Pine Cliff Energy Ltd. Announces Third Quarter 2017 Results and Management Appointment

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CALGARY, Alberta, Nov. 08, 2017 (GLOBE NEWSWIRE) -- Pine Cliff Energy Ltd. (“Pine Cliff” or the “Company”) (TSX:PNE) is pleased to announce the filing of its third quarter financial and operating results. Included in the filings were Pine Cliff's unaudited condensed consolidated interim financial statements and related management's discussion and analysis for the three and nine months ended September 30, 2017 (the “Q3-Report”). Selected highlights are shown below and should be read in conjunction with the Q3-Report.

Third Quarter and Year to Date 2017 Highlights

Significant highlights from the third quarter of 2017 were as follows:

- generated $2.9 million of funds flow from operations ($0.01 per basic share) for the three months ended September 30, 2017, emphasizing the importance of maintaining one of the lowest cash flow break even gas prices in the industry at $1.71 per Mcf;
- generated $24.9 million ($0.08 per basic share) of funds flow from operations in the nine months ended September 30, 2017, compared to $4.7 million of funds flow from operations ($0.02 per basic share) in the nine months ended September 30, 2016;
- generated total revenue of $89.6 million for the nine months ended September 30, 2017, an increase of 18% compared to $75.9 million in the nine months ended September 30, 2016;
- achieved average production of 21,863 Boe/d (95% natural gas) in the third quarter, only 3% lower than the 22,521 Boe/d in the third quarter of 2016, despite selling over 600 Boe/d of production in late 2016 and experiencing short-term production curtailments of approximately 400 Boe/d in the third quarter of 2017;
- replaced our production decline during the nine months ended September 30, 2017, from a production level of 21,582 Boe/d at December 31, 2016, with drilling and recompletion capital spending of $6.0 million, representing only 24% of funds flow from operations, highlighting the importance of having one of the lowest decline rates in the industry at 10%;
- repaid $20.2 million of bank debt during the nine months ended September 30, 2017, ending the quarter with bank debt of $10.6 million, which is $60.8 million less than the third quarter of 2016 amount of $71.4 million. The decrease in bank debt resulted in lower interest and bank charges, net of dividend income, of $0.37 per Boe this past quarter, 62% lower than the $0.98 per Boe in the third quarter of 2016; and
- ended the quarter with $52.2 million in net debt, $58.1 million less than the third quarter of 2016 net debt level of $110.3 million.

Q3 AECO Volatility

AECO natural gas prices experienced unprecedented volatility in the third quarter. The primary cause of this volatility appears to have been the inability of gas producers to access storage during pipeline maintenance due to a change in operational philosophy by the primary gathering system operator. The impact of this change, combined with a depressed summer gas market after a warm winter, resulted in the AECO daily pricing averaging $1.45 per Mcf for the quarter.

Recompletion Program

In the middle of the AECO pricing chaos this past quarter, Pine Cliff recompleted 16 net wells in Central Alberta which contributed an initial 60 day producing average of 1,100 Boe/d while spending only $700,000 on the program for a capital efficiency of $636/Boe/d ($106/Mcf/d). It is important to note that 11 of these wells were previously standing wells which were successfully returned to production as part of the program.

Outlook

AECO gas prices have now rebounded to the $2.70 Mcf level. The rest of fourth quarter pricing will primarily be driven by North American weather. If winter temperatures (especially in the Eastern US) revert to a more normalized historical pattern, this should be bullish for gas prices and Pine Cliff cash flow. If it is another record warm winter like the past two winters, then pricing will most likely languish as the system deals with increased natural gas production.

Pine Cliff continues to use its cash flow to pay down debt to further strengthen the Company. The short-term reduction in natural gas prices has created acquisition opportunities that Pine Cliff continues to explore. Pine Cliff has been built on taking a counter-cyclical view of the natural gas markets and plans to continue to look for accretive acquisitions that fit into its growth plan.

Financial and Operating Results[1]

	Three months ended September 30,				Nine months ended Sept			
	2017		2016		2017		2016	
($000s, unless otherwise indicated)								
Oil and gas sales (before royalty expense)	23,078		32,401		93,604		80,326	
Cash flow from operating activities	5,517		4,606		29,359		9,857	
Funds flow from operations[2]	2,879		6,972		24,946		4,715	
Per share – Basic and Diluted ($/share)[2]	0.01		0.02		0.08		0.02	
Loss	(30,214	)	(11,558	)	(34,868	)	(53,59	
Per share – Basic and Diluted ($/share)	(0.10	)	(0.04	)	(0.11	)	(0.18	
Capital expenditures	3,318		1,437		10,386		5,803	
Dispositions	(65	)	(5,378	)	(281	)	(30,08	
Net Debt[2]	52,201		110,312		52,201		110,31	
Production (Boe/d)	21,863		22,521		21,387		22,820	
Weighted-average common shares outstanding (000s)								
Basic and diluted	307,076		306,878		307,076		306,10	
Combined sales price ($/Boe)	11.47		15.64		16.03		12.85	
Operating netback ($/Boe)[2]	2.30		5.08		5.56		2.59	
Corporate netback ($/Boe)[2]	1.44		3.36		4.27		0.77	
Operating netback ($ per Mcfe)[2]	0.38		0.85		0.93		0.43	
Corporate netback ($ per Mcfe)[2]	0.24		0.56		0.71		0.13	

[1] Includes results for acquisitions and excludes results for dispositions from the closing dates.
[2] This is a non-IFRS measure, see “NON-IFRS Measures” for additional information.

Management Appointment

Pine Cliff is pleased to announce the promotion of Christopher S. Lee to the position of Vice President, Geology. Mr. Lee has 17 years of experience working in the oil and gas industry and has been an employee of Pine Cliff since March 2012. Mr. Lee has a Bachelor of Science degree in Geology as well as a Bachelor of Arts degree in Economics from the University of Saskatchewan.

About Pine Cliff

Pine Cliff is an Alberta based natural gas company that is focused on acquiring and developing long life assets that are cash flow positive even in a low commodity price environment. Further information relating to Pine Cliff, including the Q3-Report, may be found on www.sedar.com as well as on Pine Cliff's website at www.pinecliffenergy.com. To request a printed copy, free of charge, please send an email to info@pinecliffenergy.com.

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Cautionary Statements

Certain statements contained in this MD&A include statements which contain words such as “anticipate”, “could”, “should”, “expect”, “seek”, “may”, “intend”, “likely”, “will”, “believe” and similar expressions, statements relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute “forward-looking information” within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this MD&A includes, but is not limited to: expected production levels, expected operating cost, royalty and G&A levels; future capital expenditures, including the amount and nature thereof; future acquisition opportunities including Pine Cliff’s ability to execute on those opportunities; future drilling opportunities and Pine Cliff’s ability to generate reserves and production from the undrilled locations; ability to implement a dividend or buy back shares; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and guidance; expansion and growth of our business and operations; amounts drawn on Pine Cliff’s credit facility and repayment thereof; maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; risks; Pine Cliff’s ability to generate cash flow and free cash flow; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, this 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, what benefits will be derived there from. Except as required by law, Pine Cliff disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Undrilled locations consist of drilling and recompletion locations booked in the independent reserve report dated February 13, 2017 prepared by McDaniel & Associates Consultants Limited and unbooked drilling and recompletion locations. Unbooked drilling and recompletion locations are internal estimates based on evaluation of geologic, reserves and spacing based on industry practice. There is no guarantee that Pine Cliff will drill these locations and there is no certainty that the drilling or completing of these locations will result in additional reserves and production or achieve expected internal rates of return. Pine Cliff activity depends on availability of capital, regulatory approvals, commodity prices, drilling costs and other factors.

Natural gas liquids and oil volumes are recorded in barrels of oil (“Bbl”) and are converted to a thousand cubic feet equivalent (“Mcfe”) using a ratio of one (1) Bbl to six (6) thousand cubic feet. Natural gas volumes recorded in thousand cubic feet (“Mcf”) are converted to barrels of oil equivalent (“Boe”) using the ratio of six (6) thousand cubic feet to one (1) Bbl. This conversion ratio is based on energy equivalence primarily at the burner tip and does not represent a value equivalency at the wellhead. The terms Boe or Mcfe may be misleading, particularly if used in isolation.

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 oil, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

NON-IFRS Measures

This press release uses the terms “funds flow from operations”, “operating netbacks”, “corporate netbacks” and “net debt” which are not recognized under IFRS and may not be comparable to similar measures presented by other companies. These measures should not be considered as an alternative to, or more meaningful than, IFRS measures including net income (loss), cash provided by operating activities, or total liabilities. The Company uses these measures to evaluate its performance, leverage and liquidity. Funds flow from operations is a non-IFRS measure that represents the total of funds provided by operating activities, before adjusting for changes in non-cash working capital, and decommissioning obligations settled. Net debt is a non-IFRS measure calculated as the sum of bank debt, subordinated promissory notes at the principal amount, amounts due to related party, commodity contracts and trade and other payables less trade and other receivables, cash, prepaid expenses and deposits and investments. Operating netback is a non-IFRS measure calculated as the Company’s total revenue, less operating expenses, divided by the Boe production of the Company. Corporate netback is a non-IFRS measure calculated as the Company’s operating netback, less general and administrative expenses, interest and bank charges plus finance and dividend income, divided by the Boe production of the Company. Please refer to the Q3-Report for additional details regarding non-IFRS measures and their calculation.

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