

News Room



Parex Resources Inc.



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Parex 2015 Guidance Delivers 30% Production Growth Fully Funded by Cash Flow

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Parex Resources Inc. ("**Parex**" or the "**Company**") (TSX: **PXT**), a company focused on Colombian oil exploration and production, is pleased to announce its 2015 full year guidance. All amounts herein are in United States dollars unless otherwise stated. Please note that a conference call to discuss Q3 results and 2015 Guidance is scheduled for Friday, November 7, 2014 beginning at 9:30 am MT.

2015 Guidance Summary: Full Year Production 28,500-30,000 bopd

Building on our 2014 operational and exploration success, Parex plans to maintain its consistent quarter over quarter production growth with a self funding 2015 capital investment program of approximately \$330 million assuming an average Brent oil price of \$85/bbl.

Key highlights:

- 2015 average production range of 28,500-30,000 barrels of oil per day (bopd) as compared to the 2014 average of approximately 22,300 bopd and the 2013 average of 15,854 bopd;
- Top quartile production growth of 30% year-over-year and 17% per basic share using mid-point guidance from 2014 and 2015;
- 2015 capital budget utilizes a Brent oil price of \$85/barrel (bbl) that generates high operating netback production which provides for a capital program fully funded from cash flow;
- Lower risk development and appraisal program plus facilities on existing discoveries of 16 gross wells (9.4 net) costing approximately \$145 million. We expect this maintenance capital will allow us to sustain our Q4 2014 guidance mid-point production base of approximately 26,000 bopd;
- Strong exploration program targeting 17 drill ready prospects (12.9 net) plus the potential to drill additional follow-up appraisal wells and facilities in 2015 dependent upon success and Brent oil prices;
- Multiple high impact exploration prospects spread over 10 Colombian blocks, of which 4 blocks have not yet been tested by Parex; and
- Parex has the flexibility to adjust its capital program to changing Brent oil prices. Further, Parex has no net debt and therefore is well positioned to target additional growth opportunities.

2015 Capital Budget

The board of directors of Parex have approved a 2015 capital budget of \$330 million. The 2015 capital budget provides for \$145 million for development capital, \$155 million of exploration/growth capital and \$30 million for 3D seismic acquisition.

A summary of the 2015 capital budget is provided below:

	# Wells		Capex (Net \$ million)			
	Gross	Net	Wells	Facilities	Seismic	Total
Development/Appraisal (existing fields)	16	9.4	\$54	\$91	\$0	\$145
Exploration (new prospects)	17	12.9	\$120	-	\$10	\$130
Exploration Appraisal (Contingent Follow-up)	5	4.3	\$21	\$9	-	\$30
New Play Concept (Magdalena Basin)	1	1	\$5	-	\$20	\$25
Base (Firm) Total	39	27.6	\$200	\$100	\$30	\$330

Our base capital budget is \$330 million, an increase of 14% from the forecast 2014 base capital expenditure forecast of

approximately \$290 million before corporate acquisitions. The 2015 capital program is planned to be evenly allocated throughout the year with key exploration prospects drilled in the first half of 2015 and seismic programs and development drilling focused in the second half of the year. As part of the exploration budget we have included \$40 million for a two well plus facilities appraisal program on the Capachos Block. In addition, if exploration discoveries merit appraisal drilling and production facilities, we may increase the 2015 capital budget by up to \$30 million as contingent capital. As operator of over 70% of the capital budget, Parex has flexibility to either increase or decrease operational activity depending on the Brent oil price and cash flows.

Building on the recent positive well results and production performance, the 2015 development/appraisal drilling will be focused on the Cabretero, LLA-32 and LLA-34 blocks.

During the Colombian dry season (January-April) we expect to employ 2 operated and 1 non-operated drilling rigs, however the final drilling schedule will be subject to partner, regulatory and community approvals.

2015 Financial Assumptions

We have modelled our 2015 base capital program of \$330 million to be fully funded from cash flow based on a Brent oil price of \$85/bbl and assuming historical differential and transportation costs on a per barrel basis. In the event Brent oil prices recover past \$90/bbl Parex would consider increasing its exploration capital expenditures, all other factors remaining equal.

Parex expects to begin 2015 with no net debt and available bank credit facilities of approximately \$175 million.

Dependent on the on-stream timing of production from successful exploration wells, operational performance of non-operated producing fields and access to pipeline capacity, we expect combined production and transportation expenses to be approximately \$28 per barrel, consistent with our long term average.

Corporate general and administrative costs on a per barrel basis are expected to continue to trend lower due to the rate of production growth and maintaining the recent depreciation of foreign currencies (CAD & Colombian Peso COP) against the USD.

A portion of Parex' total corporate royalty rate is linked to WTI prices. We expect our corporate royalty rate as a percentage of sales to average 12%-14% at a WTI price of \$80/bbl. Royalty rates will vary according to: 1) WTI price; 2) the production weighting between low and high royalty rate fields and 3) the timing of exploration discoveries being brought on stream. We expect the Tua and Tigana fields to each surpass 5 million gross cumulative barrels of oil production during the second quarter of 2015 and have built increased royalty rates for these fields into our netback assumptions.

Parex' Colombian subsidiaries are expected to have remaining tax loss carry forwards available in 2015. At our forecast netbacks based on Brent at \$85/bbl we expect our Colombian effective current tax rate to be 14%-15% assuming the existing 2014 Colombian federal tax rates remain in effect.

Q3 & 2015 Guidance Conference Call Information

Parex will host a conference call to discuss Q3 results and 2015 Guidance on Friday, November 7, 2014 beginning at 9:30 am MT. To participate in the call, dial 1-866-696-5910, pass code: 8740503

The live audio will be carried at: <http://bell.media-server.com/m/p/uwog8943>

This news release does not constitute an offer to sell securities, nor is it a solicitation of an offer to buy securities, in any jurisdiction.

Advisories

Certain information regarding Parex set forth in this document contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent Parex's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), plans for and results of drilling activity, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Parex' actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex.

In particular, forward-looking statements contained in this document include, but are not limited to, statements with respect to the performance characteristics of the Company's oil properties; the Company's anticipated 2015 capital investment program, including the amount thereof; the Company's 2015 capital budget, including the expected allocation of such budget to the number of wells and capital expenditures for each of exploration/growth in existing fields, development/appraisal drilling in proven plays (including the Capachos appraisal program) and 3D seismic acquisition/new play concepts; the Company's forecasted 2015 average production range; the Company's planned capital program, including anticipated amounts focused on existing discoveries and the Capachos appraisal program and the timing of drilling key exploration prospects, seismic programs

and development drilling; the Company's exploration, development and appraisal program for 2015, including anticipated number of wells, drill ready prospects, the focus of development/appraisal drilling and the potential for drilling of additional follow-up appraisal wells and facilities in 2015; exploration prospects; the Company's plans to target additional growth opportunities; the Company's ability to increase its capital budget if exploration discoveries merit appraisal drilling and production facilities and the anticipated amount thereof; expected number of drilling rigs to be utilized during the Company during the Colombian dry season; Parex' anticipated debt levels and available credit facilities at the start of 2014; the Company's estimated combined production and transportation expenses, levels of general and administrative costs on a per barrel basis, royalty rates as a percentage of sales, remaining loss carry forwards applicable in 2015 and Colombian current tax rate; expected oil production from Tua and Tigana fields during the second quarter of 2015; financial and business prospects and financial outlook; and activities to be undertaken in various areas.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic conditions in Canada and Colombia; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced, in Canada and Colombia; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; risks related to obtaining required approvals of regulatory authorities, in Canada and Colombia and partner and community approvals in Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; volatility in market prices for oil; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws, tax rates and/or incentive programs relating to the oil industry; changes to pipeline capacity; ability to access sufficient capital from internal and external sources; risks related to the lawsuit brought in Texas against Parex and certain foreign subsidiaries; failure of counterparties to perform under the terms of their contracts; and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could effect Parex's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Although the forward-looking statements contained in this document are based upon assumptions which Management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this document, Parex has made assumptions regarding, among other things: current commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the price of oil, including the anticipated Brent oil price; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; receipt of partner, regulatory and community approvals; royalty rates; future operating costs; effects of regulation by governmental agencies; uninterrupted access to areas of Parex' operations and infrastructure; recoverability of reserves and future production rates; the status of litigation; timing of drilling and completion of wells; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Parex' conduct and results of operations will be consistent with its expectations; that Parex will have the ability to develop its oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of Parex' reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that Parex will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this document in order to provide shareholders with a more complete perspective on Parex's current and future operations and such information may not be appropriate for other purposes. Parex's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Parex will derive. These forward-looking statements are made as of the date of this document and Parex disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

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