Raging River Exploration Inc. Announces Third Quarter 2017 Operating and Financial Results and Reaffirms Credit Facilities

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CALGARY, Alberta, Nov. 09, 2017 (GLOBE NEWSWIRE) -- Raging River Exploration Inc. (the “Company” or “Raging River”) (TSX:RRX) announces its operating and financial results for the three and nine months ended September 30, 2017. Selected financial and operational information is outlined below and should be read in conjunction with the unaudited interim financial statements and the related management’s discussion and analysis (“MD&A”). These filings will be available at www.sedar.com and the Company’s website at www.rrexploration.com.

Financial and Operating Highlights	Three months ended September 30,		Percent Change	Nine months ended September 30,		Pe
	2017	2016		2017	2016	
Financial *(thousands of dollars except share data)*						
Petroleum and natural gas revenue	102,987	80,632	28	320,986	198,541	62
Funds from operations [1]	60,407	49,726	21	198,123	123,628	60
Per share - basic	0.26	0.22	18	0.86	0.55	56
- diluted	0.26	0.22	18	0.86	0.55	56
Net earnings	5,929	6,758	(12)	39,866	4,227	84
Per share - basic	0.03	0.03	-	0.17	0.02	75
- diluted	0.03	0.03	-	0.17	0.02	75
Development capital expenditures	116,196	58,916	97	297,519	134,898	12
Property and corporate acquisitions	-	61,263	(100)	-	86,388	(1
Total capital expenditures	116,196	120,179	(3)	297,519	221,286	34
Net debt[1][3]				308,906	140,187	12
Shareholders’ equity				946,708	877,442	8
Weighted average shares *(thousands)*						
Basic	231,249	230,227	-	231,191	224,210	3
Diluted	231,386	231,154	-	231,421	224,675	3
Shares outstanding, end of period (*thousands)*						
Basic				231,250	231,038	-
Diluted				232,804	240,570	(3
Operating *(6:1 boe conversion)*						
Average daily production						
Crude oil and NGLs *(bbls/d)*	20,271	15,643	30	19,517	15,095	29
Heavy crude oil *(bbls/d)*	1,135	1,738	(35)	1,247	692	80
Natural gas *(mcf/d)*	9,627	7,385	30	10,986	7,550	46
Barrels of oil equivalent [2] *(boe/d)*	23,011	18,612	24	22,594	17,045	33
Netbacks *($/boe)*						
Operating						
Oil and gas sales[3]	48.65	47.09	3	52.04	42.51	22
Royalties	(4.52)	(4.55)	(1)	(4.93)	(4.13)	19
Operating expenses	(11.02)	(10.15)	9	(10.94)	(9.40)	16
Transportation expenses	(1.43)	(1.46)	(2)	(1.43)	(1.41)	1

Field netback[1]	31.68	30.93	2	34.74	27.57	26
Realized gain (loss) on commodity contracts	0.04	(0.05)	180	(0.06)	0.06	20
Operating netback	31.72	30.88	3	34.68	27.63	26
General and administrative expense	(1.09)	(1.15)	(5)	(1.05)	(1.20)	(1
Financial charges	(1.15)	(0.63)	83	(1.10)	(0.64)	72
Asset retirement expenditures	(0.03)	(0.05)	(40)	(0.10)	(0.04)	15
Current taxes[5]	(0.92)	-	100	(0.32)	0.73	(1
Funds flow netback[1]	28.53	29.05	(2)	32.11	26.48	21
Net earnings per boe	2.79	3.96	(30)	6.45	0.92	60
Wells drilled[4]						
Gross	147	85	73	310	182	70
Net	124.8	71.0	76	279.9	167.4	67
Success	98 %	100 %	(2)	98 %	99 %	(1

(1) See “Non-IFRS Measures.”
(2) See ‘“Barrels of Oil Equivalent.”
(3) Excludes unrealized risk management contracts.
(4) Excludes injection and service wells.
(5) The current taxes reflect a one-time unfavorable prior period adjustment to tax recovery of $1.95 million. RRX does not anticipate any current taxes for 2017-2018.

THIRD QUARTER 2017 HIGHLIGHTS

- Achieved quarterly average production of 23,011 boe/d (93% oil), an increase of 24% (23% per share) increase over the comparable period in 2016.
- The Company’s capital expenditures were $116.2 million inclusive of $10.3 million on land and $105.9 million of development capital resulting in the drilling of 124.8 net Viking horizontal wells at a 98% success rate.
- Achieved funds flow from operations (“FFO”) of $60.4 million ($0.26/share basic), an increase of 21% (18% per share) from the third quarter of 2016.
- Generated third quarter net earnings of $5.9 million ($0.03/share basic).
- The Company generated field operating netbacks of $31.68/boe and funds flow netbacks of $28.53/boe.
- Decreased quarterly operating expense by $0.29/boe from the second quarter 2017.
- Corporate royalties continued to be stable at 9.3% during the quarter.
- Continued diligent cost control with top decile general and administrative costs of $1.09/boe, a reduction of 5% from the comparable period in 2016.
- Maintained balance sheet strength with third quarter exit net debt of $308.9 million representing 1.3 times debt to the third quarter annualized FFO.

DUVERNAY LAND EXPANSION

Raging River has established a meaningful land position that is prospective for Duvernay light oil in central Alberta. In total, the Company now controls over 236,000 acres (370 sections) with Duvernay rights targeting the oil phase of this emerging resource play. Included within the above mentioned lands are 43 sections for which the Company has executed a purchase and sale agreement which we anticipate closing in early January 2018. On a combined basis, the average royalty rate across our land base is expected to be approximately 9%.

DUVERNAY OPERATIONS

The Company has drilled its first Duvernay evaluation well (4-11) and the well was successfully drilled and cased to a total measure depth of 4,573m. As part of the drilling operations, we vertically drilled and cored the upper portion of the Duvernay formation and obtained open holes logs prior to plugging back, kicking-off and continuing to drill a 2,200m horizontal section in the upper portion of the Duvernay formation.

The 4-11 well was completed with a slick water, perforate and plug completion design which included 43 stages over the 2,150m lateral length. Average sand placement over the lateral length was 2 tonnes per meter. The Company recently began flowing back the well and anticipates reporting production rates early in 2018.

DUVERNAY ACTIVITY OUTLOOK

The Company plans to methodically evaluate our Duvernay light oil resource opportunity. We are currently surveying and acquiring surface lands in multiple areas to continue to delineate and evaluate our expanding land base. Our current base plan contemplates six evaluation wells in 2018, with two to three wells targeted for the first half of 2018.

The Company has made significant progress towards establishing a meaningful land position in this early stage, light oil resource play. We will continue to evaluate our Duvernay development and evaluation plans in the context of the prevailing commodity price environment, with a goal towards accelerating our pace of activity in 2018, should commodity pricing and results continue to be supportive.

REAFIRMS CREDIT FACILITY

Raging River’s borrowing base was reviewed and we are pleased to announce that the syndicate of lenders underwriting the Company's credit facilities have unanimously reaffirmed the borrowing base at $500 million. The next borrowing base redetermination is scheduled for April 2018.

OPERATIONS UPDATE
The third quarter of 2017 represented the most active drilling quarter in Raging River’s history. Exceptionally favorable weather and surface access conditions allowed Raging River to drill 124.8 net Viking horizontal wells and commence drilling of one (1.0 net) Duvernay evaluation well in the quarter.

Of the 124.8 net wells drilled in the third quarter, 66.8 net wells were extended reach horizontals (“ERH”) bringing the Company’s total producing ERH well count to 156. Average per well ERH results continue to show significant improvement in terms of initial productivity over comparable offsetting short laterals. As such, for the remainder of 2017 and onwards, it is expected that approximately 60% of wells drilled will be ERH.

All in well costs have remained stable in 2017 with average well costs year to date being $670 thousand for short laterals and $900 thousand blended cost for ¾ mile and 1 mile ERH wells. Costs were approximately 2% lower in the third quarter versus those seen in the first quarter which reflects the effects of decreased summer execution costs.

With the favorable third quarter weather RRX got ahead of its planned drilling program. As such 3 of its 4 drilling rigs were shut down during October. Currently we have 3 Viking drilling rigs operational with the fourth Viking drilling rig expected to start in January.

2017 GUIDANCE UPDATE

The land bonanza occurring in the Duvernay light oil fairway has resulted in the Company accelerating land expenditures above those previously forecast in May. As a result, the Company is increasing our 2017 capital guidance to $365 million from $340 million, primarily reflecting the expansion of our Duvernay prospective land base.

Given that the increased capital in our budget is related to Duvernay expenditures there has been no change to our annual production guidance. Average production guidance has been maintained at 22,750 boe/d with fourth quarter average production expected to be approximately 23,300 boe/d.

Based on current strip pricing, the Company anticipates exiting the year with net debt to trailing fourth quarter 2017 cashflow of 1.0 times.

MANAGEMENT APPOINTMENT

Raging River announces that Mr. Jonathan Grimwood has been appointed as Vice President, Exploration. Jon most recently held senior management positions with a junior Canadian energy producer and brings with him in excess of 20 years of geo-technical and senior management experience. Jon will concentrate on new venture opportunities and business development and will be a valuable addition to Raging River’s executive team in our continued focus on per share growth and shareholder value creation.

OUTLOOK

The board of directors continuously reviews our long term strategic plan and continues to be supportive of balanced per share growth and new play development while maintaining financial flexibility with our balance sheet. To ensure continued flexibility to finance our 2018 budget, we have layered in 2,750 bbls/d of fixed price oil hedges for 2018 at average WTI prices of Cdn $68.29/bbl. We anticipate layering in further hedges as commodity prices dictate.

Current commodity strip pricing should allow a capital program in 2018 of $300 - $350 million while maintaining net debt to funds flow from operations at 0.8 to 1.0 times.

The business approach taken by the Company since our inception in 2012 has been to prudently manage our balance sheet while generating and maintaining meaningful per share growth while developing an enviable drilling inventory. Our established base business in the Viking has sufficient drilling inventory to provide steady growth for in excess of 10 years in addition to providing free cash flow to drive growth in new development areas. Raging River’s entrance into the emerging Duvernay light oil play provides exposure to an exciting early stage opportunity that provides the basis for significant additional per share value creation.

Additional corporate information can be found on our website at www.rrexploration.com

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FORWARD LOOKING STATEMENTS: This press release contains forward-looking statements. More particularly, this press release contains statements concerning the expectation that the Company will acquire an additional 43 sections of land prospective for the Duvernay light oil play in early January 2018; the expectation that on a combined basis, the average royalty rate across our Duvernay land base will be approximately 9%; the expectation that the Company will reporting stabilized production rates on its first Duvernay evaluation well early in 2018; the Company's Duvernay drilling plans for 2018; the intent to continue to evaluate our Duvernay development and evaluation plans in the context of the prevailing commodity price environment, with a goal towards accelerating our pace of activity in 2018, should commodity pricing continue to be supportive; the expectation that in the remainder of 2017 and onwards approximately 60% of the Company's Viking wells drilled will be ERH; the expectation that well costs will remain flat through the remainder of 2017; our 2017 capital guidance; the Company's anticipated 2017 exit net debt to trailing fourth quarter 2017 cash flow; our intent to continue our strategy of balanced per share growth and new play development while maintaining financial flexibility with our balance sheet; our intent to layer in further hedges as commodity prices dictate; [our expectation that current commodity strip pricing would allow a capital program in 2018 of $300 - $350 million while maintaining net debt to funds flow from operations at 1 to 1.2 times; our expectation that the Company has sufficient drilling inventory in the Viking to provide steady growth for in excess of 10 years in addition to providing free cash flow to drive growth in new development areas; and our expectation that Raging River’s entrance into the emerging Duvernay light oil play provides exposure to an exciting early stage opportunity that provides visibility towards significant additional per share value creation. In addition, the use of any of the words “guidance”, “initial, “scheduled”, “can”, “will”, “prior to”, “estimate”, “anticipate”, “believe”, “potential”, “should”, “unaudited”, “forecast”, “future”, “continue”, “may”, “expect”, “project”, and similar expressions are intended to identify forward-looking statements. The forward-looking statements contained herein are based on certain key expectations and assumptions made by the Company, including but not limited to expectations and assumptions concerning the success of optimization and efficiency improvement projects the availability of capital, current legislation, receipt of required regulatory approval, the assumption that Raging River will close acquisitions as currently contemplated, the success of future drilling and development activities, the performance of existing wells, the performance of new wells, Raging River’s growth strategy, general economic conditions, availability of required equipment and services, prevailing equipment and services costs and prevailing commodity prices. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; as the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Refer to Raging River’s most recent Annual Information Form dated March 6, 2017, on SEDAR at www.sedar.com, and the risk factors contained therein.

The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

FUTURE ORIENTED FINANCIAL INFORMATION: Any financial outlook or future oriented financial information in this press
release, as defined by applicable securities legislation, has been approved by management of Raging River as of the date hereof. Readers are cautioned that any such future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. The Company and its management believe that the prospective financial information as to the anticipated results of its proposed business activities for 2017 has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

NON-IFRS MEASURES: This document contains the terms "funds flow from operations" (or "FFO"), "net debt", "field netback", "operating netback" and "funds flow netback", which do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable with the calculation of similar measures by other companies. Management uses funds from operations to analyze operating performance and leverage. Management believes "net debt" is a useful supplemental measure of the total amount of current and long-term debt of the Company. Mark-to-market risk management contracts are excluded from the net debt calculation. Management believes "field netback", "operating netback" and "funds flow netback" are useful supplemental measures of firstly, the amount of revenues received after royalties and operating and transportation costs, secondly, the amount of revenues received after royalties, operating, transportation costs and realized gain (loss) on derivatives, and thirdly, the amount of revenues received after royalties, operating, transportation costs, realized gain (loss) on *derivatives, general and administrative costs, financial charges, asset retirement obligations and current taxes. Additional information relating to certain of these non-IFRS measures, including the reconciliation between funds from operations and cash flow from operating activities, can be found in the MD&A.*

BARRELS OF OIL EQUIVALENT: 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.