

Petrus Resources Announces Fourth Quarter Capital Budget and Market Update

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CALGARY, Oct. 01, 2020 - [Petrus Resources Ltd.](#) ("Petrus" or the "Company") (TSX: PRQ) announces its fourth quarter 2020 capital budget and provides a market update. Petrus' Board of Directors approved a fourth quarter 2020 capital budget of \$4.7 million, which includes the drilling of 1.0 (1.0 net) well. As a result of favourable fall weather conditions, drilling of the well was commenced in late Q3.

MARKET UPDATE

Since March 2020, there has been unprecedented stress on both oil and natural gas prices as the world adjusts to the global COVID-19 pandemic. Accordingly, many energy companies in North America, and around the world, have dramatically reduced their capital budgets. As debt repayment remains Petrus' top priority, the Company reduced its second and third quarter capital budgets to only include non-discretionary maintenance capital.

Over the past few months, commodity prices have been steadily strengthening. Since June 30, 2020, the future commodity prices of Alberta natural gas and Canadian dollar West Texas Intermediate oil have increased by approximately 22% and 3% respectively for 2021 as noted in the table below (Source: CIBC Daily Energy Update September 16, 2020). If the improved forecast prices are realized, Petrus' 2021 operating netback and funds flow would be expected to increase, which would potentially allow the Company to moderately increase future capital spending, while still prioritizing and expanding debt repayment.

To view the Commodity Price Change table visit
<https://www.globenewswire.com/NewsRoom/AttachmentNg/ffae665a-7e78-4c26-8c93-24a2d9334d30>

Over the past five years, Petrus has made significant efforts to reduce debt levels, decrease both operating and general and administrative costs and balance the production base between natural gas and light oil and liquids. Since the end of 2015, the Company has reduced net debt by \$106 million or 47% to the end of June 2020, and continues to prioritize debt repayment and further balance sheet improvement. The Company is actively exploring opportunities to access government support programs put in place during the COVID-19 pandemic including increased debt facilities from the Export Development Canada, wage subsidies, and well abandonment and reclamation subsidies.

Petrus is committed to maintaining its financial flexibility and the Company intends to determine 2021 capital spending as the year progresses. Petrus has designed its 2020 capital plan to invest capital systematically each quarter within funds flow, permitting excess funds each quarter to reduce debt.

ABOUT PETRUS

Petrus is a public Canadian oil and gas company focused on property exploitation, strategic acquisitions and risk-managed exploration in Alberta.

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READER ADVISORIES

Forward-Looking Statements

This press release contains forward-looking statements. More particularly, this press release contains statements concerning plans related to: (i) Petrus' ability to increase future capital spending, while still prioritizing and expanding debt repayment; (ii) the timing for Petrus to determine its 2021 capital spending; and (iii) Petrus' ability to repay debt. The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Petrus, including: the price forecasts noted above, the availability of adequate and secure sources of funding for Petrus' proposed capital expenditure program, realized commodity prices and the impact of the COVID-19 pandemic. Although Petrus believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Petrus can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; health, safety and environmental risks; the volatility of commodity prices; exchange rate fluctuations; and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures) and implications of the COVID-19 pandemic. Readers are cautioned that the foregoing list is not exhaustive of all possible risks and uncertainties.

This press release also contains financial outlook information ("FOFI") about Petrus' prospective results of operations including, without limitation, operating netback and funds flow, its ability to maintain capital spending and to prioritize and expand debt repayment, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. Petrus' actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits Petrus will derive therefrom. Petrus has included the FOFI in order to provide readers with a more complete perspective on Petrus' future operations and such information may not be appropriate for other purposes.

These forward-looking statements and FOFI are made as of the date of this MD&A and the Company disclaims any intent or obligation to update any forward-looking statements and FOFI, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Non-GAAP Financial Measures

This press release makes reference to the terms "operating netback" and "net debt". These indicators are not recognized measures under GAAP (IFRS) and do not have a standardized meaning prescribed by GAAP (IFRS). Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Management uses these terms for the reasons set forth below.

Corporate netback is a common non-GAAP financial measure used in the oil and natural gas industry which evaluates the Company's profitability at the corporate level. Corporate netback is equal to funds flow which is a directly comparable GAAP measure. Petrus analyzes these measures on an absolute value and per unit basis. Management believes that funds flow and corporate netback provide information to assist a reader in understanding the Company's profitability relative to current commodity prices. It is calculated as the operating netback less general and administrative expense, finance expense, decommissioning expenditures, plus other income and the net realized gain (loss) on financial derivatives.

Net debt is a non-GAAP financial measure and is calculated as current assets (excluding unrealized financial derivative assets) less current liabilities (excluding unrealized financial derivative liabilities, right-of-use lease obligations, and deferred share unit liabilities) and long term debt. Petrus uses net debt as a key indicator of its leverage and strength of its balance sheet. There is no GAAP measure that is reasonably comparable to net debt. For a reconciliation of Net debt to its component measures please see the Company's Management's Discussion and Analysis for the three and six months ended June 30, 2020.

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