Trilogy Energy Corp. Announces Financial and Operating Results for the Quarter and Year-Ended December 31, 2013

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CALGARY, ALBERTA--(Marketwired - Mar 4, 2014) - Trilogy Energy Corp. (TSX:TET) ("Trilogy") is pleased to announce its financial and operating results for the quarter and year-ended December 31, 2013.

FINANCIAL AND OPERATING HIGHLIGHTS

- Trilogy added 19.5 MMBoe of proved reserves (50 percent oil and NGLs) and 20.8 MMBoe of proved plus probable reserves (53 percent oil and natural gas liquids), including positive technical revisions.
- Trilogy replaced 154 percent of 2013 produced reserves when compared to proved reserve additions, and 165 percent when compared to proved plus probable reserves.
- 2013 reported sales volumes averaged 34,509 Boe/d as compared to 33,510 Boe/d in 2012, representing a 3 percent increase in production. Reported sales volumes for the fourth quarter of 2013 averaged 33,561 Boe/d as compared to 31,211 for the previous quarter, representing an 8 percent increase in production.
- 2013 oil sales volumes increased 11 percent to 10,175 Bbl/d from 9,153 Bbl/d in 2012. Oil sales volumes increased 4 percent in the fourth quarter over the third quarter of 2013. Combined oil and natural gas liquids sales volumes represented 43 percent of total sales volumes for the year (40 percent in 2012).
- Trilogy's production from the Montney oil pool averaged 11,653 Boe/d in 2013, which is up 19 percent when compared to 9,829 Boe/d in 2012.
- 2013 net capital expenditures totaled $396.9 million as compared to $351.3 million in 2012. $70.3 million was spent in the fourth quarter of 2013 as compared to $100 million in the prior quarter.
- Finding and development costs (1) were $21.45/Boe for total proved reserves and $19.60/Boe for proved plus probable reserves.
- 81 (57.2 net) wells were drilled in 2013, as compared to 75 (47.9 net) wells in 2012. 15 (8.5 net) wells were drilled in the fourth quarter, as compared to 21 (14.8 net) wells in the prior quarter. During the year, Trilogy spent approximately $100 million to drill, complete and tie-in 13 (7.4 net) wells targeting the Duvernay formation.
- 2013 funds flow from operations (1) totaled $280.5 million as compared to $241.9 million in 2012, representing a 16 percent increase year-over-year. Funds flow from operations(1) increased to $57.9 million for the fourth quarter as compared to $54.2 million in the previous quarter.
- Dividends declared to Shareholders in 2013 totaled $50.2 million or 17 percent of cash flow from operating activities (2012 - $49.0 million or 21 percent). Dividends for the fourth quarter of 2013 were $13.2 million or 35 percent of cash flow from operations (prior quarter - $12.4 million or 13 percent).
- Capacity under Trilogy's revolving credit facility was $320 million at year-end.

(1) Refer to Non-GAAP measures in this release and MD&A

FINANCIAL AND OPERATING HIGHLIGHTS TABLE

(In thousand Canadian dollars except per share amounts and where stated otherwise)

	Three Months Ended			Year Ended December 31		
	December 31, 2013	September 30, 2013	Change %	2013	2012	Change %
FINANCIAL						
Petroleum and natural gas sales	126,085	135,342	(7)	563,463	455,697	24
Funds flow						
From operations(1)	57,897	54,165	7	280,511	241,941	16
Per share - diluted	0.46	0.45	2	2.32	2.03	14

Earnings						
Earnings (loss) before tax	(10,532)	(10,936)	(4)	18,702	(12,093)	255
Per share - diluted	(0.09)	(0.09)	(4)	0.15	(0.10)	249
Earnings (loss) after tax	(8,739)	(9,454)	(8)	11,467	(12,133)	195
Per share - diluted	(0.07)	(0.08)	(8)	0.09	(0.10)	191
Dividends declared	13,152	12,398	6	50,188	48,956	3
Per share	0.105	0.105	-	0.420	0.420	-
Capital expenditures						
Exploration, development, land, and facility	73,185	99,754	(27)	399,431	349,294	14
Acquisitions (dispositions) and other - net	(2,866)	135	(2,223)	(2,531)	2,022	(225)
Net capital expenditures	70,319	99,889	(30)	396,900	351,316	13
Total assets	1,546,729	1,543,399	-	1,546,729	1,395,111	11
Net debt[1]	616,053	784,606	(21)	616,053	636,785	(3)
Shareholders' equity	665,849	488,999	36	665,849	486,399	37
Total shares outstanding (thousands)						
- As at end of period [2]	125,174	118,053	6	125,174	116,674	7
OPERATING						
Production						
Natural gas (MMcf/d)	117	109	7	117	120	(3)
Oil (Bbl/d)	8,932	8,592	4	10,175	9,153	11
Natural gas liquids (Boe/d)	5,068	4,530	12	4,827	4,315	12
Total production (Boe/d @ 6:1)	33,561	31,211	8	34,509	33,510	3
Average prices before financial instruments						
Natural gas ($/Mcf)	3.59	3.14	14	3.55	2.57	38
Crude Oil ($/Bbl)	78.97	102.30	(23)	87.01	79.76	9
Natural gas liquids ($/Boe)	48.20	55.58	(13)	50.27	47.85	5
Average realized price	40.84	47.13	(13)	44.73	37.16	20
Drilling activity (gross)						
Gas	9	10	(10)	28	28	-
Oil	6	11	(45)	53	47	13
Total wells	15	21	(29)	81	75	8

[1] Funds flow from operations and net debt are non-GAAP terms. Please refer to the advisory on Non-GAAP measures below.

[2] Excluding shares held in trust for the benefit of Trilogy's officers and employees under the Company's Share Incentive Plan. Includes Common Shares and Non-voting Shares. Refer to the notes to the interim consolidated financial statements for additional information.

OUTLOOK

Trilogy is forecasting modest production growth in 2014 as a large portion of the Company's capital spending will be allocated to the Duvernay play, which is not expected to add significant production or cash flow until late 2014 at the earliest. Notwithstanding the short term production impact in 2014, Management believes the allocation of capital to the Duvernay will facilitate Trilogy's long term growth objectives and is a prudent investment of capital at this time. Trilogy is planning a 2014 capital budget of $375 million, of which approximately $150 million will be allocated to the Duvernay to drill approximately 11 net wells, $135 million will be directed towards drilling 30 Montney oil wells and related facilities and the remaining $90 million will be earmarked for the Dunvegan oil, Nikanassin oil and Montney gas plays. Trilogy is providing the following annual estimated guidance for 2014:

• Average production	36,000 Boe/d (~45% oil and NGLs)
• Average operating costs	$9.00/Boe
• Capital expenditures	$375 million

In the current commodity price environment, Trilogy expects to manage its balance sheet through production replacement, prudent asset management and the continued control over most of its operations. As a growth-oriented corporation, Trilogy must remain flexible in order to respond to volatility in commodity prices. Trilogy is confident in its strategy, its high quality assets and the proven expertise of its employees.

ADDITIONAL INFORMATION

A copy of Trilogy's 2013 annual report to Shareholders, including Management's Discussion and Analysis and the audited annual consolidated financial statements and related notes can be obtained at http://media3.marketwire.com/docs/TET2013AnnualReport.pdf. This report will also be made available at a later date through Trilogy's website at www.trilogyenergy.com and SEDAR at www.sedar.com.

ABOUT TRILOGY

Trilogy is a growing petroleum and natural gas-focused Canadian energy corporation that actively develops, produces and sells natural gas, crude oil and natural gas liquids. Trilogy's geographically concentrated assets are primarily, high working interest properties that provide abundant low-risk infill drilling opportunities and good access to infrastructure and processing facilities, many of which are operated and controlled by Trilogy. Trilogy's common shares are listed on the Toronto Stock Exchange under the symbol "TET".

NON-GAAP MEASURES

Certain measures used in this document, including "finding and development costs", "funds flow from operations", "operating income", "net debt", "operating netback", "payout ratio" and "recycle ratio" collectively the "Non-GAAP measures" do not have any standardized meaning as prescribed by IFRS and previous GAAP and, therefore, are considered Non-GAAP measures. Non-GAAP measures are commonly used in the oil and gas industry and by Trilogy to provide Shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. However, given their lack of standardized meaning, such measurements are unlikely to be comparable to similar measures presented by other issuers.

"Finding and development costs" refers to all current year net capital expenditures, excluding property acquisitions and dispositions with associated reserves, and including changes in future development capital on a proved or proved plus probable basis. "Finding and development costs per Barrel of oil equivalent" ("F&D $/Boe") is calculated by dividing finding and development costs by the current year's reserve extensions, discoveries and revisions on a proved or proved plus probable reserve basis. Management uses finding and development costs as a measure to assess the performance of the Company's resources required to locate and extract new hydrocarbon reservoirs.

"Funds flow from operations" refers to the cash flow from operating activities before net changes in operating working capital as shown in the consolidated statements of cash flows. Management utilizes funds flow from operations as a key measure to assess the ability of the Company to finance dividends, operating activities, capital expenditures and debt repayments.

"Operating income" is equal to petroleum and natural gas sales before financial instruments and bad debt expenses minus royalties, operating costs, and transportation costs. "Operating netback" refers to Operating income plus realized financial instrument gains and losses and other income minus actual decommissioning and restoration costs incurred. Operating income and operating netback are used by management to measure operating results of discrete oil and gas properties' performance without reference to capital and organizational structure and corporate and general administrative costs.

"Net debt" is calculated as current liabilities minus current assets plus long-term debt. Management utilizes net debt as a key measure to assess the liquidity of the Company.

"Payout ratio" refers to dividends divided by cash flow from operations. This measure assists in providing a more complete understanding of the Company's ability to fund future dividends to Shareholders from cash flow from operations.

"Recycle ratio" is equal to "Operating netback" on a production barrel of oil equivalent for the year divided by "F&D $/Boe" (computed on a proved or proved plus probable reserve basis as applicable). Management uses this metric to measure the profitability of the Company in turning a barrel of reserves into a barrel of production.

Investors are cautioned that the Non-GAAP measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with IFRS, as set forth above, or other measures of financial performance calculated in accordance with IFRS.

FORWARD-LOOKING INFORMATION

Certain information included in this news release constitutes forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this news release pertain to, without limitation: Trilogy's plans for the further development of the Duvernay Shale play and the expected benefits and timing thereof; expected average production volumes in 2014, the timing thereof and the relative content of crude oil, natural gas, and natural gas liquids therein; drilling plans; projected average operating costs; future capital expenditures and the relative allocation and timing thereof; and statements regarding management's intention to replace production, manage its assets and control operations. Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. Such assumptions include: current commodity price forecasts for petroleum, natural gas and natural gas liquids; current reserves estimates; current production forecasts and the relative mix of crude oil, NGLs and natural gas therein; geology applicable to Trilogy's land holdings; the extent and development potential of Trilogy's assets including, without limitation, Trilogy's Kaybob area Montney oil and gas assets, the Duvernay Shale Gas development program, the Dunvegan oil program and the Nikanassin oil play, among others; continuity of the mutually beneficial NGL recovery agreement with Aux Sable Canada LP and pricing thereunder; assumptions regarding royalties and expenses and the continuity of government incentive programs and their applicability to Trilogy; operating and other costs; currency exchange and interest rates; expected timelines and budgets being met; budget allocations and capital spending flexibility; access to capital markets and other sources of funding for Trilogy's planned operations and expenditures; estimates of deferred tax amounts, tax assets and tax pools; the ability of Trilogy and its partners to achieve drilling, completion construction and other operational results consistent with our expectations; general business, economic, and market conditions; the ability of Trilogy to obtain equipment, services and supplies in a timely manner to carry out its activities; the ability of Trilogy to market oil and natural gas successfully to current and new customers; the timing and costs of pipeline, storage and facility construction and expansion facility run-times; the ability to secure adequate product processing, transmission and transportation and the timely receipt of required regulatory approvals: among others.

Although Trilogy believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Trilogy can give no assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Trilogy and described in the forward-looking statements or information.
These risks and uncertainties include, but are not limited to: fluctuations of oil, natural gas and natural gas liquids prices, foreign currency, exchange rates and interest rates, volatile economic and business conditions, the ability of management to execute its business plan; the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil, natural gas and associated by-products and market demand; risks and uncertainties involving geology of oil and gas deposits; risks inherent in Trilogy's marketing operations, including credit risk; the uncertainty of reserves estimates and reserves life; the uncertainty of estimates and projections relating to future production, NGL yields, costs and expenses; uncertainty in amounts and timing of royalty payments and applicability of and change to royalty regimes and government incentive programs including, without limitation, the Natural Gas Deep Drilling Programs and the Drilling Royalty Credit Program; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the availability of financing; the ability to generate sufficient cash flow from operations and other sources of financing at an acceptable cost to fund Trilogy's exploration, development and construction plans and repay debt; Trilogy's ability to secure adequate product transmission and transportation on a timely basis or at all; Trilogy's ability to enter into or renew leases; health, safety and environmental risks; the ability of Trilogy to add production and reserves through development and exploration activities; weather conditions; the possibility that government policies, regulations or laws, including without limitation those relating to the environment and taxation, may change; imprecision in estimates of product sales, tax pools, tax shelters, tax deductions available to Trilogy, changes to and the interpretation of tax legislation and regulations applicable to Trilogy, and timing and amounts of reversals of temporary differences between assets and liabilities recognized for accounting and tax purpose; the possibility that regulatory approvals may be delayed or withheld; risks associated with existing and potential future lawsuits and regulatory actions against Trilogy; uncertainty regarding aboriginal land claims and co-existing local populations; hiring/maintaining staff; the impact of market competition; and other risks

and uncertainties described elsewhere in this document or in Trilogy's other filings with Canadian securities authorities.

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

Refer to Trilogy's Management's Discussion and Analysis for additional information on forward-looking information.

OIL AND GAS ADVISORY

This news release contains disclosure expressed as "Boe", "Boe/d", "Mcf/d", "MMcf/d", "Bbl" and "Bbl/d". All oil and natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For fiscal 2013, the ratio between Trilogy's average realized oil price and the average realized natural gas price was approximately 24:1 ("Value Ratio"). The Value Ratio is obtained using the 2013 average realized oil price of $87.01 (CAD$/Bbl) and the 2013 average realized natural gas price of $3.55 (CAD$/mcf). This Value Ratio is significantly different from the energy equivalency ratio of 6:1 and using a 6:1 ratio would be misleading as an indication of value.

Contact

J.H.T. (Jim) Riddell, Chief Executive Officer
J.B. (John) Williams, President and Chief Operating Officer
M.G. (Michael) Kohut, Chief Financial Officer
Trilogy Energy Corp.
1400 - 332 - 6th Avenue S.W.
Calgary, Alberta T2P 0B2
(403) 290-2900
(403) 263-8915