CALGARY, May 13, 2015 /CNW/ - Northern Blizzard Resources Inc. ("Northern Blizzard" or the "Company") (TSX: NBZ) announces its operating and financial results for the three months ended March 31, 2015. Northern Blizzard's unaudited financial statements and management's discussion and analysis ("MD&A") for the three months ended March 31, 2015 are available on our website at www.northernblizzard.com and on SEDAR at www.sedar.com.

HIGHLIGHTS

- First quarter 2015 production was 22,469 boe/d (95% oil). Annual 2015 guidance of 21,600 boe/d remains unchanged.
- Funds from operations were $60.1 million ($0.58 per common share) for the first quarter of 2015.
- Operating costs for the first quarter of 2015 were $16.21 per boe, a decrease of 23% from the fourth quarter of 2014 as Northern Blizzard benefited from cost saving measures implemented across all fields.
- Northern Blizzard has a comprehensive hedging program in place to protect prices on crude oil volumes and maintain the stability of cash flows. We have WTI hedges in place for 1.9 million barrels (6,985 bbl/d) for the last three quarters of 2015 at an average price of C$96.19/bbl and 3.8 million barrels (10,500 bbl/d) in 2016 at an average price of C$77.34/bbl.
- Northern Blizzard completed the quarter in strong financial position with $465 million available on its $530 million credit facility. Net debt to trailing four quarters funds from operations was 1.7x.
- Cactus Lake: Oil production from this area averaged 7,900 bbl/d for the quarter supported by positive response from the Bakken polymer flood. Sixty new drilling locations were recently identified by 3D seismic bringing the total to over 300 drilling locations.
- Winter: Production from this area continues to grow at a compounded annual growth rate of over 20% supported by individual well capital efficiencies of less than $20,000 per flowing barrel. The property has over 400 drilling locations that underpin the capacity to double production within the next five years. Average production in the first quarter was approximately 3,860 boe/d.
- Coleville: Three Viking delineation wells were drilled in this area in the first quarter of 2015 with results to date exceeding expectations. These wells help prove up our undeveloped lands with over 300 drilling locations. We expect to grow production in this area to over 2,500 boe/d within the next two years. Average production in the first quarter was 1,650 boe/d.
- Plover Lake SAGD: First oil was realized from the fourth well pair drilled in late 2014 and production is expected to increase to 2,000 bbl/d later in 2015.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Financial ($000s,except as otherwise noted)			
Oil and natural gas sales	106,039	168,274	169,669
Funds from operations(1)	60,060	61,372	51,276
Per share – diluted	0.58	0.59	0.66
Net income (loss)	(43,907)	67,783	(1,905)
Per share – basic	(0.42)	0.66	(0.02)
Per share – diluted	(0.42)	0.65	(0.22)
Net debt(1)	406,382	405,677	650,047
Dividends declared	25,140	24,686	-
Per share	0.24	0.24	-
Capital expenditures	22,439	54,038	72,055
Weighted average shares outstanding (000s)			
Basic	104,405	102,647	77,617
Diluted	104,405	104,539	77,737
Shares outstanding at period end (000s)	105,459	103,387	77,935

Operating

Average daily production			
Heavy oil (bbl/d)	19,848	20,773	18,828
Light oil & NGL (bbl/d)	1,556	1,028	86
Natural gas (mcf/d)	6,388	6,043	7,213
Total (boe/d)	22,469	22,808	20,116
Average realized price			
Heavy oil ($/bbl)(2)	39.92	64.68	78.24
Light oil & NGL ($/bbl)	47.18	66.18	93.12
Oil & NGL ($/bbl)	40.45	64.75	78.31
Natural gas ($/mcf)	2.77	3.50	5.55
Combined ($/boe)	39.32	62.79	75.55
Netbacks ($/boe)			
Average realized price	39.32	62.79	75.55
Royalties	(4.29)	(7.64)	(11.81)
Production and operating expenses	(16.21)	(21.02)	(20.13)
Transportation expenses	(1.98)	(2.14)	(2.19)
Operating netback(1)	16.84	31.99	41.42
Realized gains (losses) on financial derivative contracts	17.92	2.78	(5.32)
General and administrative expenses	(2.59)	(2.60)	(3.22)
Cash finance costs	(4.19)	(3.43)	(4.89)
Other	1.74	0.96	1.04
Funds from operations(1)	29.72	29.70	29.03

Notes:

(1) Funds from operations, net debt and operating netback do not have any standardized meaning prescribed by International Financial Reporting Standards. See "Non-IFRS Financial Measures" and "Additional IFRS Measures" in the MD&A for the three months ended March 31, 2015 and 2014.

(2) Average heavy oil prices received are net of blending expenses.

OPERATIONS REVIEW

Cactus Lake

Capital expenditures at Cactus Lake for the first quarter of 2015 were $5.3 million, mainly focused on the Bakken polymer flood. Average production in the first quarter was approximately 7,900 boe/d, a 7% increase compared to the fourth quarter of 2014.

Cactus Lake Bakken Polymer Flood

Phases 1 and 2 of the Bakken polymer flood continue to demonstrate positive response. Over 30% of the producers in Phase 1 are demonstrating positive polymer flood response (i.e. increasing oil rates and decreasing water cuts). Polymer injection commenced at Phase 1 in early 2013.

In addition, over 20% of the producers in Phase 2 are responding to the polymer flood initiated in early 2014. An increasing percentage of producers are expected to respond to the polymer flood.

Phase 3 expansion of the Bakken polymer flood was successfully commissioned in March 2015 with the inclusion of 16 injectors and 36 producing wells into the existing scheme. The expansion is anticipated to be complete in early 2016, adding an additional 48 producing wells and 14 injectors.

Cactus Lake SAGD Project

Northern Blizzard received regulatory approval in March 2015 to proceed with the first phase of the steam-assisted gravity drainage ("SAGD") project at Cactus Lake. Similar to our SAGD project at Plover Lake, the Cactus Lake SAGD project will be in a McLaren channel. The Company has selected an engineering firm and is advancing the reservoir development planning. Work on the Cactus Lake SAGD project in 2015 will focus primarily on facility design.

Winter

Capital expenditures at Winter for the first quarter of 2015 were $0.5 million. Average production in the first quarter was approximately 3,860 boe/d.

In the second half of 2015, Northern Blizzard is planning to drill seven producers and two water disposal wells at Winter. In 2016, the Company expects that drilling activity will increase significantly at Winter. Work is currently underway to further optimize the water disposal system in preparation of the anticipated increase in volumes.

Coleville

Capital expenditures at Coleville's Viking light oil project for the first quarter of 2015 were $5.8 million. Average production in the first quarter was 1,650 boe/d, a 50% increase compared to the fourth quarter of 2014.

The 2015 capital program at Coleville includes the drilling of 19 wells, of which 3 (3.0 net) wells were drilled in the first quarter of 2015. The remaining wells are scheduled to be drilled in the second half of 2015.

Northern Blizzard's Viking program is experiencing improved efficiencies, resulting in lower capital costs and higher per well initial production rates.

Plover Lake SAGD Project

Northern Blizzard began injecting steam into three well pairs in mid-July 2014 and oil production commenced in August 2014. Production reached rates of 2,400 bbl/d in November 2014 prior to taking the project offline to repair a minor component in a steam generator. The equipment has since been repaired and steam injection has recommenced. The recovery process of production rates has been gradual by necessity with a production rate of 2,000 bbl/d expected later in 2015.

A fourth well pair was drilled at the end of 2014. First steam occurred in March 2015 and first oil was realized in early April. Production from this well pair is expected to increase over the next several months.

Capital expenditures at Plover Lake SAGD for the first quarter of 2015 were $4.3 million. Average production in the first quarter was approximately 760 boe/d.

Wells Drilled

During the first quarter of 2015, Northern Blizzard drilled four wells with a 100% success rate. The following table summarizes the drilling program for the three months ended March 31, 2015:

Field	Gross	Net
Coleville	3	3.0
Plover Lake[(1)]	1	1.0
Total	4	4.0

Note:

(1) Well drilled at Plover Lake was a service well.

FINANCIAL REVIEW

First Quarter 2015

- Production for the first quarter of 2015 of 22,469 boe/d (95% oil) was relatively consistent with fourth quarter of 2014 production of 22,808 boe/d and increased 12% from first quarter 2014 production of 20,116 boe/d. The increase in production reflects positive results from the Plover Lake SAGD and Cactus Lake Bakken polymer flood projects, our Viking light oil development at Coleville and additional volumes from drilling in other areas.
- Operating netback (excluding hedging) for the first quarter of 2015 was $16.84/boe, a decrease of 47% from the fourth quarter of 2014 and 59% from the first quarter of 2014. The decrease in the netback was due to lower crude oil prices in the first quarter of 2015. Our average realized oil price in the first quarter of 2015 was $40.45/bbl compared to $64.75/bbl in the fourth quarter of 2014 and $78.31/bbl in the first quarter of 2014.
- Funds from operations in the first quarter of 2015 were $60.1 million, representing a 2% decrease from the fourth quarter of 2014 and a 17% increase from the first quarter of 2014. Comparing the first quarter of 2015 to the fourth quarter of 2014, funds from operations were slightly lower primarily as a result of lower operating netbacks, partially offset by an increase in realized gains on financial derivative contracts. Comparing the first quarter of 2015 to the same period in 2014, the increase was due to realized gains on financial derivative contracts, lower royalty expenses and lower blending expenses, partially offset by lower oil and natural gas sales revenue.
- Operating costs per boe for the first quarter of 2015 were $16.21 per boe, a decrease of 23% from the fourth quarter of 2014 and 19% from the first quarter of 2014. The Company benefited from cost saving measures implemented across all fields that reduced downhole and surface maintenance costs.
- Capital expenditures for the first quarter of 2015 totalled $22.4 million. Drilling, completions and equipment expenditures were the largest component of capital expenditures at $10.1 million. Spending on facilities and pipelines was $6.2 million, relating mainly to the Bakken polymer project at Cactus Lake. Minor property acquisitions for cash consideration of $4.5 million related to properties acquired in the Luseland and Plover Lake areas.
- During the three months ended March 31, 2015, Northern Blizzard declared dividends totalling $25.1 million ($0.24 per common share). Shareholders elected to receive stock dividends of $16.6 million and cash dividends of $8.5 million. Average participation in Northern Blizzard's Stock Dividend Program ("SDP") was approximately two-thirds during the first quarter of 2015.
- Net debt at March 31, 2015 was $406.4 million, largely unchanged from year-end 2014. Funds from operations exceeded capital expenditures and cash dividends by $28.9 million and was offset by an unrealized foreign exchange loss on Northern Blizzard's senior unsecured notes caused by a weaker Canadian dollar on March 31, 2015 relative to December 31, 2014.

Risk Management

Northern Blizzard has a comprehensive hedging program in place to protect prices on crude oil volumes and maintain the stability of cash flows. A summary of Northern Blizzard's hedge position at May 11, 2015 is provided in the table below.

(Cdn$)	Q1	Q2	Q3	Q4	Total
2015					
WTI					
Hedged volumes (bbl/d)	n/a	11,000	6,000	4,000	6,985
Average price ($/bbl)	n/a	100.62	100.58	77.54	96.19
WTI differential (WCS & LLK physical)					
Hedged volumes (bbl/d)	n/a	11,000	8,000	13,000	10,665
Average price ($/bbl)	n/a	(25.81)	(26.64)	(23.57)	(25.11)
2016					
WTI					
Hedged volumes (bbl/d)	10,500	10,500	10,500	10,500	10,500
Average price ($/bbl)	77.34	77.34	77.34	77.34	77.34
WTI differential (WCS & LLK physical)					
Hedged volumes (bbl/d)	10,500	10,500	10,500	10,500	10,500
Average price ($/bbl)	(18.46)	(18.46)	(18.46)	(18.46)	(18.46)

Notes:

(1) Contracts denominated in US dollars have been converted to Canadian dollars at CAD/USD strip prices as of May 11, 2015.

(2) The prices and volumes in this table represent averages for several contracts over the respective periods presented. The average price of a group of contracts is for indicative purposes only and does not have the same settlement profile as the individual contract. All positions are settled according to the individual contracts disclosed in Note 15 of Northern Blizzard's March 31, 2015 condensed consolidated interim financial statements.

(3) Lloydminster Kerrobert ("LLK").

During the first quarter of 2015, Northern Blizzard realized $36.2 million in gains on financial derivative contracts. The gains realized on Canadian dollar WTI contracts were due to lower than hedged oil prices and were partially offset by losses on WCS differential contracts due to narrower than hedged heavy oil differentials.

DIVIDEND

Northern Blizzard currently pays a monthly dividend of $0.08 per share. Northern Blizzard has an SDP and shareholders holding approximately 67% of the Company's outstanding shares currently participate in the SDP.

The SDP allows shareholders to elect to receive their dividends in the form of common shares in lieu of receiving a cash dividend on the dividend payment date. Participation in the SDP is optional; additional information can be found on Northern Blizzard's website at www.northernblizzard.com or by contacting your financial institution or investment advisor. The availability of the SDP and its terms and conditions are subject to the discretion of Northern Blizzard's Board of Directors.

Conference Call Today

9:00am MT (11:00am ET)

Northern Blizzard will host a conference call today, May 13, 2015, starting at 9:00am MT (11:00am ET), to review the Company's first quarter 2015 results. Participants can access the conference call by dialing (403) 532-5601 or toll-free (US & Canada) 1 (855) 353-9183 and entering the passcode 98589.

A recording of the conference call will be available until May 27, 2015 and can be accessed by dialing 1 (855) 201-2300 and entering the conference number 1177556 and passcode 98589. The replay will be available approximately one hour following completion of the call. The conference call will also be available on Northern Blizzard's website at www.northernblizzard.com.

Advisories

BOE Conversion and other advisories

In this news release, natural gas has been converted to boe based on a conversion rate of six thousand cubic feet of natural gas to one barrel (6 mcf : 1 bbl), which represents an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead. While it is useful for comparative measures, it may not accurately reflect individual product values and may be misleading if used in isolation.

Unless otherwise indicated, all currency is in Canadian dollars.

Forward-Looking Statements

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements contain words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes.

In particular, this news release contains forward-looking statements pertaining to the following:

- Business plans and strategies;
- Capital expenditure, development and drilling programs for 2015;
- Methods and ability to finance operations, dividends, capital expenditure programs and working capital requirements;
- Anticipated oil and natural gas production levels, including at Plover Lake SAGD and Coleville;
- Timing and effect of Phase 3 of the Cactus Lake Bakken polymer flood expansion;
- Timing and success of development and exploitation activities;
- Timing of full restoration of steam injector at Plover Lake SAGD;
- Ability of the Company to bring on-stream 17 additional wells at Winter and the timing thereof;
- Expected drilling activity at Winter in 2016;
- Expected spending and activity levels at Coleville near the end of 2015;
- Future oil and natural gas prices;
- Payment of dividends; and
- Expectations regarding the Company's ability to add reserves through exploration and development.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will be realized. Actual results will differ, and the difference may be material and adverse to the Company and its shareholders.

With respect to forward-looking statements contained in this news release, management has made assumptions regarding future production levels; future oil and natural gas prices; future operating costs; timing and amount of capital expenditures; the ability to obtain financing on acceptable terms; availability of skilled labour and drilling and related equipment; general economic and financial market conditions; continuation of existing tax and regulatory regimes; and the ability to market oil and natural gas successfully to current and new customers. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that the goals or figures contained in forward-looking statements will not be achieved. These factors include, but are not limited to, risks associated with fluctuations in market prices for crude oil, natural gas and diluent, general economic, market and business conditions, substantial capital requirements, uncertainties inherent in estimating quantities of reserves and resources, extent of, and cost of compliance with, government laws and regulations and the effect of changes in such laws and regulations from time to time, the need to obtain regulatory approvals on projects before development commences, environmental risks and hazards and the cost of compliance with environmental regulations, aboriginal claims, inherent risks and hazards with operations such as fire, explosion, blowouts, mechanical or pipe failure, cratering, oil spills, vandalism and other dangerous conditions, potential cost overruns, variations in foreign exchange rates, diluent supply shortages, competition for capital, equipment, new leases, pipeline capacity and skilled personnel, credit risks associated with counterparties, the failure of the Company or the holder of licenses, leases and permits to meet requirements of such licenses, leases and permits, reliance on third parties for pipelines and other infrastructure, changes in royalty regimes, failure to accurately estimate decommissioning costs, inaccurate estimates and assumptions by management, effectiveness of internal controls, the potential lack of available drilling equipment and other restrictions, failure to obtain or keep key personnel, title deficiencies with the Company's assets, geo-political risks, risks that the Company does not have adequate insurance coverage, risk of litigation and risks arising from future acquisition activities. Additionally, the payment of dividends is dependent on the satisfaction of the applicable liquidity and solvency tests imposed by the Business Corporations Act (Alberta). The foregoing risks and other risks are described in more detail in the Company's annual information form for the year ended December 31, 2014. Readers are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved may vary from the information provided herein and the variations could be material. Readers are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Furthermore, the forward-looking statements contained in this news release are made as of the date hereof, and the Company does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

SOURCE Northern Blizzard Resources Inc.

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