NuVista Energy Ltd. Provides Positive Second Quarter Operating Results, Affirms Pipestone Development Right on Track

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CALGARY, Aug. 06, 2019 - NuVista Energy Ltd. (“NuVista” or the “Company”) (TSX:NVA) is pleased to announce results for the three and six months ended June 30, 2019 and provide an update on our future business plans. In these times of significant volatility in the commodity market, we are pleased to have strong well economics leading to a funded three year plan which delivers clear line of sight to material free funds flow and provides us flexibility to adapt as the market changes. Planned capital expenditures in 2020 will be approximately matched to adjusted funds flow as we advance the drilling and completion of approximately 25 wells, half of which will form the first phase of growth in Pipestone North along with the associated major water sourcing and disposal infrastructure. In 2021, we are fortunate to have the option to moderate growth or flatten production near 68,000 Boe/d, corresponding to our future minimum take-or-pay volume commitments. Continued growth beyond 68,000 Boe/d toward our existing firm infrastructure access of 90,000 Boe/d is an option which will be carefully weighed alongside other uses of the forecast free funds flow based on the best shareholder return scenario available at the time.

Financial and Operational Highlights:

During the quarter ended June 30, 2019, NuVista:

- Produced 50,390 Boe/d, meeting the top portion of the prior guidance range of 48,000 – 51,000 Boe/d. This result was 14% higher than the prior quarter and 40% higher than the same period in 2018;
- Achieved adjusted funds flow of $64.3 million ($0.29/share, basic), a decrease of 8% per share versus the prior quarter driven primarily by reduced natural gas and NGL prices partially offset by increased production. This resulted in an adjusted funds flow netback of $14.01/Boe;
- Executed a successful second quarter capital expenditure program of $89.2 million including the drilling of 11 (11.0 net) wells in our condensate rich Wapiti Montney play. 9 wells were completed during the quarter and 11 were turned in line;
- A total of 11 wells have now been drilled at Pipestone South at an average of $2.8MM per well, which is a 34% improvement over the historic average NuVista drill cost on a per meter basis;
- Realized operating expenses of $9.49/Boe, in line with the prior quarter and a reduction of 8% versus the same period in 2018; and
- Achieved net G&A expenses of $0.88/Boe, breaking well through the milestone of $1.00/Boe. This figure continues our long term trend of improvement with a reduction of 18% compared to the prior quarter and 37% below the same period in 2018.

Strong Operational Execution and More Positive Lower Montney Results

Operations were executed as planned for the second quarter as we grow production volumes into the recently completed SemCAMS Wapiti Gas Plant. Continued reduction in well costs and the resulting improved capital efficiencies along with improvements in condensate proportion, have underpinned another successful milestone in building out the NuVista asset portfolio.

Bilbo production remained stable at 16,700 Boe/d. Particular focus during the quarter has been placed on progressing our understanding of Lower Montney and Middle Montney ‘C-zone’ performance and well costs while maximizing condensate production. One 4-well pad, including two Lower Montney Wells, was brought on production and achieved 660 Bbls/d of condensate and 1,170 Boe/d of total production per well in the first 30 days. The Lower Montney and the Middle Montney wells each performed in a similar fashion. Given these wells are approximately 25% shorter than our original Bilbo Lower Montney well, and having achieved costs that are 10% below the historic average on a per meter basis in Bilbo, we are very encouraged in what this portends for future inventory which will benefit from greater horizontal length. We also note recent positive Lower Montney results from offsetting competitors which continues to build our confidence in this emerging zone. In addition, a four-well pad was drilled and completed including three ‘C-zone’ wells. These wells are being brought on production in the third quarter. In aggregate, the Lower Montney and ‘C-zone’ development wells are generating condensate rates that are within the range of our historic Bilbo results, albeit with lower associated gas volumes due to higher condensate-gas ratio.

At Elmworth, production increased 44% over Q1 to 15,950 Boe/d with the addition of five new wells. Over the first 30 days these wells averaged 10,340 Boe/d combined including just under 3,000 Bbls/d of condensate. This is on average 33% more condensate per well and 28% more total Boe than the historic average Elmworth well produces, while achieving 19% lower drill and complete cost per meter. In addition, we have conducted a lookback at the most northeastern pad at Elmworth where three of the four wells have reached an IP365 in late Q119. The pad produced at an average IP365 condensate gas ratio of 85 Bbls/MMcf, which is 78% higher than the historic average of Elmworth. Activity at Elmworth in 2020 is initially planned to offset decline with new drilling beside this pad.

Gold Creek has also produced at stable levels throughout the second quarter, averaging 7,700 Boe/d. The SemCAMS Wapiti plant, which commenced production in late January, has been running steadily with wells being optimized throughout the quarter. Increased condensate percentage and extended-reach horizontal (ERH) performance are the salient points to highlight in this area. The two longest horizontal wells which NuVista has ever drilled (4,500 and 5,000 meter laterals) have now reached their IP365 milestone, and have averaged 1,850 Boe/d per well including 570 Bbls/d of condensate. This result is almost three times greater than the historic average Gold Creek well with only a 67% increase in drill & complete cost over the historic average, making these two of the most economic wells we have drilled in Gold Creek to date. In addition, a four well pad on the eastern edge of the Gold Creek block, which has 33% less horizontal length, was brought on production with an average of 820 Boe/d per well including 453 Bbls/d condensate over the first 30 days. We are extremely encouraged that these wells have averaged 55% condensate, but given significant proof of ERH success, we will expect to focus in future on ERH wells in Gold Creek in order to maximize returns, capital efficiency, and total production volumes.

The Pipestone North property continues, for the fourth quarter in a row, to outperform expectations with production ranging from 9,000 to 9,500 Boe/d with minimal decline being offset by field optimization. Surface acquisition and regulatory work has been completed on the planned Pipestone North Compressor station as well as the first pad sites for the Pipestone North development. Regulatory and internal approval has been achieved and construction will commence in the fall of 2019, with start-up tentatively planned for the fourth quarter of 2020.

A three-well pad in the North area of Pipestone South has been successfully drilled and completed. It is being tied into the Tidewater Pipestone Plant and will be brought on production commensurate with the startup of that plant late in the third quarter or early fourth quarter of 2019. Drilling is complete and completion operations have commenced on our eight-well pad in the southern area of Pipestone South. This is the largest pad drilled by NuVista to date, with eight wells spanning all four of the Montney zones from the Lower Montney up through the Middle Montney B, C, and D zones. Due to pad efficiencies and application of past learnings, drilling costs at Pipestone were budgeted to average less than our historical average, and due to excellent execution, drilling costs beat this target and averaged $2.8MM per well, which is 34% less than our historical average drilling costs on a cost per horizontal meter basis. The pad is slated for startup in the middle of the fourth quarter when the new Pipestone South compressor facility is started up. Facility construction is proceeding on schedule and on budget, and the SemCAMS Pipestone pipeline to connect our compressor station to the SemCAMS Wapiti plant has been commissioned.

Maintaining a Strong Balance Sheet

During the second quarter, the annual review of our borrowing base was completed and our lenders approved an increase to the revolving term credit facility from $450 to $500 million as a result of increased value in producing reserves.

As previously communicated, NuVista reached agreement to have a third party fund the cost of the

Pipestone South compressor station which is currently under construction, in exchange for a reasonable midstream capital fee on future production. This transaction closed in the second quarter. NuVista is building and will operate the facility.

At the end of the second quarter of 2019, net debt (including senior unsecured notes and working capital deficiency), was $575 million. Net debt to annualized current quarter adjusted funds flow was 2.2 times. Included in net debt are NuVista’s senior unsecured notes that were issued in 2018, with an aggregate principal of $220 million and a five year term at a 6.5% coupon. These notes provide financial flexibility and certainty with a competitive fixed coupon and a 5 year term. NuVista exited the second quarter with 66% drawn on our $500 million credit facility. The net debt to annualized current quarter adjusted funds flow ratio is anticipated to trend lower as production volumes and adjusted funds flow continue to rise (assuming July 8 strip pricing), particularly in the fourth quarter of 2019.

Significant Commodity Price Diversification and Risk Management

Oil and condensate prices continued to strengthen into the second quarter although significant volatility has persisted. Natural gas prices moderated significantly after favorable winter pricing experienced in the first quarter. NuVista continues to benefit from the discipline of our strong rolling hedging program and our significant natural gas market diversification to mitigate the impact of commodity price volatility and maximize revenues. For the first six months of 2019, NuVista’s hedging program has resulted in a realized gain of $4.4 million. We currently possess hedges which, in aggregate, cover 65% of remaining projected 2019 liquids production at a WTI floor price of C$ 79.60/Bbl, and 55% of remaining projected 2019 gas production at a price of C$ 2.12/GJ (hedged and exported volumes converted to an AECO equivalent price). These percentage figures relate to production net of royalty volumes. Due to our fixed price hedges, basis differential hedges, and our pipeline export capacity, NuVista is in the enviable position of having only 17% of our projected natural gas volumes exposed to spot AECO prices for the remainder of 2019, representing a very small proportion of adjusted funds flow.

2019 Guidance Re-Affirmed – Three-year Path to Free Funds Flow

2019 production guidance is unchanged at 51,000 to 54,000 Boe/d as is capital spending at $300 to $325 million. We are directing both capital and production toward the lower end of the range and expect to keep capital spending within 110% of adjusted funds flow at July 8 strip prices. Production for the third quarter of 2019 is expected to be in the range of 49,000 to 52,000 Boe/d including a quarterly average of approximately 600 Boe/d of 3rd party planned and unplanned downtime which has already occurred in July.

The industry has moved from a market that rewards profitable production and adjusted funds flow growth to one that demands returns and profitability above growth. In 2021 we expect to arrive at the point where adjusted funds flow will exceed the required capital to maintain production levels at the future minimum volume commitment of 68,000 Boe/d. The outlook is premised on spending 100-110% of adjusted funds flow in 2019 and 2020 while increasing production levels at 10-15% per year. This plan creates maximum value and provides flexibility beyond 2021 to moderate the growth in order to maximize our free funds flow generating capacity, or continue growing toward the total firm capacity of 90,000 Boe/d, or add an additional growth wedge up to 110,000 BOE/d as underpinned by our inventory. Beyond 2021, the decision to use free funds flow to reduce net debt, reduce total share count, or to grow further depends on which option provides the maximum value to NuVista shareholders at the time. The outlook and sensitivities to various price combinations are provided in our updated August 2019 corporate presentation.

NuVista has top quality assets and a management team focused upon relentless improvement. We are excited to continue pursuing our Montney development plan. We will continue to adjust the annual pace of growth as needed to ensure balance sheet strength comes first, and that the profitability of that growth is always maximized. We would like to thank our staff, contractors, and suppliers for their continued dedication and delivery, and we thank our board of directors and our shareholders for their continued guidance and support. Please note that our corporate presentation is being updated and will be available at www.nuvistaenergy.com on or before August 7, 2019. NuVista’s financial statements, notes to the financial statements and management’s discussion and analysis for the quarter ended June 30, 2019, will be filed on SEDAR (www.sedar.com) under NuVista Energy Ltd. on August 7, 2019 and can also be accessed on NuVista’s website.

Corporate Highlights

	Three months ended June 30			Six months ended June 30		
($ thousands, except per share and $/Boe)	2019	2018	% Change	2019	2018	% Chan
FINANCIAL						
Petroleum and natural gas revenues	137,752	137,131	—	271,816	261,887	4
Adjusted funds flow [1] [2]	64,318	69,472	(7)	135,972	128,203	6
Per share - basic	0.29	0.40	(28)	0.60	0.74	(19
Per share - diluted	0.29	0.40	(28)	0.60	0.73	(18
Net earnings (loss)	9,301	6,322	47	(26,626)	28,693	(193
Per share - basic	0.04	0.04	—	(0.12)	0.16	(175
Per share - diluted	0.04	0.04	—	(0.12)	0.16	(175
Total assets				2,251,326	1,328,717	69
Capital expenditures [2]	89,192	82,322	8	185,769	197,542	(6
Net debt [1] [2]				574,550	268,444	114
End of period basic common shares outstanding				225,473	174,881	29
OPERATING						
Daily Production						
Natural gas (MMcf/d)	180.6	128.3	41	170.0	130.5	30
Condensate & oil (Bbls/d)	14,951	11,758	27	13,858	11,537	20
NGLs (Bbls/d) [3]	5,342	2,893	85	4,947	2,781	78
Total (Boe/d)	50,391	36,035	40	47,133	36,067	31
Condensate, oil & NGLs weighting	40%	41%		40%	40%	
Condensate & oil weighting	30%	33%		29%	32%	
Average selling prices [4] [5]						
Natural gas ($/Mcf)	2.39	3.37	(29)	3.11	3.43	(9
Condensate & oil ($/Bbl)	69.78	81.99	(15)	65.39	77.94	(16
NGLs ($/Bbl)	7.21	38.19	(81)	13.66	35.87	(62
Netbacks ($/Boe)						
Petroleum and natural gas revenues	30.04	41.82	(28)	31.86	40.12	(21
Realized gain (loss) on financial derivatives	0.36	(2.72)	—	0.51	(2.18)	&mdash
Royalties	(1.32)	(1.31)	1	(1.24)	(0.94)	32
Transportation expenses	(3.17)	(3.36)	(6)	(3.17)	(3.13)	1
Operating expenses	(9.49)	(10.35)	(8)	(9.41)	(10.19)	(8
Operating netback [2]	16.42	24.08	(32)	18.55	23.68	(22
Corporate netback [2]	14.01	21.19	(34)	15.93	19.65	(19
SHARE TRADING STATISTICS						
High	5.19	9.89	(48)	5.19	9.89	(48
Low	2.46	6.69	(63)	2.46	6.69	(63
Close	2.61	9.12	(71)	2.61	9.12	(71
Average daily volume	965,775	557,730	73	1,068,132	537,425	99

1. Refer to Note 15 "Capital Management" in NuVista's financial statements and to the sections entitled "Adjusted funds flow" and "Liquidity and capital resources" contained in NuVista's MD&A.
2. Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled "Non-GAAP measurements".
3. Natural gas liquids ("NGLs") include butane, propane and ethane.
4. Product prices exclude realized gains/losses on financial derivatives.
5. The average condensate and NGLs selling price is net of pipeline tariffs and fractionation fees.

Basis of presentation

Unless otherwise noted, the financial data presented has been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) also known as International Financial

Reporting Standards (“IFRS”). The reporting and measurement currency is the Canadian dollar. Natural gas is converted to a barrel of oil equivalent (“Boe”) using six thousand cubic feet of gas to one barrel of oil. In certain circumstances natural gas liquid volumes have been converted to a thousand cubic feet equivalent (“Mcfe”) on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. National Instrument 51-101 - "Standards of Disclosure for Oil and Gas Activities" includes condensate within the product type of natural gas liquids. NuVista has disclosed condensate values separate from natural gas liquids herein as NuVista believes it provides a more accurate description of NuVista's operations and results therefrom.

Advisories Regarding Oil And Gas Information

Boes may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil 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.

Any references in this press release to initial 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 production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for NuVista.

Advisory regarding forward-looking information and statements

This news release contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable securities laws. The use of any of the words “will”, “expects”, “believe”, “plans”, “potential” and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this news release contains forward looking statements, including management's assessment of: NuVista’s future focus, strategy, plans, opportunities and operations; the effect of our financial, commodity and natural gas risk management strategy; NuVista’s planned capital expenditures and the sources of funding of such expenditures; drilling and completion plans; plans with respect to water sourcing and disposal infrastructure; future net G&A expenses; production declines; expectations with respect to the construction and startup of the Pipestone North and Pipestone South compressor stations; planned and unplanned 2019 production outages; NuVista’s 110,000 Boe/d growth plan; the anticipated potential and growth opportunities associated with NuVista’s asset base; NuVista's future exposure to AECO; capital spending, production and adjusted funds flow guidance; future debt levels and net debt to annualized current quarter adjusted funds flow; forecast free funds flow and plans to use such funds to reduce debt, buy back shares, or for growth; future drilling locations and pace of development; and industry conditions including commodity prices, differentials, and market demand. By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond NuVista’s control, including the impact of general economic conditions, industry conditions, current and future commodity prices, currency and interest rates, anticipated production rates, borrowing, operating and other costs and adjusted funds flow, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, access to infrastructure and markets, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws, production curtailment and royalties; the ability to access sufficient capital from internal sources and bank and equity markets; and including, without limitation, those risks considered under “Risk Factors” in our Annual Information Form. 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 and, as such, undue reliance should not be placed on forward-looking statements. NuVista’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, or if any of them do so, what benefits NuVista will derive therefrom. NuVista has included the forward-looking statements in this news release in order to provide readers with a more complete perspective on NuVista’s future operations and such information may not be appropriate for other purposes. NuVista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP measurements

Within the news release, references are made to terms commonly used in the oil and natural gas industry. Management uses "adjusted funds flow", "adjusted funds flow per share", “adjusted funds flow netback”, "operating netback", "corporate netback", "capital expenditures", "net debt” and “net debt to annualized current quarter adjusted funds flow” and “free funds flow” to analyze performance and leverage. These terms do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. For further information refer to the section "Non-GAAP measurements" contained in NuVista's MD&A for the three and six months ended June 30, 2019. Free funds flow is forecast adjusted funds flow less capital expenditures required to maintain production.

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