

# PetroTal Provides Q2 2022 Operations and Liquidity Update

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Well 11H commenced production on June 30, 2022

Seventh straight quarter of production growth

Calgary, July 5, 2022 - [PetroTal Corp.](#) (TSXV: TAL) (AIM: PTAL) (OTCQX: PTALF) ("PetroTal" or the "Company") is pleased to provide the following updates:

## Key Highlights

- Q2 2022 production averaged approximately 14,500 barrels of oil per day ("bopd"), a new quarterly record, representing 7% above revised guidance provided on May 26, 2022, the seventh straight quarter of production growth;
- Well 11H was put on production June 30, 2022, and has averaged approximately 9,550 bopd over its first four producing days with an estimated payout in early August 2022;
- Well 11H was drilled and completed for an estimated \$13.8 million, on budget, with total depth reaching approximately 4,300 meters inclusive of the horizontal section of 1,125 meters, and was completed with Autonomous Inflow Control Device ("AICD") valves;
- Q2 2022 oil deliveries for export via Brazil were a record estimated 1.15 million barrels (12,600 bopd) and are expected to further increase in July 2022;
- The latest four-day average production ending on July 3, 2022, was a record 22,376 bopd, with a peak production of 26,000 bopd. To accommodate sales availability, the Company expects to maintain production between 18,000 and 19,000 bopd with Brazilian exports increasing until the ongoing Northern Peruvian Pipeline ("ONP") repairs are completed, which is expected by September 2022;
- The final Brent oil price for the 719,961 barrel lifting from Bayovar, announced on June 16, 2022, was \$114/bbl using the average ICE Brent oil price for the final ten days of June 2022, inclusive of usual pricing adjustments, thereby finalizing true up revenue of approximately \$53.9 million, which is expected to be received in August 2022;
- Total cash at June 30, 2022 was \$77.0 million, including \$16.2 million of restricted cash. Estimated accounts receivable and accounts payable at the quarter end were approximately \$88 and \$50 million, respectively; and,
- Perupetro has recently announced that it will formally include an addendum in the Block 95 License Contract including the proposed 2.5% social trust, completing a major administrative step for this social initiative.

## Strong operational execution

Q2 2022 was a strong operational period for the Company, having unconstrained production for the majority of the quarter. Production was supported with strong oil rates from wells 8H, 9H, and 10H, each flowing between 3,000 and 4,000 bopd with well 11H commencing production on June 30, 2022 at an initial four-day average of 9,550 bopd. Well 11H was drilled and completed for an estimated \$13.8 million, which was on budget, and with total depth of approximately 4,300 meters, inclusive of the 1,125 meter horizontal section.

The ONP is still undergoing maintenance, which Petroperu expects to have completed by September 2022. During this time, the Company anticipates restraining approximately 20% of field production which will be restored as 11H's flush production diminishes and as Brazilian exports are increased during this quarter. As a result, the Company is targeting an overall production range of 18,000 to 19,000 bopd for the third quarter.

## Enhanced liquidity expected in Q3 2022

The robust forward free cash flow profile, combined with the strong June 2022 exit liquidity and the recently executed Bayovar oil lifting, should minimize the impact of having to temporarily constrain production to manage sales capacity. The Company remains on target to execute its debt repayment strategy in Q4 2022 or Q1 2023, which will allow an accretive shareholder return policy to be examined and approved in Q4 2022, if it is, as expected, economically viable.

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

"PetroTal has now achieved its seventh straight quarter of production growth and has delivered another production record, growing 21% in the quarter. 11H's early technical assessment estimates it will achieve an investment payout by early August 2022 at current Brent oil prices and, like our other wells, help deliver a robust free cash flow profile thereafter. Given our strong liquidity profile we are actively assessing the Company's ability to put in place an accretive shareholder return policy upon payout of the bonds, which we look forward to communicating about later in 2022. We are also very excited about the agreement to include our social trust initiative into the Block 95 petroleum license, thereby accepting the concept into rule of law."

## ABOUT PETROTAL

PetroTal is a publicly traded, tri&dash;quoted (TSXV: TAL) (AIM: PTAL) (OTCQX: PTALF) operationally prudent and sustainable Peruvian oil and gas operator that owns 100% working interest in Blocks 95 and 107 with its current development focus at the Bretana oilfield in Block 95. The Company is headquartered in Houston, Texas with an operational and legal offices in Lima Peru and Calgary Alberta, respectively. Over a period of four years, starting in late 2017, the PetroTal team was able to take a greenfield resource project and transform it into Peru's largest crude oil producer reaching over 20,000 bopd in December 2021. PetroTal now has a substantial and de-risked repeatable drilling inventory to provide investors with free cash flow and growth for many years ahead while actively building new initiatives to champion ESG development. 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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Such statements relate to possible future events, including, but not limited to: PetroTal's business strategy, objectives, strength and focus; the impact of social disruption on the Company's operations; drilling, completions, workovers and other activities and the anticipated costs and results of such activities; PetroTal's revised 2022 guidance and budget including, but not limited to, estimated or anticipated production levels, capital expenditures and drilling plans; the intention to redeem the outstanding bonds; PetroTal plans to deliver strong operational performance and to generate free cash flow and growth; capital requirements; the ability of the Company to achieve drilling success consistent with management's expectations; the ability of the Company to achieve near term production targets and operate at unrestricted levels; anticipated future production and revenue; drilling plans including the timing of drilling, commissioning, and startup and the impact of delays thereon; oil production levels, including average and exit production in 2022; sales expansion through alternative exports routes, including barging and trucking; the Company's proposals for collaboration with local communities; and future development and growth prospects. 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, the ability of the Ministry of Energy to effectively achieve its objectives in respect of reducing social conflict and collaborating towards continued investment in the energy sector, 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, impact of inflation on costs, 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, wars (including Russia's military actions in Ukraine), 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. Ongoing military actions between Russia and Ukraine have the potential to threaten the supply of oil and gas from the region. The long-term impacts of the actions between these nations remains uncertain. 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, increased operating and capital costs due to inflationary pressures, business, financial conditions, results of operations and other factors relevant to the Company. Please refer to the risk factors identified in the Corporation's most recent annual information form and 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.

**SHORT-TERM PRODUCTION RATES:** References in this press release peak production, initial 4 days of 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 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.

**SPECIFIED FINANCIAL MEASURES:** This press release includes various specified financial measures, including non-GAAP financial measures, non-GAAP financial ratios and capital management measures as further described herein. These measures do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP") and, therefore, may not be comparable with the calculation of similar measures 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. "Netback" (non-GAAP financial ratio) equals total petroleum sales less quality discount, lifting costs, transportation costs and royalty payments calculated on a bbl basis. The Company considers netbacks to be a key measure as they demonstrate Company's profitability relative to current commodity prices. "Funds flow provided by operations" (non-GAAP financial measure) includes all cash generated from operating activities and is calculated before changes in non-cash working capital. "Adjusted EBITDA" (non-GAAP financial measure) is calculated as consolidated net income (loss) before interest and financing expenses, income taxes, depletion, depreciation and amortization and adjusted for G&A impacts and certain non-cash, extraordinary and non-recurring items primarily relating to unrealized gains and losses on financial instruments and impairment losses, including derivative true-up settlements. PetroTal utilizes adjusted EBITDA as a measure of operational performance and cash flow generating capability. Adjusted EBITDA impacts the level and extent of funding for capital projects investments. Reference to EBITDA is calculated as net operating income less G&A. "Free cash flow" (non-GAAP financial measure) is calculated as net operating income less G&A less exploration and development capital expenditures and is calculated prior to all debt service, taxes, lease payments, hedge costs, factoring, and lease payments. Management uses free cash flow to determine the amount of funds available to the Company for future capital allocation decisions. Please refer to the MD&A for additional information relating to specified financial measures.

**FOFI DISCLOSURE:** This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about PetroTal's revised budget and guidance, prospective results of operations, production and production capacity, free cash flow, revenue, adjusted EBITDA, debt repayment, liquidity, shareholder returns 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.

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