

# Trilogy Energy Corp. Announces Financial and Operating Results for the Three and Nine Months-Ended September 30, 2014 and Updated 2014 Guidance

07.11.2014 | [Marketwired](#)

CALGARY, ALBERTA--(Marketwired - Nov 6, 2014) - [Trilogy Energy Corp.](#) (TSX:TET) ("Trilogy") is pleased to announce its financial and operating results for the three and nine months-ended September 30, 2014 and updated 2014 guidance.

## Financial and Operating Highlights

- Reported sales volumes for the third quarter of 2014 were 13 percent higher at 35,125 Boe/d as compared to 31,211 Boe/d for the same quarter in 2013.
- Duvernay shale production in the quarter grew to approximately 5,000 Boe/d.
- Net capital expenditures totaled \$81.1 million (year-to-date \$367.3 million) as compared to \$99.9 million (year-to-date \$326.6 million) for the same periods in 2013.
- In total 17 (11.8 net) wells were drilled in the quarter as compared to 21 (14.8 net) wells in the third quarter of 2013.
- Trilogy initiated marketing a significant portion of its Grande Prairie assets to a group of companies that have been active in the area.
- Funds flow from operations <sup>(1)</sup> increased 62 percent to \$88 million as compared to \$54.2 million for the same quarter in 2013.
- During the quarter Trilogy executed significant pipeline and fractionation commitments to secure additional firm service starting in 2016.
- Remaining debt capacity under Trilogy's revolving credit facility as at September 30, 2014 was \$265.7 million.
- Dividends declared to Shareholders totaled \$13.2 million or 13 percent of cash flow from operating activities (year-to-date \$39.6 million or 15 percent).
- Subsequent to the quarter, Trilogy and its lenders executed an amendment to the revolving credit facility agreement. The amendment, among other things, extended the maturity date to April 30, 2017 and reaffirmed its \$725 million borrowing base.

(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			Nine Months Ended September 30		
	September 30, 2014	June 30, 2014	Change %	2014	2013	Change %
<b>FINANCIAL</b>						
Petroleum and natural gas sales	153,860	178,097	(14 )	489,393	437,378	12
Funds flow						
From operations <sup>(1)</sup>	87,933	102,172	(14 )	271,347	222,613	22

Per share - diluted	0.69	0.80	(14 )	2.14	1.86	15
<b>Earnings</b>						
Earnings (loss) before tax	36,714	37,612	(2 )	98,720	29,233	238
Per share - diluted	0.29	0.30	(2 )	0.78	0.24	224
Earnings (loss) after tax	26,700	28,234	(5 )	72,318	20,207	258
Per share - diluted	0.21	0.22	(5 )	0.57	0.17	235
Dividends declared	13,221	13,211	-	39,599	37,036	7
Per share	0.105	0.105	-	0.315	0.315	-
<b>Capital expenditures</b>						
Exploration, development, land, and facility	80,939	111,666	(28 )	362,470	326,245	11
Acquisitions (dispositions) and other - net	178	285	(38 )	4,902	333	1,372
Net capital expenditures	81,117	111,951	(28 )	367,372	326,578	12
Total assets	1,727,802	1,726,495	-	1,727,802	1,543,399	12
Net debt <sup>(1)</sup>	745,552	750,109	(1 )	745,552	784,606	(5 )
Shareholders' equity	711,522	692,726	3	711,522	488,999	46
Total shares outstanding (thousands)						
- As at end of period <sup>(2)</sup>	125,795	125,755	-	125,795	118,053	7
<b>OPERATING</b>						
<b>Production</b>						
Natural gas (MMcf/d)	128	127	1	125	117	7
Oil (Bbl/d)	8,051	9,557	(16 )	8,351	10,594	(21 )
Natural gas liquids (Boe/d)	5,794	5,448	6	5,588	4,746	18
Total production (Boe/d @ 6:1)	35,125	36,187	(3 )	34,823	34,828	-
<b>Average prices before financial instruments</b>						
Natural gas (\$/Mcf)	4.53	5.25	(14 )	5.30	3.54	50
Crude Oil (\$/Bbl)	93.14	99.78	(7 )	95.23	89.30	7
Natural gas liquids (\$/Boe)	59.50	61.69	(4 )	59.58	51.01	17
Average realized price	47.61	54.08	(12 )	51.48	46.00	12
<b>Drilling activity (gross)</b>						
Gas	3	12	(75 )	26	17	53
Oil	14	4	250	38	49	(22 )
Total wells	17	16	6	64	66	(3 )

(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 Trilog'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

Trilog continues to develop its land position and expand on its technical expertise in large, tight, liquids-rich gas and oil resource plays in the Deep Basin. The Company believes that it has accumulated a large inventory of high quality horizontal drilling prospects that should provide the opportunity to grow annual production, replace produced reserves and maintain a meaningful dividend for its shareholders.

Given the year-to-date results and forecasted activity for the balance of the year, Trilog is updating its annual guidance as follows:

	Original guidance	Revised Guidance
Average production	36,000 Boe/d	35,000 Boe/d (~40% oil and NGLs)
Average operating costs	\$9.00 /Boe	\$10.00 /Boe
Capital expenditures	\$375 million	\$430 million

In the current natural gas and crude oil commodity price environment, Trilog expects to manage its balance sheet through continued production growth, non-core asset rationalization and controlled capital spending. Trilog is well positioned with approximately \$266 million of debt capacity as at September 30, 2014 on its \$725 million revolving credit facility to continue to grow its asset base. As a growth-oriented corporation, Trilog must remain flexible in order to respond to changes in commodity prices. Trilog believes it can manage its assets prudently through the year as its production base trends to a higher oil and natural gas liquids composition. Trilog is confident in its strategy, its high quality assets and the proven expertise of its employees.

## Additional Information

A copy of Trilogy's September 30, 2014 quarterly report to Shareholders, including Management's Discussion and Analysis and unaudited interim consolidated financial statements and related notes can be obtained at <http://media3.marketwire.com/docs/977585q3.pdf>. This report will also be made available at a later date through Trilogy's website at [www.trilogyenergy.com](http://www.trilogyenergy.com) and SEDAR at [www.sedar.com](http://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 "adjusted EBITDA", "consolidated debt", "finding and development costs", "funds flow from operations", "operating income", "net debt", "operating netback", "payout ratio", "recycle ratio" and "senior debt" 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.

"Adjusted EBITDA" refers to "Funds flow from operations" in addition to cash interest and tax expenses and certain other items that do not appear individually in the line items of the Company's financial statements.

"Consolidated debt" generally includes all long-term debt plus any issued and undrawn letters of credit.

"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.

"Senior debt" is generally defined as "Consolidated debt" but excluding any indebtedness under the Senior Unsecured Notes.

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: expected average production volumes in 2014, the timing thereof and the relative content of crude oil, natural gas, and natural gas liquids therein; projected average operating costs; future capital expenditures and the relative allocation and timing thereof; and statements regarding management's intention to reduce debt, grow and replace production, manage its balance sheet and its assets, control capital spending, rationalize non-core assets and pay dividends to its shareholders. 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 Gething and Dunvegan oil pools, among others); continuity of the mutually beneficial NGL Recovery Agreement with Aux Sable Canada LP and pricing thereunder; cash flow consistent with expectations; 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; credit facility availability and access to 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 document contains disclosure expressed as "Boe", "MBoe", "Boe/d", "Mcf", "Mcf/d", "MMcf", "MMcf/d", "Bcf", "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 (6:1). 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 Q3 2014, the ratio between Trilogy's average realized oil price and the average realized natural gas price was approximately 21:1 ("Value Ratio"). The Value Ratio is obtained using the Q3 2014 average realized oil price of \$93.14 (CAD\$/Bbl) and the Q3 2014 average realized natural gas price of \$4.53 (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.

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<https://www.rohstoff-welt.de/news/185905--Trilogy-Energy-Corp.-Announces-Financial-and-Operating-Results-for-the-Three-and-Nine-Months-Ended-September>

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