

PrairieSky Announces First Quarter 2024 Results, Record Oil Royalty Production

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CALGARY, April 22, 2024 -

[PrairieSky Royalty Ltd.](#) ("PrairieSky" or the "Company") (TSX: PSK) is pleased to announce its first quarter ("Q1 2024") operating and financial results for the three-month period ended March 31, 2024.

First Quarter Highlights:

- Royalty production volumes averaged 26,027 BOE per day and included record oil royalty production of 13,142 barrels per day, an 8% increase over Q1 2023 and a 2% increase over Q4 2023.
- Quarterly revenues totaled \$120.7 million, comprised of royalty production revenues of \$113.2 million and other revenues of \$7.5 million, including bonus consideration of \$4.2 million earned on entering into 50 new leasing arrangements primarily for Mannville medium and heavy oil and Duvernay light oil acreage.
- Quarterly funds from operations totaled \$83.0 million (\$0.35 per share basic and diluted).
- Declared a quarterly dividend of \$0.25 per share.
- Acquired gross overriding royalty interests primarily in lands prospective for Mannville heavy and light oil for \$8.8 million.
- Net debt decreased to \$208.3 million as at March 31, 2024, as excess funds from operations over the dividend and acquisitions were used to reduce net debt.

President's Message

PrairieSky's positive oil royalty production momentum continued into Q1 2024 delivering a record 13,142 barrels per day. Oil royalty production increased 8% above Q1 2023 and 2% over Q4 2023 with growth primarily generated from the Mannville Stack and Clearwater heavy oil plays which have highly competitive full-cycle economics and have been the focus area of many well-capitalized private and public company operators on our royalty lands. We have positioned ourselves in the most economic conventional oil plays in Western Canada and are pleased with the level of oil royalty production growth we have seen on our lands, adding almost 2,000 barrels of oil per day since Q1 2022, the first quarter following the Heritage Royalty acquisition. Oil royalty production generated \$92.3 million in royalty revenue in the quarter, 82% of total royalty revenue. NGL royalty volumes added an incremental \$10.2 million of royalty revenue and natural gas royalty volumes added \$10.7 million as AECO benchmark pricing remained weak in the quarter. Royalty revenue totaled \$113.2 million in the quarter generated from total average royalty production volumes of 26,027 BOE per day (60% liquids). Other revenues added \$7.5 million, including lease rentals, bonus consideration, water disposal fees and potash royalty revenues.

Leasing activity remained strong in Q1 2024. PrairieSky entered into 50 new leases with 42 different counterparties earning an aggregate of \$4.2 million in bonus consideration. Leasing was primarily focused on Mannville medium and heavy oil targets with 40 wells spud as well as the Duvernay where drilling activity more than doubled from Q1 2023 with 14 wells spud. Activity was slower in the Viking and the Clearwater year over year with Clearwater activity focused on secondary recovery schemes. We are seeing early-stage success in waterflood and polymer floods on our Clearwater assets which we expect to lead to increased recoveries and lower declines on our royalty properties. Based on third-party producer budgets and current commodity pricing, we anticipate strong Clearwater activity throughout 2024. There were also 14 Montney and 6 Mannville liquids-rich natural gas wells spud in Northwest Alberta and British Columbia in the quarter.

PrairieSky generated quarterly funds from operations of \$83.0 million or \$0.35 per share (basic and diluted). Funds from operations were in line with Q1 2023 as increased oil royalty production and a narrower heavy oil differential offset the negative impacts of lower natural gas benchmark pricing and a wider light oil differential on royalty revenues. Funds from operations were lower than Q4 2023 primarily as a result of weaker

benchmark pricing for oil, lower bonus consideration following a strong Q4 2023 and the annual payment of employee and officer long-term incentive compensation. PrairieSky declared a dividend of \$0.25 per share or \$59.7 million in the quarter. Excess funds from operations were used to reduce net debt, with \$8.8 million used to acquire gross overriding royalty interests that are complementary to PrairieSky's existing asset base and are primarily targeting Mannville heavy and light oil. PrairieSky exited Q1 2024 with net debt of \$208.3 million, down \$13.8 million from December 31, 2023.

We would like to thank our dedicated staff for their efforts and our shareholders for the continued support.

Andrew Phillips, President & CEO

ACTIVITY ON PRAIRIESKY'S ROYALTY PROPERTIES

Third-party operators spud 174 wells (84% oil) on PrairieSky's royalty acreage in Q1 2024, down from 214 wells (87% oil) in Q1 2023. Spuds included 83 wells on our Fee Lands, 83 wells on our GORR acreage, and 8 unit wells. There were 147 oil wells spud which included 40 Mannville light and heavy oil wells, 40 Viking wells, 21 Mississippian wells, 12 Clearwater wells, 12 Bakken wells, 8 Duvernay wells, 5 Cardium wells, and 9 additional oil wells spud in the Belly River, Dunvegan, Jurassic, Montney and Triassic formations. There were 26 natural gas wells spud in Q1 2024, including 14 Montney gas wells, 6 Mannville gas wells and 6 Duvernay gas wells. There was also 1 helium well spud in the quarter. PrairieSky's average royalty rate for wells spud in Q1 2024 was 6.0% (Q1 2023 - 8.2%).

FINANCIAL AND OPERATIONAL INFORMATION

The following table summarizes select operational and financial information of the Company for the periods noted. All dollar amounts are stated in Canadian dollars unless otherwise noted.

A full version of PrairieSky's management's discussion and analysis ("MD&A") and unaudited interim condensed consolidated financial statements and notes thereto for the fiscal period ended March 31, 2024 is available on SEDAR+ at www.sedarplus.ca and PrairieSky's website at www.prairiesky.com.

(millions, except per share or as otherwise noted)	Three Months Ended		
	March 31 2024	December 31 2023	March 31 2023
FINANCIAL			
Revenues	\$ 120.7	\$ 136.6	\$ 126.1
Funds from Operations	83.0	111.1	86.3
Per Share - basic and diluted ⁽¹⁾	0.35	0.46	0.36
Net Earnings	47.5	67.4	56.8
Per Share - basic and diluted ⁽¹⁾	0.20	0.28	0.24
Dividends declared ⁽²⁾	59.7	57.3	57.3
Per Share	0.25	0.24	0.24
Dividend payout ratio ⁽³⁾	72%	52%	66%
Acquisitions - including non-cash consideration ⁽⁴⁾	8.8	22.2	5.4
Net debt at period end ⁽⁵⁾	208.3	222.1	292.4
Shares Outstanding			
Shares outstanding at period end	239.0	239.0	238.9
Weighted average - basic	239.0	239.0	238.9
Weighted average - diluted	239.0	239.0	238.9
OPERATIONAL			
Royalty Production Volumes			

Crude Oil (bbls/d)	13,142	12,844	12,212
NGL (bbls/d)	2,535	2,697	2,664
Natural Gas (MMcf/d)	62.1	60.4	59.6
Royalty Production (BOE/d) ⁽⁶⁾	26,027	25,608	24,809
Realized Pricing			
Crude Oil (\$/bbl)	77.18	83.27	76.25
NGL (\$/bbl)	44.18	46.07	46.71
Natural Gas (\$/Mcf)	1.89	2.19	4.05
Total (\$/BOE) ⁽⁶⁾	47.79	51.78	52.31
Operating Netback per BOE ⁽⁷⁾	39.60	48.68	43.80
Funds from Operations per BOE	35.04	47.16	38.65
Oil Price Benchmarks			
Western Texas Intermediate (WTI) (US\$/bbl)	76.95	78.32	76.13
Edmonton Light Sweet (\$/bbl)	92.18	99.72	99.04
Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl)	(19.33)	(21.89)	(24.78)
Natural Gas Price Benchmarks			
AECO monthly index (\$/Mcf)	2.05	2.66	4.34
AECO daily index (\$/Mcf)	2.50	2.30	3.22
Foreign Exchange Rate (US\$/CAD\$)	0.7411	0.7343	0.7397

(1) Funds from operations and net earnings per share are calculated using the weighted average number of basic and diluted common shares outstanding.

(2) A dividend of \$0.25 per share was declared on March 11, 2024. The dividend was paid on April 15, 2024 to shareholders of record as at March 28, 2024.

(3) Dividend payout ratio is defined under the "Non-GAAP Measures and Ratios" section of this press release.

(4) Excluding right-of-use asset additions.

See Note 14 "Capital Management" in the interim condensed consolidated financial statements for the three months ended March 31, 2024 and

(5) 2023 and Note 15 "Capital Management" in the audited annual consolidated financial statements for the years ended December 31, 2023 and 2022.

(6) See "Conversions of Natural Gas to BOE".

(7) Operating netback per BOE is defined under the "Non-GAAP Measures and Ratios" section of this press release.

NORMAL COURSE ISSUER BID

PrairieSky will apply to the Toronto Stock Exchange ("TSX") to extend its normal course issuer bid ("NCIB") for an additional one-year period. The renewal of the NCIB has been approved by the Company's board of directors; however, the NCIB, including the limit of purchases thereunder, will be subject to acceptance by the TSX and, if accepted, will be made in accordance with the applicable rules and policies of the TSX and applicable securities laws. Under the NCIB, common shares may be repurchased in open market transactions on the TSX, and/or other Canadian exchanges or alternative trading systems. The price that PrairieSky will pay for common shares in open market transactions will be the market price at the time of purchase. Common shares acquired under the NCIB will be cancelled.

If approved, the NCIB is expected to commence shortly after regulatory approvals are obtained and upon expiry of the current program on May 31, 2024.

PrairieSky believes renewing the NCIB as part of its capital management strategy is in the best interests of the Company and represents an attractive opportunity to use cash resources to reduce PrairieSky's share count over time and thereby enhance the value of the common shares held by remaining shareholders. The Board currently intends to evaluate the NCIB, and the level of purchases thereunder, on an annual basis in conjunction with PrairieSky's annual financial results. The next regularly scheduled review will be in February 2025.

Decisions regarding increases to the NCIB will be based on market conditions, share price, best use of funds from operations, and other factors including debt repayment and options to expand our portfolio of royalty assets.

CONFERENCE CALL DETAILS

A conference call to discuss the results will be held for the investment community on Tuesday, April 23, 2024, beginning at 6:30 a.m. MDT (8:30 a.m. EDT). To participate in the conference call, you are asked to register at the link provided below. Details regarding the call will be provided to you upon registration.

Live call participants registration URL:

<https://register.vevent.com/register/Blb55aaa0a3c164cf8a77c5f7441f199f7>

FORWARD-LOOKING STATEMENTS

This press release includes certain statements regarding PrairieSky's future plans and operations and contains forward-looking statements that we believe allow readers to better understand our business and prospects. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. Forward-looking statements contained in this press release include estimates regarding our expectations with respect to PrairieSky's business and growth strategy; early-stage success in waterflood and polymer floods on PrairieSky's Clearwater assets and expectations of increased recoveries and lower declines on PrairieSky's royalty properties; expectations of strong Clearwater activity throughout 2024 based on third-party producer budgets and current commodity pricing; expectations that our royalty lands will continue to attract third-party activity; and the application of PrairieSky to renew the NCIB, the timing of when the NCIB will commence, the limit thereunder, PrairieSky's belief that repurchasing such common shares under the NCIB is a good allocation of PrairieSky's capital resources and will enhance the value of the common shares held by remaining shareholders.

With respect to forward-looking statements contained in this press release, we have made several assumptions including those described in detail in our MD&A and the Annual Information Form for the year ended December 31, 2023. Readers and investors are cautioned that the assumptions used in the preparation of such forward-looking information and statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions including inflation, industry conditions, volatility of commodity prices, lack of pipeline capacity, currency fluctuations, increasing interest rates, imprecision of reserve estimates, competitive factors impacting royalty rates, environmental risks, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, political and geopolitical instability and our ability to access sufficient capital from internal and external sources. In addition, PrairieSky is subject to numerous risks and uncertainties in relation to acquisitions. These risks and uncertainties include risks relating to the potential for disputes to arise with counterparties, and limited ability to recover indemnification under certain agreements. The foregoing and other risks are described in more detail in PrairieSky's MD&A, and the Annual Information Form for the year ended December 31, 2023 under the headings "Risk Management" and "Risk Factors", respectively, each of which is available on SEDAR+ at www.sedarplus.ca and PrairieSky's website at www.prairiesky.com.

Further, any forward-looking statement is made only as of the date of this press release, and PrairieSky undertakes no obligation to update or revise any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable securities laws. New factors emerge from time to time, and it is not possible for PrairieSky to predict all of these factors or to assess, in advance, the impact of each such factor on PrairieSky's business or the extent to which any factor, or combination of factors, may cause actual

results to differ materially from those contained in any forward-looking statements. The forward-looking information contained in this document is expressly qualified by this cautionary statement.

CONVERSIONS OF NATURAL GAS TO BOE

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). PrairieSky uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

NON-GAAP MEASURES AND RATIOS

Certain measures and ratios in this document do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") and, therefore, are considered non-GAAP measures and ratios. These measures and ratios may not be comparable to similar measures and ratios presented by other issuers. These measures and ratios are commonly used in the crude oil and natural gas industry and by PrairieSky to provide potential investors with additional information regarding the Company's liquidity and its ability to generate funds to conduct its business. Non-GAAP measures and ratios include operating netback per BOE and dividend payout ratio. Management's use of these measures and ratios is discussed further below. Further information can be found in the Non-GAAP Measures and Ratios section of PrairieSky's MD&A for the three months ended March 31, 2024.

"Operating Netback per BOE" represents the cash margin for products sold on a BOE basis. Operating netback per BOE is calculated by dividing the operating netback (royalty production revenues less production and mineral taxes and cash administrative expenses) by the average daily production volumes for the period. Operating netback per BOE is used to assess the cash generating and operating performance per unit of product sold and the comparability of the underlying performance between years. Operating netback per BOE measures are commonly used in the crude oil and natural gas industry to assess performance comparability. Refer to the Operating Results table on page 6 of PrairieSky's MD&A for the three months ended March 31, 2024 and 2023 and page 7 of PrairieSky's MD&A for the year ended December 31, 2023.

(\$ millions)	Three Months Ended		
	March 31 2024	December 31 2023	March 31 2023
Cash from Operating Activities	\$ 79.7	\$ 128.0	\$ 17.2
Other Revenue	(7.5)	(14.6)	(9.3)
Amortization of Debt Issuance Costs	(0.1)	(0.1)	(0.2)
Finance Expense	3.7	3.9	4.5
Current Tax Expense	14.7	14.4	16.5
Net Change in Non-cash Working Capital	3.3	(16.9)	69.1
Operating Netback	\$ 93.8	\$ 114.7	\$ 97.8

"Dividend Payout Ratio" is calculated as dividends declared as a percentage of funds from operations. Payout ratio is used by dividend paying companies to assess dividend levels in relation to the funds generated and used in operating activities.

(\$ millions)	Three Months Ended		
	March 31 2024	December 31 2023	March 31 2023
Funds from Operations	\$ 83.0	\$ 111.1	\$ 86.3

Dividends Declared	59.7	57.3	57.3
Dividend Payout Ratio	72%	52%	66%

ABOUT [PRAIRIESKY ROYALTY LTD.](#)

PrairieSky is a royalty company, generating royalty production revenues as petroleum and natural gas are produced from its properties. PrairieSky has a diverse portfolio of properties that have a long history of generating funds from operations and that represent the largest and most consolidated independently-owned fee simple mineral title position in Canada. PrairieSky's common shares trade on the Toronto Stock Exchange under the symbol PSK.

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