

Forza Petroleum Q3 2022 Financial and Operational Results

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A record year continues to develop with the support of stable production and high oil prices during the third quarter

Calgary, November 8, 2022 - [Forza Petroleum Ltd.](#) (TSX: FORZ) ("Forza Petroleum" or the "Corporation") today announces its financial and operational results for the three and nine months ended September 30, 2022. All dollar amounts set forth in this news release are in United States dollars.

Financial Highlights:

- Revenue of \$85.1 million for Q3 2022, consisting of an average realized sales price of \$79.11/barrel of oil ("bbl") on working interest oil sales of 900,800 bbl and \$13.8 million in recovery of carried costs
- Field operating costs, representing the Corporation's working interest share of operating expenses, of \$5.9 million (\$6.54/bbl) for Q3 2022 versus \$4.7 million (\$6.57/bbl) for Q3 2021
 - Field operating costs per bbl are stable versus the comparable period with increases in security, diesel and consumable costs offset by a 25% increase in sales volumes
- Profit of \$23.7 million (\$0.04 per common share) in Q3 2022 versus \$7.6 million (\$0.01 per common share) in Q3 2021 primarily attributable to an increase in net revenue resulting from increased realized sales price and recovery of carried costs, and higher sales volumes
- Net cash generated from operating activities was \$25.4 million in Q3 2022 versus \$13.9 million in Q3 2021
- Net cash used in investing activities during Q3 2022 was \$15.3 million, including payments related to drilling and facilities work in the Hawler license area, versus \$7.7 million in Q3 2021
- \$53.6 million of cash and cash equivalents as of September 30, 2022
 - Payment of \$20.6 million for oil sales into the Kurdistan Oil Export Pipeline during June 2022 was received after September 30, 2022

Operations Update:

- Average gross (100%) oil production of 15,100 bbl/d (working interest 9,800 bbl/d) in Q3 2022.
- A sidetrack of the previously drilled Demir Dagħ-9H well targeting the Cretaceous reservoir reached total depth on July 2, 2022. The well is on production.
- The Zey Gawra-9 well targeting the Cretaceous reservoir reached total depth on October 1, 2022. The well was completed and is currently producing.
- Activity during the third quarter of 2022 also included the conversion of the previously drilled Zey Gawra-2 well to a water disposal well and workover operations on the Demir Dagħ-13 well to replace a leased jet pump with a progressive cavity pump owned by the Corporation.

- One rig has recently started redrilling the horizontal drain of the temporarily abandoned Zey Gawra-6 well in the Cretaceous reservoir and another is being mobilized now to complete the Ain al Safra-2 well in the Triassic reservoir. The undeveloped Ain al Safra field is east of and in the same structure as the Zartik wells in the Baeshiqa PSC area, where production commenced in mid-June from the Zartik-1 well. The Corporation plans to finish its 2022 work program later this year by completing the Ain al Safra-1 well in the Jurassic reservoir and spudding a new well to be completed early next year in the Tertiary reservoir in the southern part of the Zey Gawra field.
- Planned facilities' work for the balance of 2022 includes installation of flowlines to connect the Banan field to the Hawler production facilities at the Demir Dagha field. Commissioning of the lines is forecast for the end of the current year after which transportation of oil from the Banan field by road tankers will be discontinued.

2022 Forecasted Capital Expenditures:

- Forza Petroleum forecasts \$67 million of capital expenditure for 2022, down from \$72 million forecast on May 13, 2022, due to timing issues.

Liquidity Outlook:

- The Corporation expects cash on hand as of September 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 December 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:

"Operations during the third quarter resulted in a modest increase in oil production rate and contributed to a \$10.2 million increase in the Corporation's balance of cash and cash equivalents at period-end. The cash and cash equivalents balance of \$53.6 million at period-end is supplemented by a \$36.5 million increase in the trade and other receivables balance to \$71.0 million. The Corporation's liquidity permits continuation of an active work program for the balance of 2022 and into 2023.

We are happy to be mobilizing a drilling rig to the Ain al Safra field, which was evacuated due to the invasion of ISIS in 2014. We look forward to completing the previously drilled AAS-1 and AAS-2 wells in the Jurassic and Triassic reservoirs, respectively, and to assessing the productive capacity of these completions.

Forza Petroleum remains on track to achieve what should be its 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 nine month periods ended September 30, 2022 and September 30, 2021, as well as the year ended December 31, 2021.

	Three Months Ended September 30		Nine Months Ended September 30		Year Ended December 31
(\$ in millions unless otherwise indicated)	2022	2021	2022	2021	2021
Revenue	85.1	48.7	266.2	130.1	187.8
Working Interest Production (bbl)	901,600	717,200	2,627,400	2,123,400	2,886,600
Average WI Production per day (bbl/d)	9,800	7,800	9,600	7,800	7,900
Working Interest Oil Sales (bbl)	900,800	718,500	2,629,300	2,123,000	2,885,300

Average Realised Sales Price (\$/bbl)	79.11	56.81	84.80	51.34	54.52
Operating Expense	9.1	7.3	27.0	20.7	30.1
Field Operating Costs (\$/bbl) ⁽¹⁾	6.54	6.57	6.67	6.35	6.78
Operating Expenses (\$/bbl)	10.06	10.10	10.27	9.77	10.42
Profit (Loss)	23.7	7.6	77.4	33.1	10.3
Basic and Diluted Earnings per Share (\$/sh)	0.04	0.01	0.13	0.06	0.02
Net Cash generated from Operating Activities	25.4	13.9	83.6	29.8	51.2
Net Cash used in Investing Activities	(15.3)	(7.7)	(54.6)	(18.5)	(34.7)
Capital Additions ⁽²⁾	11.3	10.0	40.7	25.3	45.8
Cash and Cash Equivalents	53.6	19.5	53.6	19.5	24.7
Total Assets	658.0	605.8	658.0	605.8	587.7
Total Liabilities	113.1	115.8	113.1	115.8	120.9
Total Equity	544.9	489.9	544.9	489.9	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 \$85.1 million in Q3 2022 versus \$48.7 million in Q3 2021 due primarily to a 39% increase in realized average oil sales prices and a 25% increase in oil sales volumes. Gross (working interest) production and sales of oil in Q3 2022 were 901,600 barrels and 900,800 barrels, respectively, versus 717,200 barrels and 718,500 barrels, respectively, for Q3 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 Q3 2022 was \$79.11 per barrel versus \$56.81 for Q3 2021. In addition to oil sales, revenue for Q3 2022 includes the recovery of \$13.8 million of carried costs, versus the recovery of \$7.9 million of carried costs in Q3 2021.
- Effective September 1, 2022, the Kurdistan Regional Government has implemented a new pricing mechanism for crude oil purchases. Under the new pricing mechanism, the realized sales price for a month is equal to the average market price realized by the KRG for the Kurdistan blend (KBT) sold at Ceyhan, Turkey during the month, discounted by approximately \$10/bbl for pipeline system tariffs and fees, and adjusted for differences in oil gravity and sulphur between Hawler production and KBT. For sales in September 2022, the new pricing mechanism results in an approximately \$10 reduction in the realized sales price versus the previous pricing mechanism. It is not clear how KBT will price relative to Brent Crude in future sales.
- Operating expense, which includes the Corporation's carry of partner costs, increased to \$9.1 million in Q3 2022 versus \$7.3 million in Q3 2021 and is primarily attributable to increased security, personnel, consumables, and diesel costs. The increased security costs were due to increased activity and a higher rate that was implemented during the second quarter of 2021. Diesel, personnel, and consumables costs have increased due to both higher prices and increased activity. Operating expenses on a per barrel basis were stable in Q3 2022 versus Q3 2021 with the increase in operating expense offset by a 25% increase in sales volumes.
- General and administration expense increased to \$2.0 million in Q3 2022 versus \$1.5 million in Q3 2021 due primarily to larger share-based performance awards, higher consulting costs and increased accruals for discretionary compensation. Of general and administration expense, 49% is forecast to be cost recoverable from the Corporation's oil and gas operations.
- Profit for the three months ended September 30, 2022 was \$23.7 million compared to \$7.6 million for Q3 2021. The improved result is primarily attributable to a \$21.5 million increase in net revenue resulting from increased realized sales price and recovery of carried costs, and higher sales volumes.
- Sales volumes were 25% higher in Q3 2022 versus Q3 2021 due primarily to successful drilling activity during the last four quarters, and 3% higher versus Q2 2022.
- Cash generated from operating activities was \$25.4 million in Q3 2022 compared to \$13.9 million in Q3 2021. The increase mainly relates to higher crude oil sales revenue received during the period resulting from both higher average oil sales prices and sales volumes. Cash generated from operating activities would have been higher except only two months' of sales invoices were settled during the period compared to the usual three.
- Cash used in investing activities was \$15.3 million in Q3 2022 compared to \$7.7 million in Q3 2021.

- Capital additions in Q3 2022, which excludes non-cash changes to the decommissioning obligation, totalled \$11.3 million compared to \$10.0 million in Q3 2021. In Q3 2022, \$10.2 million was invested in drilling activities in the Hawler license area at the Demir Dag and Zey Gawra fields. Q3 2022 capital expenditures also included \$0.6 million of facilities expenditures and \$0.5 million of directly attributable support costs.
- Cash and cash equivalents increased to \$53.6 million at September 30, 2022 from \$43.5 million at June 30, 2022 reflecting \$25.4 million generated from operating activities partially offset by \$15.3 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 November 8, 2022, there are outstanding: (i) 600,306,357 common shares, (ii) unvested Long Term Incentive Plan awards which are expected to result in the issuance of up to an additional 14,873,032 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 nine months ended September 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.](http://www.forzapetroleum.com) 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 September 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 December 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, discussion regarding future prices for KBT, cost recoverability of general and administration expenses, 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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