

Traverse Energy Announces 2014 Third Quarter Results

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CALGARY, ALBERTA--(Marketwired - Nov 13, 2014) - [Traverse Energy Ltd.](#) ("Traverse" or "the Company") (TSX VENTURE:TVL) presents financial and operating results for the nine months ended September 30, 2014.

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2014	2013	2014	2013
<u>Financial (\$ thousands, except per share amounts)</u>				
Petroleum and natural gas revenue	5,336	4,819	14,209	10,618
Cash flow from operating activities	3,160	3,789	6,709	7,871
Per share - basic and diluted	0.05	0.08	0.10	0.16
Funds from operations ⁽¹⁾	3,131	3,796	8,136	7,957
Per share - basic and diluted	0.05	0.08	0.12	0.17
Net income	635	1,636	1,788	3,217
Per share - basic and diluted	0.01	0.03	0.03	0.07
Capital expenditures	10,658	4,957	23,096	9,393
Total assets	49,007	26,489	49,007	26,489
Working capital (deficiency)	(1,695)	3,045	(1,695)	3,045
Common shares				
Outstanding (millions)	69.2	49.5	69.2	49.5
Weighted average (millions)	68.8	49.5	64.6	48.1
<u>Operations (Units as noted)</u>				
Average production				
Natural gas (Mcf/day)	3,710	1,560	2,560	1,536
Oil and NGL (bbls/ day)	497	505	457	389
Total (BOE/day)	1,115	765	883	644
Average sales price				
Natural gas (\$/Mcf)	4.04	3.06	4.35	3.42
Oil and NGL (\$/bbl)	86.63	94.25	89.65	86.61
<u>Operating netback (\$/BOE) ⁽²⁾</u>				
Petroleum and natural gas revenue	52.02	68.45	58.93	60.35
Realized gain (loss) on financial derivatives	(0.30)	0.19	(0.91)	0.10
Royalties	(8.22)	(6.00)	(9.40)	(3.89)
Operating and transportation expenses	(10.35)	(7.60)	(11.19)	(8.40)
Operating netback	33.15	55.04	37.43	48.16

(1) Funds from operations represents cash flow from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. Funds from operations does not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other companies.

(2) Operating netback reflects revenue and realized gain or loss on financial derivatives, less royalties, operating and transportation expenses and is calculated on a per unit basis. Operating netback does not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies.

Operations Review

In the first nine months of 2014, Traverse drilled 13 wells resulting in 9 oil wells and 4 natural gas wells. At the end of the third quarter 5 oil wells and 4 gas wells had commenced production with 3 oil wells completed and awaiting tie in and one horizontal oil well to be completed. New and existing natural gas wells at Turin commenced production early in the quarter and a new gas well at Michichi commenced production in mid August. Additional oil production was added at Coyote, mainly after the battery expansion was completed in late August. New oil production from the recent horizontal wells will increase the total oil production during the fourth quarter.

The Coyote battery expansion was completed in the third quarter with clean oil shipments commencing in

late August. The facility is licensed to treat up to 2,000 barrels of oil and water and 4 mmcf of gas per day. The facility is designed for higher volumes and possible expansion if required. Facility work in the fourth quarter will include additional storage tanks and tie in of the two new horizontal wells.

During the third quarter Traverse expanded the Ellerslie pool to the west by drilling two additional vertical wells. One well is being equipped and will be placed on production during the fourth quarter and the second well was subsequently completed in a new separate Mannville oil zone and will also be placed on production during the fourth quarter. Further development of this second zone will be undertaken in early 2015 with a horizontal well. Traverse has applied to the Alberta Energy Regulator ("AER") to expand its existing holding which allows for four wells per quarter section in the Ellerslie pool. This expansion will allow for additional wells to be drilled in the west portion of the pool.

The first two horizontal wells drilled in the Coyote Ellerslie pool were completed in October. The first well was completed with 252 tonnes of sand placed in 16 stages. The well was production tested for 4.25 days and produced 1,290 barrels of oil and 4.2 mmcf of raw gas. Final flow rates for the last 24 hours of the test were 305 barrels of oil per day and 530 mcf of raw gas per day. The second well was completed with 364 tonnes of sand placed in 19 stages. The well was production tested for 7.2 days producing 4,275 barrels of oil and 7 mmcf of raw gas. Final flow rates for the last 24 hours of the test were 440 barrels of oil per day and 700 mcf of raw gas per day. The two horizontal wells are being tied into the Coyote battery and are expected to commence production in mid November. These early production tests, although preliminary, are encouraging based on analogous similar pools in East Central Alberta. The test results are not necessarily indicative of long-term performance or of ultimate recovery.

There are now eight vertical wells producing from the Ellerslie pool. Third quarter production from the Coyote area was 370 BOE per day (72% oil). A 3D seismic program was recently completed in the west Coyote area which will help select drilling locations to further delineate the Coyote Ellerslie pool. Further vertical delineation wells and additional horizontal wells will be drilled in 2015 to develop the Ellerslie pool.

At Michichi Traverse placed its first well on production in mid August. The well was tied in to conserve gas and is producing at 700 mcf per day of sales gas and 10 barrels of oil and natural gas liquids per day. The well was recently reclassified as a gas well due to lower amounts of oil produced. Third quarter production from the Michichi area was 68 BOE per day (8% oil). In the third quarter a second well was drilled 2 kilometres north of the first well. The second well has been completed as an oil well and is awaiting tie in to conserve gas prior to being placed on production. Plans for 2015 include additional vertical delineation wells to be followed up by development horizontal drilling if warranted.

At Turin, Traverse completed the installation of a booster compressor at its central battery, which became operational in early July and allowed for production of gas from two shut-in wells and lowered the operating pressure for oil production from the field. In early 2015 Traverse plans to drill one well and recompleat several shut-in wells for sweet gas production, which can be produced through the existing facilities. Production at Turin for the third quarter was 558 BOE per day (31% oil).

At September 30, 2014 undeveloped land holdings totalled 186,400 gross (183,200 net) acres. The Board of Directors approved an initial exploration and development budget of \$34 million for 2015. The program includes the drilling of up to 14 wells, including 7 horizontal wells, on Company owned lands in the Coyote, Michichi and Turin areas and on other properties located in east central Alberta.

Non-IFRS measures

Funds from operations, funds from operations per share, operating netback, operating netback per BOE and working capital are not defined by IFRS and therefore may not be comparable to performance measures presented by others. Funds from operations represents cash flow from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations as detailed under the heading "Funds from operations and net income" within the Company's management's discussion and analysis for the three and nine months ended September 30, 2014. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Working capital (deficiency) is calculated as current assets (excluding financial derivative assets) less current liabilities (excluding financial derivative liabilities). Operating netback represents revenue and realized gain or loss on financial derivatives, less royalties, operating and transportation expenses and is

calculated on a per unit basis. The calculation of Traverse's operating netback is detailed under the heading "Operating netback" within the Company's management's discussion and analysis for the three and nine months ended September 30, 2014. Management believes that in addition to net income, the aforementioned non-IFRS measures are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage and liquidity. Investors should be cautioned however, that these measures should not be construed as an alternative to both net income and net cash from operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

BOE equivalent

Unless otherwise stated, the volume conversion of natural gas to barrel of oil equivalent (BOE) is presented on the basis of 6 thousand cubic feet of natural gas being equal to 1 barrel of oil. This conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. BOE figures may be misleading, particularly if used in isolation.

Oil and Gas Advisory

Any references in this press release to production tests are useful in confirming the presence of hydrocarbons, however, such tests are not necessarily determinative of the production rates at which such wells will commence production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating aggregate production for the Company. In all cases in this press release, production test rates are not necessarily indicative of long-term performance of the relevant well or of the ultimate recovery of hydrocarbons.

Forward-looking information

This news release contains forward-looking information which is not comprised of historical fact. Forward-looking information involves risks, uncertainties and other factors that could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. Forward-looking information in this news release the Company's statements with respect to the increase in oil production during the fourth quarter; planned facility work in the fourth quarter; expected commencement of production from one Mannville and one Ellerslie oil well; timing for further horizontal well development of the Mannville zone in the Ellerslie pool; expected commencement of production from two horizontal wells; further horizontal and vertical well development of the Ellerslie pool; planned additional drilling at Coyote, Michichi and Turin in 2015; planned recompletions at Turin and the number of wells to be drilled in 2015. This forward looking information is subject to a variety of substantial known and unknown risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward looking information. The Company's Annual Information Form filed on April 17, 2013 with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describes the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

Although the Company believes that the material assumptions and factors used in preparing the forward-looking information in this news release are reasonable, undue reliance should not be placed on such information, which only applies as of the date of this news release, and no assurance can be given that such events will occur. The Company disclaims any intention or obligation to update or review any forward-looking information, whether as a result of new information, future events or otherwise, other than as required by law.

Further details on the Company including the 2013 year end audited financial statements, the related management's discussion and analysis and the 2013 Annual Information Form are available on the Company's website (www.traverseenergy.com) and SEDAR.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accept responsibility for the adequacy or accuracy of the content of this release.

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