Bonterra Energy Announces First Quarter 2024 Results

CALGARY, AB, May 14, 2024 /CNW/ – Bonterra Energy Corp. (TSX: BNE) (“Bonterra” or the “Company”) is pleased to announce its financial and operating results for the quarter ended March 31, 2024. The related unaudited condensed financial statements and notes, as well as management’s discussion and analysis (“MD&A”), are available on SEDAR+ at www.sedarplus.ca and on Bonterra’s website at www.bonterraenergy.com.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

As at and for the three months ended ($000s except $ per share)		**March 31, 2024**	**December 31, 2023**	March 31, 2023
FINANCIAL				
Revenue – realized oil and gas sales		**68,589**	81,739	77,263
Funds flow[1]		**27,018**	40,442	29,342
Per share – basic		**0.73**	1.09	0.79
Per share – diluted		**0.72**	1.08	0.79
Cash flow from operations		**21,654**	44,596	24,018
Per share – basic		**0.58**	1.20	0.65
Per share – diluted		**0.58**	1.19	0.64
Net earnings[2]		**848**	14,973	7,640
Per share – basic		**0.02**	0.40	0.21
Per share – diluted		**0.02**	0.40	0.20
Capital expenditures		**32,924**	14,009	60,223
Oil and gas property acquisition[2]		**24,234**	–	–
Total assets		**984,464**	967,870	963,890
Net debt[3]		**176,360**	140,400	183,674
Bank debt		**38,688**	14,822	12,388
Shareholders’ equity		**529,605**	528,258	488,762
OPERATIONS				
Light oil	-bbl per day	**6,622**	7,306	7,068
	-average price ($ per bbl)	**88.96**	97.01	95.71
NGLs	-bbl per day	**1,468**	1,619	1,155
	-average price ($ per bbl)	**46.08**	48.12	54.54
Conventional natural gas	-MCF per day	**36,594**	37,214	31,448
	-average price ($ per MCF)	**2.65**	2.73	3.78
Total barrels of oil equivalent per day (BOE)[4]		**14,189**	15,128	13,464

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

(2) On March 1, 2024, the Company acquired the Charlie Lake Assets for cash consideration of $23.6 million and $0.3 million in non-core mineral rights, including closing adjustments. The Charlie Lake Assets have been accounted for as an asset acquisition, which resulted in an increase of $24.2 million in PP&E and the assumption of $0.3 million in decommissioning liabilities.

(3) Net debt is not a recognized measure under IFRS. The Company defines net debt as current liabilities less current assets plus long-term bank debt, subordinated debentures and subordinated term debt.

[4] 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.

FINANCIAL & OPERATING HIGHLIGHTS

- **Production** in Q1 2024 averaged 14,189 BOE per day, five percent higher than Q1 2023 and six percent lower than the previous quarter due to minimal capital spending in Q4 2023, combined with the impact of production from new wells drilled in Q1 2024 being deferred into Q2 2024. The Company estimates volumes will be within previously announced 2024 production guidance of 13,800 to 14,200 BOE per day[1].
- **Funds flow**[2] totaled $27.0 million ($0.72 per fully diluted share) in Q1 2024, compared to $29.3 million ($0.79 per fully diluted share) generated in Q1 2023, consistent with lower realized oil and gas sales of $68.6 million for the period driven by a 202 percent increase in the differential on Canadian light sweet crude oil from WTI, offset by higher production volumes.
- **Field netbacks[2]** averaged $28.45 per BOE in Q1 2024, while cash netbacks averaged $20.91 per BOE, both primarily reflecting lower realized commodity prices in the period compared to the prior year, partially offset by lower royalty costs and gains on realized risk management contracts.
- **Production costs** averaged $17.98 per BOE in Q1 2024, an increase over the comparable period the prior year, primarily due to additional well maintenance in the period as the Company incurred more service rig costs and other repairs following fewer wells being worked over in Q4 2023, offset by Bonterra's continued focus on cost control and operational enhancements.
- **Capital expenditures** totaled $32.9 million during Q1 2024 and included:
    - $27.0 million directed to drilling 11 gross (10.5 net) operated wells and completing, equipping, tying-in and placing on production 11 gross (10.0 net) operated wells, of which four gross (3.6 net) were drilled in the fourth quarter of 2023. The remaining four gross (4.0 net) operated wells were placed on production early in Q2 2024.
    - $5.9 million directed primarily to related land and lease, infrastructure, recompletions and non-operated capital programs.
- **Established a complementary new core area** with the Charlie Lake asset acquisition during the quarter, as outlined in the Company's March 4, 2024 press release, acquiring 79 net sections of land prospective for light oil (the "Acquisition").
- **Net debt[1]** totaled $176.4 million at quarter-end, while bank debt totaled $38.7 million.
    - On April 30, 2024, Bonterra completed the renewal of its $110 million bank facility, which is structured as a normal course, reserve-based credit facility available on a revolving basis through April 30, 2025, with bi-annual borrowing base redeterminations and a maturity of April 30, 2026.

- The increase in net debt from Q4 2023 is due largely to the $23.9 million Charlie Lake asset acquisition which contributed to a debt to EBITDA ratio of 1.0 times at the end of Q1 2024.

[1] 2024 annual average volumes are anticipated to be comprised of approximately 6,850 bbl/d light and medium crude oil, 1,450 bbl/d NGLs and 35,000 mcf/d of conventional natural gas based on a midpoint of 14,000 BOE/d.
[2] Non-IFRS measure. See advisories later in this press release.

QUARTER IN REVIEW

Bonterra delivered another successful quarter, with all key performance metrics, including production volumes, tracking the Company's guidance. First quarter 2024 production averaged 14,189 BOE per day, five percent higher than the same period in 2023, despite approximately 260 BOE per day of production being shut-in because of the extremely cold weather experienced in January. This was slightly offset by approximately 330 BOE per day of production contributed by the Acquisition during the month of March, representing an average of 112 BOE per day for the quarter. The impact of Bonterra's successful, front-end loaded 2023 capital program resulted in new wells being brought online in the latter half of 2023, while a more muted Q4 2023 drilling program led to lower Q1 2024 volumes relative to the previous quarter. Volumes in the second quarter are expected to reflect the positive impact of the Company's Q1 2024 drilling and capital activities. Bonterra is pleased to reiterate its previously announced 2024 annual guidance targeting 13,800 to 14,200 BOE per day average production, stemming from a $90 million to $100 million 2024 capital expenditure budget.

On March 1, 2024, Bonterra completed the strategic acquisition of a high quality, undeveloped light oil Charlie Lake asset, comprised of 79 net sections of land with 330 BOE per day[1] of production, for total consideration of $23.9 million ("the Acquisition"). The Acquisition is complementary to the Company's existing 37 net sections of land, bringing Bonterra's total Charlie Lake position to 116 net sections of contiguous land. As a result of the Acquisition, in the Company's property, plant and equipment increased by $24.2 million along with the assumption of $0.3 million in decommissioning liabilities. The Company's operational expertise with Cardium light oil development is directly applicable to Charlie Lake, including horizontal development, marketing and field optimization. Further, the Acquisition has extended Bonterra's development runway with a significant, and highly economic, drilling inventory comprised of over 100 Tier-1 identified net extended reach horizontal drilling locations, positioning the Company to generate an increasing and sustainable free cash flow profile. A five-well development drilling program on this property is expected to commence in the second quarter of 2024.

Due to a strong balance sheet and available liquidity, Bonterra was able to close the strategic

Acquisition with funding through its bank line, which was well within the Company's leverage tolerance. Net debt at the end of the first quarter totaled $176.4 million, $7.3 million lower than the same period in 2023 due largely to a 45 percent decrease in capital spending in the current period, partially offset by a draw on the bank line to fund the Acquisition for cash.

To protect project economics and cash flows during the balance of 2024, Bonterra has risk management contracts in place on at least 40 percent of estimated oil and 30 percent of estimated natural gas production through 2024, which hedges exposure against potential downward commodity prices and volatility while imparting stability for the Company's capital development program.

Subsequent to the end of the quarter, Bonterra completed a renewal of its reserve-based bank credit facility with a total borrowing base of $110 million (the "Bank Facility"). As at March 31, 2024, $38.7 million was drawn on the Bank Facility, which is available on a revolving basis through April 30, 2025, with bi-annual borrowing base redeterminations and a term maturity of April 30, 2026.

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[1] Comprised of 160 bbls per day of light crude oil and NGLs and 1,020 mcf per day of conventional natural gas.

Delivering Solid Financial Performance

With higher value light oil and liquids production representing 87 percent of the Company's total realized oil and gas sales in the first quarter, Bonterra remains less impacted by the persistent downward pricing pressure on natural gas. Benchmark oil prices did soften and differentials widened significantly in Q1 2024 relative to both the previous quarter, and the same quarter in 2023. In addition to lower commodity prices quarter-over-quarter, the Company was impacted by increased production costs of $17.98 per BOE. While budgeted, these higher costs are associated with more service rig costs and other repairs following fewer wells being worked over in Q4 2023, increased field labour costs due to the higher field activity, and increased carbon taxes. While production costs were in line with guidance, the combination of lower pricing and higher costs resulted in field and cash netbacks[1] averaging $28.45 and $20.91 per BOE, respectively, with first quarter 2024 funds flow totaling $27.0 million ($0.72 per fully diluted share) and net earnings remaining positive at $848 thousand, or $0.02 per diluted share.

Disciplined Q1 Capital Program Expected to Drive Q2 2024 Volumes

Bonterra invested capital expenditures of $32.9 million in Q1 2024, lower than the $60.2 million invested in Q1 2023. Capital was allocated approximately $27.0 million to the drilling of 11 gross (10.5 net) operated wells and the completion, equip and tie-in of 11 gross (10.0 net) operated wells, of which four gross (3.6 net) were drilled in Q4 2023. The Company placed the remaining four gross (4.0 net) operated wells on production early in the second quarter of 2024. An additional $5.9 million was directed to land and lease, infrastructure, recompletions, and non-operated capital programs.

Strategic Charlie Lake Acquisition Supports Organic Growth

Bonterra's strategic Charlie Lake position represents a meaningful growth asset in a substantially de-risked and highly economic light oil play. It integrates seamlessly with the Company's established Cardium assets and cash flow profile, while serving as an ideal complement to its emerging Montney resource play. Bonterra has now established meaningful positions in two of North America's top trending economic plays, and created a foundation that supports sustained long-term growth and free funds flow generation.

With extensive operational expertise and a solid track record of successful execution in the Cardium, Bonterra's technical team intends to leverage that accumulated knowledge to enhance and optimize the development of the Charlie Lake asset. A five-well Charlie Lake development drilling program is expected to commence in the second quarter, with one of those wells being drilled but uncompleted. Bonterra anticipates Charlie Lake production will reach 6,000 BOE per day by 2026 and can be maintained for over a decade, based on conservative estimates of the identified drilling inventory.

See the Company's press release dated March 4, 2024 for additional details.

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[1] Non-IFRS measure. See advisories later in this press release

First Montney Well Brought on Production Sets Stage for Second Drill

Bonterra's Montney asset is located north of Grand Prairie, Alberta (Valhalla), on a contiguous 47 sections (30,080 acres) of land with 100 percent working interest. The Company's first Montney test well at 04-03-074-6W6 was drilled and completed under budget in the fourth quarter of 2023, further expanding Bonterra's potential drilling inventory. With the successful negotiation of a processing agreement and natural gas egress secured through third party infrastructure, the Montney well was tied-in and is being brought on production in the second quarter of 2024.

During the first quarter, Bonterra constructed a 100 percent owned battery, securing greater optionality for the Company to drill a second well from the same pad and test it in-line. In addition, Bonterra drilled a water disposal well in the second quarter of 2024 to decrease water disposal costs while improving the overall economics of the area's development. To ensure alignment with available infrastructure, egress and capital availability, the Company intends to take a measured approach to the pace of development in the Montney.

Abandonment and Reclamation Activities on Track

The Company continued to responsibly pursue abandonment and reclamation efforts in Q1 2024 with spending and activities on target for the quarter and 16.0 net well sites reclaimed during the period. As a result of Bonterra's ongoing and targeted abandonment and reclamation program, by the end of 2024, the Company estimates having abandoned 36.1 net wells and 50 pipelines (for a total length of 46 kilometers of pipe), with 219 well sites decommissioned in preparation for future reclamation. Bonterra is forecasting an estimated $7.0 million will be directed to decommissioning liabilities in 2024, which exceeds its mandatory spend under the Alberta Energy Regulator's Liability Management Program.

OUTLOOK

Looking ahead through the balance of 2024 and beyond, the Company intends to continue building on the positive momentum achieved over the past several quarters, and to further the prudent development of its optimal inventory and asset mix. Bonterra's stable, Cardium cash flow engine is complemented by two emerging and exciting light oil core areas in the Charlie Lake and Montney, both of which offer high impact growth potential, superior economics and the potential to generate significant free funds flow over time. Following the integration of the Charlie Lake asset, the Company's previous resource allocation to M&A activities can now be refocused to the continued realization of an efficient deployment of capital targeting organic growth. With a commitment to maintaining a disciplined capital allocation strategy, Bonterra estimates that strong operational execution in the development of the expanded inventory across its three core operating areas can drive production growth, allow for ongoing debt repayment and advance the Company's strategy to implement a sustainable return of capital model.

Enhanced Stability Through Risk Management

To protect future cash flows, mitigate commodity price risk and impart stability, Bonterra has layered hedges on approximately 40 percent of expected crude oil production and 30 percent of natural gas production through year end 2024. The following risk management contracts were in place as at March 31, 2024:

- WTI prices between $60.00 USD to $93.75 USD per bbl on approximately 2,889 bbls per day for the balance of 2024;
- From July 1 to December 31, 2024, an average WTI to Edmonton par differential price of $2.60 USD per bbl on 1,000 barrels of oil per day; and
- Natural gas prices between $2.04 to $2.71 per GJ on 12,831 GJ per day for the balance of 2024.

Publication of Third Annual Sustainability Report

Bonterra also released its third annual sustainability report, which outlines the Company's approach to environmental, social and governance initiatives, including highlighting health and safety, an ongoing focus on responsible environmental stewardship, and a commitment to the well-being and improvement of the communities near Bonterra's operations. The updated report is available on Bonterra's website.

The Company remains sharply focused on the responsible, safe and efficient execution of its business strategy, to develop and optimize Bonterra's oil-weighted, high-growth and diverse asset portfolio. With the strategic integration of the new and pivotal Charlie Lake core area, along with the emerging contribution from the Montney, the Company believes it is well positioned to deliver sustainable value for stakeholders and generate robust free funds flow, supporting a sustainable return of capital model.

About Bonterra

Bonterra Energy Corp. is a conventional oil and gas corporation forging a grounded path forward for Canadian energy. Operations include a large, concentrated land position in Alberta's Pembina Cardium, one of Canada's largest oil plays. Bonterra's liquids-weighted Cardium production provides a foundation for implementing a return of capital strategy over time, which is focused on generating long-term, sustainable growth and value creation for shareholders. Emerging Charlie Lake and Montney exploration opportunities are expected to provide enhanced optionality and an expanded potential development runway for the future. Our shares are listed on the Toronto Stock Exchange under the symbol "BNE" and we invite stakeholders to follow us on LinkedIn and X (formerly Twitter) for ongoing updates and developments.

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.

Non-IFRS and Other Financial Measures

Throughout this release the Company uses the terms "funds flow", "free funds flow", "net debt", "field netback" 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 defines funds flow as funds provided by operations including proceeds from sale of investments and investment income received 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 long-term subordinated term debt, subordinated debentures and bank debt plus working capital deficiency (current liabilities less current assets). Field netback is defined as revenue and realized risk management contract gain (loss) minus royalties and operating expenses divided by total BOEs for the period. EBITDA is defined as net earnings excluding deferred consideration, finance costs, provision for current and deferred taxes, depletion and depreciation, share-option compensation, gain or loss on sale of assets and unrealized gain or loss on risk management contracts. Net debt to EBITDA ratio is defined as net debt at the end of the period divided by EBITDA for the trailing twelve months.

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: estimated production; cash flow sensitivity to commodity price variables; earnings sensitivity to interest rates; abandonment and reclamation activities and targets; expected cash provided by continuing operations; return of capital strategy; 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; maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; 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 may limit growth or operations within the oil and gas industry; the impact of climate-related financial disclosures on financial results; the ability of the Company to raise capital, maintain its syndicated bank facility and refinance indebtedness upon maturity; 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; credit risks; climate change risks; cyber security; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive.

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 therefrom. 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.

SOURCE Bonterra Energy Corp.