Perpetual Energy Inc. Announces Increase to Credit Facility and Provides 2018 Guidance

10.11.2017 | CNW

CALGARY, Nov. 10, 2017 /CNW/ - (TSX:PMT) - Perpetual Energy Inc. ("Perpetual", the "Corporation" or the "Company pleased to announce a 62.5% increase to its reserve-based credit facility (the "Credit Facility") and confirm capital sper and expected production and adjusted funds flow growth for 2018. Strategic focusing of the Company's asset base, stre of the balance sheet, steady execution of the growth-oriented capital program and the Company's market diversificatior implemented over the past year have combined to position Perpetual for continued strong growth in 2018. Based on cu forward commodity prices, production growth of 30% in 2018 from 2017 levels is anticipated to drive 23% adjusted func growth to $0.59 to $0.67/share, supported by a capital program substantially funded from adjusted funds flow.

Credit Facility

Perpetual Credit Facility lenders have completed their semi-annual borrowing base redetermination and have agreed to the borrowing limit from $40 million to $65 million, subject to execution of usual and customary loan documentation. In s this increase, Perpetual has expanded its Credit Facility lending syndicate to three banks. The maturity date of the Crec May 31, 2019 and the next semi-annual borrowing base review is scheduled for May 31, 2018. The increased borrowin expected to provide sufficient liquidity to execute the Company's 2018 business plan and retain the optionality and incre liquidity related to the Company's 1.67 million share investment in Tourmaline Oil Corp. (TSX:"TOU").

2018 Capital Spending and Production Guidance

The Company's Board of Directors has approved a total capital spending program of $39 million for 2018, close to 75% concentrated in East Edson, developing liquids-rich natural gas reserves in the Wilrich formation, and 25% in Eastern A primarily targeting heavy oil development at Mannville along with abandonment and reclamation work to continue to res address decommissioning obligations.

At East Edson, a single rig drilling program is ongoing with four (4.0 net) wells to be drilled during the fourth quarter of 2 including two extended reach horizontal ("ERH") wells of varying lateral lengths. One ERH well has been successfully c far with a 2,460 meter horizontal lateral. The second is currently drilling in the horizontal section and is targeting in exce meters of Wilrich formation. The performance of the two ERH wells is expected to be evaluated following frac operation November. The remaining three wells of the 2017 program are budgeted to be frac'd during the first quarter of 2018. Dr activities are forecast to start up again in the third quarter of 2018 with four (4.0 net) ERH wells planned to reverse fore declines and ramp up production again to match processing and transportation capacity in time to meet stronger anticip gas demand conditions and pricing in the fourth quarter of 2018. Additional compression is currently being installed at t Company's 100% working interest and operated West Wolf Lake facility for start-up in early January 2018 to increase to processing capacity in the East Edson area by close to 23% to 80 MMcf/d plus associated liquids, closely matching the Corporation's 20 MMcf/d increase to firm natural gas transportation capacity to 78 MMcf/d that is scheduled to take effe before April 1, 2018.

Based on the 1,700 meter lateral type curve, adjusted for the expected ERH well performance, average 2018 productio Edson is forecast to grow over 35% year over year to average close to 10,800 boe/d. The positive impact of this higher base over a substantially fixed cost base is anticipated to translate into further reduction in operating costs per unit of p East Edson of close to $2.00/boe.

At Mannville, capital spending during the fourth quarter of 2017 is directed at waterflood infrastructure projects which w into the first quarter of 2018 to increase waterflood injection capability to provide additional pressure support to enhanc recovery as well as to reduce field operating costs. In the third quarter of 2018, up to seven (6.3 net) development wells budgeted to be drilled to increase heavy oil production by close to 10%. Additionally, up to 20 shallow gas recompletion planned to partially offset natural gas declines in Eastern Alberta. Decommissioning expenditures will be focused in the area and are expected to provide lease rental and property tax expense reductions while maintaining regulatory compli

The table below summarizes anticipated capital spending and drilling activities for the fourth quarter of 2017 and for the first and second half of 2018.

Exploration and Development Forecast Capital Expenditures

	Q4 2017	# of wells	H1 2018	# of wells	H2 2018	# of wells
	$ millions	(gross/net)	$ millions	(gross/net)	$ millions	(gross/net)
West Central liquids-rich gas	18	4/4.0	8	0/0.0	21	4/4.0
Eastern Alberta	1	0/0.0	1	0/0.0	7	7/6.3
Total(1)	19	4/4.0	9	0/0.0	28	11/10.3

(1) Excludes budgeted abandonment and reclamation spending of $0.7 million in the fourth quarter of 2017 and up to $2 million in 2018.

Based on total exploration and development capital spending in 2018 of $37 million, and an April 1, 2018 in-service dat additional firm transportation, Perpetual forecasts production to average close to 13,000 boe/d (85% natural gas) and e exit the year at over 14,500 boe/d as production ramps up again driven by the second half capital spending program ta seasonal natural gas price optimization. This represents growth in average daily production in 2018 of 32% relative to 2 as year over year growth in the average December exit rate of over 15%. Increased production combined with continue cost management in 2018 is anticipated to continue to drive improved per unit cost structure performance with top quar operating costs forecast of close to $4.00/boe.

Perpetual has taken significant steps to diversify its 2018 commodity and natural gas pricing point exposure (net of roya detailed below:

Market/Pricing Point	Estimated 2018 Exposure
Natural gas	
AECO(1)	26%
AECO fixed price	5%
Empress	5%
Dawn	11%
Michcon	7%
Chicago	17%
Malin	15%
Total natural gas	86%
Natural gas liquids - Condensate(1)	3%
Natural gas liquids - Other(1)	2%
Crude oil (1)	9%
Total	100%

(1) Net of royalties.

The Company's market diversification strategy, combined with continued reduction to a forecast all-in cash cost structu royalties, of approximately $13.25/boe ($10.40/boe, excluding royalties) is anticipated to deliver further improvements t and adjusted funds flow netbacks over 2017, despite the lower current forward market for natural gas prices.

Based on these capital spending and production assumptions and the current forward market for oil and natural gas pri market pricing points, Perpetual forecasts 2018 adjusted funds flow of $35 to $40 million ($0.59/share to $0.67/share). 2018 debt, net of the current market value of the Company's TOU share investment of close to $45 million, is forecast a $110 million, with a corresponding improvement in estimated net debt to trailing twelve months adjusted funds flow to approximately 2.9 times.

Incorporating the assumptions outlined above, and presuming AECO basis differentials remain constant to each of the natural gas pricing points, Perpetual's estimated 2018 adjusted funds flow annualized sensitivity to various commodity p follows.

Projected 2018 Adjusted funds flow

	2018 AECO gas price ($/GJ)(1)						
2018	($ millions)	$1.75	$2.00	$2.25	$2.50	$2.75	$3.00
WTI price (US$/bbl)(1)	$47.50	26	32	37	43	49	55
	$50.00	28	33	39	45	51	56
	$52.50	29	35	41	47	52	58
	$55.00	31	37	43	48	54	60
	$57.50	33	39	44	50	56	62
	$60.00	35	40	46	52	58	63

(1) The current settled and forward average AECO and WTI prices for calendar 2018 as of November 9, 2017 were $2.01 per GJ and US$56.91 per bbl, respectively. Sensitivities assume all market price points adjust commensurately.

About Perpetual

Perpetual is an oil and natural gas exploration, production and marketing company headquartered in Calgary, Alberta. operates a diversified asset portfolio, including liquids-rich natural gas assets in the deep basin of west central Alberta, and shallow natural gas in eastern Alberta, with longer term opportunities through undeveloped oil sands leases in nort Alberta. Additional information on Perpetual can be accessed at www.sedar.com or from the Corporation's website at www.perpetualenergyinc.com.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

Forward-Looking Information

Certain information regarding Perpetual in this news release including management's assessment of future plans and c may constitute forward-looking statements under applicable securities laws. The forward-looking information includes, w limitation, statements regarding capital expenditure levels for the fourth quarter of 2017 and the full year of 2018 and th such capital expenditures; prospective drilling activities; forecast production, forecast levels of debt, production type, op adjusted funds flows, and timing thereof; facility construction and pilot project plans and timing thereof; forecast and rea commodity prices; expected cost savings and the impact of cost savings initiatives, expected funding, allocation and tin capital expenditures; projected use of adjusted funds flow and anticipated adjusted funds flow; planned drilling and dev and the results thereof; and commodity prices. Various assumptions were used in drawing the conclusions or making th and projections contained in the forward-looking information contained in this press release, which assumptions are ba

management analysis of historical trends, experience, current conditions, and expected future developments pertaining
Perpetual and the industry in which it operates as well as certain assumptions regarding the matters outlined above.
Forward-looking information is based on current expectations, estimates and projections that involve a number of risks,
cause actual results to vary and in some instances to differ materially from those anticipated by Perpetual and describe
forward-looking information contained in this press release. Undue reliance should not be placed on forward-looking inf
which is not a guarantee of performance and is subject to a number of risks or uncertainties, including without limitation
described under "Risk Factors" in Perpetual's Annual Information Form and MD&A for the year ended December 31, 20
those included in other reports on file with Canadian securities regulatory authorities which may be accessed through th
website (www.sedar.com) and at Perpetual's website (www.perpetualenergyinc.com). Readers are cautioned that the f
of risk factors is not exhaustive. Forward-looking information is based on the estimates and opinions of Perpetual's man
the time the information is released and Perpetual disclaims any intent or obligation to update publicly any such forward
information, whether as a result of new information, future events or otherwise, other than as expressly required by app
securities laws.

Also included in this press release are estimates of Perpetual's 2018 adjusted funds flow and adjusted funds flow per s
on 59.3 million shares issued and outstanding, which is based on the various assumptions as to production levels, inclu
estimated average production, capital expenditures, and other assumptions including current forward commodity price
assumptions. To the extent any such estimate constitutes a financial outlook, it was approved by management and the
Directors of Perpetual on November 6, 2017 and is included to provide readers with an understanding of Perpetual's ar
adjusted funds flows based on the capital expenditure and other assumptions described herein and readers are caution
information may not be appropriate for other purposes.

Volume Conversions

Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. In accordance with National Instrume
("NI 51-101"), a conversion ratio for natural gas of 6 Mcf:1bbl has been used, which is based on an energy equivalency
method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, u
conversion on a 6 Mcf:1 bbl basis may be misleading as an indicator of value as the value ratio between natural gas an
based on the current prices of natural gas and crude oil, differ significantly from the energy equivalency of 6 Mcf:1 bbl.

Non-GAAP Measures

This news release contains financial measures that may not be calculated in accordance with generally accepted accou
principles in Canada ("GAAP"). Readers are referred to advisories and further discussion on non-GAAP measures cont
"Significant Accounting Policies and non-GAAP Measures" section of the most recent management's discussion and ar

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