

PetroShale Announces Third Quarter 2021 Financial and Operating Results

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CALGARY, Nov. 22, 2021 - [PetroShale Inc.](#) ("PetroShale" or the "Company") (TSXV: PSH) (OTCQB: PSHIF) is pleased to announce our financial and operating results for the three and nine month periods ended September 30, 2021.

The Company's unaudited interim consolidated financial statements and corresponding management's discussion and analysis (MD&A) for the period will be available on SEDAR at www.sedar.com, on the OTCQB website at www.otcmarkets.com and PetroShale's website at www.petroshaleinc.com. Copies of the materials can also be obtained upon request without charge by contacting the Company directly. Please note, currency figures presented herein are reflected in Canadian dollars, unless otherwise noted.

FINANCIAL AND OPERATING HIGHLIGHTS

- Production averaged 11,814 barrels of oil equivalent per day ("Boe/d") in the third quarter of 2021, with the Company's capital program reinforcing our production base at guidance levels into 2022.
- Continued strength in commodity prices drove improved revenue from petroleum and natural gas sales, which totaled \$156.5 million during the third quarter, a 107% increase over the same period in 2020, and totaled \$156.5 million for the first nine months of 2021, a 47% increase over the prior year.
- Adjusted EBITDA¹ grew 137% to \$24.3 million (\$0.06 per fully diluted share) in the third quarter of 2021 as compared to the same period in 2020, primarily due to improved commodity prices. Adjusted EBITDA¹ totalled \$53.2 million (\$0.13 per diluted share) in the first nine months of the year.
- Net income totalled \$15.0 million (\$0.03 per fully diluted share) in the third quarter of 2021 compared to a net loss of \$15.0 million (\$0.05 per fully diluted share) during the same period of the prior year.
- Operating netback prior to hedging¹ increased 156% to \$37.02 per Boe in the third quarter of 2021 and was \$31.02 per Boe in the first nine months of the year, led by commodity price improvements net of royalties and production taxes.
- Net debt¹ of \$185.9 million at September 30, 2021 represents a 47% and 43% reduction from the third quarter of 2020 and year-end 2020, respectively, primarily due to the closing of the transformative recapitalization transaction in the second quarter of 2021 which reduced net debt and enhanced financial flexibility. Maintenance of a strong balance sheet remains a high priority moving forward.
- Net capital expenditures in the third quarter of 2021 were \$20.4 million, continuing our focus on pursuing a fully funded capital program. Nineteen gross (4.24 net) non-operated wells were placed on production in the quarter, comprised of 14 previously drilled and uncompleted ("DUCs") and five wells drilled and completed during the quarter. Initial production rates were consistent with management expectations.
- Lease operating costs were \$6.41 and \$6.01 per Boe in the third quarter of 2021 and the first nine months of the year, respectively, reflecting a larger number of workovers completed in the period to optimize production rates and return on production given the favorable price environment.

¹ See "Non-IFRS Measures" within this press release.

FINANCIAL & OPERATING REVIEW

FINANCIAL (in thousands, except per share & share data)	Three months ended		Nine months ended	
	Sept 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
Petroleum and natural gas revenue	68,198	32,928	156,457	106,238
Cash provided by operating activities	23,884	1,491	54,782	56,665
Net income (loss)	14,954	(9,134)	(25,893)	(49,568)
Per share - diluted	0.03	(0.05)	(0.06)	(0.26)
Adjusted EBITDA ⁽¹⁾	24,254	10,217	53,172	43,522
Capital expenditures, net	20,386	2,559	33,099	32,454
Net debt ⁽¹⁾			185,864	349,759
Common shares outstanding				
Weighted average - basic	521,032,038	187,803,375	401,671,289	188,117,408
Weighted average - diluted	535,727,797	195,913,542	416,367,048	196,227,575

⁽¹⁾ See "Non-IFRS Measures" within this press release.

OPERATING	Three months ended / Nine months ended			
Daily production volumes ⁽²⁾	Sept 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
Tight oil (Bbl/d)	8,122	7,983	6,791	9,180
Shale gas (Mcf/d)	11,384	11,471	11,095	11,567
NGLs (Bbl/d)	1,794	2,066	1,787	2,063
Barrels of oil equivalent (Boe/d)	11,814	11,961	10,427	13,171
Average realized prices ⁽²⁾				
Tight oil (\$/Bbl)	85.49	46.61	78.98	43.85
Shale gas (\$/Mcf)	3.98	1.15	3.74	1.46
NGLs (\$/Bbl)	34.26	10.52	28.58	6.97

Operating netback (\$/Boe) ⁽¹⁾	Sept 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
Revenue	62.75	29.92	54.96	29.44
Royalties	(11.66)	(5.43)	(10.16)	(5.42)
Realized loss on derivatives	(13.68)	(3.57)	(11.47)	(0.46)
Lease operating costs	(6.41)	(3.95)	(6.01)	(4.84)
Workover expense	(1.12)	(1.24)	(1.21)	(0.74)
Production taxes	(4.71)	(2.43)	(4.07)	(2.44)
Transportation expense	(1.83)	(2.42)	(1.95)	(2.42)
Operating netback ⁽¹⁾	23.34	10.88	20.09	13.12
Operating netback prior to hedging ⁽¹⁾	37.02	14.45	31.56	13.58

(1) See "Non-IFRS Measures" within this press release.

(2) See "Oil and Gas Advisories" within this press release

MESSAGE TO SHAREHOLDERS

PetroShale continued to benefit from strong pricing of crude oil, natural gas, and natural gas liquids driven by steady global demand for petroleum products and disciplined supply growth from both OPEC nations and the US shale industry. The improved price environment supported meaningful quarterly increases in petroleum and natural gas revenue for PetroShale, which increased 107% over the third quarter of 2020, while operating netbacks before hedging^[2] improved 156% to average \$37.02 per Boe. Q3 2021 production averaged 11,814 Boe/d, which was broadly in line with the same period of 2020, and supported a 15-fold increase in cash flow from operating activities to \$23.9 million.

Despite a potentially stronger commodity price environment, PetroShale will continue to prioritize prudent capital allocation to achieve a manageable pace of development which also has the potential to create meaningful cash flows as significant low-price hedges roll-off during the fourth quarter of 2021. Our preliminary capital allocation plans would anticipate a mix of drilling and completion of operated wells, along with the continued participation in economic non-operated wells. Looking into 2022, we are setting the stage for production maintenance, cost management and prioritization of free cash flow generation, which would also contribute to further debt reduction and a more robust balance sheet. With a substantial drilling inventory, the Company remains well-positioned to generate positive investor returns over the long term and capture value from its high-quality assets focused in the most prolific part of the North Dakota Bakken / Three Forks.

As always, PetroShale will continue to operate in accordance with the highest standards of environmental, social and governance ("ESG") principles. This includes maintaining a strong culture of governance, oversight and accountability, which is responsible for a strong safety track record and a commitment to meet or exceed environment regulations across all aspects of the Company's operations.

OUTLOOK

The continued improvement in commodity prices has driven a meaningful expansion of corporate netbacks, cash flow and free cash flow. Combined with prior efforts to strategically reposition the Company, PetroShale is in a strong position to continue developing its North Dakota Bakken light oil resource at a measured pace, while maintaining discipline in both commodity risk management and management of its balance sheet. The Company plans to prudently approach commodity price risk in accordance with existing policies. Nevertheless, the rolling-off of lower-priced hedges through the fourth quarter of 2021 provides further upside to cash flow generation as the Company enters 2022.

The Company is forecasting 2021 average annual production between 10,500 Boe/d and 11,000 Boe/d^[3], with total net capital investments matching previously provided guidance of \$70 to 75 million. This level of capital investment is in line with the previously announced acceleration of the capital program, which is expected to further bolster free cash flow beginning in January 2022 from the additional volumes coming on-stream in the current higher commodity price environment. Six gross (4.95 net) operated wells are planned for drilling and completion operations in the fourth quarter of 2021 with initial production expected in early 2022. The Company intends to provide 2022 guidance before year-end.

With line of sight to meaningful further expansion of cash flow and strong returns on invested capital, PetroShale thanks its dedicated employees for their tireless efforts, its shareholders for entrusting management with their capital, and other stakeholders for their continued support.

² See "Non-IFRS Measures" within this press release.

About PetroShale

PetroShale is an oil company engaged in the acquisition, development and production of high-quality oil-weighted assets in the North Dakota Bakken / Three Forks.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Note Regarding Forward-Looking Statements and Other Advisories:

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to, among other things, available aspects of management focus, objectives, strategies and business opportunities. More particularly and without limitation, this press release contains forward-looking information concerning the Company's expectations: that PetroShale will continue to focus on further streamlining per unit cash costs to optimize margins, the Company's anticipated capital spending for full year 2021, and the remainder of the year; the Company's next borrowing base review, the Company's intention to direct any free cash flow to debt reduction; the Company's intention to prioritize managing capital expenditures in accordance with the broader commodity price environment and the expectation of a limited capital program, directed primarily towards sustaining production and maintaining the long-term integrity of the Company's assets; the Company's anticipated level of capital investment and average production rates for 2021; the Company's expectations on the continued availability of DAPL and other alternative transportation options and the potential effects on differentials; PetroShale's liquidity for the coming year; and, the general outlook of the Company. PetroShale provided such forward-looking statements in reliance on certain expectations and assumptions that it believes are reasonable at the time, including expectations and assumptions concerning prevailing commodity prices, weather, regulatory approvals, liquidity, Bakken oil differentials (including as a result of any interruptions from DAPL or otherwise), the ability of the Company to transport its production through DAPL or other forms of transportation (and the continued availability and capacity of such transportation means); the Company's lenders willingness to maintain the Company's borrowing capacity; activities by third party operators; exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; plant turnaround times and continued rail service to transport products; reserve volumes; business prospects and opportunities; the future trading price of the Company's shares; the availability and cost of financing, labor and services; the impact of increasing competition; ability to market oil and natural gas successfully; and the Company's ability to access capital (including its senior credit facility).

³ 2021 forecast volumes are comprised of 65%-68% of tight oil, 15%-18% of natural gas liquids and 15%-18% shale gas.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Forward-looking information

addresses future events and conditions, which by their very nature involve inherent risks and uncertainties. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide security holders with a more complete perspective on the Company's future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). These forward-looking statements are made as of the date of this press release and the Company disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

All references herein to fully diluted share basis is based upon the weighted average number of fully diluted shares as disclosed in the Company's Management & Discussion Analysis as at September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020 - "Financial and Operational Highlights".

This news release contains future oriented financial information and financial outlook information (together, "FOFI") about the Company's prospective results of operations, including generating free cash flow in 2021 or 2022, which is subject to the same assumptions, risk factors, limitations and qualifications as set forth above as well as the following additional assumptions: annual average production rates in 2021 of between 10,500 and 11,000 Boe/d, \$60.00 WTI, Bakken differential of US\$3.00, and US\$1 = C\$1.25. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. The Company's actual results, performance or achievement could differ materially from those expressed in or implied by these FOFI, or if any of them do so, what benefits the Company will derive therefrom. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's reasonable expectations as to the anticipated results of its proposed business activities in the future. The Company disclaims any intention or obligation to update or revise any FOFI statements, whether as a result of new information, future events or otherwise, except as required by law.

Non-IFRS Measures:

Within this press release, references are made to "operating netback", "operating netback prior to hedging", "net debt", "Adjusted EBITDA" and "free cash flow", which are not defined by IFRS and therefore may not be comparable to performance measures presented by others. Operating netback represents revenue, plus or minus any realized gain or loss on financial derivatives less royalties, production taxes, operating costs and transportation expense. The operating netback is then divided by the working interest production volumes to derive the operating netback on a per Boe basis. Operating netback prior to hedging represents operating netback prior to any realized gain or loss on financial derivatives. Net debt represents total liabilities, excluding decommissioning obligation, lease liabilities and any financial derivative liability, less current assets. Adjusted EBITDA represents cash flow from operating activities prior to changes in non-cash working capital. The Company believes that Adjusted EBITDA provides useful information to the reader in that it measures the Company's ability to generate funds to service its debt and other obligations and to fund its operations, without the impact of changes in non-cash working capital which can vary based solely on timing of settlement of accounts receivable and accounts payable. Free cash flow is a non-IFRS measure which should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS. Free cash flow is presented to assist management and investors in analyzing performance by the Company as a measure of financial liquidity and the capacity of the Company to repay debt and pursue other corporate objectives. Free cash flow equals cash flow from operating activities less capital expenditures. Management believes that in addition to net income (loss) and cash flow from operating activities, operating netback, Adjusted EBITDA and free cash flow are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage and liquidity. Operating netback is commonly used by investors to assess performance of oil and gas properties and the possible impact of future commodity price changes on energy producers. Investors should be cautioned, however, that these measures should not be construed as an alternative to either net income (loss) or cash flow from operating activities, which are determined in accordance with IFRS, as indicators of

the Company's performance.

The reconciliation between Adjusted EBITDA and cash flow from operating activities, and the calculation of net debt, can be found within the Company's third quarter 2021 MD&A and financial statements for the three and nine months ended September 30, 2021 and 2020.

Oil and Gas Advisories:

Where amounts are expressed on a barrel of oil equivalent ("Boe") basis, natural gas volumes have been converted to Boe using a ratio of 6,000 cubic feet of natural gas to one barrel of oil (6 Mcf: 1 Bbl). This Boe conversion ratio 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 the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1 Bbl, utilizing a conversion ratio at 6 Mcf: 1 Bbl may be misleading as an indication of value. In this release, Mmboe refers to millions of barrels of oil equivalent.

All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.

Contact

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