

# **TORC Oil & Gas Ltd. Announces Third Quarter 2017 Financial & Operational Results; Strategic Tuck-in Acquisitions; and Increase to Production Guidance**

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CALGARY, Nov. 3, 2017 /CNW/ - TORC Oil & Gas Ltd. ("TORC" or the "Company") (TSX: TOG) is pleased to announce financial and operating results for the three and nine months ended September 30, 2017. The associated management and analysis ("MD&A") and unaudited interim financial statements as at and for the three and nine months ended September 30, 2017 can be found at [www.sedar.com](http://www.sedar.com) and [www.torcoil.com](http://www.torcoil.com).

Highlights (in thousands, except per share data)	Three months ended		Nine months ended	
	September 30 2017	June 30 2017	September 30 2016	September 30 2017
<b>Financial</b>				
Adjusted funds flow from operations, including transaction related costs <sup>(1)</sup>	\$44,404	\$52,471	\$31,606	<del>\$73,209</del> <b>\$73,898</b>
Per share basic	\$0.24	\$0.28	\$0.18	<del>\$0.80</del> <b>\$0.86</b>
Per share diluted	\$0.24	\$0.28	\$0.18	<del>\$0.70</del> <b>\$0.76</b>
Adjusted funds flow from operations, excluding transaction related costs <sup>(1)</sup>	\$44,404	\$52,471	\$32,279	<del>\$73,888</del> <b>\$74,577</b>
Per share basic	\$0.24	\$0.28	\$0.19	<del>\$0.86</del> <b>\$0.92</b>
Per share diluted	\$0.24	\$0.28	\$0.19	<del>\$0.70</del> <b>\$0.76</b>
Net income (loss)	(\$6,335)	\$2,532	(\$11,963)	<del>(\$5,297)</del> <b>(\$5,297)</b>
Per share basic	(\$0.03)	\$0.01	(\$0.07)	<del>(\$0.02)</del> <b>(\$0.02)</b>
Per share diluted	(\$0.03)	\$0.01	(\$0.07)	<del>(\$0.02)</del> <b>(\$0.02)</b>
<b>Exploration and development</b>				
expenditures	\$47,302	\$17,166	\$30,337	<del>\$96,687</del> <b>\$94,806</b>
Property acquisitions, net of dispositions	\$5,956	\$29,105	\$90,462	<del>\$94,978</del> <b>\$94,978</b>
Net debt <sup>(2)</sup>	\$259,116	\$241,912	\$287,264	<del>\$289,266</del> <b>\$289,266</b>
Cash dividends declared <sup>(3)</sup>	\$7,527	\$7,543	\$5,288	<del>\$28,052</del> <b>\$28,052</b>
Dividends declared per common share	\$0.060	\$0.060	\$0.060	<del>\$0.200</del> <b>\$0.200</b>
<b>Common shares</b>				
Shares outstanding, end of period	189,689	187,402	182,279	<del>182,079</del> <b>182,079</b>

Weighted average shares (basic)	187,987	186,893	171,720	<b>166,650</b>
Weighted average shares (diluted)	188,913	188,456	173,303	<b>167,358</b>

## Operations

## Production

Crude oil (Bbls per day)	17,803	17,677	15,314	<b>17,303</b>
NGL (Bbls per day)	846	739	781	<b>726</b>
Natural gas (Mcf per day)	14,059	14,156	15,124	<b>14,898</b>
Barrels of oil equivalent (Boepd, 6:1)	20,992	20,775	18,616	<b>20,520</b>

## Average realized price

Crude oil (\$ per Bbl)	\$53.10	\$57.32	\$50.63	<b>\$56.85</b>
NGL (\$ per Bbl)	\$20.28	\$18.20	\$11.23	<b>\$22.06</b>
Natural gas (\$ per Mcf)	\$1.15	\$2.33	\$2.03	<b>\$1.00</b>
Barrels of oil equivalent (\$ per Boe, 6:1)	\$46.62	\$51.01	\$43.77	<b>\$49.98</b>

Operating netback per Boe (6:1)	\$25.30	\$30.34	\$21.52	<b>\$28.96</b>
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## Adjusted funds flow netback per Boe (6:1)

Including transaction related costs <sup>(1)</sup>	\$22.99	\$27.75	\$18.45	<b>\$26.57</b>
Excluding transaction related costs <sup>(1)</sup>	\$22.99	\$27.75	\$18.84	<b>\$26.77</b>

## Wells drilled:

<sup>(1)</sup> Management uses these financial measures to analyze operating performance and leverage. The definitions of these measures are found in the Company's Management's Discussion and Analysis ("the MD&A") for the three and nine months ended September 30, 2017 and 2016. These measures do not have any standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculation of similar measures for other companies.

Success (%)	100	100	100	100
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<sup>(2)</sup> Net debt is calculated as current assets (excluding financial derivative assets) less: i) current liabilities (excluding financial derivative liabilities), and ii) bank debts.

<sup>(3)</sup> Cash dividends declared are net of the share dividend program participation.

## PRESIDENT'S MESSAGE

The steady execution of TORC's business plan continued during the third quarter of 2017. The Company was active in capital programs in both southeast Saskatchewan and in the Cardium play in Alberta. In addition, supported by free cash flow generated by the underlying business, TORC entered into agreements to acquire strategic assets in both the Cardium and

southeast Saskatchewan core areas further enhancing the Company's asset base and business model.

The Company's key achievements in the third quarter of 2017 included the following:

- Achieved record quarterly production of 20,992 boepd, up from 20,775 boepd in the second quarter of 2017 and 20,775 boepd in the third quarter of 2016;
- Generated cash flow of \$44.4 million relative to \$52.5 million in the second quarter of 2017 and \$32.3 million in the third quarter of 2016;
- Generated cash flow per share of \$0.24 compared to \$0.28 in the second quarter of 2017 and \$0.19 in the third quarter of 2016;
- Drilled 23 (16.7 net) successful wells;
- Paid dividends of \$0.06 per share to shareholders;
- During the first three quarters of 2017, the Company generated cash flow of \$148.4 million, incurred \$96.7 million of capital expenditures, and paid cash dividends of \$21.3 million for a payout ratio of 80%;
- Completed the acquisition of complementary light oil assets in the central Alberta Cardium core area for cash consideration of \$5.3 million. The strategic acquisition included approximately 100 boepd (~75% light oil and liquids) of high netback producing assets along with more than 20.0 net identified drilling locations;
- Subsequent to the end of the third quarter, TORC completed the acquisition of complementary light oil assets in southeast Saskatchewan for cash consideration of \$15.0 million. The strategic acquisition included approximately 200 boepd (~75% light oil and liquids) of low decline (approximately 10 percent), high netback, light oil producing assets along with 11.0 net identified drilling locations; and
- At quarter end, the Company had drawn \$205.3 million on the credit facility, with net debt of approximately \$259.7 million. Subsequent to the end of the third quarter, TORC's credit facility was reconfirmed at \$400 million as part of the regular semi-annual review process.

## OPERATIONAL UPDATE

With continued success of the 2017 capital program and the Company's solid underlying production profile, TORC achieved record production of 20,992 boepd during the third quarter. TORC spent a total of \$47.3 million of exploration and development capital spending including drilling 23 (16.7 net) wells with 100% success. Total exploration and development capital spending for the first three months of 2017 was \$96.7 million which included 48 (34.6 net) wells drilled with 100% success.

## SOUTHEAST SASKATCHEWAN

During the third quarter, the Company drilled 19 (12.7 net) wells in southeast Saskatchewan including 14 (8.2 net) conventional wells and 5 (4.5 net) Torquay/Three Forks wells.

TORC drilled 26 (16.9 net) conventional wells in the first three quarters of 2017 consistently achieving production results similar to type curves while maintaining cost structure savings due to operational efficiencies. TORC has identified more than 400 undrilled conventional locations in southeast Saskatchewan providing years of high quality drilling inventory.

In the first three quarters of 2017, TORC drilled 13 (10.0 net) southeast Saskatchewan Torquay/Three Forks wells. Based on the Company's encouraging results from this program to date, combined with competitor results in the area, TORC expects to increase capital allocation to the emerging Torquay/Three Forks play in 2018. TORC has identified more than 150 net Torquay/Three Forks locations on the southeast Saskatchewan land base.

In the third quarter of 2017, TORC participated in one (0.2 net) horizontal unconventional Midale well. TORC has established prospective land positions in a number of areas that have the potential for unconventional Midale exploitation. The Company plans to continue testing this Midale concept across the southeast Saskatchewan land base in the fourth quarter of 2017 with additional wells. With success, the Company expects to increase capital allocation to this play in 2018.

## CARDIUM

In the third quarter, TORC drilled 4 (4.0 net) Cardium development wells, combined with the 5 (3.7 net) wells drilled in the quarter of the year, TORC has drilled 9 (7.7 net) wells in the first nine months of 2017. The strategic tuck-in acquisition in the quarter has more than replaced the entire 2017 drill program.

With TORC having greater than 95 net light oil sections in the Cardium trend where the Company has identified more than 100 undrilled locations, TORC has several years of high quality, lower risk drilling locations on a maturing asset to continue TORC's disciplined growth plus dividend model.

## DIVIDEND

In the third quarter, TORC paid dividends totaling \$0.06 per share or \$11.3 million of which \$3.8 million was issued under the Company's Stock Dividend Plan ("SDP"). In the first nine months of 2017, the Company has paid dividends totaling \$33.1 million of which \$12.1 million was issued under the Company's SDP.

The Board of Directors has confirmed a dividend of \$0.02 per common share to be paid on November 15, 2017 to common shareholders of record on October 31, 2017.

TORC's dividend is reviewed regularly with the Board of Directors and is an important component of TORC's overall strategy. TORC's current dividend policy is \$0.02 per share per month and the Company is committed to maintaining a disciplined approach during the current volatility in the world oil markets. TORC's priorities are to act prudently to protect TORC's financial flexibility, positioning the Company to continue to achieve per share growth over the long term while paying out a sustainable dividend.

## CAPITAL BUDGET AND PRODUCTION GUIDANCE

TORC's 2017 capital budget of \$130 million maintains TORC's balanced approach where the Company continues to focus on disciplined long term organic sustainable while protecting the Company's strong financial position.

TORC spent \$96.7 million in the first three quarters of 2017. With approximately \$33.0 million to be spent in the fourth quarter of 2017, TORC remains well positioned to grow the Company's production base while preserving a consistent decline program to maintain repeatability of the business plan.

The 2017 capital program remains concentrated on the Company's primary core areas in southeast Saskatchewan, focusing on both conventional and unconventional opportunities, and the Cardium play in central Alberta.

TORC is increasing 2017 average production guidance to 20,700 boepd (88% light oil & liquids) from 20,600 boepd (88% light oil & liquids) and exit guidance to 21,500 boepd (88% light oil & liquids) from 21,200 boepd (88% light oil & liquids) previously announced as a result of the strong performance of the Company's underlying production base, success from our 2017 capital program and strategic tuck-in acquisitions.

Based on current commodity prices and budgeted cost estimates, TORC is expected to achieve free cash flow in 2017 from organically growing production and paying the dividend. This free cash flow continues to position the Company to take advantage of opportunities as they arise.

TORC anticipates announcing the 2018 capital budget and production guidance in mid-December.

## OUTLOOK

TORC has built a sustainable growth platform of light oil focused assets. The stability of the high quality, low decline, light oil in southeast Saskatchewan and the low risk Cardium development inventory in central Alberta combined with exposure to emerging light oil resource plays in the Torquay/Three Forks in southeast Saskatchewan, positions TORC to provide a consistent 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>	2017E Average: 20,700 boepd 2017E Exit: 21,500 boepd
Total Proved plus Probable Reserves <sup>(2)</sup>	Greater than 103 mmboe (~83% light oil & liquids)
Southeast Saskatchewan Conventional Light Oil Development Inventory	Greater than 400 net undrilled locations
Torquay/Three Forks	Greater than 150 net undrilled locations
Light Oil Development Inventory	
Cardium Light Oil Development Inventory	Greater than 290 net undrilled locations
Sustainability Assumptions <sup>(3)</sup>	Corporate decline ~23% Capital Efficiency ~\$24,000/boepd (IP 365)
2017 Capital Program	\$130 million
Annual Dividend (paid monthly)	\$0.02 per share \$45.5 million \$29.6 million (net of assumed 35% SDP participation)
Net Debt & Bank Debt <sup>(4)</sup>	\$274 million (pro forma subsequent acquisition) \$205 million drawn on a bank line of \$400 million (at Q3 exit)
Shares Outstanding	189.7 million (basic)
Tax Pools	Approximately \$1.6 billion

Notes:

- (1) ~88% light oil & NGLs.
- (2) All reserves information in this press release are gross reserves. The reserve information in the foregoing outlook table is derived from the independent engineering report effective December 31, 2016 prepared by Sproule & Associates Limited ("Sproule") evaluating the oil, NGL and natural gas reserves attributable to all of our properties (the "TORC Reserve Report"). The reserves associated with net acquisitions completed in 2017 are based on TORC's internal evaluation prepared by a qualified reserves evaluator in accordance NI-51-101 and COGE Handbook.
- (3) Refers to full cycle capital efficiency which is the all-in corporate capital budget divided by the IP365 of the associated wells. Corporate decline refers to TORC's estimated oil and gas production decline rate in the normal life cycle of a well.
- (4) See "Non-GAAP Measures".

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 plans and results, including, expected future production, production mix, drilling inventory, net debt, free cash flow, operating netbacks, decline rate and decline profile, capital expenditure program, capital efficiencies, commodity prices, targeted growth, tax pools, operating, drilling and development plans and the timing thereof, and expected SDP participation. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding: anticipated service cost increases; the focus and allocation of TORC's 2017 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, cash flow, 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 "adjusted funds flow from operations, including transaction related costs", "adjusted funds flow from operations, excluding transaction related costs", "net debt", "adjusted funds flow netback" and "operating netback" which are defined in the Company's Management's Discussion and Analysis ("the MD&A") for the three and nine months ended September 30, 2017. Management uses these financial measures to analyze operating performance and leverage. These measures do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable with the calculation of similar measures for other companies.

This press release also contains the terms "cash flow" and "payout ratio", which do not have a standardized meaning prescribed by IFRS 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 exploration and development expenditures, divided by cash 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, 2016, 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.

Management uses oil and gas metrics for its own performance measurements and to provide shareholders

with measures to compare TORC's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

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 the reserves evaluation prepared by Sproule as of December 31, 2016 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 840 drilling locations identified herein, 213 are proved locations, 83 are probable locations and 544 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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