

# Pipestone Energy Corp. Announces An Operations Update

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And A 60% Reduction To 2020 Capital Guidance Accompanied By A

CALGARY, March 12, 2020 - (PIPE &dash; TSX-V) [Pipestone Energy Corp.](#) (&ldquo;Pipestone Energy&rdquo; or the &ldquo;Company&rdquo;) announces reduced guidance in response to current commodity prices, an update on capital efficiencies achieved and encouraging early production results from its 6-24 pad. A conference call is scheduled for Thursday, March 12 at 9:00 a.m. Mountain Daylight Time (11:00 a.m. Eastern Daylight Time) for interested investors, analysts, brokers and media representatives.

*&ldquo;As a company, Pipestone Energy has responded quickly and appropriately to the decline in oil prices by materially decreasing capital spending in 2020 with minimal impact to full year production guidance. This demonstrates the quality of our asset base and the sustainability of the Company&rsquo;s business model. As rapidly as we responded to the decrease in commodity prices, Pipestone Energy is well situated to resume its growth trajectory as pricing recovers.&rdquo;*; stated Paul Wanklyn, President and CEO of Pipestone Energy.

## 2020 CAPITAL PROGRAM AND OPERATIONS UPDATE

A photo accompanying this announcement is available at <https://www.globenewswire.com/NewsRoom/AttachmentNg/f0107226-ed00-428a-8264-69b96bca0cf1>

In response to the dramatic decline in crude oil pricing, as a result of the COVID-19 virus&rsquo; negative impact on global demand and the failure of OPEC and Russia to reach an agreement on production cuts, Pipestone Energy is proactively protecting its balance sheet by reducing its forecasted annual capital spending program from \$145 - \$155 million to \$55 - \$65 million. The capital reduction results in a modest change to Pipestone Energy&rsquo;s 2020 previous production guidance from 18,000 &dash; 20,000 boe/d to 17,000 &dash; 18,000 boe/d. Exit production guidance is also reduced from 20,000 &dash; 22,000 boe/d to 16,000 &dash; 17,000 boe/d, as a direct result of the deferral of one pad (6 wells) being brought on production this year. At a revised forecast price deck of US\$40 per barrel WTI and C\$1.75 per GJ AECO, the Company expects to generate corporate cash flow of \$55 - \$65 million. Through a combination of swaps and collars, the Company has ~3,200 bbl/d of CAD denominated WTI oil hedged at ~C\$79 per barrel during H1 2020, which represents more than 60% of its forecast after-royalties condensate production for that period.

The focus of Pipestone Energy&rsquo;s development in 2020 is concentrated in areas with the highest projected condensate content and deliverability. During 2020, the Company will bring 12 new wells on production from 2 pads. The first pad at 6-24 was completed in December 2019, with some carry-over expenditures into Q1 2020 and brought on initial production earlier this month. The final well of six is currently being drilled on the 6-30 pad, with completion operations scheduled for Q2 2020 and projected on-stream timing of Q3 2020. Once drilling has finished on the 6-30 pad next week, the Company plans to suspend drilling operations. In 2020, Pipestone Energy is deferring approximately \$70 million in drilling & completion related capital, approximately \$15 - 18 million of infrastructure and miscellaneous capital and expects to realize between \$2 - 3 million in aggregate cost savings on DCE&T capital incurred due to expected efficiencies.

Pipestone Energy&rsquo;s previous 2020 Capital Guidance was predicated on a single drilling rig being utilized continuously for the full year. To the extent oil prices recover in H2 2020, the Company has the optionality to resume drilling operations and accelerate its development trajectory by utilizing two rigs per pad and deploying two frac crews for completions as Pipestone Energy did successfully in December 2019. Utilizing two drilling rigs and two completion crews per pad significantly shortens cycle times, allowing for a timely response to improving market conditions. Preservation of Pipestone Energy&rsquo;s strong balance sheet is paramount to our go forward strategy and we will continue to allocate capital to those projects that yield the highest possible returns.

As of December 31, 2019, Pipestone Energy was drawn ~\$163 million on its Reserve Based Loan (&ldquo;RBL&rdquo;) and had adjusted working capital (incl. cash) deficit of \$6 million. As of this release, the Company has a net draw of approximately \$153 million on its RBL. The RBL has current available capacity of \$225 million and includes a \$25 million (increase) accordion feature, subject to mutual consent of the lenders.

#### Initial Production Results from 6-24 Pad:

In early March 2020, Pipestone Energy began bringing on newly completed wells from its 6-24 pad. As of this release, 3 of the 6 new wells have been brought on production, with the remaining wells to be brought on in the coming weeks. The average first 5 day production rates per well through permanent facilities are 1,530 bbls/d of wellhead condensate and 4.2 MMcf/d of raw natural gas<sup>(1)</sup>, which results in a condensate-gas-ratio (&ldquo;CGR&rdquo;) of 365 bbl/MMcf. The next pad to be placed on production is 6-30 (6 wells) in early Q3 2020, which is located directly north of the 6-24 pad.

#### Capital Efficiency Improvements:

Drilling costs continue to improve with each development pad as Pipestone Energy continues to optimize its drilling designs and programs. The first 5 of 6 wells being drilled on the 6-30 pad have an average lateral length of 2,400 metres and achieved average realized drilling cost of approximately ~\$2.0 million per well (sixth well is drilling) as compared to the Company&rsquo;s \$2.3 million type well cost. The fifth well at 6-30 was a pacesetter for the company, which achieved a spud to TD time of <10 days, and a drilling cost of \$1.6 million.

On the recently tied-in 6-24 pad, Pipestone Energy achieved its target equipping cost of \$0.8 million per well, down from its previous estimate of \$1.2 million. As a result of further pad facility design improvements, the Company has set a further improved target of \$0.6 million per well at future pad-sites.

In aggregate, we expect the all-in DCE&T cost on the 6-30 pad to achieve a corporate record \$6.5 million per well (2,400m lateral and ~2.5 T/M proppant loading), which compares to Pipestone Energy&rsquo;s type well cost of \$7.1 million (2,500m lateral and 2.5 T/M proppant loading).

#### Fourth Quarter and Full Year 2019 Key Highlights:

Production for the three months and year ended December 31, 2019 was 14,885 boe/d<sup>(1)</sup> (comprised of 36% condensate and 43% total liquids) and 4,762 boe/d (comprised of 38% condensate and 45% total liquids), respectively, despite third-party processing facility challenges, including curtailment and intermittent run-times, experienced through-out the quarter. The Company successfully exceeded its 2019 exit guidance of 14,000 &ndash; 16,000 boe/d with ~17,000 boe/d <sup>(1)</sup> average production in December.

The Company realized significant cost savings on its 2019 capital program, allowing it to accelerate the 06-24 completions into 2019 within its capital guidance. Net capital spending in 2019, including acquisitions and net of dispositions, was \$148.4 million.

#### Fourth Quarter and Year-End 2019 Financial Statements

Upon the finalization of its analyses and implementation with respect to *IFRS 16 - Leases*, the Company expects to file its fourth quarter and year-end 2019 audited financial statements, accompanying Management&rsquo;s Discussion and Analysis, and Annual Information Form before March 31, 2020.

#### Outlook:

In response to the current commodity price weakness which has been exacerbated by threats of the spread of the COVID-19 virus slowing the world economy, and OPEC and Russia&rsquo;s failure to reach

agreement on production cuts, Pipestone Energy has decided to significantly reduce its 2020 capital spending program. Despite this, Pipestone Energy is well positioned to deliver a combination of year-over-year production growth and generate top-decile returns on capital employed, while maintaining a solid balance sheet with sufficient available liquidity. This year's development expenditures are concentrated around what are the most condensate-rich results realized to date by the Company and will be weighted approximately 85% to half-cycle DCE&T expenditures. The 2020 capital program will still deliver substantial year-over-year production growth of 20% from Q4 2019 to Q4 2020, despite the substantial pullback in the capital program.

*(1) As compared to the previously disclosed estimate of ~15,100 boe/d (Jan 16, 2020 news release), Pipestone Energy experienced a large unexpected build in its condensate inventory at the Keyera Wapiti Plant, which resulted in ~310 bbl/d lower than anticipated condensate sales volumes in December. Liquids production refers to production of condensate and other NGLs and tight oil. Our production of tight oil comprised ~1% of our production for the year-ended 2019 and less than 1% of our production for the three months ended December 31, 2019. All production that is not liquids production is of the product type shale gas. We refer to condensate separately from other NGLs as the price of condensate is significantly higher than other NGLs.*

Conference Call March 12, 2020  
9:00 a.m. MT (11:00 a.m. ET)

Pipestone Energy will host a conference call on March 12, 2020, starting at 9:00 a.m. MT (11:00 a.m. ET). To participate please dial toll free in North America (866) 953-0776 or International (630) 652-5852 and enter 7376048 when prompted.

An archived recording of the conference call will be available shortly after the event and will be available until March 19, 2020. To access the replay please dial toll free in North America (855) 859-2056 or International (630) 652-5852 and enter 7376048 when prompted. The conference call will also be archived on the [Pipestone Energy Corp.](http://www.pipestonecorp.com) website at [www.pipestonecorp.com](http://www.pipestonecorp.com).

[Pipestone Energy Corp.](http://www.pipestonecorp.com)

[Pipestone Energy Corp.](http://www.pipestonecorp.com) is an oil and gas exploration and production company with its head office located in Calgary, Alberta. The company is focused on developing its pure-play condensate-rich Montney asset in the Pipestone area near Grande Prairie, Alberta. Pipestone Energy is committed to building long term value for our shareholders and values the partnerships that it is developing within its operating community. Additionally, the Company is highly committed to be an environmental steward by reducing emissions from its operations through the use of bi-fuel and other carbon reducing strategies. Pipestone Energy shares trade under the symbol PIPE on the TSX Venture Exchange. For more information, visit [www.pipestonecorp.com](http://www.pipestonecorp.com).

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Advisory Regarding Forward-Looking Statements

This news release contains certain information and statements ("forward-looking statements") that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future results or events, are based upon internal plans, intentions, expectations and beliefs, and are subject to risks and uncertainties that may cause actual results or events to differ materially from those indicated or suggested therein. All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are typically, but not always, identified by words such as "anticipate", "estimate", "expect", "intend", "forecast", "continue",

&ldquo;propose&rdquo;, &ldquo;may&rdquo;, &ldquo;will&rdquo;, &ldquo;should&rdquo;, &ldquo;believe&rdquo;, &ldquo;plan&rdquo;, &ldquo;target&rdquo;, &ldquo;objective&rdquo;, &ldquo;project&rdquo;, &ldquo;potential&rdquo; and similar or other expressions indicating or suggesting future results or events.

Forward-looking statements are not promises of future outcomes. There is no assurance that the results or events indicated or suggested by the forward-looking statements, or the plans, intentions, expectations or beliefs contained therein or upon which they are based, are correct or will in fact occur or be realized (or if they do, what benefits Pipestone Energy may derive therefrom).

In particular, but without limiting the foregoing, this news release contains forward-looking statements pertaining to: forecasted DCE&T well costs; production guidance; capital expenditures; expected cash flow with a revised forecast price deck; plans to bring on production from 12 new wells on 2 pads; timing to bring Pipestone Energy&rsquo;s second pad at 6-30 on-stream; drilling and completion plans on Pipestone Energy&rsquo;s 6-24 pad and plans to then suspend drilling; plans for operations in response to revised 2020 Capital Guidance; and plans to bring on production remaining wells and pads on Pipestone Energy&rsquo;s 6-24 and 6-30 pads.

Certain information in this news release is &ldquo;financial outlook&rdquo; within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure of the company&rsquo;s reasonable expectations of our anticipate results. The financial outlook is provided as of the date of this news release. Readers are cautioned that this financial outlook may not be appropriate for other purposes. With respect to the forward-looking statements contained in this news release, Pipestone Energy has assessed material factors and made assumptions regarding, among other things: future commodity prices and currency exchange rates, including consistency of future oil, natural gas liquids (NGLs) and natural gas prices with current commodity price forecasts; the ability to integrate Blackbird&rsquo;s and Pipestone Oil&rsquo;s historical businesses and operations and realize financial, operational and other synergies from the combination transaction completed on January 4, 2019; Pipestone Energy&rsquo;s continued ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the predictability of future results based on past and current experience; the predictability and consistency of the legislative and regulatory regime governing royalties, taxes, environmental matters and oil and gas operations, both provincially and federally; Pipestone Energy&rsquo;s ability to successfully market its production of oil, NGLs and natural gas; the timing and success of drilling and completion activities (and the extent to which the results thereof meet expectations); Pipestone Energy&rsquo;s future production levels and amount of future capital investment, and their consistency with Pipestone Energy&rsquo;s current development plans and budget; future capital expenditure requirements and the sufficiency thereof to achieve Pipestone Energy&rsquo;s objectives; the successful application of drilling and completion technology and processes; the applicability of new technologies for recovery and production of Pipestone Energy&rsquo;s reserves and other resources, and their ability to improve capital and operational efficiencies in the future; the recoverability of Pipestone Energy's reserves and other resources; Pipestone Energy&rsquo;s ability to economically produce oil and gas from its properties and the timing and cost to do so; the performance of both new and existing wells; future cash flows from production; future sources of funding for Pipestone Energy&rsquo;s capital program, and its ability to obtain external financing when required and on acceptable terms; future debt levels; geological and engineering estimates in respect of Pipestone Energy&rsquo;s reserves and other resources; the accuracy of geological and geophysical data and the interpretation thereof; the geography of the areas in which Pipestone Energy conducts exploration and development activities; the timely receipt of required regulatory approvals; the access, economic, regulatory and physical limitations to which Pipestone Energy may be subject from time to time; and the impact of industry competition.

The forward-looking statements contained herein reflect management's current views, but the assessments and assumptions upon which they are based may prove to be incorrect. Although Pipestone Energy believes that its underlying assessments and assumptions are reasonable based on currently available information, undue reliance should not be placed on forward-looking statements, which are inherently uncertain, depend upon the accuracy of such assessments and assumptions, and are subject to known and unknown risks, uncertainties and other factors, both general and specific, many of which are beyond Pipestone Energy&rsquo;s control, that may cause actual results or events to differ materially from those indicated or suggested in the forward-looking statements. Such risks and uncertainties include, but are not limited to, volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto; the ability to successfully integrate Blackbird&rsquo;s and Pipestone Oil&rsquo;s historical businesses and operations; general economic, business and industry conditions; variance of Pipestone Energy&rsquo;s actual capital costs, operating costs and economic returns from those anticipated; the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on

satisfactory terms; and risks related to the exploration, development and production of oil and natural gas reserves and resources. Additional risks, uncertainties and other factors are discussed in Blackbird's management information circular dated November 21, 2018, a copy of which is available electronically on Pipestone Energy's SEDAR at [www.sedar.com](http://www.sedar.com).

The forward-looking statements contained in this news release are made as of the date hereof and Pipestone Energy assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. All forward-looking statements herein are expressly qualified by this advisory.

## Oil and Gas Measures

Basis of Barrel of Oil Equivalent &ndash; Petroleum and natural gas reserves and production volumes are stated as a "barrel of oil equivalent" (boe), derived by converting natural gas to oil equivalency in the ratio of 6,000 cubic feet of gas to one barrel of oil. Readers are cautioned that boe figures may be misleading, particularly if used in isolation. A boe conversion ratio of 6,000 cubic feet of gas to one barrel of oil is based on energy equivalency, which is primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead.

CGR - References herein to "CGR" mean condensate/gas ratio and is expressed as a volume of condensate and NGLs (expressed in barrels) per million cubic feet (mmcf) of natural gas.

This news release contains certain other oil and gas metrics, including DCE&T (drilling, completion, equip and tie-in costs), which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. DCE&T includes all capital spent to drill, complete, equip and tie-in a well.

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