TORC Oil & Gas Ltd. Announces First Quarter 2018 Financial & Operating Results

08.05.2018 | CNW

Strategic Southeast Saskatchewan Acquisition; Increased 2018 Production Guidance & Increase to the Dividend

CALGARY, May 8, 2018 - TORC Oil & Gas Ltd. ("TORC" or the "Company") (TSX: TOG) is pleased to announce its financial and operating results for the three month period ended March 31, 2018. The associated management's discussion and analysis ("MD&A") and unaudited interim financial statements as at and for the quarter ended March 31, 2018 can be found at www.sedar.com and www.torcoil.com.

Highlights	Three months ended		
(in thousands, except per share data)	March 31 2018	December 31 2017	March 31 2017
Financial			
Adjusted funds flow, including transaction related costs (1)	$64,012	$59,973	$51,483
Per share basic	$0.33	$0.31	$0.28
Per share diluted	$0.32	$0.31	$0.28
Adjusted funds flow, excluding transaction related costs (1)	$64,012	$60,589	$51,483
Per share basic	$0.33	$0.32	$0.28
Per share diluted	$0.32	$0.31	$0.28
Net income (loss)	$5,224	($9,431)	$2,744
Per share basic	$0.03	($0.05)	$0.01
Per share diluted	$0.03	($0.05)	$0.01
Exploration and development expenditures	$41,670	$32,734	$32,219
Property acquisitions, net of dispositions	$2,694	$79,775	($127)
Net debt (2)	$269,521	$280,138	$258,582
Cash dividends declared (3)	$7,908	$7,710	$6,983

Dividends declared per common share	$0.060	$0.060	$0.060
Common shares			
Shares outstanding, end of period	196,658	196,061	183,862
Weighted average shares (basic)	196,350	191,240	183,519
Weighted average shares (diluted)	198,835	192,946	185,081
Operations			
Production			
Crude oil (Bbls per day)	18,827	18,350	16,718
NGL (Bbls per day)	1,160	985	585
Natural gas (Mcf per day)	17,441	15,306	15,020
Barrels of oil equivalent (Boepd, 6:1)	22,894	21,886	19,806
Average realized price			
Crude oil ($ per Bbl)	$67.46	$64.58	$59.05
NGL ($ per Bbl)	$26.60	$30.30	$29.60
Natural gas ($ per Mcf)	$1.72	$1.40	$2.39
Barrels of oil equivalent ($ per Boe, 6:1)	$58.13	$56.49	$52.53
Operating netback per Boe (6:1)			
Operating netback [1]	$33.64	$32.65	$31.40
Operating netback (prior to hedging) [1]	$33.69	$32.65	$31.40
Adjusted funds flow netback per Boe (6:1)			
Including transaction related costs [1]	$31.07	$29.79	$28.88
Excluding transaction related costs [1]	$31.07	$30.09	$28.88
Wells drilled:			
Gross	26	15	22
Net	18.6	12.8	16.0
Success (%)	100	100	100

[1] Management uses these financial measures to analyze operating performance and leverage.

The definitions of these measures are found in the Company's Management's Discussion and Analysis ("the MD&A") for the three months ended March 31, 2018 and 2017. These measures do not have any standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculation of similar measures for other companies.

(2) Net debt is calculated

as current assets (excluding financial derivative assets) less: i) current liabilities (excluding financial derivative liabilities), and ii) bank debt.

(3) Cash dividends declared are net of the share dividend program participation.

PRESIDENT'S MESSAGE

TORC's operational momentum from 2017 continued into the first quarter of 2018 with a focus on the Company's long term objectives of delivering disciplined growth in combination with maintaining financial flexibility and providing a sustainable dividend. TORC's active drilling program was focused in both the southeast Saskatchewan and Cardium core areas where the Company continued to realize strong results.

The Company's key achievements in the first quarter of 2018 included the following:

- Achieved record quarterly production of 22,894 boepd, up from 21,886 boepd in the fourth quarter of 2017 and 19,806 boepd in the first quarter of 2017;
- Generated cash flow of $64.0 million relative to $60.6 million in the fourth quarter of 2017 and $51.5 million in the first quarter of 2017;
- Generated cash flow per share of $0.33 per share as compared to $0.32 in the fourth quarter of 2017 and $0.28 per share in the first quarter of 2017;
- Successfully drilled 26 (18.6 net) wells spending $41.7 million;
- During the first quarter, TORC declared dividends of $11.8 million of which $3.9 million was paid under the share dividend program;
- Achieved a payout ratio in the quarter of 77% while continuing to organically grow production;
- Subsequent to the end of the first quarter, TORC entered into an agreement to acquire light oil assets which are complementary to TORC's existing operations in southeast Saskatchewan. The strategic acquisition (the "Acquisition") includes 15.5 mmboe of P+P reserves and over 3,200 boepd of high quality, low decline, high netback, light oil producing assets (the "Acquired Assets") for aggregate consideration comprised of the issuance of 13.5 million TORC common shares and $125.0 million in cash; and
- At quarter end, the Company's net debt was approximately $269.5 million with $233.1 million drawn on the credit facility. Subsequent to quarter end, TORC's credit facility was reconfirmed at $400 million, providing the Company with significant financial flexibility and liquidity.

OPERATIONAL UPDATE

TORC's first quarter production averaged 22,894 boepd (87% light oil and NGLs). Strong new well results and solid performance of the Company's existing low decline production across all of TORC's core areas contributed to the continued quarter over quarter growth of the Company's production base.

During the first quarter, TORC executed a development program, drilling 26 (18.6 net) wells focused on the conventional and unconventional assets in southeast Saskatchewan and the Cardium in central Alberta. TORC spent $41.7 million in the first quarter representing 25% of the Company's 2018 $165 million capital budget.

SOUTHEAST SASKATCHEWAN

TORC drilled 10 (6.9 net) southeast Saskatchewan conventional wells in the first quarter. TORC's southeast Saskatchewan conventional assets are characterized by their lower risk nature and high rates of return driven by low capital costs, high netbacks and the favorable royalty regime in the province. With a long term decline profile of less than 20% and strong operating netbacks, the southeast Saskatchewan assets yield significant free cash flow to support TORC's business model.

TORC has identified more than 400 net undrilled conventional light oil locations in southeast Saskatchewan providing years of high quality drilling inventory. In 2018, TORC plans to drill 44 (37.2 net) conventional wells. The focus in TORC's southeast Saskatchewan conventional properties is to maintain a reasonably flat production profile and maximize free cash flow from the assets.

On the Company's unconventional asset base in southeast Saskatchewan, TORC drilled 6 (4.0 net) wells during the first quarter in the Torquay/Three Forks geological zone. As expected, TORC completed 3 (1.5 net) of these wells in the first quarter and plans to complete the remaining 3 (2.5 net) wells during the second quarter. In 2018, TORC plans to drill a total of 17 (13.5 net) wells continuing to drive growth in this light oil high netback resource play. TORC has identified over 150 net development locations in the Torquay/Three Forks play providing multiple years of drilling inventory.

TORC has also been active on the unconventional Midale light oil resource play in southeast Saskatchewan drilling 5 (3.3 net) wells during the first quarter. The Company continues to be very encouraged with the initial results from this delineation activity. The Company plans to drill a total of 12 gross (11.0 net) wells spread across the Company's land position for both the development and further delineation of the play in 2018. Based on detailed geotechnical analysis as well as the Company's drill results to date, TORC has identified more than 150 net future undrilled development locations across the Company's asset base for unconventional Midale production. TORC will continue to delineate this play with the intention of continuing to add to this development drilling inventory.

CARDIUM

TORC drilled 5 (4.4 net) successful Cardium development wells in the first quarter. For 2018, the Company has budgeted to drill 12 (10.5 net) Cardium wells representing less than 5% of TORC's identified undrilled inventory.

TORC controls more than 95 net light oil sections in the Cardium trend where the Company has identified more than 290 net undrilled locations. With a decline profile below 25% and a deep inventory of high quality development locations, the Cardium continues to contribute meaningfully to the Company's free cash flow growth strategy.

ACQUISITION ACTIVITY

Subsequent to the first quarter, TORC entered into a purchase and sale agreement (the "Agreement") with an independent Canadian oil and gas company, dated May 8, 2018, to acquire 15.5 mmboe of P+P reserves and over 3,200 boepd of high quality, low decline, high netback, light oil producing assets for consideration comprised of the issuance of 13.5 million TORC common shares and $125.0 million in cash, prior to customary closing adjustments.

The Acquisition is consistent with TORC's strategy to capitalize on opportunities to enhance the quality of its asset base throughout the commodity price cycle. The Acquired Assets enhance TORC's decline profile, operating netback and light oil drilling inventory. TORC has identified approximately 75 (net) high quality light oil drilling locations on the Acquired Assets which will provide some of the highest relative economic returns in the Western Canadian Sedimentary Basin.

The Acquired Assets are very complementary to TORC's existing operations in southeast Saskatchewan and provide operating and strategic synergies. The acquisition is a result of the proactive nature of TORC's acquisition efforts and represents assets with significant overlap with TORC's existing operations.

The TORC common shares to be received by the vendor pursuant to the Acquisition will be subject to a four month hold period.

Completion of the Acquisition is subject to certain conditions and the receipt of all required regulatory approvals, including the approval of the TSX and necessary competition approvals. The Acquisition is anticipated to close on or about June 27, 2018. Certain of the assets comprising approximately 500 boepd are subject to Rights of First Refusal.

REVISED CAPITAL PROGRAM

TORC anticipates that on closing of the Acquisition the Company's 2018 budget will be increased to $180 million from $165 million currently. The 2018 capital program will remain concentrated on the Company's primary core areas in southeast Saskatchewan, focused on both conventional opportunities and the unconventional plays, and the Cardium play in central Alberta. TORC continues to focus on operational efficiencies with a goal of achieving results that exceed budget expectations.

The revised program maintains TORC's balanced approach where the Company continues to focus on disciplined long term organic growth, maintain a consistent production decline, protect the Company's strong financial position to maintain repeatability of the business model.

TORC has undertaken an active commodity hedging program to further protect our core capital spending requirements and dividend policy and currently has 4,500 bopd of oil production hedged through the remainder of 2018. An updated hedging schedule can be found in TORC's corporate presentation at www.torcoil.com.

Based on current commodity prices and budgeted cost structure, TORC is expected to achieve significant free cash flow in 2018 after growing production and paying the current dividend. This free cash flow continues to position the Company to take advantage of opportunities as they arise.

INCREASED PRODUCTION GUIDANCE

It is anticipated that on closing of the Acquisition TORC will increase 2018 average production guidance to 24,700 boepd from 23,000 boepd previously and 2018 exit production guidance to 27,000 boepd from 23,800 boepd previously while revising up the percentage of oil and liquids to 88% from 87% previously.

TORC continues to focus on growing free cash flow and utilizing that free cash flow to enhance the growth and sustainability of the Company's business model.

INCREASED DIVIDEND

TORC's dividend is reviewed regularly with the Board of Directors and is an important component of TORC's overall strategy. During the first quarter, TORC declared dividends of $11.8 million of which $3.9 million was paid under the share dividend plan.

With continued production and cash flow per share growth, the Board of Directors has approved a 10% increase to the Company's annual dividend. Accordingly, TORC's annual dividend will increase to $0.264 per year ($0.022 per month) from $0.24 per year ($0.02 per month). On this basis, TORC shareholders of record on May 30, 2018 will receive the increased dividend for the month of May, payable June 15, 2018.

The Company is committed to maintaining a disciplined approach. TORC's priorities are to act prudently to protect TORC's financial flexibility while positioning the Company to continue to achieve per share growth over the long term while paying out a sustainable dividend.

OUTLOOK

TORC has built a sustainable growth platform of light oil focused assets and continues to enhance this platform. The stability of the high quality, low decline, light oil assets in southeast Saskatchewan and the low risk Cardium development inventory in central Alberta, combined with exposure to unconventional light oil resource plays in southeast Saskatchewan, positions TORC to provide value creation through a disciplined long term focused growth strategy with a sustainable dividend.

TORC has the following key operational and financial attributes:

High Netback Production [1]	2018E Average: 23,000 boepd (current guidance)
	2018E Exit: 23,800 boepd (current guidance)
	2018E Average: 24,700 boepd (pro forma)
	2018E Exit: 27,000 boepd (pro forma)
Total Proved plus Probable Reserves [2]	Greater than 114 mmboe (~83% light oil & liquids) (current)
	Greater than 129 mmboe (~85% light oil & liquids) (pro form
Southeast Saskatchewan Light Oil Development Inventory	Greater than 400 net undrilled conventional locations
	Greater than 150 net undrilled Torquay/Three Forks locatior
	Greater than 150 net undrilled unconventional Midale locatic
Cardium Light Oil Development Inventory	Greater than 290 net undrilled locations
Sustainability Assumptions [3]	Corporate decline ~23%
	Capital Efficiency ~$26,000 per boepd (IP 365)
2018 Capital Program	$165 million (current)
	$180 million (pro forma)
Monthly Dividend	$0.02 per share (current)
	$0.022 per share (effective in May; payable in June)
Net Debt as at March 31, 2018 [4]	$270 million (current); $233 million drawn
	$395 million (pro forma); $358 million drawn
Shares Outstanding	196 million (basic) (current)
	210 (basic) (pro forma)
Tax Pools	Approximately $1.6 billion; $1.8 billion pro forma

Notes:

(1) ~87%/88% light oil & NGLs.

(2) All reserves information in this press release are gross reserves. The reserve information for TORC in the foregoing table is derived from the independent engineering report effective December 31, 2017 prepared by Sproule & Associates Limited ("Sproule") evaluating the oil, NGL and natural gas reserves attributable to all of our properties (the "TORC Reserve Report"). The reserves associated with the Acquisition is based on TORC's internal evaluation prepared by a qualified reserves evaluator in accordance NI-51-101 and COGE Handbook, and effective April 1, 2018 .

(3) Refers to full cycle capital efficiency which is the all-in corporate capital budget divided by the IP365 of the associated wells. Corporate decline refers to TORC's estimated oil and gas production decline rate in the normal life cycle of a well.

(4) See "Non-GAAP Measures".

An updated corporate presentation can be found at www.torcoil.com.

READER ADVISORIES

Forward Looking Statements

This press release contains forward?looking statements and forward?looking information (collectively "forward?looking information") within the meaning of applicable securities laws relating to the Company's plans, strategy, business model, focus, objectives and other aspects of TORC's anticipated future operations and financial, operating and drilling and development plans and results, including, expected future production, production mix, reserves, drilling inventory, net debt, cash flow, operating netbacks, decline rate and decline profile, product mix, capital expenditure program, capital efficiencies, commodity prices, tax pools and targeted growth. In addition, and without limiting the generality of the foregoing, this press release contains forward?looking information regarding: anticipated cost savings and operational efficiencies; anticipated capital cost reductions; the focus and allocation of TORC's 2018 capital budget; anticipated average and exit production rates, available free cash flow, management's view of the characteristics and quality of the opportunities available to the Company; TORC's dividend policy and plans; the benefits to be obtained from the Acquired Assets, including the impact on TORC's capital program, production, and other results; and other matters ancillary or incidental to the foregoing.

Forward?looking information typically uses words such as "anticipate", "believe", "project", "target", "guidance", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. The forward?looking information is based on certain key expectations and assumptions made by TORC's management, including expectations concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; completion of the acquisition and the associated timing and purchase price; capital efficiencies; decline rates; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; ability to market oil and natural gas successfully and TORC's ability to access capital.

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

Although the Company believes that the expectations and assumptions on which such forward?looking information is based are reasonable, undue reliance should not be placed on the forward?looking information because TORC can give no assurance that they will prove to be correct. Since forward?looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the 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 so, what benefits that the Company will derive there from. Management has included the above summary of assumptions and risks related to forward?looking information provided in this press release in order to provide securityholders with a more complete perspective on TORC's future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect TORC's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

These forward?looking statements are made as of the date of this press release and TORC disclaims any intent or obligation to update publicly any forward?looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Dividends

The payment and the amount of dividends declared in any month will be subject to the discretion of the board of directors and will depend on the board of director's assessment of TORC's outlook for growth, capital expenditure requirements, funds from operations, potential acquisition opportunities, debt position and other conditions that the board of directors may consider relevant at such future time. The amount of future cash dividends, if any, may also vary depending on a variety of factors, including fluctuations in commodity prices and differentials, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens and foreign exchange rates.

Non?GAAP Measures

This document contains the terms "adjusted funds flow from operations, including transaction related costs", "adjusted funds flow from operations, excluding transaction costs", "net debt" , "operating netback", "operating netback (prior to hedging"), "adjusted funds flow netback, including transaction related costs" and "adjusted funds flow netback, excluding transaction related costs" which are defined in the Company's Management's Discussion and Analysis ("the MD&A") for the three months and year ended December 31, 2017. Management uses these financial measures to analyze operating performance and leverage. These measures do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable with the calculation of similar measures for other companies.

This press release also contains the terms "free cash flow", "net debt", "net debt to fourth quarter run rate cash flow", and "payout ratio"., which do not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. TORC uses free cash flow and net debt to analyze financial, operating performance, and liquidity and leverage. TORC feels these benchmarks are key measures of profitability and overall sustainability for TORC. Both of these terms are commonly used in the oil and gas industry. Free cash flow and net debt are not intended to represent operating profits nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. Free cash flows are calculated as cash flows from operating activities less changes in non?cash working capital. Net debt is calculated as bank debt plus working capital deficiency or minus working capital surplus (adjusted for fair value of financial instruments and the current portion of decommissioning obligation). TORC calculates cash flow per share using the same method and shares outstanding that are used in the determination of earnings per share. Payout ratio is a non?GAAP measure and is calculated as cash dividends plus development capital, divided by funds flow. The Company considers this to be a key measure of sustainability.

Oil and Gas Disclosures

The reserve information in this press release is derived (i) in respect of our reserves as at December 31, 2017 as prepared by Sproule Associates Limited ; and (ii) in respect of the reserves associated with the Acquired Assets as at April 30, 2018 based on our internal evaluation prepared by a qualified reserves evaluator in accordance with NI 51-101 and the COGE Handbook. Since the reserves reflected in this press release were estimated as at different dates, they have been generated based on different assumptions in respect of commodity pricing among other metrics. As a result, the presentation of our reserves on a consolidated pro forma basis for the Acquired Assets would not reflect the actual combined estimated of our reserves and those of the Acquired Assets at December 31, 2017 and should not necessarily be viewed as predictive of our reserves and future production.

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.

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the reserves evaluation prepared by Sproule as of December 31, 2017 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on TORC's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Of the 990 drilling locations identified herein, 280 are proved locations, 120 are probable locations and 590 are unbooked locations. Of the 75 net locations identified as part of the acquisition, 50 are booked and 25 are unbooked. Unbooked locations have been identified by management as an estimation of our multi?year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that TORC will drill all unbooked drilling locations and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional oil and gas reserves or production.

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