

Tourmaline Delivers Record Cash Flow And Free Cash Flow In Q2 2022, Declares Special Dividend And Announces Strategically Timed Growth Projects

27.07.2022 | [CNW](#)

CALGARY, July 27, 2022 - [Tourmaline Oil Corp.](#) (TSX: TOU) ("Tourmaline" or the "Company") is pleased to release financial operating results for the second quarter ("Q2") of 2022, declare a special dividend and announce strategically timed growth projects.

HIGHLIGHTS

- Second quarter 2022 cash flow⁽¹⁾⁽²⁾ ("CF") was a record \$1.35 billion (\$3.95 per diluted share⁽³⁾), a 137% increase over second quarter 2021 cash flow.
- Net debt⁽⁴⁾ at June 30, 2022, was \$430.0 million, well below the long-term debt target of \$1.0-\$1.2 billion. This places Tourmaline in an excellent position to concurrently fund the Conroy project and to continue its free cash flow⁽⁵⁾ ("FCF") allocation strategy.
- Second quarter 2022 free cash flow was a record \$1.1 billion (\$3.25 per diluted share) enabling the Company to declare a special dividend of \$2.00 per common share to be paid August 12, 2022 to shareholders of record on August 5, 2022. Tourmaline's trailing 12-months of distributed dividends now total \$6.28 per share (inclusive of this August 2022 special dividend), an implied 9% trailing yield⁽⁶⁾.
- Second quarter 2022 EP capital spending was \$228.9 million, within previous guidance.
- Second quarter 2022 net earnings were \$822.9 million (\$2.40 per diluted share).
- At current strip pricing, full-year 2022 CF of \$5.0 billion⁽⁷⁾ is now anticipated (\$14.69 per diluted share).
- Tourmaline's 2023 EP capital program is estimated at \$1.6 billion reflecting the 12-13 rig program for the full year and increased inflation contingencies over the May 2022 plan. The EP program is expected to deliver an annual average production of 545,000 boepd, and cash flow at strip pricing of \$5.1 billion, yielding FCF of \$3.5 billion in 2023.
- The new EP growth plan extends through 2028 and incorporates the current 12-13 drilling rig fleet in 2H 2022 and the balance of the plan and also includes phase 1 of the Conroy North Montney development project, commencing production through new Tourmaline facilities in Q1 2026 and phase 2 in 2028.
- The new EP growth plan (2022-2028) generates \$31.4 billion of CF and \$18.0 billion of FCF at strip pricing (July 2022) with total EP spending of \$12.7 billion. Average annual production growth during the plan is approximately 6%, total production growth over the period of the plan is 40%.

PRODUCTION UPDATE

- Second quarter 2022 production average was 502,937 boepd (506,086 boepd prior to storage injections in California Dawn), within the previously disclosed guidance range and a 23% increase over second quarter 2021 production average of 408,000 boepd.
- A third quarter 2022 average production range of 485,000-495,000 boepd is forecast reflecting planned facility turn-in and temporary in-field frac-related shut-ins, and incorporating considerable third-party pipeline maintenance in August.
- The modest EP activity increase post break-up will lead to a higher Q4 2022 production forecast of 520,000 to 525,000 boepd, up from 510,000 boepd in the previous forecast. A full-year 2022 average production forecast of 507,000 boepd is now anticipated, including the impact of the Rising Star Resources Ltd. ("Rising Star") acquisition from August on (further described below).

- Full-year 2022 average liquids production of over 115,000 boepd is expected, up 19% from average 2021 levels (oil, NGLs).

FINANCIAL RESULTS

- Second quarter 2022 cash flow was a record \$1.35 billion (\$3.95 per diluted share), a 137% increase over second quarter 2021 cash flow.
- Second quarter 2022 free cash flow was a record \$1.1 billion (\$3.25 per diluted share).
- At current strip pricing (July 18, 2022), full-year 2022 cash flow of \$5.0 billion is now anticipated (\$14.69 per diluted share).
- Second quarter 2022 net earnings were \$822.9 million (\$2.40 per diluted share).
- Given the strong commodity price outlook and anticipated record free cash flow in 2022, Tourmaline intends to return a minimum of 60% of FCF to shareholders in 2022. The Company has also declared a Q3 2022 special dividend of \$1.00 per share that will be paid on August 12, 2022 to shareholders of record on August 5, 2022. The special dividends are designated as "eligible dividends" for Canadian income tax purposes.
- Total trailing twelve-month dividends of \$6.28/share (inclusive of the August 2022 special dividend) have provided a dividend yield of 9%⁽⁸⁾.
- Tourmaline intends to pay quarterly special dividends through the balance of 2022 and 2023. The magnitude of the special dividends will be a function of commodity prices and available quarterly free cash flow. The Company intends to continue to return the majority of FCF (greater than 60% in 2022, 50-75% in 2023) to shareholders through base dividend income, special dividends, and share buybacks. A component of free cash flow will also be used for modest incremental E&P investments, including new pool/new zone exploration opportunities, asset acquisitions within existing core completion programs, and select margin improving infrastructure investments.

MARKETING UPDATE

- Average realized natural gas price in Q2 2022 was \$6.31/mcf as the Company continued to benefit from rising natural gas prices.
- Tourmaline currently has 620 mmcfpd accessing US markets through long-term firm transport agreements. This volume is expected to grow to 905 mmcfpd by exit 2023. Tourmaline is amongst the most diversified of all North American large gas producers from a market access standpoint. The Company is continuing to explore opportunities to expand this export capability.
- The Company's 140 mmcfpd Gulf Coast LNG deal with Cheniere commences January 1, 2023, and provides export parity pricing on a JKM pricing over the 15-year term of the deal. The 2023 JKM strip price was \$31.88 US/mmbtu as of July 19, 2022.
- In addition to the expiry of Q1 2022 lower-priced hedges, approximately 50% of the remaining hedges, assumed to expire in Q2 2022, will be replaced by higher priced hedges when acquiring Jupiter Resources Ltd., Modern Resources Inc., and Black Swan Energy Ltd., will roll into Q3 2022. These production volumes will benefit from the much higher current strip pricing for winter 2022/2023. Furthermore, these remaining lower-priced hedges will expire by the end of 2023.
- Tourmaline has an average of 885 mmcfpd hedged for 2022 at a weighted average fixed price of CAD \$3.80/mcf, of which 140 mmcfpd is hedged at a basis to NYMEX of USD \$(0.01)/mcf, and an average of 575 mmcfpd of unhedged volumes are exposed to export markets in 2022, including Dawn, Iroquois, Empress/McNeil, Chicago, Ventura, Sumas, US Gulf of Mexico, Malin, and PG&E.
- Realized NGL prices averaged \$51.83/bbl in Q2 2022, up 99% from Q2 2021. Tourmaline is the largest NGL producer in Canada.

EP STRATEGY UPDATE

- The new EP growth plan extends through 2028 and incorporates the current 12-13 drilling rig fleet in 2H 2022 and the balance of the plan. The Company felt it prudent to retain the drilling and completion services already secured on a go-forward basis. The previous plan could be executed with approximately 11 drilling rigs.
- The new EP growth plan also includes phase 1 of the Conroy North Montney development project, commencing production through new Tourmaline facilities in Q1 2026 and phase 2 in 2028. The North Montney development project is detailed below under "Conroy North Montney Development".

- The new EP growth plan (2022-2028) generates \$31.4 billion of CF and \$18.0 billion of FCF at strip pricing (July total EP spending of \$12.7 billion. Average annual production growth during the plan is approximately 6%, total growth over the period of the plan is 40%.
- The increased activity in 2023 and 2024 will yield modestly higher production growth than the previously disclosed plan (6% average growth per year versus 4% previously).
- The updated EP plan will consume approximately 2,500 gross drilling locations through 2028, 11% of the current 22,715 locations.
- The Company believes the modestly-increased capital program on very high-return EP projects is a good utilization. The incremental EP expenditure increase in the 2H 2022 to exit 2024 period is \$1.05 billion or 14% of estimated total for the corresponding 2.5 year period. Current well payouts are in the three-to-six-month range.
- The total incremental gas production of 250 mmcfpd in 2023/2024 via the expanded program coincides with increased Basin egress, consistent with Tourmaline's long-term balanced basin supply narrative. Through expansions on the system and the Company's Gulf Coast Cheniere LNG agreement, Tourmaline has 300 mmcfpd of incremental Basin capacity commencing in 2023. These gas volumes will access the two destinations with the sustained premium gas prices in the international LNG and California.
- The Company believes long-term supply/demand fundamentals are strong and should yield elevated commodity prices over an extended period of time. The Company also expects commodity prices to be more volatile, both locally and globally, than historical trends.
- Tourmaline is able to deliver a strong, sustainable annual return to shareholders (greater than 60% of FCF in 2022), a meaningful sustained annual production growth profile (6% per year 2022-2028), and continued material value added through profitable annual reserve additions (91% growth in 2P reserve value⁽⁹⁾ from December 31, 2020 to December 31, 2021).

CAPITAL SPENDING AND FINANCIAL OUTLOOK

- Second quarter 2022 EP capital spending was \$228.9 million, within previous guidance. Total capital expenditure for the quarter were \$478.5 million including acquisition and land sales, which are funded separately through available free cash flow.
- The full-year 2022 EP capital budget has been increased to \$1.5 billion reflecting the increased 2H 2022 EP program and further contingency for inflation.
- Tourmaline's 2023 EP capital program is estimated at \$1.6 billion reflecting the 12-13 rig program for the full year and increased inflation contingencies over the May 2022 plan. The EP program is expected to deliver an annual average production of 545,000 boepd, and cash flow at strip pricing (July 18, 2022) of \$5.1 billion yielding FCF of \$3.5 billion.
- Significantly increased inflation contingencies will yield capital efficiencies of approximately \$8,000/boepd in 2022 compared to original efficiency targets of \$6,500-\$7,000/boepd set in Q4 2021. Average capital efficiencies through 2023 plan are approximately \$8,500/boepd inclusive of the significant facility and infrastructure capital in the 2024-2028 period for the North Montney development.
- The 2H 2022 and 2023 capital programs include up to 10 incremental exploration new zone/new pool wells, following multiple successes to date.
- The capital programs include infrastructure investments that will continue to improve operating margins across all Basin complexes.
- Net debt at June 30, 2022 was \$430.0 million, well below the long-term debt target of \$1.0-\$1.2 billion. This places Tourmaline in an excellent position to concurrently fund the Conroy North Montney development and to continue its free cash flow allocation strategy.

CONROY NORTH MONTNEY DEVELOPMENT

- The new EP growth plan incorporates the initial phase of the Conroy North Montney development, with a January 2023 targeted on-stream date. The project has been segmented into two 50,000 boepd phases; the second phase is set to start up in 2028. The timing roughly approximates the sequencing of LNG Canada commissioning, which the Company views as positive for long-term natural gas pricing in the WCSB. Phase 2 could be accelerated contingent upon commodity prices and Basin egress considerations.

- The Greater North Montney phase 1 development will add production of 228 mmcfd of gas and 12,000 bpd of oil and NGLs by 2026.
- Tourmaline has drilled a total of 14 delineation pads within the North Montney project area over the past 18 months, demonstrating well performance and capital costs. Capital costs are on target and well performance has exceeded original expectations for the vast majority of the new pads.
- The Company estimates a development drilling inventory of over 2,000 wells in the North Montney project area, signaling an additional, similar second phase of growth and an ability to maintain plateau production across the entire complex for many years.
- As part of the project, Tourmaline has negotiated a new long-term transportation and fractionation arrangement with the Pipeline Corporation for the incremental condensate and NGL volumes in the Company's North Montney project area. This agreement ensures that all new Company liquid volumes will flow upon project startup, along with significant flexibility and strong operating margins for Tourmaline in the North Montney development area. The Company plans to continue to evaluate liquids midstream investment and capital opportunities and weigh them against partnership solutions in each operating area.
- As part of the long-term associated Conroy facilities strategy, Tourmaline also closed the previously-announced acquisition of the 50% non-operated interest in the two Aitken area gas plants during the second quarter of 2022.

RISING STAR ACQUISITION

- Tourmaline is pleased to announce that it has entered into a binding agreement to acquire Rising Star for \$194.3 million, with closing expected to occur in August 2022. The purchase price includes common shares of Topaz Energy Corp. ("Topaz") currently owned by Tourmaline and the remainder in cash.
- The Rising Star assets are located within Tourmaline's Peace River High Charlie Lake complex. Current production is approximately 5,700 boepd, 2P reserves are estimated at 50 mmbbl⁽⁹⁾, and Rising Star has no outstanding debt. Rising Star's 2022 cash flow from the assets was approximately \$43.0 million. Rising Star also has a large number of Tier 1 Upstream Lower Charlie Lake horizontal locations in inventory, complementing Tourmaline's extensive existing Peace River High Charlie Lake complex inventory.
- Included in the acquisition are facilities that complement Tourmaline's existing infrastructure and the pooling of land parcels to facilitate drilling of longer horizontals in the Lower Charlie Lake. The 2,500+ metres Charlie Lake horizontal wells are yielding the strongest well results to date since Tourmaline initiated the Charlie Lake play over a decade ago.
- Tourmaline has entered into a definitive agreement to sell a gross overriding royalty ("GORR") to Topaz on the Charlie Lake Star lands (subject to the closing of the Rising Star transaction), along with other land parcels acquired through land swaps in which Topaz does not currently own a GORR. Tourmaline will receive cash proceeds of \$52.0 million from the third quarter. Consistent with Topaz's existing GORR's with Tourmaline, Topaz will receive 3% on natural gas production on crude oil and condensate.
- Tourmaline may pursue dispositions of non-core components of the Rising Star asset base during the second half of 2022.

EP UPDATE

- Tourmaline drilled 33.5 net wells and completed 25.5 net wells in Q2 2022; 26 new net wells were brought on production during the second quarter.
- A total of 142.7 net wells are anticipated to come on production during the second half of 2022.
- Tourmaline currently has 13 drilling rigs and 5 frac spreads active across the three EP complexes.
- The ongoing new pool/new zone exploration program has yielded three significant successes to date. The Company has been successful, producing horizontals into a new liquids-rich gas zone in the Alberta Deep Basin with 495.5 bcfe 2P reserves booked in the December 31, 2021 GLJ reserves report. A further seven horizontals will be drilled into this horizon during the 2022 EP program. Tourmaline has seven producing horizontals from the new zones in the Company's South Montney complex with 317.9 bcfe of 2P reserves booked in the reserve report at December 31, 2021. The third new play has been successful horizontals, 32 km apart, drilled and tested thus far. Further follow-up drilling is planned in the 2H 2022 EP program; the Company expects to book reserves from this expansive new play in the 2022 reserve report.
- New zone/new play exploration wells will be drilled in the Peace River High and Alberta Deep Basin complexes during the second half of 2022.

ENVIRONMENTAL PERFORMANCE IMPROVEMENT

- Tourmaline has received preliminary platinum ratings from the Project Canary (Trustwell) assessment of a series of Company-operated NEBC assets, with an average score of 131 achieved. Tourmaline is the first Canadian gas company to receive a Trustwell score and ranks in the top 10% in North America.
- All of the Tourmaline-contracted rig fleet is displacing diesel with natural gas or running fully electric. Tourmaline is currently operating three Cat Tier 4 DGB natural gas powered frac spreads in Western Canada in July 2022. The evolving displacement initiative continues to reduce both emissions and costs for the Company.

NORMAL COURSE ISSUER BID

- Tourmaline is also pleased to announce that the Toronto Stock Exchange (the "TSX") has approved the renewal of Tourmaline's normal course issuer bid (the "NCIB").
- The NCIB allows Tourmaline to purchase up to 16,800,668 common shares (representing 5% of its issued and outstanding common shares as of July 19, 2022) over a period of twelve months commencing on August 2, 2022. The NCIB will expire no later than August 1, 2023. Under the NCIB, common shares may be repurchased in open market transactions on the TSX and other alternative trading platforms in Canada and in accordance with the rules of the TSX governing NCIBs. The maximum number of common shares Tourmaline is permitted to purchase is subject to a daily purchase limit of 439,169 common shares, representing 25% of the average daily trading volume of 1,756,677 common shares on the TSX calculated over a six-month period ended June 30, 2022; however, Tourmaline may make one block purchase per calendar week which exceeds the daily repurchase restrictions. Any common shares that are purchased under the NCIB will be cancelled if not purchased by Tourmaline.
- Under its most recent normal course issuer bid, Tourmaline obtained approval to purchase up to 14,943,420 of its common shares, of which Tourmaline purchased 200,000 common shares.
- Tourmaline believes that at times, the prevailing share price does not reflect the underlying value of the common shares. The repurchase of its common shares for cancellation represents an attractive opportunity to enhance Tourmaline's financial metrics and thereby increase the underlying value of its common shares to its shareholders. Tourmaline will use this as another tool to enhance total long-term shareholder returns and will be used in conjunction with management's discretionary free funds flow capital allocation strategy.

- (1) This news release contains certain specified financial measures consisting of non-GAAP financial measures, non-GAAP financial ratios, capital management measures and supplementary financial measures. See "Non-GAAP and Other Financial Measures" in this news release for information regarding the following non-GAAP financial measures, non-GAAP financial ratios, capital management measures and supplementary financial measures used in this news release: "cash flow", "capital expenditures", "free cash flow", "operating netback", "operating netback per boe", "cash flow per boe", "cash flow per diluted share", "free cash flow per diluted share", "adjusted working capital", "net debt", operating expenses (\$/boe), and transportation costs (\$/boe). Since these specified financial measures do not have standardized meanings under International Financial Reporting Standards ("GAAP"), securities regulations require that, among other things, they be identified, defined, qualified and, where required, reconciled with their nearest GAAP measure and compared to the prior period. See "Non-GAAP and Other Financial Measures" in this news release and in the Company's most recently filed Management's Discussion and Analysis (the "Q2 MD&A"), which information is incorporated by reference into this news release, for further information on the composition of and, where required, reconciliation of these measures.
- (2) "Cash flow" is a non-GAAP financial measure defined as cash flow from operating activities adjusted for the change in non-cash working capital (deficit). See "Non-GAAP and Other Financial Measures" in this news release.
- (3) "Cash flow per diluted share" is a non-GAAP financial ratio. Cash flow, a non-GAAP financial measure, is used as a component of the non-GAAP financial ratio. See "Non-GAAP and Other Financial Measures" in this news release and in the Q2 MD&A.
- (4) "Net debt" is a capital management measure. See "Non-GAAP and Other Financial Measures" in this news release and in the Q2 MD&A.
- (5) "Free cash flow" is a non-GAAP financial measure defined as cash flow less capital expenditures, excluding acquisitions and dispositions. Free cash flow is prior to dividend payments. See "Non-GAAP and Other Financial Measures" in this news release.
- (6) Calculated as the dividend per common share for the 12-month period divided by the closing share price of \$68.56 on July 18, 2022.
- (7) Based on oil and gas commodity strip pricing at July 18, 2022.
- (8) Calculated as the total dividends per common share for the trailing 12-month period divided by the closing share price of \$68.56 on July 18, 2022.
- (9) Growth in 2P reserve value is before income taxes and discounted at 10% as disclosed in the Company's consolidated reserve reports as at December 31, 2020 and December 31, 2021. Values also include 2021 2P reserve additions of 1,089.7 mmboe, including acquisitions and including 2021 annual production of 161.0 million boe.

CORPORATE SUMMARY - SECOND QUARTER 2022

	2022			2021		
	2022	2021	Change	2022	2021	Change
<p>(10) Reserves have been evaluated as at December 31, 2021 by Sproule Associates Ltd., an independent reserve evaluator. Reserves are working interests, 2P reserves, 3P reserves, 2P and 3P production, and royalties payable to others and without including any royalty interests.</p>						
OPERATIONS						
Production						
Natural gas (mcf/d)	2,343,704	1,915,630	22 %	2,352,275	1,916,633	23 %
Crude oil, condensate and NGL (bbl/d)	112,320	91,067	23 %	112,941	91,516	23 %
Oil equivalent (boe/d)	502,937	410,339	23 %	504,987	410,955	23 %

Product prices ⁽¹⁾						
Natural gas (\$/mcf)	\$ 6.31	\$ 3.25	94 %	\$ 5.59	\$ 3.55	57 %
Crude oil, condensate and NGL (\$/bbl)	\$ 74.63	\$ 42.84	74 %	\$ 70.58	\$ 41.95	68 %
Operating expenses (\$/boe)	\$ 4.24	\$ 3.70	15 %	\$ 4.22	\$ 3.67	15 %
Transportation costs (\$/boe)	\$ 5.03	\$ 3.99	26 %	\$ 4.96	\$ 4.17	19 %
Operating netback ⁽³⁾ (\$/boe)	\$ 29.70	\$ 15.47	92 %	\$ 26.85	\$ 16.58	62 %
Cash general and administrative expenses (\$/boe) ⁽²⁾	\$ 0.57	\$ 0.56	2 %	\$ 0.58	\$ 0.59	(2) %
FINANCIAL (\$000, except share and per share)						
Total revenue from commodity sales and realized gains	2,108,834	921,278	129 %	3,822,518	1,926,542	98 %
Royalties	325,211	56,547	475 %	528,945	110,323	379 %
Cash flow ⁽³⁾	1,353,926	570,232	137 %	2,429,902	1,199,557	103 %
Cash flow per share (diluted) ⁽³⁾	\$ 3.95	\$ 1.89	109 %	\$ 7.13	\$ 4.00	78 %
Net earnings (loss)	822,944	420,849	96 %	1,084,228	668,686	62 %
Net earnings (loss) per share (diluted)	\$ 2.40	\$ 1.40	71 %	\$ 3.18	\$ 2.23	43 %
Capital expenditures (net of dispositions)	478,545	664,696	(28) %	957,918	1,086,802	(12) %
Weighted average shares outstanding (diluted)				340,985,975	299,967,134	14 %
Net debt ⁽³⁾				(429,761)	(1,728,794)	(75) %

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

(2) See "Non-GAAP and Other Financial Measures" in this news release and in the Q2 MD&A.

(3) Excluding Other Restructuring Charges. (11:00 a.m. ET)

Tourmaline will host a conference call tomorrow, July 28, 2022 starting at 9:00 a.m. MT (11:00 a.m. ET). To participate, please dial 1-888-664-6383 (toll-free in North America), or international dial-in 1-416-764-8650, a few minutes prior to the conference call.

Conference ID is 32469174.

REPLAY DETAILS

If you are unable to dial into the live conference call on July 28th, a replay will be available (usually by that afternoon) by dialing 1-888-390-0541 (international 1-416-764-8677), referencing Encore Replay Code 469174. The recording will expire on August 11, 2022.

Reader Advisories CURRENCY

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

FORWARD-LOOKING INFORMATION

This news release contains forward-looking information and statements (collectively, "forward-looking information") within the meaning of applicable securities laws. The use of any of the words "forecast", "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "on track", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning Tourmaline's plans and other aspects of its anticipated future operations, management focus, objectives, strategies, financial, operating and production results and business opportunities, including the following: anticipated petroleum and natural gas production and production growth for various periods including estimated production levels for Q3 2022, Q4 2022 and full-year 2022; expected free cash flow and cash flow levels for full years 2022 to 2028; the future declaration and payment of base and special dividends and the timing and amounts thereof including any future increase; the level of free cash flow to be returned to shareholders through base dividend increases, special dividends and share buybacks; capital expenditures over various periods; the number of drilling rigs to be operated; cost reduction initiatives; improvements in capital efficiency; projected operating and drilling costs and drilling times; the timing for facility expansions and facility start-up dates; sustainability and environmental improvement initiatives; anticipated future commodity prices; the ability to generate, and the amount of, anticipated cash flow and free cash flow including in 2022 and over the long-range development plan; expectations that in 2023 Tourmaline will have exposure to JKM pricing; the closing of the Rising Star acquisition, the timing and terms thereof and the benefits to be derived therefrom; as well as Tourmaline's future drilling prospects and plans, business strategy, future development and growth opportunities, prospects and asset base. The forward-looking information is based on certain key expectations and assumptions made by Tourmaline, including expectations and assumptions concerning the following: prevailing and future commodity prices and currency exchange and interest rates; applicable royalty rates and tax laws; future well production rates and reserve volumes; operating costs, the timing of receipt of regulatory approvals; the performance of existing and future wells; the success obtained in drilling new wells; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the successful completion of acquisitions and dispositions and the benefits to be derived therefrom; the state of the economy and the exploration and production business; the availability and cost of financing, labour and services; ability to maintain its investment grade credit rating; and ability to market crude oil, natural gas and NGL successfully. Without limitation of the foregoing, future dividend payments, if any, and the level thereof is uncertain, as the Company's dividend policy and the funds available for the payment of dividends from time to time is dependent upon, among other things, free cash flow, financial requirements for the Company's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the Company's control. Further, the ability of Tourmaline to pay dividends is subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its

indebtedness, including its credit facility.

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

Although Tourmaline believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Tourmaline can give no assurances that it will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risks associated with the oil and natural gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to reserves, production, revenues, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; interest rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to complete or realize the anticipated benefits of acquisitions or dispositions; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory and other approvals; climate change risks; inflation; supply chain risks and changes in legislation, including but not limited to tax laws, royalties and environmental regulations.

In addition, wars (including the war in Ukraine), hostilities, civil insurrections, pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide, including COVID-19 or other illnesses could have an adverse impact on the Company's results, business, financial condition or liquidity. Ongoing military actions between Russia and Ukraine have the potential to threaten the supply of oil and gas from the region. The long-term impacts of the actions between these nations remains uncertain. If the pandemic is further prolonged, including through subsequent waves, or if additional variants of COVID-19 emerge which are more transmissible or cause more severe disease, or if other diseases emerge with similar effects, the adverse impact on the economy could worsen. It remains uncertain how the macroeconomic environment, and societal and business norms will be impacted following the COVID-19 pandemic. In addition, in 2022, industry has been impacted by significant cost inflation, rising interest rates, labour shortages and supply constraints, and the Company expects these pressures will continue through the balance of the year and into next year. The Company will continue to actively monitor inflationary pressures and supply chain constraints and their impact on the Company's business.

Readers are cautioned that the foregoing list of factors is not exhaustive.

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

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

BOE EQUIVALENCY

In this news release, production and reserves information may be presented on a "barrel of oil equivalent" or "BOE" basis. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

FINANCIAL OUTLOOKS

Also included in this news release are estimates of Tourmaline's 2022 and long-range cash flow and free cash flow, which are based on, among other things, the various assumptions as to production levels, capital

expenditures, annual cash flows and other assumptions disclosed in this news release and including Tourmaline's estimated average daily production for 2022 - 2028 of 507,000 boepd, 545,000 boepd, 565,000 boepd, 585,000 boepd, 620,000 boepd, 670,000 boepd and 700,000 boepd, respectively, 2022 - 2028 commodity price assumptions for natural gas (\$6.67 2022 NYMEX US, \$5.49 2023 NYMEX US, \$4.69 2024 NYMEX US, \$4.44 2025 NYMEX US, \$4.30 2026 NYMEX US, \$4.20 2027 NYMEX US \$4.24 2028 NYMEX US, \$5.96 2022 AECO, \$5.32 2023 AECO, \$4.62 2024 AECO, \$4.53 2025 AECO, \$4.48 2026 AECO, \$4.47 2027 AECO, \$4.60 2028 AECO) crude oil (\$98.00/bbl 2022 WTI US, \$83.77/bbl 2023 WTI US, \$77.32/bbl 2024 WTI US, \$73.55/bbl 2025 WTI US, \$70.82/bbl 2026 WTI US, \$69.05/bbl 2027 WTI US, \$67.85/bbl 2028 WTI US) and an exchange rate assumption of \$0.77 (US/CAD) for years 2022 - 2027 and \$0.78 for 2028. Further, in the case of years subsequent to 2022, readers are cautioned that such estimates are provided for illustration only and are based on budgets and forecasts that have not been finalized or approved by the Board of Directors and are subject to a variety of additional factors and contingencies including prior years' results. To the extent such estimates constitute financial outlooks, they were approved by management and the Board of Directors of Tourmaline on July 27, 2022 and are included to provide readers with an understanding of Tourmaline's anticipated cash flow and free cash flow based on the capital expenditure, production and other assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

NON-GAAP AND OTHER FINANCIAL MEASURES

This news release contains the terms cash flow, capital expenditures, free cash flow, and operating netback which are considered "non-GAAP financial measures", operating netback per boe, cash flow per boe, cash flow per diluted share, and free cash flow per diluted share which are considered "non-GAAP financial ratios" and operating expenses (\$/boe) and transportation costs (\$/boe) which are considered "supplementary financial measures". These terms do not have a standardized meaning prescribed by GAAP. In addition, this news release contains the terms adjusted working capital and net debt, which are considered "capital management measures" and do not have standardized meanings prescribed by GAAP. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that these measures should not be construed as an alternative to net income determined in accordance with GAAP and these measures should not be considered to be more meaningful than GAAP measures in evaluating the Company's performance.

Non-GAAP Financial Measures

Cash Flow

Management uses the term "cash flow" for its own performance measure and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund its future growth expenditures, to repay debt or to pay dividends. The most directly comparable GAAP measure for cash flow is cash flow from operating activities. A summary of the reconciliation of cash flow from operating activities to cash flow, is set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(000s)				
Cash flow from operating activities (per GAAP)	\$1,351,481	\$ 494,673	\$ 2,465,130	\$ 1,244,802
Change in non-cash working capital (deficit)	2,445	75,559	(35,228)	(45,245)
Cash flow	\$1,353,926	\$ 570,232	\$ 2,429,902	\$ 1,199,557

Capital Expenditures

Management uses the term "capital expenditures" as a measure of capital investment in exploration and production activity, as well as property acquisitions and divestitures, and such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. A summary of the reconciliation of cash flow used in investing activities to capital expenditures, is set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(000s)				
Cash flow used in investing activities (per GAAP)	\$ 660,163	\$ 764,526	\$ 1,119,610	\$ 1,134,897
Change in non-cash working capital (deficit)	(181,618)	(99,830)	(161,692)	(48,095)
Capital expenditures	\$ 478,545	\$ 664,696	\$ 957,918	\$ 1,086,802

Free Cash Flow

Management uses the term "free cash flow" for its own performance measure and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund its future growth expenditures, to repay debt and provide shareholder returns. Free cash flow is defined as cash flow less capital expenditures, excluding acquisitions and dispositions. Free cash flow is prior to dividend payment. The most directly comparable GAAP measure for cash flow is cash flow from operating activities. See "Non-GAAP Financial Measures - Cash Flow" and " Non-GAAP Financial Measures - Capital Expenditures" above.

Operating Netback

Management uses the term "operating netback" as a key performance indicator and one that is commonly presented by other oil and natural gas producers. Operating netback is defined as the sum of commodity sales from production, premium (loss) on risk management activities and realized gains (loss) on financial instruments less the sum of royalties, transportation costs and operating expenses. A summary of the reconciliation of operating netback from commodity sales from production, which is a GAAP measure, is set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(\$/boe)				
Commodity sales from production	\$2,605,781	\$ 1,025,310	\$ 4,500,952	\$ 2,021,345
(Loss) on risk management activities	(203,919)	(60,000)	(226,883)	(22,939)
Realized (loss) on financial instruments	(293,028)	(44,032)	(451,551)	(71,864)
Royalties	(325,211)	(56,547)	(528,945)	(110,323)
Transportation costs	(230,118)	(148,958)	(453,286)	(310,057)
Operating expenses	(194,018)	(138,238)	(385,936)	(273,078)
Operating netback	\$ 1,359,487	\$ 577,535	\$ 2,454,351	\$ 1,233,084

Non-GAAP Financial Ratios

Operating Netback per-boe

Management calculates "operating netback per-boe" as operating netback divided by total production for the period. Netback per-boe is a key performance indicator and measure of operational efficiency and one that is commonly presented by other oil and natural gas producers. A summary of the calculation of operating netback per boe, is set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(\$/boe)				
Revenue, excluding processing income	\$ 46.08	\$ 24.67	\$ 41.82	\$ 25.90
Royalties	(7.11)	(1.51)	(5.79)	(1.48)
Transportation costs	(5.03)	(3.99)	(4.96)	(4.17)
Operating expenses	(4.24)	(3.70)	(4.22)	(3.67)
Operating netback	\$ 29.70	\$ 15.47	\$ 26.85	\$ 16.58

Cash Flow per-boe

Management uses cash flow per boe to highlight how much cash flow is generated by each boe produced. The ratio is calculated by dividing cash flow by total production for the period. See "Non-GAAP Financial Measures - Cash Flow".

Cash Flow per diluted share

Management uses cash flow per diluted share as a measurement of the Company's efficiency and its ability to generate the cash necessary to fund its future growth expenditures, to repay debt or to pay dividends on a per diluted share basis. Cash flow per diluted share is calculated using cash flow divided by the weighted average diluted shares outstanding.

Free Cash Flow per diluted share

Management uses free cash flow per diluted share as a measure of the Company's efficiency and its ability to generate the cash necessary to fund its future growth expenditures, to repay debt and provide shareholder returns on a per diluted share basis. Free cash flow per diluted share is calculated using free cash flow divided by the weighted average diluted shares outstanding.

Capital Management Measures

Adjusted Working Capital

Management uses the term "adjusted working capital" for its own performance measures and to provide shareholders and potential investors with a measurement of the Company's liquidity. A summary of the composition of adjusted working capital (deficit), is set forth below:

	As at	As at
	June 30,	December 31,
(000s)	2022	2021
Working capital (deficit)	\$ (533,416)	\$ (361,034)
Fair value of financial instruments - short-term liability, net of short-term asset	532,777	240,970
Lease liabilities - short-term	2,888	2,997
Decommissioning obligations - short-term	30,000	20,103
Unrealized foreign exchange in working capital - liability	(2,749)	(6,441)
Adjusted working capital (deficit)	\$ 29,500	\$ (103,405)

Net Debt

Management uses the term "net debt", as a key measure for evaluating its capital structure and to provide

shareholders and potential investors with a measurement of the Company's total indebtedness. A summary of the composition of net debt, is set forth below:

	As at June 30,	As at December 31,
(000s)	2022	2021
Bank debt	\$ (11,074)	\$ (421,539)
Senior unsecured notes	(448,187)	(448,035)
Adjusted working capital (deficit)	29,500	(103,405)
Net debt	\$ (429,761)	\$ (972,979)

Supplementary Financial Measures

The following measures are supplementary financial measures: operating expenses (\$/boe), and transportation costs (\$/boe). These measures are calculated by dividing the numerator by total production for the period.

OIL AND GAS METRICS

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

ESTIMATES OF DRILLING LOCATIONS

Unbooked drilling locations are the internal estimates of Tourmaline based on Tourmaline's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources (including contingent and prospective). Unbooked locations have been identified by Tourmaline's management as an estimation of Tourmaline's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Tourmaline will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and natural gas reserves, resources or production. The drilling locations on which Tourmaline will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While a certain number of the unbooked drilling locations have been de-risked by Tourmaline drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management of Tourmaline has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

SUPPLEMENTAL INFORMATION REGARDING PRODUCT TYPES

This news release includes references to Q2 2022 average daily production and estimated Q3, Q4 full year 2022 and full year 2023 average daily production. The following table is intended to provide supplemental information about the product type composition for each of the production figures that are provided in this news release:

	Light and Medium Conventional	Shale Natural Gas	Natural Gas	Oil Equivalent
	Crude Oil ⁽¹⁾	Natural Gas	Liquids ⁽¹⁾	Total
	Company Gross	Company Gross	Company Gross	Company Gross
	(Bbls)	(Mcf)	(Mcf)	(Boe)
Q2 2022 Average Daily	43,400	1,275,967	1,067,737	502,937
Production				
Q3 2022 Average Daily	44,300	1,244,000	1,009,000	490,000
Production				
Q4 2022 Average Daily	47,100	1,334,000	1,070,200	522,500
Production				
2022 Average Daily	44,800	1,296,600	1,050,000	507,000
Production				
2023 Average Daily	47,900	1,349,200	1,162,400	545,000
Production				

(1) For the purposes of this disclosure, condensate has been combined with Light and Medium Crude Oil as the associated revenues and certain costs

of condensate are similar to Light and Medium Crude Oil. Accordingly, NGLs in this disclosure exclude
INITIAL PRODUCTION RATES

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

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

GENERAL

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

Certain Definitions:

1H	first half
2H	second half
bbl	barrel
bbls/day	barrels per day
bbl/mmcf	barrels per million cubic feet
bcf	billion cubic feet
bcfe	billion cubic feet equivalent
bpd or bbl/d	barrels per day
boe	barrel of oil equivalent
boepd or boe/d	barrel of oil equivalent per day
bopd or bbl/d	barrel of oil, condensate or liquids per day
CCUS	carbon capture, usage and storage
DUC	drilled but uncompleted wells
EP	exploration and production
gj	gigajoule
gjs/d	gigajoules per day
mbbls	thousand barrels
mmbbls	million barrels
mboe	thousand barrels of oil equivalent
mboepd	thousand barrels of oil equivalent per day
mcf	thousand cubic feet
mcfpd or mcf/d	thousand cubic feet per day
mcfe	thousand cubic feet equivalent
mmboe	million barrels of oil equivalent
mmbtu	million British thermal units
mmbtu/d	million British thermal units per day
mmcf	million cubic feet
mmcfpd or mmcf/d	million cubic feet per day
MPa	megapascal
mstb	thousand stock tank barrels
natural gas	conventional natural gas and shale gas
NCIB	

normal course issuer bid

NGL or NGLs natural gas liquids

tcf trillion cubic feet

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

To view Tourmaline's Management's Discussion and Analysis and Interim Condensed Consolidated Financial Statements for the periods ended June 30, 2022 and 2021, please refer to SEDAR (www.sedar.com) or Tourmaline's website at www.tourmalineoil.com.

About Tourmaline Oil Corp.

Tourmaline is Canada's largest and most active natural gas producer dedicated to producing the lowest-emission and lowest-cost natural gas in North America. We are an investment grade exploration and production company providing strong and predictable operating and financial performance through the development of our three core areas in the Western Canadian Sedimentary Basin. With our existing large reserve base, decades-long drilling inventory, relentless focus on execution and cost management, and industry-leading environmental performance, we are excited to provide shareholders an excellent return on capital, and an attractive source of income through our base dividend and surplus free cash flow distribution strategies.

SOURCE [Tourmaline Oil Corp.](#)

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/419653--Tourmaline-Delivers-Record-Cash-Flow-And-Free-Cash-Flow-In-Q2-2022-Declares-Special-Dividend-And-Announ>

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