

# Strathcona Resources Ltd. Reports First Quarter 2024 Financial and Operating Results

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CALGARY, May 14, 2024 - [Strathcona Resources Ltd.](#) ("Strathcona" or the "Company") (TSX: SCR) today reported its 2024 financial and operational results.

## Highlights

- Production of 185,122 boe/d (71% oil and condensate, 77% liquids)<sup>(1)</sup>
- Operating Earnings of \$209.0 million (\$0.98 / share)<sup>(2)</sup>
- Free Cash Flow of \$157.9 million (\$0.74 / share)<sup>(2)</sup>

(\$ millions, unless otherwise indicated)	Three Months Ended		
	March 31, 2024	March 31, 2023	December 31, 2022
WTI (US\$ / bbl)	76.96	76.13	78.32
WCS Hardisty (C\$ / bbl)	77.77	69.31	76.85
AECO 5A (C\$ / mcf)	2.50	3.22	2.30
Bitumen (bbls/d)	60,150	51,097	59,845
Heavy oil (bbls/d)	51,835	57,443	52,736
Condensate and light oil (bbls/d)	19,279	8,068	19,184
Total oil production (bbls/d)	131,264	116,608	131,765
Other NGLs (bbls/d)	11,738	8,501	11,906
Natural gas (mcf/d)	252,720	114,304	254,361
Production (boe/d)	185,122	144,160	186,064
Sales (boe/d)	182,862	146,877	184,360
% Oil and condensate	71 %	81 %	71 %
% Liquids <sup>(1)</sup>	77 %	87 %	77 %
Oil and natural gas sales, net of blending costs and other income <sup>(2)</sup>	1,004.3	761.5	1,003.7
Royalties	126.2	113.1	134.9
Production and operating - Energy	78.8	88.7	72.5
Production and operating - Non-energy	135.4	115.9	133.3
Transportation and processing	143.4	127.9	135.7
General and administrative			









Depletion, depreciation and amortization	221.8	163.1	227.5
Interest and finance costs	67.7	71.9	73.2
Current income tax (recovery)	-	(46.9)	-
Operating Earnings <sup>(2)</sup>	209.0	101.9	202.1
Other items <sup>(3)</sup>	108.4	(11.4)	(61.6)
Income and comprehensive income	100.6	90.5	263.7
Operating Earnings <sup>(2)</sup>	209.0	101.9	202.1
Non-cash items <sup>(4)</sup>	244.1	180.6	249.1
Gain (loss) on risk management and foreign exchange contracts - realized	2.5	(5.6)	19.6
Funds from Operations <sup>(2)</sup>	455.6	276.9	470.8
Capital expenditures	(286.1)	(228.7)	(306.2)
Decommissioning costs	(11.6)	(12.1)	(13.8)
Free Cash Flow <sup>(2)</sup>	157.9	36.1	150.8
Debt	2,642.5	3,041.7	2,665.0

(1) See "Presentation of Oil and Gas Information" and "Product Type Production Information" sections of this press release.

(2) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see "Non-GAAP Measures and Ratios" section of this press release.

(3) Other items is an aggregation of loss/(gain) on risk management contracts, foreign exchange loss/(gain), transaction related costs (recoveries), unrealized loss/(gain) on Sable remediation fund, and deferred tax expense.

(4) Non-cash items is an aggregation of depletion, depreciation and amortization, finance costs, and decommissioning government grant.

(\$/boe) Three Months Ended

	March 31, 2024	March 31, 2023	December 31, 2022
Oil and natural gas sales, net of blending costs and other income <sup>(1)</sup>	60.36	57.53	59.16
Royalties	7.58	8.55	7.95
Production and operating - Energy	4.74	6.71	4.27
Production and operating - Non-energy	8.14	8.77	7.86
Transportation and processing	8.62	9.68	8.00
General and administrative	1.32	1.96	1.44
Depletion, depreciation and amortization	13.33	12.34	13.41
Interest and finance costs	4.07	5.44	4.31
Current income tax (recovery)	-	(3.55)	-
Operating Earnings <sup>(1)</sup>	12.56	7.63	11.92
Effective royalty rate (%) <sup>(1)</sup>	12.6 %	14.9 %	13.4 %

(1) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see "Non-GAAP Measures and Ratios" section of this press release.

#### Quarter Review and Near-Term Priorities

Strathcona delivered steady performance in the first quarter of 2024, with production, operating earnings and free cash flow consistent with the fourth quarter of 2023, amid substantially consistent commodity prices. As part of the commissioning of a new third-party crude-by-rail offloading terminal in the US Gulf Coast, Strathcona's heavy oil volumes in inventory increased for the second consecutive quarter. The facility is now fully operational and the volumes in inventory at March 31, 2024 will be released over the balance of 2024, coinciding with improving heavy oil differentials.

In Cold Lake, Strathcona spud a new pad of 8-well pairs at Tucker and began tie-in of 7 infills and 5 well pairs at Lindbergh. Production at Cold Lake remains strong, with the first quarter of 2024 marking the fifth consecutive quarterly increase in production, driven by ongoing optimization of legacy well production at Lindbergh and Tucker.

In Lloydminster, Strathcona drilled 39 and tied-in 34 wells within its conventional heavy oil properties, across Cactus Lake, Winter, Bellis, and Bodo-Cosine. Capital activity for the remainder of 2024 is focused on new thermal well pairs in Meota and Edam, and the expansion of one of Meota's steam generation facilities. The first phase of the facility expansion will be the addition of a new steam generator at our Meota West 2 facility to support development of the General Petroleum reservoir in 2025.

In the Montney, Strathcona spud the 4-well 3-4 pad at Kakwa, finished drilling the 7-well 2-24 pad at Grand Prairie, and spud the 3-well 13-25 pad at Groundbirch. As previously announced, Strathcona plans to defer the tie-in of the dry-gas Groundbirch pad until natural gas prices improve. Also in the first quarter, Strathcona began flowback of a Lower Montney appraisal well off the 6-20 pad, marking the fourth bench successfully developed by Strathcona in Kakwa. Initial results from the Lower Montney are encouraging, producing approximately 600 bbls per day of condensate and 2 MMcf per day of natural gas over a 17-day period, on a relatively short lateral of 2,200 meters.

#### Outlook

Strathcona's production guidance of 187,500 to 192,500 boe per day (78% liquids, 71% oil and condensate) remains unchanged for 2024, as does Strathcona's capital budget of \$1.3 billion. Strathcona anticipates Q2 production to remain consistent with Q1 as a number of planned third party outages impact our Montney assets at Kakwa and Grande Prairie.

At current commodity prices, Strathcona anticipates achieving its debt target of \$2.5 billion on or around June 30, 2024, and expects to provide further details around its shareholder return program as part of its second quarter results release in August 2024.

#### Conference Call Details

Strathcona will host a conference call on May 15, 2024, starting at 11:00AM ET (9:00AM MT), to review the Company's first quarter 2024 financial and operating results.

Date: Wednesday, May 15, 2024

Time: 11:00AM ET (9:00AM MT)

URL Entry: To join without operator assistance, register at <https://emportal.ink/3IYZW4p> up to 15 minutes before the start time. Enter your name and phone number to receive an automated call-back.

Telephone Entry: Alternatively, you can join with operator assistance by dialing 1 (888) 390-0605 (North

American Toll Free) and quote conference ID 965818

Webcast Link: [Strathcona Resources](#) Q1 2024 Conference Call - webinar.net

For those unable to participate in the conference call at the scheduled time, a recording of the conference call will be available for seven days following the call and can be accessed by dialing 1 (888) 390-0541 and entering the conference number 965818.

#### About Strathcona

Strathcona is one of North America's fastest growing oil and gas producers with operations focused on thermal oil, enhanced oil recovery and liquids-rich natural gas. Strathcona is built on an innovative approach to growth achieved through the consolidation and development of long-life oil and gas assets. Strathcona's common shares (symbol SCR) are listed on the Toronto Stock Exchange (TSX).

For more information about Strathcona, visit [www.strathconaresources.com](http://www.strathconaresources.com).

#### Non-GAAP Measures and Ratios

"Oil and natural gas sales, net of blending and other income" is calculated by deducting purchased product and blending costs from oil and natural gas sales, sales of purchased product and other income. Management uses this metric to isolate the revenue associated with Company production after accounting for the unavoidable cost of blending.

(\$ millions, unless otherwise indicated)	Three Months Ended		
	March 31, 2024	March 31, 2023	December 31, 2023
Oil and natural gas sales	1,298.8	1,047.7	1,287.6
Sales of purchased products	2.0	13.8	11.3
Other income	0.1	-	(0.1)
Purchased product	(2.0)	(14.8)	(10.3)
Blending costs	(294.6)	(285.2)	(284.8)
Oil and natural gas sales, net of blending and other income	1,004.3	761.5	1,003.7

"Operating Earnings" is considered by management a key financial metric for evaluating the profitability of the principal business and is derived from Income and comprehensive income adjusted for amounts which are considered non-recurring or not directly attributable to the Company's operations.

"Funds from Operations" is used by management to analyze operating performance and provides an indication of the funds generated by Strathcona's principal business to either fund operating activities, re-invest to either maintain or grow the business or make debt repayments.

"Free Cash Flow" is used by management to analyze operating performance and indicates funds available for deleveraging, funding future growth, or, at some point in the future, shareholder returns.

A quantitative reconciliation of Operating Earnings, Funds from Operations and Free Cash Flow to the most directly comparable GAAP financial measure, income and comprehensive income, is set forth below:

(\$ millions, unless otherwise indicated)	Three Months Ended		
	March 31, 2024	March 31, 2023	December 31, 2023
Income and comprehensive income	100.6	90.5	263.7
Loss (gain) on risk management contracts	39.7	(64.2)	(129.1)
Foreign exchange loss (gain)	20.4	(5.9)	(20.9)
Transaction related costs (recoveries)	0.1	1.2	(1.3)
Unrealized loss (gain) on Sable remediation fund	0.1	(0.2)	(0.3)
Deferred tax expense	48.1	80.5	90.0
Operating Earnings	209.0	101.9	202.1
Depletion, depreciation and amortization	221.8	163.1	227.5
Finance costs	22.3	17.8	21.6
Decommissioning government grant	-	(0.3)	-
Gain (loss) on risk management contracts - realized	4.5	(5.4)	19.5
Gain (loss) on foreign exchange - realized	(2.0)	(0.2)	0.1
Funds from Operations	455.6	276.9	470.8
Capital expenditures	(286.1)	(228.7)	(306.2)
Decommissioning costs	(11.6)	(12.1)	(13.8)
Free Cash Flow	157.9	36.1	150.8

"Effective royalty rate" is calculated by dividing royalties by oil and natural gas sales, net of blending. This metric allows management to analyze the movement of royalty expense in relation to realized and benchmark commodity prices.

#### Supplementary Financial Measures

Readers are referred to "Specified Financial Measures" in Strathcona's first quarter 2024 and year-end 2023 MD&A for supplementary financial measures, which information is incorporated by reference to this new release.

The terms "Production and operating - Energy" and "Production and operating - Non-energy" are supplementary financial measures as they refer to portions of production and operating expenses. Non-energy operating expenses reflect the cost of operating activities relating to the production of resources. Energy operating expenses reflect the cost of gas and propane fuel, utilities and carbon tax incurred to operate facilities.

"Interest and finance costs" is an aggregation of interest and finance costs. Management uses this metric to obtain a fulsome understanding of all interest and accretion costs the Company is subject to.

"Other items" is an aggregation of risk management contracts, foreign exchange, transaction related costs, unrealized loss (gain) on Sable remediation fund, current income tax recovery and deferred tax expense. They are presented in such a manner to yield prominence to key financial metrics such as income and comprehensive income, Funds from Operations and Free Cash Flow.

The terms "Production and operating - Energy" and "Production and operating - Non-energy" are supplementary financial measures as they refer to portions of production and operating expenses. Non-energy operating expenses reflect the cost of operating activities relating to the production of resources. Energy operating expenses reflect the cost of gas and propane fuel, utilities and carbon tax incurred to operate facilities.

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Foreign exchange loss (gain)	20.4	(5.9)	(20.9)
Transaction related costs (recoveries)	0.1	1.2	(1.3)
Unrealized loss (gain) on Sable remediation fund	0.1	(0.2)	(0.3)
Deferred tax expense	48.1	80.5	90.
Other items	108.4	(11.4)	(61.6)

"Non-cash items" is an aggregation of depletion, depreciation and amortization, finance costs, and other income - ARO government grant. They are presented in such a manner to yield prominence to key financial metrics such as income and comprehensive income, Funds from Operations and Free Cash Flow.

(\$ millions, unless otherwise indicated)	Three Months Ended		
	March 31, 2024	March 31, 2023	December 31, 2023
Depletion, depreciation and amortization	221.8	163.1	227.5
Finance costs	22.3	17.8	21.6
Other income - ARO government grant	-	(0.3)	-
Non-cash items	244.1	180.6	249.1

#### Presentation of Oil and Gas Information

This press release contains various references to the abbreviation "boe" which means barrels of oil equivalent. All boe conversions in this press release are derived by converting gas to oil at the ratio of six thousand cubic feet ("mcf") of natural gas to one barrel ("bbl") of crude oil. Boe may be misleading, particularly if used in isolation. A boe conversion rate of 1 bbl : 6 mcf 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 of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency ratio of 1 bbl : 6 mcf, utilizing a conversion ratio of 1 bbl : 6 mcf may be misleading as an indication of value.

References to "liquids" in this press release refer to, collectively, bitumen, heavy oil, condensate and light oil (comprised of condensate and light oil) and other natural gas liquids ("NGL") (comprised of ethane, propane and butane only). References to "oil and condensate" in this press release refer to, collectively, light and medium crude oil, heavy crude oil, bitumen and natural gas liquids. References to "natural gas" in this press release refer to conventional natural gas.

References to initial production rates and other short-term production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate

recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating aggregate production for us or the assets for which such rates are provided. Accordingly, we caution that the initial production rates should be considered to be preliminary.

#### Forward-Looking Information

Certain statements contained in this press release constitute forward-looking information within the meaning of applicable securities laws. The forward-looking information in this press release is based on Strathcona's current internal expectations, estimates, projections, assumptions and beliefs. Such forward-looking information is not a guarantee of future performance and involves 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. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information are reasonable as of the time of such information, but no assurance can be given that these factors, expectations and assumptions will prove to be correct, and such forward-looking information included in this press release should not be unduly relied upon.

The use of any of the words "expect", "anticipate", "estimate", "objective", "ongoing", "may", "will", "project", "believe", "depends", "plan", "could" and similar expressions are intended to identify forward-looking information. In particular, but without limiting the generality of the foregoing, this press release contains forward-looking information pertaining to the following: the Company's business strategy and future plans, including plans to grow production; expected operating strategy; the Company's production and capital budget guidance for 2024. Strathcona's debt repayment plans; expectations regarding the release of Strathcona's heavy oil inventory over the balance of 2024; expected improvements in heavy oil differentials; Strathcona's capital activity plans in Lloydminster, including the drilling of new thermal well pairs in Meota and Edam, the expansion of Meota's steam generation facilities and the expected impacts and timing thereof; and the expected improvement of natural gas prices and the actions of Strathcona as a result thereof.

All forward-looking information reflects Strathcona's beliefs and assumptions based on information available at the time the applicable forward-looking information is disclosed and in light of the Company's current expectations with respect to such things as: Strathcona's ability to generate sufficient cash flow to fund debt repayment; the success of Strathcona's operations and growth and expansion projects; expectations regarding production growth, future well production rates and reserve volumes; expectations regarding Strathcona's capital program, including the outlook for general economic trends, industry trends, prevailing and future commodity prices, foreign exchange rates and interest rates; the availability of third party services; prevailing and future royalty regimes and tax laws; future well production rates and reserve volumes; fluctuations in energy prices based on worldwide demand and geopolitical events; the impact of inflation; the integrity and reliability of Strathcona's assets; decommissioning obligations; Strathcona's ability to comply with its financial covenants; and the governmental, regulatory and legal environment. In addition, certain forward-looking information with respect to achieving Strathcona's debt target assumes commodity prices and exchange rates of: US\$80 / bbl WTI, assuming a US\$15.75 / bbl WCS-WTI differential, 0.73 USD-CAD, and C\$3.22 / Mcf AECO. Management believes that its assumptions and expectations reflected in the forward-looking information contained herein are reasonable based on the information available on the date such information is provided and the process used to prepare the information. However, it cannot assure readers that these expectations will prove to be correct. Management approved the capital budget and production guidance contained herein as of the date of this press release. The purpose of the capital budget and production guidance is to assist readers in understanding Strathcona's expected and targeted financial position and performance, and this information may not be appropriate for other purposes.

The forward-looking information included in this press release is not a guarantee of future performance and involves 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, including, without limitation: changes in commodity prices; changes in the demand for or supply of Strathcona's products; the continued impact, or further deterioration, in global economic and market conditions, including from inflation and/or certain geopolitical conflicts, such as the ongoing Russia/Ukraine conflict and the conflict in the Middle East, and other heightened geopolitical risks and the ability of the Company to carry on operations as contemplated in light of the foregoing; determinations by the Organization of the Petroleum Exporting Countries and other countries as to production levels; unanticipated operating results or production declines; changes in tax or environmental laws, climate change, royalty rates or other regulatory matters; changes in Strathcona's development plans or by third party operators of Strathcona's properties; competition from other producers; inability to retain drilling rigs and other services; failure to realize the anticipated benefits of the Company's acquisitions; incorrect assessment of the value of acquisitions; delays resulting from or inability

to obtain required regulatory approvals; increased debt levels or debt service requirements; inability to reduce debt; inflation; changes in foreign exchange rates; inaccurate estimation of Strathcona's oil and gas reserve and contingent resource volumes; limited, unfavourable or a lack of access to capital markets or other sources of capital; increased costs; a lack of adequate insurance coverage; the impact of competitors; and the other factors discussed under the "Risk Factors" section in Strathcona's Management's Discussion & Analysis and Annual Information Form, each for the year ended December 31, 2023, and from time to time in Strathcona's public disclosure documents, which are available at [www.sedarplus.ca](http://www.sedarplus.ca).

The foregoing risks should not be construed as exhaustive. The forward-looking information contained in this press release speaks only as of the date of this press release and Strathcona does not assume any obligation to publicly update or revise such forward-looking information to reflect new events or circumstances, except as may be required pursuant to applicable laws. Any forward-looking information contained herein is expressly qualified by this cautionary statement.

#### Product Type Production Information

The Company's quarterly average daily production volumes, and the references to "natural gas", "crude oil" and "condensate", reported in this press release consist of the following product types, as defined in NI 51-101 and using a conversion ratio of 6 mcf : 1 bbl where applicable:

	Three Months Ended		
	March 31, 2024	March 31, 2023	December 31, 2023
Heavy crude oil (bbl/d)	51,835	57,443	52,736
Light and medium crude oil (bbl/d)	551	716	580
Total crude oil (bbl/d)	52,386	58,159	53,316
Bitumen (bbl/d)	60,150	51,097	59,845
NGLs (bbl/d)	30,466	15,853	30,509
Total liquids (bbl/d)	143,002	125,109	143,670
Conventional natural gas (mcf/d)	252,720	114,304	254,361
Total (boe/d)	185,122	144,160	186,064

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