

# Pipestone Energy Corp. Reports First Quarter 2022 Results and Provides an Operations Update

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CALGARY, May 11, 2022 - [Pipestone Energy Corp.](#) ("Pipestone" or the "Company") (PIPE – TSX) is pleased to report its first quarter 2022 financial and operational results, and to provide an update on its operations, including the encouraging early results from the flowback of its 12-36 eastern exploration well.

## FIRST QUARTER 2022 CORPORATE HIGHLIGHTS:

- The Company generated record revenue of \$153.5 million, which more than doubled Q1 2021 revenue of \$71.5 million, and represents a 12% increase from Q4 2021 revenue of \$137.3 million;
- In Q1 2022, Pipestone achieved average quarterly production totaling 27,581 boe/d (29% condensate, 43% total liquids), representing a 28% quarterly increase over Q1 2021 production of 21,595 boe/d. Production volumes were negatively impacted by 22 days of unscheduled outages at the third-party Keyera Wapiti Gas Plant, which resulted in 4% lower production relative to Q4 2021. The estimated impact of the outage to Q1 2022 production is approximately 2,700 boe/d. Production in April 2022, based on field estimates, averaged approximately 36,000 boe/d (31% condensate, 40% total liquids) which represents a new monthly production record;
- The Company realized continued improvement in operating netback(1) to a corporate record of \$37.69/boe, an increase of 115% over Q1 2021 and a 50% increase over Q4 2021. Excluding the realized loss on commodity risk management contracts of \$4.94/boe, the Company's operating netback(1) for Q1 2022 was \$42.63/boe;
- The Company also achieved record adjusted funds flow from operations(1) of \$86.3 million (\$0.45 per share basic and \$0.30 per share fully diluted), more than tripling its adjusted funds flow from operations(1) of \$28.2 million in Q1 2021, while representing a 47% or \$27.4 million increase from Q4 2021 adjusted funds flow from operations(1) of \$58.9 million;
- Total capital expenditures, including capitalized G&A, were \$78.0 million during the three months ended March 31, 2022. The Company commenced its 2022 capital program with 6 Montney wells drilled and rig-released and 13 completed in the quarter;
- In Q1 2022, the Company generated \$8.4 million of free cash flow(1) after deducting its capital expenditures incurred in the quarter. The Company anticipates that it will continue to produce material free cash flow(1) throughout the remainder of 2022 which it will direct to deleveraging its balance sheet and buying back common shares;
- At US\$95 WTI and C\$5.00 AECO, the Company forecasts 2022 free cash flow of \$155 - \$185 million, resulting in a year-end net debt balance of \$75 - \$95 million, after incorporating NCIB purchases of \$50 - \$60 million for the year;
- As previously announced, the company commenced its inaugural Normal Course Issuer Bid ("NCIB") in Q4 2021. In the quarter ended March 31, 2022, Pipestone purchased 1,484,600 common shares for cancellation at a weighted average price of \$4.82 per share for a total consideration of \$7.2 million including related commissions and fees. Subsequent to the quarter, and up to the date of this release, the Company has purchased an additional 1,310,900 common shares for cancellation at a weighted average price of \$5.08 per share. Since the commencement of the NCIB program, the Company has purchased a total of 3,744,600 common shares at a weighted average price of \$4.60 per share. Pipestone intends to continue to utilize its NCIB throughout 2022 as part of its commitment to providing shareholder returns; and
- The Company generated strong returns on invested capital, with Q1 2022 annualized ROCE(1) and CROIC(1) of 35.4% and 34.7%, respectively, as compared to Q1 2021 annualized ROCE(1) and CROIC(1) of 10.9% and 16.5%, respectively.

(1) See "Non-GAAP measures" advisory

**Pipestone Energy Corp. – Financial and Operating Highlights**

	Three months ended March 31,	
(\$ thousands, except per unit and per share amounts)	2022	2021
<b>Financial</b>		
Sales of liquids and natural gas	\$ 153,530	\$ 71,485
Cash from operating activities	64,012	18,097
Adjusted funds flow from operations(1)	86,317	27,052
Per share, basic	0.45	0.15
Per share, diluted(4)	0.30	0.10
Income (loss) and comprehensive income (loss)	27,052	(0.00)
Per share, basic	0.14	(0.00)
Per share, diluted(4)	0.10	(0.00)
Adjusted EBITDA(1)	91,039	32,507
Capital expenditures	77,959	46,289
Free cash flow (deficit)(1), before any shareholder distributions	8,358	(18,047)
Working capital deficit (end of period)	(69,414)	(26,534)
Adjusted working capital deficit (end of period)(1)	177,925	166,659
Bank debt (end of period)	204,459	190,213
Net debt (end of period) (1)	101,766	34,485
Undrawn credit facility capacity (end of period)	75,232	34.7%
Available funding (end of period)(1)	\$ 75,232	\$ 34,485
Annualized cash return on invested capital (CROIC)(1)	35.4%	10.0%
Annualized return on capital employed (ROCE)(1)	1,485	-
Shares purchased under NCIB (000s)	191,125	191,790
Shares outstanding (000s) (end of period)	191,125	285,998
Weighted-average basic shares outstanding (000s)	191,125	285,998
Weighted-average diluted shares outstanding (000s)(4)	191,125	285,998
<b>Operations</b>		
<b>Production</b>		
Condensate (bbls/d)	7,963	7,004
Other natural gas liquids (NGLs) (bbls/d)	3,861	9,749
Total NGLs (bbls/d)	11,824	9,749
Crude oil (bbls/d)	33	91
Natural gas (Mcf/d)	94,346	70,527
Total (boe/d) (2)	27,581	21,595
Condensate and crude oil (% of total production)	29%	46%
Total liquids (% of total production)	43%	46%
<b>Average realized prices(3)</b>		
Condensate (per bbl)	\$ 121.38	\$ 65.03
Other NGLs (per bbl)	55.47	26.79
Total NGLs (per bbl)	99.86	54.26
Crude oil (per bbl)	104.71	59.52
Natural gas (per Mcf)	5.53	3.69
<b>Netbacks</b>		
Revenue (per boe)	61.85	36.78
Realized loss on commodity risk management contracts (per boe)	-	(4.94)
Royalties (per boe)	(4.21)	(1.66)
Operating expense (per boe)	(11.02)	(10.64)
Transportation expense (per boe)	(3.99)	(2.62)
Operating netback (per boe)(1)	37.69	17.54
Adjusted funds flow netback (per boe)(1)	\$ 34.77	\$ 17.54

(1) See "Non-GAAP measures" section of this MD&A for description.

(2) 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).

(3) Figures calculated before hedging.

(4) Weighted-average number of diluted shares outstanding for the purpose of calculating diluted income and comprehensive income and adjusted funds flow from operations per share in the 2022 period presented

*includes 90,961,390 common shares that are issuable at the discretion of convertible preferred shareholders as of March 31, 2022 for no additional proceeds to the Company (March 31, 2021 – 85,281,505 common shares issuable). The convertible preferred shares have a total convertible value of \$77.3 million at March 31, 2022 (March 31, 2021 - \$72.5 million) and are convertible on a conversion ratio equal to the quotient of (i) the liquidation preference of \$1,000 per convertible preferred share, subject to adjustment, divided by (ii) the conversion price of \$0.85 per share. The impact of other dilutive instruments is also factored into this calculation as applicable.*

## **OPERATIONS UPDATE:**

### **Development Map:**

A map accompanying this announcement is available at <https://www.globenewswire.com/NewsRoom/AttachmentNg/bdc148ce-5f77-4c49-b42a-e6c0e5628c90>

### **Drilling & Completions Update:**

During the first quarter, Pipestone rig released four wells on the 2-25 pad (including the Company's first Montney 'A' well), as well as two wells on the 9-14 pad. The Company plans to drill an additional 19.5 net wells during 2022.

The Company also completed six wells on the 2-31 pad, three wells on the second phase of the 6-30 pad, and four wells at the 2-25 pad during Q1 2022. Pipestone plans to complete an additional 15.5 net wells during the remainder of 2022, including two delineation wells drilled southeast off the 9-14 pad.

### **Production Update and 2022 Outlook:**

During April 2022, Pipestone set a new monthly production record, achieving approximately 36,000 boe/d (31% condensate, 40% total liquids), which included the benefit of strong results on the recent 2-31 and 6-30 phase 2 pads. During Q2 2022, Pipestone expects its production to average between 30,000 – 32,000 boe/d, including the effect of planned turnarounds at both the Veresen Hythe Gas Plant, and the Keyera Wapiti Gas Plant. Additionally, the Tidewater Pipestone Gas Plant is undergoing a full turnaround in September of this year. Pipestone reconfirms its full year 2022 production guidance of 31,000 – 33,000 boe/d.

### **New Well Results:**

During Q1 2022, Pipestone brought a Lower Montney delineation well on production, drilled northwest off the 6-30 padsite and adjacent to the original six wells developed on the pad. The IP60 results of 361 bbl/d wellhead condensate + 2.0 MMcf/d raw gas (condensate gas ratio of ~180 bbl/MMcf) support further development of the Lower Montney on Pipestone's asset base.

### **Eastern Exploration Well Results**

In April 2022, Pipestone completed its standing Montney exploration well on the 12-36-70-6W6 padsite ("12-36"). As it is approximately 13 km east of the Company's nearest producing wells, this test is very important for demonstrating the resource extent of this asset. The well was completed using a plug and perf style completion with proppant loading of 2.5 tonnes per metre on a short 1,900 metre lateral section. Pipestone began flowing the well back in late April and the average rate over the past 8 days is 330 bbl/d light oil + 1.4 MMcf/d of raw gas (oil gas ratio of ~236 bbl/MMcf), with an H<sub>2</sub>S level of approximately 4%. Pipestone is highly encouraged by these early test results and expects well performance to scale up linearly with increased lateral lengths of >3,000m.

## **PROCESSING EXPANSION AND 3-YEAR DEVELOPMENT PLAN UPDATE:**

### **8-15 Compressor Station Expansion:**

In response to the Company's growing production volumes, Pipestone and Keyera Corp. ("Keyera") have entered into a letter of intent to expand the 8-15 compressor station ("8-15") from its current design capacity of 90 MMcf/d to an ultimate capacity of 120 MMcf/d. Pipestone will fund this expansion, which is expected to

cost approximately \$8 million, and in exchange earn a working interest in the 8-15 facility, which will remain a dedicated Wapiti Gas Plant source provided the plant can accept such volumes. The 30 MMcf/d of expanded compression capacity will be processed on an interruptible basis through the Keyera Wapiti Gas Plant, and as a result, the Company is not increasing its take-or-pay obligations. The expansion is expected to be in-service by year-end 2022. The 8-15 expansion, combined with an additional midstream expansion expected to occur at another area facility in 2023, provides Pipestone with sufficient processing capacity to produce in excess of 50,000 boe/d in future years.

### **Modified 2022 Guidance:**

As a result of the 8-15 expansion, and in recognition of rising capital costs, Pipestone is increasing its 2022 capital guidance range to \$225 - \$235 million (up from \$210 - \$220 million). At a revised 2022 budget price deck of US\$95 WTI and C\$5.00 AECO, Pipestone forecasts to generate \$380 - \$420 million in cash flow, driving free cash flow of \$155 - \$185 million. Inclusive of \$50 - \$60 million in forecast share repurchases under the NCIB, the Company expects to exit 2022 with net debt of \$75 - \$95 million, resulting in a 2022 exit net debt to cash flow of approximately 0.2x.

### **Updated 3-Year Plan:**

Pipestone has also updated its 3-year plan for 2023 and 2024, which now incorporates an average 15% inflation on capital costs over 2021, in recognition of the currently elevated commodity price environment. Additionally, the 2023 and 2024 development program also includes accelerated spending to take advantage of the 8-15 expansion, resulting in a 2024 exit production rate of approximately 50,000 boe/d. Cumulatively from 2022 – 2024, this plan is expected to generate approximately \$670 million in free cash flow, while doubling production from FY 2021 to exit 2024.

A chart accompanying this announcement is available at <https://www.globenewswire.com/NewsRoom/AttachmentNg/ba5c8bfe-2223-4030-ac60-467b45dce449>

### **First Quarter 2022 Financial Results Conference Call**

First quarter results are expected to be released before market open on May 11, 2022. A conference call has been scheduled for May 11, 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: 5239165

### **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 EO100TM Standard for Responsible Energy Development. Pipestone shares trade under the symbol PIPE on the TSX. For more information, visit [www.pipestonecorp.com](http://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 quarter ended March 31, 2022 dated May 11, 2022, a copy of which is available electronically on Pipestone’s SEDAR profile at [www.sedar.com](http://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	
March 31,		
(\$ thousands)	2022	2021
	\$	\$
Cash from operating activities	64,012	18,097
Changes in non-cash working capital	22,305	10,145
Adjusted funds flow from operations	86,317	28,242

### **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:

	Three months ended			
March 31,				
(\$ thousands)	2022	2021		
Income (loss) and comprehensive income (loss)			27,052	(9)
Deferred income tax expense (recovery)		7,578		(114)
Financing Expense	6,090	5,662		
Unrealized gain on interest rate risk management contracts				(886)
Realized loss on interest rate risk management contracts			213	
D&D expense	17,943	14,706		
Share-based compensation		1,436	574	
Unrealized loss on commodity risk management contracts				31,613
Adjusted EBITDA	91,039	32,507		

“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 continuing to produce material free cash flow throughout the remainder of 2022, 2023 and 2024; the Company deleveraging its balance sheet and buying back \$50 - \$60 million common shares under its NCIB in 2022, and \$65 million in 2023 and 2024; the Company forecasted cash flow, free cash flow and year-end net debt balance estimates; the Company planning to drill (19.5 net) and complete (15.5 net) additional wells during the remainder of 2022; expectations and timing of the Company’s production growth; expectations of eastern exploration well performance and the ability to linearly scale these wells with increased lateral lengths; 8-15 compressor station expansion costs and related in-service dates; expectations surrounding currently available or planned sour gas processing expansions in the

Pipestone area and the timing such expansions could be in-service; and the Company's forecast capital spending.

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 May 11, 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](http://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 "Three-Year Corporate Plan". 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 Natural Gas

bbl barrel Mcf thousand cubic feet

bbls/d barrels per day MMcf million cubic feet

boe barrel of oil equivalent Mcf/d thousand cubic feet per day

boe/d barrel of oil equivalent per day GJ Gigajoule; 1 Mcf of natural gas is about 1.05 GJ

Mboe thousand barrels of oil equivalent MMcf/d million cubic feet per day

Mboe/d thousand barrels of oil equivalent per day

NGL natural gas liquids, consisting of ethane (C2), propane (C3) and butane (C4)

condensate Pentanes plus (C5+) separated at the field level and C5+ 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 lease 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 31st

Q2 second quarter ended June 30th

Q3 third quarter ended September 30th

Q4 fourth quarter ended December 31st

ROCE return on capital employed

ROU right-of-use

sour gas natural gas containing H<sub>2</sub>S in quantities greater than 100 ppm

TSX Toronto Stock Exchange

US\$ United States dollars

WTI West Texas Intermediate

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