

# Tourmaline Announces a Major Expansion to the Spirit River/Peace River High Charlie Lake Play

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CALGARY, ALBERTA--(Marketwired - Jul 4, 2013) - [Tourmaline Oil Corp.](#) (TSX:TOU) ("Tourmaline" or the "Company") is pleased to announce that the Spirit River Charlie Lake oil and gas pool has evolved into a major new hybrid resource play with significant reserve and production upside. This major expansion of the Triassic Charlie Lake play combined with the successful consolidation of the associated prospective land opportunity have created a third major core operating area for the Company, complementing the NEBC Montney complex and the Alberta Deep Basin.

Through ongoing Charlie Lake pool expansion efforts at Spirit River over the past 18 months and 2013 regional Charlie Lake exploration successes, the Company has delineated a regional oil and gas accumulation with both structural and stratigraphic trapping elements. Tourmaline estimates that over 500 mboe of light oil and natural gas along the defined fairway are potentially recoverable<sup>1</sup>. The Company has drilled 43 successful Charlie Lake horizontal oil wells and no dry holes since horizontal exploitation commenced in late 2011. The most recent exploration well, approximately 40 miles from the main Spirit River pool, tested oil and gas at a stabilized rate of 700 boepd at the end of a 3 day production test. The most recent pool expansion well, 10 miles south of the main pool, tested at a stabilized rate of 650 boepd, during the past week. The 14-8-77-7W6 well, one of the first quarter 2013 pool expansion wells, has produced 105 mboe since March 17 (55.5 mboe oil, average 47% water cut, 297 mmcf gas) and is currently producing at 316 bbls/d oil and 2.5 mmcfpd gas. The Company has several additional regional Charlie Lake exploration wells planned over the next 12 months to both assess and expand the 75 mile long exploration fairway. A major land acquisition program has been underway for over 18 months on the greater Peace River High with approximately 410 sections of new land, prospective for the Triassic Charlie Lake, acquired by the Company. This region of the Peace River High is characterized by stacked, multiple objectives throughout the Mesozoic section. As the Company proceeds with the systematic regional Charlie Lake drilling program, numerous, less expansive uphole pool discoveries are anticipated.

Tourmaline has steadily improved its horizontal drilling and completion techniques for these complex Charlie Lake reservoirs. The improving per well deliverabilities and steadily decreasing capital costs have been an essential component of the overall play evolution. Drill, complete and stimulate costs have been reduced to approximately \$3.6 million per horizontal, with average per well 2P reserve recoveries of 300-350 mstboe in the main pool. Tourmaline plans to run three rigs over the next 12 to 18 months pursuing these Charlie Lake horizontal targets, resulting in 70-75 new horizontals drilled by late 2014. The Company expects to attain the 10,000 boepd production level at Spirit River (5,000 bpd oil, 30 mmcfpd natural gas) by the fourth quarter of this year and believes that continued regional play success could allow the Company to more than double these production levels over the next two years. Tourmaline is proceeding with plans to build a new gas plant, capable of processing 60 mmcfpd, in the greater Spirit River area adding to existing Tourmaline owned oil and gas infrastructure. The Company is also developing plans to capture the significant, regional, natural gas liquids target, as the average liquid content in the associated gas stream is approximately 102 bbls/mcf. Including the main Spirit River complex and the associated regional exploration lands, the Company now has a potential future drilling inventory of 750-1,000 locations.

<sup>1</sup> Tourmaline estimate of the potential of the formation on a regional basis based upon geological interpretation and exploration experience in the overall Charlie Lake Play.

## Production/EP Update

Tourmaline remains on track to achieve the 80,000 boepd average production level for 2013, the original full year estimate of 75,000 boepd was increased in February of this year. Phase 1 of the ongoing Spirit River expansion was completed during the second half of June, adding approximately 2,000 boepd. Phase 2 of the Spirit River expansion will bring an additional 4,000 boepd on-stream in October, bringing total production for

the complex to approximately 10,000 boepd. Start-up of the NEBC Doe plant has been delayed until July 15, and as a result did not provide any incremental production volumes in June. This has reduced second quarter volumes by approximately 2,000 boepd utilizing the originally planned June 15 start-up date. This delay coupled with ongoing, unplanned downtime in several areas in both May and June, has reduced estimated average second quarter production volumes to between 70,500 and 71,000 boepd. The Company reached the 75,000 boepd production milestone in April; and daily production capability remained well in excess of that level throughout the quarter. Unscheduled production down-time averaged approximately 4,100 boepd during May and June, approximately triple the normal daily average. This downtime included several unscheduled facility disruptions at Spectra West Doe B.C. and Spectra Gordondale, at the Berland plant in Smoky-Horse, at the third party Musreau facility, and at a third party facility in Wild River that the Company was utilizing to process excess gas volumes. The Tourmaline Doe B.C. plant start-up in July however, will bring total daily production volumes to in excess of 85,000 boepd.

A third quarter average production level of between 85,000 and 87,000 boepd is currently forecast, and a fourth quarter 2013 production average in excess of 90,000 boepd is now expected. All 13 rigs are now currently active; 6-7 frac spreads will be employed during the second half of the year for completions operations.

The increased second half 2013 drilling program is expected to provide additional incremental volumes late in 2013 that are not included in the current production outlook. The Company will assess the impact of the additional EP activities on full year 2013 guidance later in the year, when tie-in timing is finalized. The Company currently expects 2014 production to average between 108,000 and 115,000 boepd.

## Financial Update

Tourmaline successfully expanded its credit facility to \$750 million with the Company's banking syndicate in May, providing significant additional financial flexibility. Cash flow<sup>2</sup> for 2013 is expected to increase to \$642.8 million, an improvement of over 100% compared to 2012. The Company will continue to maintain a debt to cash flow ratio of 1.0 times or less, forecasting net debt<sup>3</sup> at the end of 2013 of approximately \$300 million after the effect of the first quarter 2013 equity financing and the recent property disposition. The 2014 EP Capital Program of \$800 million has been approved by the Tourmaline Board.

The Company has made modest additions to its natural gas hedge position with 103 mmcfpd fixed at approximately \$3.79 Canadian/mcf for 2013, and 43 mmcfpd fixed at approximately \$3.91 Canadian/mcf for 2014. The Company also has fixed price oil hedges for 2013 on approximately 1,400 bbls/d, at \$100 Canadian/bbl, with approximately 1,100 bbls/d, hedged using various instruments at an average of \$90.00 Canadian/bbl for 2014.

<sup>2</sup> See "Non-GAAP Financial Measures"

<sup>3</sup> See "Non-GAAP Financial Measures"

## Forward-Looking Information

This press release contains forward-looking information within the meaning of applicable securities laws. The use of any of the words "forecast", "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this press release contains forward-looking information concerning Tourmaline's plans and other aspects of its anticipated future operations, management focus, objectives, strategies, financial, operating and production results and business opportunities, including anticipated petroleum and natural gas production for various periods, cash flows, net debt levels, debt to cash flow ratios, capital efficiency and capital spending, projected operating and drilling costs, the timing for facility expansions and facility start-up dates, as well as Tourmaline's future drilling prospects and plans, business strategy, future development and growth opportunities, prospects and asset base. The forward-looking information is based on certain key expectations and assumptions made by Tourmaline, including expectations and assumptions concerning: prevailing commodity prices and exchange rates; applicable royalty rates and tax laws; interest rates; future well production rates and reserve volumes; operating costs the timing of receipt of regulatory approvals; the performance of existing wells; the success obtained in drilling new wells; anticipated timing and results of capital expenditures; the sufficiency of

budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the successful completion of acquisitions and dispositions; the availability and cost of labour and services; the state of the economy and the exploration and production business; the availability and cost of financing, labor and services; and ability to market oil and natural gas successfully.

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

Although Tourmaline believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Tourmaline can give no assurances that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to reserves, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; interest rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to complete or realize the anticipated benefits of acquisitions or dispositions; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory and other approvals; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. Readers are cautioned that the foregoing list of factors is not exhaustive.

Also included in this press release are estimates of Tourmaline's 2013 annual cash flow and net debt at the end of 2013, which are based on the various assumptions as to production levels, including estimated 2013 average production of 80,000 boepd, capital expenditures, and other assumptions disclosed in this press release and including commodity price assumptions for natural gas (AECO - \$3.66 /mcf) (2013), and crude oil (WTI (US) - \$95.00 /bbl) (2013) and an exchange rate assumption of \$1.00 (US/CAD) for 2013. To the extent any such estimate constitutes a financial outlook, it was approved by management and the Board of Directors of Tourmaline on March 19, 2013 and is included to provide readers with an understanding of Tourmaline's anticipated cash flow and net debt based on the capital expenditure and other assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

Additional information on these and other factors that could affect Tourmaline, or its operations or financial results, are included in the Company's most recently filed Management's Discussion and Analysis (See "Forward-Looking Statements" therein), Annual Information Form (See "Risk Factors" and "Forward-Looking Statements" therein) and other reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or Tourmaline's website ([www.tourmalineoil.com](http://www.tourmalineoil.com)).

The forward-looking information contained in this press release is made as of the date hereof and Tourmaline undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless expressly required by applicable securities laws.

## **Additional Reader Advisories**

### ***Boe Conversions***

Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

### ***Production Tests***

Production tests are not necessarily indicative of long-term performance or ultimate recovery.

## Non-GAAP Financial Measures

This press release includes references to financial measures commonly used in the oil and gas industry such as "cash flow", and "net debt", which do not have any standardized meaning prescribed by International Financial Reporting Standards ("GAAP"). Management believes that in addition to net income and cash flow from operating activities, the aforementioned non-GAAP financial measures are useful supplemental measures in assessing Tourmaline's ability to generate the cash necessary to repay debt or fund future growth through capital investment. Readers are cautioned, however, that these measures should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP as an indication of Tourmaline's performance. Tourmaline's method of calculating these measures may differ from other companies and accordingly, they may not be comparable to measures used by other companies. For these purposes, Tourmaline defines "cash flow" as cash flow from operating activities before changes in non-cash operating working capital and defines "net debt" as long-term bank debt plus working capital (adjusted for the fair value of financial instruments).

### Certain Definitions:

bbls barrels  
boe barrel of oil equivalent  
boepd barrel of oil equivalent per day  
bopd barrel of oil, condensate or liquids per day  
gjsd gigajoules per day  
mmboe millions of barrels of oil equivalent  
mbbls thousand barrels  
mmcf million cubic feet  
TMC thousand cubic feet  
MCF million cubic feet  
MCFPD million cubic feet per day  
TMCPE thousand cubic feet per day equivalent  
TMCPE thousand cubic feet equivalent  
MMBtu million British thermal units  
MSTB thousand stock tank barrels of oil equivalent

### About Tourmaline Oil Corp.

Scott Kirker

Secretary and General Counsel

Tourmaline is a Canadian intermediate crude oil and natural gas exploration and production company focused on long-term growth through an aggressive exploration, development, production and acquisition program in the Western Canadian Sedimentary Basin.

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