

PetroTal Announces Third Quarter 2020 Financial and Operating Results

20.11.2020 | [Newsfile](#)

Following social unrest, production has been restricted to 5,000 bopd to manage oil inventory

Calgary, November 19, 2020 - [PetroTal Corp.](#) (TSXV: TAL) (AIM: PTAL) ("PetroTal" or the "Company") is pleased to announce its financial and operating results for the three and nine months ended September 30, 2020 ("Q3 2020").

Selected financial and operational information is outlined below and should be read in conjunction with the Company's unaudited consolidated financial statements ("Financial Statements") and management's discussion and analysis ("MD&A") for Q3 2020, which are available on SEDAR at www.sedar.com and the Company's website at www.PetroTal‐Corp.com. All amounts herein are in United States dollars ("US\$") unless otherwise stated.

Q3 2020 HIGHLIGHTS

RESULTS AT A GLANCE

	Nine Months Ended		Three Months Ended		
	September 30		September 30	June 30	March 31
	2020	2019	2020	2020	2020
Financial					
Crude oil revenues	\$59,218	\$32,307	\$7,611	\$9,839	\$41,768
Royalties	(2,177)	(1,581)	(248)	(123)	(1,806)
Net operating income	22,889	13,364	2,324	2,756	17,809
Commodity price derivatives income (loss) (1)	(17,757)	580	4,399	18,264	(40,420)
Net income (loss)	(12,199)	1,925	3,224	16,029	(31,452)
Basic and diluted net income (loss) (US\$/share)	(0.02)	0.00	0.00	0.02	(0.05)
Capital expenditures	35,982	62,490	3,354	8,756	23,872
Operating					
Average production (bopd) (2)(3)	5,428	2,905	2,444	4,185	9,686
Average sales (bopd)	5,777	2,188	2,327	4,729	10,313
Average Brent oil price (US\$/barrel)	42.69	64.67	44.32	29.19	50.14
Average realized price (US\$/barrel)	37.41	54.09	35.56	22.87	44.51
Netback (US\$/barrel)	14.46	22.38	10.86	6.40	18.98
Funds flow provided by (used in) operations	15,375	8,198	(548)	862	15,061
Balance sheet					
Cash			9,788	20,379	7,373
Working Capital			(30,407)	(31,845)	(61,025)
Total assets			205,531	216,899	194,274
Current liabilities			62,355	76,932	89,914
Equity			126,253	122,789	90,029

(1) Contingent liability will be paid over a three-year period.

(2) The field was shut in on May 7, 2020; for the 37 producing days in Q2 2020, production averaged 11,500 bopd.

(3) The field was shut in from July 1 to July 14 and from August 9 to September 27; for the 28 producing days in Q3 2020 constrained production averaged 8,000 bopd.

Q3 2020 Operational Highlights

- On July 15, 2020, PetroTal recommenced oil field operations after the COVID-19 government-imposed shut down on May 7, 2020, and production returned to 11,500 bopd shortly thereafter;
- As a preemptive measure, the Bretana oil field was shut down on August 9, 2020 due to social unrest against the government outside the field camp that resulted in a violent confrontation between protestors (intending to occupy the Bretana facilities) and the police. The social unrest was conducted by protestors seeking government assistance against the COVID-19 crisis; and,
- As a result of the indigenous communities and government bodies reaching an agreement that will see increased funding for the local communities, on September 28, 2020, PetroTal recommenced oil field operations, and production again was restored to the pre-shut down level of 11,500 bopd.

Q3 2020 Financial Highlights

- Revenue decreased to \$7.6 million (\$35.56/bbl) compared to \$9.8 million (\$22.87/bbl) in Q2 2020, due to lower oil production as a result of social unrest in Q3 2020. However, this was in part, offset by higher oil prices, with the average Brent oil price increasing to \$44.32/bbl from \$29.19/bbl for Q2 2020;
- Royalties to the Peruvian government were \$0.2 million (3.2% of revenue) compared to \$0.1 million (1.3% of revenue) for Q2 2020;
- Operating costs were \$2.5 million (\$11.64/bbl) compared to \$2.4 million (\$5.67/bbl) for Q2 2020, reflecting consistent quarterly costs not directly impacted by lower production;
- Transportation costs were \$2.5 million (\$11.90/bbl) compared to \$4.5 million (\$10.50/bbl) for Q2 2020, reflecting the variable cost nature associated with lower production;
- Cash flow used by operations was \$0.5 million compared to \$0.9 million generated by operations in Q2 2020;
- Net operating income was \$2.3 million (\$10.86/bbl) compared to net operating income of \$2.8 million (\$6.40/bbl) in Q2 2020;
- The Company had cash of \$9.8 million at the end of Q3 2020 compared to \$20.4 million at the end of Q2 2020. The majority of the cash reduction is attributed to a \$9.4 million reduction in accounts payable during Q3 2020;
- The Company's contingent derivative liability relating to oil sold to Petroperu was reduced to \$17.0 million at September 30, 2020 from \$22.3 million at June 30, 2020, as a result of higher oil prices in Q3 2020. This contingent liability relates to the timing difference between when Petroperu provides an initial payment for the oil and when the final settlement price is calculated. The amount of the ultimate liability will be crystallized when the oil is actually sold by Petroperu, which is expected to commence in December 2020 and continue into 2021; and,
- The contingent liability pertaining to the Brent oil price reduction has been structured into a three-year payment arrangement ("Arrangement") with Petroperu (the "Parties"):
 - The amount of this contingent liability to Petroperu will be definitively determined when the security arrangements for PetroTal's obligations are finalized;
 - The Arrangement allows PetroTal to settle the obligations to Petroperu now while still allowing the Company to benefit from higher oil prices forecasted by the Brent forward strip pricing curve, when the physical oil sales occur;
 - The Parties have agreed to extend the one-year Oil Sales Contract to three years upon expiry of the current term in December 2020;
 - The Parties established a framework to ensure that future oil sales under the Oil Sales Contract have adequate hedge protection to avoid future downside losses; and,
 - The Parties have agreed to further amendments to the Oil Sales Contract for lower pipeline tariffs and fees during periods of low oil prices.

Events subsequent to September 30, 2020

- After PetroTal recommenced oil field operations on September 28, 2020, the wells were quickly brought into full operation at the pre shut-down level of 11,500 bopd. The indigenous communities and government bodies have reached an agreement that will see increased funding for the local communities. Oil deliveries have commenced to the Iquitos refinery and, on a limited basis, to the Northern Oil Pipeline ("ONP") until social issues affecting the ONP are fully resolved. In order to manage oil inventory levels, production is currently intentionally constrained to 5,000 bopd, until such time as the ONP is operational. The Company's stringent COVID-19 protocols continue to ensure that the camp remains safe;
- In October 2020, the Company sold 192,000 barrels of oil to the Iquitos refinery and the ONP at pump station #1, thereby generating revenues of \$5.5 million (net of transportation and fees), which has been paid to the Company;
- Discussions with Petroperu are continuing with respect to finalizing the contingent liability Arrangement, and the agreement is expected to be completed in the coming weeks;

- The Company continues to diligently pursue a robust credit facility that will enhance liquidity and enable the Company to continue investment in the Bretana oil field for development growth; and,
- PetroTal has been assessing other oil export options and has signed a contract with an international oil trader for a pilot shipment to export 120,000 barrels into the Atlantic region using the Amazon river through Brazil. The shipment will be sold FOB Bretana, priced at the forward month Brent ICE price, and paid within two weeks of loading at Bretana. There are no subsequent oil price adjustments.

Liquidity Update

At November 19, 2020, PetroTal has cash resources of \$9.8 million, with accounts payable and accrued liabilities of approximately \$39.3 million, a reduction of \$1 million from September 30, 2020. Ongoing payments will be managed from expected oil field revenues and internal cash resources. Pursuant to contractual terms with our suppliers, approximately 46% of the amount are not due until into 2021.

Manuel Pablo Zuniga-Pflucker, President and Chief Executive Officer, commented:

"Whilst the last few months have been challenging, from both a COVID-19 and a social unrest perspective, we believe we have now turned the corner. Although we continue to restrict current production to 5,000 bopd, in order to manage our inventory levels, we are confident that we can increase production back to 11,500 bopd once the ONP reopens.

"We are pleased that the indigenous communities and government bodies have reached an agreement that will see increased funding for the local communities, and we look forward to continuing our strong working relationship with national, regional & local governments and the communities nearby Bretana as well as their indigenous leaders.

"We are pleased to sign an agreement with an international oil trader for the pilot export sale of 120,000 barrels of oil into the Atlantic region, diversifying our oil export options. We also aim to secure a credit facility in due course, which has the potential to enhance the Company's liquidity, so we can continue investment in the Bretana oil field for development growth. In closing, I would like to thank all our stakeholders for their continued support, during what has been a challenging period for the Company. We remain upbeat about the potential of the Bretana field and are firmly focused on delivering value for all those involved in the Company."

ABOUT PETROTAL

PetroTal is a publicly traded, dual-listed (TSXV: TAL) and (AIM: PTAL) oil and gas development and production company domiciled in Calgary, Alberta, focused on the development of oil assets in Peru. PetroTal's flagship asset is its 100% working interest in Bretana oil field in Peru's Block 95 where oil production was initiated in June 2018, and in early 2020 became the second largest crude oil producer in Peru. Additionally, the Company has large exploration prospects and is engaged in finding a partner to drill the Osheki prospect in Block 107. The Company's management team has significant experience in developing and exploring for oil in Northern Peru and is led by a Board of Directors that is focused on safely and cost effectively developing the Bretana oil field.

For further information, please see the Company's website at www.petrotal-corp.com, the Company's filed documents at www.sedar.com, or contact:

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FORWARD‐LOOKING STATEMENTS: This press release contains certain statements that may be deemed to be forward‐looking statements. Such statements relate to possible future events, including, but not limited to: PetroTal's business strategy, objectives, strength and focus; increased oil production volumes due to the reopening of the Bretana oil field, intentional production constraints to manage oil inventory and plans to return to full of production at such time as ONP is operational; the Arrangement with Petroperu, including the intention to enter into a final agreement in respect of contingent liabilities; the Company's ability to secure a credit facility; export alternatives; future development and growth prospects; and the ongoing effects of Covid-19 and social unrest and violence in Peru on the Company and its employees. All statements other than statements of historical fact may be forward‐looking statements. Forward‐looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "estimate", "potential", "will", "should", "continue", "may", "objective" and similar expressions. The forward‐looking statements are based on certain key expectations and assumptions made by the Company, including, but not limited to, expectations and assumptions concerning the ability of existing infrastructure to deliver production and the anticipated capital expenditures associated therewith, reservoir characteristics, recovery factor, exploration upside, prevailing commodity prices and the actual prices received for PetroTal's products, the availability and performance of drilling rigs, facilities, pipelines, inventory and barge storage capacity, other oilfield services and skilled labour, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the accuracy of PetroTal's geological interpretation of its drilling and land opportunities, current legislation, receipt of required regulatory approval, the success of future drilling and development activities, the performance of new wells, the Company's growth strategy, general economic conditions and availability of required equipment and services. Although the Company believes that the expectations and assumptions on which the forward‐looking statements are based are reasonable, undue reliance should not be placed on the forward‐looking statements because the Company can give no assurance that they will prove to be correct. Since forward‐looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e. g. , operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), commodity price and exchange rate fluctuations, legal, political and economic instability in Peru (including recent social unrest and violence), access to transportation routes and markets for the Company's production, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. In addition, the Company cautions that current global uncertainty with respect to the spread of the COVID-19 virus and its effect on the broader global economy may continue to have a significant negative effect on the Company. While the precise impact of the COVID-19 virus on the Company remains unknown, rapid spread of the COVID-19 virus may continue to have a material adverse effect on global economic activity, and may continue to result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company. Please refer to the risk factors identified in the Company's annual

information form for the year ended December 31, 2019 and management's discussion and analysis for the three and nine months ended September 30, 2020 which are available on SEDAR at www.sedar.com. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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