to \$0.90 per boe to better represent ARC's anticipated interest expense for the balance of 2019.
- Current income taxes have been reduced to a range of a recovery of three per cent to an expense of two per cent from operations due to the benefit realized on the Accelerated Investment Incentive deductions becoming substantial in the first half of 2019, as well as an expected decrease in taxable income related to decreased commodity prices and a reduction in the Alberta general corporate income tax rate.

ARC's full-year 2019 guidance estimates and a review of 2019 year-to-date actual results are outlined in the following table.

	2019 Original Guidance	2019 Revised Guidance	2019 YTD % Actuals	Variance from Revised Guidance
Production				
Crude oil and condensate (bbl/day)	25,500 - 30,500	26,000 - 30,000	27,487	—
Natural gas (MMcf/day)	620 - 630	620 - 630	614.2	(1)
NGLs (bbl/day)	6,000 - 6,500	6,500 - 7,000	7,111	2
Total (boe/day)	135,000 - 142,000	136,000 - 142,000	136,985	—
Expenses (\$/boe)				
Operating	5.30 - 5.70	5.00 - 5.35	5.15	—
Transportation	2.60 - 2.90	2.90 - 3.10	2.97	—
G&A expense before share-based compensation expense				
	1.10 - 1.30	1.10 - 1.30	1.17	—
G&A - share-based compensation expense ⁽¹⁾				
	0.35 - 0.50	0.20 - 0.35	0.21	—
Interest and financing ⁽²⁾				
	0.70 - 0.90	0.75 - 0.90	0.84	—
Current income tax expense (recovery) as a per cent of funds from operations ⁽³⁾				
	2 - 7	(3) - 2	(3)	—
Capital expenditures before land purchases and net property acquisitions (dispositions) (\$ millions)				
	775	700	387.9	N/A
Weighted average shares (millions)				
	353	353	353	—

(1) Comprises expense 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 revised guidance.

- 2019 year-to-date natural gas production is below the 2019 guidance range. As incremental production at Sunrise on-stream through the second half of the year, ARC expects that natural gas production will trend towards guidance.
- 2019 year-to-date NGLs production is above the 2019 guidance range due to strong results from lower Montney across ARC's Montney asset base.

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 infrastructure development plans and the timing for completion thereof; as to ARC's expected capital budget for 2019 and 2020 in the introductory paragraphs of this news release; 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 all matters in respect of 2019 guidance under the heading "Outlook"; 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 funds from operations and proceeds from non-core dispositions, as to reducing debt, pursuing future development opportunities, with 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".

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 \$3.2 billion. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

[ARC Resources Ltd.](#)

Myron M. Stadnyk
President and Chief Executive Officer

For further information about ARC Resources Ltd., please visit our website at www.arcresources.com or contact:

Investor Relations

E-mail: ir@arcresources.com

Telephone: (403) 503-8600 Fax: (403) 509-6427

Toll Free: 1-888-272-4900

[ARC Resources Ltd.](#)

Suite 1200, 308 - 4 Avenue SW

Calgary, AB T2P 0H7

SOURCE [ARC Resources Ltd.](#)

Dieser Artikel stammt von [Rohstoff-Welt.de](#)

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/331426--ARC-Resources-Ltd.-Reports-Second-Quarter-2019-Financial-and-Operational-Results.html>

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf-/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere [AGB/Disclaimer!](#)

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!
Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2026. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).