

ARC Resources Ltd. Reports First Quarter 2020 Financial and Operational Results

07.05.2020 | [CNW](#)

CALGARY, May 6, 2020 - (ARX - TSX) [ARC Resources Ltd.](#) ("ARC" or the "Company") hereby reports its first quarter 2020 financial and operational results. ARC's unaudited condensed interim financial statements and notes ("financial statements") and ARC's Management's Discussion and Analysis ("MD&A") as at and for the three months ended March 31, 2020 are available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

In March 2020, in response to the rapid decline in global commodity prices, ARC took decisive actions to reduce the Company's 2020 capital budget and dividend. ARC's capital budget was reduced by 40 per cent to a spending level of up to \$300 million and the dividend was reduced by 60 per cent. The disciplined manner in which ARC runs its business allows the Company to quickly respond to changing market conditions by deferring short-cycle investments to preserve balance sheet strength. ARC has the flexibility to defer additional short-cycle investments within its capital budget of up to \$300 million should commodity prices further deteriorate.

The safety of ARC's employees and contractors is of paramount importance, and with the advent of novel coronavirus COVID-19 ("COVID-19"), ARC proactively established protocols for all field operations activities in order to protect the health and safety of its employees and contractors and to ensure smooth operations. Thus far, COVID-19 has had a profound impact on commodity prices and has caused significant market uncertainty and volatility.

ARC's capital allocation priorities remain unchanged; protect the balance sheet, support the dividend, and prioritize capital investments that drive long-term value and profitability. ARC will continue to run its business in an efficient manner against this backdrop of extreme commodity price volatility, generating value as it exhibits the resilience and long-term sustainability of its strategy and assets. The prudent and disciplined approach that ARC takes both financially and operationally has set the Company up to endure this period of economic uncertainty and to remain in a position of financial strength. Based on current forward strip commodity pricing, funds from operations generated in 2020 are anticipated to be sufficient to fund the Company's dividend obligations and budgeted capital expenditures and reclamation activities, with the remaining surplus funds from operations planned to be directed at strengthening the balance sheet. ARC currently has ample liquidity, with approximately \$1.1 billion of undrawn credit facility capacity available, and has hedged approximately 70 per cent of its anticipated crude oil production and approximately 40 per cent of its anticipated natural gas production for the balance of 2020 to reduce the volatility of the Company's funds from operations.

ARC is focused on managing all aspects of the business that are within its control. The Company's diverse portfolio of assets and its suite of owned-and-operated infrastructure provide significant optionality, enabling ARC to target natural gas, liquids-rich natural gas, or crude oil production depending on prevailing commodity prices. ARC's natural gas production of approximately 700 MMcf per day currently makes up 75 per cent of total corporate production, which is being sold into a strong and improving natural gas pricing environment. ARC's low cost structure and deep inventory of projects are supported by a strong track record of execution, exemplified by the recent completion of major infrastructure projects at Dawson and Ante Creek; and the Company's longstanding focus on full-cycle profitability and delivering corporate returns are setting the stage for strong performance when the market stabilizes.

Forward strip pricing for light oil and condensate is currently below break-even economics for many producers. During this period of extreme commodity price weakness, ARC will reduce its operational output at the Company's light oil and condensate-weighted properties. Specifically, at Ante Creek, Attachie West, Dawson, Parkland/Tower, and Pembina, a total of approximately 9,000 barrels per day of crude oil and condensate production is currently shut in, representing over 30 per cent of ARC's first quarter 2020 crude oil and condensate production. ARC does not anticipate that production shut-ins will cause any reservoir damage or affect future well productivity. It is possible that there will be further voluntary production shut-ins

as well as mandated production curtailments in the coming months.

Looking ahead to the balance of 2020, ARC's key priorities are to:

- Protect the health and safety of its employees and contractors while safely executing the Company's business plans;
- Protect the balance sheet by exercising financial discipline and ensuring ample liquidity;
- Lower the Company's break-even economics and identify cost reduction opportunities across the business;
- Maximize low-cost natural gas production to capitalize on strong natural gas prices;
- Secure financial risk management opportunities and transportation arrangements to achieve optimal pricing and access to markets for ARC's production;
- Remain committed to the Company's industry-leading environmental, social, and governance ("ESG") performance, including prudently managing business risks and reducing its greenhouse gas ("GHG") emissions intensity and freshwater usage through responsible development activities; and
- Remain focused on delivering returns to shareholders through paying a meaningful dividend and investing in profitable growth when market conditions support the Company to do so.

Key takeaways from ARC's financial and operational results for the three months ended March 31, 2020 include:

Production ⁽¹⁾⁽²⁾	Delivered average daily production of 151,783 barrels of oil equivalent ("boe") per day, compared to 151,783 boe per day of natural gas, 16,997 barrels per day of crude oil, 11,262 barrels per day of condensate, and 11,262 barrels per day of NGLs. Natural gas production increased three per cent relative to the three months ended December 31, 2019 while liquids production was unchanged.
Funds from Operations ⁽³⁾	Generated funds from operations of \$160.8 million (\$0.46 per share). Reduced commodity sales and lower commodity price realizations in the period were partially offset by lower general and administrative ("G&A") expense and increased realized gains on risk management contracts.
Net Loss	Recognized a net loss of \$558.4 million (\$1.58 per share), which included an after-tax impairment charge of \$554.8 million (\$1.57 per share) to ARC's property, plant and equipment. The impairment charge was due to a decrease in forward strip commodity pricing and was recognized in ARC's Northern Alberta oil sands unit, which includes the Company's Ante Creek and Pembina light oil assets.
Capital Program	Invested \$169.8 million in capital development, including the commissioning of the Dawson Field processing and liquids-handling facility and the Ante Creek facility expansion projects. Drilled and completed 38 wells during the period. Reduced planned capital expenditures for the year to approximately \$300 million. Given strong well economics, ARC is currently drilling at its low-cost Sunrise natural gas property.
Operational Excellence	Exhibited excellent cost control with an operating expense of \$4.40 per boe. ARC plans to defer discretionary maintenance and workover activities for the foreseeable future.
Balance Sheet	Maintained a strong balance sheet amid a weak commodity price backdrop. Net debt ⁽³⁾ was \$1.7 billion at March 31, 2020 and the net debt to annualized funds from operations ratio was 1.7 times. ARC is focused on reducing its net debt balance to its targeted range of 1.0 to 1.5 times funds from operations.
Returns to Shareholders	Declared \$42.5 million (\$0.12 per share) of dividends to shareholders. Reduced dividend from \$0.12 per share per month to \$0.06 per share per quarter.

- (1) Throughout this news release, crude oil ("crude oil") refers to light, medium, and heavy crude oil product types as defined by National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). ARC's production of heavy crude oil is considered to be immaterial. Condensate is a natural gas liquid as defined by NI 51-101. Throughout this news release, natural gas liquids ("NGLs") comprise all natural gas liquids as defined by NI 51-101 other than condensate, which is disclosed separately. Crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.
- (2) ARC has adopted the standard six thousand cubic feet ("Mcf") to one barrel ("bbl") 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.
- (3) Refer to Note 9 "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.

An updated investor presentation providing further details to ARC's financial and operational results for the three months ended March 31, 2020, as well as an overview of the Company's corporate strategies, is available on ARC's website at www.arcresources.com.

ORGANIZATIONAL ANNOUNCEMENT

On April 30, 2020, Myron Stadnyk retired as President and Director of ARC. ARC would like to thank Myron for his 20 years of leadership and service as well as recognize the contributions he made to ARC's success over this period.

Effective May 7, 2020, Fred Dymont will be retiring from ARC's board of directors after 17 years of service. ARC would like to extend its gratitude to Fred for the guidance and wisdom he provided to the ARC board and management teams during this time.

ANNUAL GENERAL MEETING

ARC will be holding its annual meeting of shareholders on Thursday, May 7, 2020 at 3:00 p.m. (Calgary time), which will be a virtual-only meeting. Refer to the April 15, 2020 news release entitled, "[ARC Resources Ltd. Announces Change to Virtual Annual Meeting of Shareholders](#)" on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

FINANCIAL AND OPERATIONAL RESULTS

	Three Months Ended		
	December 31, 2019	March 31, 2020	March 31, 2019
(Cdn\$ millions, except per share amounts, boe amounts, and common shares outstanding)			
FINANCIAL RESULTS			
Net loss	(10.2)	(558.4)	(54.6)
Per share ⁽¹⁾	(0.03)	(1.58)	(0.15)
Funds from operations	172.8	160.8	186.2
Per share ⁽¹⁾	0.49	0.46	0.53
Dividends declared	53.1	42.5	53.1
Per share ⁽¹⁾	0.15	0.12	0.15
Capital expenditures, before land and net property acquisitions (dispositions)	141.7	169.8	213.7
Total capital expenditures, including land and net property acquisitions (dispositions)	140.6	169.9	213.7
Net debt outstanding	940.2	1,079.7	796.3
Common shares outstanding, weighted average diluted (millions)	353.4	353.4	353.4
Common shares outstanding, end of period (millions)	353.4	353.4	353.4
OPERATIONAL RESULTS			
Production			
Crude oil (bbl/day)	17,083	16,997	18,251
Condensate (bbl/day)	10,937	11,262	8,210
Crude oil and condensate (bbl/day)	28,020	28,259	26,461
Natural gas (MMcf/day)	669.0	692.2	632.5
NGLs (bbl/day)	8,123	8,152	7,183
Total (boe/day)	147,650	151,783	139,054
Average realized prices, prior to gain or loss on risk management contracts			
Crude oil (\$/bbl)	65.11	49.69	63.72
Condensate (\$/bbl)	68.08	57.52	64.81
Natural gas (\$/Mcf)	2.36	2.05	2.79
NGLs (\$/bbl)	11.69	6.36	25.43
Oil equivalent (\$/boe)			

Netback (\$/boe) ⁽²⁾

Commodity sales from production	23.93	19.52	26.20
Royalties	(1.48)	(1.11)	(1.52)
Operating expense	(4.59)	(4.40)	(5.24)
Transportation expense	(2.86)	(2.85)	(2.96)
Netback	15.00	11.16	16.48
Realized gain on risk management contracts	0.49	1.24	1.62
Netback including realized gain on risk management contracts	15.49	12.40	18.10

TRADING STATISTICS ⁽³⁾

High price	8.26	8.39	10.49
Low price	5.40	2.42	7.82
Close price	8.18	4.05	9.12
Average daily volume (thousands of shares)	2,583	3,207	2,291

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

(2) Non-GAAP measure that does not have any standardized meaning under International Financial Reporting Standards 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.

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

COMMODITY PRICE ENVIRONMENT

Crude Oil and Condensate

Global crude oil markets faced significant downward pressure during the three months ended March 31, 2020. Benchmark pricing weakened in the face of demand and supply-side pressures, including the price war between the Organization of Petroleum Exporting Countries ("OPEC") and certain other countries. Exacerbated by an uncertain COVID-19 backdrop, North American producers responded by reducing their capital programs for 2020, while OPEC and non-OPEC members agreed to cut crude oil production by nearly 10 million barrels per day.

Despite this planned reduction in supply, near-term pricing risk and volatility remain elevated. Benchmark commodity prices have deteriorated considerably subsequent to period end, with storage levels nearing capacity and an overall lack of demand driving ongoing weakness. With forward strip pricing for light oil and condensate currently below break-even economics, and location differentials expected to remain volatile, voluntary production shut-ins are taking place across North America, and involuntary production curtailments may be mandated over the coming months. ARC has identified a number of light oil and condensate-weighted properties where it can reduce volumes, while the Company's risk management program is serving to protect ARC's corporate cash flows.

Natural Gas

US natural gas benchmark prices experienced weakness during the three months ended March 31, 2020 relative to the three months ended December 31, 2019, driven by elevated storage levels and reduced residential and commercial demand resulting from relatively warm winter weather. Locally, western Canadian natural gas prices decreased slightly from the prior period; however, intra-provincial demand due to cold weather at the beginning of the period caused storage levels to decrease. With the relative strengthening of western Canadian natural gas prices, the AECO basis differential to NYMEX Henry Hub has narrowed significantly.

The near-term outlook for natural gas has structurally improved with reduced capital activity in North America and the potential for material crude oil production shut-ins expected to reduce associated natural gas production. During this period of relative pricing strength, ARC is focused on maximizing its low-cost Montney natural gas production.

FINANCIAL REVIEW

Balance Sheet, Liquidity, and Capital Allocation

Protecting the balance sheet is one of ARC's top priorities. ARC maintains financial flexibility through its strong balance sheet, targeting net debt to be between 1.0 and 1.5 times funds from operations over the long term; however, during periods of significant commodity price weakness, ARC expects that the ratio will trend above this range. At March 31, 2020, ARC had \$1,079.7 million of net debt outstanding and its net debt to annualized funds from operations ratio was 1.7 times. The Company is in compliance with all of its debt covenants.

ARC currently has \$1.1 billion of undrawn credit facility capacity available, and has structured its long-term debt to mature over a number of years. Repayment of long-term debt maturities due in 2020, totaling US\$109.0 million of US dollar-denominated debt and \$8.0 million of Canadian dollar-denominated debt, are planned to come from existing committed credit facilities. ARC's ample financial liquidity will support the Company in sustaining its operations through a prolonged period of commodity price weakness, and will allow the Company to remain in a position of financial strength during this period of economic uncertainty.

ARC is focused on reducing its net debt to annualized funds from operations ratio to the targeted range of 1.0 to 1.5 times. With funds from operations generated in 2020 expected to be in excess of ARC's dividend obligations of approximately \$106 million and ARC's capital program of up to \$300 million, the remaining funds from operations will be directed at strengthening the balance sheet.

Dividends

The dividend is an important component of ARC's total return proposition. ARC continually assesses dividend levels in light of prevailing commodity pricing and economic conditions, capital expenditure programs, and production volumes to ensure that the dividend is sustainable and in line with ARC's long-term strategy. During the first quarter of 2020, in response to the rapid decline in commodity prices, ARC reduced its dividend from a monthly dividend of \$0.05 per share to a quarterly dividend of \$0.06 per share. ARC's annual dividend obligation of approximately \$85 million is sustainable based on prevailing forward strip commodity pricing.

Net Loss

ARC recognized a net loss of \$558.4 million (\$1.58 per share) during the three months ended March 31, 2020 compared to a net loss of \$10.2 million (\$0.03 per share) during the three months ended December 31, 2019 and a net loss of \$54.6 million (\$0.15 per share) during the three months ended March 31, 2019. An impairment charge of \$740.0 million (\$554.8 million net of deferred tax recovery) recognized on ARC's property, plant and equipment, resulting from the decrease in forward strip commodity pricing for crude oil and natural gas, was the most significant contributor to the net loss in the period. The impairment was recognized in ARC's Northern Alberta cash-generating unit, which includes the Company's Ante Creek and Pembina light oil assets.

Further contributing to ARC's first quarter 2020 net loss relative to both comparative periods, ARC recognized an increased loss on foreign exchange related to the revaluation of the Company's US dollar-denominated debt and recognized lower commodity sales from production due to lower price realizations. Partially offsetting these items were an increased income tax recovery and an increased unrealized gain on ARC's risk management contracts.

Funds from Operations

ARC generated funds from operations of \$160.8 million (\$0.46 per share) during the three months ended March 31, 2020, a decrease of \$12.0 million (\$0.03 per share) compared to funds from operations generated during the three months ended December 31, 2019. The most significant driver in lower funds from operations in the period was reduced commodity sales due to lower commodity price realizations. This was partially offset by reduced 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 first quarter of 2020, increased realized gains on risk management contracts and foreign exchange, and lower royalties.

Funds from operations generated during the three months ended March 31, 2020 represented a decrease of \$25.4 million (\$0.07 per share) relative to funds from operations generated during the three months ended March 31, 2019. Reduced commodity sales due to lower commodity price realizations, despite increased production year-over-year, was the largest driver in lower funds from operations. An increased realized foreign exchange gain, reduced current tax expense, and lower G&A expense served to partially offset the impact from lower commodity price realizations.

Table 1 details the change in funds from operations for the three months ended March 31, 2020 relative to the three months ended December 31, 2019 and the three months ended March, 31, 2019.

Table 1

Funds from Operations Reconciliation	Q4 2019 to Q1 2020		Q1 2019 to Q1 2020	
	\$ millions	\$/share ⁽¹⁾	\$ millions	\$/share ⁽¹⁾
Funds from operations for the three months ended December 31, 2019	172.8	0.49		
Funds from operations for the three months ended March 31, 2019			186.2	0.53
Volume variance				
Crude oil and liquids	(0.6)	—	14.7	0.04
Natural gas	3.1	0.01	16.9	0.05
Price variance				
Crude oil and liquids	(38.6)	(0.10)	(43.3)	(0.11)
Natural gas	(19.5)	(0.06)	(46.6)	(0.13)
Sales of commodities purchased from third parties	1.4	—	(6.3)	(0.02)
Interest income	—	—	(2.0)	(0.01)
Other income	(0.5)	—	(0.4)	—
Realized gain (loss) on risk management contracts	10.5	0.03	(3.2)	(0.01)
Royalties	5.0	0.01	3.8	0.01
Expenses				
Commodities purchased from third parties	(0.5)	—	8.3	0.02
Operating	1.5	—	4.8	0.01
Transportation	(0.6)	—	(2.4)	(0.01)
G&A	16.7	0.05	8.0	0.02
Interest and financing ⁽²⁾	(0.5)	—	—	—
Current tax	1.1	—	9.6	0.03
Realized gain (loss) on foreign exchange	9.5	0.03	13.0	0.04
Other non-cash items	—	—	(0.3)	—
Funds from operations for the three months ended March 31, 2020	160.8	0.46	160.8	0.46

(1) Per share amounts are based on weighted average diluted common shares.

(2) Excludes accretion of asset retirement obligation.

Physical Marketing and Financial Risk Management

ARC's diverse portfolio of assets and its suite of owned-and-operated infrastructure provide significant commodity-exposure optionality. Depending on prevailing commodity pricing, ARC is able to selectively

target natural gas, liquids-rich natural gas, or crude oil production, and can optimize the liquids recoveries at its processing facilities. During the three months ended March 31, 2020, to capture the relative strength in natural gas pricing, ARC focused on increasing natural gas recoveries through optimization of its facilities and through increased drier natural gas production in northeast British Columbia.

In managing its natural gas price risk exposure, ARC's physical diversification and financial risk management activities have enhanced corporate natural gas price realizations and contributed to funds from operations. During the three months ended March 31, 2020, AECO natural gas prices continued to experience strength relative to other North American markets, which resulted in ARC realizing a loss of \$0.08 per Mcf on its diversification activities. Financial risk management activities for natural gas realized \$0.09 per Mcf. Summarized in Table 2 are the 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 months ended March 31, 2020 relative to the three months ended December 31, 2019 and the three months ended March 31, 2019.

Table 2

	Three Months Ended			Three Months Ended		
Realized Natural Gas Price						
Including Realized Gain on						
Risk Management Contracts	March 31, 2020	December 31, 2019	% Change	March 31, 2020	March 31, 2019	% Change
(\$/Mcf)						
Average price before diversification activities	2.13	2.45	(13)	2.13	2.22	(4)
Diversification activities	(0.08)	(0.09)	(11)	(0.08)	0.57	(114)
Realized gain on risk management contracts ⁽¹⁾	0.09	0.18	(50)	0.09	0.36	(75)
Realized natural gas price including realized gain on risk management contracts	2.14	2.54	(16)	2.14	3.15	(32)

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

A significant portion of ARC's liquids production comprises conventional light oil and condensate, which realized average pricing of \$49.69 per barrel and \$57.52 per barrel, respectively, for the three months ended March 31, 2020.

ARC's risk management program protected the Company's funds from operations during the three months ended March 31, 2020, recording a realized gain of \$17.1 million. For the balance of 2020, approximately 70 per cent of ARC's anticipated crude oil production is hedged and approximately 40 per cent of ARC's anticipated natural gas production is hedged. ARC continuously monitors commodity prices and executes on its risk management program to reduce the volatility of its funds from operations and to support its dividend and capital programs. ARC will continue to take positions in natural gas, crude oil, and foreign exchange rates, as appropriate, to provide greater certainty over future cash flows. 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 May 6, 2020, refer to ARC's website at www.arcresources.com.

Netback

Table 3 details the components of ARC's netback for the three months ended March 31, 2020 relative to the three months ended December 31, 2019 and the three months ended March 31, 2019.

Table 3

Netback (\$/boe)	Three Months Ended			Three Months Ended		
	March 31, December 31, % Change			March 31, March 31, % Change		
	2020	2019		2020	2019	
Commodity sales from production	19.52	23.93	(18)	19.52	26.20	(25)
Royalties	(1.11)	(1.48)	(25)	(1.11)	(1.52)	(27)
Operating expense	(4.40)	(4.59)	(4)	(4.40)	(5.24)	(16)
Transportation expense	(2.85)	(2.86)	—	(2.85)	(2.96)	(4)
Netback	11.16	15.00	(26)	11.16	16.48	(32)
Realized gain on risk management contracts	1.24	0.49	153	1.24	1.62	(23)
Netback including realized gain on risk management contracts	12.40	15.49	(20)	12.40	18.10	(31)

For the three months ended March 31, 2020 relative to the three months ended December 31, 2019, ARC's:

- Netback decreased primarily due to lower realized commodity prices, partially offset by an increased realized gain on risk management contracts.
- Royalties decreased as a result of lower royalty rates associated with lower realized commodity prices.
- Operating expense decreased as a result of lower labour costs associated with the revaluation of obligations under ARC's share-based compensation plans and the deferral of discretionary maintenance and workover activities.

For the three months ended March 31, 2020 relative to the three months ended March 31, 2019, ARC's:

- Netback decreased primarily due to lower realized commodity prices, which was partially offset by a year-over-year decrease in ARC's royalties and operating and transportation expense.
- Royalties decreased due to lower average royalty rates in conjunction with lower realized commodity prices, in combination with a year-over-year increase in condensate and natural gas production, which have generally been subject to lower relative royalty rates compared to crude oil production.
- Operating and transportation expense decreased as ARC brought on additional natural gas production at Sunrise throughout 2019, which has lower relative costs to operate and transport.

OPERATIONAL REVIEW

ARC's position in the Montney resource play is made up of approximately 1,000 net sections of land (approximately 636,000 net acres), with production from these assets representing greater than 90 per cent of total corporate production. Nearly all of ARC's production is processed through owned-and-operated infrastructure; this affords ARC greater control over its cost structure and liquids recoveries, supports strong safety and environmental performance, and gives ARC the ability to manage a flexible pace of development.

ARC's diverse portfolio of assets provides significant commodity-exposure optionality. Depending on prevailing commodity pricing, ARC is able to selectively target natural gas, liquids-rich natural gas, or crude oil production by focusing development in the areas that generate the strongest half-cycle economics.

ARC is a leader in ESG and sustainability practices. The safety of ARC's employees and contractors is of paramount importance, and with the advent of COVID-19, ARC proactively established protocols for all field operations activities in order to protect the safety of its employees and contractors and to ensure smooth operations. Further, ARC is committed to continue reducing its GHG emissions intensity and freshwater usage through responsible development activities. ARC set a target to reduce its GHG emissions intensity by 25 per cent by 2021, relative to 2017 levels, and expects to significantly exceed this target ahead of schedule. Further details surrounding ARC's ESG performance will be provided in the Company's upcoming ESG Report, which will be published during the third quarter of 2020.

Capital Expenditures

ARC invested \$169.8 million during the three months ended March 31, 2020, which included completing construction and commissioning activities for both the Dawson Phase IV gas processing and liquids-handing facility and the Ante Creek facility expansion. Project execution at Dawson and Ante Creek was excellent, with both projects completed on time, on budget, and with exceptional safety records. Start-up of the facilities commenced at the beginning of the second quarter of 2020. ARC drilled 21 wells and completed 38 wells during the three months ended March 31, 2020.

ARC's 2020 capital program of up to \$300 million is expected to be largely completed during the first half of 2020, with the most significant amount of the remaining capital being deployed to ARC's low-cost Sunrise dry gas property, which currently produces the most economic wells in the Company's portfolio. Despite short-cycle investment deferrals, well performance across the Company's Montney asset base continues to deliver strong results, including excellent well deliverability observed from recent development activities at Dawson and Ante Creek.

Capital investment for the Parkland 3-9 facility sour conversion has been deferred due to the temporary cessation of drilling and completions activities in the area. ARC plans to resume the project when drilling and completions activities at Parkland/Tower recommence.

Table 4 details capital expenditures and the number of wells drilled and completed in each of ARC's core operating areas for the three months ended March 31, 2020.

Table 4

Three Months Ended March 31, 2020

Capital Activity by Area	Plant and Facilities (\$ millions)	Drilling and Completions and Other ⁽¹⁾ (\$millions)	Capital Expenditures ⁽²⁾ (\$ millions)	Wells Drilled ⁽³⁾	Wells Completed ⁽³⁾
Dawson	23.3	32.7	56.0	4	16
Sunrise	0.1	5.8	5.9	2	—
Parkland/Tower	1.8	28.6	30.4	8	—
Ante Creek	16.6	29.2	45.8	7	16
Attachie West	1.1	26.6	27.7	—	6
Pembina	1.1	0.7	1.8	—	—
All other ⁽⁴⁾	0.5	1.7	2.2	—	—
Total	44.5	125.3	169.8	21	38

(1) Other capital expenditures comprise expenditures for geological and geophysical, maintenance and optimization, and corporate assets.

(2) Land expenditures and net property acquisitions and dispositions are not included.

(3) Wells drilled and completed for ARC's operated properties only.

(4) All other comprises spending and activity for ARC's non-core properties as well as corporate assets.

Production

ARC's production for the three months ended March 31, 2020 averaged 151,783 boe per day, comprising 692 MMcf per day of natural gas, 16,997 barrels per day of crude oil, 11,262 barrels per day of condensate, and 8,152 barrels per day of NGLs. Average daily production for the three months ended March 31, 2020 was three per cent higher than average daily production for the three months ended December 31, 2019, and was driven primarily by increased natural gas production at Dawson and Sunrise.

Table 5 details production from ARC's core operating areas for the three months ended March 31, 2020 relative to the three months ended December 31, 2019.

Table 5

Production by Area ⁽¹⁾	Three Months Ended					Total (boe/day)
	March 31, 2020				December 31, 2019	
	Crude Oil (bbl/day)	Condensate (bbl/day)	Natural Gas (MMcf/day)	NGLs (bbl/day)	Total (boe/day)	
Dawson	4,949		237.8	2,341	46,926	43,014
Sunrise	3		255.3	25	42,571	39,324
Parkland/Tower	2,843	3,530	126.1	4,024	31,410	33,464
Ante Creek	6,195	383	43.4	1,226	15,038	15,199
Attachie West	2,099		8.1	74	3,523	4,022
Pembina	7,950	157	12.0	424	10,538	10,773
All other ⁽²⁾	9	141	9.5	38	1,777	1,854
Total	16,997	11,262	692.2	8,152	151,783	147,650

(1) Includes both operated and non-operated properties.

(2) All other comprises production for ARC's non-core properties.

Production during the three months ended March 31, 2020 increased at Dawson due to new wells being brought on-stream, while production increased at Sunrise as ARC maximized throughput at its low-cost Sunrise Phase I and II facilities to capitalize on strong natural gas prices.

Partially offsetting production increases at Dawson and Sunrise were slight production decreases at Parkland/Tower and Attachie West due to planned shut-ins to accommodate offset completions operations. At Attachie West, a solution has been put in place to address the minimal amounts of sour gas that was being observed in the most recent wells brought on-stream.

Average daily production for the three months ended March 31, 2020 was nine per cent higher than average daily production for the three months ended March 31, 2019, with the increase largely driven by increased natural gas production at the Sunrise Phase II facility.

OUTLOOK

Ongoing weakness in commodity prices resulting from COVID-19 impacts on demand and from the oversupply of crude oil is expected to adversely impact ARC's future financial and operational results. With market conditions changing rapidly, there continues to be significant uncertainty and unpredictability around the potential impacts this could have on ARC's operations and results, which could be material. Given ongoing uncertainty, continued market volatility, and the potential for both voluntary and involuntary production curtailments over the coming months, there is considerable uncertainty embedded into ARC's 2020 guidance items. ARC will continuously monitor its 2020 guidance items and provide updates as deemed appropriate.

ARC's 2020 planned capital investments totaling up to \$300 million focus on balance sheet strength and investing in profitable projects through capital discipline and efficient execution. Funds from operations generated in 2020 are anticipated to be sufficient to fund both the Company's dividend payments and capital

program. ARC's capital program is expected to be largely completed during the first half of 2020. Notably, ARC completed construction and commissioning of the Dawson Phase IV facility and the Ante Creek facility expansion projects in the first quarter of 2020.

During this period of extreme commodity price weakness, ARC will reduce its operational output at the Company's light oil and condensate-weighted properties. Specifically, at Ante Creek, Attachie West, Dawson, Parkland/Tower, and Pembina, a total of approximately 9,000 barrels per day of crude oil and condensate production is currently shut in, representing over 30 per cent of ARC's first quarter 2020 crude oil and condensate production. ARC does not anticipate that production shut-ins will cause any reservoir damage or affect future well productivity. It is possible that there will be further voluntary production shut-ins as well as mandated production curtailments in the coming months. To reduce the volatility in ARC's funds from operations, approximately 70 per cent of ARC's anticipated crude oil production is hedged and approximately 40 per cent of ARC's anticipated natural gas production is hedged for the balance of 2020.

Refer to the March 13, 2020 news release entitled, "[ARC Resources Ltd. Announces Reduced Capital Program of up to \\$300 Million for 2020 and Reduces Its Monthly Dividend to \\$0.02 per Share](#)" and the November 7, 2019 news release entitled, "[ARC Resources Ltd. Reports Third Quarter 2019 Financial and Operational Results and Announces \\$500 Million Capital Program for 2020](#)" available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

ARC's full-year 2020 guidance estimates and a review of 2020 year-to-date actual results are outlined in Table 6.

Table 6

	2020 Original Guidance	2020 Revised Guidance	2020 YTD Actuals	% Variance from Guidance
Production				
Crude oil (bbl/day)	15,000 - 17,000	14,000 - 16,000	16,997	6
Condensate (bbl/day)	12,000 - 14,000	11,000 - 13,000	11,262	—
Crude oil and condensate (bbl/day)	27,000 - 31,000	25,000 - 29,000	28,259	—
Natural gas (MMcf/day) ⁽¹⁾	715 - 725	705 - 710	692.2	(2)
NGLs (bbl/day)	8,500 - 9,000	8,000 - 8,500	8,152	—
Total (boe/day) ⁽¹⁾	155,000 - 161,000	150,000 - 155,000	151,783	—
Expenses (\$/boe)				
Operating	4.55 - 4.95	4.55 - 4.95	4.40	(3)
Transportation	3.10 - 3.30	3.10 - 3.30	2.85	(8)
G&A expense before share-based compensation expense				
	1.00 - 1.20	1.00 - 1.20	1.22	2
G&A - share-based compensation expense ⁽²⁾	0.30 - 0.45	0.30 - 0.45	(0.11)	(137)
Interest and financing ⁽³⁾	0.65 - 0.80	0.65 - 0.80	0.77	—
Current income tax expense (recovery) as a per cent of funds from operations ⁽⁴⁾				
	(2) - 3	(2) - 3	(2)	—
Capital expenditures before land and net property acquisitions (dispositions)				
(\$ millions)	500	300	169.8	N/A

(1) Does not incorporate the potential impact that third-party transportation restrictions may have on ARC's natural gas production.

(2) 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.

(3) Excludes accretion of asset retirement obligation.

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

ARC's 2020 guidance is based on full-year 2020 estimates; certain variances exist between 2020 year-to-date actual results.

- Crude oil production exceeds the guidance range due to strong results from development at Ante Creek.

- Natural gas production is below the guidance range; however, it is expected to increase through the remainder of the year as production increases at the Dawson Phase IV facility, which was brought on-stream in the second quarter of 2020.
- Operating expense is below the guidance range due to the deferral of discretionary maintenance and workover activities.
- Transportation expense is below the guidance range; however, it is expected to trend towards guidance as the year progresses with additional transportation required for production from the Dawson Phase IV facility.
- G&A expense is below the guidance range due to a decrease in the fair value of ARC's share-based compensation plans as a result of the depreciation of ARC's common share price during the first quarter of 2020.

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 under "Commodity Price Environment" relating to future production curtailments and the outlook for natural gas; under "Financial Review" relating to target net debt and its ratio of net debt to funds from operations, expected access to liquidity and its sufficiency to fund ARC's cash requirements, uses of cash, and the sustainability of ARC's dividend; under "Operational Review" relating to the annual budget and the completion of capital expenditures in 2020; and under "Outlook" relating to the impacts of the COVID-19 pandemic on ARC's future financial and operational results, the reliability of guidance for 2020, Management's focus for the balance of 2020, reductions to production, guidance estimates related to production and expenses for the balance of 2020, and other statements.

The forward-looking information and statements contained in this news release reflect several material factors, expectations, and assumptions of ARC, including, without limitation: changing global economic conditions; public health crises, such as the COVID-19 pandemic, and any related actions taken by businesses and governments; the production performance of ARC's oil and natural gas assets; the cost and competition for services throughout the oil and gas industry in 2020 and beyond; the results of exploration and development activities during 2020; the retention of ARC's key properties; the continuance of existing tax, royalty, and regulatory regimes; the accuracy of the estimates of ARC's reserve volumes; certain commodity price and other cost assumptions; the continued availability of adequate debt and equity financing and funds from operations to fund planned expenditures and other material risks disclosed in ARC's most recently filed MD&A and Annual Information Form ("AIF"). 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 volumes; limited, unfavourable, or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; the potential for variation in the quality of the Montney formation; unanticipated results from ARC's exploration and development activities; and other risks detailed from time-to-time in ARC's most recently filed MD&A and AIF.

The internal projections, expectations, or beliefs underlying the 2020 capital budget and outlook for 2020 and beyond are subject to change in light of the impact of the COVID-19 pandemic, and any related actions taken by businesses and governments, ongoing results, prevailing economic circumstances, commodity prices, and industry conditions and regulations. ARC's financial outlook for 2020 and beyond provides

shareholders with relevant information on Management's expectations for results of operations, excluding any potential acquisitions or dispositions, for such time periods. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted and ARC's 2020 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 \$3.1 billion. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

[ARC Resources Ltd.](#)

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