

PetroTal Announces Q1 2021 Financial and Operating Results

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PetroTal secures liquidity, improves risk management position, and advances offtake optionality prior to executing an operationally focused and pivotal development plan

Calgary, May 31, 2021 - [PetroTal Corp.](#) (TSXV: TAL) (AIM: PTAL) ("PetroTal" or the "Company") is pleased to announce its financial and operating results for the three months ("Q1") ended March 31, 2021.

Selected financial and operational information is outlined below and should be read in conjunction with the Company's unaudited consolidated financial statements ("Financial Statements"), management's discussion and analysis ("MD&A") for the quarter ended March 31, 2021, which are available on SEDAR at www.sedar.com and on the Company's website at www.PetroTalCorp.com. All amounts herein are in United States dollars ("USD") unless otherwise stated.

Q1 2021 Selected Operational Highlights

Commenced drilling the 7D well, which was successfully completed on April 30, 2021. PetroTal started drilling well 7D on March 29, 2021, reaching a vertical depth of 2,696 meters and encountering excellent oil producing sands. The well was drilled and completed at a revised final cost of \$7.6 million, or 17% below budget. After the typical cleanup period and slowly ramping up production during the following week, the 7D averaged over 4,500 bopd over a four-day period, accumulating over 115,000 barrels of oil during its first month of production, and maintaining average production rates of 4,000 bopd during the past four weeks.

Upsized pump on 4H. The Company installed a new electro-submersible pump ("ESP") on the 4H well under budget and on time. Soon after the workover, the well was producing at 400 bopd higher than before the operation and is expected to recapture the incremental cost of the pump over the next few months at current Brent levels.

Production materially on target. Production for Q1 2021 averaged 7,331 bopd which was materially on budget. Current production is 10,225 bopd, notwithstanding that two oil wells remain shut in waiting on water disposal pump enhancements which has reduced production by an estimated 1,200 bopd.

CPF-2 on track and on budget. Materials for phase two of its central processing facility ("CPF-2") continue to be installed and the project is on track for a Q3-Q4 2021 commissioning.

Reiterating 2021 guidance. The Company is reaffirming its 2021 average production target of 11,500 bopd.

Q1 2021 Selected Corporate Highlights

Secured liquidity. The Company completed the placement of a 3-year \$100 million senior secured bond with a 12% coupon and a borrowing limit of \$125 million. The Company exceeded compliance with all covenants at March 31, 2021 with the newly issued bonds being the only material long term debt on the balance sheet.

Improved corporate risk management. During the quarter, The Company hedged 590,000 barrels in a put structure with a \$60/bbl strike price. Subsequent to the quarter end, The Company hedged an additional 622,000 barrels at similar strike prices bringing hedged April 2021 to December 2021 production to 32% of budget.

Improved sales risk management. Working with Petroperu, the Company solidified, through hedging, a \$31 million future true-up payment for approximately 1.8 million barrels of oil in the North Peruvian Pipeline ("ONP") and implemented a risk management partnership process with Petroperu for future sales into the ONP. The receipt of the \$31 million is subject to the pace of oil movements through the ONP and is expected to be received by PetroTal as sales arrive in Bayovar throughout the next nine to twelve months.

Executed a third route to market strategy. Sold 225,045 barrels, FOB Bretana, through Brazil with competitive commercial terms vs sales through the ONP.

Enhanced existing offtake arrangement. Extended the sales agreement with Petroperu until December 2022 with improved commercial terms under low Brent scenarios.

Q1 2021 and Selected Financial Highlights

Significant liquidity in hand. The Company exited Q1 2021 with \$75.8 million of total (restricted and unrestricted) cash compared to \$9.6 million at the end of 2020.

Higher net operating income ("NOI"). PetroTal generated nearly \$20 million (\$25.87/bbl) of NOI in the quarter, an increase of 12% over Q1 2020 despite producing 2,378 bopd less in Q1 2021 vs Q1 2020.

Operating costs. Operating costs for Q1 2021 were \$5.5 million (\$7.17/bbl) vs \$6.0 million (\$6.42/bbl) in Q1 2020 driven by lower production rates and offset slightly by higher than estimated one-time fuel use for the new crude oil power generation plant commissioning, which was more expensive in Q1 2021 due to a higher Brent price.

Lower capital expenditures. The Company invested \$7.1 million on capital expenditures in the quarter vs \$23.8 million in Q1 2020. The bulk of PetroTal's 2021 development capex will occur in Q2 2021 and H2 2021 ensuring flush production from new drills is online during favorable Brent pricing months with hedging in place for downside protection.

Free cash flow generation. With recent elevated Brent prices, the Company estimates it is operating materially above the original \$90 million EBITDA budget for 2021 which assumed \$50/bbl Brent. Excluding hedging and true-up revenue, and from June until December 2021, it is estimated that for every \$1/bbl above \$50/bbl Brent, EBITDA increases \$2.0 to \$2.5 million, making PetroTal potentially free cash flow positive for 2021.

Positive Net Income. Net income for the quarter was \$30.9 million vs a net loss of \$31.4 in Q1 2020 driven largely by higher commodity prices. Normalizing out derivative changes results in Q1 2021 and Q1 2020 having similar net income figures of \$8.5 million and \$9.0 million, respectively.

Operations Update

As previously announced, the technical team has completed the new 7D well, seeing favorable rates in the first four weeks, including average production rates during the past week of 4,000 bopd, exceeding booked reserve expectations.

Current total field production is 10,225 bopd and has been impacted by two oil wells being shut in awaiting water disposal pump enhancements, which will be completed shortly. The production impact of the shut in wells is estimated at 1,200 bopd over the last four weeks. As a result, field production during April averaged 7,812 bopd and 9,994 bopd for May.

The Company is currently drilling the 3WD well, its second water disposal well, which is now expected to be completed in the first week of July. This well will enable PetroTal to proceed with enough water disposal capacity (an addition of 50,000 barrels of water per day) to accommodate the next 14 months of drilling and provide important reservoir characterization data for future development.

As previously announced, Mr. Dewi Jones has assumed the role of VP Exploration and Development, effective May 11, 2021.

2020 Sustainability Report

PetroTal is pleased to announce that its 2020 sustainability report has now been posted on the Company's website, in English and Spanish. PetroTal is committed to being a responsible and sustainable energy producer and meeting short and long term social and environmental goals with transparent and aligned projects. Some notable key outcomes from the 2020 report are as follows:

- Zero discharges or spills;
- Zero disabling workplace injuries by PetroTal employees;
- Zero ethical claims or complaints;
- 23 year reforestation project leading to carbon credits;
- Promoting solar power in Puinahua district communities;
- Measuring emissions: 15,043 metric tonnes of direct CO2 GHG emissions which covers scopes 1, 2 and 3 of tonne CO2 calculation;
- Formally COVID-19 protocol certified; and
- Productive projects with over 315 families are ongoing in Puinahua.

Q1 2021 Webcast conference call

The Company will be hosting a conference call on June 1, 2021 at 10:00am Houston time. The link for the live webcast is below:

<https://webcasting.brrmedia.co.uk/broadcast/60ad31bcfec49008608b46bb>

Selected Financial and Operational Highlights

(in thousands USD)	Three Months Ended		Twelve Months Ended
	March 31, 2021	March 31, 2020	December 31, 2020
Financial			
Crude oil revenues	\$ 32,356	\$ 32,245	\$ 61,740
Royalties	(1,748)	(1,806)	(2,877)
Net operating income	19,969	17,809	28,881
Commodity price derivative (income)/loss	(22,512)	40,420	4,788
Net income (loss)	30,975	(31,452)	(1,524)
Basic and diluted net income (loss) (US\$/share)	0.04	(0.05)	0.00
Capital expenditures	7,113	23,872	42,297
Operating			
Average production (bopd)	7,331	9,686	5,675
Average sales (bopd)	8,578	10,313	5,700
Average Brent oil price (US\$/barrel)	60.85	50.14	41.74
Average realized price (US\$/barrel)	41.91	34.36	29.59
Netback (US\$/barrel)	25.87	18.98	13.84
Funds flow provided by (used in) operations	4,467	15,061	16,668
Balance sheet			
Cash and restricted cash	75,824	7,373	9,628
Working Capital	68,213	(61,025)	(22,157)
Total assets	342,773	194,274	215,138
Current liabilities	69,348	89,914	58,608
Equity	168,595	90,029	137,163

Note:

(1) 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

"Q1 2021 was a great quarter in many ways. From a strategy standpoint it was prudent that the Company shored up its liquidity position before undertaking material operations with pace. The Company is now on solid footing from a liquidity, risk, and safety standpoint and is firmly focused on achieving operational excellence in 2021. We are now in a Brent oil price environment where, subject to such conditions continuing, wells only need to produce approximately 280,000 - 300,000 barrels to payout full cycle, which in some cases, can happen in two to three months. The Company's advancement on a risk, finance, and operational standpoint this quarter was impressive, and we will continue this positive momentum throughout 2021, to the benefit of all stakeholders."

ABOUT PETROTAL

PetroTal is a publicly traded, dual-listed (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, the Company's filed documents at www.sedar.com, or below:

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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 MD&A and the most recent annual information form 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.

OIL AND GAS INFORMATION: References in this press release to 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, funds flow provided by operations and free cash flow 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. Free cash flow is operating cash flow before hedging minus maintenance capital expenditures.

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, 2021 capital program and budget, cash flow profile, free cash flow, 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 National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

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