

Pipestone Energy Corp. Announces Fourth Quarter and Full Year 2021 Financial and Operational Results, and Provides an Update to Its 2022 Guidance and 3-Year Business Plan

09.03.2022 | [GlobeNewswire](#)

CALGARY, March 09, 2022 - (PIPE - TSX) [Pipestone Energy Corp.](#) ("Pipestone" or the "Company") is pleased to report its fourth quarter and full year 2021 financial and operational results, and to provide an update to its corporate guidance for 2022 and provide a three-year outlook.

FOURTH QUARTER 2021 CORPORATE HIGHLIGHTS

- In Q4 2021, Pipestone achieved record average quarterly production totaling 28,623 boe/d (30% condensate, 44% total liquids), representing a 16% quarterly increase over Q3 2021, and a 61% increase over Q4 2020. Full year 2021 production for the Company totaled 24,584 boe/d (31% condensate, 45% total liquids), achieving previously announced guidance of 24,000 - 26,000 boe/d, representing a 58% year-over-year growth in average daily production volumes;
- As a result of its continued production growth combined with improving commodity prices during the quarter, the Company generated record revenue of \$137.3 million, nearly tripling revenue from Q4 2020 of \$45.9 million and increasing revenue from Q3 2021 by 37% or \$37.1 million;
- The Company realized continued improvement in operating netback⁽¹⁾ to a corporate record of \$25.06/boe, an increase of 14% over Q3 2021 and a 148% increase over Q4 2020. Excluding the realized loss on commodity risk management contracts of \$8.45/boe, the Company's operating netback⁽¹⁾ for Q4 2021 was \$33.51/boe;
- The Company also achieved record adjusted funds flow from operations⁽¹⁾ of \$58.9 million (\$0.31 per share basic and \$0.21 per share fully diluted), representing more than a 5-fold increase to adjusted funds flow from operations⁽¹⁾ when compared to \$11.1 million in Q4 2020 and an increase of 35% or \$15.2 million from Q3 2021 adjusted funds flow from operations⁽¹⁾ of \$43.7 million;
- The Company generated strong returns on invested capital, with Q4 2021 annualized ROCE⁽¹⁾ and CROIC⁽¹⁾ of 22.8% and 26.1%, respectively, as compared to Q4 2020 annualized ROCE⁽¹⁾ and CROIC⁽¹⁾ of 1.7% and 8.1%;
- As previously announced, in Q4 2021, the company commenced its inaugural Normal Course Issuer Bid ("NCIB") and purchased 949,100 common shares for cancellation at a weighted average price of \$3.60 per share for a total consideration of \$3.4 million, including related commissions and fees. Subsequent to year-end, and up to the date of this release, the Company has purchased an additional 792,600 shares for cancellation at a weighted average price of \$4.64 per share. Pipestone intends to continue to utilize its NCIB throughout 2022 as part of its commitment to providing shareholder returns.

(1) See "Non-GAAP measures" advisory

[Pipestone Energy Corp.](#) - Financial and Operating Highlights

	Three months ended December 31, Year ended December 31,			
(\$ thousands, except per unit and per share amounts)	2021	2020	2021	2020
Financial				
Sales of liquids and natural gas	\$ 137,264	\$ 45,853	\$ 391,295	\$ 135,950
Cash from operating activities	71,810	10,086	157,864	41,638
Adjusted funds flow from operations ⁽¹⁾	58,927	11,088	166,358	40,498
Per share, basic	0.31	0.06	0.87	0.21
Per share, diluted ⁽⁴⁾	0.21	0.04	0.59	0.15
Income (loss) and comprehensive income (loss)	51,307	(1,846)	67,920	(17,277
Per share, basic	0.27	(0.01)	0.35	(0.09

Per share, diluted ⁽⁴⁾	0.18		(0.01	)	0.24		(0.09
Adjusted EBITDA ⁽¹⁾	63,667		15,108		183,882		56,053
Capital expenditures	39,219		43,740		186,838		104,593
Free cash flow ⁽¹⁾	19,777		(32,652	)	(20,633	)	(64,113
Working capital deficit (<i>end of period</i>)					(44,515	)	(48,603
Adjusted working capital deficit (<i>end of period</i>) ⁽¹⁾					(32,552	)	(37,163
Bank debt (<i>end of period</i>)					171,866		133,466
Net debt (<i>end of period</i>) ⁽¹⁾					204,418		170,629
Undrawn credit facility capacity (<i>end of period</i>)					107,712		90,948
Available funding (<i>end of period</i>) ⁽¹⁾					\$ 75,160		\$ 53,785
Shareholders' equity (<i>end of period</i>)					423,639		355,058
Annualized cash return on invested capital (CROIC) ⁽¹⁾	26.1	%	8.1	%	18.9	%	7.5
Annualized return on capital employed (ROCE) ⁽¹⁾	22.8	%	1.7	%	14.9	%	0.5
Shares purchased under NCIB (000s)	949		-		949		-
Shares outstanding (000s) (<i>end of period</i>)					191,446		190,799
Weighted-average basic shares outstanding (000s)	192,033		190,698		191,525		190,288
Weighted-average diluted shares outstanding (000s) ⁽⁴⁾	282,530		274,758		281,656		274,401
Operations							
Production							
Condensate (bbls/d)	8,481		5,493		7,561		4,626
Other Natural Gas Liquids (NGLs) (bbls/d)	3,978		2,235		3,346		2,002
Total NGLs (bbls/d)	12,459		7,728		10,907		6,628
Crude oil (bbls/d)	44		93		74		102
Natural gas (Mcf/d)	96,718		59,479		81,620		53,039
Total (boe/d) ⁽²⁾	28,623		17,734		24,584		15,570
Condensate and crude oil (% of total production)	30	%	31	%	31	%	30
Total liquids (% of total production)	44	%	44	%	45	%	43
Benchmark prices							
Crude oil - WTI (C\$/bbl)	\$ 97.19		\$ 55.41		\$ 85.10		\$ 52.39
Condensate - Edmonton Condensate (C\$/bbl)	100.17		55.86		85.88		49.82
Natural gas - AECO 5A (C\$/GJ)	4.50		2.52		3.45		2.12
Average realized prices ⁽³⁾							
Condensate (per bbl)	95.68		50.31		81.49		44.94
Other NGLs (per bbl)	44.30		18.03		34.61		15.55
Total NGLs (per bbl)	79.27		40.97		67.11		36.06
Crude oil (per bbl)	89.13		43.54		70.45		37.46
Natural gas (per Mcf)	5.17		2.99		4.10		2.42
Netbacks							
Revenue (per boe)	52.12		28.10		43.61		23.86
Realized (loss) gain on commodity risk management contracts (per boe) ⁽⁵⁾	(8.45	)	(1.34	)	(6.34	)	2.46
Royalties (per boe)	(2.58	)	(1.25	)	(1.60	)	(0.73
Operating expenses (per boe)	(13.01	)	(12.22	)	(11.52	)	(11.18
Transportation (per boe)	(3.02	)	(3.17	)	(2.77	)	(3.46
Operating netback (per boe) ^{(1) (5)}	25.06		10.12		21.38		10.95
Adjusted funds flow netback (per boe) ⁽¹⁾	\$ 22.37		\$ 6.80		\$ 18.54		\$ 7.11

⁽¹⁾ See "Non-GAAP measures" advisory.

- For a description of the boe conversion ratio, see "Basis of Barrel of Oil Equivalent". References to crude oil in production amounts are to the product type "tight oil" and references to natural gas in production amounts are to the product type "shale gas". References to total liquids include oil and natural gas liquids (including condensate, butane and propane).*
- (2) Figures calculated before hedging.*
- Weighted-average number of diluted shares outstanding for the purpose of calculating diluted per share amounts in the 2021 periods presented includes 89,506,903 common shares that are issuable at the discretion of preferred shareholders as of December 31, 2021 for no additional proceeds to the Company.*
- (4) The preferred shares have a total convertible value of \$76.1 million at December 31, 2021 and are convertible at \$0.85 per common share. The impact of other dilutive instruments is also factored into this calculation as applicable.*
- (5) Realized (loss) gain on commodity risk management contracts reclassified to be included under operating netback for 2021, prior period figures have been adjusted to conform with current presentation.*

UPDATED 2022 GUIDANCE AND THREE-YEAR DEVELOPMENT PLAN ⁽¹⁾

A graph accompanying this announcement is available at
<https://www.globenewswire.com/NewsRoom/AttachmentNg/2626937c-f533-44b7-9bdf-35ecc608e713>

As a result of successful Central Block delineation, strong capital program execution and a supportive commodity price environment, Pipestone has revised its 3-year business plan to modestly increase capital spend within cashflow⁽²⁾ that results in additional production growth through 2024 and beyond. To facilitate this growth, the Company has secured incremental raw gas processing capacity, which it expects to be available in Q3 2023, facilitating a new production upper boundary of approximately 46,000 boe/d. In aggregate over the three years, Pipestone forecasts to spend \$555 million on capital, while generating \$1,150 million in cash flow⁽²⁾ (utilizing an US\$80 WTI | C\$3.50 AECO price deck), resulting in approximately \$600 million of free cash flow⁽²⁾, which equates to approximately 40% of the Company's current fully diluted market capitalization.

- 3-year plan as at March 2022, derived by utilizing, among other assumptions, historical Pipestone Energy production performance and current capital and operating cost assumptions held flat for illustration only. Budgets and forecasts beyond 2022 have not been finalized and are subject to a variety of factors and as a*
- 1) result, forecast results for 2023 and 2024 may change materially. Where a range is not provided, guidance and forecast values represent the mid-point estimate. Each US\$10 per barrel change in WTI prices equates to an ~\$40 million change in 2022 free cash flow, and each C\$0.50 per GJ change in AECO natural gas price equates to an ~\$20 million change in 2022 in free cash flow.*
- 2) See "Non-GAAP measures".*
- 3) Capital expenditures are gross of capitalized G&A.*

Modified 2022 Capital Program and Guidance

For 2022, largely as a result of processing capacity constraints and increased lift gas utilization, Pipestone is reducing its production guidance range by 8% to 31,000 - 33,000 boe/d (from 34,000 - 36,000 boe/d). Production was disrupted for 18 full days in January and February at the Keyera Wapiti Gas Plant, as a result of both weather-related and mechanical issues. Opportunities to recover the calendar year production will be restricted during Q2 and Q3, as all three midstream plants Pipestone is connected to are planning major plant turnarounds. Additionally, interruptible processing capacity availability is expected to be more limited during H2 2022, as other area operators grow production volumes. By Q4 2022, the Company expects to be fully utilizing its currently available processing capacity, and expects to average approximately 37,000 boe/d over the quarter. Production is forecast to grow to 40,500 boe/d (midpoint) in 2023 as planned new processing capacity becomes available in Q3 of that year, resulting in exit volumes of approximately 45,000 boe/d, which based on the revised processing limitations are expected to be maintained through 2024.

Pipestone is also increasing its 2022 capital guidance range to \$210 - \$220 million (up from \$180 - \$200 million). This revised capital program is funded well within cashflow⁽²⁾ and will further delineate Pipestone's asset while accelerating Pipestone's growth into 2023. The expanded capital program will include: a) Increased infrastructure expenditures, including a pipeline to the 6-33 step-out pad; b) Increased drilling and completion activity in H2 2022; and c) Completion and long-term test of the drilled, but uncompleted Montney delineation well at 12-36 during Q2 2022. Including the additional capital, Pipestone still forecasts to

generate \$130 - \$140 million of free cash flow⁽²⁾ in 2022.

Long-Term Development Trajectory

The previously released year-end 2021 McDaniel 2P reserve report includes 149 undeveloped locations, which supports growth to approximately 45,000 boe/d and that could be held flat until 2032. Pipestone has internally identified an additional 160 Tier 1 (Tier 1 = <12-month payout at US\$80 WTI | \$3.50 AECO) net unbooked locations on its Central and Eastern acreage blocks, that would support further growth to a risked plateau of approximately 55,000 boe/d by exit 2025, with a plateau period of approximately 10 years. To achieve this production level, Pipestone will have to continue to contract incremental processing capacity. The Company estimates there to be approximately 250 MMcf/d of currently available or planned sour gas processing expansions in the Pipestone area that could be in-service by 2025.

A graph and map accompanying this announcement is available at <https://www.globenewswire.com/NewsRoom/AttachmentNg/53ecac4e-9438-4358-9371-0c0a74fc4bec>

2022 Free Cash Flow Allocation

Pipestone has pivoted from being a net consumer of capital to a net generator of free cashflow. As previously announced, Pipestone's first priority for its free cashflow in 2022 is to deleverage the business, with a corporate debt target of less than \$100 million, which equates to <1.0x D/CF at a US\$45 WTI | \$2.00 AECO (\$100 million debt balance equates to a run-rate 2022E debt / cashflow of 0.3x at US\$80 WTI | \$3.50 AECO). Pipestone expects to achieve this target by mid-year. In conjunction with de-leveraging, Pipestone has commenced an NCIB to repurchase up to 5% of its basic shares or approximately 10 million shares over a 12-month period from commencement in November 2021. After de-leveraging and executing on its NCIB, Pipestone expects to generate additional free cash flow in 2022 that will be available for additional debt re-payment and/or shareholder returns or additional capital to expand the business.

NCIB

Since November 26, 2021, Pipestone has repurchased approximately 1.7 million common shares under its 5% NCIB, at an average price of \$4.07 per share. Over the remainder of 2022, Pipestone expects to repurchase approximately 8.5 million additional common shares, resulting in a projected year-end fully diluted common share balance of approximately 272.8 million.

During 2023 and 2024, Pipestone expects to be able to purchase approximately 13.0 million common shares per year under an NCIB program. The expected increase of repurchases over 2022 is a result of the expected conversion in fall 2022 of all the Convertible Preferred Shares. At the current share price of \$5.68, share repurchase during this two-year period would total approximately \$147.7 million, and Pipestone's year-end 2024 fully diluted shares outstanding would be 246.8 million, down approximately 12% from today.

Regulatory Filings:

Pipestone has filed its Year-End 2021 Audited Financial Statements, MD&A, and 2021 Annual Information Form on SEDAR, as well as posted these documents on its website.

Q4 2021 and Full Year 2021 Financial Results Conference Call

Fourth Quarter and Full year 2021 results are expected to be released before market open on March 9, 2022. A conference call has been scheduled for March 9, 2022 at 9:00 a.m Mountain Time (11:00 a.m Eastern Time) for interested investors, analysts, brokers, and media representatives.

Conference Call Details:

Toll-Free: (866) 953-0776

International: (630) 652-5852
Conference ID: 5089085

[Pipestone Energy Corp.](#)

Pipestone is an oil and gas exploration and production company focused on developing its large contiguous and condensate rich Montney asset base in the Pipestone area near Grande Prairie. Pipestone expects to grow its production to 32 Mboe/d (midpoint) in 2022 and to approximately 55 Mboe/d by exit 2025, while generating significant free cash flow and de-leveraging the business. Pipestone is committed to building long term value for our shareholders while maintaining the highest possible environmental and operating standards, as well as being an active and contributing member to the communities in which it operates. Pipestone has achieved certification of all its production from its Montney asset under the Equitable Origin EO100™ Standard for Responsible Energy Development. Pipestone shares trade under the symbol PIPE on the TSX. For more information, visit www.pipestonecorp.com.

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Advisory Regarding Non-GAAP Measures

Non-GAAP measures

Pursuant to section 5(4) of NI 52-112, quantitative reconciliation of the non-GAAP measure for the current and comparative period to the most directly comparable financial measure cannot be incorporated by reference because this document is an earnings new release. As such, include a quantitative reconciliation table for cash flow, free cash flow, operating netback, adjusted funds flow netback, net debt, available funding, adjusted working capital, CROIC and ROCE below. Additionally, pursuant to section 7(2)(d) of NI 52-112, a description of any significant difference between the non-GAAP financial measure that is forward-looking and the equivalent historical non-GAAP financial measure must be included in proximity to the first instance of the non-GAAP financial measure that is forward-looking information. As such, this information should be included in respect of forecast cashflow on page 5. Additionally, for this forward-looking non-GAAP measure, the following must be included: (i) the news release discloses an equivalent historical non-GAAP financial measure; and (ii) the forecast cashflow that is forward-looking information is presented with no more prominence in the document than that of the equivalent historical non-GAAP financial measure.

This news release includes references to financial measures commonly used in the oil and natural gas industry. The terms "adjusted funds flow from operations", "cash flow", "free cash flow", "operating netback", "adjusted funds flow netback", "net debt", "adjusted working capital", "available funding", "adjusted EBITDA", "CROIC", and "ROCE" are not defined under International Financial Reporting Standards ("IFRS"), which have been incorporated into Canadian GAAP, as set out in Part 1 of the Chartered Professional Accountants Canada Handbook - Accounting, are not separately defined under GAAP, and may not be comparable with similar measures presented by other companies. The reconciliations of these non-GAAP measures to the nearest GAAP measure are discussed in the Non-GAAP measures section of Pipestone's management's discussion and analysis ("MD&A") for the year ended December 31, 2021 dated March 9, 2022, a copy of which is available electronically on Pipestone's SEDAR profile at www.sedar.com.

Management believes the presentation of the non-GAAP measures provide useful information to investors and shareholders as the measures provide increased transparency and the opportunity to better analyze and compare performance against prior periods.

Adjusted funds flow from operations

Pipestone uses "adjusted funds flow from operations" (cash from operating activities before changes in non-cash working capital and decommissioning provision costs incurred), a measure that is not defined under IFRS. Adjusted funds flow from operations should not be considered an alternative to, or more meaningful than, cash from operating activities, income (loss) or other measures determined in accordance with IFRS as an indicator of the Company's performance. Management uses adjusted funds flow from operations to analyze operating performance and leverage and believes it is a useful supplemental measure as it provides an indication of the funds generated by Pipestone's principal business activities prior to consideration of changes in working capital.

The following table reconciles cash from operating activities to adjusted funds flow from operations:

	Three months ended		Year ended	
	December 31,		December 31,	
(\$ thousands)	2021	2020	2021	2020
	\$	\$	\$	\$
Cash from operating activities	71,810	10,086	157,864	41,638
Change in non-cash working capital	(12,814)	1,002	8,341	(1,158)
Decommissioning provision costs incurred	(69)	-	153	18
Adjusted funds flow from operations	58,927	11,088	166,358	40,498

Cash flow

"Cash flow" is a non-GAAP measure that is calculated as cash from operating activities plus changes in non-cash working capital and decommissioning provision costs incurred, and is not defined under IFRS. Cash flow should not be considered an alternative to, or more meaningful than, cash from operating activities, income (loss) or other measures determined in accordance with IFRS as an indicator of the Company's performance. Management uses cash flow to analyze operating performance and leverage and believes it is a useful supplemental measure as it provides an indication of the funds generated by Pipestone's principal business activities prior to consideration of changes in working capital.

Free cash flow

"Free cash flow" is a non-GAAP measure that is calculated as cash from operating activities plus changes in non-cash working capital less capital expenditures incurred, and is not defined under IFRS. Free cash flow should not be considered an alternative to, or more meaningful than, cash from operating activities, income (loss) or other measures determined in accordance with IFRS as an indicator of the Company's performance. Management uses free cash flow to analyze operating performance and leverage and believes it is a useful supplemental measure as it provides an indication of the funds generated by Pipestone's principal business activities, inclusive of ongoing capital expenditures, prior to consideration of changes in working capital.

Operating netback and Adjusted funds flow netback

"Operating netback" is calculated on either a total dollar or per-unit-of-production basis and is determined by deducting royalties, operating and transportation expenses from liquids and natural gas sales adjusted for realized gains/losses on commodity risk management contracts.

"Adjusted funds flow netback" reflects adjusted funds flow from operations on a per-unit-of-production basis and is determined by dividing adjusted funds flow by total production on a per-boe basis. Adjusted funds flow netback can also be determined by deducting G&A, transaction costs, cash financing expenses, adding financing income and adjusting for realized gains/losses on interest rate risk management contracts on a per-unit-of-production basis from the operating netback. Refer to "Financial and Operating Results" section above for further details.

Operating netback and adjusted funds flow netback are common metrics used in the oil and natural gas industry and are used by Company management to measure operating results on a per boe basis to better analyze and compare performance against prior periods, as well as formulate comparisons against peers.

Net debt

"Net debt" is a non-GAAP measure that equals bank debt outstanding plus adjusted working capital. The Company does not consider its convertible preferred share obligation to be part of net debt as this represents a non-cash obligation that will ultimately be settled by conversion into Pipestone common shares and reclassified from a liability to share capital on the Company's statement of financial position. Net debt is considered to be a useful measure in assisting management and investors to evaluate Pipestone's financial strength.

Available funding and Adjusted working capital

"Available funding" is comprised of adjusted working capital and undrawn portions of the Company's reserve based loan. The available funding measure allows management and others to evaluate the Company's short-term liquidity. Adjusted working capital is comprised of current assets less current liabilities on the Company's consolidated statement of financial position and excludes the current portion of risk management contracts and lease liabilities.

Adjusted EBITDA, CROIC and ROCE

"Adjusted EBITDA" is calculated as profit or loss before interest, income taxes, depletion and depreciation, adjusted for other non-cash and extraordinary items including unrealized gains and losses on risk management contracts, realized losses on interest rate risk management contracts, share-based compensation and exploration and evaluation expense. Adjusted EBITDA is used to calculate CROIC. Adjusted EBIT is calculated as adjusted EBITDA less depletion and depreciation. Adjusted EBIT is used to calculate ROCE.

The following table reconciles income (loss) and comprehensive income (loss) to adjusted EBITDA:

(\$ thousands)	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Income (loss) and comprehensive income (loss)	51,307	(1,846)	67,920	(17,277)
Deferred income tax expense (recovery)	15,315	(454)	22,524	(5,253)
Financing expense	6,018	5,388	22,815	16,440
Unrealized (gain) loss on interest rate risk management contracts	(671)	(192)	(1,677)	678
Realized loss on interest rate risk management contracts	271	262	1,038	1,361
D&D expense	18,560	12,417	66,014	53,145
E&E expense	-	-	1,658	414
Share-based compensation	846	498	3,506	2,022
Unrealized (gain) loss on commodity risk management contracts	(27,979)	(965)	84	4,523
Adjusted EBITDA	63,667	15,108	183,882	56,053

"CROIC" is determined by dividing adjusted EBITDA by the gross carrying value of the Company's oil and gas assets at a point in time. For the purposes of the CROIC calculation, the net carrying value of the Company's exploration and evaluation assets, property and equipment and ROU assets, is taken from the Company's consolidated statement of financial position, and excludes accumulated depletion and depreciation as disclosed in the financial statement notes to determine the gross carrying value.

"ROCE" is determined by dividing adjusted EBIT by the carrying value of the Company's net assets. For the purposes for the ROCE calculation, net assets are defined as total assets on the Company's consolidated

statement of financial position less current liabilities at a point in time.

CROIC and ROCE allow management and others to evaluate the Company's capital spending efficiency and ability to generate profitable returns by measuring profit or loss relative to the capital employed in the business.

Advisory Regarding Forward-Looking Statements

In the interest of providing shareholders of Pipestone and potential investors information regarding Pipestone, this news release contains certain information and statements ("forward-looking statements") that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future results or events, are based upon internal plans, intentions, expectations and beliefs, and are subject to risks and uncertainties that may cause actual results or events to differ materially from those indicated or suggested therein. All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are typically, but not always, identified by words such as "anticipate", "estimate", "expect", "intend", "forecast", "continue", "propose", "may", "will", "should", "believe", "plan", "target", "objective", "project", "potential" and similar or other expressions indicating or suggesting future results or events.

Forward-looking statements are not promises of future outcomes. There is no assurance that the results or events indicated or suggested by the forward-looking statements, or the plans, intentions, expectations or beliefs contained therein or upon which they are based, are correct or will in fact occur or be realized (or if they do, what benefits Pipestone may derive therefrom).

In particular, but without limiting the foregoing, this news release contains forward-looking statements pertaining to: the Company's intention to utilize the NCIB throughout 2022 and renew the NCIB in 2023 and 2024; the Company's forecast capital spending; expectations regarding generation of cash flow; the expectation that interruptible processing capacity availability will be more limited during H2 2022; the Company's expectation that it will be utilizing all currently available processing capacity by Q4 2022; expectations surrounding currently available or planned sour gas processing expansions in the Pipestone area and the timing such expansions could be in-service; and expectations and timing of Pipestone's production growth, ability to generate free cash flow and ability to deleverage the business. In addition, statements relating to reserves are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

With respect to the forward-looking statements contained in this news release, Pipestone has assessed material factors and made assumptions regarding, among other things: future commodity prices and currency exchange rates, including consistency of future oil, natural gas liquids ("NGLs") and natural gas prices with current commodity price forecasts; the ability to contractually secure incremental natural gas processing capacity, beginning in 2023, on terms acceptable to Pipestone or at all; the economic impacts of the COVID-19 pandemic; the ability to integrate [Blackbird Energy Inc.'s](#) ("Blackbird") and Pipestone Oil Corp.'s ("Pipestone Oil") historical businesses and operations and realize financial, operational and other synergies from the combination transaction completed on January 4, 2019; Pipestone's continued ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the predictability of future results based on past and current experience; the predictability and consistency of the legislative and regulatory regime governing royalties, taxes, environmental matters and oil and gas operations, both provincially and federally; Pipestone's ability to successfully market its production of oil, NGLs and natural gas; the timing and success of drilling and completion activities (and the extent to which the results thereof meet expectations); Pipestone's future production levels and amount of future capital investment, and their consistency with Pipestone's current development plans and budget; future capital expenditure requirements and the sufficiency thereof to achieve Pipestone's objectives; the successful application of drilling and completion technology and processes; the applicability of new technologies for recovery and production of Pipestone's reserves and other resources, and their ability to improve capital and operational efficiencies in the future; the recoverability of Pipestone's reserves and other resources; Pipestone's ability to economically produce oil and gas from its properties and the timing and cost to do so; the performance of both new and existing wells; future cash flows from production; future sources of funding for Pipestone's capital program, and its ability to obtain external financing when required and on acceptable terms; future debt levels; geological and engineering estimates in respect of Pipestone's reserves and other resources; the accuracy of geological and geophysical data and the interpretation thereof; the geography of the areas in which Pipestone conducts exploration and development activities; the timely receipt of required regulatory approvals; the access,

economic, regulatory and physical limitations to which Pipestone may be subject from time to time; and the impact of industry competition.

The forward-looking statements contained herein reflect management's current views, but the assessments and assumptions upon which they are based may prove to be incorrect. Although Pipestone believes that its underlying assessments and assumptions are reasonable based on currently available information, undue reliance should not be placed on forward-looking statements, which are inherently uncertain, depend upon the accuracy of such assessments and assumptions, and are subject to known and unknown risks, uncertainties and other factors, both general and specific, many of which are beyond Pipestone's control, that may cause actual results or events to differ materially from those indicated or suggested in the forward-looking statements. Such risks and uncertainties include, but are not limited to, volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto; the ability to successfully integrate Blackbird's and Pipestone Oil's historical businesses and operations; general economic, business and industry conditions; variance of Pipestone's actual capital costs, operating costs and economic returns from those anticipated; the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms; and the availability of sufficient natural gas processing capacity; and risks related to the exploration, development and production of oil and natural gas reserves and resources. Additional risks, uncertainties and other factors are discussed in the MD&A dated March 9, 2022 and in Pipestone's annual information form dated March 9, 2022, copies of which are available electronically on Pipestone's SEDAR profile at www.sedar.com.

Certain information in this news release is a "financial outlook" within the meaning of applicable Canadian securities laws. The purpose of the financial outlook is to provide readers with disclosure of the Company's reasonable expectations of anticipated results. The financial outlook is provided as of the date of this news release. Certain assumptions made underlying the financial outlook are disclosed herein under "2022 Guidance & Corporate Forecast Update". Readers are cautioned that the financial outlook may not be appropriate for other purposes. The forward-looking statements contained in this news release are made as of the date hereof and Pipestone assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. All forward-looking statements herein are expressly qualified by this advisory.

Oil and Gas Measures

Basis of Barrel of Oil Equivalent

Petroleum and natural gas reserves and production volumes are stated as a "barrel of oil equivalent" (boe), derived by converting natural gas to oil equivalency in the ratio of 6,000 cubic feet of gas to one barrel of oil. Readers are cautioned that boe figures may be misleading, particularly if used in isolation. A boe conversion ratio of 6,000 cubic feet of gas to one barrel of oil is based on energy equivalency, which is primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead.

DCE&T

This news release contains reference to DCE&T (drilling, completion, equip and tie-in costs), which does not have a standardized meaning or standard method of calculation and therefore such measure may not be comparable to similar measures used by other companies and should not be used to make comparisons. This metric has been included herein to provide readers with an additional measure to evaluate the Company's performance; however, this measure is not a reliable indicator of the future performance and future performance may not compare to the performance in previous periods and therefore such a metric should not be unduly relied upon. DCE&T includes all capital spent to drill, complete, equip and tie-in a well.

Production

References to natural gas and condensate production in this press release refer to the shale gas and natural gas liquids (which includes condensate), respectively, product types as defined in National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities. References to liquids include tight oil and natural gas liquids (including condensate, butane and propane).

Abbreviations

The following summarizes the abbreviations used in this document:

Crude Oil, Condensate and other Natural Gas Liquids

bbl	barrel
bbls/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
Mboe	thousand barrels of oil equivalent
Mboe/d	thousand barrels of oil equivalent per day
NGL	natural gas liquids, consisting of ethane (C ₂), propane (C ₃) and butane (C ₄)
condensate	Pentanes plus (C ₅ +) separated at the field level and C ₅ + separated from the NGL mix at the facility level

Other Abbreviations

Adjusted working capital	working capital (current assets less current liabilities), excluding financial derivative instruments and liabilities
AECO	the AECO Hub, a natural gas storage facility located in Suffield and Countess, Alberta, part of the NOVA Pipeline System
C\$	Canadian dollars
COVID-19	Novel Coronavirus and its variants
CROIC	cash return on invested capital
D&D	depletion and depreciation
DCE&T	drilling, completion, equip and tie-in
E&E	exploration and evaluation
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, taxes, depreciation and amortization
G&A	general and administrative
GAAP	generally accepted accounting principles
IFRS	International Financial Reporting Standards
Keyera	Keyera Corp. and its affiliates
NCIB	normal course issuer bid
Q1	first quarter ended March 31 st
Q2	second quarter ended June 30 th
Q3	third quarter ended September 30 th
Q4	fourth quarter ended December 31 st
ROCE	return on capital employed
ROU	right-of-use
sour gas	natural gas containing H ₂ S in quantities greater than 100 ppm
TSX	Toronto Stock Exchange
US\$	United States dollars
WTI	West Texas Intermediate

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/409308--Pipestone-Energy-Corp.-Announces-Fourth-Quarter-and-Full-Year-2021-Financial-and-Operational-Results-and-Pro>

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