

Journey Energy Inc. Reports its Second Quarter 2020 Financial and Operating Results

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CALGARY, Aug. 4, 2020 - [Journey Energy Inc.](#) (TSX: JOY) ("Journey" or the "Company") announces its financial and operating results for the three and six month periods ending June 30, 2020. The complete set of financial statements and management discussion and analysis for the periods ended June 30, 2020 and 2019 are posted on [www.sedar.com](#) and on the Company's website [www.journeyenergy.ca](#).

SECOND QUARTER 2020 HIGHLIGHTS

Highlights for the second quarter are as follows:

- Achieved production of 7,808 boe/d in the second quarter. Liquids (oil and natural gas liquids) accounted for 3,278 Boe/d or 42% of total production during the quarter. Approximately 1,500 boe/d was shut-in on April 1 due to the severe oil price decline.
- In the first week of July all but 200 boe/d of non-operated production was successfully brought back on-line.
- The generating equipment for the 4.2 megawatt power project in the Countess area has been moved to its site and final installation work is in progress. The projected start-up date is September 2020.
- Achieved significant reductions in controllable costs in both the field and head office. Field operating expenses decreased 22% in the second quarter of 2020 to \$11.34 per boe from \$14.45/boe in the second quarter of 2019. G&A expenses were 67% lower at \$0.66 per boe compared to \$1.98/boe in 2019 as numerous cost-cutting measures were implemented.
- Journey completed its third extension to its forbearance agreement with its syndicate of banks on July 31. The current term expires August 7 and Journey is working with its banks on next steps before this expiry. Should the forbearance not be extended, all borrowings would become due and payable.

Second Quarter Financial & Operating Highlights

	Three months ended			Six months ended		
	June 30,			June 30,		
			%			%
Financial (\$000's except per share amounts)	2020	2019	change	2020	2019	change
Production revenue	11,166	27,400	(59)	29,502	55,898	(47)
Funds flow from operations	3,213	7,556	(57)	3,008	15,673	(81)
Per basic share	0.06	0.18	(67)	0.05	0.40	(88)
Per diluted share	0.06	0.18	(67)	0.05	0.40	(88)
Cash flow provided by operating activities						

Net loss	(15,489)	(12,559)	23	(80,930)	(16,646)	386
Per basic share	(0.36)	(0.32)	12	(1.88)	(0.42)	347
Per diluted share	(0.36)	(0.32)	12	(1.88)	(0.42)	347
Capital expenditures, net	1,040	7,813	(87)	4,316	8,773	(51)
Net debt	126,634	128,451	(1)	126,634	128,451	(1)
Share Capital (000's)						
Basic, weighted average	43,087	39,247	10	43,087	39,236	10
Basic, end of period	43,087	39,262	10	43,087	39,262	10
Fully diluted	48,126	45,875	5	48,126	45,875	5
Daily Production						
Natural gas volumes (mcf/d)	27,181	29,162	(7)	28,002	29,250	(4)
Crude oil (bbl/d)	2,627	3,815	(31)	3,218	3,850	(16)
Natural gas liquids (bbl/d)	651	573	14	682	563	21
Barrels of Oil Equivalent (boe/d)	7,808	9,248	(16)	8,567	9,288	(8)
Average Realized Prices (excluding hedging)						
Natural gas (\$/mcf)	1.92	1.12	71	1.57	1.81	(13)
Crude Oil (\$/bbl)	24.32	66.85	(64)	33.62	62.36	(46)
Natural gas liquids (\$/bbl)	10.07	23.20	(57)	14.74	28.14	(48)
Barrels of oil equivalent (\$/boe)	15.71	32.56	(52)	18.92	33.25	(43)
Netbacks (\$/boe)						
Realized prices (excl. hedging)	15.71	32.56	(52)	18.92	33.25	(43)
Royalties	(0.95)	(3.82)	(75)	(2.16)	(3.86)	(44)
Operating expenses	(11.34)	(14.45)	(22)	(12.71)	(14.27)	(11)
Transportation expenses	(0.40)	(0.44)	(9)	(0.47)	(0.47)	-
Operating netback	3.02	13.85	(78)	3.58	14.65	(76)
Realized hedging gains	6.14	(0.05)	(12,380)	4.29	(0.19)	(2,358)
Adjusted netback (incl. hedging)	9.16	13.80	(34)	7.87	14.46	(46)
Wells drilled						
Gross	-	3	(100)	-	3	(100)

Net	-	3.0	(100)	-	3.0	(100)
Success rate	-	100		-	100	

OPERATIONS

Journey achieved production of 7,808 boe/d (42% liquids) in the second quarter of 2020. 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 declined below USD \$20/bbl making several of Journey's properties uneconomic to operate. 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, resulting in a decrease in liquid weighting for the quarter. In the first week of July all but 200 boe/d of non-operated production was successfully brought back on-line, restoring production to current levels of 8,400 boe/d (46% liquids).

The shut in of these higher cost properties, resulted in a corresponding decrease in per unit operating expenses.

Capital expenditures were reduced to maintenance capital where deemed necessary as well as the completion of its power generation project. As a result, the Company spent \$4.3 million for the first half of 2020. Capital expenditures in the second half of the year will be primarily focused on the completion of the power project. This project is due to start up in September of 2020. One key feature of the power project as designed is the ease in which the project can be expanded to over 6 Megawatts from the current level of 4.2 Megawatts, with addition of one additional power generation unit. A decision to expand this project will not be made until early 2021 based upon capital availability.

Journey has a development drilling program ready for 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.

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 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.

The joint venture currently controls approximately 112 gross sections where Journey has a working interest of 37.5% (44 net sections). Under the assumption that KRC will not complete all earning by late August 2020, Journey will retain its 100% interest in 31 currently unearned sections plus an additional 10 gross sections resulting in Journey controlling 85 net sections or approximately 53% of the total acreage within the total Duvernay land block.

FINANCIAL

The COVID-19 pandemic continued to wreak havoc on world economies and in turn, oil prices plummeted as demand was greatly reduced. Journey's realized oil prices during the second quarter were within a very wide range from the \$7.25/bbl in April to \$46.02/bbl in June. Natural gas prices were relatively stable over the quarter with Journey's realized prices averaging \$1.92/mcf. Natural gas prices were within a tight range of \$1.81/mcf in April to \$1.97/mcf in June. Corporately, realized average commodity prices were 52% lower during the second quarter of 2020 as compared to the same quarter in 2019. During the quarter, natural gas prices increased by 71%, while oil and natural gas liquids decreased by 64% and 57% respectively from those of the same quarter in 2019. Journey's production mix shifted more towards natural gas as uneconomic oil production was shut-in. During the second quarter as approximately 1,500 boe/d (approximately 72% liquids) was shut-in in early April due to the deeply discounted, uneconomic oil prices. As a result, natural gas volumes became even more dominant at 58% of total volumes produced while oil dropped to 34% of total volumes. On the revenue side, liquids (oil and NGL's) comprised 57% of total revenues for the second quarter while for the same quarter in 2019 they were 89%. Journey's strong, oil-hedge position yielded a realized gain of \$4.4 million during the quarter, bringing the year-to-date amount to \$6.7 million. Benchmark oil prices dropped below Journey's hedged floor prices and caused all of the oil hedges to go well into the money. The Company achieved excellent cost

control during the quarter in both the field and head office. Field operating expenses (royalties, operating expenses, and transportation expenses) were 32% lower at \$12.69/boe during the second quarter of 2020 as compared to \$18.71/boe in the second quarter of 2019. During this extremely challenging quarter, Journey ensured that all controllable costs were minimized, while ensuring it continued operating its wells in a very safe manner. General and administrative costs were 72% lower in the second quarter at \$471 thousand as compared to \$1,669 thousand in the second quarter of 2019. During the second quarter, Journey reduced compensation levels to its staff by approximately 10% on top of the already reduced work week implemented in 2019; temporarily furloughed approximately one-quarter of our workforce; obtained partial rent deferral for its head office lease; and applied for benefits under the Canadian Emergency Wage Subsidy program. On a per boe basis, Journey realized G&A of \$0.66 for the second quarter of 2020, or 67% lower than the \$1.98 realized in 2019.

Finance expense related to borrowings increased by 19% to \$2.8 million in 2020 from \$2.4 million in 2019 due mainly to increased borrowing rates. While average, interest-bearing debt decreased by 5% in the second quarter of 2020 compared to 2019, the increased finance costs in 2020 were the result of higher interest rates on both the syndicated bank and term debt, as well as the forbearance fees charged by the syndicate of banks. Despite the costs savings achieved in the field and in the head office, the very low oil prices took its toll on corporate earnings. The net loss for the second quarter was \$15.5 million or \$0.36 per share (basic and diluted). For the year to date the net loss was \$80.9 million (\$1.88 per basic and diluted share), of which \$60.9 million was attributable to asset impairments taken in the first quarter.

The Company spent \$1.0 million in its capital program during the second quarter with almost all of this spending directed to the ongoing work of Journey's power generation project. Journey exited the second quarter with net debt of \$126.6 million. As per Journey's previous press releases, the Company remains in forbearance on its bank borrowings with its syndicate of lenders. During the forbearance periods, Journey will continue to work with its lenders for an amicable solution to deal with its outstanding borrowings. The current forbearance will expire on August 7 and Journey will provide a new update at that time.

OUTLOOK

At the beginning of April and in response to the rapid decline in oil prices, Journey shut in higher operating cost production and also implemented a number of cost-cutting measures in both the field and in its head office. The majority of this production has been brought back on-line except for an approximately 200 boe/d of non-operated production. All non-essential services were curtailed during the second quarter while preserving the safe operation of Journey wells and facilities. Capital spending has been, and will be restricted to the completion of the power generation project, which is set to begin operations during the third quarter. Journey has refrained from providing operational and financial guidance due to the high degree of volatility in the industry. At current strip prices, Journey expects that the Company can remain Funds Flow positive.

On behalf of Journey's management team and directors, we would like to thank our shareholders for their continued support through these unprecedented times. 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 are contained in Journey's management information circular that is posted on the Company's website and on SEDAR. 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.

[Journey Energy Inc.](#)

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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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