

# Orca Energy Group Inc. Provides Operational Update

24.02.2022 | [GlobeNewswire](#)

TORTOLA, Feb. 23, 2022 - [Orca Energy Group Inc.](#) ("Orca" or the "Company" and includes PanAfrican Energy Tanzania Limited ("PAET") and its other subsidiaries, and affiliates) (TSX-V: ORC.A, ORC.B) today announces an operational update. All amounts are in United States dollars ("\$") unless otherwise stated.

Jay Lyons, Chief Executive Officer, commented:

*"I am pleased to report that Orca continues to make strong operational progress in Tanzania, as seen with the successful connection of our compression system to the Songo Songo gas plant. Our compression system has the potential to play an important role in assisting Tanzania's burgeoning industrial and commercial sectors. This \$42 million project which was three plus years in the planning and execution, ensures that Tanzania continues to benefit from a reliable supply of natural gas, which aligns Orca and PAET with the Government of Tanzania's plans to increase access to electricity, enabling the country to continue on its economic growth trajectory.*

*We are also progressing our other operational work programs, including a \$22 million multi-well workover program and a \$20 million 3D seismic acquisition campaign that is expected to occur in Q3 2022, all of which will help drive increased reliable gas volumes to Tanzania and deliver value for our wider stakeholders. We look forward to updating the market further on these initiatives and others as they progress, along with our 2021 Results in April 2022."*

## OPERATIONAL

### Compression

- Installation of inlet compression at Orca operated Songo Songo ("SS") gas plant nearing completion following the successful connection of new compressors during a scheduled 10 day gas plant shut down, which was completed two days early (February 1 to February 8, 2022).
- With the support and coordination of the Minister of Energy, the Tanzania Petroleum Development Corporation ("TPDC") and the Tanzania Electric Supply Company ("TANESCO"), the 10 day shutdown period was scheduled to occur from February 1 to February 10, 2022, in order to minimize customer disruptions while upgrading the SS gas plant to provide increased system gas deliverability to meet growing demand.
- In cooperation with TPDC the Company successfully increased SS gas supply to the TPDC operated National Natural Gas Infrastructure ("NNGI") gas plant from ~38 MMcf/d to ~92 MMcf/d during the SS gas plant shut down, minimizing downstream impact by ensuring TANESCO could minimize disruptions to power generation.
- Following the planned shutdown, SS field production has been restored to the pre-shut down levels.
- Targeting the startup of the inlet compression project one month early in mid-March 2022, following commissioning and testing procedures.
- Concurrently, the Company completed the annual SS gas plant maintenance program during the planned shutdown period, which should preclude any additional planned plant shutdowns for maintenance in 2022.

### Workover Program

- The well work over program is progressing with the work on the SS-3 and SS-4 wells completed. The SS-3 well was placed on production on February 15, 2022, at an initial production rate of 15 MMcf/d. It is expected that the SS-4 well will be placed on production by month end following the rig move to the SS-10 well and reconnection of the SS-4 well to the SS gas plant.

- The three well program included reactivation of the SS-3 and SS-4 wells to increase production and the replacement of production tubing strings in the three wells with new chrome alloy tubing to mitigate internal corrosion in accordance with the Company's integrity management system.

### Seismic Program

- Strong progress made with the 2022 Songo Songo 3D seismic acquisition program budgeted at \$20 million, with Orca targeting a Q3 2022 acquisition period. As previously stated, the 3D seismic program is required to de-risk both the future development drilling in the SS gas field and potential exploration drilling of prospective resources.

### Production

- Gross sales of conventional natural gas, which will be classified as Additional Gas, as defined in the PSA (as defined herein) ("gas sales") averaged ~71 MMcf/d during Q4 2021 which increased average gas sales to 61 MMcf/d for 2021, representing a 5.9% increase from 2020.
- 2022 production started strongly, with gross gas sales averaging ~74MMcf/d in January.
- Orca forecasts average gross gas sales of 70-76 MMcf/d during 2022 representing a 10 MMcfd (~16%) increase to the Company's prior forecasts of 60-66 MMcf/d. The increased gas demand forecast is primarily driven by encouraging discussions with the Ministry of Energy, TPDC and TANESCO to increase gas supply to new power generation facilities expected to be commissioned in 2022.

### FINANCIAL

- Orca continues to benefit from a robust balance sheet, with cash and cash equivalents of \$73 million (unaudited) and long-term loan of \$44.6 million (unaudited) as at December 31, 2021.
- In accordance with the Company's dividend policy, Orca anticipates maintaining its quarterly dividend.
- Orca paid total dividends on its Class A Common Voting Shares and Class B Subordinate Voting Shares of \$6.4 million during 2021.
- In 2021, Orca purchased shares for \$32.0 million pursuant to the Company's substantial issuer bid (completed in January 2021) and normal course issuer bid (commenced in June 2021).

### Orca Energy Group Inc.

Orca Energy Group Inc. is an international public company engaged in natural gas exploration, development and supply in Tanzania through its subsidiary PAET. Orca trades on the TSX Venture Exchange under the trading symbols ORC.B and ORCA.A.

\*The principal asset of Orca is its indirect interest in the Production Sharing Agreement ("PSA") with TPDC and the Government of Tanzania in the United Republic of Tanzania. This PSA covers the production and marketing of certain gas from the SS licence offshore Tanzania. The PSA defines the gas produced from the SS gas field as "Protected Gas" and "Additional Gas". The Protected Gas is owned by TPDC and is sold under a 20-year gas agreement (until July 31, 2024) to Songas Limited ("Songas") and Tanzania Portland Cement PLC. Songas is the owner of the infrastructure that enables the gas to be processed and delivered to Dar es Salaam, which includes a gas processing plant on SS Island. Additional Gas is all gas that is produced from the SS gas field in excess of Protected Gas.

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

### FORWARD LOOKING INFORMATION

This news release contains forward-looking statements or information (collectively, "forward-looking statements") within the meaning of applicable securities legislation. All statements, other than statements of historical fact included in this news release, which address activities, events or developments that Orca expects or anticipates to occur in the future, are forward-looking statements. Forward-looking statements often contain terms such as may, will, should, anticipate, expect, continue, estimate, believe, project, forecast, plan, intend, target, outlook, focus, could and similar words suggesting future outcomes or

statements regarding an outlook. More particularly, this news release contains, without limitation, forward-looking statements pertaining to the following: the Company's ability to maintain or increase the production capacity of the SS gas field; the Company's expectations regarding timing for the completion of installation of the well workover program and inlet compression project; the Company's ability to play an important role in assisting Tanzania's growing industrial and commercial sectors as a result of the inlet compression project; the Company's expectations that no additional planned shutdowns for maintenance will be required in 2022; the Company's expectations for when the SS-4 well will be placed on production; the data acquired from the 3D seismic program and the benefit obtained therefrom; the Company's expectations regarding timing and expenditures required to commence the 3D seismic program; Orca's average gas production forecasts; and Orca's expectations regarding maintaining its quarterly dividend. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Although management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies.

These forward-looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control, and many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by the Company, including, but not limited to, reduced global economic activity as a result of the COVID-19 pandemic, including lower demand for natural gas and a reduction in the price of natural gas; natural reservoir pressure declines and associated well performance; the potential impact of the COVID-19 pandemic on the health of the Company's employees, contractors, suppliers, customers and other partners and the risk that the Company and/or such persons are or may be restricted or prevented (as a result of quarantines, closures or otherwise) from conducting business activities for undetermined periods of time; the impact of actions taken by governments to reduce the spread of COVID-19, including declaring states of emergency, imposing quarantines, border closures, temporary business closures for companies and industries deemed non-essential, significant travel restrictions and mandated social distancing, and the effect on the Company's operations, access to customers and suppliers, availability of employees, and other resources; risk that contract counterparties are unable to perform contractual obligations; the potential negative effect on the Company's rights under the PSA and other agreements relating to its business in Tanzania as a result of the Petroleum Act, passed in 2015 (the "Act"), and other recently enacted and future legislation, as well as the risk that such legislation will create additional costs and time connected with the Company's business in Tanzania; risks regarding the uncertainty around evolution of Tanzanian legislation; the impact of general economic conditions in the areas in which the Company operates; civil unrest; the susceptibility of the areas in which the Company operates to outbreaks of disease; industry conditions; lack of availability of qualified personnel, contractors or management; fluctuations in commodity prices, foreign exchange rates and/or interest rates; stock market volatility; competition for, among other things, capital, drilling equipment and skilled personnel; failure to obtain required equipment for drilling; delays in drilling plans; failure to obtain expected results from drilling of wells; changes in laws and regulations including the adoption of new environmental laws and regulations; impact of new local content regulations and changes in how they are interpreted and enforced; imprecision in reserve estimates; the production and growth potential of the Company's assets; obtaining required approvals from regulatory authorities; risks associated with negotiating with foreign governments; failure to install compression on the SS gas plant or complete the well workover program on the timeline anticipated; failure to increase production volumes and capabilities through the SS gas plant; risk that the 3D seismic program is delayed or more expensive than anticipated; risk that the results of the 3D seismic program are not as lucrative or instructive as anticipated; inability to meet production targets; risks that additional planned shutdowns of the SS gas plant for maintenance will be required in 2022; inability to place the SS-4 well on production on the timeline anticipated; and unanticipated changes to legislation and the effect on the Company's operations. In addition, there are risks and uncertainties associated with oil and gas operations. Therefore the Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by these forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. Future dividend payments, if any, and the level thereof is uncertain. The Company's dividend policy and any decision to pay further dividends, will be subject to the discretion of the Board of Directors and may depend on a variety of factors, including, without limitation the Company's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, satisfaction of the solvency tests imposed on the Company under applicable corporate law. The actual amount, the declaration date, the record date and the payment date of any dividend are subject to the discretion of the Board of Directors. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future. Such forward-looking statements are based on certain assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances,

including, but not limited to, that the Company is able to complete the installation of compression on the SS gas plant and the well workover program on the timeline and at the cost anticipated; that the Company is able to increase production volumes and capabilities through the SS gas plant; no additional planned shutdowns for maintenance will be required in 2022; the SS-4 well will be placed on production on the timeline anticipated; the ability of the Company to increase production as required to meet forecasted demand; the ability of the Company to complete developments and increase its production capacity; the actual costs to complete the Company's workover program are in line with estimates; reservoir pressure declines, and demand for natural gas are in line with the Company's estimates; the Company is able to negotiate an extension of the SS license; the impact of the COVID-19 pandemic on the demand for and price of natural gas, volatility in financial markets, disruptions to global supply chains and the Company's business, operations, access to customers and suppliers, availability of employees to carry out day-to-day operations, and other resources; infrastructure capacity; commodity prices will not deteriorate significantly; the ability of the Company to obtain equipment and services in a timely manner to carry out exploration, development and exploitation activities; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; the impact of increasing competition; conditions in general economic and financial markets; receipt of government and other regulatory approvals; effects of regulation by governmental agencies; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; and other matters.

The forward-looking statements contained in this news 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.

This news release contains information that may be considered a financial outlook under applicable securities laws about the Company's anticipated capital expenditures for 2022. Such financial information has been prepared by management to provide an outlook of the Company's activities and may not be appropriate for other purposes. This information has been prepared based on a number of assumptions, risk factors, limitations and qualifications including those discussed in this news release. The actual results of operations of the Company and the resulting expenditures may vary from the amounts set forth herein, and such variations may be material. The Company and management believe that the financial outlook has been prepared on a reasonable basis, reflecting management's best estimates and judgments. The financial outlook contained in this news release was made as of the date of this news release and the Company disclaims any intent or obligation to update publicly the news release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law.

#### Other Advisories

Certain financial and operating results included in this news release, including cash and cash equivalents and long-term loan as at December 31, 2021 are based on unaudited estimated results. These estimated results are subject to change upon completion of the Company's audited financial statements for the year ended December 31, 2021, and any changes could be material. Orca anticipates filing its audited financial statements and related management's discussion and analysis for the year ended December 31, 2021 on SEDAR on or before May 2, 2022.

References in this news release to initial production results are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which the SS-3 well will continue production and decline thereafter and are not indicative of long term performance or of ultimate recovery. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Orca or any of its wells. A pressure transient analysis or well-test interpretation has not been carried out in respect of the SS-3 well. Accordingly, Orca cautions that the production results for the SS-3 well should be considered to be preliminary.

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/407970--Orca-Energy-Group-Inc.-Provides-Operational-Update.html>

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