

Petrus Resources Announces Second Quarter 2019 Financial & Operating Results

07.08.2019 | [GlobeNewswire](#)

CALGARY, Aug. 07, 2019 - [Petrus Resources Ltd.](#) ("Petrus" or the "Company") (TSX: PRQ) is pleased to report financial and operating results for the second quarter of 2019. Petrus is focused on organic growth and infrastructure control in its core area, Ferrier, Alberta. In order to maximize return on investment, the Company is targeting light oil and liquids rich natural gas in the Cardium formation as well as investing in infrastructure in Ferrier to control operations. The Company's Management's Discussion and Analysis ("MD&A") and interim consolidated financial statements dated as at and for the period ended June 30, 2019 are available on SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com.

Over the past four years, Petrus has dramatically improved its business to enhance sustainability and mitigate commodity price risk. The Company has repaid \$96.1 million or 43% of its net debt since December 31, 2015 and expects to repay another \$2 to \$4 million in the second half of 2019⁽²⁾. The Company's Ferrier Cardium asset provides optionality between natural gas and light oil so the Company's development program can respond to commodity price fluctuations. Due to the natural gas price environment in Canada, the Company's primary objectives are to reduce debt and to increase its light oil and total liquids weighting.

Since January 1, 2018 the Company has drilled 13 gross (6 net) Cardium light oil wells in Ferrier, each with a significantly higher number of multi-stage fracs than previously used. The Company's light oil and total liquids production weighting have increased 46% and 36%, respectively since the beginning of 2018. The Company's development plan is strategically balanced between increasing its Cardium light oil weighting in the Ferrier area and continuing to improve its balance sheet. Petrus drilled 3 gross (1.6 net) Cardium light oil wells in the first half of 2019, increased its light oil weighting 13% from the fourth quarter of 2018 and reduced net debt⁽¹⁾ \$8.6 million or 6% since December 31, 2018.

- Debt reduction - Petrus continues to focus on improving its financial strength and during the second quarter of 2019 reduced net debt by \$5.8 million. Combined with the \$2.8 million debt repayment in the first quarter, Petrus has reduced its net debt by \$8.6 million or 6% since December 31, 2018. Petrus plans to continue a balanced, disciplined approach for the remainder of 2019, targeting debt repayment of \$2 to \$4 million⁽²⁾.

The Company intends to continue its disciplined focus on balance sheet improvement and capital deployment in 2020. The capital plan targets modest cash flow and production growth while directing in excess of \$10 million toward debt reduction in 2020⁽²⁾.

- Increased light oil weighting - The Company's second quarter 2019 light oil weighting increased 46% from the beginning of 2018. Second quarter average production was 8,647 boe/d in 2019 compared to 8,505 boe/d in the first quarter of 2019. Petrus drilled or participated in 3 gross (1.6 net) Cardium light oil wells during the first half of 2019 and these wells were all brought on production during the first quarter. The Company did not drill additional wells during the second quarter of 2019 due to its focus on debt repayment and balance sheet improvement. In the second half of 2019, Petrus plans to drill or participate in approximately 1.5 net Cardium light oil wells per quarter⁽²⁾.
- Funds flow - Petrus generated funds flow of \$8.4 million in the second quarter of 2019, which is consistent with the \$8.4 million generated in the second quarter of 2018. The Company's increased liquids weighting and lower cash costs offset the impact of lower oil and natural gas liquids pricing relative to the prior year. Funds flow for the second quarter of 2019 was \$0.17 per share or \$0.68 on an annualized basis, which is consistent with the prior year despite lower light oil pricing.
- Low operating costs - Second quarter operating expenses on a per boe basis decreased 5% from \$4.57 per boe in the second quarter of 2018 to \$4.33 per boe in the second quarter of 2019. The Company continues to focus on optimizing its cost structure, particularly in the Ferrier area, through facility ownership and control.

- Commodity price risk mitigation - Petrus utilizes financial derivative contracts to mitigate commodity price risk and provide stability and sustainability to the Company's economic returns, funds flow and capital development plan. As a percentage of second quarter 2019 production, Petrus has derivative contracts in place for 46%, at an average price of \$1.81 per mcf and 47% at an average price of \$69.86 (CAD) per bbl of its natural gas and oil and natural gas liquids production, respectively, for the balance of 2019.

(1) Refer to "Non-GAAP Financial Measures".

(2) Refer to "Advisories - Forward-Looking Statements".

(3) Refer to "Oil and Gas Disclosures".

SELECTED FINANCIAL INFORMATION

OPERATIONS	Three months ended Jun. 30, 2019	Three months ended Jun. 30, 2018	Three months ended Mar. 31, 2019	Three months ended Dec. 31, 2018
Average Production				
Natural gas (mcf/d)	32,350	39,126	32,145	30,480
Oil (bbl/d)	1,679	1,484	1,704	1,358
NGLs (bbl/d)	1,576	1,241	1,444	1,496
Total (boe/d)	8,647	9,246	8,505	7,934
Total (boe)	786,819	841,316	765,488	730,819
Liquids sales weighting	38	% 29	% 37	% 36
Realized Prices				
Natural gas (\$/mcf)	1.30	1.24	2.44	1.95
Oil (\$/bbl)	70.96	75.29	55.10	52.26
NGLs (\$/bbl)	19.91	41.53	36.02	29.01
Total realized price (\$/boe)	22.29	22.92	26.36	21.91
Royalty income	0.15	0.05	0.06	0.10
Royalty expense	(1.72)	) (2.54)	) (3.08)	) (3.34)
Net oil and natural gas revenue (\$/boe)	20.72	20.43	23.34	18.67
Operating expense	(4.33)	) (4.57)	) (3.76)	) (5.28)
Transportation expense	(1.22)	) (1.17)	) (1.27)	) (1.17)
Operating netback ⁽¹⁾ (\$/boe)	15.17	14.69	18.31	12.22
Realized gain (loss) on derivatives (\$/boe)	(1.02)	) (0.74)	) 0.67	) (0.79)
Other income	0.10	0.12	—	0.37
General & administrative expense	(0.67)	) (1.63)	) (1.15)	) (1.46)
Cash finance expense	(2.70)	) (2.49)	) (2.54)	) (3.25)
Decommissioning expenditures	(0.24)) —) (0.18)	) (0.21)
Funds flow & corporate netback ⁽¹⁾⁽²⁾ (\$/boe)	10.64	9.95	15.11	6.88
FINANCIAL (000s except \$ per share)	Three months ended Jun. 30, 2019	Three months ended Jun. 30, 2018	Three months ended Mar. 31, 2019	Three months ended Dec. 31, 2018
Oil and natural gas revenue	17,652	19,321	20,231	16,064
Net income (loss)	2,863	(10,615)	) (12,138)	) 21,063
Net income (loss) per share				
Basic	0.06	(0.21)	) (0.25)	) 0.43
Fully diluted	0.06	(0.21)	) (0.25)	) 0.43
Funds flow	8,366	8,364	11,573	5,030
Funds flow per share				
Basic	0.17	0.17	0.23	0.10
Fully diluted	0.17	0.17	0.23	0.10

Capital expenditures	2,505	1,745	8,483	12,660
Net dispositions	—	(269) —	(6
Weighted average shares outstanding				
Basic	49,469	49,492	49,483	49,492
Fully diluted	49,469	49,492	49,483	49,492
As at period end				
Common shares outstanding				
Basic	49,469	49,492	49,469	49,492
Fully diluted	49,469	49,492	49,469	49,492
Total assets	328,912	330,359	336,974	341,820
Non-current liabilities	81,249	172,757	176,093	171,646
Net debt ⁽¹⁾	130,619	135,111	136,382	139,214

(1) Refer to "Non-GAAP Financial Measures".

(2) Corporate netback is equal to funds flow which is a directly comparable GAAP measure. Petrus analyzes these measures on an absolute value and per unit basis.

OPERATIONS UPDATE

Production

Second quarter average production by area was as follows:

For the three months ended June 30, 2019	Ferrier	Foothills	Central Alberta	Total	
Natural gas (mcf/d)	24,244	1,698	6,408	32,350	
Oil (bbl/d)	1,139	146	394	1,679	
NGLs (bbl/d)	1,401	3	172	1,576	
Total (boe/d)	6,581	432	1,634	8,647	
Liquids sales weighting	39	% 35	% 35	% 38	%

Second quarter average production was 8,647 boe/d in 2019 compared to 8,505 boe/d in the first quarter of 2019. The Company did not drill additional wells during the second quarter of 2019 due to its focus on debt repayment and balance sheet improvement. During the second quarter of 2019, the Company reduced net debt by \$5.8 million⁽¹⁾. Combined with the \$2.8 million debt repayment in the first quarter, Petrus has reduced its net debt by \$8.6 million or 6% since December 31, 2018. During the second quarter, the Company's revolving credit facility ("RCF") was reclassified to current due to the inter-creditor relationship between the RCF and the Company's Term Loan which is due October 8, 2020. The reclassification has no impact on its debt covenants and the Company remains in compliance with each of its covenants. Management is actively engaged with the RCF syndicate of lenders and the Term Loan lender and believes that the RCF and Term Loan will each be extended prior to the respective maturity dates.

Since January 1, 2018 the Company has drilled 13 gross (6 net) Cardium light oil wells in Ferrier, each with a significantly higher number of multi-stage fracs than previously used. The Company's light oil and total liquids production weighting have increased 46% and 36%, respectively since the beginning of 2018. The Company's development plan is strategically balanced between increasing its Cardium light oil weighting in the Ferrier area and continuing to improve its balance sheet. During the first half of 2019, Petrus drilled 3 gross (1.6 net) Cardium light oil wells, increased its light oil weighting 13% from the fourth quarter of 2018 and reduced net debt⁽¹⁾ \$8.6 million or 6% since December 31, 2018.

Petrus's Board of Directors has approved a third quarter 2019 capital budget of \$7 million, based on a current forecast for commodity futures pricing, anticipated service costs and current activity levels⁽²⁾. The third quarter budget is expected to include the drilling and completion activities for 3 gross (1.5 net) Cardium light oil wells and excess cash flow of \$1.5 to \$2 million will be directed toward debt repayment⁽²⁾.

Petrus estimates the 2019 capital plan will maintain production year over year, increase its light oil and liquids weighting, and reduce debt. Approximately 85% of the capital plan will be directed to development of Cardium light oil wells in the Ferrier area of Alberta, which we estimate will have payouts of less than one year and achieve the objective to increase the Company's light oil weighting and funds flow⁽²⁾.

Petrus is unique in the junior E&P company space, as few gas-weighted companies are able to repay debt and grow production and cash flow all within cash from operations. Over the past four years, Petrus has dramatically improved its business in order to increase its sustainability as well as mitigate commodity price risk. Operating costs have been reduced by 51% since 2015 and Petrus's total cash costs of \$8.92 per boe are consistently one of the lowest amongst its peers. The Company forecasts that it will continue its disciplined focus on balance sheet improvement and capital deployment in 2020. The capital plan targets modest cash flow and production growth while directing in excess of \$10 million toward debt reduction in 2020⁽²⁾.

(1) Refer to "Non-GAAP Financial Measures".

(2) Refer to "Advisories - Forward-Looking Statements".

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NON-GAAP FINANCIAL MEASURES

This press release makes reference to the terms "operating netback", "corporate netback", "net debt" and "net debt to funds flow." These indicators are not recognized measures under GAAP (IFRS) and do not have a standardized meaning prescribed by GAAP (IFRS). Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Management uses these terms for the reasons set forth below. Please see the Company's March 31, 2019 press release for a reconciliation of such measures to the most directly comparable GAAP (IFRS) measures.

Operating Netback

Operating netback is a common non-GAAP financial measure used in the oil and natural gas industry which is a useful supplemental measure to evaluate the specific operating performance by product at the oil and natural gas lease level. The most directly comparable GAAP measure to operating netback is funds flow. Operating netback is calculated as oil and natural gas revenue less royalties, operating and transportation expenses. It is presented on an absolute value and per unit basis.

Funds Flow and Corporate Netback

Corporate netback is a common non-GAAP financial measure used in the oil and natural gas industry which evaluates the Company's profitability at the corporate level. Corporate netback is equal to funds flow which is a directly comparable GAAP measure. Petrus analyzes these measures on an absolute value and per unit basis. Management believes that funds flow and corporate netback provide information to assist a reader in understanding the Company's profitability relative to current commodity prices. It is calculated as the operating netback less general and administrative expense, finance expense, decommissioning expenditures, plus other income and the net realized gain (loss) on financial derivatives.

Net Debt

Net debt is a non-GAAP financial measure and is calculated as current assets (excluding unrealized financial derivative assets) less current liabilities (excluding unrealized financial derivative liabilities and deferred share unit liabilities) and long term debt. Petrus uses net debt as a key indicator of its leverage and strength of its balance sheet. There is no GAAP measure that is reasonably comparable to net debt.

ADVISORIES

Basis of Presentation

Financial data presented above has largely been derived from the Company's financial statements, prepared in accordance with GAAP which require publicly accountable enterprises to prepare their financial statements using IFRS. Accounting policies adopted by the Company are set out in the notes to the audited financial statements as at and for the twelve months ended December 31, 2018. The reporting and the measurement currency is the Canadian dollar. All financial information is expressed in Canadian dollars, unless otherwise stated.

Forward-Looking Statements

Certain information regarding Petrus set forth in this press release contains forward-looking statements

within the meaning of applicable securities law, that involve substantial known and unknown risks and uncertainties. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", and similar expressions are intended to identify forward-looking statements. Such statements represent Petrus' internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital investment, anticipated future debt, production, revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These statements are only predictions and actual events or results may differ materially. Although Petrus believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Petrus' actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Petrus.

In particular, forward-looking statements included in this press release include, but are not limited to, statements with respect to: Petrus' expected debt repayment in the second half of 2019; Petrus' drilling plan; Petrus' business plan and capital expenditure program for the second half of 2019; expected market prices and costs and Petrus' expected differential; expectations regarding the adequacy of Petrus' liquidity and the funding of its financial liabilities; the impact of the current economic environment on Petrus and its ability to remain in compliance with all financial covenants under its credit facilities; management's expectation that the RCF and Term Loan will be extended; the performance characteristics of the Company's crude oil, NGL and natural gas properties; future prospects; the focus of and timing of capital expenditures; access to debt and equity markets; Petrus' future operating and financial results; capital investment programs; supply and demand for crude oil, NGL and natural gas; future royalty rates; drilling, development and completion plans and the results therefrom; and treatment under governmental regulatory regimes and tax laws. In addition, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

These forward-looking statements are subject to numerous risks and uncertainties, most of which are beyond the Company's control, including the impact of general economic conditions; volatility in market prices for crude oil, NGL and natural gas; industry conditions; currency fluctuation; imprecision of reserve estimates; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition; the lack of availability of qualified personnel or management; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources; completion of the financing on the timing planned and the receipt of applicable approvals; and the other risks. With respect to forward-looking statements contained in this press release, Petrus has made assumptions regarding: future commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment and services; effects of regulation by governmental agencies; and future operating costs. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide shareholders with a more complete perspective on Petrus' future operations and such information may not be appropriate for other purposes. Petrus' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Company will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Petrus' prospective results of operations including, without limitation, its ability to repay debt, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. Petrus' actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits Petrus will derive therefrom. Petrus has included the FOFI in order to provide readers with a more complete perspective on Petrus' future operations and such information may not be appropriate for other purposes.

These forward-looking statements and FOFI are made as of the date of this press release and the Company disclaims any intent or obligation to update any forward-looking statements and FOFI, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

BOE Presentation

The oil and natural gas industry commonly expresses production volumes and reserves on a barrel of oil equivalent (“boe”) basis whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved measurement of results and comparisons with other industry participants. Petrus uses the 6:1 boe measure which is the approximate energy equivalence of the two commodities at the burner tip. Boe’s do not represent an economic value equivalence at the wellhead and therefore may be a misleading measure if used in isolation.

Abbreviations

<i>\$000&rsquo;s</i>	<i>thousand dollars</i>
<i>\$/bbl</i>	<i>dollars per barrel</i>
<i>\$/boe</i>	<i>dollars per barrel of oil equivalent</i>
<i>\$/GJ</i>	<i>dollars per gigajoule</i>
<i>\$/mcf</i>	<i>dollars per thousand cubic feet</i>
<i>bbl</i>	<i>barrel</i>
<i>bbl/d</i>	<i>barrels per day</i>
<i>boe</i>	<i>barrel of oil equivalent</i>
<i>mboe</i>	<i>barrel of oil equivalent</i>
<i>mmboe</i>	<i>thousand barrel of oil equivalent</i>
<i>boe/d</i>	<i>million barrel of oil equivalent per day</i>
<i>GJ</i>	<i>gigajoule</i>
<i>GJ/d</i>	<i>gigajoules per day</i>
<i>mcf</i>	<i>thousand cubic feet</i>
<i>mcf/d</i>	<i>thousand cubic feet per day</i>
<i>mmcf/d</i>	<i>million cubic feet per day</i>
<i>NGLs</i>	<i>natural gas liquids</i>
<i>WTI</i>	<i>West Texas Intermediate</i>

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Die URL für diesen Artikel lautet:

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