

# ARC Resources Ltd. Reports Second Quarter 2020 Financial and Operational Results

30.07.2020 | [CNW](#)

CALGARY, AB, July 30, 2020 /CNW/ - (TSX: ARX) [ARC Resources Ltd.](#) ("ARC" or the "Company") reports its second 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 and six months ended June 30, 2020 are available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

ARC delivered strong financial and operational results during the three months ended June 30, 2020, bringing a major gas processing and liquids-handling facility on-stream to deliver record average daily production of 166,510 barrels of oil equivalent ("boe") <sup>(1)</sup> per day; generating funds from operations <sup>(2)</sup> of \$150.2 million (\$0.42 per share); and reducing net debt <sup>(2)</sup> by \$118.6 million. ARC's low-cost operations were highlighted by a 20-year low operating expense of \$3.32 per boe.

2020 to-date has been marked with considerable market volatility. The novel coronavirus COVID-19 ("COVID-19") pandemic has had a profound impact on commodity prices, with the magnitude of its effects on demand and the pace of global economic recovery still unclear. Despite this challenging backdrop, the guiding principles under which ARC conducts its business have not changed. ARC's operational flexibility, robust risk management program, and strong balance sheet have positioned the Company to respond to these volatile market conditions. Capital discipline and a moderate pace of development have supported ARC in managing a corporate decline rate below 30 per cent. A concentrated Montney asset base that includes a network of owned-and-operated infrastructure has allowed ARC to deliver excellent capital and operating efficiencies. ARC's sustainable business is focused on environmental, social, and governance ("ESG") excellence, long-term corporate profitability, and paying a sustainable dividend to shareholders. In combination with the Company's premier land position in the Montney, these principles make ARC a differentiated investment opportunity.

The decisive actions that ARC took to reduce the Company's 2020 capital budget and dividend earlier in the year preserved ARC's already strong balance sheet and focused the Company's capital investments on projects that are profitable at current commodity price levels. ARC's production mix is comprised of over 75 per cent natural gas, which is primarily being sold into a strong and improving natural gas environment, with commodity sales from natural gas production making up 62 per cent of ARC's total commodity sales during the three months ended June 30, 2020. As such, capital activity during the second half of 2020 will be focused on natural gas development opportunities. ARC is targeting a capital budget of \$300 million for 2020; however, it does have the flexibility to adjust short-cycle investment levels within its capital budget. Based on forecasted commodity prices, funds from operations generated in 2020 are anticipated to be more than the Company's dividend obligations, budgeted capital expenditures, and reclamation activities. Surplus funds from operations will be directed at further strengthening the Company's balance sheet.

To further protect its financial position and netback, ARC reduced its operational output at the Company's light oil and condensate-weighted properties during the three months ended June 30, 2020. Driven by weak pricing at points within the period, ARC shut in 9,000 barrels per day of crude oil and condensate production <sup>(3)</sup>. As commodity prices began to recover, the majority of the shut-in production was brought back on-stream by the end of the second quarter of 2020. ARC estimates that production in the third quarter of 2020 is likely to decrease by approximately 10 per cent relative to the second quarter of 2020 due to the anticipated impacts from planned maintenance and workover activities, third-party pipeline maintenance and outages, and any impacts from potential shut-ins. Full-year average daily production is expected to be at the upper end of the guidance range of 150,000 to 155,000 boe per day.

ARC's key priorities for the balance of 2020 are to:

- Protect the health, safety, and well-being of its employees and contractors while safely executing the Company's business plans;

- Protect its 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;
- Ensure maximum throughput of low-cost natural gas production during the upcoming winter 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 ESG performance, including prudently managing business risks and reducing its greenhouse gas ("GHG") emissions intensity and freshwater usage through responsible development activities;
- Communicate ARC's ESG performance and strategies through the publication of its upcoming ESG Report, which will be released in August 2020; and
- Remain focused on delivering returns to shareholders through paying a sustainable dividend and investing in profitable growth.

Key takeaways from ARC's financial and operational results for the three months ended June 30, 2020 include:

Production	Delivered average daily production of 166,510 boe per day, comprising 773 million cubic feet per day of natural gas, 14,987 barrels per day of crude oil, 13,239 barrels per day of condensate, and 1,000 barrels per day of NGLs. New production at the Dawson Phase IV facility was partially offset by shut-ins.
Funds from Operations	Generated funds from operations of \$150.2 million (\$0.42 per share). Reduced commodity sales and lower average commodity price realizations in the period were partially offset by an increased tax recovery, higher production, and increased realized gains on risk management contracts.
Net Loss	Recognized a net loss of \$43.5 million (\$0.12 per share), driven by lower commodity sales and a loss on ARC's risk management contracts.
Capital Program	Invested \$44.1 million in capital activities, primarily focused on dry natural gas development and production. Brought on-stream the Dawson Phase IV gas processing and liquids-handling facility and the Dawson Phase IV facility expansion projects. Recommended drilling activities at Dawson in the third quarter of 2020. Capital activities for the balance of 2020 focused on natural gas development at Dawson and production.
Operational Excellence	Delivered an operating expense of \$3.32 per boe, which decreased due to the deferral of discipline maintenance and workover activities. Maintenance and workover activities are planned to resume in the second half of 2020.
Balance Sheet	Maintained a strong balance sheet amid a weak commodity price backdrop. Net debt was \$900 million at June 30, 2020 and the net debt to annualized funds from operations ratio was 1.5 times. ARC reduced its net debt balance by \$118.6 million during the three months ended June 30, 2020.
Returns to Shareholders	Declared \$21.3 million (\$0.06 per share) of dividends to shareholders. ARC has adopted the standard six thousand cubic feet (mcf) of natural gas 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 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. 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.

(2) 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.

(3) 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. Throughout this news release, crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.

Videos, as well as an updated investor presentation, providing an overview of the Company's corporate strategies and further details to ARC's financial and operational results for the three and six months ended June 30, 2020, are available on ARC's website at [www.arcresources.com](http://www.arcresources.com).

## FINANCIAL AND OPERATIONAL RESULTS

	Three Months Ended		
(Cdn\$ millions, except per share amounts, boe amounts, and common shares outstanding)	March 31, 2020	June 30, 2020	July 31, 2020
<b>FINANCIAL RESULTS</b>			
Net income (loss)	(558.4)	(43.5)	94.1
Per share <sup>(1)</sup>	(1.58)	(0.12)	0.28
Funds from operations	160.8	150.2	191.1
Per share <sup>(1)</sup>	0.46	0.42	0.53
Dividends declared	42.5	21.3	53.1
Per share <sup>(1)</sup>	0.12	0.06	0.13
Capital expenditures, before land and net property acquisitions (dispositions)	169.8	44.1	171.1
Total capital expenditures, including land and net property acquisitions (dispositions)	169.9	44.0	171.1
Net debt outstanding	1,079.7	961.1	821.1
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
<b>OPERATIONAL RESULTS</b>			
<b>Production</b>			
Crude oil (bbl/day)	16,997	14,987	18,987
Condensate (bbl/day)	11,262	13,239	10,239
Crude oil and condensate (bbl/day)	28,259	28,226	28,226
Natural gas (MMcf/day)	692.2	773.3	592.2
NGLs (bbl/day)	8,152	9,405	7,405
Total (boe/day)	151,783	166,510	133,510
<b>Average realized prices, prior to gain or loss on risk management contracts</b>			
Crude oil (\$/bbl)	49.69	25.88	70.69
Condensate (\$/bbl)	57.52	31.54	71.54
Natural gas (\$/Mcf)	2.05	1.92	1.72
NGLs (\$/bbl)	6.36	10.84	7.84
Oil equivalent (\$/boe)	19.52	14.38	23.38

Netback (\$/boe) <sup>(2)</sup>

Commodity sales from production	19.52	14.38	23.00
Royalties	(1.11)	(0.38)	(1.00)
Operating expense	(4.40)	(3.32)	(5.00)
Transportation expense	(2.85)	(2.88)	(3.00)
Netback	11.16	7.80	13.00
Realized gain on risk management contracts	1.24	2.10	1.50
Netback including realized gain on risk management contracts	12.40	9.90	15.00

TRADING STATISTICS <sup>(3)</sup>

(1) High price	8.99	6.12	9.00
(2) Low price	2.42	2.64	6.30
(3) Trading volume (in Canadian dollars)	3,207	2,170	2,200

High price amounts (with the exception of dividends) are based on weighted average diluted common shares.  
 Low price is a 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.  
 Trading volume is 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

The global crude oil markets experienced extreme volatility during the first half of 2020. Average benchmark pricing weakened considerably during the three months ended June 30, 2020 relative to the three months ended March 31, 2020, prompting the Organization of Petroleum Exporting Countries and certain other countries to reduce output and North American producers to lower capital expenditure activity and voluntarily shut in production. This reduction in supply, combined with an improving outlook on demand, led to a faster-than-expected recovery in pricing over the course of the period.

Locally, Canadian crude oil and condensate differentials were also volatile. As producers began to reduce their operational output and curtail production, the Western Canadian Sedimentary Basin's ("WCSB") overall production levels were below takeaway capacity, which led to normalized location differentials by the end of the period.

## Natural Gas

An oversupplied global natural gas market caused US natural gas benchmark prices to decrease during the three months ended June 30, 2020 relative to the three months ended March 31, 2020. Owing to weak global market economics, US liquefied natural gas exports decreased, while COVID-19-related demand losses compounded the oversupplied US market. Nevertheless, pricing weakness is anticipated to be limited to the near term, with improving natural gas fundamentals expected for 2021 and beyond as the supply/demand balance normalizes.

Locally, despite western Canadian natural gas prices being lower during the three months ended June 30, 2020 relative to the three months ended March 31, 2020, declining supply in the WCSB and strong inventory injections have supported an improved supply/demand balance in the AECO market. The basis differential to NYMEX Henry Hub has narrowed significantly.

Near-term pricing risk and continued volatility are expected. While the gradual economic recovery from the

demand destruction caused by the COVID-19 pandemic is taking place, significant uncertainty remains. ARC's risk management program is serving to protect corporate cash flows and ARC is focused on maximizing its low-cost Montney natural gas production during periods of relative pricing strength. ARC will continue to monitor its light oil and condensate-weighted properties for shut-in economics should crude oil and condensate prices materially deteriorate again.

## FINANCIAL REVIEW

### Balance Sheet and Liquidity

ARC is committed to protecting its strong financial position by maintaining significant financial flexibility with its balance sheet. At June 30, 2020, ARC had \$961.1 million of net debt outstanding and its net debt to annualized funds from operations ratio was 1.5 times. Over the long term, ARC targets its net debt to be between 1.0 and 1.5 times funds from operations; however, during periods of significant commodity price weakness, expects that its net debt to funds from operations ratio may trend above this targeted range. At June 30, 2020, ARC was in compliance with all of its debt covenants.

ARC's liquidity is augmented by \$1.1 billion of undrawn credit capacity. The Company's long-term debt has been structured to mature over a number of years and repayment of maturities due in 2020 are planned to be settled with existing committed credit facilities. Debt maturities due through the remainder of 2020 total US\$72.0 million of US dollar-denominated debt and \$8.0 million of Canadian dollar-denominated debt. ARC's ample financial liquidity has allowed the Company to sustain its operations through this prolonged period of commodity price volatility, and is expected to allow the Company to remain in a position of financial strength during future periods of economic uncertainty.

### Capital Allocation

ARC's capital allocation priorities are to protect the balance sheet, support the dividend, and prioritize capital investments that drive long-term value and profitability. At current commodity price levels, funds from operations generated in 2020 are expected to be in excess of ARC's dividend obligations of approximately \$106 million and ARC's capital program of \$300 million. Surplus funds from operations will be directed at strengthening the Company's balance sheet. During the three months ended June 30, 2020, ARC reduced its net debt balance by \$118.6 million with surplus funds from operations.

### Net Loss

ARC recognized a net loss of \$43.5 million (\$0.12 per share) during the three months ended June 30, 2020, compared to a net loss of \$558.4 million (\$1.58 per share) during the three months ended March 31, 2020. The most significant driver in the change to ARC's net loss was an impairment charge recognized on ARC's property, plant and equipment in the first quarter of 2020, whereas no such charge was recorded in the current period. This, combined with an increased gain on foreign exchange relating to the revaluation of ARC's US dollar-denominated debt, more than offset lower commodity sales due to lower average commodity price realizations, and a reduced unrealized gain on ARC's risk management contracts during the three months ended June 30, 2020 relative to the three months ended March 31, 2020.

ARC recognized a net loss of \$601.9 million (\$1.70 per share) during the six months ended June 30, 2020, compared to net income of \$39.8 million (\$0.11 per share) during the six months ended June 30, 2019. An impairment charge recognized on ARC's property, plant and equipment resulting from the decrease in forecasted commodity pricing for crude oil and natural gas was the most significant contributor to the net loss in 2020 to-date. Further contributing to ARC's net loss during the six months ended June 30, 2020 relative to the six months ended June 30, 2019 were lower commodity sales due to lower average commodity price realizations, and a reduced gain on foreign exchange relating to the revaluation of ARC's US dollar-denominated debt. These items were partially offset by an increased gain on ARC's risk management contracts.

### Funds from Operations

ARC generated funds from operations of \$150.2 million (\$0.42 per share) during the three months ended

June 30, 2020, a decrease of \$10.6 million (\$0.04 per share) compared to funds from operations generated during the three months ended March 31, 2020. The most significant driver in the lower funds from operations was reduced commodity sales due to lower average commodity price realizations (\$0.20 per share). This was partially offset by an increase in current income tax recovery (\$0.08 per share), an increase in realized gains on risk management contracts (\$0.04 per share), and lower operating expense (\$0.03 per share) and royalties (\$0.03 per share).

ARC generated funds from operations of \$311.0 million (\$0.88 per share) during the six months ended June 30, 2020, representing a decrease of \$68.2 million (\$0.19 per share) relative to \$379.2 million (\$0.88 per share) of funds from operations generated during the six months ended June 30, 2019. Reduced commodity sales due to lower average commodity price realizations, despite increased production year-over-year, was the largest driver in lower funds from operations. This was partially offset by an increase in current income tax recovery, lower operating expense, and lower royalties.

Table 1 details the change in funds from operations for the three months ended June 30, 2020 relative to the three months ended March 31, 2020 and the change in funds from operations for the six months ended June 30, 2020 relative to the six months ended June 30, 2019.

Table 1

Funds from Operations Reconciliation	Q1 2020 to Q2 2020		YTD 2019 to YTD 2020	
	\$ millions	\$/share <sup>(1)</sup>	\$ millions	\$/share <sup>(1)</sup>
Funds from operations for the three months ended March 31, 2020	160.8	0.46		
Funds from operations for the six months ended June 30, 2019			379.2	1.07
Volume				
Crude oil and liquids	1.9	&#8212;	17.1	0.05
Natural gas	15.1	0.04	50.6	0.14
Price				
Crude oil and liquids	(59.6)	(0.17)	(151.2)	(0.43)
Natural gas	(9.0)	(0.03)	(39.8)	(0.11)
Sales of commodities purchased from third parties	(11.3)	(0.03)	(26.4)	(0.07)
Interest income	(0.2)	&#8212;	(3.3)	(0.01)
Other income	(0.3)	&#8212;	(1.8)	(0.01)
Realized gain (loss) on risk management contracts	14.7	0.04	4.4	0.01
Royalties	9.5	0.03	13.8	0.04
Expenses				
Commodities purchased from third parties	9.9	0.03	27.1	0.08
Operating	10.5	0.03	16.5	0.05
Transportation	(4.2)	(0.01)	(9.2)	(0.03)
General and administrative ("G&A")	(6.6)	(0.02)	(3.4)	(0.01)
Interest and financing	0.1	&#8212;	(0.4)	&#8212;
Current income tax	28.7	0.08	24.9	0.07
Realized gain (loss) on foreign exchange	(9.8)	(0.03)	12.6	0.04
Other	&#8212;	&#8212;	0.3	&#8212;
Funds from operations for the three months ended June 30, 2020	150.2	0.42		
Funds from operations for the six months ended June 30, 2020			311.0	0.88

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

#### Physical Marketing and Financial Risk Management

ARC's portfolio of assets and extensive suite of owned-and-operated infrastructure provide significant optionality to manage the Company's commodity exposures. Depending on prevailing commodity pricing, ARC can selectively target natural gas, liquids-rich natural gas, or crude oil production, and optimize the

liquids recoveries at its processing facilities. To capture the relative strength in natural gas pricing, ARC is currently focused on increasing natural gas recoveries through the optimization of its facilities and by increasing its natural gas production in northeast British Columbia.

ARC manages its natural gas price risk exposure through physical diversification and financial risk management activities to enhance corporate natural gas price realizations and reduce volatility in funds from operations. As natural gas prices experienced strength relative to liquids prices during the three months ended June 30, 2020, commodity sales from natural gas production comprised 62 per cent of ARC's total commodity sales.

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 June 30, 2020 relative to the three months ended March 31, 2020 and the six months ended June 30, 2020 relative to the six months ended June 30, 2019.

Table 2

Realized Natural Gas Price Including Realized Gain on Risk Management Contracts (\$/Mcf)	Three Months Ended		
	June 30, 2020	March 31, 2020	% Change
Average price before diversification activities	2.07	2.13	(3)
Diversification activities	(0.15)	(0.08)	88
Realized gain on risk management contracts <sup>(1)</sup>	0.11	0.09	22
Realized natural gas price including realized gain on risk management contracts	2.03	2.14	(5)

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

Driven by the significant decrease in benchmark crude oil and condensate prices in the period, ARC's crude oil and liquids production comprised 38 per cent of total commodity sales during the three months ended June 30, 2020. ARC's average realized crude oil and condensate prices were \$25.88 per barrel and \$31.54 per barrel, respectively, for the three months ended June 30, 2020.

ARC's risk management program increased the Company's funds from operations during the three and six months ended June 30, 2020, recording a realized gain of \$31.8 million and \$48.9 million, respectively. For the balance of 2020, approximately 70 per cent of ARC's anticipated crude oil and condensate 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 funds from operations. For details pertaining to ARC's risk management program and for a summary of the average crude oil and natural gas volumes associated with ARC's risk management contracts as at June 30, 2020, refer to Note 10 "Financial Instruments and Market Risk Management" in ARC's financial statements.

## Netback

Table 3 details the components of ARC's netback for the three months ended June 30, 2020 relative to the three months ended March 31, 2020, and the components of ARC's netback for the six months ended June 30, 2020 relative to the six months ended June 30, 2019.

Table 3

	Three Months Ended			Six Months
	June 30, 2020	March 31, 2020	% Change	June 30, 2019
Netback (\$/boe)				
Commodity sales from production	14.38	19.52	(26)	16.83
Royalties	(0.38)	(1.11)	(66)	(0.73)
Operating expense	(3.32)	(4.40)	(25)	(3.83)
Transportation expense	(2.88)	(2.85)	1	(2.87)
Netback	7.80	11.16	(30)	9.40
Realized gain on risk management contracts	2.10	1.24	69	1.69
Netback including realized gain on risk management contracts	9.90	12.40	(20)	11.09

For the three months ended June 30, 2020 relative to the three months ended March 31, 2020, ARC's:

- Netback decreased primarily due to lower average 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 average realized commodity prices.
- Operating expense decreased as ARC continued to defer discretionary maintenance and workover activities.
- For the six months ended June 30, 2020 relative to the six months ended June 30, 2019, ARC's:
- Netback decreased primarily due to lower average realized commodity prices, which was partially offset by a year-over-year decrease in ARC's royalties, operating expense, and transportation expense.
- Royalties decreased as a result of lower royalty rates associated with lower average realized commodity prices.
- Operating and transportation expense decreased as ARC brought on additional Montney production at Dawson and Sunrise, which has lower relative costs to operate and transport.

## OPERATIONAL REVIEW

ARC's position in the Montney resource play comprises approximately 1,000 net sections of land (approximately 636,000 net acres), with production from these assets representing approximately 95 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 enables a flexible pace of development, all of which are especially critical in a volatile commodity price environment.

ARC's portfolio of assets provides significant optionality to manage the Company's commodity exposures. Depending on prevailing commodity prices, ARC can selectively target natural gas, liquids-rich natural gas, or crude oil production by focusing its development in the areas that generate the most robust half-cycle economics.

ARC is a leader in ESG and sustainability practices. The safety of ARC's employees and contractors is the Company's top priority, and ARC is committed to strong environmental performance through reducing its GHG emissions intensity and freshwater usage. ARC will release its ESG Report in August 2020, which will provide details on ARC's ESG strategies and performance for 2018 to 2019. The report is aligned with the Sustainability Accounting Standards Board framework and the recommendations of the Taskforce on Climate-related Financial Disclosures.

## Capital Expenditures

ARC invested \$44.1 million during the three months ended June 30, 2020. Development activities were

focused primarily on the Company's low-cost Sunrise dry natural gas property, where ARC drilled five wells and completed seven wells. Additionally, ARC completed seven lower Montney wells at Parkland/Tower during the period. ARC invested \$213.9 million during the six months ended June 30, 2020, which included drilling 26 wells, completing 52 wells, and bringing the Dawson Phase IV facility and the Ante Creek facility expansion projects on-stream. Since being brought on-stream early in the second quarter of 2020, facility runtimes at Dawson Phase IV have been excellent.

ARC is targeting a capital budget of \$300 million for 2020 and plans to deploy the majority of the remaining capital to natural gas development activities at Dawson and Sunrise. At prevailing commodity prices, these areas produce the most economical wells in the Company's portfolio. Drilling activities resumed at Dawson early in the third quarter of 2020.

Table 4 details capital expenditures and the number of wells drilled and completed in each of ARC's core operating areas for the six months ended June 30, 2020.

Table 4

Six Months Ended June 30, 2020					
Capital Activity by Area	Plant and Facilities (\$ millions)	Drilling and Completions and Other <sup>(1)</sup> (\$ millions)	Capital Expenditures <sup>(2)</sup> (\$ millions)	Wells Drilled <sup>(3)</sup>	Wells Completed <sup>(3)</sup>
Dawson	22.4	42.6	65.0	4	16
Sunrise	&#8212;	24.8	24.8	7	7
Parkland/Tower	0.2	38.4	38.6	8	7
Ante Creek	10.3	39.0	49.3	7	16
Attachie West	1.2	28.9	30.1	&#8212;	6
Pembina	&#8212;	1.5	1.5	&#8212;	&#8212;
All other <sup>(4)</sup>	&#8212;	4.6	4.6	&#8212;	&#8212;
<b>Total</b>	<b>34.1</b>	<b>179.8</b>	<b>213.9</b>	<b>26</b>	<b>52</b>

(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 its corporate assets.

#### Production

ARC's production for the three months ended June 30, 2020 averaged 166,510 boe per day, comprising 773 MMcf per day of natural gas, 14,987 barrels per day of crude oil, 13,239 barrels per day of condensate, and 9,405 barrels per day of NGLs.

Average daily production for the three months ended June 30, 2020 increased 10 per cent relative to

average daily production for the three months ended March 31, 2020 as a result of the Dawson Phase IV facility being brought on-stream in the period. The new production at Dawson was partially offset by shut-in production at Ante Creek, Attachie West, Dawson, Parkland/Tower, and Pembina, which collectively impacted quarterly production by approximately 4,800 barrels per day of crude oil and condensate. Due to improved commodity prices, the majority of the shut-in production was brought back on-stream by the end of the second quarter of 2020. Approximately 500 barrels per day of crude oil production remains shut-in at Pembina.

Table 5 details production from ARC's core operating areas for the three months ended June 30, 2020 relative to the three months ended March 31, 2020.

Table 5

	Three Months Ended					
	June 30, 2020					March 31, 2020
Production by Area <sup>(1)</sup>	Crude Oil (bbl/day)	Condensate (bbl/day)	Natural Gas (MMcf/day)	NGLs (bbl/day)	Total (boe/day)	Total (boe/day)
Dawson	&#8212;	6,554	342.3	3,900	67,510	46,926
Sunrise	&#8212;	&#8212;	243.9	12	40,662	42,571
Parkland/Tower	2,439	4,283	121.0	3,870	30,757	31,410
Ante Creek	6,013	369	40.4	1,216	14,329	15,038
Attachie West	&#8212;	1,773	7.3	44	3,034	3,523
Pembina	6,528	140	11.4	398	8,973	10,538
All other <sup>(2)</sup>	7	120	7.0	(35)	1,245	1,777
<b>Total</b>	<b>14,987</b>	<b>13,239</b>	<b>773.3</b>	<b>9,405</b>	<b>166,510</b>	<b>151,783</b>

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

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

ARC's production for the six months ended June 30, 2020 averaged 159,146 boe per day, comprising 733 MMcf per day of natural gas, 15,992 barrels per day of crude oil, 12,251 barrels per day of condensate, and 8,779 barrels per day of NGLs. Average daily production for the six months ended June 30, 2020 represented a 16 per cent increase from average daily production for the six months ended June 30, 2019, and was driven primarily by increased natural gas production at Dawson and Sunrise.

ARC estimates that production in the third quarter of 2020 is likely to decrease by approximately 10 per cent relative to the second quarter of 2020 due to the anticipated impacts from planned maintenance and workover activities, third-party pipeline maintenance and outages, and any impacts from potential shut-ins. Full-year average daily production is expected to be at the upper end of the guidance range of 150,000 to 155,000 boe per day.

## OUTLOOK

ARC's 2020 planned capital investments totaling \$300 million focus on balance sheet strength and investing in profitable projects with capital discipline and efficient execution. With the Dawson Phase IV facility and the Ante Creek facility expansion projects complete, capital activity for the second half of 2020 will be focused on

natural gas development at Dawson and Sunrise. ARC has the flexibility to adjust short-cycle investment levels within its capital budget should near-term market conditions change materially. At current commodity price levels, funds from operations generated in 2020 are anticipated to fund the Company's dividend payments and capital program as well as reduce the Company's net debt balance.

While the majority of the crude oil and condensate production that was shut in during the second quarter of 2020 has been brought back on-stream, continued commodity price volatility is expected, which may adversely affect the economics of ARC's production in some areas. As such, it is possible that ARC will voluntarily shut in production or be subject to 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.

Ongoing weakness in commodity prices resulting from COVID-19 impacts on demand and market volatility may adversely impact ARC's future financial and operational results. With market conditions changing rapidly, there continues to be significant uncertainty around the potential impacts this could have on ARC's operations and results, which could be material. These factors contribute considerable uncertainty to certain elements of ARC's 2020 guidance items. As such, ARC will continuously monitor its 2020 guidance and provide updates as deemed appropriate.

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](http://www.arcresources.com) and on SEDAR at [www.sedar.com](http://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 Guidance	2020 YTD Actuals
Production		
Crude oil (bbl/day)	14,000 - 16,000	15,992
Condensate (bbl/day)	11,000 - 13,000	12,251
Crude oil and condensate (bbl/day)	25,000 - 29,000	28,243
Natural gas (MMcf/day) <sup>(1)</sup>	705 - 710	732.7
NGLs (bbl/day)	8,000 - 8,500	8,779
Total (boe/day) <sup>(1)</sup>	150,000 - 155,000	159,146
Expenses (\$/boe)		
Operating	4.55 - 4.95	3.83
Transportation	3.10 - 3.30	2.87
G&A expense before share-based compensation expense	1.00 - 1.20	1.13
G&A - share-based compensation expense <sup>(2)</sup>	0.30 - 0.45	0.17
Interest and financing <sup>(3)</sup>	0.65 - 0.80	0.74
Current income tax expense (recovery) as a per cent of funds from operations <sup>(4)</sup>	(2) - 3	(11)
Capital expenditures before land and net property acquisitions (dispositions) (\$ millions)	300	213.9

(1) Guidance 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.

- Natural gas, NGLs, and total production are above their respective guidance ranges as a result of new production from the Dawson Phase IV facility, which was brought on-stream early in the second quarter of 2020. ARC estimates that production in the third quarter of 2020 is likely to decrease by approximately 10 per cent relative to the second quarter of 2020 due to the anticipated impacts from planned maintenance and workover activities, third-party pipeline maintenance and outages, and any impacts from potential shut-ins. Full-year average daily production is expected to be at the upper end of the guidance range.
- Operating expense is below the guidance range due to the deferral of discretionary maintenance and workover activities during the first half of 2020. With maintenance and workover activities planned to resume during the second half of 2020, coupled with an anticipated reduction in production volumes, ARC expects its operating expense to trend towards the low end of the guidance range.
- Transportation expense is below the guidance range; however, it is expected to trend towards guidance as the year progresses with additional transportation costs associated with production from the Dawson Phase IV facility, which was brought on-stream early in the second quarter of 2020.

- 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 half of 2020.
- Current income tax as a per cent of funds from operations is below the guidance range due to the decrease in forecasted commodity pricing for crude oil and natural gas and the recognition of certain income tax deductions received from prior periods. Excluding prior period adjustments, current income tax is expected to trend towards the low end of the guidance range.

## 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 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, the sustainability of ARC's dividend, and repayment of maturities due in 2020; under "Operational Review" relating to the target capital budget for 2020, the deployment of capital in 2020, and third quarter 2020 production estimates; 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, the impact that maintenance and workover activities and the anticipated reduction in production volumes will have on ARC's operating expense, Management's focus for the balance of 2020, the ability of funds from operations to fund ARC's dividend payments and capital program and reduce ARC's net debt balance, 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 \$2.9 billion. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

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