

Forza Petroleum Q2 2022 Financial and Operational Results

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Revenue increases another 20% in the second quarter versus the first quarter of 2022; profit up more than 600% versus the second quarter of 2021

Calgary, July 28, 2022 - [Forza Petroleum Ltd.](#) (TSX: FORZ) ("Forza Petroleum" or the "Corporation") today announces its financial and operational results for the three and six months ended June 30, 2022. All dollar amounts set forth in this news release are in United States dollars.

Financial Highlights:

- Revenue of \$98.8 million for Q2 2022, consisting of an average realized sales price of \$94.28/barrel of oil ("bbl") on working interest oil sales of 877,500 bbl and \$16.0 million in recovery of carried costs
- The Corporation has received full payment in accordance with production sharing contract entitlements for all oil sales into the Kurdistan Oil Export Pipeline through April 2022
- Field operating costs, representing the Corporation's working interest share of operating expenses, of \$6.0 million (\$6.85/bbl) for Q2 2022 versus \$4.8 million (\$6.56/bbl) for Q2 2021
 - Field operating costs per bbl are up 4% versus the comparable period because of increases in security, diesel and consumable costs, partially offset by a 20% increase in sales volumes
- Profit of \$31.5 million (\$0.05 per common share) in Q2 2022 versus \$4.4 million (\$0.01 per common share) in Q2 2021 primarily the result of an increase in net revenue
- Net cash generated from operating activities was \$45.6 million in Q2 2022 versus \$14.6 million in Q2 2021
- Net cash used in investing activities during Q2 2022 was \$18.7 million, including payments related to drilling and facilities work in the Hawler license area, versus \$6.5 million in Q2 2021
- \$43.5 million of cash and cash equivalents as of June 30, 2022

Operations Update:

- Average gross (100%) oil production of 14,800 bbl/d (working interest 9,600 bbl/d) in Q2 2022.
- During the second quarter of 2022, the Demir Dagh-14 well was completed in the Cretaceous reservoir and turned over to production. The well has since been connected by flowline to Demir Dagh production facilities.
- A sidetrack of the previously drilled Demir Dagh-9H well targeting the Cretaceous reservoir reached total depth on July 2, 2022. Clean-up and evaluation of the well is underway.
- Workover operations on the Demir Dagh-13 well were undertaken mid-July to replace a leased jet pump with a progressive cavity pump owned by the Corporation.
- Mobilization of a drilling rig is underway to convert the previously drilled Zey Gawra-2 well to a water disposal well.

- For the balance of 2022, the Corporation will continue to advance its forecasted 2022 work program including the completion of the Ain al Safra-2 well, drilling one new well in each of the Tertiary and Cretaceous reservoirs of the Zey Gawra field, and redrilling the horizontal drain of the temporarily abandoned Zey Gawra-6 well in the Cretaceous reservoir.
- Planned facilities' work for the balance of 2022 includes installation of a pipeline connecting the Banan field to the Hawler production facilities at the Demir Dagh field.

Liquidity Outlook:

- The Corporation expects cash on hand as of June 30, 2022, and cash receipts from net revenues from sales, exclusively made to the Kurdistan Regional Government at the tie-in to the Kurdistan Oil Export Pipeline, will fund its forecasted capital expenditures and operating and administrative costs through the end of September 2023 and the \$76.2 million in deferred purchase consideration, falling due at end of March 2023, owing in connection with the original acquisition of the Hawler license area.

CEO's Comment

Commenting today, Forza Petroleum's Chief Executive Officer, Vance Querio, stated:

"Higher oil prices and stable production further strengthened Forza Petroleum's financial position during the second quarter of 2022, as demonstrated by a cash and cash equivalents balance of \$43.5 million at period end. The Corporation's liquidity permits continued execution of our work program for 2022.

"Although not immune to supply chain challenges and higher costs for certain operating items, we continue to maintain a high level of activity in the Hawler area while we pursue efforts to identify operating efficiencies and reduce unit operating cost. 2022 is on track to be Forza Petroleum's most successful year yet."

Selected Financial Results

Financial results are prepared in accordance with International Financial Reporting Standards ("IFRS") and the reporting currency is US dollars. The following table summarizes selected financial highlights for Forza Petroleum for the three and six month periods ended June 30, 2022 and June 30, 2021, as well as the year ended December 31, 2021.

(\$ in millions unless otherwise indicated)	Three Months Ended June 30		Six Months Ended June 30		Year Ended December 31
	2022	2021	2022	2021	2021
Revenue	98.8	45.7	181.1	81.4	187.8
Working Interest Production (bbl)	873,200	730,700	1,725,800	1,406,200	2,886,600
Average WI Production per day (bbl/d)	9,600	8,000	9,500	7,800	7,900
Working Interest Oil Sales (bbl)	877,500	731,200	1,728,500	1,404,500	2,885,300
Average Realised Sales Price (\$/bbl)	94.28	52.32	87.77	48.55	54.52
Operating Expense	9.3	7.4	17.9	13.5	30.1
Field Operating Costs (\$/bbl) ⁽¹⁾	6.85	6.56	6.75	6.24	6.78
Operating Expenses (\$/bbl)	10.54	10.09	10.38	9.60	10.42
Profit (Loss)	31.5	4.4	53.8	25.5	10.3
Basic and Diluted Earnings (Loss) per Share (\$/sh)	0.05	0.01	0.09	0.04	0.02
Net Cash generated from Operating Activities	45.6	14.6	58.2	15.9	51.2
Net Cash used in Investing Activities	(18.7)	(6.5)	(39.4)	(10.8)	(34.7)
Capital Additions ⁽²⁾	10.3	9.3	29.3	15.3	45.8
Cash and Cash Equivalents	43.5	18.2	43.5	18.2	24.7
Total Assets	633.9	594.8	633.9	594.8	587.7

Total Liabilities	112.9	112.6	112.9	112.6	120.9
Total Equity	521.1	482.2	521.1	482.2	466.8

(1) Field operating costs represent Forza Petroleum's working interest share of gross operating costs and exclude the partner share of operating costs carried by Forza Petroleum.

(2) Excludes non-cash changes to the decommissioning obligation.

- Revenue increased to \$98.8 million in Q2 2022 versus \$45.7 million in Q2 2021 due primarily to an 80% increase in realized average oil sales prices and a 20% increase in oil sales volumes. Gross (working interest) production and sales of oil in Q2 2022 were 873,200 barrels and 877,500 barrels, respectively, versus 730,700 barrels and 731,200 barrels, respectively, for Q2 2021. The increase in sales volumes versus the earlier period reflects the success of drilling activity in the last four quarters. The average oil sales price realized in Q2 2022 was \$94.28 per barrel versus \$52.32 for Q2 2021. In addition to oil sales, revenue for Q2 2022 includes the recovery of \$16.0 million of carried costs, versus the recovery of \$7.4 million of carried costs in Q2 2021.
- Operating expense, which includes the Corporation's carry of partner costs, increased to \$9.3 million in Q2 2022 versus \$7.4 million in Q2 2021 and is primarily attributable to increased security, consumables, and diesel costs. The increased security costs were due to increased activity. Diesel costs have increased due to both higher costs and increased activity. Operating expenses on a per barrel basis increased in Q2 2022 versus Q2 2021 due to a 25% increase in operating expense partially offset by a 20% increase in sales volumes.
- General and administration expense increased to \$1.4 million in Q2 2022 versus \$0.9 million in Q2 2021 due primarily to higher consulting costs and increased accruals for discretionary compensation. Of general and administration expense, 41% is forecast to be cost recoverable from the Corporation's oil and gas operations.
- Profit for the three months ended June 30, 2022, was \$31.5 million compared to \$4.4 million for Q2 2021. The improved result is primarily attributable to a \$31.4 million increase in net revenue.
- Sales volumes were 20% higher in Q2 2022 versus Q2 2021 due primarily to successful drilling activity during the last four quarters, and 3% higher versus Q1 2022.
- Cash generated from operating activities was \$45.6 million in Q2 2022 compared to \$14.6 million in Q2 2021. The increase mainly relates to higher crude oil sales revenue received during the period resulting from both higher average oil sales prices and the settlement of four months' of sales invoices during the period versus three months' of sales invoices in Q2 2021.
- Cash used in investing activities was \$18.7 million in Q2 2022 compared to \$6.5 million in Q2 2021.
- Capital additions in Q2 2022, which excludes non-cash changes to the decommissioning obligation, totalled \$10.3 million compared to \$9.3 million in Q2 2021. In Q2 2022, \$9.2 million was invested in drilling activities in the Hawler license area at the Demir Dagh and Zey Gawra fields. Q2 2022 capital expenditures also included \$0.7 million of facilities expenditures and \$0.4 million of directly attributable support costs.
- Cash and cash equivalents increased to \$43.5 million at June 30, 2022, from \$16.6 million at March 31, 2022, reflecting \$45.6 million generated from operating activities partially offset by \$18.7 million used in investing activities.
- The Corporation is obligated to make a further payment to the seller of the Hawler license area in the amount of \$76.2 million. In accordance with a forbearance agreement entered with the seller of the Hawler license area, and subject to pending negotiations to restructure the obligation, the full amount is forecast to become payable at the end of March 2023.
- As at July 28, 2022, there are outstanding: (i) 584,976,202 common shares, (ii) unvested Long Term Incentive Plan awards which are expected to result in the issuance of up to an additional 20,742,033 common shares upon vesting, and (iii) 33,149,000 warrants that were issued in 2020 in connection with an amendment to a loan agreement that was subsequently settled in full.

Regulatory Filings

This announcement coincides with the filing with the Canadian securities regulatory authorities of Forza

Petroleum's unaudited condensed consolidated financial statements for the three and six months ended June 30, 2022 and the related management's discussion and analysis thereon. Copies of these documents filed by Forza Petroleum may be obtained via www.sedar.com and the Corporation's website, www.forzapetroleum.com.

ABOUT FORZA PETROLEUM LIMITED

Forza Petroleum Ltd. is an international oil exploration, development and production company. The Corporation's shares are listed on the Toronto Stock Exchange and trade under the symbol "FORZ". Forza Petroleum has a 65% working interest in and operates the Hawler license area in the Kurdistan Region of Iraq, which has yielded oil discoveries in four areas, three of which are contributing to production while appraisal and development activity continues. Further information about Forza Petroleum is available at www.forzapetroleum.com or under Forza Petroleum's profile at www.sedar.com.

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Reader Advisory Regarding Forward-Looking Information

Certain statements in this news release constitute "forward-looking information", including statements related to forecast work program and capital expenditure, drilling and well workover plans, development plans and schedules and chance of success, future drilling of wells and the reservoirs to be targeted, future facilities work, ultimate recoverability of current and long-term assets, possible commerciality of our projects, future expenditures and sources of financing for such expenditures, expectations that cash on hand as of June 30, 2022 and cash receipts from net revenues from export sales exclusively through the Kurdistan Oil Export Pipeline will fund the Corporation's forecasted capital expenditures and operating and administrative costs through the end of September 2023 and the \$76.2 million in deferred purchase consideration owing in connection with the original acquisition of the Hawler license area, the issuance of shares as a result of the vesting of Long Term Incentive Plan awards and the exercise of warrants, future requirements for additional funding, estimates for the fair value of the deferred purchase consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, the expected timing for settlement of liabilities including the deferred purchase consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, cost recoverability of general and administration expense, and statements that contain words such as "may", "will", "could", "should", "anticipate", "believe", "intend", "expect", "plan", "estimate", "potentially", "project", or the negative of such expressions and statements relating to matters that are not historical fact, constitute forward-looking information within the meaning of applicable Canadian securities legislation.

Although Forza Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. For more information about these assumptions and risks facing the Corporation, refer to the Corporation's Annual Information Form dated March 23, 2022 available at www.sedar.com and the Corporation's website at www.forzapetroleum.com. Further, statements including forward-looking information in this news release are made as at the date they are given and, except as required by applicable law, Forza Petroleum does not intend, and does not assume any obligation, to update any forward-looking information, whether because of new information, future events or otherwise. If the Corporation does update one or more statements containing forward-looking information, it is not obligated to, and no inference should be drawn that it will make additional updates with respect thereto or with respect to other forward-looking information. The forward-looking information contained in this news release is expressly qualified by this cautionary statement.

Reader Advisory Regarding Certain Figures

Unless provided otherwise, all production and capacity figures and volumes cited in this news release are gross (100%) values, indicating that figures (i) have not been adjusted for deductions specified in the production sharing contract applicable to the Hawler license area, and (ii) are attributed to the license area as a whole and do not represent Forza Petroleum's working interest in such production, capacity or volumes.

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