Bonterra Energy Corp. Announces Third Quarter 2019 Financial and Operational Results

CALGARY, Nov. 6, 2019 /CNW/ - Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") today announces its operating and financial results as at and for the three and nine months ended September 30, 2019. The related unaudited condensed financial statements and notes, as well as management's discussion and analysis ("MD&A"), are available on SEDAR at www.sedar.com and on Bonterra's website at www.bonterraenergy.com.

HIGHLIGHTS

		Three months ended		Nine months ended	
As at and for the periods ended ($ 000s except for $ per share and $ per BOE)		**September 30, 2019**	September 30, 2018	**September 30, 2019**	September 30, 2018
FINANCIAL					
Revenue - realized oil and gas sales		**47,320**	63,817	**152,006**	188,400
Funds flow (1)		**22,596**	31,032	**73,206**	96,633
Per share - basic and diluted		**0.68**	0.93	**2.19**	2.90
Dividend payout ratio		**4%**	32%	**4%**	31%
Cash flow from operations		**19,774**	33,669	**60,365**	95,454
Per share - basic and diluted		**0.59**	1.01	**1.81**	2.87
Dividend payout ratio		**5%**	30%	**5%**	31%
Cash dividends per share		**0.03**	0.30	**0.09**	0.90
Net earnings (loss)		**(1,276)**	5,756	**23,312**	18,076
Per share - basic and diluted		**(0.04)**	0.17	**0.70**	0.54
Capital expenditures, net of dispositions		**17,845**	18,814	**47,949**	73,952
Total assets				**1,133,137**	1,137,748
Working capital deficiency				**24,599**	35,319
Long-term debt				**283,470**	293,197
Shareholders' equity				**506,011**	500,507
OPERATIONS					
Oil	-barrels per day	**7,157**	7,949	**7,328**	8,242
	-average price ($ per barrel)	**65.49**	77.20	**67.33**	73.93
NGLs	-barrels per day	**1,009**	1,070	**976**	985
	-average price ($ per barrel)	**22.45**	43.95	**26.34**	42.28
Natural gas	-MCF per day	**23,820**	24,144	**23,836**	24,719
	-average price ($ per MCF)	**0.96**	1.37	**1.58**	1.58
Total barrels of oil equivalent per day (BOE) (2)		**12,136**	13,043	**12,277**	13,347

(1) Funds flow is not a recognized measure under IFRS. For these purposes, the Company defines funds flow as funds provided by operations including investment income received, excluding the effects of changes in non-cash working capital items and decommissioning expenditures settled.

(2) BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 MCF: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Year-to-date in 2019, Bonterra has remained committed to balancing its debt reduction strategy with the development of its high-quality, light oil-weighted assets concentrated in Alberta's Pembina and Willesden Green Cardium areas. As a result of the Company's low annual production decline rate of approximately 20 percent, the maintenance capital requirements on Bonterra's asset base are relatively low, which allows the Company to direct funds flow to fund capital expenditures, reduce debt and sustain the dividend. Exiting the third quarter, Bonterra had successfully reduced its net debt by six percent, or $20.8 million, compared to year end 2018, demonstrating the successful execution of its debt reduction strategy.

Through the first nine months of 2019, Bonterra drilled and completed 20.6 net Cardium operated wells, of which 18.6 net wells were tied-in and placed on production, supporting average third quarter production volumes of 12,136 BOE per day. The remaining two wells were tied-in and placed on production early in October 2019. Production during the quarter reflects the shut-in of approximately 580 BOE per day to finalize major facility turnarounds and maintenance that commenced in the second quarter, as well as the voluntary shut-in of low priced, non-core natural gas wells in British Columbia. Current production volumes are approximately 12,750 BOE per day, and as part of the Company's plan to diversify crude oil pricing, strategies are in place to manage cash flows through Q4 2019 with new physical delivery sales and risk management contracts, which will help to mitigate the impact of weaker Canadian oil prices related to a shortage of pipeline capacity.

Q3 2019 Highlights

- Averaged 12,136 BOE per day of production in Q3 2019 and 12,277 BOE per day for the first nine months of the year, reflecting modest capital spending in 2019 coupled with the impact of scheduled shut-in volumes. During the first nine months of 2019, an average of approximately 440 BOE per day of production has been shut-in, primarily due to continued facility maintenance occurring through the second and third quarters as a large number of gas plants and batteries experienced five-year turnarounds, coupled with Bonterra's decision to shut-in non-core British Columbia natural gas wells due to low pricing.

- Generated funds flow of $22.6 million ($0.68 per share) in Q3 2019 and $73.2 million ($2.19 per share) for the nine months ended September 30, 2019, which supported continued funding of Bonterra's capital program, monthly dividend and meaningful debt repayment. Lower funds flow in both periods in 2019 relative to 2018 is largely due to the impacts of lower production volumes and significantly lower realized pricing year-over-year.

- Field netbacks averaged $24.30 per BOE compared to $28.63 per BOE in Q2 2019, and $26.82 per BOE in the nine months ended September 30, 2019. Lower benchmark commodity prices and increased production costs per BOE from planned multi-year turnarounds impacted netbacks in Q3 and year to date, while a gas cost allowance recovery on natural gas crown royalties supported the second quarter.

- Invested approximately $41.4 million in capital expenditures for the nine months ended September 30, 2019 to drill and complete 26 gross (20.6 net) wells and tie-in 24 gross (18.6 net) wells. An additional $6.5 million was directed to related infrastructure costs, recompletions and other capital expenditures for total net capital expenditures of $47.9 million in the nine-month period.

- Recorded net earnings of $23.3 million ($0.70 per share) in the first nine months of 2019, an increase of 28.7 percent, or $5.2 million over the same period in 2018, with the change resulting primarily from a deferred income tax recovery related to the decrease in Alberta's corporate income tax rate. Lower production and weaker oil prices in Q3 2019 led to a net loss of $1.3 million in the period.

- Reduced net debt at September 30, 2019 by six percent, or $20.8 million, to $308.1 million compared to $328.9 million at December 31, 2018, and relative to June 30, 2019, reduced net debt by $2.7 million. Improving Bonterra's financial flexibility is a key focus to enhancing long-term sustainability.

- Declared and paid out $0.03 per share in cash dividends to shareholders in the third quarter, resulting in $0.09 per share in cash dividends for the nine months ended September 30, 2019, and a payout ratio based on cash flow from operations of five percent.

Relative to the fourth quarter of 2018, Bonterra has benefitted to date in 2019 from narrowing differentials on Canadian sweet crude oil due to mandatory production curtailments instituted by the Government of Alberta. The impact of this curtailment enabled the Company to realize improved prices for the first nine months of 2019 relative to the extremely weak prices experienced through the latter part of 2018. Despite narrowing differentials, volatility in commodity markets has continued, resulting in decreased realized oil and NGL prices and the continued shut-in of non-core, low-economic natural gas production. The Company will continue to regularly monitor commodity price changes and funds flow with the primary objective of ensuring funds flow is appropriately directed to a prudent capital program, sustainable dividend and meaningful debt reduction.

Following the semi-annual review of its credit facilities, the Company's borrowing base was adjusted to $325 million from $340 million, effective October 31, 2019. With a $20.8 million decrease in net debt year to date, and strategies in place for further debt reduction, Bonterra retains appropriate liquidity and financial flexibility to continue executing on its business plan. The revised borrowing base is comprised of a $287 million syndicated revolving credit facility, and a $38 million non-syndicated revolving credit facility, with an accordion feature allowing the Company to obtain future funding of up to $40 million for opportunities outside of normal operations, such as acquisitions.

Outlook

Following the conclusion of the facility turnarounds during Q3 2019, Bonterra's current production is approximately 12,750 BOE per day. Combined with the Company's production year-to-date, Bonterra anticipates that annual volumes will average approximately two percent below the guidance range of 12,600 to 13,200 BOE per day. The Company also expects production costs in Q4 2019 to be below the nine-month average of $15.03 per BOE, reflecting normal operations following the completion of facility maintenance. Annual capital spending is expected to be at the low end of the Company's original 2019 capital budget range of $57 to $77 million, with an incremental $6 to $7 million expected to be incurred for Q4 2019 drilling. Capital will continue to be prudently allocated to those opportunities offering the highest returns.

Financial discipline, cost control, and long-term sustainability continue to be priorities for Bonterra into Q4 and to set the stage for 2020. The Company's focus will remain on debt reduction to strengthen its balance sheet while executing a responsible capital program and sustaining the dividend. To mitigate commodity price volatility and support further stability, the Company has entered into physical delivery sales and risk management contracts to realize average Edmonton Par prices on crude oil between C$62.90 and C$68.69 per bbl on 2,500 barrels per day of production for October and 3,500 barrels per day of production for November and December of 2019. The Company will continue to pursue additional opportunities to enhance funds flow and financial flexibility.

Bonterra Energy Corp. is a conventional oil and gas corporation with operations in Alberta, Saskatchewan and British Columbia. The Company's shares are listed on The Toronto Stock Exchange under the symbol "BNE".

Cautionary Statements

This summarized news release should not be considered a suitable source of information for readers who are unfamiliar with Bonterra Energy Corp. and should not be considered in any way as a substitute for reading the full report. For the full report, please go to www.bonterraenergy.com

Use of Non-IFRS Financial Measures

Throughout this release the Company uses the terms "payout ratio" and "cash netback" to analyze operating performance, which are not standardized measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures are commonly utilized in the oil and gas industry and are considered informative by management, shareholders and analysts. These measures may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies.

The Company calculates payout ratio by dividing cash dividends paid to shareholders by cash flow from operating activities, both of which are measures prescribed by IFRS which appear on our statements of cash flows. We calculate cash netback by dividing various financial statement items as determined by IFRS by total production for the period on a barrel of oil equivalent basis.

Forward Looking Information

Certain statements contained in this release include statements which contain words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "will", "believe" and similar expressions, relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about development, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this release includes, but is not limited to: expected cash provided by continuing operations; cash dividends; future capital expenditures, including the amount and nature thereof; oil and natural gas prices and demand; expansion and other development trends of the oil and gas industry; business strategy and outlook; expansion and growth of our business and operations; and maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; credit risks; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do, what benefits will be derived there from. Except as required by law, Bonterra disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

The forward-looking information contained herein is expressly qualified by this cautionary statement.

Frequently recurring terms

Bonterra uses the following frequently recurring terms in this press release: "WTI" refers to West Texas Intermediate, a grade of light sweet crude oil used as benchmark pricing in the United States; "MSW Stream Index" or "Edmonton Par" refers to the mixed sweet blend that is the benchmark price for conventionally produced light sweet crude oil in Western Canada; "AECO" refers to Alberta Energy Company, a grade or heating content of natural gas used as benchmark pricing in Alberta, Canada; "bbl" refers to barrel; "NGL" refers to Natural gas liquids; "MCF" refers to thousand cubic feet; "MMBTU" refers to million British Thermal Units; "GJ" refers to gigajoule; and "BOE" refers to barrels of oil equivalent. Disclosure provided herein in respect of a BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 MCF: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Numerical Amounts

The reporting and the functional currency of the Company is the Canadian dollar.

The TSX does not accept responsibility for the accuracy of this release.

SOURCE Bonterra Energy Corp.

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and-Operational-Results