

TORC Oil & Gas Ltd. Announces First Quarter 2020 Financial & Operating Results and Corporate Update

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CALGARY, May 5, 2020 - [TORC Oil & Gas Ltd.](#) ("TORC" or the "Company") (TSX: TOG) is pleased to announce financial and operating results for the three months ended March 31, 2020. The associated Management's Discussion and Analysis and unaudited interim financial statements as at and for the quarter ended March 31, 2020 can be found at www.sedar.com and www.torcoil.com.

Highlights (in thousands, except per share data)	Three months ended		
	March 31 2020	December 31 2019	March 31 2019
Financial			
Adjusted funds flow, including transaction costs ⁽¹⁾	\$47,146	\$74,037	\$76,067
Per share basic	\$0.21	\$0.33	\$0.35
Per share diluted	\$0.21	\$0.33	\$0.34
Adjusted funds flow, excluding transaction costs ^{(1), (2)}	\$47,166	\$74,037	\$76,067
Per share basic	\$0.21	\$0.33	\$0.35
Per share diluted	\$0.21	\$0.33	\$0.34
Net cash from operating activities	\$57,955	\$67,933	\$53,930
Net income (loss)	(\$879,895)	(\$60,593)	\$6,335
Per share basic	(\$3.96)	(\$0.27)	\$0.03
Per share diluted	(\$3.96)	(\$0.27)	\$0.03
Exploration and development expenditures ⁽¹⁾	\$64,700	\$34,026	\$54,109
Property acquisitions, net of dispositions ⁽¹⁾	\$3,891	\$6,416	\$146
Net debt ⁽¹⁾	\$382,696	\$349,689	\$396,038
Cash dividends declared ⁽³⁾	\$12,222	\$11,460	\$9,761

Dividends declared per common share	\$0.055	\$0.075	\$0.066
Common shares			
Shares outstanding, end of period	222,315	221,812	217,676
Weighted average shares (basic)	222,146	221,080	217,140
Weighted average shares (diluted)	227,093	224,088	220,530
Operations			
Production			
Crude oil (Bbls per day)	23,672	23,415	23,700
NGL (Bbls per day)	1,582	1,616	1,459
Natural gas (Mcf per day)	19,568	20,079	18,646
Barrels of oil equivalent (Boepd, 6:1)	28,515	28,378	28,267
Average realized price			
Crude oil (\$ per Bbl)	\$47.87	\$63.05	\$64.85
NGL (\$ per Bbl)	\$9.66	\$12.71	\$20.32
Natural gas (\$ per Mcf)	\$1.60	\$2.07	\$2.18
Barrels of oil equivalent (\$ per Boe, 6:1)	\$41.37	\$54.22	\$56.86
Operating netback per Boe (6:1)			
Operating netback ⁽¹⁾	\$20.75	\$30.86	\$32.64
Operating netback (prior to hedging) ⁽¹⁾	\$20.00	\$30.86	\$32.64
Adjusted funds flow netback per Boe (6:1)			
Including transaction related costs ⁽¹⁾	\$18.17	\$28.36	\$29.90
Excluding transaction related costs ⁽¹⁾	\$18.18	\$28.36	\$29.90

Wells drilled:

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

Gross	28.2	11.7	27.9
Net			

Success (%)	100	100	100
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⁽²⁾ For ease of readability, in this press release, adjusted funds flow, excluding transaction related costs will be referred to as "cash flow".

⁽³⁾ Cash dividends declared are net of the share dividend program participation. The share dividend program was indefinitely suspended, effective for the January 2020 dividend, paid in February 2020.

PRESIDENT'S MESSAGE

The first quarter of 2020 was a continuation of TORC's operational momentum from 2019 with a consistent focus on the Company's long-term objectives of delivering disciplined growth in combination with providing a dividend, while preserving financial flexibility.

TORC's active first quarter drilling program was concentrated in southeast Saskatchewan and the Cardium core areas where the Company continued to achieve strong results.

TORC's disciplined approach and strong underlying assets continue to position the Company for long-term strategic growth.

Highlights in the first quarter of 2020 included the following:

- Achieved record quarterly production of 28,515 boepd, up from 28,378 boepd in the fourth quarter of 2019 and 28,378 boepd in the first quarter of 2019;
- Generated cash flow of \$47.2 million relative to \$74.0 million in the fourth quarter of 2019 and \$76.1 million in the first quarter of 2019;
- Generated cash flow per share of \$0.21 as compared to \$0.33 in the fourth quarter of 2019 and \$0.35 per share in the first quarter of 2019;
- Successfully drilled 33 (28.2 net) wells spending \$65 million;
- During the first quarter, TORC paid dividends of \$16.7 million of which \$1.7 million was paid under the share dividend program. The share dividend program was indefinitely suspended following the January dividend;
- Successfully closed a \$3 million tuck-in acquisition in the Company's southeast Saskatchewan core area at quarter end, adding over 200 boepd (greater than 90% light oil), of high netback, low decline assets with a high quality light oil inventory;
- Net income for the first quarter was negatively impacted by the severe economic dislocation that has led to a significant decrease in current and forecasted crude oil prices. This resulted in a non-cash accounting charge of \$853 million in the first quarter. Revisions to forecasted crude oil prices could result in reversals or additional impairment charges impacting future income;
- At quarter end, the Company's net debt was \$382.7 million with \$309.3 million drawn on the Company's \$500 million credit facility; and
- In March 2020, the World Health Organization declared COVID-19 to be a global pandemic. Global responses to the spread of COVID-19 have resulted in a sudden decline in economic activity and a significant decrease in global crude oil demand. In addition, global crude oil supply increased significantly due to a geopolitically driven crude oil price war. These events have resulted in an unprecedented decline in crude oil prices, creating an uncertain and volatile economic environment, adversely affecting the Company's operating results and financial position.

TORC'S RESPONSE TO COVID-19

TORC's top priority is the health and safety of the Company's employees, contractors, partners, service providers and the communities in which TORC operates. During the first quarter, the Company introduced measures to protect the well-being of all stakeholders and follow the guidance of public health officials, while maintaining safe operations and business continuity.

With the continued volatility in commodity prices and TORC's focus on effective and efficient operations, the Company has identified and implemented various cost cutting measures, as detailed below, including the reduction in the capital program, the suspension of the dividend, along with implementing savings in operating and general and administrative costs, including company-wide compensation reductions.

TORC is committed to taking the necessary steps to preserve shareholder value and financial flexibility to

maintain a position of strength in the current environment.

OPERATIONAL UPDATE

TORC's first quarter production averaged 28,515 boepd (83% light oil; 6% NGLs). Strong new well results and continued solid performance of the Company's existing low decline production base across TORC's core areas contributed to the continued growth of the Company's production.

TORC spent a total of \$65 million during the first quarter drilling 33 (28.2 net) wells on a development program focused on the conventional and unconventional assets in southeast Saskatchewan and the Cardium in central Alberta.

SOUTHEAST SASKATCHEWAN

TORC drilled 19 (15.5 net) southeast Saskatchewan conventional wells in the first quarter. The southeast Saskatchewan conventional assets are characterized by their low capital costs, higher capital efficiencies, favorable royalty regime and decline profile of less than 20%. TORC has identified more than 400 net undrilled conventional light oil locations in southeast Saskatchewan providing years of high quality drilling inventory.

On the Company's unconventional asset base in southeast Saskatchewan, TORC drilled 5 (4.0 net) wells during the first quarter in the Torquay/Three Forks geological zone. With the continued strong drilling and production results, the Company deferred completion of the Torquay/Three Forks program wells. TORC has identified over 150 net development locations in the Torquay/Three Forks play providing multiple years of drilling inventory.

TORC drilled 6 (5.7 net) wells in the unconventional Midale light oil play during the first quarter. The Company continues to be encouraged with the results from this play. TORC has identified more than 175 net future undrilled development locations across the Company's asset base for unconventional Midale production.

CARDIUM

TORC drilled 3 (3.0 net) Cardium development wells in the first quarter. The Cardium program included two wells that were completed with higher intensity fracs. The Company is encouraged with the initial results and continued strong production profiles from both of these wells.

TORC has identified more than 290 net undrilled Cardium locations for future development. With a decline profile below 25% and a deep inventory of high quality development locations, the Cardium continues to support the Company's long-term strategy.

CAPITAL PROGRAM

In the first quarter of 2020, TORC's capital spending was \$65 million. On March 16, 2020, the Company announced the undertaking of a thorough review of the remaining 2020 capital program due to the collapse of oil prices. With ongoing uncertainty related to economic circumstances, TORC has elected to significantly reduce 2020 capital spending to \$75 million from the original budget of \$190 million, in order to maintain financial flexibility.

TORC's 2020 \$75 million capital budget exhibits a measured approach to the current uncertainty in world oil prices and reflects a balance between managing long-term organic growth and protecting the Company's strong financial position.

TORC continues to focus on initiatives to preserve financial flexibility and improve capital efficiencies and

operating costs.

TORC's asset base has the following characteristics to provide operational versatility to maintain financial flexibility: greater than 90% operated capital program to dictate capital spending, low decline rate, year-round access, low capital costs per well, no drilling commitments, limited take-or-pay contracts, and no land expiry concerns.

PRODUCTION GUIDANCE

Due to the continued weakness in oil prices, TORC has curtailed approximately 4,000 boepd (88% light oil; 4% NGLs) of the Company's current production. TORC maintains the flexibility to reduce production volumes, which could be material, if economics warrant such action.

To maintain production flexibility related to shut-in decisions, TORC is suspending 2020 corporate production guidance.

TORC will be responsive to changes in commodity prices, and has the ability to shut-in and restore production volumes to pre-shut-in levels when economically viable. TORC expects that any curtailed production can be restored quickly and without a negative impact to the associated reservoirs.

TORC will examine on a continuous basis the ability to reasonably estimate and provide future production guidance.

MONTHLY DIVIDEND SUSPENSION

TORC's dividend is reviewed regularly with the Board of Directors and is an important component of TORC's overall long-term strategy. The crude oil market has experienced a significant and rapid decline in world prices resulting from severe dynamics coinciding to significantly impact both supply and demand uncertainty. Due to this significant uncertainty and volatility, TORC has elected to temporarily suspend the monthly dividend.

TORC will continue assessing the free cash flow profile and dividend policy of the Company following an increase in economic activity and stability of oil market dynamics.

The previously announced April dividend of \$0.005 per share will be paid on May 15, 2020 to shareholders of record on April 30, 2020.

Consistent with TORC's focus on protecting the Company's balance sheet, it is prudent to continue to move quickly to remain well positioned to ensure sustainability of the business model and maintaining a disciplined approach. TORC's priorities are to act prudently to protect TORC's financial flexibility while positioning the Company to continue to achieve per share growth over the long term while paying out a dividend.

CREDIT FACILITY

As at March 31, TORC was drawn \$309 million on the Company's \$500 million credit facility. On April 27, 2020, TORC received approval to extend the revolving period under the credit facility agreement from April 30, 2020 to May 29, 2020 with respect to determining the borrowing base available under the credit facility. The purpose of the extension is to permit TORC's banking syndicate time to further assess market dynamics, including the proposed Export Development Canada and Business Development Bank programs, and develop a renewal that provides TORC with maximum flexibility through the current environment.

OUTLOOK

The stability of the high quality, low decline, light oil assets in southeast Saskatchewan and the low risk

Cardium development inventory in central Alberta, combined with exposure to unconventional light oil resource plays in southeast Saskatchewan, positions TORC to provide value creation through a disciplined long term focused growth plus dividend strategy.

TORC has developed significant trust and credibility as a corporate citizen, which provides a solid foundation for the long-term success of the business. Sustainability of the business includes focusing on overall social responsibility to support strong values and relationships in the workplace and communities where TORC operates.

TORC has the following key operational and financial attributes:

Total Proved plus Probable Reserves ⁽¹⁾	Greater than 139 mmboe (78% light oil; 6% NGLs)
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Southeast Saskatchewan Light Oil Development Inventory	Greater than 400 net undrilled conventional locations
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	Greater than 150 net undrilled Torquay/Three Forks locations
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	Greater than 175 net undrilled unconventional Midale locations
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Cardium Light Oil Development Inventory	Greater than 290 net undrilled locations
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2020 Capital Program	\$75 million
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Monthly Dividend	Suspended
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Net Debt as at March 31, 2020 ⁽²⁾	\$382.7 million; \$309.3 million drawn on a bank line of \$500 million
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Shares Outstanding	222 million (basic)
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Tax Pools	Approximately \$1.8 billion
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Notes:

(1) All reserves information in this press release are gross reserves. The reserve information for TORC in the foregoing table is derived from the independent engineering report effective December 31, 2019 prepared by Sproule & Associates Limited ("Sproule") evaluating the oil, NGL and natural gas reserves attributable to all of our properties (the "TORC Reserve Report").

(2) See "Non-GAAP Measures".
READER ADVISORIES

Forward Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to the Company's plans, strategy, business model, focus, objectives and other aspects of TORC's anticipated future operations and financial, operating and drilling and development plans and results, including, expected future production and potential production curtailment, production mix, reserves, drilling inventory, net debt, cash flow and free cash flow, financial flexibility and liquidity, capital costs, operating netbacks, operational efficiencies, decline rate and decline profile, product mix, capital expenditure program, capital efficiencies, commodity prices, royalties, tax pools and future growth. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding: the focus and allocation of TORC's 2019 capital budget, anticipated average and exit production rates, available free cash flow, management's view of the characteristics and quality of the Company's assets and the opportunities available to the Company, COVID-19 response plans, future capital efficiencies and operating costs, expectations regarding the renewal of TORC's credit facility. TORC's dividend policy and plans, and other matters ancillary or incidental to the foregoing.

Forward-looking information typically uses words such as "anticipate", "believe", "project", "target", "guidance", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. The forward-looking information is based on certain key expectations and assumptions made by TORC's management, including expectations concerning the impact (and the duration thereof) that the COVID-19 pandemic will have on the demand for crude oil, NGLs and natural gas, our supply chain, including our ability to obtain the equipment and services we require, and our operations, prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; capital efficiencies; decline rates; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; ability to market oil and natural gas successfully and TORC's ability to access capital

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

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

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

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

Dividends

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

Non-GAAP Measurements

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

March 31, 2020.

"Adjusted funds flow, including transaction related costs" represents cash flow from operating activities prior to changes in non-cash operating working capital and settlement of decommissioning obligations. "Adjusted funds flow, excluding transaction related costs" represents cash flow from operating activities prior to changes in non-cash operating working capital, settlement of decommissioning obligations and transaction related costs. Management considers these measures to be useful as they assist in the determination of the Company's ability to generate liquidity necessary to finance capital expenditures, settlement of decommissioning obligations and funding of its dividend. Transaction related costs are incurred during asset and/or corporate acquisitions and are typically not considered a cost incurred in the normal course of business. As a result, excluding transaction related costs from adjusted funds flow further assists in the determination of the Company's ability to generate liquidity in the normal course of business. For ease of readability, in this press release, "adjusted funds flow, excluding transaction related costs" is also referred to as "cash flow". TORC calculates cash flow per share using the same method and shares outstanding that are used in the determination of earnings per share.

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

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

"Exploration and development expenditures" represents expenditures on property, plant and equipment ("PP&E") excluding: acquisitions, non-cash PP&E additions and capitalized general and administrative expenses. See Capital Expenditures in the MD&A for further details.

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

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

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

Oil and Gas Disclosures

The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the reserves evaluation prepared by Sproule as of December 31, 2019 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates prepared by a qualified reserves evaluator based on TORC's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Of the 1015 net drilling locations identified herein, 357 are proved locations, 133 are probable locations and 525 are unbooked locations. Of the 400 net conventional drilling locations identified herein, 161 are proved locations, 56 are probable locations and 183 are unbooked

locations. Of the 150 net Torquay/Three Forks drilling locations identified herein, 51 are proved locations, 27 are probable locations and 72 are unbooked locations. Of the 175 net unconventional Midale drilling locations identified herein, 78 are proved locations, 17 are probable locations and 80 are unbooked locations. Of the 290 net Cardium drilling locations identified herein, 68 are proved locations, 33 are probable locations and 189 are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that TORC will drill all unbooked drilling locations and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional oil and gas reserves or production.

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