

Prairie Provident Resources Announces First Quarter 2021 Results and Successful First Half 2021 Drilling Program

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CALGARY, May 11, 2021 - [Prairie Provident Resources Inc.](#) ("Prairie Provident", "PPR" or the "Company") today announces our financial and operating results for the three months ended March 31, 2021. PPR's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 ("Interim Financial Statements") and related Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2021 are available on our website at www.ppr.ca and filed on SEDAR.

Q1 2021 HIGHLIGHTS

- **Successful Drilling Program:** During the quarter, we successfully drilled and completed our first Ellerslie well to prove the emerging play in Princess. The well commenced production on April 29, 2021 and initial production averaged 223² boe/d (weighted 60% to liquids) during the first 10 days. In addition, we drilled a Glauconite well in Princess that was completed in the second quarter of 2021 with test production rates of 776³ boe/d (weighted 47% to liquids). This well is expected to come on production in mid-May 2021. For Q1 2021, we incurred \$4.4 million of Net Capital Expenditures¹.
- **Production:** Production averaged 4,071 boe/d (66% liquids) in the quarter, which was 23% or 1,210 boe/d lower than Q1 2020, due primarily to natural declines and production shut-ins from last year. In the summer of 2020, PPR resumed workover activities that had been deferred due to weak commodity prices on select projects meeting economic thresholds of less than a one-year payout, however, several projects remain uneconomic through Q1 2021, which continues to contribute to reduced production volumes. Q1 2021 average production was lower than 2021 annualized guidance as production from our capital program is scheduled to come on after Q1 2021, in addition to production outages from inclement weather. Production is expected to increase throughout the remainder of 2021 as we look forward to adding new production from our 2021 capital program.
- **Operating netback¹:** Operating netback for Q1 2021 was \$5.9 million (\$16.17/boe) before the impact of derivatives, and \$4.8 million (\$13.23/boe) after the realized losses on derivatives, an 85% increase and 7% decrease, respectively, relative to Q1 2020. On a per boe basis, operating netback before and after the realized losses on derivatives increased by 143% and 22%, respectively, primarily due to higher realized prices, partially offset by higher operating expenses and realized losses on derivatives. Q1 2021 operating expenses included higher seasonal electricity and fuel costs and higher maintenance costs on a per boe basis, a direct result of cold weather.
- **Adjusted funds flow ("AFF")¹:** AFF for Q1 2021 totaled \$2.1 million (\$0.01 per basic and diluted share), excluding \$0.1 million of decommissioning settlements, reflecting a 125% improvement from the same quarter of 2020 primarily due to lower cash interest and G&A expenses.
- **Net loss:** Net loss totaled \$11.5 million in Q1 2021, a \$56.6 million improvement compared to Q1 2020. The decrease was primarily driven by the absence of a \$77.3 million non-cash impairment charge recognized in Q1 2020 and an increase in foreign exchange gain of \$8.0 million in Q1 2021, partially offset by a decrease in unrealized gains on derivative instruments of \$31.9 million. Unrealized gains on derivatives recognized in Q1 2020 were caused by sharply declining forward commodity prices at the end of Q1 2020. Conversely, at the end of Q1 2021, forward commodity prices increased resulting in unrealized losses on derivatives for the quarter. The increase in foreign exchange gain was due to strengthening of the Canadian dollar relative to the US dollar at the end of Q1 2021.
- **Net debt¹:** Net debt at March 31, 2021, net debt totaled \$118.2 million, an increase of \$2.6 million from December 31, 2020. The increase was primarily due to deferred interest recognized on the Company's long-term debt of \$0.4 million and capital expenditures in the quarter that exceeded AFF¹, partially offset by a \$0.9 million unrealized foreign exchange gain on our US dollar denominated debt. Using current commodity forward prices, capital expenditures are expected to be fully funded by AFF for 2021.

- Long-term debt: At March 31, 2021, PPR had US\$44.4 million of borrowings drawn against its US\$57.7 million revolving facility ("Revolving Facility"), leaving the Company with US\$13.3 million (CAN\$16.7⁴ million equivalent (December 31, 2020 - US\$11.2 million)) borrowing capacity under the Revolving Facility. In addition, US\$47.3 million (CAN\$59.5⁴ million) of senior subordinated notes were outstanding at March 31, 2021, for total borrowings of US\$91.7 million (CAN\$118.2⁴ million equivalent).

1 Non-IFRS measure - see below under "Non-IFRS Measures"

2 Average initial production over a 10-day period commencing April 29, 2021, during which the well produced an average of 133 bbl/d of light & medium crude oil and 543 boe/d Mcf/d of conventional natural gas from the Ellerslie formation. Readers are cautioned that short-term initial production rates are preliminary in nature and may not be indicative of stabilized on-stream production rates, future product types, long-term well or reservoir performance, or ultimate recovery. Actual future results will differ from those realized during an initial short-term production period, and the difference may be material.

3 Average rates realized over a 3-day production test, during which the well produced an average of 367 bbl/d of heavy crude oil and 2,452 Mcf/d of conventional natural gas from the Glauconite formation. Readers are cautioned that short-term test rates are preliminary in nature and may not be indicative of stabilized on-stream production rates, future product types, long-term well or reservoir performance, or ultimate recovery. Actual future results will differ from those realized during an initial short-term test period, and the difference may be material.

4 Converted using the month end exchange rate of \$1.00 USD to \$1.2575 CAD as at March 31, 2021 and \$1.00 USD to \$1.2732 CAD as at December 31, 2020.

FINANCIAL AND OPERATING SUMMARY

(\$000s except per unit amounts)	Three Months Ended March 31,	
	2021	2020
Production Volumes		
Light & medium crude oil (bbl/d)	2,453	3,164
Heavy crude oil (bbl/d)	117	292
Conventional natural gas (Mcf/d)	8,233	10,186
Natural gas liquids (bbls/d)	129	127
Total (boe/d)	4,071	5,281
% Liquids	66	% 68
Average Realized Prices		
Light & medium crude oil (\$/bbl)	60.34	41.30
Heavy crude oil (\$/bbl)	51.76	41.92
Conventional natural gas (\$/Mcf)	3.48	2.10
Natural gas liquids (\$/bbl)	44.79	27.52
Total (\$/boe)	46.31	31.78
Operating Netback (\$/boe) ¹		
Realized price	46.31	31.78
Royalties	(3.34)	(2.67)
Operating costs	(26.80)	(22.45)
Operating netback	16.17	6.66
Realized gains (losses) on derivative instruments	(2.94)	4.15
Operating netback, after realized gains (losses) on derivative instruments	13.23	10.81

1 Operating netback is a non-IFRS measure (see "Non-IFRS Measures" below).

Capital Structure (\$000s)	As at March 31, 2021	As at December 31, 2020
Working capital (deficit) ¹	(0.4) 5.3
Borrowings outstanding (principal plus deferred interest)	(118.2) (121.3)
Total net debt ²	(118.6) (115.9)
Debt capacity ³	16.7	14.3
Common shares outstanding (in millions)	128.0	172.3

1 Working capital (deficit) is a non-IFRS measure (see "Non-IFRS Measures" below), calculated as current assets less current portion of derivative instruments, minus accounts payable and accrued liabilities.

2 Net debt is a non-IFRS measure (see "Non-IFRS Measures" below), calculated by adding working capital (deficit) and long-term debt.

3 Debt capacity reflects the undrawn capacity of the Company's revolving facility of USD\$57.7 million at March 31, 2021 and USD\$57.7 million at December 31, 2020, converted at an exchange rate of \$1.0000 USD to \$1.2575 CAD on March 31, 2021 and \$1.0000 USD to \$1.2732 CAD on December 31, 2020.

	Three Months Ended			
	March 31,			
	2021	2020		
Drilling Activity				
Gross wells	2.0	1.0		
Net (working interest) wells	2.0	1.0		
Success rate, net wells (%)	100	%	100	%

OUTLOOK

Prairie Provident is encouraged by early production and test data from the first two wells of our 2021 capital program. For the second half of 2021, we expect to drill two development wells in the Princess area, while monitoring our pilot waterflood program at Michichi. Prairie Provident's full-year 2021 guidance estimates remain unchanged from those presented in the Company's news release dated March 26, 2021. Additional details on Prairie Provident's 2021 capital program and guidance can be found on the Company's website at www.ppr.ca.

ABOUT PRAIRIE PROVIDENT

Prairie Provident is a Calgary-based company engaged in the exploration and development of oil and natural gas properties in Alberta. The Company's strategy is to grow organically in combination with accretive acquisitions of conventional oil prospects, which can be efficiently developed. Prairie Provident's operations are primarily focused at the Michichi and Princess areas in Southern Alberta targeting the Banff, the Ellerslie and the Lithic Glauconite formations, along with an established and proven waterflood project at our Evi area in the Peace River Arch. Prairie Provident protects its balance sheet through an active hedging program and manages risk by allocating capital to opportunities offering maximum shareholder returns.

For further information, please contact:

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Forward-Looking Statements

This news release contains certain statements ("forward-looking statements") that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future performance, events or circumstances, are based upon internal assumptions, plans, intentions, expectations and beliefs, and are subject to risks and uncertainties that may cause actual results or events to differ materially from those indicated or suggested therein. All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are typically, but not always, identified by words such as "anticipate", "believe", "expect", "intend", "plan", "budget", "forecast", "target", "estimate", "propose", "potential", "project", "continue", "may", "will", "should" or similar words suggesting future outcomes or events or statements regarding an outlook.

Without limiting the foregoing, this news release contains forward-looking statements pertaining to: higher expected production for the remainder of 2021; the Princess well completed in Q2 2021 coming on production in May 2021; and continued focus on Princess development while monitoring our pilot waterflood program at Michichi.

Forward-looking statements are based on a number of material factors, expectations or assumptions of Prairie Provident which have been used to develop such statements but which may prove to be incorrect. Although the Company believes that the expectations and assumptions reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements, which are inherently uncertain and depend upon the accuracy of such expectations and assumptions. Prairie Provident can give no assurance that the forward-looking statements contained herein will prove to be correct or that the expectations and assumptions upon which they are based will occur or be realized. Actual results or events will differ, and the differences may be material and adverse to the Company. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: that Prairie Provident will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities, and their consistency with past operations; the quality of the reservoirs in which Prairie Provident operates and continued performance from existing wells (including with respect to production profile, decline rate and product type mix); the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of Prairie Provident's reserves volumes; future commodity prices; future operating and other costs; future USD/CAD exchange rates; future interest rates; continued availability of external financing and cash flow to fund Prairie Provident's current and future plans and expenditures, with external financing on acceptable terms; the impact of competition; the general stability of the economic and political environment in which Prairie Provident operates; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of Prairie Provident to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Prairie Provident has an interest in to operate the field in a safe, efficient and effective manner; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Prairie Provident to secure adequate product transportation; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Prairie Provident operates; and the ability of Prairie Provident to successfully market its oil and natural gas products.

The forward-looking statements included in this news release are not guarantees of future performance or promises of future outcomes, and should not be relied upon. Such statements, including the assumptions made in respect thereof, 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 statements including, without limitation: changes in realized commodity prices; changes in the demand for or supply of Prairie Provident's products; the early stage of development of some of the evaluated areas and zones; the potential for variation in the quality of the geologic formations targeted by Prairie Provident's operations; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Prairie Provident or by third party operators; increased debt levels or debt service requirements; inaccurate estimation of Prairie Provident's oil and gas reserves volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and such other risks as may be detailed from time-to-time in Prairie Provident's public disclosure documents (including, without limitation, those risks identified in this news release and Prairie Provident's current Annual Information Form as filed with Canadian securities regulators and available from the SEDAR website (www.sedar.com) under Prairie Provident's issuer profile).

The forward-looking statements contained in this news release speak only as of the date of this news release, and Prairie Provident assumes no obligation to publicly update or revise them to reflect new events or circumstances, or otherwise, except as may be required pursuant to applicable laws. All forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

Barrels of Oil Equivalent

The oil and gas industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis ("boe") whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants. A boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead nor at the plant gate, which is where Prairie Provident sells its production volumes. Boes may therefore be a misleading measure, particularly if used in isolation. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency ratio of 6:1, utilizing a 6:1 conversion ratio may be misleading as an indication of value.

Non-IFRS Measures

The Company uses certain terms in this news release and within the MD&A that do not have a standardized or prescribed meaning under International Financial Reporting Standards (IFRS), and, accordingly these measurements may not be comparable with the calculation of similar measurements used by other companies. For a reconciliation of each non-IFRS measure to its nearest IFRS measure, please refer to the "Non-IFRS Measures" section in the MD&A. Non-IFRS measures are provided as supplementary information by which readers may wish to consider the Company's performance but should not be relied upon for comparative or investment purposes. The non-IFRS measures used in this news release are summarized as follows:

Working Capital - Working capital (deficit) is calculated as current assets excluding the current portion of derivative instruments, less accounts payable and accrued liabilities. This measure is used to assist management and investors in understanding liquidity at a specific point in time. The current portion of derivatives instruments is excluded as management intends to hold derivative contracts through to maturity rather than realizing the value at a point in time through liquidation. The current portion of decommissioning expenditures is excluded as these costs are discretionary and warrant liabilities are excluded as it is a non-monetary liability. Lease liabilities have historically been excluded as they were not recorded on the balance sheet until the adoption of IFRS 16 - Leases on January 1, 2019.

Net Debt - Net debt is defined as borrowings under long-term debt plus working capital surplus. Net debt is commonly used in the oil and gas industry for assessing the liquidity of a company.

Operating Netback - Operating netback is a non-IFRS measure commonly used in the oil and gas industry. This measurement assists management and investors to evaluate the specific operating performance at the oil and gas lease level. Operating netbacks included in this news release were determined as oil and gas revenues less royalties less operating costs. Operating netback may be expressed in absolute dollar terms or a per unit basis. Per unit amounts are determined by dividing the absolute value by gross working interest production. Operating netback after gains or losses on derivative instruments, adjusts the operating netback for only realized gains and losses on derivative instruments.

Adjusted Funds Flow (AFF) - Adjusted funds flow is calculated based on cash flow from operating activities before changes in non-cash working capital, transaction costs, restructuring costs, and other non-recurring items. Management believes that such a measure provides an insightful assessment of PPR's operational performance on a continuing basis by eliminating certain non-cash charges and charges that are non-recurring or discretionary, and utilizes the measure to assess the Company's ability to finance capital expenditures and debt repayments. Adjusted funds flow as presented is not intended to represent cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. Adjusted funds flow per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of earnings per share.

Net Capital Expenditures - Net capital expenditures is a non-IFRS measure commonly used in the oil and gas industry. The measurement assists management and investors to measure PPR's investment in the Company's existing asset base. Net capital expenditures is calculated by taking total capital expenditures, which is the sum of property and equipment and exploration and evaluation expenditures from the consolidated statement of cash flows, plus capitalized stock-based compensation, plus acquisitions from business combinations, which is the outflow cash consideration paid to acquire oil and gas properties, less asset dispositions (net of acquisitions), which is the cash proceeds from the disposition of producing properties and undeveloped lands.

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