

NuVista Energy Ltd. Provides Positive Third Quarter Operating Results, Announces Pipestone Start-Up Ahead of Schedule and Improved 2020 Budget Plans

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CALGARY, Nov. 11, 2019 - [NuVista Energy Ltd.](#) ("NuVista" or the "Company") (TSX:NVA) is pleased to announce results for the three and nine months ended September 30, 2019 and provide an update on our future business plans. Measured and profitable growth continued as planned during the quarter due to the progressive addition of new wells as part of our ongoing development program in Gold Creek and Bilbo. Late in the third quarter, the startup of the Pipestone asset was achieved under budgeted costs and six weeks ahead of the original startup date which was mid-November. We confidently re-affirm that our 2019 capital plans are on track to fall within the lower portion of the planned guidance range.

In these times of significant volatility in the commodity market, we are fortunate to have strong well economics leading to a funded multi-year plan which delivers clear line of sight to material free adjusted funds flow and provides us flexibility to adapt as the market changes. We are pleased to confirm our 2020 budget plans. Planned capital expenditures in 2020 will be approximately matched to adjusted funds flow as we advance our development program, particularly in Pipestone North and South, with approximately 15% overall production growth in 2020 versus 2019. By the end of 2020, we will have the infrastructure in place to accommodate production anywhere in the flexible range of 68,000 – 90,000 Boe/d.

Financial and Operational Highlights:

During the quarter ended September 30, 2019, NuVista:

- Produced 51,819 Boe/d, meeting the top of the prior guidance range of 49,000 – 52,000 Boe/d. This result was 3% higher than the prior quarter and 29% higher than the same period in 2018;
- Achieved adjusted funds flow of \$59.8 million (\$0.27/share, basic), a decrease of 7% per share versus the prior quarter driven primarily by reduced commodity prices partially offset by increased production. This resulted in adjusted funds flow netback of \$12.54/Boe;
- A total of 11 wells have now been drilled at Pipestone South at an average cost of \$6.6 million per well (drill, complete, equip & tie-in, (DCET)), more than 15% lower than originally expected due to pad efficiencies and the application of prior Montney learnings;
- Early well performance from the 11 new Pipestone wells is off to an excellent start as they have averaged above 10MMcf/d each with initial condensate ratios of approximately 95 Bbls/MMcf over the first 5-10 days. In aggregate, these early results have exceeded our internal estimates;
- Executed a successful third quarter capital expenditure program of \$63.2 million including the drilling of 1 (1.0 net) well in our condensate-rich Wapiti Montney play. 8 wells were completed during the quarter and 11 were turned in line. Importantly, capital spending was approximately in line with adjusted funds flow this quarter, which matches our annual intentions. We anticipate capital expenditures to be significantly less than adjusted funds flow in the fourth quarter of 2019 due to the production and adjusted funds flow increases associated with the startup of Pipestone based on the fourth quarter of 2019 price forecast of approximately USD \$55/Bbl WTI oil, USD \$2.50 NYMEX natural gas, CAD \$2.00/GJ AECO natural gas, and CAD/USD exchange rate of 1.31;
- Realized operating expenses of \$9.97/Boe, in line with the same period in 2018 and 5% higher than the prior quarter due to normal phasing and one-time startup costs of the new Pipestone facilities; and
- Achieved net G&A expenses of \$0.87/Boe, in line with the prior quarter. This figure continues our long term trend of improvement with a reduction of 26% below the same period in 2018.

Pipestone South Startup Under Budget and Ahead of Schedule

Operations were executed under budget and ahead of schedule with the startup of the Pipestone South

compressor station facility and 11 associated new wells in late September. The 8-well pad at Pipestone continues to be brought online permanently, with wells successively going through normal initial clean-up and ramp-up procedures. This pad is the largest drilled by NuVista to date, with the wells spanning all four of the Montney zones from the Lower Montney up through the Middle Montney B, C, and D zones. The new CSV compressor station and SemCAMS Wapiti plant facilities are performing very well with high uptime and the pad is already producing at facility-restricted capacity of 10,000 Boe/d.

The Pipestone 3-well pad was also brought online to the newly started Tidewater Pipestone Plant in mid-September and these wells are also going through initial clean-up and ramp-up procedures. More detail on the performance of the two Pipestone pads will be provided in early 2020. Water sourcing and disposal infrastructure is largely in place now, and construction of the next pad at Pipestone South, comprised of 6 wells, is in progress for spudding late in the fourth quarter.

As previously announced, NuVista entered into a contract whereby CSV Midstream Solutions provides the capital for the Pipestone South compressor station facility in exchange for an annual capital fee. As such NuVista is incurring no capital costs for the facility construction nor its future expansions. NuVista is the builder and contract operator of the facility and any future expansions and we have been reimbursed for the prior capital spent on this compressor station.

Greater Wapiti Area

Operations were executed as planned for the third quarter as we maintain production volumes on the Gold Creek, Elmworth and Bilbo development blocks. Production averaged 40,200 Boe/d in the third quarter, similar to production in the prior quarter, and is expected to remain stable into early 2020. 8 new wells came on-stream throughout the quarter and drilling will re-commence on all three development blocks late in the fourth quarter. Activity in 2020 will be focused on continued advancement of cube development at Bilbo, higher condensate proportion wells in the northeast portion of Elmworth and on-going improvements in capital efficiency through long horizontal wells at Gold Creek.

Pipestone North Outperforming and New Facility Construction Commenced

The Pipestone North property continues, for the fifth quarter in a row, to outperform expectations with production ranging from 9,500 to 10,000 Boe/d with minimal decline being offset with no development capital by field optimization. Surface acquisition and regulatory work has been completed on the first new pad sites for the Pipestone North development and drilling lease construction will commence soon. Construction of the new Pipestone North compressor station facility and associated water storage and handling infrastructure has commenced on schedule, with start-up planned for the fourth quarter of 2020. We also continue to advance a number of water sourcing and disposal projects in this area, as well as focusing on recycling pilot opportunities across all our operations. Veresen has continued to move ahead on schedule with the pipeline tie-in and expansion to the Veresen Hythe Gas Plant. Permits have been received, and construction on the plant expansion is underway. We will drill a 10-well pad in the first quarter of 2020 which will be turned in line commensurate with the planned startup of the compressor station in the fourth quarter of 2020.

As previously announced, NuVista entered into a contract with Veresen Midstream Limited Partnership (“VMLP”) whereby NuVista retains an option to have VMLP own and fund the Pipestone North compressor station facility in exchange for an annual capital fee. NuVista has confirmed that we will elect to have VMLP provide the capital in accordance with the contract. As planned, NuVista will be the builder and contract operator of the facility.

Maintaining a Strong Balance Sheet

NuVista’s revolving term credit facility is currently set at \$500 million and the semi annual review is ongoing with expected completion by the end of November. We anticipate a similar or increased facility size as a result of the significant recent addition of producing reserves in the Montney formation, particularly at Pipestone. NuVista exited the third quarter with 72% drawn on our credit facility.

At the end of the third quarter of 2019, net debt (including senior unsecured notes and working capital deficiency), was \$578 million resulting in a net debt to annualized current quarter adjusted funds flow of 2.4

times. The net debt to annualized current quarter adjusted funds flow ratio is anticipated to trend lower in the fourth quarter of 2019 as production volumes and adjusted funds flow from the Pipestone area continue to rise, assuming current strip pricing. This is expected to bring the ratio back into our targeted range of 1.5 times +/- 0.5 times.

Significant Commodity Price Diversification and Risk Management

Condensate differentials and oil prices were reasonably stable throughout the summer with third quarter pricing slightly lower than the second quarter. Future demand for condensate continues to appear favourable with higher heavy oil production expected. Increased rail shipments of crude oil and optimization of existing export pipelines have allowed for additional volumes to be exported which has brought local inventories to more normalized levels. This should allow for the continued easing of the Alberta Government mandated heavy oil curtailments which will generate additional demand for condensate. Local Alberta supply growth of condensate has also moderated, further supporting the pricing outlook.

This has been another challenging summer for AECO, with spot natural gas prices under pressure due to temporary restrictions in pipeline and compressor station capacity on the Alberta NGTL system. There was virtually no impact to NuVista pricing as a result of these restrictions and price reductions. NuVista continues to benefit from the discipline of our strong rolling hedging program and our significant natural gas market diversification to mitigate the impact of commodity price volatility and maximize revenues. For the first nine months of 2019, NuVista's hedging has resulted in a realized gain of \$18.7 million on both physical and financial contracts. We currently possess hedges which, in aggregate, cover 70% of remaining projected 2019 liquids production at a WTI floor price of C\$ 78.31/Bbl, and 66% of remaining projected 2019 gas production at a price of C\$ 2.34/Mcf (hedged and exported volumes converted to an AECO equivalent price). We currently possess WTI hedges for 2020 on 57% of oil & condensate production at a floor price of C\$ 77.24/Bbl, while gas is hedged at 46% of expected production at a floor price of C\$ 1.98/Mcf. A significant portion of these gas hedges relate to the summer period for next year, leaving greater exposure for the more favorable winter period. All of these percentage figures relate to forecast production net of royalty volumes.

ESG Update

The new Pipestone South facility, like our other facilities, incorporates modern technologies for GHG emissions reduction including exhaust waste heat recovery units, wellsite solar panel backup, and low or no-emission pneumatic control systems. NuVista also continues to investigate new pilot technologies in pursuit of progress in non-fresh and recycled water usage. We are now members of the CDP reporting project and while we have long provided a measure of ESG information, we have today released our first full length ESG report. The report is available on our website and provides transparent details on all aspects of our environmental, social, and governance performance progress. We are proud to be proactive members of the Canadian oil and gas industry where the standards for the environment, safety, and human rights are world-leading.

2019 Guidance Re-Affirmed and Narrowed

As previously communicated we are narrowing our 2019 production guidance range to 51,000 to 52,000 Boe/d and capital spending range to \$300 to \$310 million. Production for the fourth quarter of 2019 is expected to be in the range of 58,000 to 60,000 Boe/d.

2020 Development Plans Improved

We are pleased to provide an increased production guidance range of 57,000 to 61,000 Boe/d which will be achieved while spending between \$300 and \$330 million. We will govern this capital range to be approximately matched to adjusted funds flow. We had previously communicated a 57,000 Boe/d target in our \$55 WTI Plan with a capital estimate of \$300 million. Positioning within the increased range will be largely dependent on continued performance from the wells at Pipestone South, the capital decision to add an additional pad into the Greater Wapiti Area, and on some level of stability in the commodity markets.

Approximately 60% of the wells drilled in 2020 will be in the Pipestone area, with approximately 10 at Pipestone North and 6 at Pipestone South. Production south of the Wapiti River, in the Greater Wapiti area,

will remain relatively flat with the drilling of approximately 12 wells. The balance of 2020 capital spending will be directed to continued buildout of our Pipestone area water handling infrastructure.

We remain focused upon returns and profitability. NuVista has successfully de-risked and expanded our Montney asset base over the last several years. Project economics have improved, notwithstanding commodity price challenges, as capital costs have declined through a rigorous focus on technological improvements, costs, and project execution. Sustainability has improved due to our focus upon returns, GHG emission reduction, and a disciplined approach to balance sheet strength. We are in an enviable position to continue to deliver profitable, sustainable growth for many years to come. During 2021, we expect to arrive at the point where adjusted funds flow will exceed the required capital to maintain production levels at the future minimum volume commitment of 68,000 Boe/d. The outlook is premised on capital spending approximately equal to adjusted funds flow in 2020 and 2021 while increasing production levels at 10-15% per year. This plan creates maximum value and provides flexibility beyond 2021 to moderate the growth in order to maximize our free adjusted funds flow generating capacity, or continue growing toward the total firm capacity of 90,000 Boe/d, or add an additional growth wedge up to 110,000 Boe/d as underpinned by our inventory. Beyond 2021, the decision to use free funds flow to reduce net debt, return capital to shareholders, or to grow our production base further depends on which option provides the maximum value to NuVista shareholders at the time. We are fortunate to have significant flexibility in that regard.

NuVista has top quality assets and a management team focused upon relentless improvement. We are excited to continue pursuing our Montney development plan. We will continue to adjust the annual pace of growth as needed to ensure balance sheet strength comes first, and that the profitability of that growth is always maximized. We would like to thank our staff, contractors, and suppliers for their continued dedication and delivery, and we thank our board of directors and our shareholders for their continued guidance and support. Please note that our corporate presentation is being updated and will be available at www.nuvistaenergy.com on or before November 12, 2019. NuVista's financial statements, notes to the financial statements and management's discussion and analysis for the quarter ended September 30, 2019, will be filed on SEDAR (www.sedar.com) under [NuVista Energy Ltd.](#) on or before November 12, 2019 and can also be accessed on NuVista's website.

Corporate Highlights

(\$ thousands, except per share and \$/Boe)	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
FINANCIAL						
Petroleum and natural gas revenues	132,801	150,956	(12)	404,617	412,843	(2)
Adjusted funds flow ^{(1) (2)}	59,799	72,610	(18)	195,772	200,813	(3)
Per share - basic	0.27	0.39	(31)	0.87	1.12	(22)
Per share - diluted	0.27	0.38	(29)	0.87	1.12	(22)
Net earnings (loss)	(7,650)	3,467	(321)	(34,276)	32,159	(207)
Per share - basic	(0.03)	0.02	(250)	(0.15)	0.18	(183)
Per share - diluted	(0.03)	0.02	(250)	(0.15)	0.18	(183)
Total assets				2,374,181	2,063,558	15
Capital expenditures ⁽²⁾	63,239	65,817	(4)	249,008	263,359	(5)
Net debt ^{(1) (2)}				578,154	493,344	17
End of period basic common shares outstanding				225,474	225,142	—
OPERATING						
Daily Production						
Natural gas (MMcf/d)	184.7	143.3	29	174.9	134.8	30
Condensate & oil (Bbls/d)	15,728	12,819	23	14,488	11,969	21
NGLs (Bbls/d) ⁽³⁾	5,310	3,385	57	5,070	2,984	70
Total (Boe/d)	51,819	40,080	29	48,712	37,419	30
Condensate, oil & NGLs weighting	41%	40%		40%	40%	
Condensate & oil weighting	30%	32%		30%	32%	
Average selling prices ^{(4) (5)}						
Natural gas (\$/Mcf)	2.24	3.41	(34)	2.80	3.43	(18)
Condensate & oil (\$/Bbl)	63.45	80.74	(21)	64.68	78.95	(18)
NGLs (\$/Bbl)	5.82	34.61	(83)	10.89	35.38	(69)

Netbacks (\$/Boe)

Petroleum and natural gas revenues	27.86	40.94	(32)	30.43	40.41	(25)
Realized gain (loss) on financial derivatives	1.90	(3.65)	—	1.01	(2.71)	—
Royalties	(1.57)	(1.43)	10	(1.36)	(1.12)	21
Transportation expenses	(3.03)	(3.09)	(2)	(3.12)	(3.12)	—
Operating expenses	(9.97)	(9.82)	2	(9.61)	(10.06)	(4)
Operating netback ⁽²⁾	15.19	22.95	(34)	17.35	23.40	(26)
Corporate netback ⁽²⁾	12.54	19.69	(36)	14.72	19.63	(25)
SHARE TRADING STATISTICS						
High	2.82	9.57	(71)	5.19	9.89	(48)
Low	1.39	6.99	(80)	1.39	6.69	(79)
Close	2.48	7.50	(67)	2.48	7.50	(67)
Average daily volume ('000s)	1,939.9	656.8	195	1,360.3	576.8	136

1. Refer to Note 15 "Capital Management" in NuVista's financial statements and to the sections entitled "Adjusted funds flow" and "Liquidity and capital resources" contained in NuVista's MD&A.
2. Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled "Non-GAAP measurements".
3. Natural gas liquids ("NGLs") include butane, propane and ethane.
4. Product prices exclude realized gains/losses on financial derivatives.
5. The average condensate and NGLs selling price is net of pipeline tariffs and fractionation fees.

Basis of presentation

Unless otherwise noted, the financial data presented has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") also known as International Financial Reporting Standards ("IFRS"). The reporting and measurement currency is the Canadian dollar. Natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet of gas to one barrel of oil. In certain circumstances natural gas liquid volumes have been converted to a thousand cubic feet equivalent ("Mcf") on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. National Instrument 51-101 - "Standards of Disclosure for Oil and Gas Activities" includes condensate within the product type of natural gas liquids. NuVista has disclosed condensate values separate from natural gas liquids herein as NuVista believes it provides a more accurate description of NuVista's operations and results therefrom.

Advisories Regarding Oil And Gas Information

Boes may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Any references in this press release to initial production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for NuVista.

Advisory regarding forward-looking information and statements

This news release contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. The use of any of the words "will", "expects", "believes", "plans",

“potential” and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this news release contains forward looking statements, including management’s assessment of: NuVista’s future focus, strategy, plans, opportunities and operations; our ongoing development program in Gold Creek and Bilbo; our 2019 fourth quarter capital plans and adjusted funds flow; funding of our development plans; future free adjusted funds flow; our ability to flexibly adapt our development plans; our 2020 budget plans; 2020 adjusted funds flow; 2020 production growth; our expectations that by the end of 2020, we will have the infrastructure in place to provide for production anywhere in the flexible range of 68,000 – 90,000 Boe/d; estimated fourth quarter production volumes; our plans with respect to the next pad at Pipestone South; 2019 future production from the Gold Creek, Elmworth and Bilbo development blocks; fourth quarter drilling plans at Gold Creek, Elmworth and Bilbo; expectations that long horizontal wells at Gold Creek will result in on-going improvements in capital efficiency; drilling lease construction plans at Pipestone North; timing of the start-up of the Pipestone North compressor station; planned water sourcing and disposal projects; 2020 drilling plans at Pipestone North; NuVista’s plans to elect to have Veresen provide the capital for the Pipestone North compressor station facility in exchange for an annual capital fee; NuVista’s plans to be the builder and contract operator of the Pipestone North compressor station facility; the timing of the completion of the review of NuVista’s revolving term credit facility; expectations that the review will result in a similar or increased facility; targeted and expected fourth quarter of 2019 net debt to annualized current quarter adjusted funds flow ratio; expectations that production volumes and adjusted funds flow from Pipestone area will continue to rise in the fourth quarter of 2019; future demand and pricing for condensate; the benefits of NuVista’s rolling hedging program and natural gas market diversification; projected 2019 and 2020 liquids and gas production; 2019 and fourth quarter 2019 production and capital spending guidance; expectations that in 2021, we will arrive at the point where adjusted funds flow will exceed the required capital to maintain production levels at the future minimum volume commitment of 68,000 Boe/d; our flexibility beyond 2021 to moderate growth in order to maximize our free funds flow generating capacity, or continue growing toward the total firm capacity of 90,000 Boe/d, or add an additional growth wedge up to 110,000 Boe/d; our expectations that our inventory supports our growth plans; our expectations that we have significant flexibility in our plans beyond 2021; 2020 guidance with respect to production and capital spending; our plans to limit 2020 capital spending to no more than approximately 100 – 110% of adjusted funds flow; our 2020 drilling and infrastructure plans; the quality of our assets; and our plans to continue to adjust the annual pace of growth as needed to ensure balance sheet strength comes first, and that the profitability of that growth is always maximized. By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond NuVista’s control, including the impact of general economic conditions, industry conditions, current and future commodity prices, currency and interest rates, anticipated production rates, borrowing, operating and other costs and adjusted funds flow, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, access to infrastructure and markets, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws, production curtailment and royalties; the ability to access sufficient capital from internal sources and bank and equity markets; and including, without limitation, those risks considered under “Risk Factors” in our Annual Information Form. 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 forward-looking statements. NuVista’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, or if any of them do so, what benefits NuVista will derive therefrom. NuVista has included the forward-looking statements in this news release in order to provide readers with a more complete perspective on NuVista’s future operations and such information may not be appropriate for other purposes. NuVista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP measurements

Within the news release, references are made to terms commonly used in the oil and natural gas industry. Management uses “adjusted funds flow”, “adjusted funds flow per share”, “adjusted funds flow netback”, “operating netback”, “corporate netback”, “capital expenditures”, “net debt” and “net debt to annualized current quarter adjusted funds flow” and “free adjusted funds flow” to analyze performance and leverage. These terms do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. For further information, refer to the section “Non-GAAP measurements” contained in NuVista’s MD&A for the three and six months ended June 30, 2019. Free adjusted funds flow is forecast adjusted funds flow less capital expenditures required to maintain production.

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