

Delphi Energy Corp. Reports First Quarter 2019 Results

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CALGARY, May 07, 2019 - [Delphi Energy Corp.](#) ("Delphi" or the "Company") is pleased to announce its financial and operational results for the quarter ended March 31, 2019 and to provide an operations update.

FIRST QUARTER 2019 HIGHLIGHTS

- Successfully concluded drilling operations on the Company's first four-well Montney pad by drilling the last well (0.65 net) on the pad, and completed fracturing operations, with the wells now being brought on production;
- Average production in the quarter of 8,759 barrels of oil equivalent per day ("boe/d") was down eight percent from the 9,515 boe/d in the comparative quarter of 2018. The liquids yield has remained consistent at 116 barrels per million cubic feet ("bbls/mmcft");
- Realized a natural gas price of \$3.60 per thousand cubic feet ("mcf"), before risk management and marketing income, compared to the AECO daily benchmark average of \$2.60 per mcf for the same period;
- Realized a field condensate price of \$74.01 per barrel, a 20 percent increase over the comparative quarter of 2018 and a 192 percent over the fourth quarter of 2018, largely as a result of a significant hedge position and improved differentials;
- Operating expenses on a per barrel of oil equivalent ("boe") decreased five percent to \$8.96;
- Transportation expenses per boe decreased 26 percent over the comparative quarter in 2018 as a greater portion of the Company's natural gas was shipped on the less costly NGTL system; and
- Improved the operating netback per boe by 23 percent to \$22.85 per boe over the comparative period, primarily due to reductions in royalties, operating and transportation expenses and realized gains on the Company's risk management contracts.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31		
	2019	2018	% Change
Financial			
(\$ thousands, except per share)			
Crude oil and natural gas revenues	26,353	32,675	(19)
Net earnings loss	(18,507)	(4,466)	314
Per share – basic and diluted	(0.10)	(0.02)	400
Cash flow from operating activities	9,222	27,106	(66)
Per share – basic and diluted ⁽¹⁾	0.05	0.15	(66)
Adjusted funds flow ⁽¹⁾	12,351	11,428	8
Per share – basic and diluted ⁽¹⁾	0.07	0.06	17
Net debt ⁽¹⁾	196,031	166,436	18
Capital expenditures, net of dispositions	22,478	41,165	(45)
Weighted average shares (000s)			
Basic and diluted	185,547	185,547	-
Operating			
(boe conversion – 6:1 basis)			
Production:			
Field condensate (bbls/d)	2,323	2,472	(6)
Natural gas liquids (bbls/d)	1,265	1,418	(11)

Natural gas (mcf/d)	31,024	33,747	(8	)
Total (boe/d)	8,759	9,515	(8	)
Average realized sales prices, before financial instruments				
Field condensate (\$/bbl)	58.08	69.97	(17	)
Natural gas liquids (\$/bbl)	35.81	43.93	(18	)
Natural gas (\$/mcf)	3.60	3.74	(4	)
Netbacks (\$/boe)				
Crude oil and natural gas revenues	33.43	38.16	(12	)
Marketing income ⁽¹⁾	1.61	1.25	29	
Realized gain (loss) on financial instruments	2.68	(2.87	) -	
Revenue, after realized financial instruments	37.72	36.54	3	
Royalties	(1.88	) (3.05	) (38	)
Operating expense	(8.96	) (9.48	) (5	)
Transportation expense	(4.03	) (5.46	) (26	)
Operating netback ⁽¹⁾	22.85	18.55	23	
General and administrative expenses	(2.09	) (1.69	) 24	
Finance charges	(4.89	) (3.32	) 47	
Settlement of unutilized take-or-pay contract	(0.21	) (0.19	) 11	
Cash netback ⁽¹⁾	15.66	13.35	17	

1. Refer to non–GAAP measures

MESSAGE TO SHAREHOLDERS

Now is the most pivotal time for Delphi and the development of its 148 section Bigstone Montney property, where 61 wells have been drilled over the past seven years. Delphi is currently in the process of bringing on production its first four-well pad in West Bigstone. The drilling and completion operations were successfully concluded on budget in the first quarter. Facility upgrades at the 1-3 West Bigstone battery were completed to handle the increased condensate volumes and a 14 kilometre dedicated pipeline was built back to the 7-11 facility in East Bigstone. In addition to the 4,400 barrels per day (“bbls/d”) of condensate handling capacity at the East Bigstone 7-11 facility, the upgrades at the West Bigstone 1-3 battery add approximately 3,000 bbls/d of condensate handling capacity.

Over the past week, the Company has brought three of the four wells on production at restricted rates as the West Bigstone 1-3 facility is currently running near its condensate and water handling capacity limits. The fourth well is expected to commence production this week. The initial assessment is positive, with early time performance similar to the offsetting wells drilled in 2018. With only short 3-day clean-up flow periods after the fracture stimulations were completed, it is expected the wells will continue to produce material volumes of frac water and clean-up over the next 30 to 60 days. The Company looks forward to communicating meaningful production information from the four wells as the initial flush volumes of frac water and condensate stabilize.

Beyond delivering superior well results at West Bigstone, the Company is focused on further capital and operating efficiencies on future multi-pad drilling operations, increasing revenues from condensate, and continuing efforts to lower operating and general administrative costs. Given the operational success of the drilling and completion operations on this four-well pad, Delphi has identified significant potential cost savings on its future multi-well pad operations. With increasing condensate yields and lower sour content of the natural gas volumes, operating costs are expected to continue to trend downward. The Company continues to evaluate its various natural gas processing options to further reduce costs, including the addition of a second amine plant at the East Bigstone 7-11 facility.

The impact of the Company’s condensate growth, product marketing advantages, cost reductions and hedging strategy continue to demonstrate a strong cash generating business model in a volatile commodity price environment. Adjusted funds flow in the first quarter increased eight percent along with a 17 percent increase in the cash netback despite revenue decreasing 19 percent on lower production volumes and lower realized pricing relative to the comparative quarter in 2018.

The Company expects its condensate production to continue to grow disproportionately to its natural gas production over the next three to five years. Delphi has benefited from a significant long position on its Alliance natural gas transportation service to Chicago over the past three years, and views a lower corporate natural gas production growth profile as a potential opportunity to pursue a longer term assignment or monetization strategy for its excess service rather than the current short term marketing income generating strategy employed over the last couple of years.

Delphi also remains focused on its controllable costs. The size of the board of directors has been proposed to be reduced to six directors from eight at the upcoming annual general meeting on May 14, 2019. Also the Company has reduced its employee salary costs, beginning May 1, 2019, by 15 percent or approximately \$700,000 annually by suspending its employee share purchase plan.

Drilling plans for the second half of 2019 will be funded with cash flow from operations and will be dependent on both commodity prices and the results of the four-well pad currently being brought on production. In this commodity price and capital markets environment, the Company is focused on delivering a cash flow growth model primarily through increased condensate yields on a stable overall production base, while reducing bank debt utilizing free cash flow generated in excess of its capital program. Drilling plans and guidance for the second half 2019 is not anticipated to be released until the summer when performance of the four well pad is better understood. With the pad wells on production earlier than planned, the Company will be reviewing its second quarter 2019 forecast of 9,000 to 9,500 boe per day over the next few weeks.

Delphi remains well positioned with a high quality resource base supported by a significant infrastructure footprint and a large drilling inventory, a strategic “long Alliance Chicago” natural gas marketing strategy, and a strong commodity hedge position. The Company looks forward to providing an update at its annual general meeting on May 14, 2019.

OPERATING AND FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDED MARCH 31, 2019

Delphi completed a \$22.5 million capital program which included the drilling of one (0.65 net) horizontal Montney well and the completing of four (2.60 net) wells on the four-well pad that had been commenced in the fourth quarter of 2018 and various facility expansion and pipeline construction required for production of the four-well pad.

Production averaged 8,759 boe/d, an 8 percent decrease from the comparative quarter in 2018. The decline in production is a result of no new wells coming on-stream since December 2018 as a result of the shift to multi-well pad drilling operations. Also, the shut-in of production during completion operations on the four-well pad lowered average production in the quarter by approximately 450 boe/d. Delphi’s production portfolio was weighted 27 percent to field condensate, 14 percent to natural gas liquids and 59 percent to natural gas.

Crude oil and natural gas revenue was \$26.4 million, a decrease of 19 percent from the comparative quarter in 2018 due to lower production and lower realized prices before hedging for field condensate, NGL and natural gas. Field condensate contributed 46 percent of crude oil and natural gas revenue while natural gas and NGL contributed 38 and 15 percent respectively.

Operating expense was \$8.96 per boe, a reduction of five percent from the comparative quarter in 2018 despite lower production principally due to commissioning of the amine sweetening facility which decreased natural gas processing costs per boe and the expansion of the Company’s water disposal facility which decreased water trucking and disposal fees. Transportation expense was \$4.03 per boe, a reduction of 26 percent from the comparative quarter principally due to commissioning of the amine sweetening facility which resulted in a shift of some of Delphi’s natural gas from the Alliance pipeline system to the lower cost NGTL system.

The operating netback before hedging was \$20.17 per boe, a decrease of six percent from the comparative quarter in 2018 due to lower realized prices despite higher marketing income and lower royalties, operating expense and transportation expense.

The cash netback was \$15.66 per boe, an increase of 17 percent over the comparative quarter in 2018

principally due to a hedging gain of \$2.68 versus a loss of \$2.87 in the comparative quarter despite higher general and administrative expenses and finance charges on a per boe basis.

Annual adjusted funds flow increased eight percent from the comparative quarter in 2018 to \$12.4 million, equivalent to \$0.07 per basic and diluted share.

Bank debt at the end of the first quarter was \$75.6 million and outstanding letters of credit were \$7.4 million, leaving \$22.0 million available to be drawn on the senior credit facility. Net debt at the end of the quarter was \$196.0 million.

NATURAL GAS MARKETING

Natural gas accounted for 38 percent of crude oil and natural gas revenues in the quarter.

Delphi sells natural gas in the Chicago and AECO markets. The Company sold approximately 90 percent of its natural gas in the Chicago market prior to commissioning the amine sweetening plant in May 2018. As a result of commissioning the plant, approximately 56 percent of natural gas sales in the quarter were in the Chicago market. Delphi expects the proportion of gas sold in Chicago will remain at about 60 percent until the Alliance lateral pipeline at the Bigstone sweet natural gas plant is reactivated, at which time it will return to approximately 90 percent.

Delphi has approximately 45.8 mmcf/d of firm service and 11.4 mmcf/d of priority interruptible service on the Alliance pipeline system and about 22 mmcf/d of firm service on NGTL. Delphi generates marketing income from its excess firm service on Alliance through temporary assignment to other shippers at a premium over cost or through the purchase of natural gas in Alberta or British Columbia for sale in Chicago.

With the benefit of its attractive natural gas marketing arrangements and marketing income equivalent to \$0.46 per mcf, Delphi realized an average natural gas price including risk management and marketing income of \$3.47 per mcf compared to an average Chicago City Gate monthly price equivalent to \$4.43 per mcf and an average AECO daily price of \$2.60 per mcf.

HEDGING

Delphi's realized prices for condensate and NGL in 2019 are well protected by WTI crude oil swap contracts for an average volume of 2,950 bbl/d at an average price of \$85.97 per bbl and Conway propane swap contracts for an average volume of 400 bbl/d at an average price of \$44.24 per bbl. The Company's realized price for natural gas in 2019 is protected by NYMEX HH natural gas swap contracts for an average volume of 17,479 million British thermal units per day ("mmbtu/d") at an average price of \$3.78 per million British thermal units ("mmbtu") and Chicago – NYMEX natural gas basis swap contracts for an average volume of 19,000 mmbtu/d at an average basis discount of \$0.31 per mmbtu, resulting in an average swap price of \$3.48 per mmbtu in Chicago.

Hedging contracts in place for 2019 protect the realized price for approximately 85 percent of Chicago natural gas sales and approximately 85 percent of field condensate and NGL sales combined, based on production in the fourth quarter of 2018.

Commodity Hedges	1H 2019	2H 2019	1H 2020	2H 2020
Natural gas (mmcf/d)	20.0	15.0	8.8	2.5
Average hedge price (C\$/mcf) ⁽²⁾	\$ 3.50	\$ 3.44	\$ 3.38	\$ 3.29
% of natural gas production hedged ⁽³⁾	60 %	45 %	27 %	8 %
Crude oil (bbl/d)	3,000	2,900	2,000	1,500
Average hedge price (C\$/bbl)	\$ 85.30	\$ 86.65	\$ 83.31	\$ 83.12
Propane (bbl/d)	400	400	100	100
Average hedge price (C\$/bbl)	\$ 44.16	\$ 44.16	\$ 42.69	\$ 42.69

% of condensate & NGL production hedged⁽³⁾ 87 % 84 % 53 % 41 %

(1) Assumes an FX of 1.32 CAD per USD.

(2) Includes the impact of NYMEX HH natural gas – Chicago basis hedges.

(3) Based on Q4 production of 33.1 mmcf/d of natural gas production, 530 bbl/d of propane production and 3,400 bbl/d of condensate and other NGL production.

OPERATIONS UPDATE

Delphi has successfully finished completion operations on the four-well pad at West Bigstone with a surface location of 13-34-59-24W5 (“13-34”). The four wells were drilled in the fourth quarter of 2018 and the first quarter of 2019 with an average horizontal length in Montney of 2,850 metres. The 13-34 pad offset the Company’s western-most wells drilled at West Bigstone at 16-10-60-24W5 and 15-10-60-24W5 (“16-10” and “15-10”). The 16-10 and 15-10 wells have been on production for 313 days and 110 days respectively and have produced 914 and 332 million cubic feet of natural gas and 109,000 and 49,000 barrels of field condensate since coming on production.

The two eastern-most wells on the 13-34 pad were completed with a hybrid completion consisting of 50 fracs pumped using a ball-drop liner, and 30 individual fracs placed using plug and perf for a total of 80 discrete fracs. This is a similar design used at 16-10 and 15-10 where 65 fracs were placed. On the two western-most wells on the pad, extreme limited entry frac technique was used consisting of 40 stages with five clusters per stage for a total of 200 clusters or fracture initiations.

The 13-34 pad has been tied-in to the 7-11 facility at East Bigstone with a designated 14 kilometre pipeline to eliminate increased line-pack issues on legacy production. The first three wells have recently commenced production with the fourth well expected to be brought on this week. A pipeline connecting the 7-11 facility to a third party water disposal well and facility has been commissioned with the shipment of produced water commencing on April 29, 2019. This pipeline and third party facility will eliminate the need to truck produced water from the 7-11 facility and is expected to reduce disposal costs on the water by approximately 35 percent. At current produced water volumes, anticipated operating cost reductions would exceed \$0.7 million net annually.

The amine facility commissioned in May 2018 continues to provide the Company with a significant reduction in operating costs as well as further natural gas processing egress options. By sweetening the Montney natural gas in-field through the amine facility and then sending the gas to the underutilized Bigstone natural gas plant (25% Delphi working interest) for final processing, operating costs on that production stream has been reduced by approximately \$0.95/mcf. Delphi’s Montney natural gas is processed at four different gas plants in the area and the Company continues to evaluate its gas processing options for opportunities to further reduce operating costs. The currently suspended Alliance lateral to the Bigstone natural gas plant is expected to be brought back into service in mid-2020.

2018 Bigstone West Wells - Initial Production (IP) Rate Well Performance⁽¹⁾

Well	Number of fracs	IP30		IP90		IP180	
		Total Sales (boe/d)	FCond to Gas Yield (bbl/mmcf)	Total Sales (boe/d)	FCond to Gas Yield (bbl/mmcf)	Total Sales (boe/d)	FCond to Gas Yield (bbl/mmcf)
15-19	49	1,828	228	1,300	183	974	
16-07 ⁽²⁾	28	607	319	565	208	457	
16-10	64	1,441	317	1,234	181	1,035	
16-19 ⁽²⁾	34	953	245	722	188	569	
02/16-31	49	1,095	340	800	304		
02/15-19	50	998	245	754	199		
15-10	64	1,294	245	1,100	153		
03/16-31	64	1,173	394				

1. Average production calculated on operating days, excludes non-producing days. Includes estimated NGL gas plant recoveries.

2. Liner failure during completion. Not all planned stages were placed.

3. All production numbers represent sales volumes.

The table above shows the results of the West Bigstone wells drilled in 2018. Field condensate production rates are correlating closely to the increased number of stages or fracture initiations, while natural gas production rates have been more variable, creating greater variation in total well production rates on a boe per day basis. The increased condensate recoveries at West Bigstone are having a much larger impact to returns on capital invested than the impact of lower and more variable natural gas production rates. Corporate production forecasts will be re-calibrated to this variability in natural gas production rates as more production history is realized. The high operating netbacks being realized from these more condensate rich wells will continue to drive cash flow and reserve value growth.

On behalf of the Board of Directors and all the employees of Delphi, we would like to thank our shareholders for their continued support.

CONFERENCE CALL AND WEBCAST

A conference call and webcast to review first quarter 2019 results is scheduled for 9:00 a.m. Mountain Time (11:00 a.m. Eastern Time) on Wednesday, May 8, 2019. The conference call number is 1-844-358-8760. A brief presentation by David J. Reid, President and CEO, and Mark Behrman, CFO, will be followed by a question and answer period. The conference call will also be broadcast live on the Internet and may be accessed through www.delphienergy.ca or by entering <https://edge.media-server.com/m6/p/7rhyy8rz> in your web browser.

A recorded rebroadcast will be archived and made available on the Company's website at www.delphienergy.ca or by entering <https://edge.media-server.com/m6/p/7rhyy8rz> in your web browser. Delphi's first quarter 2019 financial statements and management's discussion and analysis are available on the Company's website at www.delphienergy.ca and SEDAR at www.SEDAR.com.

About Delphi Energy Corp.

[Delphi Energy Corp.](#) is an industry-leading producer of liquids-rich natural gas. The Company has achieved top decile results through the development of our high quality Montney property, uniquely positioned in the Deep Basin of Bigstone, in northwest Alberta. Delphi continues to outperform key industry players by improving operational efficiencies and growing our dominant Bigstone land position in this world-class play. Delphi is headquartered in Calgary, Alberta and trades on the Toronto Stock Exchange under the symbol DEE.

FOR FURTHER INFORMATION PLEASE CONTACT:

DELPHI ENERGY CORP.
2300 - 333 – 7th Avenue S.W.
Calgary, Alberta
T2P 2Z1
Telephone: (403) 265-6171 Facsimile: (403) 265-6207
Email: info@delphienergy.ca Website: www.delphienergy.ca

DAVID J. REID
President & CEO

MARK D. BEHRMAN
Chief Financial Officer

Forward-Looking Statements. This news release contains forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws. These statements relate to future events or the Company's future performance and are based upon the Company's internal assumptions and expectations. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intends", "forecast", "plans", "guidance", "budget" and similar expressions.

More particularly and without limitation, this release contains forward-looking statements and information

relating to petroleum and natural gas production estimates and weighting, projected crude oil and natural gas prices, future exchange rates, expectations as to royalty rates, expectations as to transportation and operating costs, expectations as to general and administrative costs and interest expense, expectations as to capital expenditures and net debt, planned capital spending, future liquidity and Delphi's ability to fund ongoing capital requirements through operating cash flows and its credit facilities, supply and demand fundamentals for oil and gas commodities, timing and success of development and exploitation activities, cash availability for the financing of capital expenditures, access to third-party infrastructure, treatment under governmental regulatory regimes and tax laws and future environmental regulations.

Furthermore, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitable in the future.

The forward-looking statements and information contained in this release are based on certain key expectations and assumptions made by Delphi. The following are certain material assumptions on which the forward-looking statements and information contained in this release are based: the stability of the global and national economic environment, the stability of and commercial acceptability of tax, royalty and regulatory regimes applicable to Delphi, exploitation and development activities being consistent with management's expectations, production levels of Delphi being consistent with management's expectations, the absence of significant project delays, the stability of oil and gas prices, the absence of significant fluctuations in foreign exchange rates and interest rates, the stability of costs of oil and gas development and production in Western Canada, including operating costs, the timing and size of development plans and capital expenditures, availability of third party infrastructure for transportation, processing or marketing of oil and natural gas volumes, prices and availability of oilfield services and equipment being consistent with management's expectations, the availability of, and competition for, among other things, pipeline capacity, skilled personnel and drilling and related services and equipment, results of development and exploitation activities that are consistent with management's expectations, weather affecting Delphi's ability to develop and produce as expected, contracted parties providing goods and services on the agreed timeframes, Delphi's ability to manage environmental risks and hazards and the cost of complying with environmental regulations, the accuracy of operating cost estimates, the accurate estimation of oil and gas reserves, future exploitation, development and production results and Delphi's ability to market oil and natural gas successfully to current and new customers. Additionally, estimates as to expected average annual production rates assume that no unexpected outages occur in the infrastructure that the Company relies on to produce its wells, that existing wells continue to meet production expectations and any future wells scheduled to come on in the coming year meet timing and production expectations.

Commodity prices used in the determination of forecast revenues are based upon general economic conditions, commodity supply and demand forecasts and publicly available price forecasts. The Company continually monitors its forecast assumptions to ensure the stakeholders are informed of material variances from previously communicated expectations.

Financial outlook information contained in this release about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this release should not be used for purposes other than for which it is disclosed.

Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent known and unknown risks and uncertainties. Delphi's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Delphi will derive therefrom. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing

and transportation, environmental risks, competition from others for scarce resources, the ability to access sufficient capital from internal and external sources, changes in governmental regulation of the oil and gas industry and changes in tax, royalty and environmental legislation. Additional information on these and other factors that could affect the Company's operations or financial results are included in the Company's most recent Annual Information Form and other reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Readers are cautioned that the foregoing list of factors is not exhaustive. Furthermore, the forward-looking statements contained in this release are made as of the date of this release for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Delphi undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained in this release are expressly qualified in their entirety by this cautionary statement.

Basis of Presentation. For the purpose of reporting production information, reserves and calculating unit prices and costs, natural gas volumes have been converted to a barrel of oil equivalent (boe) using six thousand cubic feet equal to one barrel. 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 the Canadian Securities Administrators' National Instrument 51-101 when boes are disclosed. Boes may be misleading, particularly if used in isolation.

As per CSA Staff Notice 51-327 initial test results and initial production performance should be considered preliminary data and such data is not necessarily indicative of long-term performance or of ultimate recovery. "IP" is an abbreviation for "Initial Production" and represents average production rates over the indicated time period in producing days.

Non-GAAP Measures. The release contains the terms "adjusted funds flow", "adjusted funds flow per share", "net debt", "net debt to adjusted funds flow ratio", "marketing income", "operating netbacks", "cash netbacks", and "netbacks" which are not recognized measures under GAAP. The Company uses these measures to help evaluate its performance. Management considers netbacks an important measure as it demonstrates its profitability relative to current commodity prices and costs of production. Management uses adjusted funds flow to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments, abandonment obligations and to repay debt. Adjusted funds flow is a non-GAAP measure and has been defined by the Company as cash flow from operating activities before decommissioning expenditures and changes in non-cash working capital from operating activities. The Company also presents adjusted funds flow per share whereby amounts per share are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. Delphi's determination of adjusted funds flow may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. The Company has defined net debt as the sum of bank debt, senior secured notes and the long term portion of unutilized take-or-pay contract and leases plus/minus working capital deficit/surplus excluding the current portion of the fair value of financial instruments. Net debt is used by management to monitor remaining availability under its credit facilities. Marketing income is defined as the margin earned on the sale of purchased third party natural gas volumes and premiums received on the assignment of a portion of committed capacity on the Alliance pipeline system to a third party. Management considers marketing income important measures of the Company's ability to mitigate the cost of excess committed capacity. Operating netbacks have been defined as revenue plus marketing income less royalties, transportation and operating costs. Cash netbacks have been defined as operating netbacks less interest on bank debt and senior secured notes, finance charges associated with lease obligations, general and administrative costs and cash costs related to the Company's restricted share units. Netbacks are generally discussed and presented on a per boe basis.

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