Valeura Energy Inc.

Third Quarter 2018 Results Conference Call

TRANSCRIPT

Calgary, November 13, 2018: The following is a transcript of the Valeura Energy Inc. Third Quarter 2018 Results Conference Call, recorded at 11:00AM ET on November 13, 2018. An audio replay of the call is available at:
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Corporate participants

Sean Guest, President & Chief Executive Officer

Steve Bjornson, Chief Financial Officer

PRESENTATION

Operator:

Good morning, ladies and gentlemen, and welcome to the Valeura Energy Third Quarter 2018 Results Conference Call. At this time, all phone lines are in a listen-only mode, but following the presentations, we will conduct a question-and-answer session.

If at any time during this call you require immediate assistance from the phone, please press *, 0 for the Operator.

Also note that the call is being recorded on Tuesday, November 13, 2018.

I now would like to turn the conference over to Sean Guest, President and CEO. Please go ahead, sir.

Sean Guest:

Thank you very much, Operator. Ladies and gentlemen, welcome to the Valeura Energy Third Quarter Conference Call for the period ending September 30, 2018. My name is Sean Guest. I'm Valeura's President and Chief Executive Officer. And today, we're hosting this call from

Istanbul, Turkey. And joining me here in the room are Robin Martin, our Investor Relations Manager. And Steve Bjornson, our CFO is also on the call, but he is joining from Calgary.

Before getting started, I'd like to draw your attention to our general disclaimer, which is provided on our corporate website and in our updated corporate presentation, which is on our website or available by link to those of you joining via webcast. I'd also like to point out the advisories regarding forward-looking statements and non-GAAP measures used in this discussion.

As of this morning, we filed our financial and operating results for Q3 2018. They're available on SEDAR. On our website as well is our press release, which provides some highlights.

So to get started, I'll touch on some of the highlights and issues that we faced during the quarter, and then I'll hand over to Steve, who will take us through a financial review. And after Steve, I'll go into a little more of a full update on the operations, and we'll then take any questions that you might have.

So first of all, a few words on context and setting the scene. Q3 was a period of significant volatility in the emerging markets, and Turkey continued to be in the headlines. Relationships with the US were poor and, unfortunately quite public, and this exasperated concerns about Turkey's economy. At one point in the quarter, the lira had lost 34 percent of its value relative to the end of Q2.

However, the Turkish Central Bank responded by increasing interest rates. During the same time, we've seen relations with the US have improved and become more cordial, and by the end of the quarter, the lira was recovering, and that trend has continued into Q4 to date.

One point I want to clearly emphasize is about gas prices. Our contracted gas price is referenced to Turkish lira. BOTAS, the entity that owns the pipelines and imports the majority of gas to Turkey sets this price, again in Turkish lira. But what we saw all through 2018 and particularly during the sharp decline in the Turkish lira during the summer is that BOTAS made regular adjustments to this gas price to first offset the decline in the Turkish lira and also to account for increases in the regional gas price.

The gas price that Valeura receives today in US dollars or Canadian dollars, whichever you choose, is well in excess of what we were receiving 12 months ago. We continue to see this as justification to our thesis that the long-term value of gas in Turkey should be valued similar to the prevailing European gas price, and that's good news for us in the long run.

Meanwhile, I'll also emphasize that during this recent period of uncertainty, we continued to enjoy a stable and secure operating environment here in Turkey. We've managed to secure all of the government permits and approvals that we need for operations. And when I look back on Q3, looking at the three wells appraisal drilling program for our BCGA, we completed the procurement, the import of all of the equipment we needed for drilling. Specifically, in Inanli we were able to acquire the well site, construct the well pad, and mobilize the rig to that site. Subsequent to the quarter, on October 8th, we spudded the well, and we're currently at 3,460 metres, but more on that in a minute.

During the quarter, we returned to the Yamalik discovery well, completed it, and connected it to our infrastructure for the long-term production test. Initial results from the recompletion have been encouraging. We had the initial rate of 2.5 mmscf/d discussed today. And as of today, the long-term production test is still ongoing, and the well continues to flow gas with condensate and water.

I'll go into a little bit more about that after Steve speaks, but in simple terms, we are able to achieve a stable rate, and the well has continued to flow gas out of the rock, into the fractures, and up into the well.

So with that, I'll hand over to Steve, who will walk us through the financial review. Steve?

Steve Bjornson:

Thanks, Sean. Hi, everyone. Financial and operating results for Q3 are summarized in a table on Page 2 of the press release.

The headline from a finance standpoint is that our balance sheet remains in excellent shape. We have no debt, and working capital is sitting at 56.3 million. As we continue planning out the appraisal program and budgeting for 2019, I'm confident that we have sufficient resources to fully fund our portion of the capital program throughout the end of 2019 and beyond. We're in very good financial position.

The costs for the well drilling right now, Inanli-1, are carried by our partner Equinor, and thereafter, we will start paying our working interest share of the program meaning spending will increase in 2019. But we're still focused on cost control, and I'm pleased to say that the well is on budget. We're working hard to keep it that way through the entire appraisal program.

So as Sean mentioned, our conventional gas production continues as expected. We produced an average of 655 boes a day in Q3, which is basically what our internal plan was, generating revenue of 2.4 million. Now that's 19 percent lower than last quarter due to both lower production and lower price realizations.

Production from Yamalik-1 is going to be included in our production numbers from Q4 on. So in Q3, we still had equipment on-site throughout the quarter. So the costs, the revenues, and the production haven't yet moved over to our operating income. So the production number for Q3 really is just from the conventional play.

Also, as we've previously announced, gas reference prices continue to be revised upward, offsetting the impact of changes in the value of the Turkish lira, but with the big drop in exchange rate we saw in August, there was time delay before prices can be rebased, as BOTAS only makes adjustments once a month. And that's why the price realization is a little lower than we're used to seeing coming in at $6.64 an mcf.

With that said, following the end of Q3, prices have become much stronger. The combined impact of higher reference price as of October 1st, plus an ongoing steady rise in the value of the lira has resulted in an average price of 8.53 over the last five weeks or so, which should result in a netback in the range of $35 a boe.

So putting all this together, we actually recorded a slight increase in our operating netback this quarter. That's largely the impact of reducing our controllable expenses in Q3, which is the combination of G&A and production costs, which were actually down by 51 percent quarter over quarter.

So with that, I'll hand it back to Sean.

Sean Guest:

Thank you, Steve. I'd like to now just give a little more colour on the operations for the rest of the call.

So first, Inanli-1, which is our first appraisal well after Yamalik into this play. So during the quarter, we built the well site and imported all the drilling equipment we'll need for the entire appraisal drilling program, and the main thing was the KCA Deutag 700 rig. It is a very heavy-duty rig, and those of you who follow our feeds on social media will have seen a few photos of what it looks like.

The rig, plus all of the other equipment we're using is rated to accommodate the extreme pressures that we saw in Yamalik-1, and considering that we're going deeper, we need to be able to handle much higher pressures than that as well. The target depth for that well is 5,000 metres.

So the well was spudded on October 8th, and we drilled and cased two upper hole sections, both of which were fully evaluated. And in the past week, we've completed the drilling down to 3,460 metres, which is a section TD, and we've been evaluating that hole section prior to running casing.

Now the plan with this hole section was to stop the drilling in the Mezardere Formation, which is a shaley, lower net-to-gross formation just above our target. But the pleasant surprise we had was that in the lower part of that Mezardere, which is normally quite shaley, we actually came into quite a thick, high net-to-gross sand package. And from the wireline evaluation and all of the drilling data, it clearly suggests that the sands in that section are overpressured and gas-bearing during that. We also believe that the quality looks at least on par with Yamalik, if not even a little bit better.

So that for us is very exciting because we're sitting right above our target formations of the Teslimkoy and the Kesan, which we'll drill out into very shortly, and we're already seeing the overpressured gas in that. So that's very good news for us.

We noted in our press release this morning that we're preparing to run casing currently on the well. In actual fact, based on discussions today with our partner, Equinor, in that, we're going to continue to do some coring evaluation of this, given the positive results that we've seen in the well. But we should be getting ready to drill out shortly into the objective section.

So really, we've got an exciting part of drilling ahead of us with a significant amount of coring planned. We expect to have the well completed sometime around the end of December and then to update the market on the results of that section at the time.

The other key operation we've been talking about is Yamalik-1 and the testing that's been going on there. So by way of a reminder, Yamalik was drilled as an exploration well, and we had to TD that well in an overpressured gas section, given the high pressures.

The objective of the fracking program we did was really to demonstrate that gas would flow to surface post-fracking from a number of different intervals; so spread over 800 metres. The well met those objectives. It was not fully fracked. We did not frac all of the net pay in that.

So during the quarter, after recompleting the well, recording the initial flow rates and pressures, the well then goes into a dewatering phase where you're generally bringing back the frac fluids, which is quite typical for an unconventional well.

And during that period, we saw really periods of intermittent flow where it was producing gas, oil, and water, and it was relatively unstable. So we took the decision to install a compressor on surface, which would just provide a little gas lift and stabilize the flow and help to bring the water up during that dewatering phase.

That is working, and the well is now producing in a stable fashion, and we're seeing relatively stable pressures and flow rates from the well at this point. And as we noted in the press release, so on November 1st, the well was flowing about 0.5 million standard cubic feet a day, 24 barrels a day of condensate, and then at that day, we had 269 barrels of water. And that was through a slightly smaller choke than we were using on the initial testing. Since that time, we've actually been experimenting with the choke size to try and vary the drawdown to see how the well responds to that.

So positive news is that we're very pleased with the condensate yield. During the whole time of producing this has averaged between 50 to 60 barrels per million cubic feet, which is very high, and it's maintained a stable fashion.

We're continuing to monitor the total water produced, and as of today, that amount of water produced represents just over 80 percent of the load water that we injected during the fracking period.

Now if that water production continues over the next while, then the next step will be for us to determine where the water is coming from. So remember, we're talking of just a few fracs spread over 800 metres. So it will be important for us to understand what zones are contributing water. And this will allow us to better manage future vertical appraisal wells, as well as then, with that understanding, whether we avoid those zones when we go to horizontal wells in the future.

But really to emphasize, there is some water flowing with the well. We'll monitor how it goes forward and see just what the rates are and then try and define where that water is coming from.

So after the Inanli well is completed, the rig will move directly to the Devepinar-1 location. All of the permits are in place, and we're going to start construction of that well site very shortly.

It's going to be a very large step out to the west. It's about 20 kilometres further west from Yamalik. And that may seem like a very large jump, but we've selected a location that is actually positioned between two existing legacy wells that previously both encountered high-pressure gas

at depth. So neither of those legacy wells was fracked, but they do provide us information and help us with the correlation.

So the purpose of Devepinar-1 is really to demonstrate that the play is pervasive over to the west side of the basin.

We're still reviewing well locations for the third appraisal well with our partner, Equinor. We have drilling permits for a number of potential well locations already and will incorporate the data from Inanli before selecting exactly which location to go to for that third well. We expect this decision will be made within the first quarter of next year.

So on the drilling front, I expect that we'll be in a position to share updates on a more continual basis throughout the rest of this year and into 2019. Every part of the Company is 100 percent focused on appraising and de-risking this play as a way of adding value to our shareholders.

Another note you may have seen in our press release is, like many TSX-listed oil and gas companies that operate internationally, we recognize that much of the new interest in our company is coming from the UK. We saw this with our financing earlier in the year, and it's a message that we continue to hear while meeting with investors and research analysts in the UK. We'll be going through the documentation and filing over the next four months or so, with really final timing to listing driven by our 2018 financial results and our reserve update.

So in summary, I'd just like to say it is a very exciting time for Valeura where we have a lot of new information coming in. We're learning more about the BCGA play every day, and major data points are coming in the near future. We're well positioned, from a finance point of view, and work is really progressing now into high gear.

With that, I'd like to thank you all for joining us here today. And I'll now turn the call back over to the Operator to take any questions you might have. Thank you.

Q&A

Operator:

Thank you, sir. Ladies and gentlemen, if you do have any questions at this time, please press *, followed by 1 on your touch-tone phone. And should you wish to withdraw your request, you will need to press *, followed by 2. And we are asking that if you are using a speakerphone, to please lift the handset before pressing any keys.

And your first question will be from Craig Howie at Shore Capital. Please go ahead.

Craig Howie — Shore Capital:

Hello, chaps. Craig Howie here at Shore in the UK. Just a couple of quick questions. Firstly, regarding the BOTAS price adjustment mechanism, it seems to be working very well, actually,

in terms of the realized prices Valeura is achieving. Is there any reason why the effectiveness of that mechanism may reduce going forward? Or do you have great confidence in that continuing to work in future?

And the second question just really relates to the modest conventional production which, as you described, is in natural decline. I was wondering if you might be able to give some additional colour in terms of how that production could potentially be enhanced going forward?

Sean Guest:

Yeah. Thanks, Craig. So dealing with the first point on the gas price, what we've seen within Turkey and from the regulator is kind of a continual progress towards liberalization of the gas market, whereas in past the price has been readjusted sometimes every year or every two years, that's become much more regular this year, going quarterly first and then going to monthly.

The other point we've noted is that the Turkish government, they have opened up what is a spot trading gas market within Istanbul. And while this is very immature and just starting, as it first started up in September, we see all the indications are towards really liberalizing and trying to get towards an almost true daily price for your gas and that. And this is during a period where we've seen a lot of uncertainty within Turkey, a lot of economic issues. But the government has continued that trend. People in Turkey are going to have to pay the price for the gas that it costs to buy it internationally and import it into the country. So we're quite confident that that will continue into the future.

The other question you had was on the conventional gas production. We have not been drilling in the shallow. We've been very much focused on the deep, where that's where we see the value for shareholders coming through that. We're seeing the natural decline in the shallow, which we're monitoring. We're doing workovers and really trying to manage our costs just to get a positive cash flow from that production as we go forward.

So, no. We expect it to kind of continue as is. If we do see any good opportunities, we would progress them. We have new seismic data. But as of this date, we have not seen any that are compelling enough to go forward on.

Craig Howie:

Okay. Super. Thank you very much indeed.

Sean Guest:

Thanks, Craig.

Operator:

Thank you. Once again, ladies and gentlemen, if you do have any questions, please press *, followed by 1 on your touch-tone phone.

And at this time, Mr. Guest, it appears we have no questions from the phone line.

My apologies, we do have a next question from Chris Potter, Northern Border Investments. Please go ahead.

Chris Potter — Northern Border Investments:

Hey, Sean. If the source of the water at Yamalik ends up being something other than from the frac fluid, what implications does that have for the other wells that you're—well, the one well you're drilling now and the other wells you plan to drill?

Sean Guest:

Yeah. The first point we'll make is that a basin centre gas play does not necessarily have no water production from it. If you were to look around at the analogs in that, in fact, I think most of them actually produce some level of water. And the key thing is to really determine how much water it is, and then how you're going to manage that water while still maintaining the gas production and condensate production from the area.

But what we are looking at then is if the water's coming from—maybe it's just coming from the top level of fracs. Then obviously, it's going to adjust where we want to be fracking, in that zone, whether you then leave those zones out and just maintain your fracking in a lower section. There could be other sources of the fracking that there could be, while not recognized on the logs, a zone in there that does have some water in it that's contributing to this. And that's why, really, what we have to do is figure out what is the cause of the water? And then, how do we learn from that and then look for areas where that water may not be present.

Obviously, what we'd like to see is areas where you do have higher gas saturation, because every little bit of gas saturation does help you. So whether it's moving a little further into the basin, to look for the pressures to increase and the saturations to increase, whether it's better in the deeper section. We obviously still have to find that out.

And it really does bring up the point to emphasize here that this is the first well that's really drilled down into this section and fracked and tested it. The water samples that we're getting out, we need to see what the water properties are down deep. No one's produced gas or water from this area before. So every well that we're drilling, we're taking a huge step forward in the learning that'll then help us decide what to do in the next well.

Chris Potter:

Thanks, Sean. I know it's early days, but do you have a sense for when you might have a better handle on the cause of the water? And when you do figure that out, is that something you're going to press release?

Sean Guest:

I would expect that we would. What it takes is so we've got these fracs spread over 800 metres and a difference of about 2,000 psi pressure differential in the well. So what we have to do is figure out a way of going in and actually monitoring how each zone is flowing. And it seems like it'd be easy, but considering that you're working more than 3, 4 kilometres down below, you're

trying to maintain a gas lift so you get a stable production. It will take us a little while to figure out how to do that in a cost-effective way.

And we've had some meetings with that and meetings with our partner, Equinor, because any of the learnings we get here, we can obviously then apply to how are we going to go about the fracking and testing in Inanli and Devepinar to try and maximize what we've learned here.

Chris Potter:

Understood. Thanks, Sean.

Sean Guest:

Thank you.

Operator:

Thank you. Next question will be from James Hubbard at Numis. Please go ahead.

James Hubbard — Numis Securities:

Yeah. Hi. Thanks for taking the question. This may be a partial repeat to the last one. I was just transferring from your webcast to dialling in, so I missed a bit of that last question. But essentially, I'm guessing the hydrostatic water column is suppressing your gas a bit compared to what you might've hoped for in the discovery well. So and I think you touched on it in your answer I just caught the end of there.

When it comes to Inanli-1, this first appraisal well, if it's still dealing with massive vertical ranges here, how do you actually go about coming up with a—choosing the frac program? And I guess it's going to take you several wells before we can even talk about an optimal frac program. But what are the first steps in that? I'm just thinking over so many hundred metres, do you just do a little bit and then go a bit deeper and try again and try again? I mean, how do you actually establish where best to frac before you kind of run out of casing and tubing, and you've got to go to the next well before you can experiment again?

Sean Guest:

Yeah. If we look at what we did in Yamalik and you start at the bottom and work up.

James Hubbard:

Right.

Sean Guest:

And we did very short tests there just to show that the zones were flowing, and then really shut them in. And then it was eight months before we were able to come back to get onto that well.

James Hubbard:

Yeah.

Sean Guest:

You could look at it and say the right way was because we need to do really zone-specific testing, well, let's frac a zone down at the bottom and do a good amount of fracking there and flow that to fully clean it up and bring it on production and see how it flows. And once you've done that, block it off, then move up to the next zone, complete that zone with fracking, test it, and learn about that zone.

James Hubbard:

Yeah.

Sean Guest:

And that would be the optimal way. The cost problem you end up with that is it's very expensive to have all the fracking equipment and that on-site. And if you're going to spend weeks testing each zone with the fracking equipment there, it can get very expensive. So what I can say is we have our operations team; we have Equinor's operations team and our contractors trying to work out the most cost-effective way to get the results we need, in a zone-specific way through the well, while still maintaining a good cost.

James Hubbard:

Yeah. I guess it's obvious, isn't it, really? Yeah. Go up from the bottom, bit by bit by bit by bit. But then you'll be there for years. But you would have the answer—

Sean Guest:

Yeah. We—

James Hubbard:

—at the end of it.

Sean Guest:

Right. But the information we're getting is extremely important, and we will have to weigh up that approach.

James Hubbard:

Yeah. Okay. Okay. Thank you very much.

Sean Guest:

Thanks, James.

Operator:

Thank you. Next question is from Dana O'Connor, investor. Please go ahead.

Dana O'Connor — Investor:

Hi, Sean. I'm just curious about if you've been testing the water that's coming back to prove that it is actually the water that you used to complete the fracs. And my second point of that question would be does the presence of water in any way jeopardize that this is a basin-centred gas accumulation?

Sean Guest:

So first of all, on the water, yes, we're taking regular samples. And what we've been measuring is the salinity of the water to see what it is. What we can say is the salinity of the water that we're currently flowing back is quite low from what we're used to. And the only water samples we have are in the very shallow production, so it's very different zones. And it would be even at the low end of the salinity that you see in those shallow zones.

But as we were talking at the beginning, what's difficult is no one's really—we don't know exactly the properties of water that's down there. Normally, in basins, the salinity of the water gets higher as you go deeper. That's the normal case. There are a few exceptions to that rule.

So the water we're getting back is generally of low salinity. The water we've put in was very fresh. However, as we think back to our Grade 10 science experiments of osmosis through a semipermeable membrane, if you put fresh water next to salt water for a little while, they equalize. And we have to remember that the frac water that we put in there has been down there for eight months before we flowed it back.

So really, what we need to do is just continue to flow it. And the only thing we can get to saying is if we're past 100 percent of the water that we put in, then we must be getting additional water sources coming in from somewhere and then we'll work to solve that.

Dana O'Connor:

That makes sense, Sean. Thank you. And so you don't see this in any way representing a threat or jeopardy to it being a basin-centred gas accumulation?

Sean Guest:

No. The basin-centred gas accumulations, you can have water flow with those. It's just a matter of how much water are you getting out of the zones, and what's your ability to manage water and still produce the gas and condensate.

Dana O'Connor:

All right. Thank you, Sean.

Sean Guest:

Thank you.

Operator:

Thank you. As a reminder, ladies and gentlemen, if you do have a question, please press *, followed by 1 on your touch-tone phone.

And your next question will be from David Lu at Hedgehog Capital. Please go ahead.

David Lu — Hedgehog Capital:

Yeah. Hi, Sean. Just a question. I joined a little bit late there; you might've touched on this. How soon after finishing Inanli-1 will the Devepinar be spud?

Sean Guest:

Yeah. From a drilling sense, the rig will move directly to Devepinar. But I think it's about a three-week move time to just move all the equipment over, reset the rig, and get ready to drilling. So count on about three weeks. So if we were to finish on December 31st, then you would expect it around near the end of January we would've spudded the second well, Devepinar.

David Lu:

Okay. So there's no pause time where Equinor assesses whether they want to do it. It's essentially, in their mind, a go at this point. And your mind.

Sean Guest:

That's correct. We've got the plan in place. We've got it all set up with the budget. No. It's a go. Yes.

David Lu:

Okay. Great. Thanks.

Sean Guest:

Okay. Thanks, David.

Operator:

Thank you. And at this time, Mr. Guest, we have no other phone questions.

I apologize. We do have a question from Walter Flores at Scotia Wealth. Please go ahead.

Walter Flores — Scotia Wealth Management:

Good morning, Sean and team. Just a quick question on the updated information on the Inanli well. You reached the Mezardere zone, and there was some production there that not necessarily was expected. Would that be attributed to a more positive valuation of the play that was done prior with the 10 Tcf attributed to Valeura? Thank you.

Sean Guest:

Yes. That's correct, Walter. So the Mezardere Formation itself was not included in any of the work that was done by D&M. We could see, as we looked at the geology and the seismic data in this area, that there was potential as we move further into this basin from the Yamalik to Inanli location, that you could get a dump of sands in the depositional system. And that appears to be what we've got is you had the environment there to really put a lot of extra sands just at this location.

So obviously, with the learning we've got now from the data here, we can go back to the seismic data and start to map that around and see where we might get more of this sand package.

Did that kind of answer it, Walter?

Walter Flores:

Yeah. Yeah. No. That's great. And obviously, that would be a positive addition to the valuation that was previously done. Is that correct?

Sean Guest:

That's correct. And the two things we've said going into this program, from the volumes point of view is we haven't included the shallower stratigraphy at Mezardere, which is that shalier formation, and then the Osmancik even above that. And also, our evaluation was only done down to 4,200 metres, which was the depth of Yamalik. And our objective here is to drill down to five and see whether the column of high-pressure gas continues.

Walter Flores:

All right. Thank you very much.

Sean Guest:

Thanks, Walter.

Operator:

Thank you. Ladies and gentlemen, as a reminder, if you do have any questions, please press *, followed by 1 on your touch-tone phone.

Next question will be from Colin Smith of Panmure Gordon. Please go ahead.

Colin Smith — Panmure Gordon:

Yeah. Hi, guys. Just a quick question. On the Yamalik result that you getting to date, is there anything that you can read through on that for what you might find on Inanli? And I note you're looking at the results with a view to perhaps optimizing the completion you use on Inanli.

And also, with respect to the results that you're getting from Yamalik, again, is there any read through to the sort of EURs of 7.7 Bcf for a commercial well here? Thank you.

Sean Guest:

Yeah, Colin. Good question. One of the main things we'll obviously be doing is, if we can, one, if there were water flowing in Yamalik and we can find out what zones that it's in, it's then to try and take the learnings we might see from the petrophysical or the log data and then how we apply that to Inanli and learn from Inanli.

So we are trying to look with a more critical eye at that data from Yamalik and now look at the results that already we're getting in Inanli with what are pretty clearly gas field sands in that zone and trying to make a comparison to see if there is a saturation difference that could come from those.

When it comes to the EUR of the wells, obviously, the assumption there, the key assumption is that you're dealing with a horizontal well and to remember here with a vertical well, we're really hitting isolated sands where we're just seeing a short bit of the sand. Whereas what you would do with a horizontal well was the whole length of the well would be in that sand that you're going to drill. You're then going to frac that whole section, open up that is all of net pay.

So we don't think at this time that that influences that result. It'll be more about figuring out, one, is there water coming in in zones in Yamalik and where is it coming from? And then what do we see when we go to Inanli and whether that's different?

Colin Smith:

Thank you.

Operator:

Thank you. Once again, ladies and gentlemen, if you do have a question at this time, please press *, followed by 1 on your telephone keypad.

And currently, Mr. Guest, it appears we have no further questions on the phone. I would like to turn the call back over to you.

CONCLUSION

Sean Guest:

Okay. Thank you very much, Operator, and thank you, everyone, for joining the call today. Obviously, we have a long way to go ahead of us here. We've got a solid nine months of drilling and fracking and testing coming up with a lot of results, and we're really looking forward to this time. It's going to be an exciting period.

So we thank you for your time today, and thank you for your patience. And we look forward to the results.

Operator:

Thank you, Mr. Guest. Ladies and gentlemen, this does conclude your conference call for today. Once again, thank you for attending. And at this time, we do ask that you please disconnect your lines.

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