

# **TORC Oil & Gas Ltd. Announces 2018 Fourth Quarter and Year-end Financial & Operating Results; and 2018 Year-End Reserves**

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CALGARY, Feb. 25, 2019 - TORC Oil & Gas Ltd. ("TORC" or the "Company") (TSX: TOG) is pleased to announce financial and operating results for the three month periods and years ended December 31, 2018 and 2017 and to provide 2018 year-end reserves information as evaluated by Sproule Associates Limited ("Sproule").

The associated Management's Discussion and Analysis ("MD&A") dated February 25, 2019 and audited financial statements and for the year ended December 31, 2018 can be found at [www.sedar.com](http://www.sedar.com) and [www.torcoil.com](http://www.torcoil.com).

Highlights	Three months ended			Year ended	
	December 31 2018	September 30 2018	December 31 2017	December 31 2018	December 31 2017
(in thousands, except per share data)					
<b>Financial</b>					
Adjusted funds flow, including					
transaction related costs <sup>(1)</sup>	\$54,389	\$94,036	\$59,973	\$287,074	\$200,000
Per share basic	\$0.25	\$0.44	\$0.31	\$1.39	\$1.00
Per share diluted	\$0.25	\$0.44	\$0.31	\$1.38	\$1.00
Adjusted funds flow, excluding					
transaction related costs <sup>(1), (2)</sup>	\$54,389	\$95,086	\$60,589	\$288,824	\$200,000
Per share basic	\$0.25	\$0.45	\$0.32	\$1.40	\$1.00
Per share diluted	\$0.25	\$0.44	\$0.31	\$1.39	\$1.00
Net cash from operating activities	\$73,653	\$87,364	\$55,611	\$294,347	\$180,000
Net income (loss)	(\$24,398)	\$22,747	(\$9,431)	\$16,894	(\$10,000)
Per share basic	(\$0.11)	\$0.11	(\$0.05)	\$0.08	(\$0.05)
Per share diluted	(\$0.11)	\$0.11	(\$0.05)	\$0.08	(\$0.05)
<b>Exploration and development</b>					
expenditures <sup>(1)</sup>	\$54,155	\$59,027	\$32,734	\$184,856	\$120,000
Property acquisitions, net of dispositions <sup>(1)</sup>	\$4,020	\$58,366	\$79,775	\$292,294	\$100,000
Net debt <sup>(1)</sup>	\$405,293	\$391,101	\$280,138	\$405,293	\$280,000
Cash dividends declared <sup>(3)</sup>	\$9,648	\$9,434	\$7,710	\$36,062	\$20,000
Dividends declared per common share	\$0.066	\$0.066	\$0.060	\$0.256	\$0.080
<b>Common shares</b>					
Shares outstanding, end of period	216,637	215,647	196,061	216,637	196,061
Weighted average shares (basic)	216,191	212,913	191,240	205,793	187,000

Weighted average shares (diluted)	218,399	215,405	192,946	208,488	189,000
Operations					
Production					
Crude oil (Bbls per day)	23,546	22,480	18,350	20,943	17,000
NGL (Bbls per day)	1,554	1,459	985	1,365	790
Natural gas (Mcf per day)	18,380	19,327	15,306	18,183	14,000
Barrels of oil equivalent (Boepd, 6:1)	28,163	27,160	21,886	25,339	20,000
Average realized price					
Crude oil (\$ per Bbl)	\$52.34	\$77.88	\$64.58	\$67.78	\$58.00
NGL (\$ per Bbl)	\$28.76	\$31.10	\$30.30	\$29.49	\$24.00
Natural gas (\$ per Mcf)	\$1.40	\$0.98	\$1.40	\$1.23	\$1.00
Barrels of oil equivalent (\$ per Boe, 6:1)					
	\$46.26	\$66.83	\$56.49	\$58.50	\$50.00
Operating netback per Boe (6:1)					
Operating netback <sup>(1)</sup>	\$23.63	\$40.71	\$32.65	\$33.93	\$29.00
Operating netback (prior to hedging) <sup>(1)</sup>	\$23.88	\$41.34	\$32.65	\$34.28	\$29.00
Adjusted funds flow netback per Boe (6:1)					
Including transaction related costs <sup>(1)</sup>	\$20.99	\$37.63	\$29.79	\$31.04	\$27.00
Excluding transaction related costs <sup>(1)</sup>	\$20.99	\$38.05	\$30.09	\$31.23	\$27.00
Wells drilled:					
Gross	16	36	15	86	63
Net	15.3	30.8	12.8	71.7	47.0
Success (%)	100	100	100	100	100

(1) Management uses these non-GAAP financial measures to analyze operating performance, level of capital spending and investing activity. These measures do not have a standardized meaning under GAAP and therefore may not be comparable with the calculation of similar measures for other companies. See Non-GAAP Measurements within this document for additional information

(2) For ease of readability, in this press release, adjusted funds flow, excluding transaction related costs, is referred to as "cash flow"

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

PRESIDENT'S MESSAGE

TORC has consistently focused on providing shareholders with disciplined growth and a sustainable dividend while preserving financial flexibility and ensuring a consistent decline profile to maintain the future repeatability of the business strategy. 2018 was another strong year in executing this strategy as TORC was successful in achieving per share growth in reserves, production and cash flow along with growing the monthly dividend to shareholders while at the same time strengthening the repeatability of the business strategy going forward.

Through the execution of a \$185 million capital expenditure program in 2018, TORC successfully achieved several strategic operational objectives, including maximizing free cash flow from the Company's conventional southeast Saskatchewan assets while growing and further delineating the Company's unconventional assets in southeast Saskatchewan. In central Alberta, the Company continued developing and delineating the Cardium play which remains a core asset built to generate free cash flow.

TORC's focus on high quality, light oil weighted assets combined with disciplined financial management continued to be rewarded in 2018. During the year, free cash flow generated from the Company's core business was used to execute on two larger acquisitions along with several tuck-in acquisitions to further enhance the Company's asset base. The two accretive strategic acquisitions included approximately 4,200 boepd (greater than 90% light oil) of operated, low decline, high netback light oil producing assets, adding to the Company's significant position in southeast Saskatchewan. The identified locations from these strategic acquisitions more than replaced the capital program of wells drilled by the Company in 2018. In aggregate, these strategic transactions were both value and business accretive improving the Company's decline profile, strengthening TORC's operating netback and adding high quality light oil drilling inventory.

The integrated approach of organic growth complemented by strategic lower decline acquisitions drove the Company's growth in reserves, production and cash flow above original guidance while maintaining a decline profile of less than 25%.

TORC's disciplined approach, focused on an efficient capital program, prudent financial management and an emphasis on maintaining a low underlying decline profile, positions TORC to take advantage of strategic opportunities as they arise. The Company will continue to be disciplined and focused while being proactive to further position and complement the Company's asset base and business model.

## HIGHLIGHTS

The Company's achievements in the fourth quarter and year ended 2018 include the following:

- Achieved record production of 28,163 boepd in the fourth quarter of 2018, a 29% increase (14% per share) from 21,833 boepd in the fourth quarter of 2017;
- Average production increased to 25,339 boepd in 2018, up from 20,871 boepd in 2017;
- Production growth was achieved while maintaining the Company's decline rate at approximately 23%;
- Successfully drilled 16 (15.3 net) wells in the fourth quarter; in 2018, the Company drilled 86 (71.7 net) successfully;
- Generated cash flow of \$54.4 million in the fourth quarter and \$288.8 million for 2018;
- Cash flow per share was \$0.25 per share in the fourth quarter and \$1.40 per share for 2018 relative to \$0.32 in the fourth quarter of 2017 and \$1.11 in 2017;
- Paid dividends of \$0.066 per share in the fourth quarter; paid dividends of \$0.254 per share in 2018 up from \$0.225 in 2017;
- Achieved a payout ratio of 76% while growing production on a per share basis;
- Exited 2018 with a strong balance sheet with net debt of \$405.3 million (\$335.5 million drawn on an available credit facility of \$500 million);
- Increased the Company's high quality light oil development drilling inventory through organic delineation and strategic acquisitions;

- Increased the Company's light oil asset base through value accretive strategic acquisitions adding over 4,200 boe (more than 90% light oil), improving the corporate decline profile, operating netbacks and light oil drilling inventory;
- Proved developed producing reserves increased to 55.2 mmboe at year-end 2018 up from 46.0 mmboe at year-end 2017, representing growth of 20% (9% per share);
- Proved reserves increased to 90.3 mmboe at year-end 2018 up from 74.0 mmboe at year-end 2017, representing 22% (10% per share);
- Proved plus probable reserves increased to 138.6 mmboe at year-end 2018 up from 114.1 mmboe at year-end 2017, representing 21% growth (10% per share);
- Proved plus probable reserve life index was 13.5 years at year-end 2018;
- Generated a proved plus probable reserve replacement ratio on production of approximately 153%, excluding the acquisitions;
- Proved plus probable F&D (including future development costs) of \$15.95/boe resulting in a recycle ratio of 2.1x (2.1x operating netback); and
- Proved plus probable FD&A (including future development costs) of \$19.42/boe resulting in a recycle ratio of 1.8x (1.8x operating netback).

## RESERVES

In this press release, all references to reserves are to gross Company reserves, meaning TORC's working interest reserves before deductions of royalties and before consideration of TORC's royalty interests. The reserves were evaluated by Sproule in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101") effective December 31, 2018. TORC's annual information form for the year ended December 31, 2018 (the "AIF") will contain TORC's reserves data and other oil and natural gas information as mandated by NI 51-101. TORC expects to file the AIF on SEDAR by March 31, 2019.

The following tables are a summary of TORC's petroleum and natural gas reserves, as evaluated by Sproule, effective December 31, 2018, using Sproule's year end forecast prices and costs. It should not be assumed that the estimates of future net revenues 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 our 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. It is important to note that the recovery and reserves estimates provided herein are estimates only. Actual reserves may be greater or less than the estimates provided herein. Reserves information may not add due to rounding.

### Reserves Summary

	Light and Medium Crude Oil  (mbl)	Conventional Natural Gas (mmcf)	NGLs (mbl)	Total Oil Equivalent (mboe)
Proved				
Developed Producing	44,115	45,704	3,446	55,178
Developed Non-Producing	1,505	2,760	161	2,126
Undeveloped	25,137	34,572	2,091	32,990
Total Proved	70,757	83,035	5,697	90,294
Probable	36,776	50,468	3,101	48,288
Total Proved plus Probable	107,533	133,504	8,798	138,582

#### Net Present Value of Future Net Revenue

	Before Future Income Tax Expenses and Discounted at				
	0%	5%	10%	15%	20%
	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(\$mm)
Proved					
Developed Producing	1,746	1,391	1,159	999	883
Developed Non-Producing	48	39	32	27	24
Undeveloped	792	544	384	277	202
Total Proved	2,586	1,974	1,576	1,304	1,109
Probable	1,781	1,110	772	576	450
Total Proved plus Probable	4,368	3,084	2,348	1,879	1,559

#### Future Development Costs

	Proved Reserves (\$mm)	Proved Plus Probable Reserves (\$mm)
2019	157.1	194.7
2020	200.9	245.8
2021	190.1	302.2
2022	64.6	148.8
Total Undiscounted	634.0	924.4

## Capital Expenditures and Finding, Development, and Acquisition Costs

Excluding Change in Future Development Costs	Capital Expenditures (\$mm)	Reserves Additions		F&D and FD&A			
		Proved Developed Producing (mmboe)	Total Proved (mmboe)	Proved Plus Probable (mmboe)	Proved Developed Producing (\$/boe)	Total Proved Plus Probable (\$/boe)	Proved Plus Probable (\$/boe)
Exploration & Development <sup>(1)</sup>	166.9	8.8	11.0	12.9	18.88	15.11	12.89
Acquisitions (net) <sup>(2)</sup>	310.3	9.6	14.5	20.8	32.20	21.47	14.92
Total	477.2	18.5	25.5	33.7	25.82	18.71	14.14

Capital Expenditures Total Proved Change in (\$mm)	Proved Plus Probable (\$mm)	Total Proved (mmboe)	Proved Plus Probable (mmboe)	F&D and FD&A Proved Plus Probable (\$/boe)
Future Development Costs				(\$/boe)
Exploration & Development	206.4	11.0	12.9	18.88
Acquisitions (net)	448.9	14.5	20.8	28.92
Total	655.3	25.5	33.7	29.42

1 Excludes Capitalized G&A of \$5.1mm; excludes capital of \$18.0mm spent on acquired properties

2 Includes \$18.0mm of capital spent on acquired properties from the date of acquisition to period end

Net Asset Value per Share as at December 31, 2018

(\$millions except share and per share amounts)

Proved Plus Probable Reserve Value NPV10 BT 2,347

Land and Seismic <sup>(1)</sup>	158
Net Debt	(405)
Total Net Assets (basic)	2,100
Basic Common Share Outstanding (mm)	217
Estimated NAV per Basic Common Share	\$9.69

1 Includes independent third party estimate of \$131mm of the value of approximately 315,000 net acres of non-reserve assigned land and management estimate of \$27mm to seismic

## OPERATIONAL UPDATE

With continued success of the 2018 capital program and the Company's solid underlying production profile, TORC achieved record production of 28,163 boepd during the fourth quarter. TORC spent a total of \$185 million of exploration and development capital, including drilling 86 (71.7 net) wells.

## SOUTHEAST SASKATCHEWAN

TORC's southeast Saskatchewan conventional assets are characterized by their lower risk nature and high rates of return driven by lower capital costs, high operating netbacks and an attractive royalty regime in Saskatchewan. With a long term production decline profile of less than 20% and high operating netbacks, the southeast Saskatchewan conventional assets yield significant free cash flow in the current commodity price environment.

TORC drilled 46 (37.1 net) southeast Saskatchewan conventional wells in 2018, with 7 (6.3 net) wells drilled in the fourth quarter. In 2018, TORC was successful in maintaining a low cost structure in drilling, completion and equipping costs on conventional wells through both operational efficiencies and managing oilfield service costs. In addition to effective cost management, outperformance of wells relative to expectations further enhanced the already attractive capital efficiencies and economics.

TORC continues to identify more than 400 net undrilled conventional locations in southeast Saskatchewan providing numerous years of high quality drilling inventory. In 2019, TORC plans to drill 45 (33.7 net) conventional wells. The focus on TORC's southeast Saskatchewan conventional properties is to maximize free cash flow.

On the Company's unconventional asset base in southeast Saskatchewan, TORC has been active on the

Torquay/Three Forks light oil resource play. During 2018, TORC executed on a development focused program while continuing to selectively delineate the play drilling 15 gross (13.0 net) successful wells. Based on the Company's results from this program, TORC will continue to allocate significant capital to this resource play with plans to drill 16 gross (12.5 net) wells during 2019. TORC has currently identified more than 150 net undrilled locations in the play.

TORC has also been active in a number of areas prospective for unconventional Midale exploitation. TORC was active on the play in 2018 drilling 13 gross (10.2 net) wells. The Company plans to continue to increase capital allocation to this play in 2019 with 18 (14.9 net) wells in the 2019 budget. The Company has identified 175 net undrilled locations in the unconventional Midale play.

## CARDIUM

TORC has greater than 95 net light oil sections in the Cardium trend where the Company continues to identify more than 290 net undrilled locations on the Company's asset base. During 2018, the Cardium continued to deliver solid results in this established light oil resource play. TORC drilled a total of 11 (10.4 net) Cardium wells which included drilling 3 (3.0 net) Cardium wells in the fourth quarter.

With a decline profile of less than 25%, the Cardium play continues to generate substantial free cash flow in the current commodity price environment supporting the sustainability and repeatability of the Company's business objectives.

In 2019, TORC plans to drill 9 gross (8.2 net) wells across the Company's land position in the Cardium.

## CAPITAL PROGRAM AND PRODUCTION GUIDANCE

TORC's \$180 million capital expenditure budget for 2019 is consistent with the Company's long term strategic objectives of delivering disciplined per share growth in combination with maintaining financial flexibility while providing a sustainable dividend. TORC's 2019 capital budget exhibits a measured approach to both the domestic and global volatility in the crude oil price environment and reflects a balance between managing long term objectives, protecting the Company's strong financial position and sustaining the dividend.

TORC's capital program in 2019 is focused on light oil development projects, with the majority of the capital directed to drilling, completions and tie-ins (approximately 75%), with the remainder allocated to operational and facility optimization to maximize production efficiency. The capital program is concentrated on the Company's primary core areas in southeast Saskatchewan, focused on both conventional and unconventional opportunities, along with the Cardium play in central Alberta.

The Company continues to diligently focus on capital efficiency improvements through the combination of operational improvements and capital cost reductions. TORC's \$180 million 2019 capital budget is based on current capital cost realizations.

TORC continues to focus on maintaining a payout ratio of less than 100% in 2019 providing flexibility to take advantage of opportunities (both organic and acquisition related) as they arise.

## DIVIDEND

TORC's dividend is reviewed regularly with the Board of Directors and is an important component of TORC's overall strategy. TORC paid dividends of \$0.254 per share in 2018 up from \$0.24 in 2017, of which \$0.066 was paid in the fourth quarter of 2018.

During 2018, TORC declared dividends of \$53.1 million of which \$17.0 million was paid under the share dividend program (SDP).

The Board of Directors has confirmed a dividend of \$0.022 per common share will be paid on March 15, 2019 to shareholders of record on February 28, 2019.

## 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 <sup>(1)</sup> 2019E Average: 28,000 boepd

2019E Exit: 28,000 boepd

Total Proved plus Probable Reserves <sup>(2)</sup> Greater than 138 mmboe (~84% light oil & liquids)

Southeast Saskatchewan Light Oil Development Inventory Greater than 400 net undrilled conventional locations

Greater than 150 net undrilled Torquay/Three Forks locations

Greater than 175 net undrilled unconventional Midale locations

Cardium Light Oil Development Inventory Greater than 290 net undrilled locations

Sustainability Assumptions <sup>(3)</sup> Corporate decline ~23%

Current Capital Efficiency ~\$28,000 per boepd (IP 365)

2019 Capital Program \$180 million

Monthly Dividend \$0.022 per share

Net Debt as at Dec 31, 2018 <sup>(4)</sup> \$405 million; \$335 million drawn

Shares Outstanding 217 million (basic)

Tax Pools Approximately \$1.9 billion

Notes:

- (1) ~88% light oil & NGLs
- (2) All reserves information in this press release are gross reserves. The reserve information in the foregoing table is derived from the independent engineering report effective December 31, 2018 prepared by Sproule & Associates Limited ("Sproule") evaluating the oil, NGL and natural gas reserves attributable to all of our properties (the "TORC Reserve Report")
- (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 Measurements"

An updated corporate presentation can be found at [www.torcoil.com](http://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; 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; 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](http://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 Measurements

This document includes non-GAAP measures commonly used in the oil and natural gas industry. These non-GAAP measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS", or alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. For details, descriptions and reconciliations of these non-GAAP measures, see the Company's Management's Discussion and Analysis ("MD&A") for the three months and year ended December 31, 2018.

"Adjusted funds flow, including transaction related costs" represents cash flow from operating activities prior to changes in non-cash operating working capital and settlement of decommissioning obligations. "Adjusted funds flow, excluding transaction related costs" represents cash flow from operating activities prior to changes in non-cash operating working capital, settlement of decommissioning obligations and transaction related costs. Management considers these measures to be useful as they assist in the determination of the Company's ability to generate liquidity necessary to finance capital expenditures, settlement of decommissioning obligations and funding of its dividend. Transaction related costs are incurred during asset and/or corporate acquisitions and are typically not considered a cost incurred in the normal course of business. As a result, excluding transaction related costs from adjusted funds flow further assists in the determination of the Company's ability to generate liquidity in the normal course of business.

"Net debt" is calculated as current assets (excluding financial derivative assets) less: i) current liabilities (excluding financial derivative liabilities) and ii) bank debt. Management considers this measure to be useful in determining the Company's leverage.

"Operating netback" represents revenue and realized gain or loss on financial derivatives, less royalties, operating expenses and transportation expenses and has been presented on a per Boe basis. Management believes that in addition to net income, operating netback is a useful measure as it assists in the determination of the Company's operating performance and profitability.

"Exploration and development expenditures" represents expenditures on property, plant and equipment

("PP&E") excluding: acquisitions, non-cash PP&E additions and capitalized general and administrative expenses. See Capital Expenditures in the MD&A for further details.

"Property acquisitions, net of dispositions" represents additions to PP&E related to the Company's asset and/or corporate acquisition and disposition activity.

"Free cash flow" represents adjusted funds flow, excluding transaction related costs, less i) exploration and development expenditures", and ii) cash dividends paid. Management considers this measure to be useful in determining its ability to finance capital expenditures and fund its dividend.

"Payout ratio" represents cash dividends paid, plus exploration and development expenditures, divided by adjusted funds flow, excluding transaction related costs. The Company considers this to be a key measure of sustainability.

## Oil and Gas Disclosures

Our oil and gas reserves statement for the year ended December 31, 2018, which will include complete disclosure of our oil and gas reserves and other oil and gas information in accordance with NI 51-101, will be contained within our AIF which will be available on our SEDAR profile at [www.sedar.com](http://www.sedar.com). The recovery and reserve estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered.

This press release contains metrics commonly used in the oil and natural gas industry, such as "recycle ratio", "finding and development costs" or "F&D", "finding, development and acquisition costs" or "FD&A", "reserve replacement ratio", "reserve life index", "operating netbacks", "reserves replacement", "net asset value" and "reserve life index". These terms do not have standardized meanings or standardized methods of calculation and therefore may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Such metrics have been included herein to provide readers with additional information to evaluate the Company's performance, however such metrics should not be unduly relied upon.

Both F&D and FD&A costs take into account reserves revisions during the year on a per boe basis. The aggregate of the costs incurred in the financial year and changes during that year in estimated F&D may not reflect total F&D related to reserves additions for that year. Finding and development costs both including and excluding acquisitions and dispositions have been presented in this press release because acquisitions and dispositions can have a significant impact on our ongoing reserves replacement costs and excluding these amounts could result in an inaccurate portrayal of our cost structure.

Management uses oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare TORC's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

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, 2018 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates prepared by a qualified reserves evaluator 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 1015 net drilling locations identified herein, 347 are proved locations, 137 are probable locations and 531 are unbooked locations. Of the 400 net conventional drilling

locations identified herein, 160 are proved locations, 59 are probable locations and 181 are unbooked locations. Of the 150 net Torquay/Three Forks drilling locations identified herein, 41 are proved locations, 25 are probable locations and 84 are unbooked locations. Of the 175 net unconventional Midale drilling locations identified herein, 78 are proved locations, 17 are probable locations and 80 are unbooked locations. Of the 290 net Cardium drilling locations identified herein, 62 are proved locations, 35 are probable locations and 193 are unbooked locations. 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.

SOURCE TORC Oil & Gas Ltd.

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