

Journey Energy Inc. Reports First Quarter 2020 Results

20.05.2020 | [CNW](#)

CALGARY, May 19, 2020 - [Journey Energy Inc.](#) (JOY – TSX; JRNGF - OTCQX) ("Journey" or the "Company") announces its financial results for the first quarter of 2020. The complete set of financial statements and management discussion and analysis for the periods ended March 31, 2020 and 2019 are posted on [www.sedar.com](#) and on the Company's website [www.journeyenergy.ca](#).

Highlights for the first quarter are as follows:

- Achieved production of 9,325 boe/d in the first quarter. Liquids (oil and natural gas liquids) accounted for 4,521 Boe/d or 49% of total production during the quarter. Despite a challenging environment in 2019, Journey maintained production and net debt levels year over the year, while restructuring our term debt and advancing our world class Duvernay resource play. This is a testament to the predictability and stable nature of our asset base.
- Applied for continuation on 2020 expiring crown leases under the new provisions laid out by the provincial Government that allows for an additional year of lease tenure. In the Duvernay play in particular, the tenure extension will provide substantial benefits to Journey allowing the Company to preserve future development opportunity.
- Continued to advance the 4.5 megawatt power project in the Countess area with a projected start-up date of July 2020.
- Moved quickly to restrict capital and cut costs in response to the challenges presented by the global demand destruction for crude oil due to the COVID-19 pandemic response. Journey continues to reach out to all of stakeholders for help and support during this unprecedented time. We thank all of those who are willing to work through this crisis alongside us by making near term accommodations to help insure all of us have a bright future.

Note:

The financial results reported in the first quarter have been negatively impacted by one-time charges related to a natural gas marketing arrangement. The net impact of this arrangement was to reduce the recorded revenue in the first quarter by \$1.8 million from that which would have been realized by selling our natural gas under AECO spot pricing. Further to this, the revenues received for all of Journey's marketed natural gas (contracted or otherwise) for the period from February 1- March 31 was withheld by the purchaser, resulting in a charge of \$1.9 million to general and administrative expenditures. The cumulative impact of these events was to reduce the reported Funds Flow from \$3.6 million (absent this contractual arrangement) to the (\$0.2) million as reported. Effective April 1 Journey entered new natural gas marketing arrangements with a new purchaser and moving forward, anticipates receiving AECO based pricing. Given Journey's gas weighting this will help to mitigate the losses incurred from the unprecedented drop in worldwide oil demand and pricing associated with the COVID-19 pandemic.

	Three months ended		
	March 31,		
Financial (\$000's except per share amounts)	2020	2019	%
			change
Production revenue	18,336	28,498	(36)
Funds flow	(205)	7,722	(103)

Per basic share	(0.01)	0.20	(105)
Per diluted share	(0.01)	0.19	(105)
Net loss	(65,441)	(4,087)	1,501
Per basic share	(1.52)	(0.10)	1,419
Per diluted share	(1.52)	(0.10)	1,419
Capital expenditures, net	3,276	960	241
Net debt	128,435	127,769	1

Share Capital (000's)

Basic, weighted average	43,087	39,226	10
Basic, end of period	43,087	39,232	10
Fully diluted	48,174	43,590	11

Daily Production

Natural gas volumes (mcf/d)	28,822	29,339	(2)
Crude oil (bbl/d)	3,808	3,886	(2)
Natural gas liquids (bbl/d)	713	553	29
Corporate (Boe/d)	9,325	9,330	-

Realized Prices (excluding hedging)

Natural gas (\$/mcf)	1.23	2.49	(51)
Crude Oil (\$/bbl)	40.03	57.90	(31)
Natural gas liquids (\$/bbl)	19.00	33.31	(43)
Corporate (\$/BOE)	21.61	33.94	(36)

Netbacks (\$/BOE)

Realized prices (excl. hedging)	21.61	33.94	(36)
Royalty expense	(3.18)	(3.89)	(18)
Operating expense	(13.86)	(14.09)	(2)

OPERATIONS

Transportation expense	(0.53)	(0.49)	8
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Operating netback 4.04 15.47 (74)

Journey achieved production of 9,325 boe/d (49% liquids) in the first quarter of 2020, essentially unchanged from 9,330 boe/d (48% liquids) recorded in the first quarter of 2019. Journey's primary focus over the past year has been to maintain its oil production while improving financial flexibility, and allowing third party capital to de-risk its world class Duvernay acreage. Despite a challenging environment, Journey was successful in maintaining liquids production while maintaining current leverage.

Hedging gains (losses) 2.73 (0.33) (927)

Operating netback incl. hedging 6.77 15.14 (55)

The Duvernay drilling program has advanced to the point where Journey now has significant production history on the three wells drilled by its joint venture partner, Kiwetinohk Resources Corporation ("KRC"). These wells rank in the top tier of all wells drilled to date in the East shale Duvernay basin. The success to date in this play highlights the significant development potential of the Duvernay land block. In early April, with oil prices collapsing, KRC made the prudent decision to shut in all four producing wells. In this play in particular, the recent announcement by the Alberta government, regarding the extension of 2020 expiring mineral leases for an additional year, will provide substantial benefits to Journey allowing us to preserve the future opportunity value of this world class resource even though the wells are currently shut in due to low prices.

The joint venture currently controls approximately 112 gross sections where Journey has a working interest of 37.5% (42 net sections). KRC has the ability to earn 62.5% in an additional 30 gross sections of land through the drilling and completion of three additional wells prior to the expiry of the option phase in late August of 2020. Should KRC not complete all earning, Journey will retain its 100% interest in these 30 sections plus an additional 6 gross sections resulting in Journey controlling 78 net sections or approximately 54% of the total acreage within the total Duvernay land block.

In mid-March of this year, with the onset of the COVID-19 pandemic and systematic shutdowns of global economies, the world oil price experienced a substantial decline. WTI oil prices have recently declined below USD \$20/bbl making several of Journey's properties uneconomic to operate at these levels. Consequently, Journey took the prudent and immediate action to shut-in approximately 1,500 boe/d (73% oil and NGL) of its production effective the first week of April. Journey has continued to maintain production in properties with a high natural gas weighting. Recent changes to our marketing arrangements for natural gas (described above) will benefit the company in the coming months as increases in realized pricing for natural gas will help mitigate the drop in liquids (oil and natural gas liquids) prices.

Journey continues to evaluate all of its oil properties as candidates for shut-in. If the recent positive momentum in oil pricing and narrow differential levels continue into the coming months, Journey anticipates bringing the majority of this production back on in July. However, due to the continued volatility, Journey will not be providing further guidance at this time.

Capital expenditures have been reduced to maintenance capital where deemed necessary as well as the completion of its power generation project. As a result, the Company anticipates spending approximately \$4 million for the first half of 2020 of which \$3.2 million was spent in the first quarter. The power project is still slated to begin operation in the third quarter of this year. Journey continues to work with purchasers on certain non-core asset dispositions. The dispositions are not expected to generate material proceeds for the Company. However, they will allow Journey to shed certain higher operating costs assets, with an immaterial impact on production volumes.

Journey has a development ready drilling program in Skiff, Cherhill and Crystal. The horizontal development program in south Skiff follows up the three wells drilled there in 2018. During the third quarter of 2019, the central well of the three well pattern was converted to a water injection well, and the offsetting producers have now begun to respond favorably to the injection. Due to the high level of volatility experienced with commodity prices, Journey will continue to monitor broader market forces and adjust its capital plans on an ongoing basis. Journey's low decline and predictable asset base will help the company maintain our business as we navigate through these difficult days.

FINANCIAL

The first quarter of 2020 was challenging in many respects. Oil and natural gas prices started off the year relatively strong as WTI prices were in the mid-\$57/bbl USD range in January. By the end of the quarter they had plummeted to less the \$20/bbl US range as the impact of the COVID-19 pandemic set in. Natural gas prices were relatively stable over the quarter with AECO averaging \$2.03/mcf during the quarter, but these prices were moderated by a warmer than usual winter.

Corporately, realized average commodity prices were 36% lower during the first quarter of 2020 as compared to 2019. Natural gas prices decreased by 51%, while oil and natural gas liquids decreased by 31% and 43% respectively. Journey's production mix was similar for both quarters with natural gas volumes

accounting for 51% of total volumes for 2020 and 52% for 2019. Liquids (oil and NGL) volumes were 49% and 48% respectively. On the revenue side, liquids comprised 83% of total revenues for Journey in 2020 while in 2019 they were 77%. Journey's strong hedging position yielded a realized gain of \$2.3 million and a mark-to-market gain of \$9.7 million during the first quarter. The rapidly declining oil prices by the end of March caused all of the oil hedges to go well into the money. Aggregate field operating expenses (royalties, operating expenses, and transportation expenses) were 5% lower at \$17.57/boe in the first quarter of 2020 as compared to \$18.47/boe in the first quarter of 2019. First quarter operating costs were materially impacted by extremely high realized prices for electricity in January.

Finance expense related to borrowings increased by 5% to \$2.5 million from \$2.4 million due mainly to increased borrowing rates. Attributable to the material decrease in forward looking commodity prices, Journey took a \$60.9 million impairment on its property, plant and equipment assets during the quarter. This was the largest single contributor to Journey's net loss of \$65.4 million during the quarter.

As previously mentioned, the financial results reported in the first quarter have been negatively impacted by one-time charges related to a natural gas marketing arrangement. Included in general and administrative expense is a \$1.9 million charge related to a bad debt provision stemming from this dispute with Journey's then natural gas purchaser. Journey replaced this purchaser effective April 1.

The Company spent \$3.3 million in its capital program during the first quarter with most of the spending primarily directed to Journey's power generation project. No wells were drilled in the quarter. Journey exited the first quarter with net debt of \$128.4 million which was 3% higher than at December 31, 2019.

OUTLOOK

In response to the rapid onset of the financial impact stemming from the pandemic, Journey has shut in higher operating cost production and has also implemented a number of cost-cutting measures in both the field and in its head office. Most notably, fourteen employees (three in the field and eleven in the head office) and nine field consultants have been temporarily laid off. In addition, all remaining employees' compensation has been reduced by approximately 10%, which is in addition to the previous compensation reductions achieved through the implementation of four-day work week in 2019. All non-essential services were curtailed while preserving the safe operation of our wells and facilities. All remaining employees in the head office have undertaken a work-at-home program to help protect themselves and the community from the pandemic. Capital spending has been restricted to the completion of the power generation project, which is slated to begin operations during the third quarter. Journey has also reached out to many of its other stakeholders with the hope of continuing to find win-win solutions while working together and towards a brighter future. We would like to thank those stakeholders who have chosen the path to work with us. Journey, and its service providers have applied for over \$5 million in projects under the recently announced government subsidized abandonment and reclamation program and are currently awaiting the results of those applications. Although Journey has refrained from providing guidance at this time Journey feels that the company can maintain current leverage levels as long as prices remain at or near current strip forecasts.

On behalf of Journey's management team and directors we would like to thank our shareholders for their continued support through this challenging time. We would like to thank all of our stakeholders who are helping the company bridge between today and a better day tomorrow.

Annual General Meeting

Journey's annual general meeting (the "Meeting") is scheduled for 3:00 pm (Calgary time) on August 12, 2020. In response to the COVID-19 pandemic, Journey is discouraging physical attendance at the Meeting and has decided to offer shareholders an opportunity to listen to the business to be conducted at the Meeting by teleconference. Shareholders not attending in person must vote on the matters not less than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) before the time of the Meeting. Further instructions on how to listen to the Meeting and how to vote in advance of the Meeting will be found in Journey's management information circular that will be posted on the Company's website and on SEDAR in due course. In line with Journey's commitment to safety, in-person attendance by directors and senior management of Journey will be limited and will be subject to the orders, limitations, advice and guidance of the federal and provincial health ministries and other governmental authorities. Accordingly, Journey expects to only have a minimum number of in-person attendees present to conduct the

formal business of the Meeting and does not intend to provide a corporate presentation after the Meeting.

About the Company

Journey is a Canadian exploration and production company focused on conventional, oil-weighted operations in western Canada. Journey's strategy is to grow its production base by drilling on its existing core lands, implementing water flood projects, executing on accretive acquisitions. Journey seeks to optimize its legacy oil pools on existing lands through the application of best practices in horizontal drilling and, where feasible, with water floods.

ADVISORIES

This press release contains forward-looking statements and forward-looking information (collectively "forward looking information") within the meaning of applicable securities laws relating to the Company's plans and other aspects of our anticipated future operations, management focus, strategies, financial, operating and production results, industry conditions, commodity prices and business opportunities. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding decline rates, anticipated netbacks, drilling inventory, estimated average drill, complete and equip and tie-in costs, anticipated potential of the Assets including, but not limited to, EOR performance and opportunities, capacity of infrastructure, potential reduction in operating costs, production guidance, total payout ratio, capital program and allocation thereof, future production, decline rates, funds flow, net debt, net debt to funds flow, exchange rates, reserve life, development and drilling plans, well economics, future cost reductions, potential growth, and the source of funding our capital spending. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future.

The forward-looking information is based on certain key expectations and assumptions made by our management, including expectations and assumptions concerning prevailing commodity prices and differentials, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; the ability to efficiently integrate assets and employees acquired through acquisitions, including the Acquisition, the ability to market oil and natural gas successfully and our ability to access capital. Although we believe that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Journey can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that we will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide securityholders with a more complete perspective on our future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). These forward looking statements are made as of the date of this press release and we disclaim any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Journeys prospective results of operations, funds flow, netbacks, debt, payout ratio well economics and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this press release was

made as of the date of this press release and was provided for the purpose of providing further information about Journey's anticipated future business operations. Journey disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein. Information in this press release that is not current or historical factual information may constitute forward-looking information within the meaning of securities laws, which involves substantial known and unknown risks and uncertainties, most of which are beyond the control of Journey, including, without limitation, those listed under "Risk Factors" and "Forward Looking Statements" in the Annual Information Form filed on www.SEDAR.com on March 30, 2020. Forward-looking information may relate to our future outlook and anticipated events or results and may include statements regarding the business strategy and plans and objectives. Particularly, forward-looking information in this press release includes, but is not limited to, information concerning Journey's drilling and other operational plans, production rates, and long-term objectives. Journey cautions investors in Journey's securities about important factors that could cause Journey's actual results to differ materially from those projected in any forward-looking statements included in this press release. Information in this press release about Journey's prospective funds flows and financial position is based on assumptions about future events, including economic conditions and courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that information regarding Journey's financial outlook should not be used for purposes other than those disclosed herein. Forward-looking information contained in this press release is based on our current estimates, expectations and projections, which we believe are reasonable as of the current date. No assurance can be given that the expectations set out in the Prospectus or herein will prove to be correct and accordingly, you should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time except as required by applicable securities law.

Non-IFRS Measures

The company uses the following non-IFRS measures in evaluating corporate performance. These terms do not have a standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculation of similar measures by other companies.

1. The Company considers "funds flow" as a key performance measure as it demonstrates the Company's ability to generate funds necessary to repay debt and to fund future growth through capital investment. Funds flow is calculated by taking cash from operating activities as reported in the Company's financial statements and adding or deducting the following items: changes in non-cash working capital; transaction costs and decommissioning costs. Journey's determination of funds flow may not be comparable to that reported by other companies. Journey also presents funds flow per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net income per share, which per share amount is calculated under IFRS and is more fully described in the notes to the financial statements.
2. Net debt is a non-IFRS measure and represents current assets less: current liabilities, bank debt and the promissory notes outstanding. For purposes of Journey's net calculation, the impact of the potential future liability (or asset) related to the mark-to-market measurement of derivative contracts as well as the provision for decommissioning liabilities have been excluded from the calculation.
3. Operating netback is a non-IFRS measure, is calculated on a per boe basis and equals total revenue (excluding hedging gains and losses); minus the aggregate of: royalties, transportation and field operating costs. Journey considers operating netback as an important measure to evaluate its operational performance as it demonstrates its field level profitability relative to current commodity prices.

Barrel of Oil Equivalents

Where amounts are expressed in a barrel of oil equivalent ("boe"), or barrel of oil equivalent per day ("boe/d"), natural gas volumes have been converted to barrels of oil equivalent at six (6) thousand cubic feet ("Mcf") to one (1) barrel. Use of the term boe may be misleading particularly if used in isolation. The boe conversion ratio of 6 Mcf to 1 barrel ("Bbl") of oil or natural gas liquids is based on an energy equivalency conversion methodology primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Regulators' National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

Oil and Gas Measures and Metrics

The Company uses the following metrics in assessing its performance and comparing itself to other companies in the oil and gas industry. These terms do not have a standardized meaning and therefore may not be comparable with the calculation of similar measures by other companies:

1. Corporate Decline is the rate at which production from a grouping of assets falls from the beginning of a fiscal year to the end of that year.
2. IP 365 is the average daily production rate of a well in its first 365 days of production expressed in boe's.

Abbreviations

bbl	barrel
bbls	barrels
bbl/d	barrels of oil or NGL per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
cf	Cubic feet
gj	gigajoules
GORR	Gross over-riding royalty
kPaG	Kilopascal gauge
Mbbls	Thousand barrels
MMBtu	Million British thermal units
NGL	Natural gas liquids
Mcf	thousand cubic feet
Mmcf	Million cubic feet
Mmcf/d	Million cubic feet per day
Mboe	Thousand boe
\$M	Thousands of dollars
MSW	Mixed sweet Alberta oil price
WCS	Western Canada Select oil price
WTI	West Texas Intermediate Oil price

No securities regulatory authority has either approved or disapproved of the contents of this press release.

SOURCE [Journey Energy Inc.](#)

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