

Tamarack Valley Energy Announces 2023 Corporate Budget

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TSX: TVE

CALGARY, Dec. 7, 2022 - [Tamarack Valley Energy Ltd.](#) ("Tamarack" or the "Company") (TSX: TVE) announces its 2023 capital and operating budget. The approved budget prioritizes the delivery of strong and sustainable free funds flow⁽¹⁾, while pursuing a culture focused on safety and operational excellence.

"Our strategy of building a resilient asset portfolio coupled with a disciplined approach to profitable investment is delivering consistent year on year sustainable free funds flow⁽¹⁾ growth. In 2023, capital is allocated to highlight economic value in the Clearwater driven by the quick payback & multi-year cash flow resiliency of the shallower decline assets, free funds flow⁽¹⁾ maximization in the Charlie Lake, and multi year decline mitigation through the enhanced oil recovery (EOR) waterfloods." - Brian Schmidt, President and Chief Executive Officer.

Highlights of the 2023 Budget

- Capital Program - Tamarack's 2023 budget investing capital of \$425 to \$475 million, directed to deliver payback and adjusted funds flow initiatives equate to approximately 50% to 60% of total 2023 adjusted funds flow⁽¹⁾ at
- Sustaining Free Funds Flow - Tamarack's 2023 budget of \$425 to \$475 million, directed to deliver payback and adjusted funds flow initiatives equate to approximately 50% to 60% of total 2023 adjusted funds flow⁽¹⁾ at
- ESG Commitment - Tamarack has allocated \$120 million to ESG spending and \$150 million to ESG weight reduction and other emissions reduction capital projects.

2023 Budget Details - The capital investment portfolio is optimized to focus on free funds flow⁽¹⁾ generation, managing our corporate decline through continued investment in our enhanced recovery waterfloods. The 2023 budget is focused on investments through strategic infrastructure investments. Our balanced approach to investment across our portfolio includes:

- ~20% to EOR waterflood projects;
- ~10% to infrastructure initiatives in the Charlie Lake and Clearwater assets;
- ~5% to exploration/delineation to expand our inventory; and
- ~10% to ESG & corporate initiatives.

The primary development capital expenditures for 2023 are expected to range between \$225 to \$255 million. Area specific details as follows:

- Clearwater oil - \$125 to \$140 million of E&D capital with plans to drill a total of 69 (69.0 net) wells across Nipisi, Marten Hills and the Southern Clearwater.
- Charlie Lake light oil - \$90 to \$105 million of E&D capital with plans to drill a total of 19 (19.0 net) wells
- Cardium gas/light oil - approximately \$10 million of E&D capital to drill two (2.0 net) wells with production set to come onstream in Q1/23

Enhanced Oil Recovery (EOR) Waterflood Expenditures

Building on the success of waterflood initiatives, the Company will be directing \$95 to \$100 million towards EOR projects in 2023, with a focus on the Clearwater assets. Investment into EOR waterfloods across our asset base is on strategy with delivering and growing long-term sustainable free funds flow⁽¹⁾. Every 1% reduction in corporate decline rate equates to an estimated \$10 to \$15 million reduction in annual sustaining capital. Management estimates the potential success of the 2023 waterflood investment program could drive an annual \$20-30 million reduction in sustaining capital over the long-term.

Infrastructure Initiatives

Investing in key infrastructure to drive long-term operating and transportation expense savings is key to

enhancing sustainable free funds flow⁽¹⁾. It enables optimal flexibility to manage corporate production and enhance operating netbacks.

- Nipisi Clearwater oil pipeline terminal project - Tamarack has signed on as an anchor tenant in a new Nipisi oil terminal project with a third-party infrastructure partner. The project will provide pipeline transportation for 7,000 to 10,000 bopd of Tamarack operated production from the Company's major Nipisi battery directly to Edmonton. Projected transportation expense reductions of between \$2 and \$4 per barrel are expected to drive annual savings of \$8 to \$15 million and will require Tamarack to invest capital of approximately \$20 million. The terminal and associated infrastructure are anticipated to be commissioned and on-stream in the fourth quarter of 2023.
- Charlie Lake Gas Processing Plant - Tamarack has completed the Wembley gas plant design phase, with construction scheduled to begin in early 2023. The project is estimated to be onstream by the end of the second quarter. The gas plant project includes a new and dedicated meter station on the Alliance gas transportation system and secures gas egress for the facility. In addition to delivering long-term operating expense reductions, this strategic investment secures required processing capacity to enable solution gas egress and to mitigate the risks associated with third-party downtime.

Exploration/Delineation Capital

Tamarack plans to allocate approximately \$20 to \$25 million of our program budget to exploration and delineation initiatives for 2023, which is comprised of land, seismic and exploratory wells. This capital will be used to further enhance the exploratory and exploitation opportunities within our portfolio and will continue to expand and improve the Company's inventory base to underpin our long-term free funds flow⁽¹⁾ growth. This activity in 2023 will be focused in the greater Clearwater and Charlie Lake plays.

Environmental, Social and Governance & Corporate

To support the commitments and goals outlined in Tamarack's sustainability report and the sustainability performance targets identified in Tamarack's sustainability linked lending, Tamarack has allocated \$12 million to ARO spend and \$15 million to gas conservation and emissions reduction capital projects in 2023.

2023 Guidance⁽³⁾

The following table summarizes our 2023 annual guidance⁽³⁾.

Capital Budget (\$mm) ⁽⁴⁾	\$425 - \$475
Annual Average Production (boe/d) ⁽²⁾	68,000 - 72,000
Average Oil & NGL Weighting	81% - 83%
Expenses:	
Royalty Rate (%)	19% - 21%
Operating (\$/boe)	\$9.00 - \$9.50
Transportation (\$/boe)	\$2.75 - \$3.25
General and Administrative (\$/boe) ⁽⁵⁾	\$1.25 - \$1.35
Interest (\$/boe)	\$2.00 - \$2.25
Taxes (%)	10% - 12%
Leasing Expenditures (\$mm)	\$3.5 - \$4.5

Capital Expenditures Breakdown

	Capital
Primary Development Capital (\$mm)	\$225 - \$255
Enhanced Oil Recovery/Waterflood Capital (\$mm)	\$95 - \$100
Infrastructure Capital (\$mm)	\$45 - \$50
Delineation Capital including Land (\$mm)	\$20 - \$25
Corporate & ESG Initiatives (\$mm)	\$40 - \$45
Total (\$mm)	\$425 - \$475

2023 Adjusted Funds Flow⁽¹⁾ Sensitivities

	After Tax AFF ⁽¹⁾ , Including Hedges
	(\$ millions)
Change of \$2.00 WTI (\$US/bbl)	\$27
Change of \$0.50 MSW differential (\$US/bbl)	\$3
Change of \$1.00 WCS differential (\$US/bbl)	\$9
Change of \$0.25 AECO (\$CAD/GJ)	\$4
Change of 0.01 FX (CAD/USD)	\$6

Budget Pricing

Crude Oil - WTI (\$US/bbl)	\$80.00
Crude Oil - MSW Differential (\$US/bbl) (\$3.00)	
Crude Oil - WCS Differential (\$US/bbl) (\$22.00)	
Natural Gas - AECO (\$CAD/GJ)	\$4.00
Foreign Exchange - CAD/USD	1.32
Return of Capital	

The Company remains committed to balancing long-term sustainable free funds flow growth with returning capital to shareholders. With the transformational acquisition of Deltastream Energy Corporation ("Deltastream"), debt repayment remains the immediate focus to achieve our enhanced return of capital thresholds whereby the Company will return from 25% up to 75% of excess funds flow⁽¹⁾ on a quarterly basis. Our return of capital framework includes base dividends and enhanced returns as described below.

Base Dividend

The base dividend is currently \$0.15/share annually which represents a 3.2% yield at the current share price. Given the accretive nature of the Clearwater acquisitions carried out in 2022 and the impact of those acquisitions to our long-term sustainable free funds flow⁽¹⁾, the Company was able to increase the base dividend by 50% through 2022. The base dividend is predicated on 25% of free funds flow⁽¹⁾ at \$55/bbl WTI and \$2.50 /GJ AECO.

Enhanced Return Framework

The enhanced return framework corresponds with specific debt range targets as outlined below:

- Net debt⁽¹⁾ of less than \$1.1 billion but greater than \$900 million, the Company will target returns of up to 25% of excess funds flow⁽¹⁾ from the prior quarter to shareholders through enhanced dividends and/or tactical share buybacks.
- Net debt⁽¹⁾ of between \$500 million and \$900 million, the Company will target returns of up to 50% of excess funds flow⁽¹⁾ from the prior quarter to shareholders.
- Net debt⁽¹⁾ reaches our long-term debt target of \$500 million, representing approximately 1.0x net debt to quarterly annualized adjusted funds flow⁽¹⁾ at \$US45/bbl WTI and \$2.50/GJ AECO, the Company will target to return up to 75% of excess funds flow to shareholders.

Any enhanced dividend will be paid to shareholders on a quarterly basis, one month following the declaration date. Tamarack looks forward to delivering on its return of capital framework.

Risk Management

The Company takes a systematic approach to manage commodity price risk and volatility to ensure sustaining capital, debt servicing requirements and the base dividend are protected through a prudent hedging management program. For 2023, approximately ~50% of net after royalty oil production is hedged against WTI with an average floor price of greater than \$65/bbl. Our strategy provides protection to the downside while maximizing upside exposure. Additional details of the current hedges in place can be found in the corporate presentation on the Company website (www.tamarackvalley.ca).

We would like to thank our employees, shareholders and other stakeholders for all of their support over the past year. It was a transformative year and would not have happened without the dedication and hard work of our employees. We look forward to continuing to develop our high-quality assets to create shareholder value in a sustainable and responsible way.

Investor Call Today

9:00 AM MDT (11:00 AM EDT)

Tamarack will host a webcast at 9:00 AM MDT (11:00 AM EDT) on Wednesday, December 7, 2022 to discuss the 2023 budget and operational update. Participants can access the live webcast via this link or through links provided on the Company's website. A recorded archive of the webcast will be available on the Company's website following the live webcast.

Tamarack is an oil and gas exploration and production company committed to creating long-term value for its shareholders through sustainable free funds flow generation, financial stability and the return of capital. The Company has an extensive inventory of low-risk, oil development drilling locations focused primarily on Charlie Lake, Clearwater and EOR plays in Alberta. Operating as a responsible corporate citizen is a key focus to ensure we deliver on our environmental, social and governance (ESG) commitments and goals. For more information, please visit the Company's website at www.tamarackvalley.ca.

Abbreviations

AECO the natural gas storage facility located at Suffield, Alberta connected to TC Energy's Alberta System

ARO asset retirement obligation; may also be referred to as decommissioning obligation

bbls barrels

bbls/d barrels per day

boe barrels of oil equivalent

boe/d barrels of oil equivalent per day

Bopd barrels of oil per day

CGU cash generating unit

GJ gigajoule

IFRS International Financial Reporting Standards as issued by the International Accounting Standards Board

IP30 average production for the first 30 days that a well is onstream

Mcf thousand cubic feet

mcf/d thousand cubic feet per day

MM Million

mmcf/d million cubic feet per day

MSW Mixed sweet blend, the benchmark for conventionally produced light sweet crude oil in Western Canada

NGL Natural gas liquids

WCS Western Canadian select, the benchmark for conventional and oil sands heavy production at Hardisty in Western Canada

WTI West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil

Reader Action Center
Notes to Press Release

(1) See "Specified Financial Measures"

(2) Comprised of 16,500-17,500 bbl/d light and medium oil, 35,000-37,000 bbl/d heavy oil, 3,500-4,500 bbl/d NGL and 73,000-78,000 mcf/d natural gas

(3) Annual guidance numbers are based on 2023 average pricing assumptions of: US\$80.00/bbl WTI; US\$22.00/bbl WCS; US\$3.00/bbl MSW; \$4.00/GJ AECO; and \$1.3200 CAD/USD.

(4) Capital budget includes exploration and development capital, ARO, ESG initiatives, facilities land and seismic but excludes asset acquisitions and dispositions

(5) G&A noted excludes the effect of cash settled stock-based compensation

Disclosure of Oil and Gas Information

Unit Cost Calculation. For the purpose of calculating unit costs, natural gas volumes have been converted to a boe using six thousand cubic feet equal to one barrel unless otherwise stated. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with Canadian Securities Administrators' National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Boe may be misleading, particularly if used in isolation.

References in this press release to "crude oil" or "oil" refers to light, medium and heavy crude oil product types as defined by NI 51-101. References to "NGL" throughout this press release comprise pentane, butane, propane, and ethane, being all NGL as defined by NI 51-101. References to "natural gas" throughout this press release refers to conventional natural gas as defined by NI 51-101.

Forward Looking Information

This press release contains certain forward-looking information (collectively referred to herein as

"forward-looking statements") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "guidance", "outlook", "anticipate", "target", "plan", "continue", "intend", "consider", "estimate", "expect", "may", "will", "should", "could" or similar words suggesting future outcomes. More particularly, this press release contains statements concerning: Tamarack's business strategy, objectives, strength and focus; future consolidation activity, organic growth and development and portfolio rationalization; future intentions with respect to return of capital, including enhanced dividends and share buybacks; oil and natural gas production levels, adjusted funds flow and free funds flow; anticipated operational results for 2023 including, but not limited to, estimated or anticipated production levels, capital expenditures, drilling plans and infrastructure initiatives; the Company's capital program, guidance and budget for 2023 and 2023 capital program and the funding thereof; expectations regarding commodity prices; the performance characteristics of the Company's oil and natural gas properties; decline rates and enhanced recovery, including waterflood initiatives; successful integration of the Deltastream assets; the ability of the Company to achieve drilling success consistent with management's expectations; risk management activities, Tamarack's commitment to ESG principles and sustainability; and the source of funding for the Company's activities including development costs. Future dividend payments and share buybacks, if any, and the level thereof, are uncertain, as the Company's return of capital framework and the funds available for such activities from time to time is dependent upon, among other things, free funds 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 Tamarack to pay dividends and buyback shares will be subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facility.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Tamarack, including those relating to: the business plan of Tamarack; the timing of and success of future drilling, development and completion activities; the geological characteristics of Tamarack's properties; the characteristics of recently acquired assets, including the Deltastream assets; the successful integration of recently acquired assets into Tamarack's operations; prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products; the availability and performance of drilling rigs, facilities, pipelines and other oilfield services; the timing of past operations and activities in the planned areas of focus; the drilling, completion and tie-in of wells being completed as planned; the performance of new and existing wells; the application of existing drilling and fracturing techniques; prevailing weather and break-up conditions; royalty regimes and exchange rates; impact of inflation on costs; the application of regulatory and licensing requirements; the continued availability of capital and skilled personnel; the ability to maintain or grow the banking facilities; the accuracy of Tamarack's geological interpretation of its drilling and land opportunities, including the ability of seismic activity to enhance such interpretation; and Tamarack's ability to execute its plans and strategies.

Although management considers these assumptions to be reasonable based on information currently available, undue reliance should not be placed on the forward-looking statements because Tamarack can give no assurances that they may prove to be correct. By their very nature, forward-looking statements are subject to certain risks and uncertainties (both general and specific) that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: the risk that future dividend payments thereunder are reduced, suspended or cancelled; unforeseen difficulties in integrating of recently acquired assets into Tamarack's operations; incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs; risks associated with the oil and gas industry in general (e.g. operational risks in development, exploration and production; and delays or changes in plans with respect to exploration or development projects or capital expenditures); commodity prices; the uncertainty of estimates and projections relating to production, cash generation, costs and expenses, including increased operating and capital costs due to inflationary pressures; health, safety, litigation and environmental risks; access to capital; the COVID-19 pandemic; and Russia's military actions in Ukraine. Due to the nature of the oil and natural gas industry, drilling plans and operational activities may be delayed or modified to respond to market conditions, results of past operations, regulatory approvals or availability of services causing results to be delayed. Please refer to the annual information form for the year ended December 31, 2021 and the management's discussion and analysis for the period ended September 30, 2022 (the "MD&A") for additional risk factors relating to Tamarack, which can be accessed either on Tamarack's website at www.tamarackvalley.ca or under the Company's profile on www.sedar.com. The forward-looking statements contained in this press release are made as of the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

This press release contains future-oriented financial information and financial outlook information

(collectively, "FOFI") about generating sustainable long-term growth in free funds flow, dividends and share buybacks, prospective results of operations and production, weightings, operating costs, 2023 capital budget and expenditures, decline rates, balance sheet strength, adjusted funds flow and free funds flow, net debt, debt repayments, total returns and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Tamarack's future business operations. Tamarack and its management believe that FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results. Tamarack disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein. Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in Tamarack's guidance. The Company's actual results may differ materially from these estimates.

Specified Financial Measures

This press release includes various specified financial measures, including non-IFRS financial measures, non-IFRS financial ratios and capital management measures as further described herein. These measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable with the calculation of similar measures by other companies.

"Adjusted funds flow (capital management measure)" is calculated by taking cash-flow from operating activities, on a periodic basis, deducting current income taxes and adding back changes in non-cash working capital, expenditures on decommissioning obligations and transaction costs since Tamarack believes the timing of collection, payment or incurrence of these items is variable. While current income taxes will not be paid until Q1/23, management believes adjusting for estimated current income taxes in the period incurred is a better indication of the adjusted funds generated by the Company. Expenditures on decommissioning obligations may vary from period to period depending on capital programs and the maturity of the Company's operating areas. Expenditures on decommissioning obligations are managed through the capital budgeting process which considers available adjusted funds flow. Tamarack uses adjusted funds flow as a key measure to demonstrate the Company's ability to generate funds to repay debt and fund future capital investment. Adjusted funds flow per share is calculated using the same weighted average basic and diluted shares that are used in calculating income per share.

"Excess funds flow (capital management measure)" is calculated by taking free funds flow and subtracting base dividends, mandatory amortization payments on the deferred acquisition notes or term loan and acquisitions costs and adding disposition proceeds. Management believes that excess funds flow provides a useful measure to determine Tamarack's ability to deliver shareholder returns and to manage the long-term value of the business.

"Free funds flow (capital management measure)" (previously referred to as "free adjusted funds flow") is calculated by taking adjusted funds flow and subtracting capital expenditures, excluding acquisitions and dispositions. Management believes that free funds flow provides a useful measure to determine Tamarack's ability to improve returns and to manage the long-term value of the business.

"Free funds flow breakeven (capital management measure)" (previously referred to as "free adjusted funds flow breakeven") is determined by calculating the minimum WTI price in US/bbl required to generate free funds flow equal to zero, sustaining current production levels and all other variables held constant. Management believes that free funds flow breakeven provides a useful measure to establish corporate financial sustainability.

"Operating netback (non-IFRS financial measure or ratio)" is calculated as total petroleum and natural gas sales, including realized gains and losses on commodity and foreign exchange derivative contracts, less royalties, net production expenses and transportation expense (non-IFRS financial measure). This metrics can also be calculated on a per boe basis (non-IFRS financial ratio). Management considers operating netback an important measure to evaluate Tamarack's operational performance, as it demonstrates field level profitability relative to current commodity prices. See the MD&A for a detailed calculation and reconciliation of operating netback per boe to the most directly comparable measure calculated and

presented in accordance with IFRS.

"Net debt (capital management measure)" is calculated as credit facilities plus senior unsecured notes, plus working capital surplus or deficit, plus other liability, including the fair value of cross-currency swaps plus government loans, less notes receivable and excluding the fair value of financial instruments, decommissioning obligations, lease liabilities and the cash award incentive plan liability.

"Net debt to quarterly annualized adjusted funds flow (capital management measure)" is calculated as estimated period end net debt divided by the annualized adjusted funds flow for the preceding quarter (multiplied by 4 for annualization).

Please refer to the MD&A for additional information relating to specified financial measures including non-IFRS financial measures, non-IFRS financial ratios and capital management measures. The MD&A can be accessed either on Tamarack's website at www.tamarackvalley.ca or under the Company's profile on www.sedar.com.

SOURCE Tamarack Valley Energy

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