CALGARY, Feb. 12, 2016 /CNW/ - Northern Blizzard Resources Inc. ("Northern Blizzard" or the "Company") (TSX: NBZ) announces a revised capital program for 2016 in response to the continuing weakness in oil prices. The capital program has been reduced by 60% to $40 million, which maintains the Company's financial strength and results in estimated 2016 production of 19,000 boe/d. The monthly dividend remains at $0.04 per share.

Northern Blizzard operates and controls 99% of its development program and has the ability to increase or decrease capital spending as circumstances dictate.

Financial strength

Northern Blizzard has significant financial flexibility supported by an undrawn $475 million credit facility. The Company has US$276 million of bonds outstanding that mature in 2022. The bonds have no maintenance covenants.

Hedging

Northern Blizzard has a comprehensive hedging program to reduce revenue volatility caused by changes in commodity prices. The Company has hedges in place of approximately 60% of estimated 2016 oil production. Northern Blizzard estimates the current mark-to-market value of its hedging program to be approximately $150 million. The hedging program is expected to contribute over $15.00/boe to estimated 2016 funds from operations.

A summary of Northern Blizzard's current hedge position is provided in the table below.

(C$)[1,2]	2016	2017
Hedged volumes (bbl/d)	11,500	2,000
Average price ($/bbl)		
WTI	79.50	91.00
WTI / WCS differential	(19.38)	(19.32)
WCS	60.12	71.68

Notes:

(1) Contracts denominated in US dollars have been converted to Canadian dollars at CAD/USD strip prices as of February 11, 2016.

(2) The prices and volumes in this table represent averages for several contracts over the respective periods presented. The average price of a group of contracts is for indicative purposes only and does not have the same settlement profile as the individual contract.

Dividend

Northern Blizzard currently pays a monthly dividend of $0.04 per share. Northern Blizzard has a Stock Dividend Program ("SDP") which allows shareholders to elect to receive common shares as payment for their dividends. Shareholders representing approximately 73% of the Company's outstanding shares currently participate in the SDP. The total payout ratio for 2016 is estimated to be 45% including the SDP (80% excluding the SDP).

Northern Blizzard continually assesses dividend levels in light of commodity prices, hedge position, capital expenditure programs and production volumes to ensure that dividends are in line with the Company's long-term strategy and objectives. The actual amount of future monthly dividends is subject to the discretion of the Board of Directors.

Revised 2016 guidance

As noted above, capital spending for 2016 has been revised to $40 million, $60 million less than the previous guidance of $100 million. As a result, the Company's estimated 2016 production is 19,000 boe/d as compared to prior guidance of 20,000 boe/d. Funds from operations for 2016 is expected to be $120 million.

Revised 2016 guidance and assumptions are as follows:

	Revised[1]
Production (boe/d)	19,000
Pricing	
WTI (US$/bbl)	40.00
WTI / WCS differential (US$/bbl)	(14.25)
CAD/USD exchange rate	1.370
WCS ($/bbl)	35.28
AECO ($/mcf)	2.50
Expenses	
Average royalty rate (%)	9
Operating ($/boe)	17.15
Transportation ($/boe)	2.15
Corporate costs ($/boe)	7.80
Excluding hedging	
Funds from operations ($ millions)	15
Funds from operations per boe ($/boe)	2.20
Including hedging	
Funds from operations ($ millions)	120
Funds from operations per boe ($/boe)	17.35
Capital expenditures ($ millions)	40
Payout ratios	
Including SDP	45%
Excluding SDP	80%

Note 1 - Previous 2016 guidance released on November 12, 2015 was production of 20,000 boe/d and capital expenditures of $100 million.

The Company is well positioned for the risk of continued weakness in commodity prices. Assuming a WTI price of US$35/bbl, WTI/WCS differential of US$14.00/bbl and CAD/USD exchange rate of 1.40, the Company estimates funds from operations in 2016 of $110 million ($15.80/boe). This results in an estimated total payout ratio for 2016 of 50% including the SDP (88% excluding the SDP).

The guidance provided in the table above is based on a number of material assumptions and factors set out above and under the heading "Forward-Looking Statements" in this news release. This financial outlook is included to provide readers with an understanding of the Company's operations for 2016. Readers are cautioned that the information may not be appropriate for other purposes. The actual results of Northern Blizzard's operations will likely vary from the amounts set forth in the table above, and such variations may be material. See "Forward-Looking Statements" in this news release for a discussion of the risks that could cause actual results to vary. The foregoing guidance has been approved by management as of the date of this news release.

Northern Blizzard

Northern Blizzard is a Calgary, Alberta based Canadian crude oil production and development company focused on maximizing oil recovery from its large-scale oil resource base. The corporation's operations, infrastructure and concentrated land position are focused in the Kerrobert and Lloydminster areas of Saskatchewan. Northern Blizzard's common shares trade on the Toronto Stock Exchange under the symbol NBZ.

Advisories

BOE Conversion and other advisories

In this news release, natural gas has been converted to boe based on a conversion rate of six thousand cubic feet of natural gas to one barrel (6 mcf : 1 bbl), which represents an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead. While it is useful for comparative measures, it may not accurately reflect individual product values and may be misleading if used in isolation.

Unless otherwise indicated, all currency is in Canadian dollars.

Non / Additional IFRS Measures

This news release makes reference to the additional IFRS measure "funds from operations". Funds from operations is used by the Company to analyze operating performance and its ability to fund capital investments. Funds from operations is calculated as cash flow from operating activities (as determined in accordance with IFRS) before purchasing shares for the Incentive Plan, settling vested Incentive Plan Awards with cash, decommissioning costs incurred and changes in non-cash operating working capital. Management considers funds from operations to be a key measure of the results generated by its principal business activities before the consideration of how those activities are financed or how the results are taxed and before decommissioning expenditures. Funds from operations should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS. Funds from operations per boe is calculated using barrels of oil equivalent sales volume for the period.

This news release makes reference to the non-IFRS measure "total payout ratio". Total payout ratio represents the ratio of the sum of cash dividends declared plus capital expenditures divided by funds from operations. Total payout ratio is a key measure to assess Northern Blizzard's ability to finance capital expenditures and dividends. There is no IFRS measures that is reasonably comparable to total payout ratio.

Forward-Looking Statements

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements contain words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes.

In particular, this news release may contain forward-looking statements pertaining to the following:

- Business plans and strategies;
- Capital expenditure programs;
- Anticipated oil and natural gas production levels;
- Future oil and natural gas prices;
- Future costs including operating, transportation and corporate costs and royalty rates;
- Future funds from operations;
- Future payout ratio; and
- Payment of dividends.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will be realized. Actual results will differ, and the difference may be material and adverse to the Company and its shareholders.

With respect to forward-looking statements contained in this news release, management has made assumptions regarding future production levels; future oil and natural gas prices; future operating costs; timing and amount of capital expenditures; the ability to obtain financing on acceptable terms; availability of skilled labour and drilling and related equipment; general economic and financial market conditions; continuation of existing tax and regulatory regimes; and the ability to market oil and natural gas successfully to current and new customers. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that the goals or figures contained in forward-looking statements will not be achieved. These factors include, but are not limited to, risks associated with fluctuations in market prices for crude oil, natural gas and diluent, general economic, market and business conditions, substantial capital requirements, uncertainties inherent in estimating quantities of reserves and resources, extent of, and cost of compliance with, government laws and regulations and the effect of changes in such laws and regulations from time to time, the need to obtain regulatory approvals on projects before development commences, environmental risks and hazards and the cost of compliance with environmental regulations, aboriginal claims, inherent risks and hazards with operations such as fire, explosion, blowouts, mechanical or pipe failure, cratering, oil spills, vandalism and other dangerous conditions, potential cost overruns, variations in foreign exchange rates, diluent supply shortages, competition for capital, equipment, new leases, pipeline capacity and skilled personnel, credit risks associated with counterparties, the failure of the Company or the holder of licenses, leases and permits to meet requirements of such licenses, leases and permits, reliance on third parties for pipelines and other infrastructure, changes in royalty regimes, failure to accurately estimate decommissioning costs, inaccurate estimates and assumptions by management, effectiveness of internal controls, the potential lack of available drilling equipment and other restrictions, failure to obtain or keep key personnel, title deficiencies with the Company's assets, geo-political risks, risks that the Company does not have adequate insurance coverage, risk of litigation and risks arising from future acquisition activities. Additionally, the payment of dividends is dependent on the satisfaction of the applicable liquidity and solvency tests imposed by the Business Corporations Act (Alberta). The foregoing risks and other risks are described in more detail in the Company's annual information form for the year ended December 31, 2014. Readers are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved may vary from the information provided herein and the variations could be material. Readers are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Furthermore, the forward-looking statements contained in this news release are made as of the date hereof, and the Company does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

SOURCE Northern Blizzard Resources Inc.

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