

# PetroTal Announces 2020 Year-End Financial and Operating Results

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PetroTal emerges stronger after a collapse in world oil prices and the COVID-19 pandemic

Calgary, April 22, 2021 - [PetroTal Corp.](#) (TSXV: TAL) (AIM: PTAL) ("PetroTal" or the "Company") is pleased to announce its financial and operating results for the year and the three months ("Q4") ended December 31, 2020.

Selected financial, reserves and operational information is outlined below and should be read in conjunction with the Company's audited consolidated financial statements ("Financial Statements"), management's discussion and analysis ("MD&A") and annual information form ("AIF") for the year ended December 31, 2020, which are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.PetroTal&#8208;Corp.com](http://www.PetroTal&#8208;Corp.com). Reserves numbers presented herein were derived from an independent reserves report (the "NSAI Report") prepared by Netherland, Sewell & Associates, Inc. ("NSAI") effective December 31, 2020. All amounts herein are in United States dollars ("USD") unless otherwise stated.

## 2020 Highlights

- Drilled and completed the 6H well on schedule and within budget achieving a 10-day flush production average of approximately 4,500 bopd;
- Successfully and seamlessly reopened the Bretana field in late September 2020 after COVID 19, social, and Northern Oil Pipeline ("ONP") maintenance related issues. There was no additional downtime or related safety issues once startup commenced, with field production rising back to approximately 11,000 bopd (pre shut down levels) ten days later;
- Completed commissioning of the enhanced central production facilities ("CPF-1"), bringing overall oil production capacity to between 16,000 and 18,000 bopd;
- Optimized the 2020 capital program to maximize liquidity and operational performance due to the COVID 19 pandemic, ongoing government social related issues, and shut down of the ONP;
- Signed an extended oil sales contract with Petroperu outlining improved terms, including reduced pipelined tariffs and fees during periods of low oil prices;
- Raised approximately \$18 million in equity to provide 2020 liquidity support;
- Delivered a material lift in 2020 year ended 3P oil reserves with a lower 2P operating cost profile based on positive technical revisions, historical well performance, and field cost reduction initiatives;
- Concluded historic collaboration between the local Bretana residents and communities, aligning their goals and objectives with the Company's; and,
- Executed a route to market diversification strategy through Brazil with comparable margins to the ONP route.

## Events Subsequent to December 31, 2020

- On January 19, 2021, the Company executed a final agreement with Petroperu, restructuring the contingent derivative liability over three years. The amount of the contingent liability represented \$16.6 million (based on the November 30, 2020 valuation) and was subsequently paid out (along with the \$3 million Peruvian-government COVID emergency response loan), from the \$100 million bond offering referred to below. Since that time, the Company through Petroperu, has recently placed hedges, solidifying approximately \$30 million of true-up revenue on the 1.8 million barrels in the ONP that originally caused the contingent liability;
- On February 2, 2021, the Company announced completion of a 3-year \$100 million senior secured bond with an annual 12% coupon, issued at a 5% discount. The bonds issued by PetroTal are the Company's only interest bearing debt and the proceeds are for payout of the Petroperu derivative liability with Petroperu and Reactiva loan, totaling \$20 million, to support the Company's crude oil price hedging strategy (\$15 million), to finance potential acquisitions (\$20 million), with the remainder for continued development of the Bretana oil field;

- On February 18, 2021, the Company announced its 2021 capital development program of \$100 million, to be funded from the bond proceeds and internally generated funds from operations, along with existing cash resources;
- The Company has hedged approximately 32% of expected April to December 2021 oil production. Additionally, Petroperu has now hedged 100% of oil sales through the ONP. This robust hedging program will ensure funding stability to support the 2021 capital development program, in the event that Brent oil price drops materially; and,
- Pursuant to the Company's oil market diversification strategy, in Q1 2021 the Company completed a second shipment of 225,000 barrels of oil through Brazil for export into the Atlantic region. The oil sale was FOB Bretana and generated revenue of \$8.8 million.

#### Three months ended December 31, 2020 ("Q4") Highlights

- PetroTal produced 6,410 bopd and sales volumes averaged 5,471 bopd, compared to sales of 2,327 bopd in Q3 2020;
- Indigenous communities and government bodies reached agreements that will see increased funding for the local communities, thereby allowing for the ONP to resume full operations;
- The Company's stringent COVID-19 protocols continue to ensure that the camp remains safe;
- The Company sold 397,000 barrels of oil to the Iquitos refinery and the ONP (at pump station #1 at Saramuro), thereby generating revenues of \$12.4 million, net of transportation and fees;
- PetroTal reached agreement with an international oil trader for an initial shipment to export 106,000 barrels through Brazil into the Atlantic region, via the Amazon river. The December 2020 shipment was sold FOB Bretana, priced at the forward month Brent ICE price, and paid within two weeks of loading at Bretana. Importantly, there are no subsequent oil price adjustments;
- Operating income of \$5.9 million (\$11.90/bbl) compared to \$2.3 million (\$10.86/bbl) in Q3 2020;
- Funds flow provided by operations of \$1.3 million compared to a deficiency of \$0.5 million in Q3 2020; and,
- Capital expenditures were \$6.3 million compared to \$3.4 million in Q3 2020.

#### 2020 Operational Highlights

- Six producing wells and one water disposal well were operating during Q4 2020, inclusive of the initial water disposal well that was converted to an oil producer;
- Approximately \$42 million incurred in capital expenditures to drill one oil well, build production facilities and standby-related charges, compared to \$89 million in 2019;
- PetroTal produced a total of 2.1 million barrels of oil in 2020, representing average oil production of 5,675 bopd, an increase of 37% from the average production of 4,131 bopd realized in 2019;
- Annual independent reserve assessment, as prepared by NSAI shows increases in all reserve categories:
  - Proved ("1P") reserves of 22.3 million barrels ("mmbbl"), an increase of 4% from the 21.5 mmbbl recorded at the end of 2019;
  - Proved plus Probable ("2P") reserves of 51.0 mmbbl, an increase of 7% from the 47.7 mmbbl recorded at the end of 2019; and,
  - Proved plus Probable and Possible ("3P") reserves of 106.1 mmbbl, an increase of 25% from the 84.8 mmbbl recorded at the end of 2019;
- Original oil in place ("OOIP") estimates for 1P, 2P and 3P reserve categories were unchanged from 2019 at 235, 364 and 579 mmbbls, respectively; and,
- Net Present Value (after tax, discounted at 10%) ("NPV-10") represents \$271 million (\$12.15/bbl) for 1P reserves, \$621 million (\$12.17/bbl) for 2P reserves and \$1.2 billion (\$11.03/bbl) for 3P reserves based on the NSAI year end 2020 price deck.

#### 2020 Financial Highlights

- Generated revenue in 2020 of \$76.6 million (\$36.71/bbl) compared to \$82.8 million (\$56.24/bbl) in 2019;
- Royalties to the Peruvian government were \$2.9 million compared to \$3.4 million for 2019;
- Generated funds from operations of \$16.6 million compared to \$30.3 million in 2019, as a result of the significant decrease in oil prices;
- Operating and transportation costs, were \$44.8 million (\$21.49/bbl) compared to \$37.7 million (\$25.59/bbl) for 2019, an improvement of 21%, on a per barrel basis;
- Net operating income (netback) was \$28.9 million (\$13.84/bbl) compared to \$41.7 million (\$28.34/bbl) in 2019;

- Cash flow generated was \$13.4 million compared to \$51.1 million in 2019. Cash flow represents netback inclusive of G&A costs, realized gain (losses) on commodity contracts and all other cash transactions; and,
- At December 31, 2020, the Company held cash of \$9.6 million, compared to \$21.1 million at the end of 2019.

### Selected Financial and Operating Highlights

(in thousands USD)	Year-Ended		Quarter-Ended			
	December 31, 2020	December 31, 2019	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
<b>Financial</b>						
Crude oil revenues	\$ 76,593	\$ 82,790	\$ 17,374	\$ 7,611	\$ 9,839	\$ 41,111
Royalties	(2,877)	(3,396)	(700)	(248)	(123)	(1,111)
Net operating income	28,881	41,719	5,992	2,324	2,756	17,888
Commodity price derivatives loss (1)	4,788	367	(12,969)	(4,399)	(18,264)	(40,910)
Net income (loss)	(1,524)	\$ 20,152	10,675	3,224	16,029	(3,122)
Basic and diluted net income (loss) (US\$/share)	(0.00)	0.03	0.01	0.01	0.02	(0.01)
Capital expenditures	42,297	88,763	6,315	3,354	8,756	23,378
<b>Operating</b>						
Average production (bopd) (2)(3)	5,675	4,131	6,410	2,444	4,185	9,668
Average sales (bopd)	5,700	4,033	5,471	2,327	4,729	10,700
Average Brent oil price (US\$/barrel)	41.74	64.31	44.24	43.34	29.19	50.00
Average realized price (US\$/barrel)	36.71	56.24	34.52	35.56	22.87	44.00
Netback (US\$/barrel) (4)	13.84	28.34	11.90	10.86	6.40	18.00
Funds flow provided by (used in) operations (4)	16,668	29,413	1,293	(548)	862	15,000
<b>Balance sheet</b>						
Cash	9,628	21,101	9,628	9,788	20,379	7,300
Working Capital	(22,157)	(11,762)	(22,157)	(30,407)	(31,845)	(6,000)
Total assets	215,138	194,181	215,138	205,531	216,899	191,000
Current liabilities	58,608	59,286	58,608	62,355	76,932	89,000
Equity	137,163	121,057	137,163	126,253	122,789	90,000

#### Note:

(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.

(4) Funds flow provided by (used in) operations and netback do not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities. See "Non-GAAP Measures".

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

"2020 was an extremely challenging year for the global economy and PetroTal emerged from the downturn in a position of strength, a testament to our team's dedication and resolve. Although our 2020 results were impacted by many one-time events, the Company's announcements over the last six months have been overwhelmingly positive and will underpin our growth through 2021 and beyond. I am excited to continue to deliver on our 2021 capital program, which we anticipate will generate value for our equity, debt, and ESG stakeholders.

"I would like to thank PetroTal's shareholders, directors, employees, and contractors for their continued support and I look forward to keeping all our stakeholders updated on the Company's progress throughout the remainder of 2021."

### ABOUT PETROTAL

PetroTal is a publicly traded, dual-listed company (TSXV: TAL) (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 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](http://www.petrotal-corp.com), the Company's filed documents at [www.sedar.com](http://www.sedar.com), or below:

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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; drilling, completions, workovers and other activities and the anticipated costs and results of such activities; the ability of the Company to achieve drilling success consistent with management's expectations; anticipated future production and revenue; drilling plans including the timing of drilling; oil production levels, including average production and exit production in 2021; the 2021 capital program and budget, including drilling plans; COVID-19 surveillance and control process; hedging program and the terms thereof; and future development and growth prospects. 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, including pursuant to hedging arrangements, 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 AIF and the MD&A 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.

**PRESENTATION OF OIL AND GAS INFORMATION:** The reserves information herein sets forth PetroTal's reserves as at December 31, 2020, as presented in the independent reserves report prepared by NSAI, a qualified reserves evaluator, 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 and the press release dated February 24, 2021, more detailed information is included in the AIF. All oil and gas disclosure contained in this press release complies with the requirements of NI 51-101. The term original oil in place (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.

**OIL AND GAS INFORMATION:** References in this press release 10-day flush production and other short-term production rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long term performance or of ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for PetroTal. The Company cautions that the such results should be considered to be preliminary.

**OIL REFERENCES:** All references to "oil" or "crude oil" production, revenue or sales in this press release mean "heavy crude oil" as defined in NI 51-101. All references to Brent indicate Intercontinental Exchange ("ICE") Brent.

**NON-GAAP MEASURES:** This press release contains financial terms that are not considered measures

under generally accepted accounting principles ("GAAP") such as operating netback and funds flow provided by operations, that do not have any standardized meaning under GAAP and may not be comparable to similar measures presented by other companies. Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures. The Company considers operating netbacks to be a key measure as they demonstrate Company's profitability relative to current commodity prices. Netback is calculated by dividing net operating income by barrels sold in the corresponding period. Funds flow provided by operations, is a non-GAAP measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. A reconciliation from cash provided by operating activities to funds flow provided by operations is included in the MD&A.

FOFI DISCLOSURE: This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about PetroTal's prospective results of operations, production and production capacity, NPV-10, 2021 capital program and budget, cash flow profile, liquidity 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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