

# Tamarack Valley Energy Further Advances Core Asset Focus with the Sale of Non-Core Cardium Assets

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TSX: TVE

CALGARY, Oct. 19, 2023 - [Tamarack Valley Energy Ltd.](#) ("Tamarack" or the "Company") is pleased to announce it has entered into a definitive agreement (the "Agreement") with a private operator to sell its non-core west central Alberta assets (the "Assets") for \$123.0 million in cash (the "Transaction").

With successful consolidation and growth of Tamarack's core holdings in the Clearwater and Charlie Lake plays, the Company continues to streamline its portfolio of holdings, high grade future development inventory and drive enhanced operational efficiencies. The Transaction accelerates debt reduction, further strengthening Tamarack's balance sheet and enabling the Company to focus on program execution within its highly economic oil weighted plays.

#### Key Corporate Highlights

- Delivering Record Production - Tamarack delivered record corporate production of ~70,000 boe/d<sup>(1)</sup> for the month of September, including production from the Assets being sold. This demonstrates the successful execution of Tamarack's development program year to date in 2023.
- Focus on Debt Reduction - Sale proceeds, in conjunction with forecasted free funds flow<sup>(2)</sup> at strip prices, have the Company on track to achieve the first net debt<sup>(2)</sup> threshold of its enhanced return of capital framework in 2023, as fourth quarter net debt<sup>(2)</sup> is expected to fall below \$1.1 billion.
- Improving Operating Field Netbacks - The Company expects corporate operating field netback<sup>(2)</sup> to improve by approximately 3% to 5% owing to higher pro forma liquids weighting and lower operating costs on a per unit basis.
- High Grading Production - Upon closing of the Transaction, the Charlie Lake and Clearwater assets will represent ~88% of total 2023 exit production, culminating a successful repositioning of the asset base through strategic M&A transactions and organic development over the past three years.
- Significant Future Resources to Develop - Tamarack's material positions across the Charlie Lake and Clearwater plays afford growth of higher netback production to offset divested production volumes within the five-year plan.
- 2023 Capital and Production Outlook - Tamarack will provide an update concurrent with our third quarter results.

#### West Central Alberta Disposition

Tamarack is selling the Assets for cash consideration of \$123.0 million, plus the assumption of \$38.4 million and \$80.6 million gross operated inactive and active ARO<sup>(3)</sup> respectively. Production from the Assets is largely focused on the Cardium and Leduc formations with a natural gas weighting of ~60%. Proceeds from the Transaction represent an estimated next twelve months operating netback<sup>(2)</sup> multiple of 2.5x, at current strip pricing.

The Assets being sold are currently undercapitalized within the Company's portfolio, as Tamarack's development remains focused on core Charlie Lake and Clearwater prospects within the long-term development plan. Proceeds from the Transaction bring forward over four years of future excess funds flow<sup>(2)</sup> that the Assets would have generated within Tamarack's plan for redeployment to the Charlie Lake and Clearwater plays.

Current production from the Assets is approximately 7,000 boe/d<sup>(4)</sup>. Tamarack's fourth quarter and full year 2023 average production is expected to be reduced by approximately 4,500 boe/d<sup>(5)</sup> and 1,200 boe/d<sup>(6)</sup> respectively as a result of the Transaction. Looking ahead, the sale of the Assets will reduce Tamarack's 2024 production outlook by approximately 6,000 boe/d<sup>(7)</sup>. Closing of the Transaction is expected to occur on or about November 3, 2023, subject to customary closing considerations.

#### Advisors

National Bank Financial Inc. and RBC Capital Markets are acting as financial advisors to Tamarack with respect to the Transaction. Stikeman Elliott LLP is acting as legal counsel to Tamarack with respect to the Transaction.

#### Executive Leadership

Tamarack is pleased to announce the appointment of Mr. Kevin Johnston as Vice President, Finance. Mr. Johnston will join the Tamarack finance team, which is led by Steve Buytels, Chief Financial Officer, as the

Company continues to focus on strategic execution of its long-term development plan. Mr. Johnston brings 20 years of industry experience in accounting and finance. Most recently, he held the role of Vice President, Finance & Controller at ATCO's Energy Infrastructure business unit and was previously the Vice President, Finance & Controller at Seven Generations Energy. Mr. Johnston is a Chartered Professional Accountant and holds a master's degree in professional accounting. The Company is excited to add the skills and perspectives that Mr. Johnston brings to the strong existing leadership team.

About Tamarack Valley Energy Ltd.

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 plays in Alberta while also pursuing EOR upside in these core areas. 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](http://www.tamarackvalley.ca).

#### Abbreviations

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
EOR	enhanced oil recovery
GJ	gigajoule
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
MM	Million
MMcf/d	million cubic feet per day
NGL	Natural gas liquids
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#### Notes to Press Release

(1) Production of approximately 70,000 boe/d comprised of 17,070 bbl/d light and medium oil, 36,700 bbl/d heavy oil, 3,960 bbl/d NGL and 73,640 mcf/d natural gas.

(2) See "Specified Financial Measures".

(3) As per the AER May OneStop data.

(4) Production impacts of approximately 7,000 boe/d comprised of 1,749 bbl/d light and medium oil, 1,113 bbl/d NGL and 24,833 mcf/d natural gas.

(5) Production impacts of approximately 4,500 boe/d comprised of 1,098 bbl/d light and medium oil, 922 bbl/d NGL and 14,880 mcf/d natural gas.

(6) Production impacts of approximately 1,200 boe/d comprised of 293 bbl/d light and medium oil, 246 bbl/d NGL and 3,968 mcf/d natural gas.

(7) Production impacts of approximately 6,000 boe/d comprised of 1,464 bbl/d light and medium oil, 1,229 bbl/d NGL and 19,841 mcf/d natural gas.

#### 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; the completion of the Transaction, including the terms and timing thereof; the anticipated benefits of the Transaction; future streamlining of holdings, high grading of development inventory and enhanced operational efficiencies; future intentions with respect to debt repayment and reduction and return of capital; oil and natural gas production levels, free funds flow; anticipated operational results for the remainder of 2023 including, but not limited to, estimated or anticipated production levels, capital expenditures, drilling plans and infrastructure initiatives; enhanced recovery; exploration activities; continued integration of the recently acquired assets; the ability of the Company to achieve drilling success consistent with management's expectations; Tamarack's commitment to ESG principles and sustainability; and the source of funding for the Company's activities including development costs.

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 satisfaction of all conditions to the completion of the Transaction; 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; the continued 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 (including expectations concerning narrowing WCS differentials); 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: risks with respect to unplanned third party pipeline outages and risks relating to inclement and severe weather events and natural disasters, such as fire, drought and flooding, including in respect of safety, asset integrity and shutting-in production, maintaining 2023 guidance and resumption of operations; risks with respect to unplanned third-party pipeline outages; unforeseen difficulties in integrating of recently acquired assets into Tamarack's operations, including the Deltastream assets; 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; volatility in the stock market and financial system; health, safety, litigation and environmental risks; access to capital; pandemics; Russia's military actions in Ukraine; and the Israel-Palestinian conflict. 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 Company's AIF for the period ended December 31, 2022 and the MD&A for the period ended June 30, 2023 for additional risk factors relating to Tamarack, which can be accessed either on Tamarack's website at [www.tamarackvalley.ca](http://www.tamarackvalley.ca) or under the Company's profile on [www.sedarplus.ca](http://www.sedarplus.ca). 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, prospective results of operations and production, weightings, operating costs, 2023 capital budget and expenditures, balance sheet strength, realized pricing, corporate operating field netback, free funds flow, net debt, material debt reduction (including achieving the first net debt threshold of its enhanced return of capital framework), total returns and components thereof, including pro forma the completion of the Transaction, 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, capital management measures and supplemental financial 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 Measures)" is calculated by taking cash-flow from operating activities, on a periodic basis and adding back changes in non-cash working capital.

"Excess Funds Flow (Capital Management Measures)" is calculated by taking free funds flow on a periodic basis subtracting cash taxes and expected ARO spending.

"Free Funds Flow and Capital Expenditures (Capital Management Measures)" is calculated by taking adjusted funds flow and subtracting capital expenditures, excluding acquisitions and dispositions. Capital expenditures is calculated as property, plant and equipment additions (net of government assistance) plus exploration and evaluation additions. 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.

"Net Debt (Capital Management Measures)" is calculated as credit facilities plus senior unsecured notes, plus deferred acquisition payment notes, plus working capital surplus or deficiency, plus other liability, including the fair value of cross-currency swaps, plus government loans, plus facilities acquisition payments, less notes receivable and excluding the current portion of fair value of financial instruments, decommissioning obligations, lease liabilities and the cash award incentive plan liability.

Net Production Expenses, Revenue, net of blending expense, Operating Netback and Operating Field Netback (Non-IFRS Financial Measures, and Non-IFRS Financial Ratios if calculated on a per boe basis) - Management uses certain industry benchmarks, such as net production expenses, revenue, net of blending expense, operating netback and operating field netback, to analyze financial and operating performance. Net production expenses are determined by deducting processing income primarily generated by processing third party volumes at processing facilities where the Company has an ownership interest. Under IFRS this source of funds is required to be reported as income. Where the Company has excess capacity at one of its facilities, it will process third party volumes as a means to reduce the cost of operating/owning the facility, and as such third-party processing revenue is netted against production expenses in the MD&A. Blending expense includes the cost of blending diluent purchased to reduce the viscosity of our heavy oil transported

through pipelines to meet pipeline specifications. The blending expense represents the difference between the cost of purchasing and transporting the diluent and the realized price of the blended product sold. In this MD&A, blending expense is recognized as a reduction to heavy oil revenues, whereas blending expense is reported as an expense in the financial statements. Operating netback equals total petroleum and natural gas sales (net of blending), including realized gains and losses on commodity and foreign exchange derivative contracts, less royalties, net production expenses and transportation expense. Operating field netback equals total petroleum and natural gas sales, less royalties, net production expenses and transportation expense. These metrics can also be calculated on a per boe basis, which results in them being considered a non-IFRS financial ratio. Management considers operating netback and operating field netback important measures to evaluate Tamarack's operational performance, as it demonstrates field level profitability relative to current commodity prices.

SOURCE [Tamarack Valley Energy Ltd.](#)

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