

CALGARY, Dec. 14, 2015 /CNW/ - TORC Oil & Gas Ltd. ("TORC" or the "Company") (TSX: TOG) is pleased to announce the Company's Board of Directors has approved a 2016 capital budget of \$90 million. TORC's strategic objectives associated with the 2016 capital budget are consistent with the Company's long term objectives of delivering disciplined growth in combination with maintaining financial flexibility while providing a sustainable dividend over the long term.

TORC's 2016 capital budget exhibits a measured approach to the continued uncertainty in the world oil price environment and reflects a balance between managing long term objectives, protecting the Company's strong financial position and sustaining the dividend.

TORC's 2016 capital budget is specifically focused on:

- Investing in higher rate of return, lower risk light oil opportunities across the Company's extensive development drilling inventory;
- Maintaining current production levels and maximizing free cash flow through an efficient capital program focused on high graded drilling opportunities;
- Maintaining a focus on the Company's decline profile;
- Directing the pace of the capital program to maintain spending flexibility throughout the year given the ongoing volatility of crude oil prices; and
- Maintaining TORC's strong financial position and flexibility to take advantage of additional growth opportunities as they arise.

TORC's capital program in 2016 is focused on light oil development projects, with the majority of the capital directed to drilling, completions and tie-ins (greater than 75%) with the remainder allocated to operational and facility optimization to maximize production efficiency. The capital program is concentrated on the Company's primary core areas in southeast Saskatchewan, focused on both conventional opportunities and the emerging Torquay/Three Forks play, and the Cardium play in central Alberta.

## 2016 BUDGET HIGHLIGHTS

### SOUTHEAST SASKATCHEWAN

In southeast Saskatchewan, TORC plans to drill 31 (23.2 net) conventional wells. With more than 360 net undrilled locations identified, the 2016 budget represents approximately 6% of TORC's currently identified conventional locations. These locations are characterized by their lower risk nature and high rates of return driven by their lower capital costs, high netbacks and the favorable royalty regime in Saskatchewan. Southeast Saskatchewan conventional activity will comprise approximately 40% of the Company's 2016 drilling, completion and tie-in capital budget.

In addition to the conventional program in southeast Saskatchewan, TORC plans to drill 6 (5.0 net) development wells into the Torquay/Three Forks resource play in 2016. The Torquay/Three Forks activity in southeast Saskatchewan will comprise approximately 25% of the 2016 budget. When combined with the conventional program, southeast Saskatchewan represents approximately 65% of the overall drilling, completion and tie-in capital budget.

### CARDIUM

TORC plans to drill 10 gross (9.1 net) wells across the Company's land position in the Cardium. With more than 290 net undrilled light oil focused development locations identified, the 2016 budget represents less than 5% of TORC's currently identified development drilling inventory. TORC's development plans for the Cardium represents approximately 35% of the drilling, completion and tie-in activity in 2016.

## PRODUCTION GUIDANCE

The Company remains positioned to achieve the previously announced 2015 exit guidance of 18,200 boepd while maintaining a corporate decline profile of approximately 23%. TORC anticipates that the \$90 million 2016 capital budget will result in 2016 average and exit production of approximately 18,200 boepd (~87% light oil and liquids) with a consistent decline profile.

## DIVIDEND

TORC's dividend is reviewed regularly with the Board of Directors and is an important component of TORC's overall strategy. TORC is well positioned to sustain a current dividend of \$0.045 per share per month and will continue to monitor and review realized commodity prices, capital efficiencies and cash costs on a timely basis to maintain financial flexibility and long term sustainability.

TORC is pleased to confirm that the December, 2015 dividend of \$0.045 per common share will be paid on January 15, 2016.

## DISCIPLINED BUDGET

TORC's priorities are to act prudently to protect the financial flexibility of the Corporation while positioning the Company to continue to achieve per share growth over the long term while paying out a sustainable dividend. TORC is committed to maintaining a disciplined approach during the current volatility in the world oil markets.

The Company continues to diligently focus on capital efficiency improvements through the combination of operational improvements and capital cost reductions. TORC's \$90 million 2016 capital budget is based on current capital cost realizations. TORC anticipates further cost reductions would be realized in a decreasing commodity price environment.

TORC's year-end 2015 net debt is estimated to be approximately \$300 million with approximately \$245 million drawn on a bank line of \$450 million, positioning TORC with financial flexibility and a strong balance sheet.

The Canadian Pension Plan Investment Board ("CPPIB"), a strategic investor in TORC, continues to be fully committed to the Share Dividend Plan ("SDP") with its entire 25% ownership position. Including CPPIB's 25% participation in the SDP, the SDP participation has been averaging between 35%-40% during the second half of 2015.

Assuming a 35% participation in the SDP, the cash requirement of TORC's dividend policy is approximately \$56 million for 2016. Combined with the \$90 million capital budget, TORC's total cash requirement in 2016 is estimated to be approximately \$146 million.

TORC anticipates a continuation of a weak crude oil price environment for the first half of 2016, with an improving outlook during the second half of the year, resulting in an estimated average price for the year of US\$45 WTI (\$0.72 US\$/C\$ exchange rate). Under these assumptions, TORC's all in cash payout ratio for 2016 will be approximately 100%.

Consistent with this commodity price assumption and the pace of previous capital expenditure programs, TORC's 2016 capital budget is weighted to the second half of the year, with approximately \$35 million of expenditures planned in the first half of 2016 and \$55 million planned during the second half. In addition, the Company has the operational flexibility to adjust its current 2016 budget to continue to prudently protect the Company's financial flexibility in a sustained low price environment but also take advantage of a potentially increasing commodity price environment.

## OUTLOOK

TORC has built a sustainable growth platform of light oil focused assets. The stability of the high quality, low decline, light oil assets in southeast Saskatchewan and the low risk Cardium development inventory in central Alberta, combined with exposure to the emerging light oil resource play in the Torquay/Three Forks in southeast Saskatchewan, positions TORC to provide a sustainable dividend along with value creation through a disciplined long term focused growth strategy.

TORC has the following key operational and financial attributes:

High Netback Production <sup>(1)</sup>	2016E Average and Exit: ~18,200 boepd
Reserves <sup>(2)</sup>	Greater than 87 mmboc (86% light oil & liquids) Total Proved plus Probab
Cardium Light Oil Development Inventory	~290 net undrilled locations
Southeast Saskatchewan Light Oil Development Inventory	~360 net undrilled locations
Sustainability Assumptions	Corporate decline ~23%
	Full Cycle Capital Efficiency ~\$22,000/boepd (IP 365) <sup>(3)</sup>
2016 Capital Program	\$90 million
Annual Dividend (paid monthly)	\$0.54 per share
	\$86 million
	\$56 million (net of assumed 35% SDP participation)
Net Debt & Bank Line	~\$300 million (estimated as at year end 2015)
	Bank line of \$450 million
Shares Outstanding	160 million (basic)
Tax Pools	Approximately \$1.5 billion

Notes:

- (1) >87%  
light
- (2) The reserve information is respectively the foregoing table is derived from (i) our reserves as at December 31, 2014, from the independent engineering report dated March 5, 2015 and effective December 31, 2014 prepared by Sproule Associates Limited ("Sproule") evaluating the oil, NGL and natural gas reserves attributable to all of our properties; (ii) the reserves associated with the strategic acquisition completed during the second quarter from reports prepared by

Sproule  
and  
McDaniel  
&  
Associates  
Ltd.  
("McDaniel")  
as  
of  
April  
30,  
2015  
which  
were  
mechanical  
updates  
of  
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reserves  
associated  
with  
these  
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as  
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December  
31,  
2014  
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and  
(iii)  
reserves  
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acquired  
by  
us  
pursuant  
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an  
acquisition  
completed  
on  
February  
25,  
2015.  
Since  
these  
reserves

were estimated as at different dates, they have been generated based on different assumptions in respect of commodity pricing, capital efficiency metrics. As a result, the corporate presentation of budgeted reserves on the P365 consolidated basis would not reflect the actual combined estimated of our reserves at December 31, 2014 and should not necessarily be viewed as predictive of our reserves and future production.

An updated corporate presentation can be found at [www.torcoil.com](http://www.torcoil.com).

## READER ADVISORIES

### Forward Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking

information") within the meaning of applicable securities laws relating to the Company's plans, strategy, business model, focus, objectives and other aspects of TORC's anticipated future operations and financial, operating and drilling and development results, including, expected future production, production mix, reserves, drilling inventory, net debt, cash flow, operating netbacks, decline rate and decline profile, product mix, capital expenditure program, capital efficiencies, commodity prices, targeted growth, tax pools, operating, drilling and development plans and the timing thereof, payout ratio, and expected SDP participation. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding: anticipated cost reductions; the focus and allocation of TORC's 2016 capital budget; anticipated average and exit production rates, management's view of the characteristics and quality of the opportunities available to the Company; TORC's dividend policy and plans; and other matters ancillary or incidental to the foregoing.

Forward-looking information typically uses words such as "anticipate", "believe", "project", "target", "guidance", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. The forward-looking information is based on certain key expectations and assumptions made by TORC's management, including expectations concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; capital efficiencies; decline rates; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; ability to market oil and natural gas successfully and TORC's ability to access capital.

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 the Company 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 TORC can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Company will derive there from. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide securityholders with a more complete perspective on TORC's future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect TORC's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

These forward-looking statements are made as of the date of this press release and TORC disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

## Dividends

The payment and the amount of dividends declared in any month will be subject to the discretion of the board of directors and will depend on the board of director's assessment of TORC's outlook for growth, capital expenditure requirements, funds from operations, potential acquisition opportunities, debt position and other conditions that the board of directors may consider relevant at such future time. The amount of future cash dividends, if any, may also vary depending on a variety of factors, including fluctuations in commodity prices and differentials, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens and foreign exchange rates.

## Non-GAAP Measures

This document contains the terms "cash flow", "net debt" and "payout ratio", which do not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. TORC uses cash flow and net debt to analyze financial, operating performance, and liquidity and leverage. TORC feels these benchmarks are key measures of profitability and overall sustainability for TORC. Both of these terms are commonly used in the oil and gas industry. Cash flow and net debt are not intended to represent operating profits nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. Cash flows are calculated as cash flows from operating activities less changes in non-cash working capital. Net debt is calculated as bank debt plus working capital deficiency or minus working capital surplus (adjusted for fair value of financial instruments and the current portion of decommissioning obligation). TORC calculates cash flow per share using the same method and shares outstanding that are used in the determination of earnings per share. Payout ratio is a non-GAAP measure and is calculated as cash dividends plus

development capital, divided by funds flow. The Company considers this to be a key measure of sustainability.

## Oil and Gas Disclosures

Our oil and gas reserves statement for the year ended December 31, 2014, which includes complete disclosure of our oil and gas reserves and other oil and gas information in accordance with NI 51-101, is contained within our Annual Information Form which is available on our SEDAR profile at [www.sedar.com](http://www.sedar.com). The recovery and reserve estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered. In relation to the disclosure of estimates for individual properties, such estimates may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

The term "BOE" or barrels of oil equivalent may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (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. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from reserves evaluations prepared by Sproule as of December 31, 2014, Sproule and McDaniel as of April 30, 2015 and an internal evaluation with respect to certain assets as of effective November 1, 2014 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on TORC's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review.

Unbooked locations do not have attributed reserves. Of the 650 drilling locations identified herein, 149 are proved locations, 81 are probable locations and 420 are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that TORC will drill all unbooked drilling locations and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional oil and gas reserves or production.

SOURCE TORC Oil & Gas Ltd.

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