

# Birchcliff Energy Ltd. Announces Solid Q1 2020 Results and Confirmation of Borrowing Base at \$1 Billion

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CALGARY, May 13, 2020 - [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, 2020 and the confirmation of the borrowing base limit under its credit facilities at \$1.0 billion.

"Our industry is facing unprecedented challenges as a result of the impacts from the global COVID-19 pandemic which has resulted in a significant reduction in worldwide oil demand. We believe that Birchcliff's strong financial position, low operating cost structure and low-decline asset base provides us with the ability to withstand these challenges. In addition, the reduced demand for oil has resulted in massive capital spending reductions and shut-ins of oil and natural gas production, leading to the strengthening of current and future natural gas prices in North America, which is key for our current and future adjusted funds flow," commented Jeff Tonken, President and Chief Executive Officer of Birchcliff.

"Our syndicate of lenders recently completed its semi-annual review of our credit facilities and our borrowing base limit has been confirmed at \$1 billion. These credit facilities do not mature until May 11, 2022 and do not contain any financial maintenance covenants. In addition, we have taken various steps to strengthen our liquidity and financial flexibility in the current environment. Earlier in the year, we announced the deferral of \$65 million of capital spending in 2020, which represented approximately 19% of our original capital budget. We also intend to reduce our quarterly common share dividend to \$0.005 per share commencing June 30, 2020, which would result in the preservation of approximately \$17.0 million in 2020."

"Our first priority is the health and safety of our employees, contractors and the communities where we operate. In response to the COVID-19 pandemic, we have introduced numerous measures to protect the well-being of our employees and contractors, including remote work-from-home arrangements, physical distancing measures, enhanced cleaning and sanitization measures and conducting meetings through virtual means. At various critical field sites, only essential personnel are authorized to be physically present and we have implemented a rotational work schedule. We have a long history of operational excellence and we are very proud of how our staff continue to exceed our expectations to maintain safe and reliable operations and the continuity of our business, despite having to adapt to this challenging new environment."

Birchcliff's unaudited interim condensed financial statements for the three months ended March 31, 2020 and related management's discussion and analysis (the MD&A) will be available on its website at [www.birchcliffenergy.com](http://www.birchcliffenergy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## Q1 2020 HIGHLIGHTS

- Achieved quarterly average production of 73,580 boe/d in Q1 2020, a 2% decrease from Q1 2019.
- Liquids accounted for approximately 22% of Birchcliff's total production in Q1 2020 as compared to approximately 21% in Q1 2019.
- Delivered adjusted funds flow of \$36.9 million, or \$0.14 per basic common share, in Q1 2020, a 68% decrease in each case from Q1 2019.
- Achieved low operating expense of \$3.14/boe in Q1 2020, an 8% decrease from Q1 2019.
- Realized an operating netback of \$9.32/boe in Q1 2020, a 46% decrease from Q1 2019.
- Continued with the successful and efficient execution of its 2020 capital program (the 2020 Capital Program), drilling 18 (18.0 net) wells, completing 14 (14.0 net) wells and bringing 4 (4.0 net) wells on production in Q1 2020. Total F&D capital expenditures were \$132.4 million in the quarter.
- Paid approximately \$7.0 million in common share dividends in Q1 2020.

- Birchcliff performed an impairment test on its petroleum and natural gas properties and equipment at March 31, 2020 and such assets were not impaired.

## ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

- Birchcliff's annual and special meeting (the "Meeting") of shareholders is scheduled to take place tomorrow, Thursday, May 14, 2020, at the offices of the Corporation, Suite 1000, 600 1<sup>st</sup> Avenue S.W., Calgary, Alberta.
- The Meeting will be held for the sole purpose of addressing the matters to be acted upon at the Meeting as disclosed in the Notice of Meeting of the Corporation dated March 25, 2020. No corporate update or investor presentation will be provided at the Meeting and most of the directors and executive officers of the Corporation will not be in attendance.
- Shareholders are strongly encouraged not to attend the Meeting in person unless absolutely necessary.
- Birchcliff reserves the right to refuse admission to anyone whom the Corporation believes may pose a health risk or whose admission would violate applicable public health laws, policies or orders in place at the time of the Meeting.
- In order to ensure that all government restrictions with respect to public gatherings are complied with, only registered shareholders or their duly appointed proxy holders and other essential personnel will be permitted to attend the Meeting. Attendance may be further restricted as noted above.

## REDEMPTION OF SERIES C PREFERRED SHARES BY HOLDERS

- The Corporation currently has no intention to exercise its option to redeem its cumulative redeemable preferred shares, Series C (the "Series C Preferred Shares"), but rather, to leave such shares outstanding and continue paying a quarterly cash dividend on the shares.
- On and after June 30, 2020, subject to the provisions governing the Series C Preferred Shares (the "Provisions"), a holder of the Series C Preferred Shares may, at its option, upon giving notice, redeem for cash, all or any number of Series C Preferred Shares held by such holder on the last day of a quarter at \$25.00 per share, together with all accrued and unpaid dividends to but excluding the date fixed for redemption. If the Corporation receives a notice of redemption, it has the option to elect to convert any Series C Preferred Shares into common shares of the Corporation using a conversion price equal to the greater of \$2.00 and 95% of the "Current Market Price" (as determined in accordance with the Provisions) of the common shares.
- Important information regarding the process to be followed by holders who wish to redeem their Series C Preferred Shares is available on the Corporation's website at <http://birchcliffenergy.com/investors/series-c-preferred-shares/>. Holders or prospective holders should consult their own tax and other professional advisors for advice with respect to the tax and other consequences of acquiring, holding or disposing of Series C Preferred Shares.

*This press release contains forward-looking statements within the meaning of applicable securities laws. For further information regarding the forward-looking statements contained herein, see "Advisories" and "Forward-Looking Statements". In addition, this press release contains references to "adjusted funds flow", "adjusted funds flow per basic common share", "free funds flow", "transportation and other expense", "operating netback", "adjusted funds flow netback", "total cash costs" and "total debt", which 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. For further information regarding these non-GAAP measures, see "Non-GAAP Measures". With respect to the disclosure of Birchcliff's production contained in this press release, see "Advisories" and "Production".*

## Q1 2020 FINANCIAL AND OPERATIONAL HIGHLIGHTS

OPERATING	Three months ended March 31, 2020	Three months ended March 31, 2019
Average production		
Light oil (bbls/d)	3,954	4,800
Condensate (bbls/d)	4,524	4,416
NGLs (bbls/d)	7,962	6,743
Natural gas (Mcf/d)	342,831	353,548

Total &#8211; boe/d	73,580	74,884
Average realized sales price (CDN\$) <sup>(1)</sup>		
Light oil &#8211; (per bbl)	53.18	66.08
Condensate &#8211; (per bbl)	58.48	65.45
NGLs &#8211; (per bbl)	12.02	17.71
Natural gas &#8211; (per Mcf)	2.29	3.55
Total &#8211; per boe	18.41	26.45
NETBACK AND COST (\$/boe)		
Petroleum and natural gas revenue <sup>(1)</sup>	18.41	26.46
Royalty expense	(0.95	) (1.22 )
Operating expense	(3.14	) (3.40 )
Transportation and other expense	(5.00	) (4.61 )
Operating netback (\$/boe)	9.32	17.23
G&A expense, net	(0.90	) (0.90 )
Interest expense	(0.89	) (1.03 )
Realized gain (loss) on financial instruments	(2.13	) 1.98
Other income	0.11	0.03
Adjusted funds flow netback (\$/boe)	5.51	17.31
Depletion and depreciation expense	(7.71	) (7.55 )
Unrealized loss on financial instruments	(5.88	) (5.77 )
Other expenses <sup>(2)</sup>	(0.29	) (0.33 )
Dividends on preferred shares	(0.29	) (0.29 )
Income tax recovery (expense)	1.91	(1.03 )
Net income (loss) to common shareholders (\$/boe)	(6.75	) 2.34
FINANCIAL		
Petroleum and natural gas revenue (\$000s) <sup>(1)</sup>	123,263	178,355
Cash flow from operating activities (\$000s)	50,551	94,744
Adjusted funds flow (\$000s)	36,894	116,648
Per basic common share (\$)	0.14	0.44
Net income (loss) to common shareholders (\$000s) (45,201		) 15,799
Per basic common share (\$)	(0.17	) 0.06
End of period basic common shares (000s)	265,935	265,924
Weighted average basic common shares (000s)	265,935	265,914
Dividends on common shares (\$000s)	6,981	6,980
Dividends on preferred shares (\$000s)	1,922	1,922
Total capital expenditures (\$000s) <sup>(3)</sup>	132,840	131,958
Long-term debt (\$000s)	619,055	611,911
Total debt (\$000s)	739,631	649,202

(1) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

(2) Includes non-cash expenses such as compensation, accretion, amortization of deferred financing fees and other income.

(3) See &#8220;Advisories &#8211; Capital Expenditures&#8221;.

## OUTLOOK AND GUIDANCE

### Competitive Advantage

Birchcliff believes that the following key attributes provide it with a competitive advantage which will allow it to withstand this current period of low and volatile commodity prices:

- Strong Financial Position

The Corporation has extendible revolving credit facilities (the *Credit Facilities*) with a borrowing base limit of \$1.0 billion. The Credit Facilities do not mature until May 11, 2022 and do not contain any financial maintenance covenants.

- Low Operating Cost Structure

Birchcliff has a very low operating cost structure, in large part as a result of owning the majority of the infrastructure through which its production flows, including its 100% owned and operated natural gas processing plant located in Pouce Coupe (the *Pouce Coupe Gas Plant*).

- High-Quality, Low-Decline Asset Base

Birchcliff's high-quality, low-decline asset base allows it to maintain production at or near current levels with less F&D capital each year and is also able to generate positive funds flow in a low commodity price environment. In addition, the Corporation's owned-and-operated infrastructure, diverse portfolio of assets and production commodity mix of 78% natural gas and 22% liquids provides it with significant optionality to focus on those commodities that provide it with the highest rate of return.

- People

The Corporation's dedicated and skilled employees and contractors have helped position Birchcliff as one of the lowest cost producers in the industry operating with rigorous health, safety and environmental standards. In addition, Birchcliff's board of directors has been providing the Corporation with ongoing oversight and support to help guide it through this unprecedented period of uncertainty.

## Strengthening Liquidity and Financial Flexibility

In this challenging environment, Birchcliff is focused on strengthening its liquidity and financial flexibility and has taken various measures to protect its balance sheet and to provide it with additional financial flexibility, including the following:

- Reduced Capital Spending By 19%

On March 11, 2020, the Corporation announced that it was deferring \$65 million of capital spending in 2020, which represented approximately 19% of its original 2020 capital budget.

- Borrowing Base Limit Confirmed at \$1.0 Billion

As discussed in further detail under *Q1 2020 Financial and Operational Results*; *Debt and Credit Facilities*, the borrowing base limit under the Corporation's Credit Facilities was recently confirmed at \$1.0 billion.

- Strategic Hedging

Birchcliff continues to engage in strategic risk management activities to help reduce its exposure to volatile commodity prices and protect its balance sheet and adjusted funds flow. As of May 12, 2020, the Corporation has entered into the following short-term hedges: (i) May 2020: 4,000 bbls/d of light oil at an average MSW price of CDN\$20.05/bbl; (ii) June 2020: 6,000 bbls/d of light oil at an average MSW price of CDN\$26.35/bbl; (iii) July 2020: 1,500 bbls/d of light oil at an average MSW price of CDN\$31.33/bbl; and (iv) August 2020: 500 bbls/d of condensate at an average C5+ price of CDN\$32.50/bbl. For further details regarding the Corporation's hedging arrangements, see *Discussion of Operations*; *Risk Management* in the MD&A.

- Common Share Dividend Reduced By 80%

The Corporation intends to reduce the amount of its quarterly common share dividend from \$0.02625 per share (or \$0.105 per share annually) to \$0.005 per share (or \$0.02 per share annually) commencing with the quarter ending June 30, 2020, which would result in the preservation of approximately \$17.0 million in 2020. This reduced quarterly cash dividend is expected to be declared by the Corporation's board of directors on June 2, 2020, as originally scheduled. Birchcliff's board of directors and management team believe that reducing the common share dividend is a prudent step in order to strengthen the Corporation's financial resiliency in the current environment.

#### Production and Adjusted Funds Flow Increasing, Per Unit Costs Decreasing

Birchcliff is also focused on the successful and efficient execution of its 2020 Capital Program, which is expected to be completed on time and on budget. The program is heavily weighted towards the first half of the year, with the majority of F&D capital expected to be spent by the end of Q2 2020.

Over the course of 2020, the Corporation's production is expected to increase with a corresponding reduction in per unit operating costs, with a significant number of wells planned to be brought on production in late Q3 2020, which will coincide with the bringing on-stream of Birchcliff's 20,000 bbls/d (50% condensate, 50% water) inlet liquids-handling facility at the Pouce Coupe Gas Plant (the "Inlet Liquids-Handling Facility"). Production in Q4 2020 is expected to average approximately 81,000 to 83,000 boe/d. As the Corporation anticipates that natural gas prices will continue to strengthen throughout 2020 and into 2021, the Corporation expects that its higher production in the third and fourth quarters of 2020 will drive higher adjusted funds flow and lower per unit costs.

As a result of very weak commodity prices anticipated for Q2 2020, Birchcliff currently expects that it will have significantly lower adjusted funds flow in Q2 2020 as compared to Q1 2020. In addition, as a result of executing the vast majority of the 2020 Capital Program in the first half of 2020, total debt is expected to peak early in Q3 2020. As production increases and commodity prices for natural gas are expected to strengthen over the course of 2020, Birchcliff anticipates that its total debt will gradually decrease throughout the remainder of 2020, while its adjusted funds flow will steadily increase.

Looking forward, Birchcliff expects to exit 2020 in a strong position as a result of its higher production and lower costs. In addition, the expected proved developed producing reserves additions resulting from the 2020 Capital Program should position the Corporation well for the future. The Corporation is currently in the early stages of planning its 2021 capital program, which will be designed to provide Birchcliff with significant optionality to take advantage of volatile commodity prices. As a result of Birchcliff's large inventory of potential future drilling locations, the Corporation has the ability to focus on natural gas, liquids-rich natural gas or light oil drilling, depending on its outlook for commodity prices. Based on current strip prices, the Corporation currently expects to return to a free funds flow model in 2021.

#### Revised Guidance

In light of the COVID-19 pandemic and current economic conditions, Birchcliff has revised its average royalty expense, adjusted funds flow, free funds flow and total debt guidance and commodity price assumptions for 2020. All other previous guidance for 2020 remains unchanged. The following table sets forth Birchcliff's revised and previous guidance and commodity price assumptions for 2020:

	Revised 2020 guidance and assumptions <sup>(1)</sup>	Previous 2020
Production		
Annual average production (boe/d)	78,000 &#8211; 80,000	78,000 &#8211; 80,000
% Light oil	7%	7%
% Condensate	8%	8%
% NGLs	9%	9%
% Natural gas	76%	76%
Q4 average production (boe/d)	81,000 &#8211; 83,000	81,000 &#8211; 83,000
Average Expenses (\$/boe)		

Royalty	0.65 &#8211; 0.85	1.00 &#8211;
Operating	3.05 &#8211; 3.25	3.05 &#8211;
Transportation and other	4.90 &#8211; 5.10 <sup>(3)</sup>	4.90 &#8211;
Adjusted Funds Flow (MM\$)	161 <sup>(4)</sup>	252
F&D Capital Expenditures (MM\$)	275 &#8211; 295 <sup>(5)</sup>	275 &#8211;
Free Funds Flow (MM\$) <sup>(6)</sup>	(114) &#8211; (134)	(23) &#8211;
Total Debt at Year End (MM\$)	770 &#8211; 790 <sup>(7)</sup>	700 &#8211;
Natural Gas Market Exposure <sup>(8)</sup>		
AECO exposure as a % of total natural gas production	20%	20%
Dawn exposure as a % of total natural gas production	45%	45%
NYMEX HH exposure as a % of total natural gas production	34%	34%
Alliance exposure as a % of total natural gas production	1%	1%
Commodity Prices		
Average WTI price (US\$/bbl)	33.00	48.00
Average WTI-MSW differential (CDN\$/bbl)	11.00	5.70
Average AECO 5A price (CDN\$/GJ)	2.20	1.90
Average Dawn price (US\$/MMBtu) <sup>(9)</sup>	2.00	2.15
Average NYMEX HH price (US\$/MMBtu) <sup>(9)</sup>	2.25	2.20
Exchange rate (CDN\$ to US\$1)	1.38	1.34

Birchcliff's guidance for its commodity mix, adjusted funds flow and natural gas market exposure in (1) 2020 is based on an annual average production rate of 79,000 boe/d during 2020, which is the mid-point of Birchcliff's annual average production guidance for 2020.

(2) As disclosed on March 11, 2020.

(3) Includes transportation tolls for 175,000 GJ/d of natural gas sold at the Dawn price and includes any unused firm transportation costs associated with Birchcliff's commitments on the NGTL system.

Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial (4) commodity risk management contracts outstanding as at May 12, 2020. See *&#8220;Discussion of Operations &#8211; Risk Management&#8221;* in the MD&A.

Birchcliff's estimate of F&D capital expenditures excludes any net potential acquisitions and (5) dispositions and corresponds to Birchcliff's 2020 F&D capital budget. See *&#8220;Advisories &#8211; Capital Expenditures&#8221;*.

Free funds flow is calculated as adjusted funds flow less F&D capital expenditures and is prior to acquisitions (6) and dispositions, dividend payments, abandonment and reclamation obligations, administrative assets, financing fees and capital lease obligations. See *&#8220;Non-GAAP Measures&#8221;*.

The total debt amount set forth in the table above assumes the following: (i) that the timing and amount of (7) preferred share dividends paid by the Corporation remains consistent with previous years, with the dividend rates remaining flat; (ii) that a common share dividend of \$0.005 per share is paid for the quarters ending June 30, 2020, September 30, 2020 and December 31, 2020; (iii) that there are 265,935,229 common shares and 2,000,000 Series C Preferred Shares outstanding, with no Series C Preferred Shares redeemed in 2020; (iv) that the 2020 Capital Program will be carried out as currently contemplated and the level of capital spending set forth herein will be achieved; and (v) the targets for production, commodity mix, capital expenditures, adjusted funds flow, free funds flow and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. The amount set forth in the table above does not include annual cash incentive payments.

Birchcliff's guidance regarding its natural gas market exposure in 2020 assumes: (i) 175,000 GJ/d being sold at the Dawn index price; (ii) 5 MMcf/d being sold at Alliance's Trading Pool daily index (8) price until October 31, 2020; and (iii) 132,500 MMBtu/d being hedged on a financial and physical basis at a fixed basis differential between the AECO 7A price and the NYMEX HH price.

(9) See *&#8220;Advisories &#8211; MMBtu Pricing Conversions&#8221;*.

The following table illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's revised estimate of adjusted funds flow for 2020 of \$161 million, after taking into account the effects of its commodity risk management contracts outstanding as at May 13,

2020:

	Estimated change to 2020 adjusted funds flow (MM\$) <sup>(1)(2)</sup>
Change in WTI US\$1.00/bbl	7.0
Change in NYMEX HH US\$0.10/MMBtu	6.0
Change in Dawn US\$0.10/MMBtu	8.3
Change in AECO CDN\$0.10/GJ	3.5
Change in CDN/US exchange rate CDN\$0.01	2.0

(1) See the guidance table above.

The calculated impact on adjusted funds flow is only applicable within the limited range of change indicated.

(2) 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.

The outbreak of the COVID-19 pandemic has had a significant negative impact on global economic conditions and has resulted in a sharp decrease in the demand for crude oil which, combined with other macro-economic conditions, has resulted in significant volatility in oil and natural gas commodity prices, as well as increased economic uncertainty. Changes in assumed commodity prices and variances in production estimates can have a significant impact on the Corporation's estimates of adjusted funds flow and free funds flow and the Corporation's other guidance. For further information, see *Advisories* *Forward-Looking Statements* in this press release and *Risk Factors and Risk Management* in the MD&A.

## Q1 2020 FINANCIAL AND OPERATIONAL RESULTS

### Production

Birchcliff's production averaged 73,580 boe/d in Q1 2020, which was on the high end of its guidance of 72,000 to 74,000 boe/d and which represented a 2% decrease from 74,844 boe/d in Q1 2019. In order to minimize frac-driven interaction associated with offset drilling and completions activities, Birchcliff proactively and temporarily shut-in some production during Q1 2020 in order to protect its existing wells, which was the main driver for the decrease from Q1 2019. Production was also impacted by natural production declines, partially offset by incremental production from the new horizontal oil and natural gas wells brought on production since Q1 2019.

Liquids accounted for approximately 22% of Birchcliff's total production in Q1 2020 as compared to approximately 21% in Q1 2019, with total liquids production increasing by 3% from Q1 2019. 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+ extracted from the natural gas stream at the Pouce Coupe Gas Plant.

### Adjusted Funds Flow

Birchcliff's adjusted funds flow for Q1 2020 was \$36.9 million, or \$0.14 per basic common share, a 68% decrease in each case from \$116.6 million and \$0.44 per basic common share in Q1 2019. The decreases were primarily due to lower reported revenue and a realized loss on financial instruments of \$14.3 million in Q1 2020 as compared to a realized gain on financial instruments of \$13.3 million in Q1 2019. Revenue decreased by \$55.1 million (or 31%) as compared to Q1 2019, largely due to lower average realized liquids and natural gas sales prices in Q1 2020. Birchcliff's light oil revenue in Q1 2020 was impacted by the significant weakness and volatility in oil prices as a result of the COVID-19 pandemic and OPEC+'s initial plan to increase production announced in early March 2020. Adjusted funds flow was also impacted by lower operating, royalty and interest expenses, partially offset by higher transportation and other expense as a result of Birchcliff's increased Dawn and AECO firm service.

### Net Loss to Common Shareholders

Birchcliff recorded a net loss to common shareholders of \$45.2 million, or \$0.17 per basic common share, in Q1 2020 as compared to net income to common shareholders of \$15.8 million and \$0.06 per basic common share in Q1 2019. The change to a net loss position was primarily due to lower adjusted funds flow as described above, partially offset by an income tax recovery of \$12.7 million recorded in Q1 2020 as compared to an income tax expense of \$7.0 million recorded in Q1 2019.

### Operating Expense

Birchcliff's operating expense was \$3.14/boe in Q1 2020, an 8% decrease from \$3.40/boe in Q1 2019. The decrease was primarily due to various field optimization initiatives in Pouce Coupe and Gordondale, which included the Corporation's expanded liquids-handling capabilities in Pouce Coupe.

### Operating Netback

Birchcliff's operating netback was \$9.32/boe in Q1 2020, a 46% decrease from \$17.23/boe in Q1 2019. The decrease was primarily due to a 30% decrease in the corporate average realized sales price and higher per boe transportation and other expense as a result of Birchcliff's increased Dawn and AECO firm service, partially offset by lower per boe operating and royalty expenses.

### Total Cash Costs

Birchcliff's total cash costs were \$10.88/boe in Q1 2020, a 3% decrease from \$11.16/boe in Q1 2019. The decrease was primarily due to lower per boe operating, interest and royalty expenses, partially offset by higher per boe transportation and other expense.

### Pouce Coupe Gas Plant Netbacks

Birchcliff processed approximately 69% of its total corporate natural gas production and 59% of its total corporate production through the Pouce Coupe Gas Plant in Q1 2020 and Q1 2019. 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, 2020	Three months ended March 31, 2019		
<i>Average production:</i>				
Condensate (bbls/d)	2,981	2,931		
NGLs (bbls/d)	1,025	532		
Natural gas (Mcf/d)	239,236	242,699		
Total (boe/d)	43,879	43,913		
Liquids-to-gas ratio <sup>(1)</sup> (bbls/MMcf)	16.7	14.3		
<i>Netback and cost:</i>				
Petroleum and natural gas revenue <sup>(2)</sup>	\$/Mcfe	\$/boe	\$/Mcfe	\$/boe
Royalty expense	(2.90)	17.39	(4.07)	24.42
Operating expense <sup>(3)</sup>	(0.10)	(0.62)	(0.12)	(0.71)
Transportation and other expense	(0.33)	(1.98)	(0.32)	(1.87)
Operating netback	\$1.58	\$9.45	\$2.85	\$17.13
Operating margin <sup>(4)</sup>	54%	54%	70%	70%

(1) Liquids consists of condensate and other NGLs.

(2) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

(3) Represents plant and field operating expense.

(4) Operating margin is calculated by dividing the operating netback for the period by the petroleum and natural gas revenue for the period.

The Corporation's liquids-to-gas ratio increased by 17% as compared to Q1 2019 primarily due to specifically targeted condensate-rich natural gas wells in Pouce Coupe and an increase in C3+ extracted from the natural gas stream at the Pouce Coupe Gas Plant. The amount of liquids (condensate and other NGLs) from Montney horizontal natural gas wells being produced to the Pouce Coupe Gas Plant increased by 16% to 4,006 bbls/d in Q1 2020 from 3,463 bbls/d in Q1 2019. The increase in the liquids-to-gas ratio improved Birchcliff's average realized sales price and operating netback at the Pouce Coupe Gas Plant.

### Debt and Credit Facilities

At March 31, 2020, Birchcliff had long-term bank debt of \$619.0 million as compared to \$611.9 million at March 31, 2019, leaving \$374.8 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized interest and fees. Total debt at March 31, 2020 was \$739.6 million as compared to \$649.2 million at March 31, 2019.

#### *Borrowing Base Confirmed at \$1.0 Billion*

Birchcliff has significant liquidity from its Credit Facilities which have an aggregate principal amount of \$1.0 billion and which are comprised of an extendible revolving syndicated term credit facility (the Syndicated Credit Facility) of \$900.0 million and an extendible revolving working capital facility (the Working Capital Facility) of \$100.0 million. The Credit Facilities do not contain any financial maintenance covenants.

The Credit Facilities are subject to semi-annual reviews of the borrowing base limit by Birchcliff's syndicate of lenders, which limit is directly impacted by the value of Birchcliff's oil and natural gas reserves. Birchcliff's syndicate of lenders recently completed its review and the borrowing base limit was confirmed at \$1.0 billion, which is a testament to the strength of Birchcliff's proved developed producing reserves.

The maturity dates of the Credit Facilities are currently May 11, 2022. The Corporation may each year, at its option, request an extension to the maturity date of the Syndicated Credit Facility and the Working Capital Facility, or either of them, for an additional period of up to three years from May 11 of the year in which the extension request is made. In connection with the most recently completed borrowing base review, Birchcliff chose to not extend the maturity dates of the Credit Facilities by another year given that the Credit Facilities do not mature for another two years and the increased costs of credit in the current environment.

### Commodity Prices

The following table sets forth the average benchmark index prices for the periods indicated:

	Three months ended March 31, 2020	Three months ended March 31, 2019	% Change
Light oil; WTI Cushing (US\$/bbl)	46.17	54.90	(16)%
Light oil; MSW (Mixed Sweet) (CDN\$/bbl)	51.27	66.07	(22)%
Natural gas; NYMEX HH (US\$/MMBtu) <sup>(1)</sup>	1.95	3.15	(38)%
Natural gas; AECO 5A Daily (CDN\$/GJ)	1.93	2.49	(22)%
Natural gas; AECO 7A Month Ahead (US\$/MMBtu) <sup>(1)</sup>	1.60	1.46	10)%
Natural gas; Dawn Day Ahead (US\$/MMBtu) <sup>(1)</sup>	1.76	2.91	(40)%
Natural gas; ATP 5A Day Ahead (CDN\$/GJ)	1.63	2.63	(38)%
Exchange rate (CDN\$ to US\$1)	1.3442	1.3293	1)%
Exchange rate (US\$ to CDN\$1)	0.7439	0.7523	(1)%

(1) See *&#8220;Advisories &#8211; MMBtu Pricing Conversions&#8221;*.

### Marketing and Natural Gas Market Diversification

Birchcliff's physical natural gas sales exposure primarily consists of the AECO, Dawn and Alliance markets. In addition, the Corporation has various financial instruments outstanding that provide it with exposure to NYMEX HH pricing.

The following table details Birchcliff's effective sales, production and average realized sales price for natural gas and liquids for Q1 2020, after taking into account the Corporation's financial instruments:

Three months ended March 31, 2020

	Effective sales (CDN\$000s)	Percentage of total sales (%)	Effective production (per day)	Percentage of total natural gas production (%)	Percentage of total corporate production (%)
<b>Markets</b>					
AECO <sup>(1)</sup>	10,638	10	53,816 Mcf	16	12
Dawn <sup>(2)</sup>	35,818	32	159,126 Mcf	46	36
Alliance <sup>(3)</sup>	1,162	1	8,571 Mcf	3	2
NYMEX HH <sup>(1)</sup>	9,693	9	121,318 Mcf	35	28
Total natural gas	57,311	52	342,831 Mcf	100	78
Light oil	19,138	18	3,954 bbls		5
Condensate	24,080	22	4,524 bbls		6
NGLs	8,710	8	7,962 bbls		11
Total liquids	51,928	48	16,440 bbls		22
Total corporate	109,239	100	73,580 boe		100

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

(1) included as effective sales and production in NYMEX HH markets. Birchcliff sold financial and physical AECO 7A basis swaps for 132,500 MMBtu/d at an average contract price of NYMEX HH less US\$1.234/MMBtu during Q1 2020.

Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline, whereby natural gas is transported to the Dawn trading hub in

(2) Southern Ontario. The first tranche of this service (120,000 GJ/d) became available on November 1, 2017, the second tranche (30,000 GJ/d) became available on November 1, 2018 and the third tranche (25,000 GJ/d) became available on November 1, 2019. Each tranche has a 10-year term.

(3) Birchcliff has sales agreements with a third party marketer to sell and deliver into the Alliance pipeline system until October 31, 2020. Alliance sales are recorded net of transportation tolls.

Effectively 90% of the Corporation's sales revenue, representing 84% of its total natural gas production and 88% of its total corporate production, was generated from markets outside of AECO in Q1 2020, after taking into account its liquids sales and long-term financial NYMEX/AECO basis swap position.

The following tables set forth Birchcliff's sales, production, average realized sales price, transportation costs and natural gas sales netback by natural gas market for the periods indicated, before taking into account the Corporation's financial instruments:

Three months ended March 31, 2020

	Natural gas sales <sup>(1)</sup> (CDN\$000s)	Percentage of natural gas sales (%)	Natural gas production (Mcf/d)	Percentage of natural gas production (%)
AECO <sup>(4)</sup>	34,352	48	175,188	51
Dawn	35,818	50	159,126	46

Alliance <sup>(5)</sup>	1,162	2	8,517	3
Total	71,332	100	342,831	100

Three months ended March 31, 2019

	Natural gas sales <sup>(1)</sup> (CDN\$000s)	Percentage of natural gas sales (%)	Natural gas production (Mcf/d)	Percentage of natural gas production (%)
AECO <sup>(4)</sup>	44,682	39	194,058	55
Dawn	62,861	56	137,978	39
Alliance <sup>(5)</sup>	5,433	5	21,512	6
Total	112,976	100	353,548	100

(1) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

(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) Includes physical AECO 7A basis swaps for 5,000 MMBtu/d at an average contract price of NYMEX less US\$1.205 MMBtu.

(5) Alliance sales are recorded net of transportation tolls.

## Capital Activities and Investment

During Q1 2020, Birchcliff continued with the successful execution of its 2020 Capital Program, drilling 18 (18.0 net) wells, completing 14 (14.0 net) wells and bringing 4 (4.0 net) wells on production. The following table sets forth the number of wells drilled and brought on production by the Corporation in Q1 2020:

Area	Wells drilled in Q1 2020	Wells brought on production in Q1 2020
Pouce Coupe		
Montney D1 horizontal natural gas wells	1	0
Montney D2 horizontal natural gas wells	6	4
Montney C horizontal natural gas wells	3	0
Total &#8211; Pouce Coupe	10	4
Gordondale		
Montney D1 horizontal oil wells	4	0
Montney D2 horizontal oil wells	4	0
Total &#8211; Gordondale	8	0
TOTAL &#8211; COMBINED	18	4

Total F&D capital expenditures in Q1 2020 were \$132.4 million, with F&D capital expenditures of \$69.2 million in Pouce Coupe and \$63.0 million in Gordondale. For further information regarding Birchcliff's operational activities year-to-date, see &#8220;Operational Update&#8221; below.

## OPERATIONAL UPDATE

### Overview

Birchcliff's 2020 Capital Program is focused on its high-value light oil assets in Gordondale and its condensate-rich assets in Pouce Coupe, with the majority of capital investment directed towards the drilling of horizontal condensate-rich natural gas wells in Pouce Coupe and horizontal oil wells in Gordondale. The 2020 Capital Program contemplates the drilling of a total of 28 (28.0 net) wells and the bringing on

production of a total of 34 (34.0 net) wells in 2020. As at the date hereof, the Corporation has completed the drilling of a total of 27 (27.0 net) wells and brought 20 (20.0 net) wells on production.

The following tables summarize the wells that Birchcliff has drilled and brought on production year-to-date and the remaining and total number of wells to be drilled in 2020:

*Wells Drilled &#8211; 2020*

Area	Wells drilled year-to-date	Remaining wells to be drilled in 2020	Total wells to be drilled in 2020
<b>Pouce Coupe</b>			
Montney D1 horizontal natural gas wells	4	0	4
Montney D2 horizontal natural gas wells	8	1	9
Montney C horizontal natural gas wells	7	0	7
<b>Total &amp;#8211; Pouce Coupe</b>	<b>19</b>	<b>1</b>	<b>20</b>
<b>Gordondale</b>			
Montney D1 horizontal oil wells	4	0	4
Montney D2 horizontal oil wells	4	0	4
<b>Total &amp;#8211; Gordondale</b>	<b>8</b>	<b>0</b>	<b>8</b>
<b>TOTAL &amp;#8211; COMBINED</b>	<b>27</b>	<b>1</b>	<b>28</b>

*Wells Brought on Production &#8211; 2020*

Area	Wells brought on production year-to-date	Remaining wells to be brought on production in 2020	Total w
<b>Pouce Coupe</b>			
Montney D1 horizontal natural gas wells	0	4	4
Montney D2 horizontal natural gas wells	7	5	12
Montney C horizontal natural gas wells	3	5	8
<b>Total &amp;#8211; Pouce Coupe</b>	<b>10</b>	<b>14</b>	<b>24</b>
<b>Gordondale</b>			
Montney D1 horizontal oil wells	5	0	5
Montney D2 horizontal oil wells	4	0	4
Montney D4 horizontal oil wells	1	0	1
<b>Total &amp;#8211; Gordondale</b>	<b>10</b>	<b>0</b>	<b>10</b>
<b>TOTAL &amp;#8211; COMBINED</b>	<b>20</b>	<b>14</b>	<b>34</b>

(1) Includes 6 (6.0) net wells that were drilled and rig released in Q4 2019.

Facilities and infrastructure spending under the 2020 Capital Program is largely directed towards the completion of Birchcliff's Inlet Liquids-Handling Facility at the Pouce Coupe Gas Plant and other infrastructure projects in Gordondale. These projects are expected to provide numerous long-term benefits to Birchcliff, including the ability to increase its condensate production in the Pouce Coupe area, as discussed in further detail below.

Birchcliff will continue to closely monitor commodity prices and its capital expenditures to curtail any spending beyond its current 2020 Capital Program.

**Pouce Coupe**

*Drilling Activities and Results*

Birchcliff's 2020 Capital Program for the Pouce Coupe area includes the drilling of 20 (20.0 net) wells and the bringing on production of 24 (24.0 net) wells. Year-to-date, Birchcliff has drilled 19 wells in Pouce Coupe and brought on production 10 wells. The 10 wells that were brought on production were completed on 2 pads.

The first pad is an existing pad site at 06-32-078-12W6, where Birchcliff drilled an additional 2 wells in Q4 2019 and 2 wells in Q1 2020. All of these wells were drilled in the Montney D2 interval and were brought on production in late Q1 2020. Birchcliff has been encouraged by the initial results of these wells, which have showed strong condensate and natural gas rates.

The second pad is an existing pad site at 14-06-079-12W6, where Birchcliff drilled an additional 2 wells in Q4 2019 and 4 wells in Q1 2020. These 6 wells were drilled in 2 different intervals (3 in the Montney D2 and 3 in the Montney C) and all were brought on production the week of May 11, 2020.

Birchcliff's 14-well pad located at 14-19-079-12W6 is using multi-interval cube-style development to maximize operational efficiencies through scale and repeatability, which in turn is expected to lead to further savings on a per well basis. To date, 13 of the 14 wells have been drilled and Birchcliff currently has 1 drilling rig at work which is drilling the last well on the pad. The pad is adjacent to the successful condensate-rich wells drilled by Birchcliff in 2019 in the Montney D1, D2 and C intervals at its 14-06-079-12W6 pad. Notwithstanding the current weakness in commodity prices, these 14 wells have excellent economics due to their high condensate and natural gas rates and low capital costs. This 14-well pad is anticipated to come on production in late Q3 2020, timed to coincide with the bringing on-stream of the new Inlet Liquids-Handling Facility.

#### *Facilities and Infrastructure*

The 2020 Capital Program also includes a number of facilities and infrastructure projects in the Pouce Coupe area, including the Inlet Liquids-Handling Facility. Field construction of the Inlet Liquids-Handling Facility is well underway and Birchcliff anticipates that the facility will be brought on-stream in late Q3 2020. Once completed, this facility will give Birchcliff the ability to increase its condensate production in the Pouce Coupe area to approximately 10,000 bbls/d.

#### Gordondale

#### *Drilling Activities and Results*

Birchcliff's 2020 Capital Program for the Gordondale area includes the drilling of 8 (8.0 net) wells and the bringing on production of 10 (10.0 net) wells. Birchcliff used multi-interval cube-style development to drill 10 wells using two drilling rigs on two proximal pads targeting the Montney D1, D2 and D4 intervals. Two wells were drilled in Q4 2019 and the remaining 8 wells were drilled in Q1 2020.

Birchcliff drilled 4 wells on the first pad at 06-35-077-11W6 in Q1 2020. These 4 wells were drilled in 2 different intervals (2 in the Montney D1 and 2 in the Montney D2) and all were recently brought on production. Birchcliff has been encouraged by the initial results of these wells, which have showed strong light oil and natural gas rates.

The second pad is adjacent to an existing pad site located at 02-02-078-11W6, where Birchcliff drilled an additional 6 wells. Two of the wells were drilled in Q4 2019 and 4 wells were drilled in Q1 2020. These 6 wells were drilled in 3 different intervals (3 in the Montney D1, 2 in the Montney D2 and 1 in the Montney D4). All of the wells are currently in various stages of completion and flow testing operations and are expected to be brought on production in Q2 2020. Although the initial results are still early, Birchcliff is encouraged by these results, which include test rates from the first Montney D4 well that the Corporation has drilled in Gordondale. The Montney D4 interval has been proven commercial in the Pouce Coupe area (with 12 producing wells) and Birchcliff anticipates that the extension of the Montney D4 into Gordondale will add more liquids-rich inventory utilizing the Corporation's existing infrastructure.

#### *Facilities and Infrastructure*

The 2020 Capital Program also includes a number of facilities and infrastructure projects in the Gordondale area. Birchcliff recently completed the previously disclosed addition of natural gas compression at both of its 100% owned and operated oil batteries in Gordondale and the construction of its significant trunk line to transport oil, natural gas and water to these batteries from the southeastern portion of the field. The addition of natural gas compression at both batteries allows the existing wells to produce against lower wellhead pressures, which in turn is expected to increase production. The addition of the new trunk line allows the compression to become even more effective and handle both the new and existing volumes in the area.

## ABBREVIATIONS

AECO	benchmark price for natural gas determined at the AECO &#8216;C&#8217; hub in southeast Alberta
ATP	Alliance Trading Pool
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 International Financial Reporting Standards as issued by the International Accounting Standards Board
GJ	gigajoule
GJ/d	gigajoules per day
HH	Henry Hub
m <sup>3</sup>	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
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
OPEC+	Organization of the Petroleum Exporting Countries (&#8220;OPEC&#8221;), with certain non-OPEC oil exporting countries
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 contains references to &#8220;adjusted funds flow&#8221;, &#8220;adjusted funds flow per basic common share&#8221;, &#8220;free funds flow&#8221;, &#8220;transportation and other expense&#8221;, &#8220;operating netback&#8221;, &#8220;adjusted funds flow netback&#8221;,

&#8220;total cash costs&#8221; and &#8220;total debt&#8221;. 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&#8217;s profitability, efficiency, liquidity and overall performance.

&#8220;Adjusted funds flow&#8221; denotes cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital and &#8220;adjusted funds flow per basic common share&#8221; denotes adjusted funds flow divided by the basic weighted average number of common shares outstanding for the period. &#8220;Free funds flow&#8221; denotes adjusted funds flow less F&D capital expenditures. &#8220;Transportation and other expense&#8221; denotes transportation expense plus marketing purchases minus marketing revenue. &#8220;Operating netback&#8221; denotes petroleum and natural gas revenue less royalty expense, less operating expense and less transportation and other expense. &#8220;Adjusted funds flow netback&#8221; 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. &#8220;Total cash costs&#8221; are comprised of royalty, operating, transportation and other, G&A and interest expenses. &#8220;Total debt&#8221; is calculated as the revolving term credit facilities plus adjusted working capital deficit.

For additional information regarding these non-GAAP measures, including reconciliations to the most directly comparable GAAP measures where applicable, see &#8220;Non-GAAP Measures&#8221; in the MD&A.

## ADVISORIES

### Unaudited Information

All financial and operational information contained in this press release for the three months ended March 31, 2020 and 2019 is unaudited.

### Currency

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and all references to &#8220;\$&#8221; and &#8220;CDN\$&#8221; are to Canadian dollars and all references to &#8220;US\$&#8221; are to United States dollars.

### MMBtu Pricing Conversions

\$1.00 per MMBtu equals \$1.00 per Mcf based on a standard heat value of 37.4 MJ/m<sup>3</sup> or a heat uplift of 1.055 when converting from \$/GJ.

### 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.

### Production

With respect to the disclosure of Birchcliff&#8217;s production contained in this press release: (i) references to &#8220;light oil&#8221; mean &#8220;light crude oil and medium crude oil&#8221; as such term is

defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101); (ii) unless otherwise indicated, references to *liquids* mean *light crude oil and medium crude oil* and *natural gas liquids* (including condensate) as such terms are defined in NI 51-101; and (iii) references to *natural gas*; *shale gas*, which also includes an immaterial amount of *conventional natural gas*, as such terms are defined in NI 51-101. In addition, NI 51-101 includes condensate within the product type of natural gas liquids. Birchcliff has disclosed condensate separately from other natural gas liquids as the price of condensate as compared to other natural gas liquids is currently significantly higher and Birchcliff believes presenting the two commodities separately provides a more accurate description of its operations and results therefrom.

## 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, see *Non-GAAP Measures*;

## 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.

## Capital Expenditures

Unless otherwise indicated, 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.

## 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*, *focus*, *future*, *outlook*, *position*, *expect*, *project*, *intend*, *believe*, *anticipate*, *estimate*, *forecast*, *guidance*, *potential*, *proposed*, *predict*, *budget*, *continue*, *targeting*, *may*, *will*, *could*, *might*, *should*, *would*, *on track* 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, results, operations, focus, objectives, strategies, opportunities, priorities and goals;
- Birchcliff's belief that its strong financial position, low operating cost structure and low-decline asset base provides it with the ability to withstand the challenges posed by the COVID-19 pandemic and the reduced demand for oil;
- statements regarding the Corporation's outlook for commodity prices, including: that very weak commodity prices are anticipated for Q2 2020; and that natural gas prices will continue to strengthen throughout 2020 and into 2021;
- statements that the strengthening of current and future natural gas prices in North America is key for the Corporation's current and future adjusted funds flow;
- statements regarding the Corporation's liquidity and financial flexibility;
- statements regarding Birchcliff's quarterly common share dividend, including: that the Corporation intends to reduce its quarterly common share dividend from \$0.02625 per share (or \$0.105 per share annually) to \$0.005 per share (or \$0.02 per share annually) commencing with the quarter ending June 30, 2020, which would result in the preservation of approximately \$17 million in 2020; and statements that this reduced quarterly cash dividend is expected to be declared by the Corporation's board of directors on June 2, 2020;
- statements regarding the Series C Preferred Shares, including that the Corporation currently has no intention to redeem the Series C Preferred Shares, but rather, to leave such shares outstanding and continue paying a quarterly cash dividend on the shares;

- the information set forth under the heading *“Outlook and Guidance”*; and elsewhere in this press release as it relates to Birchcliff's outlook and guidance, including: Birchcliff's competitive position and its belief that its strong financial position, low operating cost structure, high-quality, low-decline asset base and people provide it with a competitive advantage which will allow it to withstand this current period of low and volatile commodity prices; statements that Birchcliff's high-quality, low-decline asset base allows it to maintain production at or near current levels with less F&D capital each year and is also able to generate positive funds flow in a low commodity price environment; statements that the Corporation's owned-and-operated infrastructure, diverse portfolio of assets and production commodity mix provides it with significant optionality to focus on those commodities that provide it with the highest rate of return; statements that Birchcliff is focused on strengthening its liquidity and financial flexibility in this challenging environment; statements that Birchcliff continues to engage in strategic risk management activities to help reduce its exposure to volatile commodity prices and protect its balance sheet and adjusted funds flow; statements that Birchcliff is also focused on the successful and efficient execution of its 2020 Capital Program, which is expected to be completed on time and on budget; statements that the 2020 Capital Program is heavily weighted towards the first half of the year, with the majority of F&D capital expected to be spent by the end of Q2 2020; statements that the Corporation's production is expected to increase over the course of 2020 with a corresponding reduction in per unit operating costs; statements that a significant number of wells are planned to be brought on production in late Q3 2020, which will coincide with the bringing on-stream of the Inlet Liquids-Handling Facility; statements that production in Q4 2020 is expected to average approximately 81,000 to 83,000 boe/d; statements that the Corporation anticipates that natural gas prices will continue to strengthen throughout 2020 and into 2021 and that its higher production in the third and fourth quarters of 2020 will drive higher adjusted funds flow and lower per unit costs; Birchcliff's expectation that it will have significantly lower adjusted funds flow in Q2 2020 as compared to Q1 2020; statements that total debt is expected to peak early in Q3 2020; statements that as production increases and commodity prices for natural gas are expected to strengthen over the course of 2020, that Birchcliff's total debt will gradually decrease throughout the remainder of 2020, while its adjusted funds flow will steadily increase; statements that Birchcliff expects to exit 2020 in a strong position as a result of its higher production and lower costs; statements that expected proved developed producing reserves additions resulting from the 2020 Capital Program should position the Corporation well for the future; statements that the Corporation's 2021 capital program will be designed to provide Birchcliff with significant optionality to take advantage of volatile commodity prices; statements that Birchcliff's large inventory of potential future drilling locations gives it the ability to focus on natural gas, liquids-rich natural gas or light oil drilling; statements that based on current strip prices, the Corporation currently expects to return to a free funds flow model in 2021; estimates of annual and Q4 average production, annual commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, total debt and natural gas market exposure; and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's estimate of adjusted funds flow;
- the information set forth under the heading *“Operational Update”*; and elsewhere in this press release as it relates to the 2020 Capital Program and Birchcliff's proposed exploration and development activities and the timing thereof, including: the focus of, the objectives of, the anticipated results from and expected benefits of the 2020 Capital Program; statements regarding the number and types of wells expected to be drilled and brought on production and the timing thereof; statements regarding the Inlet Liquids-Handling Facility (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); statements regarding other infrastructure projects and their expected benefits; statements that Birchcliff will continue to closely monitor commodity prices and capital expenditures to curtail any spending beyond its current 2020 Capital Program; and the anticipated benefits associated with multi-interval cube-style development; and
- the performance and other characteristics of Birchcliff's oil and natural gas properties and expected results from its assets.

With respect to the forward-looking statements contained in this press release, assumptions have been made regarding, among other things: the degree to which the Corporation's results of operations and financial condition will be disrupted by circumstances attributable to the COVID-19 pandemic and the responses of governments and the public to the pandemic; 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, environmental, climate change and other 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, general and administrative 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 and the timing, location and extent of future drilling and other operations; results of operations; Birchcliff's ability to continue to develop its assets and obtain the anticipated benefits therefrom; the performance of existing and future wells; the success of new wells drilled; 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 successfully market natural gas and liquids; the availability of hedges on terms acceptable to Birchcliff; and Birchcliff's 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 2020 guidance (as updated May 13, 2020) assumes the following commodity prices and exchange rate: an average WTI price of US\$33.00/bbl; an average WTI-MSW differential of CDN\$11.00/bbl; an average AECO 5A price of CDN\$2.20/GJ; an average Dawn price of US\$2.00/MMBtu; an average NYMEX HH price of US\$2.25/MMBtu; and an exchange rate (CDN\$ to US\$1) of 1.38.
- With respect to estimates of 2020 capital expenditures and Birchcliff's spending plans for 2020, such estimates and plans assume that the 2020 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.
- With respect to Birchcliff's estimates of adjusted and free funds flow for 2020, such estimates assume that: the 2020 Capital Program will be carried out as currently contemplated and the level of capital spending for 2020 set forth herein will be achieved; and the targets for production, commodity mix and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met.
- With respect to Birchcliff's production guidance, such guidance assumes that: the 2020 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.
- With respect to statements of future wells to be drilled and brought on production, 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: the risks posed by pandemics (including COVID-19) and epidemics and their impacts on supply and demand and commodity prices; actions taken by OPEC+ and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; 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 exchange and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources on terms acceptable to the Corporation; 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, severe weather, explosions, blow-outs,

equipment failures, transportation incidents and other similar events affecting Birchcliff or other parties whose operations or assets directly or indirectly affect Birchcliff; an inability to access sufficient water or other fluids needed for operations; uncertainty that development activities in connection with Birchcliff's assets will be economic; an inability to access or implement some or all of the technology necessary to efficiently and effectively operate its assets and achieve expected future results; uncertainties associated with estimating oil and natural gas reserves and resources; the accuracy of estimates of reserves, future net revenue and 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; 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 to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental laws, climate change 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; dependence on facilities, gathering lines and pipelines, some of which the Corporation does not control; 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 and cost effective processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; a failure to comply with covenants under Birchcliff's credit facilities; 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 and climate change risks, claims and liabilities; potential litigation; default under or breach of agreements by counterparties and potential enforceability issues in contracts; claims by Indigenous peoples; the reassessment by taxing or regulatory authorities of the Corporation's prior transactions and filings; unforeseen title defects; third-party claims regarding the Corporation's right to use technology and equipment; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; uncertainties associated with credit facilities and counterparty credit risk; risks associated with Birchcliff's risk management activities and the risk that hedges on terms acceptable to Birchcliff may not be available; risks associated with the declaration and payment of future 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 complete or 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 and fossil fuels, including transportation and hydraulic fracturing involving fossil fuels; the Corporation's reliance on hydraulic fracturing; market competition, including from alternative energy sources; changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); risks associated with the ownership of the Corporation's securities; the accuracy of the Corporation's accounting estimates and judgments; and potential requirements under applicable accounting standards for the impairment or reversal of estimated recoverable amounts of the Corporation's assets from time to time.

Without limitation of the foregoing, the declaration and payment of future dividends (and the amount thereof) is subject to the discretion of the board of directors and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, the financial condition of Birchcliff, production levels, results of operations, capital expenditure requirements, working capital requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates, interest rates, contractual restrictions, Birchcliff's hedging activities or programs, available investment opportunities, Birchcliff's business plan, strategies and objectives and the satisfaction of the solvency and liquidity tests imposed by the *Business Corporations Act* (Alberta). Additionally, pursuant to the agreement governing the Credit Facilities, the Corporation is not permitted to make any distribution (which includes dividends) at any time when an event of default exists or would reasonably be expected to exist upon making such distribution, unless such event of default arose subsequent to the ordinary course declaration of the applicable distribution. For further information relating to risks relating to dividends, see *Risk Factors* in the Corporation's Annual Information Form for the year ended December 31, 2019.

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, free funds flow and total debt, 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, FOFI. Birchcliff has included FOFI in order to provide readers with a more complete perspective on Birchcliff's future operations and management's current expectations relating to Birchcliff's future performance. Readers are cautioned that such information may not be appropriate for other purposes. 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 and management's current expectations relating to Birchcliff's future performance. 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 3<sup>rd</sup> Avenue S.W.  
Calgary, Alberta T2P 0G5  
Telephone: (403) 261-6401  
Email: [info@birchcliffenergy.com](mailto:info@birchcliffenergy.com)  
[www.birchcliffenergy.com](http://www.birchcliffenergy.com)

Jeff Tonken 3<sup>rd</sup> Avenue S.W. President and Chief Executive Officer  
Bruno Geremia Vice-President and Chief Financial Officer

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