

TORC Oil & Gas Ltd. Announces Third Quarter 2020 Financial & Operational Results

05.11.2020 | [CNW](#)

CALGARY, AB, Nov. 5, 2020 - [TORC Oil & Gas Ltd.](#) ("TORC" or the "Company") (TSX: TOG) is pleased to announce its financial and operating results for the three and nine months ended September 30, 2020. The associated management's discussion and analysis ("MD&A") and unaudited interim financial statements as at and for the three and nine months ended September 30, 2020 can be found at www.sedar.com and www.torcoil.com.

Highlights (in thousands, except per share data)	Three months ended			Nine months ended	
	September 30 2020	June 30 2020	September 30 2019	September 30 2020	September 30 2019
Financial					
Adjusted funds flow, including					
transaction related costs ⁽¹⁾	\$35,707	\$5,694	\$73,768	\$88,547	\$23,768
Per share basic	\$0.16	\$0.03	\$0.34	\$0.40	\$1.00
Per share diluted	\$0.16	\$0.03	\$0.33	\$0.39	\$1.00
Adjusted funds flow, excluding					
transaction related costs ^{(1), (2)}	\$35,707	\$5,704	\$73,768	\$88,577	\$23,768
Per share basic	\$0.16	\$0.03	\$0.34	\$0.40	\$1.00
Per share diluted	\$0.16	\$0.03	\$0.33	\$0.39	\$1.00
Net cash from operating activities	\$41,006	\$619	\$62,559	\$99,580	\$21,006
Net income (loss)	(\$4,434)	(\$41,023)	\$5,664	(\$925,352)	\$23,768
Per share basic	(\$0.02)	(\$0.18)	\$0.03	(\$4.16)	\$0.03
Per share diluted	(\$0.02)	(\$0.18)	\$0.03	(\$4.16)	\$0.03
Exploration and development					
Expenditures ⁽¹⁾	\$6,157	\$1,601	\$57,006	\$72,459	\$14,157
Property acquisitions, net of					
Dispositions ⁽¹⁾	\$57	\$1,083	(\$565)	\$5,031	\$27,083
Net debt ⁽¹⁾	\$359,651	\$382,115	\$369,571	\$359,651	\$369,571
Cash dividends declared ⁽³⁾	-	\$1,112	\$11,434	\$13,334	\$32,112
Dividends declared per common share	-	\$0.005	\$0.075	\$0.060	\$0.075
Common shares					
Shares outstanding, end of period	222,612	222,445	220,338	222,612	220,338
Weighted average shares (basic)					

222,540

222,372

219,622

Weighted average shares (diluted)	225,636	225,054	221,952	225,950	221,952
Operations					
Production					
Crude oil (Bbls per day)	20,616	21,039	23,382	21,772	23,382
NGL (Bbls per day)	1,466	1,316	1,587	1,455	1,587
Natural gas (Mcf per day)	17,479	15,301	20,206	17,449	19,952
Barrels of oil equivalent (Boepd, 6:1)	24,995	24,905	28,337	26,135	28,337
Average realized price					
Crude oil (\$ per Bbl)	\$45.54	\$23.33	\$64.65	\$39.25	\$66.65
NGL (\$ per Bbl)	\$10.32	\$4.24	\$11.91	\$8.26	\$14.91
Natural gas (\$ per Mcf)	\$1.90	\$1.72	\$0.75	\$1.74	\$1.74
Barrels of oil equivalent					
(\$ per Boe, 6:1)	\$39.50	\$20.99	\$54.55	\$34.32	\$56.55
Operating netback per Boe (6:1)					
Operating netback ⁽¹⁾	\$18.48	\$4.55	\$30.90	\$14.90	\$32.35
Operating netback (prior to hedging) ⁽¹⁾	\$18.53	\$3.24	\$30.90	\$14.23	\$32.35
Adjusted funds flow netback per Boe (6:1)					
Including transaction related costs ⁽¹⁾	\$15.53	\$2.51	\$28.30	\$12.37	\$29.65
Excluding transaction related costs ⁽¹⁾	\$15.53	\$2.52	\$28.30	\$12.37	\$29.65
Wells drilled:					
Gross	-	-	25	33	72
Net	-	-	19.0	28.2	56.0
Success (%)	-	-	100	100	100

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

(2) For ease of readability, in this press release, adjusted funds flow, excluding transaction related costs is referred to as "cash flow"

(3)

Cash dividends declared are net of the share dividend program participation. On May 5, 2020, announced the temporary suspension of its monthly dividend

PRESIDENT'S MESSAGE

During the third quarter of 2020, TORC maintained a disciplined approach to the economic uncertainty created by the ongoing COVID-19 global pandemic and related volatility of crude oil prices. The Company's top priority remains the health and safety of the Company's employees, contractors, partners, service

providers and the communities in which we operate.

TORC's proactive responses to volatility experienced in 2020 continue to demonstrate the Company's focus on the long-term objectives of delivering disciplined growth while displaying the strength and flexibility of the Company's business strategy and asset base.

TORC remains well positioned both operationally and financially to continue to execute the Company's long-term business plan and take advantage of opportunities as they arise.

The Company's key achievements in the third quarter of 2020 included the following:

- Achieved quarterly production of 24,995 boepd, relative to 24,905 boepd in the second quarter of 2020 and 28,337 boepd in the third quarter of 2019;
- Generated cash flow of \$35.7 million relative to \$5.7 million in the second quarter of 2020 and \$73.8 million in the third quarter of 2019;
- Generated cash flow per share of \$0.16 compared to \$0.03 in the second quarter of 2020 and \$0.34 in the third quarter of 2019;
- During the third quarter of 2020, the Company incurred \$6.2 million of capital expenditures on cash flow of \$35.7 million, for a payout ratio of 17%;
- Exited the quarter with net debt of \$359.7 million, down from \$382.1 as at June 30, 2020, with \$335.7 million drawn on the Company's credit facility; and
- Subsequent to the end of the quarter, completed the Company's inaugural Sustainability Report, highlighting TORC's efforts and commitment to responsibly develop the Company's natural resources. The full 2020 Sustainability Report can be found on the Company's website at www.torcoil.com.
Highlights from the Sustainability Report include:
 - Reductions in greenhouse gas, methane and fugitive emissions
 - Reductions in the amount of fresh water used
 - Continued prevention and reduction of oil and saltwater spills
 - Continued safety focus and reduction of workplace incidents
 - Ongoing community engagement and support
 - Continued efforts to establish best-in-class governance practices including linking executive and employee compensation to environmental, social and governance matters

OPERATIONAL UPDATE

TORC's third quarter production averaged 24,995 boepd with the continued strong performance from the Company's successful first quarter drilling program and the long history of managing the production decline profile. TORC spent a total of \$6.2 million of exploration and development capital in the third quarter primarily on optimization and asset maintenance programs bringing total spending for the first nine months of 2020 to \$72.5 million.

SOUTHEAST SASKATCHEWAN

TORC has drilled 19 (15.5 net) wells on the southeast Saskatchewan conventional assets in 2020, all in the first quarter. TORC has identified more than 400 net conventional light oil drilling locations in southeast Saskatchewan, providing multiple years of high quality drilling inventory.

TORC maintains an inventory of 5 (4.0 net) drilled but uncompleted Torquay/Three Forks resource play wells associated with the Company's first quarter drilling program. Additionally, TORC has identified over 150 net development locations in the Torquay/Three Forks play providing multiple years of drilling inventory.

On the unconventional Midale light oil resource play in southeast Saskatchewan, TORC successfully drilled 6 (5.7 net) wells in the first quarter. TORC has identified 175 net future unconventional Midale drilling locations on the Company's land base to add value in future years.

CARDIUM

TORC drilled 3 (3.0 net) Cardium development wells in the first quarter of 2020. The Company has identified

more than 290 net undrilled Cardium locations for future development. With a decline profile below 20% and a deep inventory of high quality development locations, the Cardium continues to support TORC's long-term strategy.

CAPITAL BUDGET AND PRODUCTION GUIDANCE

TORC maintains that the revised \$80 million 2020 capital budget (down from \$190 million pre pandemic) will result in 2020 exit production of 25,000 boepd (83% light oil; 5% NGLs). Based on this production profile and the Company's long term focus on production decline management, TORC expects that the Company's production decline will decrease to approximately 20% by year-end 2020.

Due to the proactive reduction in the 2020 budget, TORC was able to reduce net debt from \$382.1 million as at June 30, 2020 to \$359.7 million as at September 30, 2020. Based on current commodity prices and budgeted costs, the Company expects to achieve free cash flow above the current capital program during the remainder of 2020. The free cash flow will continue to position the Company to further reduce debt and take advantage of opportunities to enhance the growth, sustainability and repeatability of the Company's business model.

TORC's asset base provides flexibility in volatile commodity price environments due to the following key characteristics: greater than 90% operated capital program to control capital spending, low decline rate, year-round access, low capital costs per well, no drilling commitments, limited take-or-pay contracts, and no land expiry concerns.

TORC anticipates announcing the Company's 2021 capital budget and production guidance in December.

DIVIDEND

TORC's dividend strategy is reviewed regularly with the Board of Directors and is an important component of TORC's overall long-term business plan. With the crude oil market experiencing a significant and rapid decline in world prices resulting from severe dynamics coinciding with significant impacts to both supply and demand uncertainty, TORC elected to temporarily suspend the monthly dividend during the second quarter.

TORC will continue to assess the free cash flow profile and dividend policy of the Company following a continued increase in economic activity and stability of oil market dynamics.

OUTLOOK

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

The stability of the high quality, low decline, light oil assets in southeast Saskatchewan and the low risk Cardium development inventory in central Alberta, combined with exposure to unconventional light oil resource plays in southeast Saskatchewan, positions TORC to provide value creation through a disciplined long term focused growth strategy.

TORC has the following key operational and financial attributes:

Production	2020E Exit: 25,000 boepd (83% light oil, 5% NGLs, 12% natural gas)
Total Proved plus Probable Reserves ⁽¹⁾	139 mmbbl (78% light oil; 6% NGLs, 16% natural gas)
Southeast Saskatchewan Light Oil Development Inventory	Greater than 400 net undrilled conventional locations
	Greater than 150 net undrilled Torquay/Three Forks locations
	Greater than 175 net undrilled unconventional Midale locations
Cardium Light Oil Development Inventory	Greater than 290 net undrilled locations
2020 Capital Program	\$80 million
Monthly Dividend	Suspended
Net Debt as at Sept 30, 2020 ⁽²⁾	\$359.7 million; \$335.7 million drawn
Shares Outstanding	222.6 million (basic)
Tax Pools	Approximately \$1.8 billion

Notes:

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

(2) See "Non-GAAP Measurements"
READER ADVISORIES

Forward Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to the Company's plans, strategy, business model, focus, objectives and other aspects of TORC's anticipated future operations and financial, operating and drilling and development plans and results, including, expected future production, production mix, reserves, drilling inventory, net debt, cash flow and free cash flow, financial flexibility and liquidity, capital costs, operating netbacks, operational efficiencies, decline rate and decline profile, product mix, capital expenditure program, capital efficiencies, commodity prices, royalties, tax pools and future growth. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding: the focus and allocation of TORC's 2020 capital budget; anticipated average and exit production rates, available free cash flow, management's view of the characteristics and quality of the opportunities available to the Company; TORC's dividend policy and plans; and other matters ancillary or incidental to the foregoing.

Forward-looking information typically uses words such as "anticipate", "believe", "project", "target", "guidance", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that

actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. The forward-looking information is based on certain key expectations and assumptions made by TORC's management, including expectations concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; capital efficiencies; decline rates; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; ability to market oil and natural gas successfully and TORC's ability to access capital.

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

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

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

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

Dividends

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

Non-GAAP Measurements

This press release includes non-GAAP measures commonly used in the oil and natural gas industry. These non-GAAP measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS", or alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. For details, descriptions and reconciliations of these non-GAAP measurements, see the Company's Management's Discussion and Analysis for the three and nine months ended September 30, 2020.

"Adjusted funds flow, including transaction related costs" represents cash flow from operating activities prior to changes in non-cash operating working capital and settlement of decommissioning obligations. "Adjusted

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

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

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

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

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

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

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

Oil and Gas Disclosures

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

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the reserves evaluation prepared by Sproule as of December 31, 2019 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates prepared by a qualified reserves evaluator based on TORC's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Of the 1015 net drilling locations identified herein, 357 are proved locations, 133 are probable locations and 525 are unbooked locations. Of the 400 net conventional drilling locations identified herein, 161 are proved locations, 56 are probable locations and 183 are unbooked locations. Of the 150 net Torquay/Three Forks drilling locations identified herein, 51 are proved locations, 27 are probable locations and 72 are unbooked locations. Of the 175 net unconventional Midale drilling locations identified herein, 78 are proved locations, 17 are probable locations and 80 are unbooked locations. Of the 290 net Cardium drilling locations identified herein, 68 are proved locations, 33 are probable locations and 189 are unbooked locations. Unbooked locations have been identified by management as an

estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that TORC will drill all unbooked drilling locations and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional oil and gas reserves or production.

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