CALGARY, Aug. 11, 2015 /CNW/ - Northern Blizzard Resources Inc. ("Northern Blizzard" or the "Company") (TSX: NBZ) announces its operating and financial results for the three and six months ended June 30, 2015. Northern Blizzard's unaudited financial statements and management's discussion and analysis ("MD&A") for the three and six months ended June 30, 2015 are available on our website at www.northernblizzard.com and on SEDAR at www.sedar.com.

HIGHLIGHTS

- Second quarter 2015 production was 21,598 boe/d (96% oil). Production was 22,031 boe/d for the first six months of 2015, an 11% increase compared to the first half of 2014. Annual 2015 guidance of 21,600 boe/d remains unchanged.
- Funds from operations were $58.5 million ($0.54 per common share) for the second quarter of 2015. Funds from operations were $118.5 million ($1.10 per common share) for the first six months of 2015, an 11% increase compared to the first half of 2014.
- Operating costs for the second quarter of 2015 were $17.41 per boe. Operating costs were $16.80 per boe for the first six months of 2015, a 20% decrease compared to the first half of 2014. The Company benefited from cost saving measures implemented across all operating areas that reduced downhole and surface maintenance costs.
- 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 0.9 million barrels (5,000 bbl/d) for the second half of 2015 at an average price of C$91.36/bbl, 4.2 million barrels (11,500 bbl/d) in 2016 at an average price of C$79.50/bbl and 0.7 million barrels (2,000 bbl/d) in 2017 at an average price of C$83.11/bbl.
- Northern Blizzard completed the quarter in strong financial position with only $11 million drawn on its $530 million credit facility. Net debt to trailing four quarters funds from operations was 1.5x.
- Cactus Lake: Production from this area averaged 7,525 boe/d for the quarter supported by positive response from the Bakken polymer flood. An additional 60 drilling locations were recently identified by new 3D seismic, bringing the total to over 300 drilling locations.
- Winter: Production in the second quarter averaged 3,550 boe/d (100% oil). Production from this area continues to grow at a compounded annual growth rate of over 20% supported by over 400 drilling locations and excellent capital efficiencies.
- Coleville: Production in the second quarter averaged 1,270 boe/d. We have undeveloped lands with over 300 drilling locations and expect to grow production in this area to over 2,500 boe/d within the next two years.
- Plover Lake SAGD: Production from this area averaged 1,090 boe/d (100% oil) in the second quarter. Ramp up of production has continued since quarter end with July oil production averaging 1,440 boe/d.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended			Six months ended	
	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Financial ($000s,except as otherwise noted)					
Oil and natural gas sales	134,567	106,039	188,801	240,606	358,470
Funds from operations(1)	58,481	60,060	55,979	118,541	107,255
Per share – diluted	0.54	0.56	0.72	1.10	1.38
Net income (loss)	(10,466)	(43,907)	(14,491)	(54,373)	(16,396)
Per share – basic	(0.10)	(0.42)	(0.19)	(0.52)	(0.21)
Per share – diluted	(0.10)	(0.42)	(0.19)	(0.52)	(0.21)
Net debt(1)	366,508	406,382	634,850	366,508	634,850
Dividends declared	25,641	25,140	-	50,781	-
Per share	0.24	0.24	-	0.48	-
Capital expenditures	14,403	22,439	54,887	36,842	126,942
Weighted average shares outstanding (000s)					
Basic	106,492	104,405	77,617	105,454	77,617
Diluted	108,643	106,468	77,617	107,606	77,617
Shares outstanding at period end (000s)	107,330	105,459	77,935	107,330	77,935

Operating

Average daily production

Heavy oil (bbl/d)	19,412	19,848	18,173	19,629	18,499
Light oil & NGL (bbl/d)	1,204	1,556	337	1,379	212
Natural gas (mcf/d)	5,894	6,388	6,933	6,139	7,072
Total (boe/d)	21,598	22,469	19,665	22,031	19,890

Average realized price

Heavy oil ($/bbl)(2)	55.70	39.92	86.02	47.69	82.21
Light oil & NGL ($/bbl)	62.97	47.18	100.40	54.11	98.93
Oil & NGL ($/bbl)	56.13	40.45	86.28	48.11	82.39
Natural gas ($/mcf)	2.53	2.77	4.70	2.66	5.13
Combined ($/boe)	54.23	39.32	82.97	46.61	79.35

Netbacks ($/boe)

Average realized price	54.23	39.32	82.97	46.61	79.35
Royalties	(6.20)	(4.29)	(10.66)	(5.22)	(11.22)
Production and operating expenses	(17.41)	(16.21)	(21.64)	(16.80)	(20.90)
Transportation expenses	(1.92)	(1.98)	(1.53)	(1.95)	(1.85)
Operating netback(1)	28.70	16.84	49.14	22.64	45.38
Realized gains (losses) on financial derivative contracts	9.07	17.92	(9.40)	13.60	(7.40)
General and administrative expenses	(3.17)	(2.59)	(2.98)	(2.88)	(3.10)
Cash finance costs	(4.03)	(4.19)	(5.71)	(4.11)	(5.31)
Other	(0.23)	1.74	(0.73)	0.78	0.14
Funds from operations(1)	30.34	29.72	30.32	30.03	29.71

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 and six months ended June 30, 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 second quarter of 2015 were $8.0 million, mainly related to the Bakken polymer flood. Average production in the second quarter was 7,525 boe/d, a 5% decrease compared to the first quarter of 2015.

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.

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

Winter

Capital expenditures at Winter for the second quarter of 2015 were $0.7 million. Average production in the second quarter was 3,550 boe/d.

In the second half of 2015, Northern Blizzard is planning to drill seven producers and three water disposal wells 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 the Coleville Viking light oil project for the second quarter of 2015 were $0.4 million. Average production in the second quarter was 1,270 boe/d, a 23% decrease compared to the first quarter of 2015.

The 2015 capital program at Coleville includes the drilling of 21 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.

Thermal Heavy Oil – Steam Assisted Gravity Drainage ("SAGD")

Plover Lake SAGD production averaged 1,090 boe/d during the second quarter of 2015, compared to 760 boe/d during the first quarter of 2015. Ramp up of oil production has continued since quarter end, with July production averaging 1,440 boe/d. Production is expected to exceed 2,000 boe/d later in 2015. Northern Blizzard acquired two additional 25 mmBTU steam generators and is currently evaluating plans to deploy these units to expand the Plover Lake steam generating capacity from 6,000 to 9,000 barrels of steam per day.

At Cactus Lake North, Northern Blizzard received regulatory approval to proceed with the first phase of the SAGD project. The Company is currently working on preliminary design and development planning for this SAGD project area.

Wells Drilled

During the first six months of 2015, Northern Blizzard drilled four wells with a 100% success rate. The following table summarizes the drilling program for the six months ended June 30, 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

Second Quarter 2015

- Production for the second quarter of 2015 of 21,598 boe/d (96% oil) decreased 4% from first quarter of 2015 production of 22,469 boe/d and increased 10% from second quarter 2014 production of 19,665 boe/d. Comparing the second quarter of 2015 to the first quarter of the year, increases from the Plover Lake SAGD and Cactus Lake polymer flood projects and drilling in other areas were offset by corporate declines.
- Operating netback (excluding hedging) for the second quarter of 2015 was $28.70/boe, an increase of 70% from the first quarter of 2015 and a decrease of 42% from the second quarter of 2014. The change in the operating netback was due primarily to fluctuations in crude oil prices over the comparable periods. Our average realized oil price (excluding hedging) in the second quarter of 2015 was $56.13/bbl compared to $40.45/bbl in the first quarter of 2015 and $86.28/bbl in the second quarter of 2014.
- Funds from operations in the second quarter of 2015 were $58.5 million, representing a 3% decrease from the first quarter of 2015 and a 4% increase from the second quarter of 2014. Comparing the second quarter of 2015 to the first quarter of 2015, funds from operations were lower primarily as a result of lower realized gains on financial derivative contracts, partially offset by higher operating netbacks. Comparing the second quarter of 2015 to the same period in 2014, the increase was due to higher realized gains on financial derivative contracts, partially offset by lower operating netbacks.
- Operating costs per boe for the second quarter of 2015 were $17.41 per boe, an increase of 7% from the first quarter of 2015 and a decrease of 20% from the second quarter of 2014.
- Capital expenditures for the second quarter of 2015 totalled $14.4 million. Spending on facilities and pipelines was $9.9 million and related mainly to polymer powder for the Cactus Lake polymer project and advancing the Cactus Lake SAGD project.
- During the three months ended June 30, 2015, Northern Blizzard declared dividends totalling $25.6 million ($0.24 per common share). Shareholders elected to receive stock dividends of $18.1 million and cash dividends of $7.5 million. Average participation in Northern Blizzard's Stock Dividend Program ("SDP") was approximately two-thirds during the second quarter of 2015.
- Net debt at June 30, 2015 of $366.5 million decreased by 10% from the end of the first quarter of 2015. The decrease was due to funds from operations that exceeded capital expenditures and cash dividends by $36.5 million and an unrealized foreign exchange gain on Northern Blizzard's senior unsecured notes caused by a stronger Canadian dollar on June 30, 2015 relative to March 31, 2015.

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 current hedge position is provided in the table below.

(C$)	Q1	Q2	Q3	Q4	Total
2015					
WTI					
Hedged volumes (bbl/d)	-	-	6,000	4,000	5,000
Average price ($/bbl)	-	-	100.58	77.54	91.36
WTI differential (WCS & LLK physical)					
Hedged volumes (bbl/d)	-	-	8,000	13,000	10,500
Average price ($/bbl)	-	-	(28.40)	(25.03)	(26.32)
2016					
WTI					
Hedged volumes (bbl/d)	11,500	11,500	11,500	11,500	11,500
Average price ($/bbl)	79.50	79.50	79.50	79.50	79.50
WTI differential (WCS & LLK physical)					
Hedged volumes (bbl/d)	11,500	11,500	11,500	11,500	11,500
Average price ($/bbl)	(18.84)	(18.84)	(18.84)	(18.84)	(18.84)
2017					
WTI					
Hedged volumes (bbl/d)	2,000	2,000	2,000	2,000	2,000
Average price ($/bbl)	83.11	83.11	83.11	83.11	83.11
WTI differential (WCS & LLK physical)					
Hedged volumes (bbl/d)	-	-	-	-	-
Average price ($/bbl)	-	-	-	-	-

Notes:

(1) Contracts denominated in US dollars have been converted to Canadian dollars at CAD/USD strip prices as of August 10, 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 June 30, 2015 condensed consolidated interim financial statements.

(3) Lloydminster Kerrobert (LLKR).

During the second quarter of 2015, Northern Blizzard realized $17.5 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's Board of Directors (the "Board") considers a number of factors in determining the dividend, including free cash flow, payout ratios, liquidity of the Company and overall returns to shareholders. In order to better align the dividend with the current commodity price environment, the Board has approved a revised monthly dividend of $0.04 per common share, down from $0.08 per common share currently. This reduction allows Northern Blizzard to reduce the dilution from the Stock Dividend Program and to maintain strong financial flexibility.

The annualized dividend of $0.48 per common share represents an annual yield of approximately 10% based on Northern Blizzard's closing share price on August 10, 2015 of $4.71 per share.

The revised monthly dividend of $0.04 per common share will be effective for the August 2015 dividend, payable on September 15, 2015.

Northern Blizzard has an SDP and shareholders holding approximately 72% 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, August 11, 2015, starting at 9:00am MT (11:00am ET), to review the Company's second 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 August 25, 2015 and can be accessed by dialing 1 (855) 201-2300 and entering the conference number 1181142 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.

This news release contains information related to capital efficiencies for the Winter wells. Capital efficiency is a measure of capital expenditures divided by production. The capital efficiency number has been presented to provide readers with information on the assumptions used for management's budgeting process and future planning. These capital efficiencies may not be achieved on future wells as a result of a number of factors including the risks identified below under "Forward-Looking Statements".

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;
- Expected drilling activity at Winter in the second half of 2015 and 2016;
- Expected drilling activity at Coleville in the second half of 2015;
- Expected capital efficiencies for wells at Winter;
- 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.

Northern Blizzard

Northern Blizzard is a Calgary, Alberta based Canadian crude oil production and development company focused on maximizing oil recovery from its large-scale low viscosity heavy oil resource base. The corporation's operations, infrastructure and concentrated land position are focused in the Kerrobert and Lloydminster areas of Saskatchewan. Northern Blizzard's common shares trade on the Toronto Stock Exchange under the symbol NBZ.

SOURCE Northern Blizzard Resources Inc.

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