

Tamarack Valley Energy Ltd. Announces 2018 Guidance, Operational Update and Record Fourth Quarter 2017 Production

15.01.2018 | [GlobeNewswire](#)

CALGARY, Alberta, Jan. 15, 2018 (GLOBE NEWSWIRE) -- [Tamarack Valley Energy Ltd.](#) (TSX:TVE) ("Tamarack" or the "Company") is pleased to announce its 2018 capital budget and full year guidance, along with an operational update, including record fourth quarter production volumes and a meaningful increase in oil weighting which is expected to continue through 2018. Based on December field numbers, the Company estimates its Q4/17 production averaged over 22,600 boe/d with an oil and liquids weighting of 62%, higher than its previously forecast exit rate of 22,000 boe/d (59% oil and liquids).

2018 Capital Program Highlights

Tamarack's strategy over the past several years has been focused on achieving self-sustainability at low oil prices while generating debt-adjusted per share growth. Since 2015, the Company completed two major acquisitions: the Redwater / Penny acquisition in 2016 and the Spur Resources acquisition in 2017. Both of these asset packages are situated near strategic infrastructure and offer an inventory of future potential well locations that can payout in 1.5 years or less under current commodity prices. As a result of the last two years of acquisitions combined with a continued focus on organic growth, Tamarack expects the Company to be fully self-funded in 2018 and generate an annual estimated 12-15% debt-adjusted production per share growth relative to 2017 assuming a US\$56.75/bbl WTI price.

Tamarack's 2018 capital budget is set between \$195 and \$205 million, which is anticipated to approximate cash flow levels expected to be generated based on Tamarack's commodity price assumptions outlined below. The budget reflects the strength of the Company's asset base, its higher oil and liquids weighting in 2018 relative to 2017, and a continued focus on efficiencies and cost control. Tamarack's increased oil and liquids weighting is expected to improve netbacks and provide support for cash flows through periods of prolonged weakness in natural gas prices. To further mitigate against gas price weakness and reduce Tamarack's exposure to pricing at AECO, the Company diversified the gas markets it sells to commencing in November of 2017 with further capacity coming on stream in April, 2018. As of April 1, 2018, approximately 40% of Tamarack's natural gas production will receive pricing from various markets that have historically outperformed AECO pricing. Tamarack will receive 16% of its natural gas production from Malin daily index pricing, and 8% from each of Dawn, Chicago and Mich Con, less transportation tolls. Tamarack continues to consider additional transportation options that could be implemented in 2019.

2018 Guidance

The Company's 2018 guidance is outlined below:

- Annual average production between 22,500 – 23,500 boe/d (64-66% oil and liquids), with 2018 exit production estimated between 24,000 – 24,500 boe/d (65-67% oil and liquids);
- Capital expenditure range of \$195 to \$205 million, weighted approximately equally between the first and second halves;
- Estimated year end 2018 debt to fourth quarter annualized cash flow ratio of less than 1.0 times with an estimated \$100 million of liquidity on the Company's existing credit facilities; and
- Assumed 2018 commodity prices averaging approximately: WTI US\$56.75/bbl, Edmonton Par price averaging C\$64.60/bbl, AECO averaging \$1.65/GJ and a Canadian/US dollar exchange rate of \$0.79. Tamarack has also assumed an interest rate increase of 0.5% in 2018.

Tamarack's 2018 budget anticipates the drilling of 120 (116.4 net) wells in 2018, including 68 (66.7 net) Alberta Viking light oil wells; 23 (20.7 net) Saskatchewan Viking light oil wells; 20 (17.3 net) Cardium light oil wells; six (5.7 net) wells at Redwater; three net wells at Penny and three net heavy oil wells. The capital program is expected to be evenly spent in the first half and second half of 2018.

During the first quarter of 2018, Tamarack expects to have four to five rigs in operation. The Company anticipates drilling nine (8.5 net) Cardium wells at Wilson Creek; 27 (26.0 net) Alberta Viking wells at Veteran; and six (5.7 net) wells at Redwater which are expected to be drilled toward the end of March and have little to no impact on Q1/18 production, but positively impact Q2/18 volumes. In addition, the Company is undertaking a second expansion of its Veteran oil battery to increase capacity to 10,000 to 12,000 bbls/d of oil from its current 5,000 bbls/d capacity.

Operational Update

Based on field estimates for December of 2017, Tamarack's production was slightly higher than the upper end of its full year guidance range of 19,000 to 20,000 boe/d. On this basis, the Company estimates its Q4/17 production averaged over 22,600 boe/d with an estimated oil weighting of 56% and an overall liquids weighting of 62%, higher than its previously forecast exit rate of 22,000 boe/d with 52% oil weighting. In response to the prevailing weakness in Canadian natural gas pricing, Tamarack made a conscious decision through most of 2017 to allocate capital to drilling locations and other projects that have a higher oil and liquids weighting, which positively impacted its production profile and operating netbacks. This is expected to continue through 2018, driving a 12-17% increase in oil weighting for 2018 over 2017 based on the budget and capital program outlined above. Tamarack expects to increase its operating netback by approximately 12-15% in 2018 compared to 2017, when applying forecasted 2018 prices to 2017 actual production. The Company's strong production performance through 2017 represents a record for Tamarack, and is a direct result of its successful second half drilling and completions program coupled with continued enhancements to operational efficiencies and cost control.

As previously announced, in response to favorable rates for completions crews and to avoid challenges accessing service crews in Q1/18, the Company accelerated approximately \$10 to \$15 million of its Q1/18 capital into 2017. The base and accelerated Q4/17 program resulted in the drilling of 20 (18.7 net) horizontal wells, 15 of which were drilled in Veteran and not yet on production as of December 31, 2017. Tamarack elected to proceed with completing nine of the 15 wells in December, including four wells on the Company's 8-25 pad and five wells on the 12-29 pad. These wells are expected to come on stream later in January and contribute to strong first quarter 2018 production.

About Tamarack Valley Energy Ltd.

Tamarack is an oil and gas exploration and production company committed to long-term growth and the identification, evaluation and operation of resource plays in the Western Canadian Sedimentary Basin. Tamarack's strategic direction is focused on two key principles – targeting repeatable and relatively predictable plays that provide long-life reserves, and using a rigorous, proven modeling process to carefully manage risk and identify opportunities. The Company has an extensive inventory of low-risk, oil development drilling locations focused primarily in the Cardium and Viking fairways in Alberta that are economic over a range of oil and natural gas prices. With this type of portfolio and an experienced and committed management team, Tamarack intends to continue delivering on its strategy to maximize shareholder returns while managing its balance sheet.

Abbreviations

bbls barrels

bbls/d barrels per day

boe barrels of oil equivalent

boe/d barrels of oil equivalent per day

GJ gigajoule

WTI West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade

AECO the natural gas storage facility located at Suffield, Alberta, connected to TransCanada's Alberta System

IFRS International Financial Reporting Standards as issued by the International Accounting Standards Board

Disclosure of Oil and Gas Information

For the purpose of calculating unit costs, natural gas volumes have been converted to a boe using six thousand cubic feet equal to one barrel unless otherwise stated. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms to NI 51-101. Boe may be misleading, particularly if used in isolation.

Any references in this press release to production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for Tamarack.

Forward Looking Information

This press release contains certain forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "target", "plan", "continue", "intend", "consider", "estimate", "expect", "may", "will", "should", "could" or similar words suggesting future outcomes. More particularly, this press release contains statements concerning: Tamarack's business strategy, objectives, strength and focus; an increase in capital and operating efficiencies, cash flow and netbacks; the ability of the Company to achieve drilling success consistent with management's expectations; commodity prices; strategies to minimize exposure to Alberta gas market fluctuation; drilling plans including the timing of drilling; the expansion of the oil battery in Veteran; cost cutting initiatives; the payout of wells and the timing thereof; oil and natural gas production levels; oil and liquids weighting and changes thereto; the 2018 drilling program and capital budget, including the Company's expectations to be self-sustaining in 2018; and shareholder returns.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Tamarack, including relating to: prevailing commodity prices and the actual prices received for the Company's products; the availability and performance of drilling rigs, facilities, pipelines and other oilfield services; the timing of past operations and activities in the planned areas of focus; the drilling, completion and tie-in of wells being completed as planned; the performance of new and existing wells; the application of existing drilling and fracturing techniques; prevailing weather and break-up conditions; royalty regimes and exchange rates; the application of regulatory and licensing requirements; the continued availability of capital and skilled personnel; the ability to maintain or grow the banking facilities; and the accuracy of Tamarack's geological interpretation of its drilling and land opportunities, including the ability of seismic activity to enhance such interpretation.

Although management considers these assumptions to be reasonable based on information currently available, undue reliance should not be placed on the forward-looking statements because Tamarack can give no assurances that they may prove to be correct. By their very nature, forward-looking statements are subject to certain risks and uncertainties (both general and specific) that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These risks and uncertainties 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; and delays or changes in plans with respect to exploration or development projects or capital expenditures); commodity prices; the uncertainty of estimates and projections relating to production, cash generation, costs and expenses; health, safety, litigation and environmental risks; and access to capital. Due to the nature of the oil and natural gas industry, drilling plans and operational activities may be delayed or modified to react to market conditions, results of past operations, regulatory approvals or availability of services causing results to be delayed. Please refer to Tamarack's Annual Information Form (the "AIF") for additional risk factors relating to Tamarack. The AIF can be accessed either on Tamarack's website at www.tamarackvalley.ca or under the Company's profile on www.sedar.com.

The forward-looking statements contained in this press release are made as of the date hereof and the

Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Tamarack's prospective results of operations, debt-adjusted production per share, debt to cash flow ratio, cash flow, and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this document was made as of the date of this document and was provided for the purpose of providing further information about Tamarack's future business operations. Tamarack disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

NON-IFRS MEASURES

Certain financial measures referred to in this press release, debt-adjusted production per share, cash flow and debt to cash flow ratio, are not prescribed by IFRS. The Company uses these measures to help evaluate its financial, operating performance, and liquidity and leverage. These non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Debt-adjusted production per share represents the Company's production per share after adjusting for debt. Cash flow is determined as gross oil, natural gas and natural gas liquids revenues including realized gains on commodity risk management contracts, less the following: royalties, operating costs, transportation costs, general and administrative costs and finance expenses. Debt to cash flow ratio is calculated as debt divided by cash flow.

This press release also contains other industry benchmarks and terms, including operating netbacks (calculated on a per unit basis as oil, gas and natural gas liquids revenues, plus/minus realized derivative contracts, less royalties and less operating and transportation costs), and corporate netbacks (calculated on a per unit basis as oil, gas and natural gas liquids revenues, plus/minus realized derivative contracts, less royalties, less operating and transportation costs, less general and administrative expenses and less interest expense), which are not recognized measures under IFRS. Management believes that in addition to net income (loss) and cash flow from (used in) operating activities, adjusted funds flow from operations, excess funds flow, net debt and operating and corporate netbacks are useful supplemental measures as they provide an indication of the Company's operating performance, leverage and liquidity. Investors should be cautioned, however, that these measures should not be construed as an alternative to both net income (loss) and cash flow from (used in) operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/287606--Tamarack-Valley-Energy-Ltd.-Announces-2018-Guidance-Operational-Update-and-Record-Fourth-Quarter-2017-P>

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