Birchcliff Energy Ltd. Announces Q1 2019 Results and Provides an Operational Update

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CALGARY, May 15, 2019 - Birchcliff Energy Ltd. (“Birchcliff” or the “Corporation”) (TSX: BIR) is pleased to announce its financial and operational results for the three months ended March 31, 2019. Birchcliff’s unaudited interim condensed financial statements for the three months ended March 31, 2019 and related management’s discussion and analysis (the “MD&A”) will be available on its website at www.birchcliffenergy.com and on SEDAR at www.sedar.com. Birchcliff is also pleased to provide an operational update.

“Birchcliff delivered excellent first quarter results, with quarterly average production of 74,844 boe/d and adjusted funds flow of $116.6 million. This is the highest quarterly adjusted funds flow we have recorded since our inception, driven by our significant market diversification initiatives and strong commodity prices, as well as by our near record low operating costs and stable, low-decline production base,” commented Jeff Tonken, President and Chief Executive Officer of Birchcliff. “We have had strong condensate rates from our wells in Pouce Coupe and strong oil rates from our wells in Gordondale. We recently extended the maturity dates of our credit facilities to May 11, 2022 and increased our borrowing base to $1.0 billion from $950.0 million, which is a testament to the strength of our business. Our disciplined 2019 capital program is on time and on budget and as a result, we are re-affirming our corporate guidance for 2019.”

Q1 2019 Highlights

- Production averaged 74,884 boe/d (6% light oil, 6% condensate, 9% NGLs and 79% natural gas), a 2% decrease from Q1 2018. Liquids production weighting increased by 24% from Q1 2018.
- Adjusted funds flow of $116.6 million, or $0.44 per basic common share, a 39% increase and a 42% increase, respectively, from Q1 2018.
- Net income to common shareholders of $15.8 million, or $0.06 per basic common share, a 12% increase and a 20% increase, respectively, from Q1 2018. Included in net income is an after-tax unrealized mark-to-market loss on financial instruments of $28.4 million, or $0.11 per basic common share.
- Operating expense of $3.40/boe, a 10% decrease from Q1 2018.
- Operating netback of $17.23/boe, a 19% increase from Q1 2018.
- Birchcliff completed the acquisition of 18 gross (15.1 net) contiguous sections of Montney land located between its existing Pouce Coupe and Gordondale properties, as well as various other non-Montney lands and other assets, for total cash consideration of approximately $39 million (the “Acquisition”). Birchcliff commenced the drilling of a six-well pad on the acquired lands in Q1 2019 and expects that the wells will be completed and brought on production during Q3 2019.
- Birchcliff drilled 13 (13.0 net) wells and brought 12 (12.0 net) wells on production.
- F&D capital expenditures of $91.5 million, which were approximately $25.1 million (22%) less than Birchcliff’s Q1 2019 adjusted funds flow. Total capital expenditures of $132.0 million, which includes the $39 million Acquisition.
- As at March 31, 2019, Birchcliff’s long-term bank debt was $611.9 million and its total debt was $649.2 million, a 7% increase and a 1% decrease, respectively, from its long-term and total debt as at March 31, 2018.
- Birchcliff’s average realized natural gas sales price was $3.55/Mcf, a 35% premium to the average AECO benchmark price of $2.63/Mcf in Q1 2019.
- Birchcliff’s average realized natural gas sales netback for the Dawn and Alliance markets was $3.53/Mcf, a 61% premium to its realized AECO natural gas sales netback of $2.19/Mcf in Q1 2019.

This press release contains forward-looking statements within the meaning of applicable securities laws. For further information regarding the forward-looking statements contained herein, please see “Advisories – Forward-Looking Statements”. In addition, this press release contains references to “adjusted funds flow”, “adjusted funds flow per common share”, “free funds flow”, “operating netback”, “adjusted funds flow netback”, *“total cash costs”, “adjusted working capital deficit” and “total debt”, which do not have standardized meanings prescribed by GAAP. For further information regarding these non-GAAP measures, including reconciliations to the most directly comparable GAAP measure where applicable, please see “Non-GAAP Measures”.*

Q1 2019 FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31, 2019	Three months ended March 31, 2018[4]
OPERATING		
Average production		
Light oil – *(bbls/d)*	4,800	4,136
Condensate – *(bbls/d)*[1]	4,416	3,681
NGLs – *(bbls/d)*[1]	6,743	5,594
Natural gas – *(Mcf/d)*	353,548	377,473
Total – boe/d	74,884	76,323
Average sales price *(CDN$)*[2]		
Light oil – *(per bbl)*	66.08	71.92
Condensate – *(per bbl)*[1]	65.45	83.00
NGLs – *(per bbl)*[1]	17.71	25.12
Natural gas – *(per Mcf)*	3.55	2.72
Total – per boe	26.45	23.22
NETBACK AND COST *($/boe)*		
Petroleum and natural gas revenue[2]	26.46	23.22
Royalty expense	(1.22)	(1.43)
Operating expense	(3.40)	(3.78)
Transportation and other expense	(4.61)	(3.56)
Operating netback *($/boe)*	17.23	14.45
General & administrative expense, net	(0.90)	(0.88)
Interest expense	(1.03)	(0.97)
Realized gain (loss) on financial instruments	1.98	(0.45)
Other income	0.03	0.03
Adjusted funds flow netback *($/boe)*	17.31	12.18
Other compensation expense, net	(0.11)	(0.12)
Depletion and depreciation expense	(7.55)	(7.41)
Accretion expense	(0.16)	(0.12)
Amortization of deferred financing fees	(0.06)	(0.06)
Unrealized loss on financial instruments	(5.77)	(1.22)
Dividends on Series C preferred shares	(0.13)	(0.13)
Income tax expense	(1.03)	(0.92)
Net income *($/boe)*	2.50	2.20
Dividends on Series A preferred shares	(0.16)	(0.15)
Net income to common shareholders *($/boe)*	2.34	2.05
FINANCIAL		
Petroleum and natural gas revenue *($000s)*[2]	178,355	159,531
Cash flow from operating activities *($000s)*	94,744	91,853
Adjusted funds flow *($000s)*	116,648	83,658
Per common share – basic *($)*	0.44	0.31
Per common share – diluted *($)*	0.44	0.31
Net income *($000s)*	16,846	15,125
Net income to common shareholders *($000s)*	15,799	14,078
Per common share – basic *($)*	0.06	0.05
Per common share – diluted *($)*	0.06	0.05

Common shares outstanding *(000s)*		
End of period – basic	265,924	265,805
End of period – diluted	287,480	285,692
Weighted average common shares for period – basic	265,914	265,797
Weighted average common shares for period – diluted	266,382	266,179
Dividends on common shares *($000s)*	6,980	6,645
Dividends on Series A preferred shares *($000s)*	1,047	1,047
Dividends on Series C preferred shares *($000s)*	875	875
Total capital expenditures *($000s)*(3)	131,958	133,144
Long-term debt *($000s)*	611,911	573,935
Adjusted working capital deficit *($000s)*	37,291	83,797
Total debt *($000s)*	649,202	657,732

(1) Beginning in Q1 2019, Birchcliff began presenting condensate and NGLs separately. Prior period sales and volumes have been adjusted to conform to this current period presentation.
(2) Excludes the effects of hedges using financial instruments but includes the effects of fixed price physical delivery contracts.
(3) Please see *“Advisories – Capital Expenditures”*. Total capital expenditures for the three months ended March 31, 2019 include the $39 million Acquisition.
(4) Birchcliff adopted IFRS 16: *Leases* (“IFRS 16”) effective January 1, 2019 using the modified retrospective approach; therefore, 2018 comparative information has not been restated.

Q1 2019 FINANCIAL AND OPERATIONAL RESULTS

FINANCIAL RESULTS

Production

Birchcliff’s production averaged 74,884 boe/d in Q1 2019, a 2% decrease from 76,323 boe/d in Q1 2018. The decrease was primarily attributable to the timing of bringing new production on-stream and natural production declines, partially offset by incremental production from new horizontal oil and natural gas wells brought on production.

Production consisted of approximately 6% light oil, 6% condensate, 9% NGLs and 79% natural gas in Q1 2019, as compared to 5% light oil, 5% condensate, 7% NGLs and 83% natural gas in Q1 2018. Birchcliff’s liquids production weighting increased by 24% from Q1 2018. The change in the commodity production mix was primarily attributable to the addition of condensate-rich natural gas wells in Pouce Coupe and an increase in C3+ recovered from the natural gas stream at the Pouce Coupe Gas Plant, as well as a higher liquids-to-gas production ratio in Gordondale.

Production from Pouce Coupe was 48,253 boe/d (64% of total corporate production), as compared to 49,376 boe/d (65% of total corporate production) in Q1 2018. Production from Gordondale was 26,628 boe/d (36% of total corporate production), as compared to 26,692 boe/d (35% of total corporate production) in Q1 2018.

Adjusted Funds Flow

Birchcliff’s adjusted funds flow for Q1 2019 was $116.6 million, or $0.44 per basic common share, a 39% increase and a 42% increase, respectively, from $83.7 million and $0.31 per basic common share in Q1 2018. The increases were primarily due to higher reported revenues and a realized gain on financial instruments, partially offset by an increase in transportation and other expense as a result of Birchcliff’s increased Dawn and AECO firm service. Revenues received by the Corporation were higher mainly due to an increase in total liquids production from its Pouce Coupe and Gordondale properties and a higher average realized natural gas sales price, partially offset by lower natural gas production and lower average realized liquids pricing. As a result of the adoption of IFRS 16 which became effective January 1, 2019, Birchcliff’s adjusted funds flow increased by approximately $0.5 million in Q1 2019.

Net Income to Common Shareholders

Birchcliff recorded net income to common shareholders of $15.8 million, or $0.06 per basic common share, in Q1 2019, a 12% increase and a 20% increase, respectively, from $14.1 million and $0.05 per basic common share in Q1 2018. The increases were primarily due to higher adjusted funds flow as described above, partially offset by a $38.9 million unrealized mark-to-market loss on financial instruments recorded in Q1 2019 as compared to a $8.4 million unrealized mark-to-market loss on financial instruments in Q1 2018. The unrealized mark-to-market loss on financial instruments on an after-tax basis was $28.4 million, or $0.11 per basic common share. The adoption of IFRS 16 resulted in a negligible impact to reported net income to common shareholders in Q1 2019.

Operating Expense

Birchcliff’s operating expense was $3.40/boe in Q1 2019, a 10% decrease from $3.78/boe in Q1 2018. The decrease was primarily due to a step-down reduction in natural gas processing fees which became effective January 1, 2019 at AltaGas’ deep-cut sour gas processing facility in Gordondale, as well as reduced take-or-pay processing commitments in Pouce Coupe beginning in November 2018 which resulted in natural gas being redirected from third-party facilities to the Pouce Coupe Gas Plant.

Transportation and Other Expense

Birchcliff’s transportation and other expense was $4.61/boe in Q1 2019, a 29% increase from $3.56/boe in Q1 2018. The increase was primarily due to an additional 30,000 GJ/d of firm service transportation to Dawn which became available on November 1, 2018 and unused firm transportation costs associated with Birchcliff’s commitments on the NGTL system.

G&A Expense

Birchcliff’s G&A expense was $0.90/boe in Q1 2019, a 2% increase from $0.88/boe in Q1 2018. The increase was primarily due to lower corporate production, with no significant change to aggregate G&A expense.

Interest Expense

Birchcliff’s interest expense was $1.03/boe in Q1 2019, a 6% increase from $0.97/boe in Q1 2018. The increase was primarily due to lower corporate production, with no significant change to aggregate interest expense.

Total Cash Costs

Birchcliff’s total cash costs were $11.16/boe in Q1 2019, a 5% increase from $10.62/boe in Q1 2018. The increase was primarily due to higher per boe transportation and other expense, partially offset by lower per boe operating and royalty expenses.

Operating Netback

Birchcliff’s operating netback was $17.23/boe in Q1 2019, a 19% increase from $14.45/boe in Q1 2018. The increase was primarily due to a 14% increase in the corporate average realized commodity sales price, partially offset by higher per boe total cash costs as noted above.

Pouce Coupe Gas Plant Netbacks

During Q1 2019, Birchcliff processed approximately 69% of its total corporate natural gas production and

59% of its total corporate production through its 100% owned and operated natural gas processing plant in Pouce Coupe (the “Pouce Coupe Gas Plant”) as compared to 67% and 58%, respectively, during Q1 2018. The following table sets forth Birchcliff’s average daily production and operating netback for wells producing to the Pouce Coupe Gas Plant for the periods indicated:

	Three months ended March 31, 2019		Three months ended March 31, 2018	
Average production:				
Light oil *(bbls/d)*		43		-
Condensate *(bbls/d)*		2,888		2,003
NGLs *(bbls/d)*		532		47
Natural gas *(Mcf/d)*		242,699		253,357
Total *(boe/d)*		43,913		44,276
Liquids-to-gas ratio *(bbls/MMcf)*		14.3		8.1
Netback and cost:	$/Mcfe	$/boe	$/Mcfe	$/boe
Petroleum and natural gas revenue(1)	4.07	24.42	3.18	19.10
Royalty expense	(0.12)	(0.71)	(0.10)	(0.62)
Operating expense(2)	(0.32)	(1.87)	(0.35)	(2.13)
Transportation and other expense	(0.78)	(4.71)	(0.55)	(3.24)
Operating netback	$2.85	$17.13	$2.18	$13.11
Operating margin(3)	70 %	70 %	69 %	69 %

(1) Excludes the effects of hedges using financial instruments but includes the effects of fixed price physical delivery contracts. Please see *“Q1 2019 Financial and Operational Results – Risk Management”.*
(2) Represents plant and field operating expense.
(3) Operating margin is calculated by dividing the operating netback for the period by the petroleum and natural gas revenue for the period.

Birchcliff’s liquids-to-gas ratio increased by 77% to 14.3 bbls/MMcf in Q1 2019 from 8.1 bbls/MMcf in Q1 2018 primarily due to: (i) the re-configuration of Phases V and VI of the Pouce Coupe Gas Plant in Q4 2018 which provided for shallow-cut capability, allowing Birchcliff to extract C3+ from the natural gas stream; and (ii) specifically targeted condensate-rich natural gas wells in Pouce Coupe. The amount of condensate being produced at the Pouce Coupe Gas Plant increased by 44%, to 2,888 bbls/d in Q1 2019 from 2,003 bbls/d in Q1 2018. The increase in the liquids-to-gas ratio in Q1 2019 improved Birchcliff’s average realized sales price and operating netback at the Pouce Coupe Gas Plant.

Debt

At March 31, 2019, Birchcliff had significant liquidity with long-term bank debt of $611.9 million (March 31, 2018: $573.9 million) from available credit facilities of $950.0 million (March 31, 2018: $950.0 million), leaving $317.9 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized interest and fees. Total debt at March 31, 2019 was $649.2 million as compared to $657.7 million at March 31, 2018.

During Q1 2019, Birchcliff’s extendible revolving credit facilities (the “Credit Facilities”) had an aggregate principal amount of $950.0 million and were comprised of an extendible revolving syndicated term credit facility (the “Syndicated Credit Facility”) of $850.0 million and an extendible revolving working capital facility (“Working Capital Facility”) of $100.0 million, each with a maturity date of May 11, 2021. Subsequent to the end of the quarter, Birchcliff’s syndicate of lenders completed its regular semi-annual review of the borrowing base limit under the Credit Facilities. In connection therewith, the agreement governing the Credit Facilities was amended effective May 10, 2019 to: (i) extend the maturity dates of each of the Syndicated Credit Facility and the Working Capital Facility from May 11, 2021 to May 11, 2022; and (ii) increase the borrowing base limit to $1.0 billion from $950.0 million, with the Syndicated Credit Facility being increased to $900.0 million and the Working Capital Facility remaining at $100.0 million. The Credit Facilities do not contain any financial maintenance covenants.

Commodity Prices

The following table sets forth the average benchmark index prices and Birchcliff’s average realized sales prices for the periods indicated:

	Three months ended March 31, 2019	Three months ended March 31, 2018	% Change	
Average benchmark index prices:				
Light oil – WTI Cushing *(US$/bbl)*	54.90	62.87	(13	)
Light oil – WTI Cushing *(CDN$/bbl)*	72.98	79.52	(8	)
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*(1)	66.07	71.86	(8	)
Natural gas – NYMEX HH *(US$/MMBtu)*(2)	3.15	2.84	11	
Natural gas – AECO 5A *(CDN$/GJ)*	2.49	1.97	26	
Natural gas – AECO 7A *(US$/MMBtu)*(2)	1.46	1.48	(1	)
Natural gas – Dawn Day Ahead *(US$/MMBtu)*(2)	2.91	3.01	(3	)
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	2.63	2.42	9	
Exchange rate *(CDN$ to US$1)*	1.3293	1.2649	5	
Exchange rate *(US$ to CDN$1)*	0.7523	0.7906	(5	)
Birchcliff’s average realized sales prices:(3)				
Light oil *(CDN$/bbl)*	66.08	71.92	(8	)
Condensate *(CDN$/bbl)*	65.45	83.00	(21	)
NGLs *(CDN$/bbl)*	17.71	25.12	(29	)
Natural gas *(CDN$/Mcf)*	3.55	2.72	31	
Birchcliff’s average realized sales price *(CDN$/boe)*	26.45	23.22	14	

(1) Previously referred to as the “Edmonton Par price”.
(2) $1.00/MMBtu = $1.00/Mcf based on a standard heat value Mcf. Please see *“Advisories – MMBtu Pricing Conversions”.*
(3) Excludes the effects of hedges using financial instruments but includes the effects of fixed price physical delivery contracts.

Marketing and Natural Gas Market Diversification

Birchcliff continues to be strategic and opportunistic in advancing its market access initiatives. The Corporation actively monitors market conditions and executes a marketing strategy that diversifies its sales portfolio to ensure that production gets to market at optimal pricing, as well as proactively secures takeaway capacity for future development projects and mitigates the impact of third-party infrastructure outages. Birchcliff’s physical natural gas sales exposure currently consists of AECO, Dawn and Alliance markets. In addition, the Corporation has various financial derivative contracts outstanding that provide it with exposure to NYMEX HH pricing. Please see *“Q1 2019 Financial and Operational Results – Risk Management”.*

During Q1 2019, approximately 61% of Birchcliff’s natural gas sales revenues, representing approximately 45% of its total natural gas production, was generated from the Dawn and Alliance markets with an average realized natural gas sales price of $4.76/Mcf, an 87% premium to Birchcliff’s average realized AECO price of $2.55/Mcf in Q1 2019.

The Corporation’s average realized natural gas sales price was $3.55/Mcf, a 35% premium to the average AECO 5A benchmark price of $2.63/Mcf in Q1 2019. Birchcliff’s average realized natural gas sales netback for the Dawn and Alliance markets was $3.53/Mcf, a 61% premium to its realized AECO natural gas sales netback of $2.19/Mcf in Q1 2019.

The following table sets forth Birchcliff’s sales, average daily production and average realized sales price by natural gas market for the periods indicated:

Three months ended March 31, 2019

	Natural gas sales[1] *($000s)*	Percentage of natural gas sales *(%)*	Natural gas production *(Mcf/d)*	Percentage of natural gas production *(%)*	Average realized natural gas sales price[1] *($/Mcf)*	Natural gas transportation costs[2] *($/Mcf)*	Natural gas sales netback[3] *($/Mcf)*
AECO	44,682	39	194,058	55	2.55	0.36	2.19
Dawn[4]	62,861	56	137,978	39	5.06	1.42	3.64
Alliance[5]	5,433	5	21,512	6	2.81	-[5]	2.81
Total	112,976	100	353,548	100	3.55	0.76	2.79

Three months ended March 31, 2018

	Natural gas sales[1] *($000s)*	Percentage of natural gas sales *(%)*	Natural gas production *(Mcf/d)*	Percentage of natural gas production *(%)*	Average realized natural gas sales price[1] *($/Mcf)*	Natural gas transportation costs[2] *($/Mcf)*	Natural gas sales netback[3] *($/Mcf)*
AECO	43,630	47	219,539	58	2.21	0.28	1.93
Dawn[4]	39,626	43	110,183	29	4.00	1.33	2.67
Alliance[5]	9,317	10	47,751	13	2.17	-[5]	2.17
Total	92,573	100	377,473	100	2.72	0.55	2.17

(1) Excludes the effects of hedges using financial instruments.
(2) Reflects costs to transport natural gas from the field receipt point to the delivery sales trading hub.
(3) Natural gas sales netback denotes the average realized natural gas sales price less natural gas transportation costs.
(4) Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL’s Canadian Mainline for a 10-year term, whereby natural gas is transported to the Dawn trading hub in Southern Ontario. The first tranche of this service (120,000 GJ/d) became available on November 1, 2017 and the second tranche (30,000 GJ/d) became available on November 1, 2018, bringing the total to 150,000 GJ/d. The last tranche of service (25,000 GJ/d) will become available on November 1, 2019. During Q1 2019, Birchcliff had in place physical delivery sales contracts at Dawn for 50,000 MMBtu/d at an average contract price of US$5.05/MMBtu. There are no physical delivery sales contracts at Dawn outstanding subsequent to the end of Q1 2019.
(5) Birchcliff has sales agreements with a third party marketer to sell and deliver into the Alliance pipeline system. Alliance sales are recorded net of transportation tolls.

Effectively 88% of the Corporation’s sales revenue, representing 77% of its production, was generated from markets outside of AECO in Q1 2019, after taking into account its liquids sales and long-term financial NYMEX/AECO basis swap position.

The following table details the sales, production and realized pricing after giving effect to Birchcliff’s liquids production and natural gas market diversification initiatives outside of AECO in Q1 2019:

Three months ended March 31, 2019

Markets	Effective sales *($000s)*	Percentage of total sales *(%)*	Effective production *(per day)*	Percentage of total production *(%)*	Effective average realized sales price *($)*
AECO[1]	23,535	12	102,596 Mcf	23	2.55/Mcf
Dawn	62,861	33	137,978 Mcf	31	5.06/Mcf
Alliance	5,433	3	21,512 Mcf	5	2.81/Mcf
NYMEX HH[2][3]	34,465	18	91,462 Mcf	20	4.19/Mcf
Total natural gas	126,294	66	353,548 Mcf	79	3.97/Mcf
Light oil	28,547	15	4,800 bbls	6	66.08/bbl
Condensate	26,013	13	4,416 bbls	6	65.45/bbl
NGLs	10,750	6	6,743 bbls	9	17.71/bbl
Total liquids	65,310	34	15,959 bbls	21	45.47/bbl
Total	191,604	100	74,884 boe	100	28.43/boe

(1) A portion of AECO 5A sales and production that effectively received NYMEX HH pricing under Birchcliff’s long-term physical and financial NYMEX/AECO 7A basis swap contracts has been disclosed as effective sales and production in NYMEX HH markets. Any sales pricing variance between the

average AECO 5A and AECO 7A benchmark price during the period has also been included as effective sales in NYMEX HH markets.
(2) Birchcliff sold AECO 7A basis swaps for 100,000 MMBtu/d at an average contract price of NYMEX less US$1.28/MMBtu during Q1 2019.
(3) Birchcliff bought AECO 7A basis swaps for 50,000 MMBtu/d at an average contract price of NYMEX less US$3.16/MMBtu during Q1 2019.

For information regarding Birchcliff’s natural gas market exposure during 2019, please see *“C*

Risk Management

Birchcliff maintains an ongoing hedging program and engages in various risk management activities to reduce its exposure to volatility in commodity prices. In connection therewith, Birchcliff utilizes various financial derivative and physical delivery sales contracts, including NYMEX/AECO basis swaps which fix the basis differential between AECO and NYMEX HH prices, effectively providing for a floating NYMEX HH price.

Birchcliff realized a cash gain on financial risk management contracts of $13.3 million in Q1 2019 as compared to a realized cash loss of $3.1 million in Q1 2018. The realized gain was primarily due to the settlement of financial NYMEX/AECO basis swap contracts with an average basis differential that was above the average contract price in Q1 2019.

The unrealized loss of $38.9 million on financial risk management contracts in Q1 2019 was due to a decrease in the fair value of Birchcliff’s NYMEX/AECO basis swap contracts from a net asset position of $60.2 million at December 31, 2018 to a net asset position of $21.3 million at March 31, 2019. The fair value of the net asset or liability is the estimated value to settle the outstanding financial contracts at a point in time. The decrease in the fair value of Birchcliff’s financial contracts during Q1 2019 was primarily attributable to the decrease in the forward basis spread between NYMEX HH and AECO 7A for contracts outstanding at March 31, 2019 as compared to December 31, 2018 and the settlement of financial risk management contracts in Q1 2019. The unrealized gains and losses on financial basis swap contracts can fluctuate materially from period-to-period due to movement in the forward NYMEX HH and AECO 7A strip prices. The unrealized gains and losses on financial risk management contracts do not impact adjusted funds flow and may differ materially from the actual gains or losses realized on eventual cash settlement of financial contracts in the period.

For further information regarding Birchcliff’s risk management program, including a summary of Birchcliff’s outstanding risk management contracts as at March 31, 2019, please see note 13 to the Corporation’s unaudited interim condensed financial statements for the three months ended March 31, 2019 and the MD&A under the heading *“Discussion of Operations – Risk Management”.*

OPERATIONAL RESULTS

Overview

Birchcliff’s operations are concentrated within its one core area, the Peace River Arch of Alberta, which is centred northwest of Grande Prairie, Alberta adjacent to the Alberta/British Columbia border, where the Corporation is focused on its high-quality Montney/Doig Resource Play and the exploration and development of its low-cost natural gas, crude oil and liquids-rich assets on the play. Within the Montney/Doig Resource Play, Birchcliff’s operations are primarily concentrated in the Pouce Coupe and Gordondale areas of Alberta where it owns large contiguous blocks of high working interest land. As at March 31, 2019, Birchcliff’s position on the Montney/Doig Resource Play was comprised of approximately 386 gross sections of land with an average 94% working interest.

Birchcliff’s strong capital and operating efficiencies are supported by the fact that it owns and operates many of its own facilities, including the Pouce Coupe Gas Plant. In addition, Birchcliff is the operator of predominantly 100% working interest lands, which allows the Corporation to have greater control over its costs and its pace of development and greater flexibility to target liquids.

Birchcliff is focused on continuous improvements in all aspects of its business and it continues to pursue new technologies to optimize well design and maximize return on capital. In 2019, Birchcliff is continuing to pilot innovative technologies in its completions operations in order to achieve better well results, including zipper fracturing, plug and perf technology and fluid additives to enhance its condensate production and recoveries. Further, Birchcliff’s operations team is focused on maximizing fracture pumping time through surface manifolds, which allows for a quick change over from well to well on multi-well pads and on utilizing new smart coil tubing units for wellbore milling operations post fracture treatment. With respect to drilling, Birchcliff has modified its drill bit, drilling mud and downhole motor selection to reduce drill times and has trialled the use of rotary steerable technology for smoother well trajectories and faster drilling times. In addition, Birchcliff will continue to utilize multi-well pad drilling and compressed natural gas to displace diesel from its drilling and completions operations in 2019, which helps to reduce costs and lessen its environmental footprint. All of the wells that Birchcliff drilled in 2019 were drilled on multi-well pads, ranging from three to six-well pads utilizing 3D seismic.

Birchcliff also continues to implement various initiatives in order to optimize its netbacks and capitalize on its large contiguous land base. For example, the Corporation recently constructed two pipeline connections between its Pouce Coupe and Gordondale areas. The first connection allows Birchcliff to flow natural gas between the two areas, which helps to reduce downtime and operating costs. The second connection allows Birchcliff to flow condensate from Pouce Coupe to its large oil batteries in Gordondale, which enables the Corporation to blend oil and condensate, resulting in better pricing and netbacks on its liquids.

Capital Activities and Investment

Birchcliff’s disciplined 2019 capital program (the “2019 Capital Program”) is focused on its high-value light oil assets in Gordondale and its condensate-rich assets in Pouce Coupe. The 2019 Capital Program contemplates the drilling of a total of 17 (17.0 net) wells (9 in Pouce Coupe and 8 in Gordondale) and the bringing on production of 26 (26.0 net) wells, which include 9 wells that were drilled and rig released in 2018. Funds will also be directed to increasing the inlet liquids-handling capacity at the Pouce Coupe Gas Plant and to other infrastructure enhancement projects for future growth.

During Q1 2019, Birchcliff completed the Acquisition whereby it acquired 18 gross (15.1 net) contiguous sections of Montney land located between Birchcliff’s existing Pouce Coupe and Gordondale properties. The acquired lands are proximal to Birchcliff’s science and technology pad that it completed in 2018 and Birchcliff believes that the lands are located on a significant condensate-rich trend and highly prospective in the Montney D1, D2, C and Basal Doig/Upper Montney intervals. Birchcliff commenced the drilling of a six-well pad on the acquired lands in Q1 2019 and expects that the wells will be completed and brought on production during Q3 2019. These wells are targeting condensate-rich natural gas and were drilled in three different intervals (4 in the Montney D1, 1 in the Montney D2 and 1 in the Montney C) in order to evaluate the liquids and natural gas potential of the intervals.

Birchcliff was very active in the execution of its 2019 Capital Program during Q1 2019, with capital activities primarily directed towards drilling and completion activities. The Corporation drilled 13 (13.0 net) wells in the quarter, 100% of which were successful, and brought 12 (12.0 net) wells on production, as set forth in further detail in the table below:

Area	Total wells drilled in Q1 2019	Total wells brought on production in Q1 2019(1)
Pouce Coupe		
Montney D1 horizontal natural gas wells	5	7
Montney D2 horizontal natural gas wells	2	1
Montney C horizontal natural gas wells	1	0
Total – Pouce Coupe	8	8
Gordondale		
Montney D2 horizontal oil wells	3	2
Montney D1 horizontal oil wells	2	2
Total – Gordondale	5	4
TOTAL – COMBINED	13	12

(1) Includes 9 (9.0) wells that were drilled and rig released in Q4 2018.

Birchcliff continues to utilize geophysics to assist with its land evaluation, portfolio optimization and well planning, including acquiring and utilizing 3D seismic to reduce risk and optimize well placement on its condensate-rich natural gas and oil wells. In Q1 2019, Birchcliff shot a new 73 km^2 3D seismic program over potential liquids-rich lands in the northern part of Pouce Coupe which had been identified by the Corporation’s 2018 science and technology pad. The Corporation also purchased 26 km^2 of existing 3D seismic over the lands acquired pursuant to the Acquisition. In total, Birchcliff spent approximately $3.0 million on 3D seismic in Q1 2019.

Total capital expenditures in Q1 2019 were $132.0 million, which includes drilling and development expenditures of $64.1 million and facilities and infrastructure expenditures of $22.6 million. Total capital expenditures also included costs of the Acquisition of approximately $39 million. Total capital expenditures were $91.1 million in Pouce Coupe and $39.5 million in Gordondale.

OPERATIONAL UPDATE

Birchcliff recently completed the drilling of the 17 (17.0 net) wells planned under the 2019 Capital Program, all of which were successful. Year-to-date, Birchcliff has brought 12 (12.0 net) wells on production. Birchcliff anticipates that all remaining wells will be brought on production by the end of Q3 2019. The following table summarizes the wells that Birchcliff has drilled and brought on production year-to-date, as well as the remaining and total number of wells to be brought on production in 2019:

Area	Wells drilled year to-date	Wells brought on production year-to-date	Remaining wells to be brought on production in 2019	Total wells to be brought on production in 2019(1)
Pouce Coupe				
Montney D1 horizontal natural gas wells	6	7	4	11
Montney D2 horizontal natural gas wells	2	1	1	2
Montney C horizontal natural gas wells	1	0	1	1
Total – Pouce Coupe	9	8	6	14
Gordondale				
Montney D2 horizontal oil wells	5	2	5	7
Montney D1 horizontal oil wells	3	2	3	5
Total – Gordondale	8	4	8	12
TOTAL – COMBINED	17	12	14	26

(1) Includes 9 (9.0) wells that were drilled and rig released in Q4 2018.

Pouce Coupe

Key focus areas for Pouce Coupe in 2019 are the drilling of condensate-rich natural gas wells and the further exploitation and delineation of condensate-rich trends in the Montney D1, D2 and C intervals. Year-to-date, Birchcliff has drilled 9 (9.0 net) wells in Pouce Coupe, including the six-well pad described above. In addition, Birchcliff recently completed and brought on production a five-well pad consisting of 4 Montney D1 wells and 1 Montney D2 well located at 06-32-078-12W6M to the southeast of the lands acquired pursuant to the Acquisition. During the initial 30 days of production, this five-well pad was flowing inline post-fracture treatment raw natural gas, condensate and frac water. The production rates of the wells have been stabilizing as the frac water flowing back to surface diminishes over time and during the last 20 days of the initial 30 days of production, the stabilized flow of the wells had an aggregate average rate of 5,778 boe/d (27.8 MMcf/d of raw natural gas and 1,146 bbls/d of condensate). For further details regarding these initial production rates, please see *“Advisories – Initial Production Rates”* and Birchcliff’s updated corporate presentation available on its website at www.birchcliffenergy.com/investors/corporate-presentation/.

Due to increased condensate volumes from Pouce Coupe, Birchcliff has committed to the construction of a 20,000 bbls/d inlet liquids-handling facility at its Pouce Coupe Gas Plant which will give Birchcliff the ability to grow its condensate production in Pouce Coupe from 3,000 to 10,000 bbls/d. During Q1 2019, Birchcliff completed the front-end engineering for this facility and it is anticipated that it will be brought online in Q3 2020. Birchcliff plans on spending approximately $9.5 million on the associated engineering and long-lead equipment for this facility in 2019.

Gordondale

Key focus areas for Gordondale in 2019 are the drilling of crude oil wells and the further exploitation and delineation of oil in the Montney D1 and D2 intervals, specifically in the southeastern part of the Gordondale field. Year-to-date, Birchcliff has drilled 8 (8.0 net) wells in Gordondale and brought 4 (4.0 net) wells on production. Wells brought on production year-to-date have exceeded the Corporation’s expectations, with strong oil rates. For details regarding the initial production rates for the Corporation’s Gordondale wells, please see Birchcliff’s updated corporate presentation available on its website at www.birchcliffenergy.com/investors/corporate-presentation/.

Birchcliff continues to optimize the infrastructure in Gordondale. In Q1 2019, a key project was the construction of a pipeline to debottleneck the southeastern part of the field that was recently brought on production. Birchcliff has also been working to add additional field compression to reduce gathering pipeline pressures. A recent project was commissioned and Birchcliff is experiencing a positive production increase in the affected area as a result of the drop in line pressure.

Potential Future Drilling Opportunities on the Montney/Doig Resource Play

As at December 31, 2018, Birchcliff held 367.4 sections of land that have potential for the Montney/Doig Resource Play. Of these lands, 362.4 (340.3 net) sections have potential for the Basal Doig/Upper Montney interval, 343.9 (336.2 net) sections have potential for the Montney D1 interval, 345.4 (337.7 net) sections have potential for the Montney D2 interval, 343.9 (336.2 net) sections have potential for the Montney D4 interval and 343.9 (336.2 net) sections have potential for the Montney C interval. As at December 31, 2018, Birchcliff’s total land holdings on these five intervals were 1,739.5 (1,686.6 net) sections. Assuming full development of four horizontal wells per section per drilling interval, Birchcliff has 6,746.4 net existing horizontal wells and potential net future horizontal drilling locations in respect of the Basal Doig/Upper Montney and the Montney D1, D2, D4 and C intervals as at December 31, 2018. With 385.0 (380.6 net) horizontal locations drilled at the end of 2018, there remains 6,365.8 potential net future horizontal drilling locations as at December 31, 2018, up from 4,710.0 at year-end 2017.

Birchcliff’s consolidated reserves report effective December 31, 2018 attributed proved reserves to 888.8 net existing wells and potential net future horizontal drilling locations (of which 521.6 net wells are potential future drilling locations) and proved plus probable reserves to 1,121.8 net existing wells and potential net future horizontal drilling locations (of which 754.3 net wells are potential future drilling locations). The remaining 5,624.6 potential net future horizontal drilling locations have not yet had any proved or probable reserves attributed to them by Birchcliff’s independent qualified reserves evaluators. Please see *“Advisories – Reserves and Drilling Locations”.*

OUTLOOK AND GUIDANCE

Birchcliff is pleased to reaffirm its 2019 guidance targeting an annual average production rate of 76,000 to 78,000 boe/d which is expected to generate approximately $330 million of adjusted funds flow, based on the assumptions set forth herein. Total F&D capital expenditures are estimated to be $204 million.

Based on the assumptions set forth in the table below, Birchcliff currently believes that it is well positioned to generate significant free funds flow in 2019 as supported by its natural gas diversification and financial risk management contracts and mix of long-life and low-decline assets which provide it with a stable base of production. Birchcliff is committed to maintaining financial flexibility and a strong balance sheet and will allocate any free funds flow based on what Birchcliff believes will provide the most value to its shareholders.

Birchcliff continues to be strategic and opportunistic in advancing its market access initiatives and its physical natural gas sales exposure currently consists of AECO, Dawn and Alliance markets, with additional exposure to NYMEX HH pricing through its outstanding financial derivative contracts. Effective November 1, 2019, Birchcliff’s level of firm service on TCPL’s Canadian Mainline to Dawn will increase by 25,000

GJ/d, bringing the total level of firm service to 175,000 GJ/d. Effectively 87% of Birchcliff’s total revenue in 2019, representing 65% of its natural gas production, is expected to be based on non-AECO benchmark prices after taking into account its commodity risk management contracts and expected sales from liquids and based on the commodity price assumptions set forth in the table below. This natural gas market diversification together with Birchcliff’s financial risk management contracts will help to further strengthen Birchcliff’s balance sheet and protect its cash flow and project economics.

The following table sets forth Birchcliff’s guidance and commodity price assumptions for 2019:

	2019 Guidance and Assumptions(1)
Production	
Annual average production *(boe/d)*	76,000 – 78,000
% Light oil	7%
% Condensate	6%
% NGLs	8%
% Natural gas	79%
Average Expenses *($/boe)*	
Royalty	1.30 – 1.50
Operating	3.15 – 3.35
Transportation and other	4.65 – 4.85(2)
Adjusted Funds Flow *(MM$)*	330(3)
F&D Capital Expenditures *(MM$)*	204(4)
Free Funds Flow *(MM$)*(5)	126
Total Capital Expenditures *(MM$)*	245(4)
Natural Gas Market Exposure(6)	
AECO exposure as a % of total natural gas production	35%
Dawn exposure as a % of total natural gas production	39%
NYMEX HH exposure as a % of total natural gas production	25%
Alliance pipeline exposure as a % of total natural gas production	1%
Commodity Prices	
Average WTI price *(US$/bbl)*	56.00
Average WTI-MSW differential *(CDN$/bbl)*	10.00
Average AECO price *(CDN$/GJ)*	1.65
Average Dawn price *(CDN$/GJ)*	3.40
Average NYMEX HH price *(US$/MMBtu)*(7)	3.00
Exchange rate *(CDN$ to US$1)*	1.32

(1) As previously disclosed on March 13, 2019. Birchcliff’s guidance for its commodity mix, average expenses, funds flow, capital expenditures and natural gas market exposure in 2019 is based on an annual average production rate of 77,000 boe/d during 2019, which is the mid-point of Birchcliff’s annual average production guidance for 2019.
(2) Includes transportation tolls for 150,000 GJ/d of natural gas sold at the Dawn price from January 1, 2019 to October 31, 2019 and 175,000 GJ/d from November 1, 2019 to December 31, 2019. Also includes any unused firm transportation costs associated with Birchcliff’s commitments on the NGTL system.
(3) Birchcliff’s estimate of adjusted funds flow takes into account the settlement of financial and physical commodity risk management contracts outstanding as at March 13, 2019. Please see “*Q1 2019 Financial and Operational Results – Risk Management”.*
(4) Birchcliff’s estimate of F&D capital expenditures corresponds to Birchcliff’s 2019 capital budget of $204 million. This estimate excludes the purchase price for the Acquisition and any other net potential acquisitions and dispositions. Birchcliff’s estimate of total capital expenditures includes the purchase price for the Acquisition; however, this estimate does not take into account any other potential acquisitions or dispositions as these amounts are unbudgeted. The estimate of total capital expenditures also includes minor administrative assets. Please see *“Advisories – Capital Expenditures”.*
(5) Free funds flow is calculated as adjusted funds flow less F&D capital expenditures and is prior to administrative assets, acquisitions, dispositions, dividend payments and abandonment and reclamation

obligations. Please see *“Non-GAAP Measures”*.
(6) Birchcliff’s guidance regarding its natural gas market exposure in 2019 assumes: (i) 150,000 GJ/d being sold at the Dawn index price from January 1, 2019 to October 31, 2019 and 175,000 GJ/d from November 1, 2019 to December 31, 2019; (ii) 5 MMcf/d being sold at Alliance’s Trading Pool daily index price; and (iii) 100,000 MMBtu/d being hedged at a fixed basis differential between the AECO price and the NYMEX HH price.
(7) $1.00 per MMBtu equals $1.00 per Mcf based on a standard heat value of 37.4 MJ/m^3 or a heat uplift of 1.055 when converting from $/GJ.

The following table illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation’s estimate of adjusted funds flow for 2019 of $330 million, after taking into account its commodity risk management contracts outstanding as at March 13, 2019:

	Estimated change to 2019 adjusted funds flow *(MM$)*(1)(2)
Change in WTI US$1.00/bbl	5
Change in NYMEX HH US$0.10/MMBtu	5
Change in Dawn CDN$0.10/MMBtu	5
Change in AECO CDN$0.10/MMBtu	5
Change in CDN/US exchange rate CDN$0.01	3

(1) Please see the guidance table above.
(2) The calculated impact on adjusted funds flow is only applicable within the limited range of change indicated. Calculations are performed independently and may not be indicative of actual results. Actual results may vary materially when multiple variables change at the same time.

For further information regarding Birchcliff’s guidance, please see *“Advisories – Forward-Looking Statements”.*

Birchcliff has partnered with VRify Technology Inc. (“VRify”) to provide Birchcliff’s stakeholders with a virtual asset tour of its operations. VRify provides a platform that hosts virtual tours of global projects which are accessible through interactive 360° presentations and 3D models. The Birchcliff asset tour can be viewed beginning May 17, 2019 on the Birchcliff website at www.birchcliffenergy.com.

ABBREVIATIONS

AECO	benchmark price for natural gas determined at the AECO ‘C’ hub in southeast Alberta
bbl	barrel
bbls	barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
C3+	propane plus
condensate	pentanes plus (C5+)
F&D	finding and development
G&A	general and administrative
GAAP	generally accepted accounting principles for Canadian public companies which are currently IFRS
GJ	gigajoule
GJ/d	gigajoules per day
HH	Henry Hub
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
km^2	square kilometres
liquids	light oil, condensate and NGLs
m^3	cubic metres
Mcf	thousand cubic feet

Mcf/d	thousand cubic feet per day
Mcfe	thousand cubic feet of gas equivalent
MJ	megajoule
MM$	millions of dollars
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MPa	megapascal
MSW	price for mixed sweet crude oil at Edmonton, Alberta
NGLs	natural gas liquids consisting of ethane (C2), propane (C3) and butane (C4) and specifically excluding condensate
NGTL	NOVA Gas Transmission Ltd.
NYMEX	New York Mercantile Exchange
TCPL	TransCanada PipeLines Limited
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
000s	thousands
$000s	thousands of dollars

NON-GAAP MEASURES

This press release uses “adjusted funds flow”, “adjusted funds flow per common share”, “free funds flow”, “operating netback”, “adjusted funds flow netback”, “total cash costs”, “adjusted working capital deficit” and “total debt”. These measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Management believes that these non-GAAP measures assist management and investors in assessing Birchcliff’s profitability, efficiency, liquidity and overall performance. Each of these measures is discussed in further detail below.

“Adjusted funds flow” denotes cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash working capital and “adjusted funds flow per common share” denotes adjusted funds flow divided by the basic or diluted weighted average number of common shares outstanding for the period. Birchcliff eliminates changes in non-cash working capital and settlements of decommissioning expenditures from cash flow from operating activities as the amounts can be discretionary and may vary from period-to-period depending on its capital programs and the maturity of its operating areas. The settlement of decommissioning expenditures is managed with Birchcliff’s capital budgeting process which considers available adjusted funds flow. Management believes that adjusted funds flow and adjusted funds flow per common share assist management and investors in assessing Birchcliff’s profitability, as well as its ability to generate the cash necessary to fund future growth through capital investments, decommission its assets, pay dividends and repay debt. Investors are cautioned that adjusted funds flow should not be construed as an alternative to or more meaningful than cash flow from operating activities or net income or loss as determined in accordance with GAAP as an indicator of Birchcliff’s performance. The following table provides a reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to adjusted funds flow for the periods indicated:

	Three months ended March 31,	
($000s)	2019	2018
Cash flow from operating activities	94,744	91,853
Adjustments:		
Change in non-cash working capital	21,031	(8,617)
Funds flow	115,775	83,236
Adjustments:		
Decommissioning expenditures	873	422
Adjusted funds flow	116,648	83,658

“Free funds flow” denotes adjusted funds flow less F&D capital expenditures. Management believes that free funds flow assists management and investors in assessing Birchcliff’s ability to generate the cash necessary to repay debt, pay dividends, fund a portion of its future growth investments and/or fund share buybacks.

“Operating netback” denotes petroleum and natural gas revenue less royalty expense, less operating expense and less transportation and other expense. “Adjusted funds flow netback” denotes petroleum and natural gas revenue less royalty expense, less operating expense, less transportation and other expense, less net G&A expense, less interest expense and less any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. All netbacks are calculated on a per unit basis, unless otherwise indicated. Management believes that operating netback and adjusted funds flow netback assist management and investors in assessing Birchcliff’s profitability and its operating results on a per unit basis to better analyze its performance against prior periods on a comparable basis. The following table provides a breakdown of Birchcliff’s operating netback and adjusted funds flow netback for the periods indicated:

	Three months ended March 31,			
	2019		2018	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*
Petroleum and natural gas revenue	178,355	26.46	159,531	23.22
Royalty expense	(8,209)	(1.22)	(9,811)	(1.43)
Operating expense	(22,917)	(3.40)	(25,933)	(3.78)
Transportation and other expense	(31,077)	(4.61)	(24,540)	(3.56)
Operating netback(1)	116,152	17.23	99,247	14.45
General & administrative expense, net	(6,088)	(0.90)	(6,040)	(0.88)
Interest expense	(6,936)	(1.03)	(6,632)	(0.97)
Realized gain (loss) on financial instruments	13,318	1.98	(3,119)	(0.45)
Other income	202	0.03	202	0.03
Adjusted funds flow netback(1)	116,648	17.31	83,658	12.18

(1) All per boe amounts are calculated by dividing each aggregate financial amount by the production (boe) in the respective period.

The reconciliation for the operating netback of the Pouce Coupe Gas Plant is provided under the heading *“Q1 2019 Financial and Operational Results – Pouce Coupe Gas Plant Netbacks”.*

“Total cash costs” are comprised of royalty, operating, transportation and other, G&A and interest expenses. Total cash costs are calculated on a per unit basis. Management believes that total cash costs assists management and investors in assessing Birchcliff’s efficiency and overall cash cost structure.

“Adjusted working capital deficit” is calculated as current assets minus current liabilities excluding the effects of any financial instruments. Management believes that adjusted working capital deficit assists management and investors in assessing Birchcliff’s liquidity. The following table reconciles working capital deficit (current assets minus current liabilities), as determined in accordance with GAAP, to adjusted working capital deficit:

As at, *($000s)*	March 31, 2019	December 31, 2018	March 31, 2018
Working capital deficit (surplus)	20,805	(15,611)	95,005
Financial instrument – asset	17,470	36,798	418
Financial instrument – liability	(984)	-	(11,626)
Adjusted working capital deficit	37,291	21,187	83,797

“Total debt” is calculated as the revolving term credit facilities plus adjusted working capital deficit. Management believes that total debt assists management and investors in assessing Birchcliff’s liquidity. The following table provides a reconciliation of the revolving term credit facilities, as determined in accordance with GAAP, to total debt:

As at, *($000s)*	March 31, 2019	December 31, 2018	March 31, 2018
Revolving term credit facilities	611,911	605,267	573,935
Adjusted working capital deficit	37,291	21,187	83,797
Total debt	649,202	626,454	657,732

ADVISORIES

Unaudited Information

All financial and operational information contained in this press release for the three months ended March 31, 2019 and 2018 is unaudited.

Currency

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and all references to “$” and “CDN$” are to Canadian dollars and all references to “US$” are to United States dollars.

MMBtu Pricing Conversions

$1.00 per MMBtu equals $1.00 per Mcf based on a standard heat value Mcf.

Boe and Mcfe Conversions

Boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil and Mcfe amounts have been calculated by using the conversion ratio of 1 bbl of oil to 6 Mcf of natural gas. Boe and Mcfe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl and an Mcfe conversion ratio of 1 bbl: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. 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 on a 6:1 basis may be misleading as an indication of value.

Oil and Gas Metrics

This press release contains metrics commonly used in the oil and natural gas industry, including netbacks. These oil and gas metrics do not have any standardized meanings or standard methods of calculation and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. As such, they should not be used to make comparisons. Management uses these oil and gas metrics for its own performance measurements and to provide investors with measures to compare Birchcliff’s performance over time; however, such measures are not reliable indicators of Birchcliff’s future performance, which may not compare to Birchcliff’s performance in previous periods, and therefore should not be unduly relied upon. For additional information regarding netbacks, including how netbacks are calculated, please see *“Non-GAAP Measures”.*

Reserves and Drilling Locations

Birchcliff retained Deloitte LLP (“Deloitte”) and McDaniel & Associates Consultants Ltd. (“McDaniel”) to evaluate and prepare reports on 100% of Birchcliff’s reserves effective December 31, 2018. Deloitte prepared an evaluation with an effective date of December 31, 2018 as contained in its report dated February 13, 2019 (the “Deloitte Reserves Report”) and McDaniel prepared an evaluation with an effective date of December 31, 2018 as contained in its report dated February 13, 2019 (the “McDaniel Reserves Report”), which are contained in the consolidated report of Deloitte dated February 13, 2019 with an effective date of December 31, 2018 (the “Consolidated Reserves Report”). Deloitte prepared the Consolidated Reserves Report by consolidating the properties evaluated by Deloitte in the Deloitte Reserves Report with the properties evaluated by McDaniel in the McDaniel Reserves Report, in each case using Deloitte’s forecast price and cost assumptions effective December 31, 2018. Estimates of reserves are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided and the differences may be material. There is no assurance that the forecast price and cost assumptions will be attained and variances could be material. For important additional information regarding the Corporation’s reserves, please see the Corporation’s Annual Information Form for the year ended December 31, 2018 which is available on SEDAR.

This press release discloses net existing horizontal wells and potential net future horizontal drilling locations in four categories: (i) proved locations; (ii) proved plus probable locations; (iii) unbooked locations; and (iv) an aggregate total of (ii) and (iii). Of the 6,746.4 net existing horizontal wells and potential net future horizontal drilling locations identified herein, 888.8 are proved locations, 1,121.8 are proved plus probable locations and 5,624.6 are unbooked locations. Proved locations and probable locations are proposed drilling locations identified in the Consolidated Reserves Report that have proved and/or probable reserves, as applicable, attributed to them in the Consolidated Reserves Report. Unbooked locations are internal estimates based on Birchcliff’s prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal technical analysis review. Unbooked locations have been identified by management as an estimate of Birchcliff’s multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. Unbooked locations do not have proved or probable reserves attributed to them in the Consolidated Reserves Report.

Birchcliff’s ability to drill and develop these locations and the drilling locations on which Birchcliff actually drills wells depends on a number of uncertainties and factors, including, but not limited to, the availability of capital, equipment and personnel, oil and natural gas prices, costs, inclement weather, seasonal restrictions, drilling results, additional geological, geophysical and reservoir information that is obtained, production rate recovery, gathering system and transportation constraints, the net price received for commodities produced, regulatory approvals and regulatory changes. As a result of these uncertainties, there can be no assurance that the potential future drilling locations that Birchcliff has identified will ever be drilled and, if drilled, that such locations will result in additional production and, in the case of unbooked locations, additional reserves. As such, Birchcliff’s actual drilling activities may differ materially from those presently identified, which could adversely affect Birchcliff’s business. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relatively close proximity to such unbooked drilling locations, some of the other unbooked drilling locations are farther away from existing wells, where management has less information about the characteristics of the reservoir and there is therefore more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional proved or probable reserves, resources or production.

Initial Production Rates

Any references in this press release to initial production rates or other short-term production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue to produce and decline thereafter and are not indicative of the long-term performance or the ultimate recovery of such wells. In addition, such rates may also include recovered “load oil” or “load water” fluids used in well completion stimulation. While encouraging, readers are cautioned not to place undue reliance on such rates in calculating the aggregate production for Birchcliff. Such rates are based on field estimates and may be based on limited data available at this time.

With respect to the production rate for the Corporation’s 5-well pad in Pouce Coupe disclosed under the heading *“Operational Update – Pouce Coupe”*, such rate represents the cumulative volumes for each well measured at the wellhead separator for the last 20 days of the initial 30 days of production divided by 20, which were then added together and divided by 5. The production rate excluded the hours and days when the wells did not produce. Approximate tubing and casing pressures for the five wells were stabilized between 4.5 to 7.3 MPa and 11.2 to 13.1 MPa, respectively. To-date, no pressure transient or well-test interpretation has been carried out on any of the wells. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes.

Capital Expenditures

Unless otherwise stated, references in this press release to: (i) “F&D capital” denotes capital for land, seismic, workovers, drilling and completions and well equipment and facilities; and (ii) “total capital expenditures” denotes F&D capital plus acquisitions, less any dispositions, plus administrative assets. Birchcliff previously referred to total capital expenditures as “net capital expenditures” or “capital expenditures, net”.

Forward-Looking Statements

Certain statements contained in this press release constitute forward‐looking statements and forward-looking information (collectively referred to as “forward‐looking statements”) within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this press release relate to future events or Birchcliff’s future plans, operations or performance and are based on Birchcliff’s current expectations, estimates, projections, beliefs and assumptions. Such forward-looking statements have been made by Birchcliff in light of the information available to it at the time the statements were made and reflect its experience and perception of historical trends. All statements and information other than historical fact may be forward‐looking statements. Such forward‐looking statements are often, but not always, identified by the use of words such as “seek”, “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate”, “forecast”, “potential”, “proposed”, “predict”, “budget”, “continue”, “targeting”, “may”, “will”, “could”, “might”, “should” and other similar words and expressions.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward‐looking statements. Accordingly, readers are cautioned not to place undue reliance on such forward-looking statements. Although Birchcliff believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct and Birchcliff makes no representation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements.

In particular, this press release contains forward‐looking statements relating to the following: Birchcliff’s plans and other aspects of its anticipated future financial performance, operations, focus, objectives, strategies, opportunities, priorities and goals; Birchcliff’s guidance regarding its 2019 Capital Program and its proposed exploration and development activities and the timing thereof (including: estimates of capital expenditures and capital allocation; the number and types of wells to be drilled, completed and brought on production and the timing thereof; and the focus of, the objectives of and the anticipated results from the program); Birchcliff’s market diversification and hedging activities, strategies and use of risk management techniques (including statements that Birchcliff maintains an ongoing hedging program and engages in various risk management activities to reduce its exposure to volatility in commodity prices and utilizes various financial derivative and physical delivery sales contracts); Birchcliff’s marketing and transportation arrangements (including that effective November 1, 2019, Birchcliff’s level of firm service on TCPL’s Canadian Mainline to Dawn will increase by 25,000 GJ/d, bringing the total level of firm service to 175,000 GJ/d); the performance and other characteristics of Birchcliff’s oil and natural gas properties and expected results from its assets (including statements regarding the potential or prospectivity of Birchcliff’s properties); that Birchcliff is focused on continuous improvements in all aspects of its business and the use of, and expected benefits from, new technologies; statements regarding the planned liquids-handling facility at the Pouce Coupe Gas Plant (including the capacity of the facility, the anticipated timing for the completion of the facility and that the facility will give Birchcliff the ability to grow its condensate production to 10,000 bbls/d in Pouce Coupe); estimates of potential future drilling locations; and the information set forth under the heading *“Outlook and Guidance”* as it relates to Birchcliff’s 2019 guidance (including: Birchcliff’s estimates of annual average production, commodity mix, average expenses, adjusted and free funds flow, capital expenditures and natural gas market exposure in 2019; statements that Birchcliff’s targeted annual average production rate of 76,000 to 78,000 boe/d is expected to generate approximately $330 million of adjusted funds flow in 2019; Birchcliff’s belief that it is well positioned to generate significant free funds flow in 2019; that Birchcliff is committed to maintaining financial flexibility and a strong balance sheet and will allocate any free funds flow based on what Birchcliff believes will provide the most value to its shareholders; that effectively 87% of Birchcliff’s total revenue in 2019, representing 65% of its natural gas production, is expected to be based on non-AECO benchmark prices; Birchcliff’s expectation that its natural gas market diversification together with its financial risk management contracts will help to further strengthen Birchcliff’s balance sheet and protect its cash flow and project economics; and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff’s estimate of adjusted funds flow).

With respect to the forward‐looking statements contained in this press release, assumptions have been made regarding, among other things: prevailing and future commodity prices and differentials, currency exchange rates, interest rates, inflation rates, royalty rates and tax rates; the state of the economy, financial markets and the exploration, development and production business; the political environment in which Birchcliff operates; the regulatory framework regarding royalties, taxes and environmental laws; the Corporation’s ability to comply with existing and future environmental, climate change and other laws; future cash flow, debt and dividend levels; future operating, transportation, marketing, G&A and other expenses; Birchcliff’s ability to access capital and obtain financing on acceptable terms; the timing and amount of capital expenditures and the sources of funding for capital expenditures and other activities; the sufficiency of budgeted capital expenditures to carry out planned operations; the successful and timely implementation of capital projects; results of future operations; Birchcliff’s ability to continue to develop its assets and obtain the anticipated benefits therefrom; the performance of existing and future wells, well production rates and well decline rates; success rates for future drilling; reserves and resource volumes and Birchcliff’s ability to replace and expand reserves through acquisition, development or exploration; the impact of competition on Birchcliff; the availability of, demand for and cost of labour, services and materials; the ability to obtain any necessary regulatory or other approvals in a timely manner; the satisfaction by third parties of their obligations to Birchcliff; the ability of Birchcliff to secure adequate processing and transportation for its products; Birchcliff’s ability to market oil and gas; the availability of hedges on terms acceptable to Birchcliff; and natural gas market exposure. In addition to the foregoing assumptions, Birchcliff has made the following assumptions with respect to certain forward-looking statements contained in this press release:

- Birchcliff’s 2019 guidance assumes the following commodity prices during 2019: an average WTI price of US$56.00/bbl; an average WTI-MSW differential of $10.00/bbl; an average AECO price of $1.65/GJ; an average Dawn price of $3.40/GJ; an average NYMEX HH price of US$3.00/MMBtu; and an exchange rate (CDN$ to US$1) of 1.32.

- With respect to estimates of 2019 capital expenditures and Birchcliff’s spending plans for 2019, such estimates and plans assume that the 2019 Capital Program will be carried out as currently contemplated.

  ° Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any acquisitions and dispositions completed could have an impact on Birchcliff’s capital expenditures, production, adjusted funds flow, free funds flow, costs and total debt, which impact could be material.

  ° The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials. Birchcliff will monitor economic conditions and commodity prices and, where deemed prudent, will adjust its capital program to respond to changes in commodity prices and other material changes in the assumptions underlying such program.

- With respect to Birchcliff’s production guidance for 2019, such guidance assumes that: the 2019 Capital Program will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations. Birchcliff’s production guidance may be affected by acquisition and disposition activity and acquisitions and dispositions could occur that may impact expected production.

- With respect to Birchcliff’s estimates of adjusted and free funds flow for 2019 and statements that Birchcliff believes that it is well positioned to generate significant free funds flow during 2019, such estimates and statements assume that: the 2019 Capital Program will be carried out as currently contemplated and the level of capital spending for 2019 set forth herein will be achieved; and the production targets, commodity mix, natural gas market exposure and commodity price assumptions set forth herein are met. In addition, Birchcliff’s estimate of adjusted funds flow takes into account the settlement of financial and commodity risk management contracts outstanding as at March 13, 2019.

- With respect to statements of future wells to be drilled and brought on production and estimates of potential future drilling locations, the key assumptions are: the continuing validity of the geological and other technical interpretations performed by Birchcliff’s technical staff, which indicate that commercially economic volumes can be recovered from Birchcliff’s lands as a result of drilling future wells; and that commodity prices and general economic conditions will warrant proceeding with the drilling of such wells.

- With respect to statements regarding the future potential and prospectivity of properties and assets, such statements assume: the continuing validity of the geological and other technical interpretations determined by Birchcliff’s technical staff with respect to such properties; and that, over the long-term, commodity prices and general economic conditions will warrant proceeding with the exploration and development of such properties.

Birchcliff’s actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff’s products and Birchcliff’s access to capital; volatility of crude oil and natural gas prices; fluctuations in currency and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources; fluctuations in the costs of borrowing; operational risks and liabilities inherent in oil and natural gas operations; the occurrence of unexpected events such as fires, equipment failures and other similar events affecting Birchcliff or other parties whose operations or assets directly or indirectly affect Birchcliff; uncertainty that development activities in connection with its assets will be economical; uncertainties associated with estimating oil and natural gas reserves and resources; the accuracy of oil and natural gas reserves estimates and estimated production levels; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff’s future potential drilling locations; potential delays or changes in plans with respect to exploration or development projects or capital expenditures, including delays in the completion of gas plants and other facilities; the accuracy of cost estimates and variances in Birchcliff’s actual costs and economic returns from those anticipated; incorrect assessments of the value of acquisitions and exploration and development programs; changes in tax laws, Crown royalty rates, environmental laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry and other actions by government authorities; an inability of the Corporation to comply with existing and future environmental, climate change and other laws; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate processing and transportation for Birchcliff’s products; the inability to satisfy obligations under Birchcliff’s firm marketing and transportation arrangements or other agreements; shortages in equipment and skilled personnel; the absence or loss of key employees; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, equipment and skilled personnel; management of Birchcliff’s growth; environmental risks, claims and liabilities; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; unforeseen title defects; uncertainties associated with credit facilities and counterparty credit risk; non-performance or default by counterparties; risks associated with Birchcliff’s risk management program and the risk that hedges on terms acceptable to Birchcliff may not be available; risks associated with the declaration and payment of dividends, including the discretion of Birchcliff’s board of directors to declare dividends and change the Corporation’s dividend policy; the failure to obtain any required approvals in a timely manner or at all; the failure to realize the anticipated benefits of acquisitions and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff’s operations; negative public perception of the oil and natural gas industry, including transportation, hydraulic fracturing and fossil fuels; the Corporation’s reliance on hydraulic fracturing; the availability of insurance and the risk that certain losses may not be insured; and breaches or failure of information systems and security (including risks associated with cyber-attacks).

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other risk factors that could affect results of operations, financial performance or financial results are included in Birchcliff’s most recent Annual Information Form and in other reports filed with Canadian securities regulatory authorities.

This press release contains information that may constitute future-orientated financial information or financial outlook information (collectively, “FOFI”) about Birchcliff’s prospective results of operations including, without limitation, adjusted funds flow and free funds flow, all of which is subject to the same assumptions, risk factors, limitations and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise or inaccurate and, as such, undue reliance should not be placed on FOFI. Birchcliff’s actual results, performance and achievements could differ materially from those expressed in, or implied by, the FOFI. Birchcliff has included the FOFI in order to provide readers with a more complete perspective on Birchcliff’s future operations and Birchcliff’s current expectations relating to its future performance. Such information may not be appropriate for other purposes and readers are cautioned that any FOFI contained herein should not be used for purposes other than those for which it has been disclosed herein. FOFI contained herein was made as of the date of this press release. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any FOFI statements, whether as a result of new information, future events or otherwise.

Management has included the above summary of assumptions and risks related to forward-looking statements provided in this press release in order to provide readers with a more complete perspective on Birchcliff’s future operations. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking statements contained in this press release are expressly qualified by the foregoing cautionary statements. The forward-looking statements contained herein are made as of the date of this press release. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

About Birchcliff:

Birchcliff is a Calgary, Alberta based intermediate oil and natural gas company with operations concentrated within its one core area, the Peace River Arch of Alberta. Birchcliff’s common shares and cumulative redeemable preferred shares, Series A and Series C are listed for trading on the Toronto Stock Exchange under the symbols “BIR”, “BIR.PR.A” and “BIR.PR.C”, respectively.

For further information, please contact:

Birchcliff Energy Ltd.
Suite 1000, 600 – 3rd Avenue S.W.
Calgary, Alberta T2P 0G5
Tel: (403) 261-6401
Fax: (403) 261-6424
Email: info@birchcliffenergy.com
www.birchcliffenergy.com

Jeff Tonken – President and Chief Executive Officer

Bruno Geremia – Vice-President and Chief Financial Officer