

Bonterra Energy Corp. Announces 2022 Reserves and Provides Operational Update

CALGARY, AB, Feb. 8, 2023 /CNW/ - Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") is pleased to announce the summary results of its independent reserve report (the "Sproule Report") prepared by Sproule Associates Limited ("Sproule") with an effective date of December 31, 2022, and provide an operational update on key fourth quarter highlights and recent activities. The Company has not released its audited 2022 financial results, and therefore the financial figures provided herein are estimates and are unaudited.

The following summarizes certain information contained in the Sproule Report. The Sproule Report was prepared in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Additional reserves information as required under NI 51-101 will be included in Bonterra's Annual Information Form which will be filed on the Company's profile at www.sedar.com on or before March 31, 2023.

2022 OPERATIONS & RESERVES HIGHLIGHTS

- Averaged approximately 13,407 BOE per day¹ of production in 2022, representing a five percent increase over 2021 and in-line with Bonterra's previously stated guidance range of 13,300 to 13,700 BOE per day.
- Invested capital of approximately \$79.8 million[2] during 2022, with \$12.6 million invested in the fourth quarter. Capital expenditures for the year were directed to the drilling of 25 gross (24.7 net) operated wells and the completion, equipping, and tie-in of 31 gross (30.7 net) wells, with six of the completed and equipped wells having been drilled late in 2021.
- Reduced production costs in Q4 2022 by 21 percent to average approximately \$16.11 per BOE² compared to \$20.33 per BOE in Q3 2022, further reducing the annual average production costs to \$17.45 per BOE. The decrease quarter-over-quarter was primarily due to lower seasonal maintenance that typically occurs in the third quarter.
- The Company's focused 2022 capital program resulted in proved developed producing reserves ("PDP") of 33.7 million BOE (62 percent oil and liquids), total proved reserves ("TP") of 80.7 million BOE (62 percent oil and liquids), and total proved plus probable reserves ("TPP") of 100.5 million BOE (62 percent oil and liquids). On a year-over-year basis, both TP and TPP reserves increased by approximately three percent, respectively.
- TP represented 80 percent of total TPP in 2022, consistent with 80 percent in 2021, exemplifying the low-risk nature of Bonterra's asset base.
- Net present value of future net revenue discounted at 10 percent (before tax) for TPP totaled \$1.5 billion, while TP totaled \$1.2 billion and PDP totaled \$632.1 million.
- Future Development Capital ("FDC") for TP is forecast to be \$660 million, an increase of 19 percent or \$106 million compared to 2021 TP FDC of \$554 million. The change is primarily attributable to an approximately 15 percent increase in per well costs related directly to rising inflation from 2021 to 2022.
- Recycle ratio³ including FDC of 1.8 on TP reserves, 1.9 on TPP reserves and a recycle ratio excluding FDC of 4.3 on TP reserves and 4.5 on TPP reserves.
- Reserve Life Index ("RLI")⁴ for TPP, TP, and PDP was approximately 20.5 years, 16.5 years and seven years, respectively (based on 2022 average production of 13,407 BOE per day¹).
- Growth before production in the TP category of 7.4 million BOE resulted in production replacement of 150 percent.

Summary of Gross Oil and Gas Reserves as of December 31, 2022

	Light and Medium Crude Oil (MBbl)	Conventional Natural Gas ⁴ (MMcf)	Natural Gas Liquids (MBbl)	Oil Equivalent ⁵ (MBoe)	Future Development Capital (\$000s)
Proved					
Developed Producing	18,072	77,590	2,699	33,702	-
Developed Non-producing	2,403	6,971	234	3,799	3,984
Undeveloped	22,699	99,792	3,869	43,201	656,112
Total Proved	43,174	184,353	6,802	80,702	660,096
Total Probable	10,400	46,168	1,694	19,788	-

Total Proved plus Probable ^{1,2,3}	53,574	230,521	8,496	100,490	660,096
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Notes for table above:

(1) Reserves have been presented on gross basis which are the Company's total working interest share before the deduction of any royalties and without including any royalty interests of the Company.

(2) Totals may not add due to rounding.

(3) Based on Sproule's December 31, 2022 escalated price deck.

(4) Conventional natural gas amounts shown include solution gas.

(5) Oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil.

Reconciliation of Company Gross Reserves by Principal Product Type as of December 31, 2022 ^{1,2}

	Light & Medium Crude Oil		Conventional Natural Gas ⁴		Natural Gas Liquids		Oil Equivalent	
	Total Proved	Proved + Probable	Total Proved	Proved + Probable	Total Proved	Proved + Probable	Total Proved	Proved + Probable
	(MBbl)	(MBbl)	(MMcf)	(MMcf)	(MBbl)	(MBbl)	(MBoe)	(MBoe)
Opening Balance, December 31, 2021	43,470	54,231	166,795	207,273	6,962	8,655	78,231	97,431
Extensions & Improved								
Recovery ²	4,347	5,390	12,741	15,813	572	712	7,043	8,738
Technical Revisions	(4,701)	(6,249)	7,797	10,137	(618)	(772)	(4,020)	(5,332)
Economic Factors	2,648	2,792	8,342	8,620	303	318	4,341	4,546
Production	(2,590)	(2,590)	(11,323)	(11,323)	(417)	(417)	(4,894)	(4,894)
Closing Balance, December 31, 2022³	43,174	53,574	184,352	230,520	6,802	8,496	80,702	100,490

Notes for table above:

(1) Gross Reserves means the Company's working interest reserves before calculation of royalties, and before consideration of the Company's royalty interests.

(2) Increases to Extensions & Improved Recovery include infill drilling and are the result of step-out locations drilled by Bonterra and other operators on and near Company-owned lands.

(3) Totals may not add due to rounding.

(4) Conventional natural gas amounts shown include solution gas.

Summary of Net Present Values of Future Net Revenue as of December 31, 2022

(\$M)	Net Present Value Before Income Taxes Discounted at (% per Year)			
Reserves Category:	0 %	5 %	10 %	15 %
Proved				
Producing	921,555	768,088	632,115	537,751
Non-producing	133,157	79,415	55,799	42,666
Undeveloped	1,094,449	692,709	468,029	331,955
Total Proved	2,149,161	1,540,212	1,155,943	912,371
Probable	782,693	469,041	325,745	247,388
Total Proved plus Probable ^{1,2,3}	2,931,854	2,009,253	1,481,688	1,159,759

Notes for table above:

(1) Evaluated by Sproule as at December 31, 2022. Net present value of future net revenue does not represent fair value of the reserves.

(2) Net present values equal net present value before income taxes based on Sproule's forecast prices and costs as of December 31, 2022. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material.

(3) Includes abandonment and reclamation costs as defined in NI 51-101.

(4) Totals may not add due to rounding.

FUTURE DEVELOPMENT CAPITAL, F&D COSTS⁶ AND RECYCLE RATIOS⁶

FDC reflects Sproule's best estimate of the costs to bring Bonterra's proved and probable developed and

undeveloped reserves on production. Changes in forecasted FDC occur annually as a result of development activities, acquisition and disposition activities, changes in capital cost estimates based on improvements in well design and performance, and changes in service costs.

Over the past three years, Bonterra has incurred the following finding, development and acquisition ("FD&A")⁶ and finding and development ("F&D")⁶ costs both excluding and including FDC:

	TP Reserves Net Additions				TPP Reserves Net Additions			
	2022	2021	2020	3 Yr Avg ⁴	2022	2021	2020	3 Yr Avg ⁴
FD&A Costs per BOE ^{1,2,3,6}								
Including FDC	\$24.85	\$6.90	\$12.46	\$16.37	\$23.34	\$5.64	\$9.87	\$15.52
Excluding FDC	\$10.47	\$8.68	\$(18.21)	\$14.75	\$10.02	\$8.23	\$(13.26)	\$14.86
F&D Costs per BOE ^{1,2,3,6}								
Including FDC	\$24.85	\$6.90	\$12.46	\$16.37	\$23.34	\$5.64	\$9.87	\$15.52
Excluding FDC	\$10.47	\$8.68	\$(18.21)	\$14.75	\$10.02	\$8.23	\$(13.26)	\$14.86
Recycle Ratio ^{2,5,6}								
F&D (including FDC)	1.8	4.3	1.2	2.5	1.9	5.3	1.5	2.9
F&D (excluding FDC)	4.3	3.4	(0.8)	2.5	4.5	3.6	(1.1)	2.6

Notes for table above:

(1) Barrels of oil equivalent 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.

(2) The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development capital generally will not reflect total finding and development costs related to reserve additions for that year.

(3) The calculation of F&D and FD&A costs both includes or excludes, as labelled, the change in FDC required to bring proved undeveloped and developed reserves into production. The F&D or FD&A number is calculated by dividing the identified capital expenditures by applicable reserve additions including extensions, infills. Revisions, acquisitions and disposals, and economic factors, after or before changes in FDC costs (as labelled).

(4) Three-year average is calculated using three-year total capital costs and reserve additions on both a TP and TPP reserves on a weighted average basis.

(5) Recycle ratio is defined as field netback per BOE divided by F&D costs on a per BOE basis. Field netback is a Non-IFRS Measure, see "Cautionary Statements." On a BOE basis, Bonterra's (unaudited) field netback used in the above calculations are as follows: 2022 - \$44.93; 2021 - \$29.62; 2020 - \$14.39; Three year weighted average - \$30.81.

(6) "FD&A Cost", "F&D Cost", and "Recycle Ratio" do not have standardized meanings and therefore may not be comparable with the calculation of similar measures for other entities. See "Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" in this news release.

OPERATIONAL UPDATE

During the last quarter of 2022, Bonterra invested a total of \$12.6 million and successfully brought three gross operated (3.0 net) new wells onto production, with one of the wells being drilled in the third quarter of 2022. Since then, the Company has continued to be active executing its 2023 capital program, budgeted at \$120 to \$125 million. In the first six weeks of 2023, Bonterra has drilled eight gross operated (7.5 net) wells, which are all expected to be completed, equipped and placed on production in the first quarter of 2023.

Bonterra is pleased to reiterate its 2023 previously released guidance:

- Capital expenditure budget ranging from \$120 to \$125 million, allocated approximately 75 percent to drilling and completing new Cardium wells in Pembina and Willesden Green, with the balance directed to facilities, pipelines and a continued commitment to ongoing abandonment and reclamation activities;
- 2023 production volumes are expected to average between 13,500 and 13,700 BOE per day⁵, weighted approximately 60 percent to oil and liquids;
- Year-over-year expected exit rate growth exceeding 10 percent reflecting planned 2023 exit volumes between 14,100 and 14,400 BOE per day⁶;
- Based on pricing (assuming US\$74.80 WTI) and production assumptions for 2022, as outlined fully in the Company's [December 15, 2022 press release](#), Bonterra anticipates generating approximately \$170-\$175 million in corporate funds flow^{7,8} for the year, resulting in meaningful free funds flow⁸ of approximately

- \$45-\$50 million, which is expected to drive year-end net debt to EBITDA⁸ of 0.7 times; and
- The Company will continue to pursue strategic acquisitions that serve to enhance Bonterra's production base, drilling inventory and further deleverage the balance sheet. The acquisition strategy will support and align with returning to a sustainable dividend paying business model for Q4 2023, at which time the Company expects to have eliminated its outstanding bank debt and commenced building cash reserves based on Bonterra's current forecasts using strip pricing.

As part of its ongoing field operations, the Company has continued to focus on responsible environmental initiatives, including a targeted abandonment and reclamation program. Throughout 2022, Bonterra successfully abandoned 123.5 wells, and plans to abandon an additional 55.0 wells in 2023. By the end of 2023, Bonterra expects to have abandoned approximately 82 percent of all wells identified as having no further potential.

Certain financial and operating information, such as production information, and F&D costs included in this press release are based on estimated unaudited financial results for the quarter and year ended December 31, 2022 and are subject to the same limitations as discussed under Forward Looking Statements set out below. These estimated amounts may change upon the completion of audited financial statements for the year ended December 31, 2022 and changes could be material.

Sustainability Report

Bonterra's commitment to responsible operations has been a focus throughout 2022, as the Company maintained its dedication to safety, continuous improvement and being a positive contributor to the economic success of the communities where it operates in central Alberta. The Company plans to release its second Sustainability Report during Q1 2023, which will align with the Task Force for Climate-related Financial Disclosure ("TCFD") guidelines and outline details of Bonterra's commitment to ESG principles and related activities.

Cautionary Statements

This summarized news release should not be considered a suitable source of information for readers who are unfamiliar with Bonterra Energy Corp. For further information, please go to www.bonterraenergy.com.

Use of Non-IFRS Financial Measures

Throughout this release the Company uses the terms "funds flow", "free funds flow", "net debt", "net debt to EBITDA ratio" and "field 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 defines funds flow as funds provided by operating activities excluding effects of changes in non-cash working capital items and decommissioning expenditures settled. Free funds flow is defined as funds flow less dividends paid to shareholders, capital and decommissioning expenditures settled. Net debt is defined as current liabilities less current assets plus long-term bank debt, subordinated debentures and subordinated term debt. Net debt to EBITDA ratio is defined as net debt at the end of the period divided by EBITDA for the period. EBITDA is defined as net income for the period excluding finance costs, provision for current and deferred taxes, depletion and depreciation, share-option compensation, gain or loss on sale of assets and impairment of assets. Field netback is defined as revenue minus royalties, realized gain or loss on risk management contracts and production costs.

Information Regarding Disclosure on Oil and Gas Reserves and Operational Information

All amounts in this news release are stated in Canadian dollars unless otherwise specified. Bonterra's oil and gas reserves statement for the year ended December 31, 2022, which will include complete disclosure of its oil and gas reserves and other oil and gas information in accordance with NI 51-101, will be contained within its Annual Information Form which will be available on Bonterra's SEDAR profile at www.sedar.com or on the Company's website on or before March 31, 2023. The recovery and reserve estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered. In relation to the disclosure of estimates for individual properties or subsets thereof, such estimates may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. The Company's belief that it will establish additional reserves over time with conversion of probable undeveloped reserves into proved reserves is a forward-looking statement and is based on certain assumptions and is subject to certain risks, as discussed below under the heading "Forward-Looking Information".

This press release contains metrics commonly used in the oil and natural gas industry, such as "reserve life index", "recycle ratio", "finding and development costs", "finding and development recycle ratio", "finding, development and acquisition costs", and "field netbacks". Each of these metrics are determined by Bonterra as specifically set forth in this news release. These terms do not have standardized meanings or standardized methods of calculation and therefore may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Such metrics have been included to provide readers with additional information to evaluate the Company's performance however, such metrics should not be unduly relied upon for investment or other purposes. Management uses these metrics for its own performance measurements and to provide readers with measures to compare Bonterra's performance over time.

Both F&D and FD&A costs take into account reserves revisions during the year on a per boe basis. The aggregate of the costs incurred in the financial year and changes during that year in estimated FDC may not reflect total F&D costs related to reserves additions for that year. Finding and development costs both including and excluding acquisitions and dispositions have been presented in this press release because acquisitions and dispositions can have a significant impact on Bonterra's ongoing reserves replacement costs and excluding these amounts could result in an inaccurate portrayal of its cost structure.

Reserve life index is an index reflecting the theoretical production life of a property if the remaining reserves were to be produced out at current production rates. The index is calculated by dividing the reserves in the selected reserve category at a certain date by the annualized fourth quarter production from the preceding twelvemonth period. Recycle ratio is defined as field netback per BOE divided by F&D costs on a per BOE basis.

Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare Bonterra's performance over time, however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the performance in previous periods. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

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: the Company's 2023 budget and 2023 financial and operating guidance relating to production, funds flow, free funds flow and capital expenditures; expectations relating to debt repayment and the payment of dividends; abandonment and reclamation activities; reserve estimates; expected cash provided by continuing operations; future asset retirement obligations; 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; the impact of the COVID-19 pandemic; 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 or maintain its syndicated bank facility; 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" is the benchmark price for natural gas 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.

¹ 2022 volumes comprised of 7,095 bbl/d light and medium crude oil, 1,141 bbl/d NGLs and 31,023 mcf/d of conventional natural gas.

² All 2022 financial amounts are unaudited. See advisories.

³ Recycle ratio is defined as field netback per BOE divided by F&D costs on a per BOE basis. Field netback is a Non-IFRS Measure, see "Cautionary Statements."

⁴ "Reserve life index" does not have a standardized meaning. See "Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" contained in this news release.

⁵ 2023 volumes are anticipated to be comprised of 7,000 bbl/d light and medium crude oil, 1,200 bbl/d NGLs and 32,400 mcf/d of conventional natural gas based on a midpoint of 13,600 BOE/d.

⁶ Exit 2023 volumes are anticipated to be comprised of 7,428 bbl/d light and medium crude oil, 1,223 bbl/d NGLs and 33,593 mcf/d of conventional natural gas based on a midpoint of 14,250 BOE/d.

⁷ Funds Flow is estimated using a Canadian realized oil price of \$94.83/bbl, a realized natural gas price of \$4.07/mcf; and a realized NGL price of CAD \$65.02/bbl.

⁸ Non-IFRS Measure. See "Cautionary Statements" below.

SOURCE Bonterra Energy Corp.

For further information: Patrick G. Oliver, CEO; Robb D. Thompson, CFO; Adrian Neumann, COO, Telephone: (403) 262-5307, Fax: (403) 265-7488, Email: info@bonterraenergy.com

<https://bonterraenergy.mediaroom.com/2023-02-08-Bonterra-Energy-Corp-Announces-2022-Reserves-and-Provides-Operational-Update>