

# PetroTal Announces 2020 Year-End Oil Reserves

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7% increase in 2P Reserves to 51.0 million barrels  
and 25% increase in 3P Reserves to 106.1 million barrels

Calgary, February 24, 2021 - [PetroTal Corp.](#) (TSXV: TAL) (AIM: PTAL) ("PetroTal" or the "Company"), a Peruvian focused E&P company, is pleased to announce the results of its 2020 year-end reserve evaluation by Netherland, Sewell & Associates, Inc. ("NSAI") for the Breaña oil field, operated 100% by PetroTal. All currency amounts are in United States dollars (unless otherwise stated) and comparisons refer to December 31, 2019.

## HIGHLIGHTS:

- Proved ("1P") reserves increased by 4% to 22.3 million barrels ("mmbbl") from 21.5 mmbbl, Proved plus Probable ("2P") reserves increased by 7% to 51.0 mmbbl from 47.7 mmbbl and Proved plus Probable and Possible ("3P") reserves increased by 25% to 106.1 mmbbl from 84.8 mmbbl;
- Relative to 2020 oil production of 2.1 mmbbl, reserve replacement was 38% in 1P reserves and 157% in 2P reserves; Breaña's reserve life index ("RLI") for 1P and 2P reserves is now 6.4 years and 14.6 years, respectively;
- Original oil in place ("OOIP") estimates for 1P, 2P, and 3P reserve categories were unchanged from 2019 at 235, 364, and 579 mmbbls, respectively;
- NSAI attributes a corresponding 2P recovery factor of 15.0%, increased from 13.6% at year-end 2019 due to performance of the existing wells;
- A 19% decrease in total 2P operating costs resulting in an undiscounted saving of \$232 million driven by further calibration and optimization to the Company's actual cost structure;
- Net Present Value (before tax, discounted at 10%) (NPV-10) is calculated at \$317 million (\$14.21/bbl) for 1P reserves, \$830 million (\$16.27/bbl) for 2P reserves;
- The 2021 development program combined with all future development and abandonment costs, represent total finding and development costs of \$11.52/bbl for 1P reserves, \$4.96/bbl for 2P reserves and \$3.16/bbl for 3P reserves; and,
- On a 2P basis, this represents a recycle ratio of 4.7 times, based on the total \$4.96/bbl finding and development cost relative to a netback of \$23.40/bbl (assumed at \$50.00/bbl Brent oil price).

## 2020 Year-end Reserves Summary

The summary below sets forth PetroTal's reserves as at December 31, 2020, as presented in the independent reserves report prepared by NSAI, a qualified reserves evaluator. The figures in the following tables have been prepared in accordance with the standards contained in the most recent publication of the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") and the reserve definitions contained in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). In addition to the summary information disclosed in this announcement, more detailed information will be included in PetroTal's annual information form for the year ended December 31, 2020 (the "AIF") to be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and posted on PetroTal's website ([www.petrotal-corp.com](http://www.petrotal-corp.com)) in April 2021.

## Six Year Crude Oil Price Forecast - NSAI Report

|                                     |         |         |         |         |         |         |
|-------------------------------------|---------|---------|---------|---------|---------|---------|
| Year-End Forecast:                  | 2021    | 2022    | 2023    | 2024    | 2025    | 2026    |
| Brent (USD\$/bbl) - January 1, 2021 | \$49.42 | \$52.85 | \$56.04 | \$57.87 | \$59.00 | \$60.15 |
| Brent (USD\$/bbl) - January 1, 2020 | \$67.94 | \$70.06 | \$71.66 | \$73.27 | \$74.57 | \$76.22 |

The oil price projections used by NSAI are based upon an average of December 31, 2020 and 2019 forecasts of Brent Crude futures prices prepared by qualified reserves evaluators: GLJ Petroleum Consultants Ltd., McDaniel & Associates Consultants Ltd. and Sproule Associates Limited.

## Year-End Crude Oil Reserves (mmbbl)

| CATEGORY                              | 2020  | 2019 | Change |
|---------------------------------------|-------|------|--------|
| Proved                                |       |      |        |
| Developed Producing                   | 12.0  | 11.2 | +7%    |
| Undeveloped                           | 10.3  | 10.3 | 0%     |
| Total Proved                          | 22.3  | 21.5 | +4%    |
| Probable                              | 28.7  | 26.2 | +10%   |
| Total Proved plus Probable            | 51.0  | 47.7 | +7%    |
| Possible                              | 55.1  | 37.1 | +49%   |
| Total Proved plus Probable & Possible | 106.1 | 84.8 | +25%   |

Represents gross and net barrels since PetroTal owns a 100% working interest and a 100% net revenue interest in these properties. Royalties are paid from sales proceeds.

## Year-End Net Present Value at 10% - Before Tax (\$ millions)

| CATEGORY                              | 2020    | 2019    | Change |
|---------------------------------------|---------|---------|--------|
| Proved                                |         |         |        |
| Developed Producing                   | \$135   | \$202   | -33%   |
| Undeveloped                           | \$182   | \$232   | -22%   |
| Total Proved                          | \$317   | \$434   | -27%   |
| Probable                              | \$513   | \$665   | -23%   |
| Total Proved plus Probable            | \$830   | \$1,098 | -24%   |
| Possible                              | \$891   | \$777   | +15%   |
| Total Proved plus Probable & Possible | \$1,721 | \$1,875 | -8%    |

Using the December 31, 2019 NSAI price deck on the December 31, 2020 NSAI reserves, holding all other assumptions constant, the year-end net present values (before tax) discounted at 10% would increase by the following approximate amounts: 1P - \$250 million, 2P - \$480 million, 3P - \$780 million.

## Year-End Net Present Value at 10% - After Tax (\$ millions)

| CATEGORY                              | 2020    | 2019    | Change |
|---------------------------------------|---------|---------|--------|
| Proved                                |         |         |        |
| Developed Producing                   | \$134   | \$137   | -2%    |
| Undeveloped                           | \$137   | \$158   | -13%   |
| Total Proved                          | \$271   | \$295   | -8%    |
| Probable                              | \$350   | \$452   | -23%   |
| Total Proved plus Probable            | \$621   | \$746   | -17%   |
| Possible                              | \$607   | \$529   | 15%    |
| Total Proved plus Probable & Possible | \$1,228 | \$1,275 | -4%    |

## Year-End Reserves Value per Share - After tax

| CATEGORY                        | Dec. 31, 2020 |          |        | Dec. 31, 2019 |          |        |
|---------------------------------|---------------|----------|--------|---------------|----------|--------|
| Reserves per share              | US\$/sh       | CAD\$/sh | GBP/sh | US\$/sh       | CAD\$/sh | GBP/sh |
| Proved                          | \$0.33        | \$0.43   | 0.24   | \$0.44        | \$0.59   | 0.33   |
| Proved plus Probable            | \$0.76        | \$0.98   | 0.56   | \$1.11        | \$1.48   | 0.84   |
| Proved plus Probable & Possible | \$1.50        | \$1.93   | 1.10   | \$1.90        | \$2.53   | 1.43   |

Represents NPV-10 (after tax) divided by the number of common shares issued as of December 31 of each respective year and excludes other balance sheet items at the relevant date. Canadian share prices are converted at the respective year end foreign exchange conversion rates. Common share count as at December 31, 2020 totaling 816.2 million shares and as at December 31, 2019 totaling 672.2 million shares.

## Reserve Life Index

| CATEGORY | Dec. 31, 2020 <sup>(1)</sup> | Dec. 31, 2019 <sup>(3)</sup> |
|----------|------------------------------|------------------------------|
|----------|------------------------------|------------------------------|

|                                                |            |            |
|------------------------------------------------|------------|------------|
| Proved                                         | 6.4 years  | 7.7 years  |
| Proved plus Probable                           | 14.6 years | 17.0 years |
| Proved plus Probable & Possible <sup>(2)</sup> | 30.3 years | 30.3 years |

(1) Based on 2020 year-end reserves divided by annualized Q1 2020 production of approximately 9,686 bopd.

(2) The license for Block 95 expires in 2041.

(3) Based on 2019 year-end reserves divided by annualized Q4 2019 production of approximately 7,757 bopd.

## Future Development Costs

The following information sets forth development and abandonment costs deducted in the estimation of PetroTal's future net revenue attributable to the reserve categories noted below:

| CATEGORY (\$ million)                 | 2020    | 2019    | Change |
|---------------------------------------|---------|---------|--------|
| Proved                                |         |         |        |
| Developed Producing                   | \$15    | \$16    | -6%    |
| Undeveloped                           | \$104   | \$108   | -4%    |
| Total Proved                          | \$119   | \$124   | -4%    |
| Probable                              | \$75    | \$70    | +7%    |
| Total Proved plus Probable            | \$193   | \$194   | -1%    |
| Possible                              | \$104   | \$105   | -1%    |
| Total Proved plus Probable & Possible | \$297   | \$299   | -1%    |
| Future development costs (\$/bbl)     | 2020    | 2019    | Change |
| Proved                                | \$11.52 | \$12.04 | -4%    |
| Proved plus Probable                  | \$4.96  | \$5.32  | -7%    |
| Proved plus Probable & Possible       | \$3.16  | \$4.06  | -22%   |

The future development and abandonment costs are estimates of the future capital expenditures required to convert the corresponding reserves to proved developed producing ("PDP") reserves. Future development per barrel is determined using the future development capital divided by the 1P, 2P, or 3P reserves, less cumulative PDP.

## 2020 Year-End Gross Reserves Reconciliation (mmbbl)

|                     | Proved | Proved plus Probable | Proved plus Probable & Possible |
|---------------------|--------|----------------------|---------------------------------|
| December 31, 2019   | 21.5   | 47.7                 | 84.8                            |
| Technical Revisions | 3.8    | 5.9                  | 24.0                            |
| Economic Factors    | (1.0)  | (0.6)                | (0.6)                           |
| Production          | (2.1)  | (2.1)                | (2.1)                           |
| December 31, 2020   | 22.3   | 51.0                 | 106.1                           |

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

Considering the challenging conditions 2020 presented, we are extremely happy with the 2020-year end reserve report. The recovery factor improvements in our 2P and 3P categories support our thesis of continued reservoir performance over time matching that of nearby analogous fields with higher recovery factors. With additional time and field data, we expect to see continual recovery improvements. We are also very proud of the hard working operations and commercial teams at PetroTal which were able to demonstrate and justify to our reserve evaluators, a decrease in 2P operating costs by 19%, equating to \$232 million, in undiscounted savings over the remaining reserve life. We will continue to run operations prudently with attention to optimization, cost reductions and safety for the benefit of all our stakeholders.

## Qualified Person's Statement

Estuardo Alvarez-Calderon, the Company's Vice President, Exploration and Development, who has over 35

years of relevant experience in the oil industry, has approved the technical information contained in this announcement. Mr. Alvarez-Calderon received a Bachelor of Science degree in Geology from the University of Texas at Austin and is registered on the Texas Board of Professional Geoscientists.

The recovery and reserve estimates provided in this news release are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual reserves may eventually prove to be greater than, or less than, the estimates provided herein. In certain of the tables set forth below, the columns may not add due to rounding.

## 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 Bretaña 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 Bretaña oil field.

For further information, please see the Company's website at [www.petrotal-corp.com](http://www.petrotal-corp.com), the Company's filed documents at [www.sedar.com](http://www.sedar.com), or below:

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## READER ADVISORIES

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consistent with management's expectations; anticipated future production and revenue; future development and growth prospects; and the timing of release of the AIF. All statements other than statements of historical fact may be forward-looking statements. In addition, statements relating to expected production, reserves, recovery, costs and valuation are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. 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, 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 volatility, price differentials and the actual prices received for products, exchange rate fluctuations, legal, political and economic instability in Peru, 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 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 year ended December 31, 2020 and for the three and nine months ended September 30, 2020 which are available on SEDAR at [www.sedar.com](http://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.

**OIL AND GAS INFORMATION:** This press release contains metrics commonly used in the oil and natural gas industry, such as netback, OOIP, finding and development costs, recycle ratio, reserve life index and net asset value.

"Netback" equals total petroleum sales less quality discount, lifting costs, transportation costs and royalty payments calculated on a bbl basis.

"OOIP" is equivalent to total petroleum initially-in-place ("TPIIP"). TPIIP, as defined in the COGE Handbook, is that quantity of petroleum that is estimated to exist in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered. A portion of the TPIIP is considered undiscovered and there is no certainty that any portion of such undiscovered resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of such undiscovered resources. With respect to the portion of the TPIIP that is considered discovered resources, there is no certainty that it will be commercially viable to produce any portion of such discovered resources. A significant portion of the estimated volumes of TPIIP will never be recovered.

"Finding and development costs" are calculated as the sum of field capital plus the change in future development costs for the period divided by the change in reserves that are characterized as development

for the period. Finding and development costs take into account reserves revisions during the year on a per boe basis. The aggregate of the exploration and development costs incurred in the financial year and changes during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

"Recycle ratio" is measured by dividing the netback for the applicable period by finding and development cost per boe for the year. The recycle ratio compares netback from existing reserves to the cost of finding new reserves and may not accurately indicate the investment success unless the replacement reserves are of equivalent quality as the produced reserves.

"Reserve life index" is calculated as total Company interest reserves divided by annual production.

"Net asset value" is based on present value of future net revenues discounted at 10% before tax on reserves, net of estimated net debt at year end divided by the basic shares outstanding at year end.

These terms have been calculated by management and do not have a standardized meaning and may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare PetroTal's operations over time. 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.

OIL REFERENCES: All references to "oil" or "crude oil" production, revenue or sales in this press release mean "heavy crude oil" as defined in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

FOFI DISCLOSURE: This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about PetroTal's prospective results of operations, production, NPV-10, future net revenue, future development and abandonment costs, and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this press release was approved by management as of the date of this press release and was included for the purpose of providing further information about PetroTal's anticipated future business operations. PetroTal disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein. All FOFI contained in this press release complies with the requirements of Canadian securities legislation, including NI 51-101.

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