



Why ARC Resources Ltd. Is a Solid Portfolio Play

Description

Do you want independent oil and gas as part of your holdings? Sure, it's a volatile industry, but really, what industry isn't in these turbulent times? Therefore, consider adding oil and gas producer **ARC Resources Ltd.** ([TSX: ARX](#)) to your portfolio for the reasons outlined below.

Operational focus

ARC's emphasis is the development of high-quality long-life assets in five core areas throughout western Canada. ARC operates in northeast British Columbia, northern Alberta, the Pembina Cardium, south-central Alberta, and southeast Saskatchewan and Manitoba.

ARC's assets in British Columbia are in the tight gas Montney resource play. The Montney has a reputation as one of the best tight gas plays in North America. The company is a core holder in the Pembina Cardium and is the region's second largest operator. The field is the largest conventional oil pool in western Canada (+ 7.8 billion barrels of original oil in place).

Growth initiatives

Last year, ARC Resources carried out its largest capital program valued at \$860 million. The company's board recently approved more funds for the 2014 capital program (originally set at \$915 million). This year, the strong capital program in place will now come in at \$975 million. ARC's Montney assets are the primary driver of growth for the company.

Last year, ARC spent around \$590 million in the Montney resource play. It completed the construction of a new natural gas processing and associated liquids handling facility at Parkland/Tower in northeast British Columbia this past December. For Q2 and the first half of 2014, production from new wells at Parkland/Tower was partly responsible for higher production.

One of ARC'S key northeast British Columbia assets is Dawson. The extra funds in the updated capital program will mainly be allocated to specific strategic initiatives in the British Columbia and Alberta Montney areas to test the Lower Montney zone at Dawson.

Production growth

In 2013, ARC attained record annual production of 96,000 barrels of oil equivalent (boe) per day. It was even better for the company in Q2 2014. It achieved production of 110,165 boe per day, a record. This represents an increase of 18% versus Q2 2013 and is 4% higher than Q1 2014. This is in line with its 2014 target of average production in the range of 110,000 to 114,000 boe per day. So it's getting more product on its way to market.

Cost management focus

Last year, ARC Resources employed multi-well pad development and longer horizontal laterals. This led to realized cost savings for the year. The Colorado Oil & Gas Association notes that, "Multi-well pads are quickly becoming the norm for today's drilling protocol. The ability to drill multiple wells on a single pad provides multiple advantages to an operator and significant land use efficiency for a community."

Long horizontal laterals (all from one surface location) extending out kilometres below the geological structure also contributed to realized cost savings and these, plus multi-well pad development should contribute to lower future development capital expenditures for ARC Resources.

Q2 results and other indicators are telling fundamental facts about ARC Resources, which should help investors make appropriate decisions. Additionally, the company's a monthly dividend-payer with a current yield of 4.03% and has paid an annual dividend of \$1.20 per share or higher for more than 17 years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ARX (ARC Resources Ltd.)

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