InPlay Oil Corp. Announces First Quarter 2020 Financial and Operating Results

May 7, 2020 - Calgary Alberta – InPlay Oil Corp. (TSX: IPO) (OTCQX: IPOOF) ("InPlay" or the "Company") is pleased to announce its financial and operating results for the three months ended March 31, 2020. InPlay's condensed unaudited interim financial statements and notes, as well as management's discussion and analysis ("MD&A") for the three months ended March 31, 2020 will be available at "www.sedar.com" and our website at "www.inplayoil.com".

Financial and Operating Results:

(CDN) ($000's)	Three months ended March 31	
	2020	**2019**
Financial		
Oil and natural gas sales	13,092	19,210
Funds flow	3,235	8,534
Per share – basic and diluted	0.05	0.13
Per boe	7.43	20.02
Adjusted funds flow(1)	3,418	9,054
Per share – basic and diluted(1)	0.05	0.13
Per boe(1)	7.85	21.24
Comprehensive income (loss)	(100,497)	1,035
Per share – basic and diluted	(1.47)	0.02
Exploration and development capital expenditures	11,632	14,763
Property acquisitions/(dispositions)	-	87
Net debt	(63,713)	(60,033)
Shares outstanding	68,256,616	68,256,616
Basic & diluted weighted-average shares	68,256,616	68,256,616
Operational		
Daily production volumes		
Crude oil (bbls/d)	2,432	2,723
Natural gas liquids (bbls/d)	807	500
Natural gas (Mcf/d)	9,271	9,084
Total (boe/d)	4,784	4,737
Realized prices		
Crude oil & NGLs ($/bbls)	38.53	58.28
Natural gas ($/Mcf)	2.06	2.82
Total ($/boe)	30.07	45.06
Operating netbacks ($/boe)(1)		
Oil and natural gas sales	30.07	45.06
Royalties	(2.09)	(3.50)
Transportation expense	(0.79)	(0.92)
Operating costs	(14.67)	(14.29)
Operating netback	12.52	26.35
Realized gain (loss) on derivative contracts	0.00	0.05
Operating netback (including realized derivative contracts)	12.52	26.40

(1) "Adjusted funds flow" or "AFF", "adjusted funds flow per share, basic and diluted", "adjusted funds flow per boe", "operating income", "operating netback per boe" and "operating income profit margin" do not have a standardized meaning under International Financial Reporting Standards (IFRS) and GAAP and therefore may not be comparable with the calculations of similar measures for other companies. "Adjusted funds flow" adjusts for decommissioning expenditures from funds flow. Please refer to "Non-GAAP Financial Measures" and "BOE equivalent" at the end of this news release and to the section entitled "Non-GAAP Measures" in our MD&A for details of calculations, rationale for use and applicable reconciliation to the nearest IFRS measure.

First Quarter 2020 Financial & Operations Overview

Production averaged 4,784 boe/d in the first quarter of 2020 with approximately 340 boe/d of production down during the month of January due to extremely cold weather and with the new wells drilled in the quarter being brought on at restricted rates due to the rapid commodity price decline through March. This is a one percent increase compared to the 4,737 boe/d produced over the first quarter of 2019. Operating costs over the first quarter were $14.67/boe, five percent lower than $15.38/boe in the fourth quarter of 2019.

The commodity price collapse as a result of the COVID-19 crisis heavily impacted our financial results for the first quarter of 2020. Oil prices were significantly lower over the first quarter with WTI prices averaging $46.17 USD/bbl, compared to $54.81 USD/bbl for the first quarter of 2019. This was amplified during March (when InPlay brought on new production) when WTI averaged $30.45 USD/bbl. NGL prices also continued to remain at multi-year lows as the Company's realized NGL prices averaged $12.84 CDN/bbl in the first quarter of 2020 compared to $28.29 CDN/bbl over the same period in 2019, largely due to continued weakness in propane and butane pricing. During the first quarter of 2020, InPlay achieved AFF of $3.4 million ($0.05 per basic share).

InPlay's capital program for the first quarter of 2020 consisted of $11.6 million of development capital focused on one (1.0 net) extended reach horizontal ("ERH") well in Willesden Green and three (3.0 net) one-mile horizontal wells in Pembina. InPlay also built a water disposal facility in Pembina that has reduced operating costs and is expected to payout in less than a year at current future commodity pricing.

We are extremely pleased with the positive results achieved from the continued drilling program in our Central Pembina Cardium area. The average initial production ("IP") rates and related oil and liquids percentages for our three wells completed in October 2019 and three wells completed in February 2020 are as follows:

	IP 30	IP 60	IP 180
October 2019 Wells	164 boe/d (97%)	179 boe/d (95%)	182 boe/d (90%)
February 2020 Wells	199 boe/d (96%)	204 boe/d (95%)	N/A

These rates are well ahead of corporate type curves despite the recently completed wells being produced at restricted rates. Drilling in the Pembina Cardium has lower capital costs than Willesden Green due to its shallower depth. The less capital intensive nature coupled with our top-of-class cost structures (which we have reduced by 25% since our last Pembina program in 2018) attributed to our new drilling and completion techniques provides the Company with increased top-tier Pembina inventory in a normal pricing environment. Average costs for the three one mile Pembina wells drilled during the first quarter were approximately $1.89 million per well for drilling, completions and tie in operations. These most recent wells were drilled and completed during frigid winter conditions when service availability was tight and costs tend to be higher, but were still consistent with the three October wells which cost an average of $1.78 million in more favorable drilling conditions. These wells were completed and brought on production in the last week of February and given the commodity price collapse as a result of the COVID-19 crisis, they are being produced at restricted rates in order to preserve production and reserves for a more favorable oil price environment.

Outlook

There has been recent optimism in demand improving from the lows in April as countries are looking to cautiously open their economies from strict isolation measures imposed by governments. This combined with the announced reductions in production that started May 1 from OPEC+ and production curtailments by producers worldwide, suggests that storage may not fill as quickly or to capacity as initially predicted. InPlay remains steadfast on its focus of managing the current crisis and is performing daily monitoring of the economic environment, production economics, government assistance programs and cost cutting initiatives. Management will continue to take actions with the objective of preserving liquidity and managing production and reserves in order to preserve and realize higher value in improved future pricing environments.

In mid-March the Company quickly started implementation of operating and corporate cost reduction initiatives as a response to the unprecedented low pricing environment. At that time the Company estimated that these initiatives would result in approximately $7.0 million in savings over the remainder of 2020 compared to our original forecast announced in January 2020. Our focus and initiatives have continued on this front and we are pleased to report that we now estimate reductions with these controllable costs of between $8.0 – $9.0 million in an extremely low price environment. This equates to approximately a 25% - 30% reduction and we estimate that we could retain up to 10% cost reductions in a return to a normal pricing environment.

InPlay recently received acknowledgment of receipt of its application for the Canadian Emergency Wage Subsidy. We are continuing to work with our banking syndicate in pursuing the recently announced federal support programs through the Export Development Bank of Canada ("EDC") and Business Development Bank of Canada ("BDC"). As previously mentioned in our press release dated April 23, 2020, the Company believes that we are well positioned to meet the requirements of the EDC and BDC liquidity support programs.

Given the contango in the forward price curve and the favorable economics of deferring production, InPlay has nominated oil sales in June at approximately 20% of our pre-curtailment capacity. Our focus is firmly on ensuring operations continue to be conducted safely, efficiently and in a manner that will result in minimal start up issues and costs. Oil wells with higher natural gas rates will be prioritized to keep on production in order to take advantage of the current strong natural gas pricing. As well plans are to fill our excess oil storage capacity in order to sell at anticipated higher future prices. Our production estimate for June sales is approximately 2,300 boe/d at 50% natural gas compared to the first quarter corporate average of 32% natural gas. When pricing recovers, InPlay will reduce curtailments and sell oil out of storage.

We thank our employees and all of our service providers for their commitments and efforts in this unprecedented time as well as our directors for their ongoing commitment and dedication. Finally, we thank all of our shareholders for their continued interest and support.

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Non-GAAP Financial Measures

Included in this press release are references to the terms “adjusted funds flow”, “adjusted funds flow per share, basic and diluted”, “adjusted funds flow per boe”, “operating income”, “operating netback per boe” and “operating income profit margin”. Management believes these measures are helpful supplementary measures of financial and operating performance and provide users with similar, but potentially not comparable, information that is commonly used by other oil and natural gas companies. These terms do not have any standardized meaning prescribed by GAAP and should not be considered an alternative to, or more meaningful than, “funds flow”, “profit (loss) before taxes”, “profit (loss) and comprehensive income (loss)” or assets and liabilities as determined in accordance with GAAP as a measure of the Company’s performance and financial position.

InPlay uses “adjusted funds flow”, “adjusted funds flow per share, basic and diluted” and “adjusted funds flow per boe” as key performance indicators. Adjusted funds flow should not be considered as an alternative to or more meaningful than funds flow as determined in accordance with GAAP as an indicator of the Company’s performance. InPlay’s determination of adjusted funds flow may not be comparable to that reported by other companies. Adjusted funds flow is calculated by adjusting for decommissioning expenditures from funds flow. This item is adjusted from funds flow as decommissioning expenditures are incurred on a discretionary and irregular basis and are primarily incurred on previous operating assets, making the exclusion of this item relevant in Management’s view to the reader in the evaluation of InPlay’s operating performance. Adjusted funds flow per share, basic and diluted is calculated by the Company as adjusted funds flow divided by the weighted average number of common shares outstanding for the respective period. Management considers adjusted funds flow per share, basic and diluted an important measure to evaluate its operational performance as it demonstrates its recurring operating cash flow generated attributable to each share. Adjusted funds flow per boe is calculated by the Company as adjusted funds flow divided by production for the respective period. Management considers adjusted funds flow per boe an important measure to evaluate its operational performance as it demonstrates its recurring operating cash flow generated per unit of production. For a detailed description of InPlay’s method of calculating adjusted funds flow, adjusted funds flow per share, basic and diluted and adjusted funds flow per boe and their reconciliation to the nearest GAAP term, refer to the section “Non-GAAP Measures” in the Company’s MD&A filed on SEDAR.

InPlay also uses “operating income”, “operating netback per boe” and “operating income profit margin” as key performance indicators. Operating income should not be considered as an alternative to or more meaningful than net income as determined in accordance with GAAP as an indicator of the Company’s performance. Operating income is calculated by the Company as oil and natural gas sales less royalties, operating expenses and transportation expenses and is a measure of the profitability of operations before administrative, share-based compensation, financing and other non-cash items. Management considers operating income an important measure to evaluate its operational performance as it demonstrates its field level profitability. Operating netback per boe is calculated by the Company as operating income divided by average production for the respective period. Management considers operating netback per boe an important measure to evaluate its operational performance as it demonstrates its field level profitability per unit of production. Operating income profit margin is calculated by the Company as operating income as a percentage of oil and natural gas sales. Management considers operating income profit margin an important measure to evaluate its operational performance as it demonstrates how efficiently the Company generates field level profits from its sales revenue. For a detailed description of InPlay’s method of the calculation of operating income, operating netback per boe and operating income profit margin and their reconciliation to the nearest GAAP term, refer to the section “Non-GAAP Measures” in the Company’s MD&A filed on SEDAR.

Forward-Looking Information and Statements

This news release contains certain forward–looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" “forecast” and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: that InPlay’s cost reduction initiative will lead to estimated savings of approximately $8.0 - $9.0 million; that the federal support program will be implemented as announced and the Company’s belief that it will meet the criteria for access including, without limitation, financial viability; the estimated time to payout of our Pembina water disposal facility; the potential for and extent of planned curtailments or shut-ins and the potential timing and impact thereof; that short-term production curtailments will not have a significant impact on long term value of the Company; future liquidity and financial capacity; June sales estimates; future results from operations and operating metrics; future costs (including retention of cost reductions post COVID-19), expenses and royalty rates; future interest costs; the exchange rate between the $US and $Cdn; and methods of funding our capital program. Forward-looking statements or information are based on a number of material factors, expectations or assumptions of InPlay which have been used to develop such statements and information but which may prove to be incorrect. Although InPlay believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because InPlay can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which InPlay operates; the timely receipt of any required regulatory approvals; the ability of InPlay to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which InPlay has an interest in to operate the field in a safe, efficient and effective manner; the ability of InPlay to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and the ability of InPlay to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which InPlay operates; and the ability of InPlay to successfully market its oil and natural gas products.

The forward-looking information and statements included herein are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to defer materially from those anticipated in such forward-looking information or statements including, without limitation: the duration and impact of COVID-19; changes in commodity prices; the potential for variation in the quality of the reservoirs in which we operate; changes in the demand for or supply of our products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of InPlay or by third party operators of our properties; increased debt levels or debt service requirements; inaccurate estimation of our oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in InPlay's disclosure documents.

The forward-looking information and statements contained in this news release speak only as of the date hereof and InPlay does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Test Results and Initial Production Rates

Test results and initial production rates disclosed herein, particularly those short in duration, may not necessarily be indicative of long term performance or of ultimate recovery. A pressure transient analysis or well-test interpretation has not been carried out and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed.

BOE equivalent

Barrel of oil equivalents or BOEs 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. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of 6:1, utilizing a 6:1 conversion basis may be misleading as an indication of value.