Traverse Energy Announces 2017 Year End Results

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CALGARY, Alberta, April 05, 2018 (GLOBE NEWSWIRE) -- Traverse Energy Ltd. (“Traverse” or “the Company”) (TSX Venture:TVL) presents financial and operating results for the year ended December 31, 2017.

	Three Months Ended December 31 (unaudited)		Year Ended December 31	
Highlights	2017	2016	2017	2016
Financial *($ thousands, except per share amounts)*				
Petroleum and natural gas revenue	2,209	1,828	10,023	7,220
Cash from (used in) operating activities	(153)	238	3,420	2,247
Adjusted funds flow [1]	881	404	4,238	1,723
Per share – basic and diluted	0.01	0.01	0.05	0.02
Net loss	(2,967)	(856)	(5,006)	(3,434)
Per share – basic and diluted	(0.03)	(0.01)	(0.05)	(0.05)
Capital expenditures	10,590	2,874	17,706	6,613
Total assets	51,510	41,610	51,510	41,610
Working capital (deficiency)	(4,894)	1,717	(4,894)	1,717
Common shares				
Outstanding *(millions)*	103.5	86.6	103.5	86.6
Weighted average *(millions)*	100.3	80.1	92.0	76.3
Operations *(Units as noted)*				
Average production				
Natural gas *(Mcf per day)*	2,418	2,075	2,358	2,107
Oil and NGL *(bbls per day)*	305	259	375	339
Total *(BOE per day)*	708	605	768	690
Average sales price				
Natural gas *($/Mcf)*	2.29	2.99	2.66	2.37
Oil and NGL *($/bbl)*	60.65	52.27	56.48	43.51
Netback *($/BOE)*				
Petroleum and natural gas revenue	33.93	32.86	35.74	28.60
Royalties	(0.67)	(0.84)	(1.17)	(0.80)
Operating and transportation expenses	(17.02)	(20.04)	(16.05)	(16.83)
Operating netback [2]	16.24	11.98	18.52	10.97
General and administrative	(2.67)	(4.60)	(3.28)	(4.02)
Net finance expense [3]	(0.05)	(0.12)	(0.13)	(0.13)
Corporate netback [4]	13.52	7.26	15.11	6.82

(1) Adjusted funds flow represents cash from (used in) operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. See Non-IFRS measures.

(2) Operating netback represents revenue less royalties, operating and transportation expenses. Operating netback per BOE is the operating netback divided by barrels of oil equivalent production for the applicable period. See Non-IFRS measures.

(3) Excludes non-cash accretion.

(4) Corporate netback represents operating netback less general and administrative costs and finance income and costs before accretion. Corporate netback per BOE is the operating netback divided by barrels of oil equivalent production for the applicable period. See Non-IFRS measures.

Operations review

Traverse's capital program of $17.7 million in 2017 was allocated one third to maintaining the Company's production and reserves base and two thirds to developing a new Duvernay shale oil prospect area. Traverse drilled five wells (100%) in 2017 resulting in two producing oil wells, two uneconomic wells which were subsequently abandoned, and one Duvernay well at Chigwell. Production averaged 768 BOE/day in 2017 compared to 690 BOE/day in 2016. Proved reserves at December 31, 2017 increased 4% over the prior year and proved plus probable reserves increased 3% over December 31, 2016.

In the Coyote area, Traverse drilled, completed and tied-in a Mannville horizontal oil well. In the Coyote West area, an exploration well was drilled and production tested, however the well was deemed uneconomic and subsequently abandoned. In the Watts area, an oil well drilled in 2016 was placed on production and an exploratory well drilled in the first quarter was abandoned as uneconomic. A small 3-D seismic survey was completed early in the third quarter to delineate an Ellerslie oil pool. Subsequently, a successful oil well was drilled at Watts and placed on production. A reservoir study of the Ellerslie oil pool was completed in the first quarter of 2018 and further development drilling is anticipated.

As a result of the continuing depressed commodity environment, Traverse postponed additional horizontal drilling at Coyote and accelerated a land accumulation strategy in the Duvernay shale oil basin. Traverse continued to acquire both crown and freehold lands throughout the third and fourth quarters of 2017. Traverse's Duvernay holdings at December 31, 2017 were approximately 83,000 acres (100%). In October 2017 the Company drilled a Duvernay horizontal well in the Chigwell area. The Duvernay well was completed from late November to early December and began production testing on December 21, 2017.

In early January 2018, the production fluid began to show oil recovery with a gravity of 33º API. For the months of January and February 2018 the well produced 2,128 barrels of oil and 36,042 barrels of load water with an average oil cut of 5.6%. In March 2018 the well produced 1,290 barrels of oil and 15,680 barrels of load water with an average oil cut of 7.6%. Total load water recovered to March 31, 2018 was 59,300 barrels, which is 23% of the completion fluids. The well will be shut-in for a period of time over spring break-up during which a pressure survey will be performed.

In 2017 Traverse's land expiries and surrenders totalled 74,180 net acres. The Company purchased approximately 62,300 net undeveloped acres (100%) in the Duvernay oil basin during the year. Undeveloped land holdings in Alberta at December 31, 2017 totalled 178,800 gross (178,200 net) acres. Traverse continues to evaluate existing and acquired lands for additional prospects. At December 31, 2017 Traverse had a working capital deficiency of $4.9 million and an undrawn credit facility of $7 million. The credit facility was subsequently reviewed and increased to $9 million subject to the next scheduled review on or before May 31, 2019. The initial exploration and development program for 2018 has been approved at $15 million.

2017 Reserves report

Traverse’s independent reserve report, dated February 20, 2018, was prepared by Sproule Associates Limited (“Sproule”) in accordance with National Instrument 51-101 effective December 31, 2017.

Summary of oil and gas reserves as of December 31, 2017

- Company proved reserves of 1,775.8 MBOE – 4% increase year over year
- Company proved plus probable reserves of 2,227.2 MBOE – 3% increase year over year
- Company proved developed producing reserves represent 60% of total proved reserves
- Company proved reserves constitute 80% of total proved plus probable reserves
- Net present value of future net revenue attributable to the reserves (before tax) discounted at 10% is $28.3 million for the proved reserves and $35.6 million for the proved plus probable reserves
- Undiscounted total future development capital for the proved and proved plus probable reserves is $8.2 million

- Company proved plus probable reserves are comprised of 58% oil and natural gas liquids and 42% natural gas

The following tables are a summary of Traverse’s petroleum and natural gas reserves, as evaluated by Sproule, effective December 31, 2017, using Sproule’s forecast prices and costs. It should not be assumed that the estimates of future net revenue presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of the Company’s crude oil, natural gas liquids, and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater or less than the estimates provided herein. Reserves information may not add due to rounding.

Summary of oil and gas reserves as of December 31, 2017

	Light and Medium Crude Oil		Conventional Natural Gas		Natural Gas Liquids		Oil Equ
	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1
Reserves Category	Mbbl	Mbbl	MMcf	MMcf	Mbbl	Mbbl	MBOE
Proved Developed Producing	525.9	504.1	3,003	2,742	36.2	26.5	1,062.6
Proved Developed Non-producing	16.8	16.8	34	31	0.4	0.3	22.9
Proved Undeveloped	435.2	390.7	1,429	1,351	17.1	15.3	690.5
Total Proved	977.9	911.6	4,465	4,123	53.7	42.0	1,775.8
Probable	244.1	213.3	1,161	1,054	13.9	10.8	451.5
Total Proved Plus Probable	1,222.0	1,124.9	5,626	5,177	67.6	52.8	2,227.2

Notes:
1. Gross reserves are Traverse’s working interest reserves before deduction of any royalties and before consideration of Traverse’s royalty interests.
2. Net reserves are Traverse’s working interest reserves after deduction of royalties, plus Traverse’s royalty interests.

Net present value of future net revenue as of December 31, 2017

	Value Before Income Taxes Discounted at (%/Year) (1)					Unit Value Before Income Ta
Reserves Category	0 M$	5 M$	10 M$	15 M$	20 M$	10% $/BOE
Proved Developed Producing	24,102	20,806	18,141	16,049	14,400	18.37
Proved Developed Non-producing	(65)	19	60	79	85	2.73
Proved Undeveloped	16,580	12,833	10,172	8,241	6,795	16.12
Total Proved	40,617	33,658	28,373	24,369	21,280	17.29
Probable	14,518	9,883	7,184	5,531	4,454	17.96
Total Proved Plus Probable	55,135	43,540	35,557	29,901	25,734	17.42

	Value After Income Taxes Discounted at (%/Year) (1)				
Reserves Category	0 M$	5 M$	10 M$	15 M$	20 M$
Proved Developed Producing	24,102	20,806	18,141	16,049	14,400
Proved Developed Non-producing	(65)	19	60	79	85
Proved Undeveloped	13,433	10,592	8,526	7,000	5,838
Total Proved	37,470	31,417	26,728	23,129	20,323
Probable	10,687	7,311	5,342	4,144	3,370
Total Proved Plus Probable	48,157	38,729	32,070	27,273	23,693

Notes:
1. Includes future development capital of $8.2 million (undiscounted).
2. Unit values based on net reserves volumes.

Reserves Reconciliation

The following tables reconcile Traverse’s gross reserves by principal product type. Gross reserves are Traverse’s working interest reserves before deduction of any royalties and before consideration of Traverse’s royalty interests.

Gross Reserves	Light and Medium Crude Oil			Conventional Natural Gas		
	Proved	Probable	Proved Plus Probable	Proved	Probable	Proved Plus Probable
	Mbbl	Mbbl	Mbbl	MMcf	MMcf	MMcf
December 31, 2016	864.2	221.8	1,086.0	4,668	1,229	5,897
Extensions	46.8	11.1	57.9	89	21	110
Infill drilling	123.2	31.2	154.4	465	118	583
Technical revisions	69.8	(16.8)	53.0	(46)	(244)	(290)
Discoveries	0.0	0.0	0.0	157	32	189
Economic factors	1.7	(3.2)	(1.5)	(14)	5	(9)
Production	(127.8)	0.0	(127.8)	(854)	0	(854)
December 31, 2017	977.9	244.1	1,222.0	4,465	1,161	5,626

Gross Reserves	Natural Gas Liquids			Oil equivalent		
	Proved	Probable	Proved Plus Probable	Proved	Probable	Proved Plus Probable
	Mbbl	Mbbl	Mbbl	MBOE	MBOE	MBOE
December 31, 2016	70.9	18.7	89.6	1,713.0	445.4	2,158.4
Extensions	1.7	0.4	2.1	63.3	15.0	78.4
Infill drilling	6.0	1.5	7.5	206.7	52.3	259.0
Technical revisions	(16.8)	(7.1)	(23.9)	44.7	(64.7)	(20.0)
Discoveries	1.8	0.4	2.2	28.0	5.7	33.7
Economic factors	0.0	0.0	0.0	(0.7)	(2.4)	(3.1)
Production	(9.1)	0.0	(9.1)	(279.2)	0.0	(279.2)
December 31, 2017	53.7	13.9	67.6	1,775.8	451.4	2,227.2

Forward-looking information

This news release contains forward-looking information which is not comprised of historical fact. Forward-looking information involves risks, uncertainties and other factors that could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. Forward-looking information in this news release includes: the Company’s statements with respect to further development drilling at Watts; the intention to shut-in the Chigwell Duvernay well over spring break-up; Traverse’s 2018 capital budget; the volumes of reserves attributable to the Company’s assets; and the estimate of the net present value of the future net revenue attributable thereto. This forward looking information is subject to a variety of substantial known and unknown risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward looking information. The Company’s Annual Information Form filed on April 5, 2018 with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describes the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

Although the Company believes that the material assumptions and factors used in preparing the forward-looking information in this news release are reasonable, undue reliance should not be placed on such information, which only applies as of the date of this news release, and no assurance can be given that such events will occur. The Company disclaims any intention or obligation to update or review any forward-looking information, whether as a result of new information, future events or otherwise, other than as required by law.

Non-IFRS measures

In this release references are made to certain financial measures such as “adjusted funds flow”, “adjusted funds flow per share” and “netback” which do not have standardized meanings prescribed by IFRS and therefore may not be comparable to the calculation of similar measures by other entities. Management uses certain industry benchmarks such as netbacks to analyze financial and operating performance. There are no comparable measures in accordance with IFRS for operating or corporate netback. Management believes that in addition to net income (loss), the non-IFRS measures set forth below are useful supplemental measures as they assist in the determination 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 from operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

Adjusted funds flow represents cash from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations as detailed below:

	Three months ended December 31 (unaudited)		Year ended December 31	
($)	2017	2016	2017	2016
Cash from operating activities	(153,142)	238,406	3,419,743	2,247,464
Decommissioning expenditures	48,819	32,412	178,052	93,111
Change in non-cash working capital	985,037	133,350	639,983	(617,242)
Adjusted funds flow	880,714	404,168	4,237,778	1,723,333

Adjusted funds flow per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income (loss) per share. Operating and corporate netbacks are also presented. Operating netback represents revenue less royalties, operating and transportation costs. Corporate netback represents the operating netback less general and administrative expenses and finance income and costs before accretion. Netback per BOE is the applicable netback divided by barrels of oil production for the applicable period. The calculation of Traverse's operating and corporate netbacks are detailed under the applicable headings within the Company’s management’s discussion and analysis for the year ended December 31, 2017.

BOE 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 upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent 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.

For more information, please contact:

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April 5, 2018
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Further details on the Company including the 2017 year end audited financial statements, the related management’s discussion and analysis and Annual Information Form are available on the Company’s website (www.traverseenergy.com) and SEDAR.

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