

# Tourmaline Oil Corp. Announces Strong Third Quarter Results

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## Corporate Acquisitions and Transaction With Topaz Energy; Increases Dividend and 2021 Guidance

CALGARY, Nov. 4, 2020 - [Tourmaline Oil Corp.](#) (TSX: TOU) ("Tourmaline" or the "Company") is pleased to release its operating and financial results for the third quarter of 2020.

### HIGHLIGHTS

- Two strategic corporate acquisitions, Modern Resources Inc. ("Modern") and Jupiter Resources Inc. ("Jupiter"), providing an additional 76,000 boepd of current production, significant accretive cash flow<sup>(1)</sup> and free cash flow<sup>(2)</sup>.
- Follow-on sale of a gross overriding royalty ("GORR") on the Modern and Jupiter lands to Topaz Energy Corp. ("Topaz") for cash proceeds of \$130 million.
- 2021 forecasted average production of approximately 400,000 boepd, cash flow of \$2 billion and free cash flow on strip<sup>(3)</sup> of \$856 million.
- Achieved 2020 production exit guidance of 322,500 - 327,500 boepd during October, prior to the new acquisitions.
- Dividend increased 17% (\$0.02/share) to \$0.14/share quarterly, effective December 2020.
- Strong Q3 results with cash flow of \$279.9 million (\$1.03/diluted share), total capital spending, excluding acquisitions, of \$241.2 million and average production of 298,202 boepd.

### NORTH DEEP BASIN TRANSACTIONS

- Tourmaline announces two strategic corporate acquisitions, Modern and Jupiter, boosting full-year 2021 average annual production to approximately 400,000 boepd, an increase of 25% from prior 2021 guidance of 320,000 boepd.
- The acquisitions also include over 900 net sections of prospective land and over 445 mmboc of 2P reserves<sup>(4)</sup> in the most prolific and economic area of the Alberta Deep Basin, along with meaningful facilities and infrastructure.
- Tourmaline plans very modest growth (3-5%) from the Modern and Jupiter assets in 2021-2022 to optimize efficiency and cost, and then migrate to a maintenance capital/production model similar to the balance of the Deep Basin complex. Production from the combined Modern/Jupiter assets is expected to increase from the current 76,000 boepd to 85,000 boepd over the next two years.
- There are considerable operational, capital, land and facility synergies between the Jupiter and Modern asset bases. The acquisitions are expected to add over \$300 million in annual cash flow and yield \$130 - \$150 million per annum of free cash flow in 2022 and beyond &#8211; sufficient to fund Tourmaline's existing dividend.
- Tourmaline has agreed to sell Topaz a GORR on the Modern and Jupiter lands effective January 1, 2021 for \$130 million (2% on natural gas in 2021 and 3% in 2022 and thereafter, 2.5% on crude oil and condensate). Net of GORR proceeds, combined acquisition metrics are 2.6x 2021 cash flow (compared to 3.0x gross of Topaz proceeds) and free cash flow yields<sup>(5)</sup> of 13% in 2021 and 20% in 2022, with related 2P reserve acquisition costs of \$1.44/boe.

### MODERN ACQUISITION

- Tourmaline acquired Modern effective November 2, 2020, for total consideration of approximately \$144 million (\$73.75 million cash and 1.5 million Tourmaline common shares, and the assumption of current net debt<sup>(6)</sup> of approximately \$44 million).
- The Modern assets, located in the Alberta Deep Basin, include current average production of 9,000 boepd, 2P reserves of 88 mboe, over 400 sections of land, the 100% owned-and-operated Route natural gas processing plant, and a future drilling inventory of over 200 locations.
- The Modern assets are low emission, efficiently operated and generated free cash flow in 2020. Tourmaline expects to increase the free cash flow yield from the Modern properties through the Company's lower operating cost structure and a capital structure with costs expected to be 30-40% lower per well, with similar EURs.

## JUPITER ACQUISITION

- Tourmaline is pleased to announce that it has entered into a definitive agreement to acquire Jupiter for 24.2 million Tourmaline common shares, representing a total consideration of approximately \$626 million<sup>(7)</sup>, inclusive of net debt estimated at approximately \$200 million. All of the major shareholders of Jupiter have entered into irrevocable support agreements with Tourmaline and have agreed to vote an aggregate of approximately 92% of the outstanding Jupiter common shares in favor of the transaction, subject to the provisions of such support agreements. The transaction is expected to close on December 16, 2020, subject to receipt of customary regulatory approvals, including TSX approval.
- The Jupiter assets, located in the Alberta Deep Basin and adjacent to the Modern assets, include current average production of 67,000 boepd, estimated 2P reserves of 357 mboe, over 500 net sections of land (average working interest 84%), and working interests in gas plants in the Resthaven and Kakwa areas. Current production was acquired for approximately \$9,300/boepd, 2P reserves for \$1.75 boe.
- The greater Musreau-Resthaven-Kakwa portion of the Deep Basin, where the Jupiter and Modern assets are located, provides amongst the highest EUR wells and liquid yields in the entire Deep Basin complex. Similar to the Modern lands, Tourmaline has been delivering completed horizontals for 30-40% lower cost on immediately offsetting acreage, with similar EURs.
- The Jupiter production base has an estimated decline rate of 25% for the 2021-2022 timeframe. Tourmaline estimates annual maintenance capital of approximately \$130 million (20-22 wells per year) to yield annual cash flow of approximately \$250 - 260 million on production of 70,000-75,000 boepd in 2022. The Tier 1 drilling inventory alone will support this level of drilling activity for an estimated 13-15 years.
- The Jupiter assets generated free cash flow in 2020. Tourmaline's lower operating and capital costs are expected to increase the estimated free cash flow to over \$120 million/year at strip pricing beginning in 2022 on annual production of 70,000 - 75,000 boepd.
- Jupiter infrastructure includes working interests in three natural gas processing plants, two of which are operated by Jupiter; 2020 operating costs are estimated at \$4.25/boe.
- A substantial portion of Jupiter's existing gas production accesses deep cut facilities in Resthaven-Kakwa yielding strong overall liquid production. The Jupiter assets are currently producing approximately 20,000 bpd (condensate and NGLs).

## PRODUCTION UPDATE

- Q3 2020 average production was 298,202 boepd, within the Q3 guidance range of 295,000 - 300,000 boepd.
- Nine-month 2020 average production is 301,960 boepd.
- Achieved 2020 production exit guidance of 322,500 - 327,500 boepd during October, which included the impact of 2020 acquisitions completed at that time (Deep Basin, Polar Star, Chinook).

- Stronger than forecast new well performance from post-breakup EP activities in the Alberta Deep Basin and NEBC complexes allowed the Company to achieve the 2020 exit production target almost a full quarter earlier than forecast.
- 2020 exit production is expected to exceed 400,000 boepd with successful completion of the Modern and Jupiter transactions.
- Tourmaline is now anticipating 2021 average production of 390,000 - 410,000 boepd (at the midpoint, approximately 1,880 mmcfpd of gas production and 87,000 bpd crude oil, condensate, and NGLs).

### Q3 2020 FINANCIAL RESULTS

- Q3 2020 cash flow was \$279.9 million (\$1.03 per fully-diluted share) on total capital spending (excluding acquisitions) of \$241.2 million, yielding free cash flow of \$38.7 million in the quarter.
- Nine-month cash flow was \$788.8 million on total capital spending (excluding acquisitions) of \$659.7 million.
- Nine-month free cash flow of \$129.1 million.
- Full-year 2020 cash flow is estimated to be \$1.225 billion based on full-year average production of between 310,000 and 312,000 boepd, contingent upon the production levels of Jupiter at the time of closing.
- Q3 2020 earnings were \$4.8 million (\$0.02 per fully-diluted share).
- Q3 2020 operating costs of \$3.26/boe and year-to-date operating costs of \$3.10/boe remain amongst the lowest in the sector.
- The recent announcement of Tourmaline's investment grade credit status, combined with low prevailing interest rates, contributed to an effective interest rate of 1.57% for Q3 2020.

### CAPITAL PROGRAMS

- The 2020 EP capital program has been increased to \$835.0 million from \$800.0 million. The incremental spending relates to fourth quarter drilling on the Modern and Jupiter assets to maintain existing production levels, early mobilization of one rig for winter drilling to maintain production on the Chinook/Polar Star assets, and the initial facility progress payment on the Gundy Phase 2 expansion to maintain the 1H 2022 onstream schedule.
- The 2021 EP capital program is \$1.1 billion vs anticipated 2021 cash flow of \$2.0 billion, including \$160 million to maintain/optimize production on the new Modern and Jupiter assets. The 2021 capital program also includes \$100 million for Gundy Phase 2 deep cut plant progress payments (total completed Phase 2 plant cost estimate remains at \$150 million; Phase 1 total cost was \$180 million).
- Tourmaline remains on track for record 2020 EP capital efficiencies of \$6,750/boepd, increasing modestly in 2021 to \$7,000/boepd with the Gundy Phase 2 facility expenditures.
- Total annual maintenance capital, including production maintenance on the Polar Star, Chinook, Deep Basin, Modern and Jupiter assets is estimated at \$900 million for 2021 and is expected to systematically decline in subsequent years.
- The 2021 capital program includes approximately 225 new wells (net) across the three Company-operated core complexes.

### 2H 2020 EP ACTIVITY

- Tourmaline is currently operating 11 drilling rigs and will increase the fleet to 12 rigs by year end to accommodate the increased Alberta Deep Basin activity.
- New well performance consistently exceeded expectation overall during Q3. Specific highlights included:

- The first Lower Montney well on the 16 section block acquired in Q4 2019 at South Gundy, BC tested at a final rate of 9.4 mmcfpd of gas and 560 bbls per day of condensate on a 188.5-hour flow test. This is an important delineation well that may lead to a significant new liquid-rich Tier 1 inventory increase.

The 16-7-58-25W5 Wild River Falher D well in the Alberta Deep Basin tested at 29 mmcfpd at a FCP of 9MPa on a 79.5-hour test.

The 10-10-52-18W5M Edson well in the Alberta Deep Basin tested at 31.5 mmcfpd at a FCP 13.1 MPa on a 127-hour test from the Cretaceous Wilrich Formation.

The 2-3-49-19W5 Lambert Notikewin well in the Alberta Deep Basin tested at 50 mmcfpd at a FCP of 24 MPa on a 68-hour test.

## MARKETING UPDATE

- Tourmaline has an average of 475 mmcfpd hedged for Q4 2020 at a weighted-average fixed price of CAD \$2.80/mcf; an average of 146 mmcfpd hedged at a basis to NYMEX of \$ (0.15) USD/mcf; and an average of 379 mmcfpd incremental volume exposed to export markets, including Dawn, Empress, Chicago, Ventura, Sumas, Malin and PG&E.
- Natural gas fundamentals for 2021 are steadily improving. Approximately 72% of Tourmaline's natural gas volumes are exposed to the markets on the Western half of the continent (PG&E, Malin, Sumas, Station 2, AECO) where 2021 gas supply diminishment is anticipated to be the greatest.
- At PG&E, 95% of the total deliveries remain unhedged for 2021 at a market where forward prices continue to rally.
- Tourmaline has diversification to the US and other hubs amounting to 620 mmcfpd exit 2022 and 665 mmcfpd exit 2023.
- The Company will continue to hedge volumes related to 2021 and 2022 over the next several months.
- Tourmaline has 4 bcf of natural gas in storage facilities at Dawn, Ontario and PG&E, San Francisco which it plans to draw out through the winter months at attractive prices. During Q3, the Company injected 0.97 bcf of natural gas into storage.

## 2021 FINANCIAL OUTLOOK AND FIVE-YEAR PLAN

- Anticipated 2021 cash flow, including the new acquisitions, is \$2.0 billion at current strip pricing, yielding free cash flow of \$856 million on capital spending of \$1.1 billion (free cash flow yield of 19%). The 2021 free cash flow will be utilized to fund modest, sustainable dividend increases, debt reduction, and potential share buybacks.
- Tourmaline intends to reduce overall debt to cash flow to less than one times during 2021 - and maintain net debt at approximately \$1.0 &#8211; 1.5 billion.
- Tourmaline is maintaining the same modest EP growth profile as the previous five-year plan, with 3-5% per annum production growth.
- Free cash flow over the five years at strip in the revised plan has now grown to \$3.5 billion.

## DIVIDEND INCREASE

- Given continued growth in the Company's sustainable free cash flow, Tourmaline has elected to increase the quarterly dividend from 12 cents per share to 14 cents per share (\$0.56/share per year).
- Tourmaline commenced paying a dividend in the first quarter of 2018. The current dividend increase represents the fourth time the dividend has been increased since then.

## TOPAZ UPDATE

- The Topaz IPO was successfully completed on October 26, 2020 and Topaz's common shares now trade on the Toronto Stock Exchange (TSX:TPZ).
- Tourmaline sold 1.0 million Topaz common shares in connection with the IPO at a price of \$13.00/share for total gross proceeds of \$13.0 million.
- Tourmaline owns 58.1 million Topaz shares which had a market value of \$809.4 million as of November 3, 2020. Tourmaline may fund future acquisition activity by monetizing a portion of this equity, or by the sale of additional GORR or infrastructure assets to Topaz, should the existing or future cost structure of the acquired assets allow for it.
- During Q3, Topaz closed the acquisition of 12.5% of [Advantage Oil & Gas Ltd.](#)'s Glacier natural gas plant and associated 15-year 50 mmcf/d take-or-pay contract, which will provide Topaz \$12 million in annual income. Also, Tourmaline sold 25% of the Company's Banshee gas plant in the Alberta Deep Basin to Topaz for cash proceeds of \$52.5 million. The sale provides Topaz with a take-or-pay commitment of 25 mmcfpd at \$0.60/mcf for a 15-year term. Topaz pays its share of operating costs and annual maintenance costs at the Banshee plant.
- Including the initial two non-operating working interest plant sales to Topaz in November 2019, Tourmaline has dropped down a total of 125 mmcfpd of processing capacity to Topaz. This represents 6.5% of current total Tourmaline processing capacity of 1,750 mmcfpd across 20 Tourmaline plants.
- Tourmaline has reached an agreement (2% on natural gas in 2021 and 3% in 2022 and thereafter, 2.5% on crude oil and condensate) with Topaz to sell a GORR on the Modern and Jupiter lands effective January 1, 2021 for \$130 million.

#### OPERATING ENVIRONMENT AND THE COVID-19 PANDEMIC

- The COVID-19 pandemic has had a significantly negative impact on economic conditions around the world in 2020. During this period of uncertainty, the Company is committed to maintaining its strong balance sheet and financial liquidity. At September 30, 2020, the Company had \$1.3 billion in unutilized borrowing capacity on its credit facilities. At September 30, 2020, the Company was in compliance with all of its covenants under its credit facilities and has room under those covenants to allow for further deterioration of commodity prices or an increase in future borrowings to navigate through these uncertain times, if required. The Company currently believes it has sufficient liquidity through cash flow to execute the remainder of the 2020 capital budget.
- In response to the COVID-19 pandemic, the Company is following all applicable rules and regulations as set out by the relevant health authorities and has implemented many health and safety protocols into its operations. Tourmaline and its staff have been able to adapt to the new work environment without significant disruptions at any operated facility or in day-to-day operations.
- For more details on how Tourmaline has responded to the COVID-19 pandemic please see 'Operating Environment and the COVID-19 Pandemic' in the Company's Q3 2020 Management's Discussion and Analysis available on Tourmaline's website at [www.tourmalineoil.com](http://www.tourmalineoil.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

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(1) "Cash flow" is defined as cash provided by operations before changes in non-cash operating working capital. See "Non-GAAP Financial Measures" in this news release and in the Company's Q3 2020 Management's Discussion and Analysis.

(2) "Free cash flow" is defined as cash flow less total net capital expenditures. Total net capital expenditures is defined as total capital spending before acquisitions and non-core dispositions. Free cash flow is prior to dividend payments. See "Non-GAAP Financial Measures" in this news release and the Company's Q3 2020 Management's Discussion and Analysis.

(3) Based on oil and gas commodity strip pricing at October 27, 2020.

(4) Reserves have been evaluated as follows: Jupiter 2P reserves of 357 mmboe as at December 31, 2019 have been evaluated by GLJ Petroleum Consultants, an independent reserve evaluator and Modern 2P reserves of 88 mmboe as at August 31, 2020 have been internally estimated by qualified reserve engineers, for combined 2P reserves of 445 mmboe. Reserves are working interest gross reserves before deduction of royalties payable to others and without including any royalty interests.

(5) "Free cash flow yield" is determined by dividing Free Cash Flow by consideration paid, including the assumption of net debt.

(6) "Net debt" is defined as bank debt plus working capital (adjusted for the fair value of financial instruments and lease liabilities). See "Non-GAAP Financial Measures" in this news release and in the Company's Q3 2020 Management's Discussion and Analysis.

CORPORATE SUMMARY &#8211; THIRD QUARTER 2020

(7) Based on a Tourmaline share price of \$17.60.

	Three Months Ended September 30,			Nine Months Ended Sep	
	2020	2019	Change	2020	2019
<b>OPERATIONS</b>					
Production					
Natural gas (mcf/d)	1,413,983	1,402,468	1%	1,437,867	1,404,200
Crude oil, condensate and NGL (bbl/d)	62,538	55,833	12%	62,315	53,806
Oil equivalent (boe/d)	298,202	289,578	3%	301,960	287,839
Product prices <sup>(1)</sup>					
Natural gas (\$/mcf)	\$ 2.60	\$ 1.89	38%	\$ 2.48	\$ 2.52
Crude oil, condensate and NGL (\$/bbl)	\$ 31.31	\$ 38.24	(18)%	\$ 29.73	\$ 39.56
Operating expenses (\$/boe)	\$ 3.26	\$ 3.11	5%	\$ 3.10	\$ 3.35
Transportation costs (\$/boe)	\$ 4.56	\$ 3.84	19%	\$ 4.50	\$ 3.77
Operating netback <sup>(3)</sup> (\$/boe)	\$ 10.76	\$ 9.10	18%	\$ 9.92	\$ 11.81
Cash general and administrative expenses (\$/boe) <sup>(2)</sup>	\$ 0.55	\$ 0.48	15%	\$ 0.59	\$ 0.48
<b>FINANCIAL</b> (\$000, except share and per share)					
Total revenue from commodity sales and realized gains	518,061	440,089	18%	1,486,529	1,547,749
Royalties	8,596	12,654	(32)%	36,900	60,471
Cash flow <sup>(3)</sup>	279,923	223,984	25%	788,818	869,684
Cash flow per share (diluted) <sup>(3)</sup>	\$ 1.03	\$ 0.82	26%	\$ 2.91	\$ 3.20
Net earnings (loss)	4,826	15,750	(69)%	(10,880)	258,400
Net earnings (loss) per share (diluted)	\$ 0.02	\$ 0.06	(67)%	\$ (0.04)	\$ 0.95
Capital expenditures (net of dispositions)	354,695	384,307	(8)%	812,341	966,870
Weighted average shares outstanding (diluted)				270,832,477	272,055,63
Net debt <sup>(3)</sup>				(1,788,068)	(1,914,413)

(1) Product prices include realized gains and losses on risk management and financial instrument contracts.

(2) Excluding interest and financing charges.

(3) See "Non-GAAP Financial Measures" in this news release and in the Company's Q3 2020 Management's Discussion and Analysis.

Conference Call Tomorrow at 9:00 a.m. MT (11:00 a.m. ET)

Tourmaline will host a conference call tomorrow, November 5, 2020 starting at 9:00 a.m. MT (11:00 a.m. ET). To participate, please dial 1-888-231-8191 (toll-free in North America), or international dial-in 647-427-7450, a few minutes prior to the conference call.

Conference ID is 6868253.

Reader Advisories

## CURRENCY

All amounts in this news release are stated in Canadian dollars unless otherwise specified.

## FORWARD-LOOKING INFORMATION

This news release contains forward-looking information and statements (collectively, "forward-looking information") within the meaning of applicable securities laws. The use of any of the words "forecast", "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "on track", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning Tourmaline's plans and other aspects of its anticipated future operations, management focus, objectives, strategies, financial, operating and production results and business opportunities, including the following: anticipated petroleum and natural gas production and production for various periods including estimated production levels for 2020, 2021, 2022 and 2020 exit production; planned storage withdrawals realizing higher commodity prices; capital expenditure budgets for various periods including 2020 and 2021; estimated cash flow for various periods including 2021 and 2022; estimated available liquidity and credit capacity; estimated 2021 exit net debt-to-cash flow; expectations for future natural gas price increases; expectations for future opportunities for Topaz in 2021 and benefits to be realized therefrom; future capital efficiencies to be realized; the future declaration and payment of dividends and the timing and amount thereof including the aggregate amount of dividends to be paid in 2020 and the availability of free cash flow to fund such dividends; cost reduction initiatives; projected operating and drilling costs including anticipated reductions in operating costs; the timing for facility expansions and facility start-up dates; the benefits to be derived from the Modern and Jupiter acquisitions including statements with respect to the operational, capital, land and facility synergies of the acquisitions and the acquisition being accretive to cash flow and free cash flow; the timing for the completion of the Jupiter acquisition; growth plans for the Modern and Jupiter assets; the intention to put in place further hedges in the coming months; the statements made under the heading "2021 Financial Outlook and Five Year Plan"; as well as Tourmaline's future drilling prospects and plans, business strategy, future development and growth opportunities, prospects and asset base. The forward-looking information is based on certain key expectations and assumptions made by Tourmaline, including expectations and assumptions concerning the following: prevailing and future commodity prices and currency exchange rates including in the case of 2021 and 2022 production estimates, commodity price assumptions for natural gas (NYMEX (US) - \$3.11/mcf and \$2.78/mcf for 2021 and 2022, respectively, AECO - \$2.99/mcf and \$2.68/mcf for 2021 and 2022, respectively), and crude oil (WTI (US) - \$41.24/bbl and \$42.20 for 2021 and 2022, respectively) and an exchange rate assumption of 0.76 (US/CAD) for 2021 to 2022; the degree to which Tourmaline's operations and production will be disrupted by circumstances attributable to the COVID-19 pandemic and the responses of governments and the public to the pandemic; applicable royalty rates and tax laws; interest rates; future well production rates and reserve volumes; operating costs, the timing of receipt of regulatory approvals; the performance of existing wells; the success obtained in drilling new wells; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the benefits to be derived from acquisitions; the state of the economy and the exploration and production business including the impacts of the COVID-19 pandemic and the responses of governments and the public to the pandemic thereon; the availability and cost of financing, labour and services; and ability to market crude oil, natural gas and NGL successfully. Without limitation of the foregoing, future dividend payments, if any, and the level thereof is uncertain, as the Company's dividend policy and the funds available for the payment of dividends from time to time is dependent upon, among other things, free cash flow, financial requirements for the Company's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the Company's control. Further, the ability of Tourmaline to pay dividends will be subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facility.

Statements relating to "reserves" are also deemed to be forward looking information, 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 Tourmaline 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 Tourmaline can give no assurances that it will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertain impacts of COVID-19 on Tourmaline's business, and the societal, economic and governmental response to COVID-19; the uncertainty of estimates and projections relating to reserves, production, revenues, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; interest rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions, including the Modern and Jupiter acquisitions; failure to complete or realize the anticipated benefits of acquisitions or dispositions; ability to access sufficient capital from internal and external sources; uncertainties associated with counterparty credit risk; failure to obtain required regulatory and other approvals; changes in legislation, including but not limited to tax laws, royalties and environmental regulations; and political party policy changes or mandates resulting from governmental elections in Canada and in the United States. Readers are cautioned that the foregoing list of factors is not exhaustive.

Additional information on these and other factors that could affect Tourmaline, or its operations or financial results, are included in the Company's most recently filed Management's Discussion and Analysis (See "Forward-Looking Statements" therein), Annual Information Form (See "Risk Factors" and "Forward-Looking Statements" therein) and other reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or Tourmaline's website ([www.tourmalineoil.com](http://www.tourmalineoil.com)).

The forward-looking information contained in this news release is made as of the date hereof and Tourmaline undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless expressly required by applicable securities laws.

## FINANCIAL OUTLOOK

Also included in this news release are estimates of Tourmaline's 2021 exit net debt-to-cash flow ratio as well as 2021 cash flow and 2022 cash flow from the Jupiter and Modern acquisitions, which are based on, among other things, the various assumptions as to production levels, capital expenditures, annual cash flows and other assumptions disclosed in this news release and including Tourmaline's estimated average production of 390,000 &#8211; 410,000 boepd for 2021 and 75,000 &#8211; 85,000 boepd average 2022 production related to the Modern and Jupiter acquisitions. Commodity price assumptions for natural gas (NYMEX (US) - \$3.11/mcf and \$2.78/mcf for 2021 and 2022, respectively, AECO - \$2.99/mcf and \$2.68/mcf for 2021 and 2022, respectively), and crude oil (WTI (US) - \$41.24/bbl and \$42.20/bbl for 2021 and 2022, respectively) and an exchange rate assumption of \$0.76 (US/CAD) for 2021 and 2022. To the extent such estimates constitute financial outlooks, they were approved by management and the board of directors of Tourmaline on November 4, 2020 and are included to provide readers with an understanding of Tourmaline's anticipated 2021 exit net debt-to-cash flow ratio and cash flow and free cash flow based on the capital expenditure, production and other assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes. In particular, readers are cautioned that estimates for 2022 are provided for illustration only as budgets and forecasts beyond 2021 have not been finalized and are subject to a variety of factors including prior year's results.

## NON-GAAP FINANCIAL MEASURES

This news release includes references to "free cash flow", "cash flow", "net debt" and "net capital expenditures" which are financial measures commonly used in the oil and gas industry and do not have a standardized meaning prescribed by International Financial Reporting Standards ("GAAP"). Accordingly, the Company's use of these terms may not be comparable to similarly defined financial measures presented by

other companies. Management uses the term "free cash flow", "cash flow", "net debt" and "net capital expenditures" for its own performance measures and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures, to pay dividends or to repay debt. Investors are cautioned that these non-GAAP financial measures should not be construed as an alternative to net income or cash from operating activities determined in accordance with GAAP as an indication of the Company's performance. Free cash flow is calculated as cash flow less total net capital expenditures and is prior to dividend payments. Cash flow is defined as cash provided by operations before changes in non-cash operating working capital. Net debt is defined as bank debt plus working capital (adjusted for the fair value of financial instruments and lease liabilities). Net capital expenditures is defined as the sum of E&P capital program and other corporate expenditures, net of non-core dispositions. See "Non-GAAP Financial Measures" in the most recently filed Management's Discussion and Analysis for additional information regarding these non-GAAP financial measures including reconciliations to the most directly comparable GAAP financial measures.

## OIL AND GAS METRICS

This news release contains certain oil and gas metrics which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in this document to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the Company's performance in previous periods and therefore such metrics should not be unduly relied upon.

## INITIAL PRODUCTION RATES

Any references in this news release to initial production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter and are not necessarily indicative of long-term performance or ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. Such rates are based on field estimates and may be based on limited data available at this time.

## ESTIMATED ULTIMATE RECOVERY (EUR)

This news release contains a metric commonly used in the oil and natural gas industry, "estimated ultimate recovery" (EUR). The term EUR is the estimated quantity petroleum that is potentially recoverable or has already been recovered from a well. EUR does not have a standardized meaning and may not be comparable to similar measures presented by other companies. As such, it should not be used to make comparisons. Management uses EUR for its own performance measurements and to provide shareholders with measures to compare the Company's performance over time; however, such measure is not a reliable indicator of the Company's future performance and future performance may not compare to the performance in previous periods and therefore should not be unduly relied upon. EUR was determined internally by the Company by a non-independent qualified reserves evaluator incorporating current well results and historical well performance from the Company's analogous pools in the nearby area.

## SUPPLEMENTAL INFORMATION REGARDING PRODUCT TYPES

This news release includes references to Tourmaline's 2020 exit rate production, Q3 2020, Q3 YTD 2020, current and 2021 average daily production and various average daily production references from recently announced acquisitions. The following table is intended to provide supplemental information about the product type composition for each of the production figures that are provided in this news release:

	Light and Medium Crude Oil <sup>(1)</sup>	Conventional Natural Gas	Shale Natural Gas	Natural Gas Liquids <sup>(1)</sup>	Oil Equivalent Total
	Company Gross (Bbls)	Company Gross (Mcf)	Company Gross (Mcf)	Company Gross (Bbls)	Company Gross (Boe)
2020 Exit Rate Production	31,708	874,753	650,054	39,158	325,000
Q3 2020 Average Daily Production	27,248	841,423	572,560	35,290	298,202
Q3 2020 YTD Average Daily Production	27,695	880,616	557,251	34,620	301,960
Current Average Daily Production	31,482	905,782	635,873	39,076	327,500
2021 Average Daily Production	32,680	1,201,174	679,834	53,819	400,000
Current Modern Average Daily Production	810	42,210	-	1,170	9,000
Current Jupiter Average Daily Production	2,973	292,225	-	15,323	67,000
2022 Jupiter Average Daily Production	3,217	316,214	-	16,581	72,500
Future Modern/Jupiter Average Daily Production	4,200	373,722	-	18,513	85,000

(1) For the purposes of this disclosure, condensate has been combined with Light and Medium Crude Oil as the associated revenues and certain costs of condensate are similar to Light and Medium Crude Oil. Accordingly, NGLs in this disclosure exclude condensate.

## RESERVES DATA

Jupiter 2P reserves of 357 mmboe as at December 31, 2019 have been evaluated by GLJ Petroleum Consultants, an independent reserve evaluator and Modern 2P reserves of 88 mmboe as at August 31, 2020 have been internally estimated by qualified reserve engineers. Reserves are working interest gross reserves before deduction of royalties payable to others and without including any royalty interests.

There are numerous uncertainties inherent in estimating quantities of crude oil, natural gas and NGL reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth above are estimates only. In general, estimates of economically recoverable crude oil, natural gas and NGL reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially. For those reasons, estimates of the economically recoverable crude oil, NGL and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

The estimates of reserves and future net revenue for individual properties may not reflect the same

confidence level as estimates of reserves and future net revenue for all properties, due to effects of aggregations. The estimated values of future net revenue disclosed in this news release do not represent fair market value. There is no assurance that the forecast prices and cost assumptions used in the reserve evaluations will be attained and variances could be material.

## ESTIMATES OF DRILLING LOCATIONS

Unbooked drilling locations are the internal estimates of Tourmaline based on Tourmaline'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 or resources (including contingent and prospective). Unbooked locations have been identified by Tourmaline's management as an estimation of Tourmaline's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Tourmaline will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and natural gas reserves, resources or production. The drilling locations on which Tourmaline will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While a certain number of the unbooked drilling locations have been de-risked by Tourmaline drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management of Tourmaline 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, resources or production.

## BOE EQUIVALENCY

Per barrel of oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent (6:1). Barrel of oil equivalents (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

## GENERAL

See also "Forward-Looking Statements", and "Non-GAAP Financial Measures" in the most recently filed Management's Discussion and Analysis.

## CERTAIN DEFINITIONS:

bbl	barrel
bbls/day	barrels per day
bbl/mmcft	barrels per million cubic feet
bcf	billion cubic feet
bcfe	billion cubic feet equivalent
bpd or bbl/d	barrels per day
boe	barrel of oil equivalent
boepd or boe/d	

barrel of oil equivalent per day



bopd or bbl/d	barrel of oil, condensate or liquids per day
CO <sub>2</sub>	carbon dioxide
DUC	drilled but uncompleted wells
EUR	estimated ultimate recovery
FCP	flowing casing pressure
gj	gigajoule
gjs/d	gigajoules per day
mbbls	thousand barrels
mmbbls	million barrels
mboe	thousand barrels of oil equivalent
mboepd	thousand barrels of oil equivalent per day
mcf	thousand cubic feet
mcfpd or mcf/d	thousand cubic feet per day
mcfe	thousand cubic feet equivalent
mmboe	million barrels of oil equivalent
mmbtu	million British thermal units
mmbtu/d	million British thermal units per day
mmcf	million cubic feet
mmcfpd or mmcf/d	million cubic feet per day
MPa	megapascal
mstb	thousand stock tank barrels
NGL or NGLs	natural gas liquids
NO <sub>x</sub>	nitrogen oxide
SO <sub>2</sub>	sulphur dioxide
tcf	trillion cubic feet

## MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

To view Tourmaline's Management's Discussion and Analysis and Interim Condensed Consolidated Financial Statements for the periods ended September 30, 2020 and 2019, please refer to SEDAR ([www.sedar.com](http://www.sedar.com)) or Tourmaline's website at [www.tourmalineoil.com](http://www.tourmalineoil.com).

### ABOUT TOURMALINE OIL CORP.

Tourmaline is an investment grade Canadian senior crude oil and natural gas exploration and production company focused on providing strong and predictable long-term growth and a steady return to shareholders through an aggressive exploration, development, production and acquisition program in the Western Canadian Sedimentary Basin by building its extensive asset base in its three core exploration and production areas and exploiting and developing these areas to increase reserves, production and cash flows at an attractive return on invested capital.

SOURCE [Tourmaline Oil Corp.](http://www.tourmalineoil.com)

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