

WesternZagros Books First Oil Reserves; Preliminary Valuations Placed on Two Large Discoveries

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CALGARY, ALBERTA -- (Marketwired - Oct. 2, 2014) - [WesternZagros Resources Ltd.](#) (TSX VENTURE:WZR) ("WesternZagros" or "the Company") has, subsequent to its declarations of commerciality and submissions of development plans, and in accordance with its accounting policies, completed an independent evaluation and a new independent audit of its light oil discovery on the Garmian block in the Kurdistan Region of Iraq. The evaluation has, for the first time, recognized the Company's light oil reserves. Independent preliminary partial economic assessments of the Company's interests in the light oil discoveries on both the Garmian and Kurdamir blocks were also conducted.

"Establishing interim proved oil reserves in the Jeribe/Upper Dhiban reservoir at the Sarqala Discovery on the Garmian Block is a modest but significant first step for the Company. These initial reserve estimates are for the crestal area of the structure around the Sarqala-1 well alone, and do not extend as far as the Hasira-1 well which we anticipate testing in the fourth quarter. Although Sarqala-1 has already produced 1 million barrels of light oil during extended well testing in 2012, the reserves represent only a small portion of the potential of the Sarqala Discovery. As we conduct additional tests in Hasira-1 and drill additional development wells, we expect to see our reserves volumes grow considerably," said Simon Hatfield, WesternZagros's Chief Executive Officer.

"To date we have completed independent economic evaluations for three of our light oil reservoirs, the Jeribe/Upper Dhiban reservoir at Sarqala and the Oligocene and Eocene reservoirs at Kurdamir. At Kurdamir we evaluated the contingent resources in the Oligocene and Eocene, resulting in a value of over \$1.5 Billion to WesternZagros. In the coming months we will complete the valuation of the over 1 Billion bbls of light oil prospective resources in the Oligocene reservoir. At Sarqala, we evaluated the reserves and the prospective resources in the Jeribe/Upper Dhiban in the main part of the structure. These valuations are for our working interest alone and highlight the fact that both blocks are economically viable," Hatfield said.

The table below summarizes the Company's Working Interest (Gross) Reserves and Prospective Resources for the Jeribe/Upper Dhiban reservoir on the Garmian Block and the Contingent Resources for the Oligocene and the Eocene reservoirs on the Kurdamir Block as at September 1, 2014 (other than the Prospective Resources which are as at July 1, 2014). The economic evaluations provided are based on the initial phased development plans for the Garmian and Kurdamir blocks that have been submitted to the Kurdistan Regional Government ("KRG"), and the additional conceptual development plans for future phased development of the remaining Prospective Resources in the Jeribe/Upper Dhiban reservoir at Garmian and the Contingent Resources in the Oligocene and Eocene reservoirs at Kurdamir. The Reserves, Prospective Resources and economic valuations for the Garmian Block as shown below consider oil volumes only and do not consider gas volumes as, under the Garmian Production Sharing Contract ("PSC"), the KRG has the right to develop these resources. The Company and the KRG continue discussions on the development of the gas and the potential for the Company to participate in this development.

Other than as indicated above, the Company has yet to complete conceptual development plans or economic evaluations for the over 1 Billion Barrels of remaining Prospective Resources on the Kurdamir or Garmian blocks as indicated in the table below. As the Company continues to delineate these additional Prospective Resources on both of its blocks and incorporates the reservoirs into its conceptual development plans, it will provide independently verified economic evaluations in its annual information form or other continuous disclosure filings.

To view the table associated with this press release, please visit the following link:
http://media3.marketwire.com/docs/971109_TABLE.pdf.

Notes:

(1) As at September 1, 2014.

(2) As at February 10, 2014 with respect to the Oligocene reservoir and as at February 8, 2013 with respect to the Eocene and Cretaceous reservoirs. Contingent Resources estimates are volumetric estimates prior to

economic calculations. However, as a result of the conceptual development plan utilized for the economic calculations, the Best estimate of Contingent Oil Resources volumes associated with the Oligocene reservoir was reduced from 146 MMbbl to 133 MMbbl to reflect the impact of early gas production and sales to the ultimate oil recovery.

(3) As at July 1, 2014 with respect to the Jeribe/Upper Dhiban reservoir (below lowest known oil) for the Garmian license, as at February 8, 2013 with respect to the remainder of the reservoirs.

(4) As at February 10, 2014 with respect to the Oligocene reservoir and as at February 8, 2013 with respect to the Eocene and Cretaceous reservoirs.

(5) Working Interest Gross Reserves are estimated based on economically recoverable volumes within the development/exploitation period specified in the Garmian PSC.

(6) The classifications shown are Proved (1P), Proved plus Probable (2P) and Proved plus Probable plus Possible (3P). Possible Reserves are those additional Reserves that are less certain to be recovered than Probable Reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the 3P Reserves. Previously the Company had recognized Gross Block Contingent Resources (oil) of 9 MMbbl on a P90 (low estimate) basis, 21 MMbbl on a P50 basis and 44 MMbbl on a P10 (high estimate) basis that were prepared as at February 8, 2013.

(7) After-tax net present value of future net revenue associated therewith using forecast prices and costs and a 10 percent discount rate. Working Interest Contingent Resources and Prospective Resources estimates used to calculate future net revenue are estimated based on the economically recoverable volumes within the development period specified in the PSCs. The estimated net present values disclosed do not represent fair market value.

(8) The Company has not prepared after-tax net present value of future net revenue for these reservoirs. The Company has not completed conceptual development plans for the additional Prospective Resources on the Kurdamir or Garmian Blocks to date, and as such has not completed an economic evaluation of these reservoirs and their associated volumes. The Company, as it continues its delineation of the remainder of the Prospective Resources and prepares conceptual development plans for these Prospective Resources, will complete additional economic evaluations with Sproule (as defined below).

(9) See "Reserves and Resources Advisory" below for definitions of terms used in this table and news release.

Following the submission of the phased development plan for the Garmian Block to the KRG in June 2014, WesternZagros expects in the fourth quarter 2014 to complete both the workover of the Sarqala-1 well and the upgrade of the oil processing facility, conduct additional testing at the Hasira-1 well, and obtain final approval from the KRG for the Garmian field development plan. In addition, the Company is planning to spud two additional development wells on the Garmian Block in the first half of 2015.

A separate phased development plan for the Kurdamir Block was submitted to the KRG on August 31, 2014. The Company is advancing discussions for approval of this plan prior to any reclassification of the Kurdamir Contingent Resources as Reserves. WesternZagros is planning to spud its first horizontal well on the Kurdamir Block, Kurdamir-4, in the fourth quarter of this year.

The Company engaged Sproule International Limited ("Sproule") to: conduct an interim evaluation (based on all information obtained to date) of the Reserves for the Garmian Block; audit the Company's estimates of the Prospective Resources in the Jeribe/Upper Dhiban reservoir at Garmian; provide the net present values of future net revenue attributable to the Company's interest in such Reserves and Prospective Resources; and provide estimated net present values of future net revenue attributable to the Company's interest in Contingent Resources on the Kurdamir Block using a conceptual development plan and simulation model prepared by the Company, all as described above and in the material change report referenced below. Sproule prepared the related reports in accordance with the current guidelines outlined in the Canadian Oil and Gas Evaluation Handbook and in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

Additional information related to the above noted reserves and other resources estimates, including the net present value estimates and the forecast prices and cost assumptions and details of the conceptual development plans used in connection therewith, are included in the Company's Material Change Report dated October 2, 2014, which may be viewed under the Company's profile on SEDAR at www.sedar.com.

About WesternZagros Resources Ltd.

WesternZagros is an international natural resources company focused on acquiring properties and exploring for, developing and producing crude oil and natural gas in Iraq. WesternZagros, through its wholly-owned subsidiaries, holds a 40 percent working interest in two Production Sharing Contracts with the Kurdistan Regional Government in the Kurdistan Region. WesternZagros's shares trade in Canada on the TSX Venture Exchange under the symbol "WZR".

This news release contains certain forward-looking information relating, but not limited, to future drilling and other development activities, the obtaining of government approvals and the future preparation of conceptual development plans and economic evaluations. Forward-looking information typically contains statements with words such as "anticipate", "plan", "estimate", "expect", "potential", "could", or similar words suggesting future outcomes. The Company cautions readers not to place undue reliance on forward-looking information as by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by WesternZagros. Readers are also cautioned that disclosed test rates and results are not necessarily indicative of long-term performance or of ultimate recovery. In addition, the forward-looking information is made as of the date hereof, and the Company assumes no obligation to update or revise such to reflect new events or circumstances, except as required by law.

Forward-looking information is not based on historical facts but rather on management's current expectations and assumptions regarding, among other things, plans for and results of drilling activity and testing programs, future capital and other expenditures (including the amount, nature and sources of funding thereof), continued political stability, continued security in the Kurdistan Region, timely receipt of any necessary government or regulatory approvals, the Company's continued ability to employ qualified staff and to obtain equipment in a timely and cost efficient manner, the participation of the Company's co-venturers in joint activities and the ability to sell any future production and the prices to be received in connection therewith. Although the Company believes the expectations and assumptions reflected in such forward-looking information are reasonable, they may prove to be incorrect. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from those anticipated by WesternZagros including, but not limited to, risks associated with the oil and gas industry (e.g. operational risks in exploration; inherent uncertainties in interpreting geological data; changes in plans with respect to capital expenditures; interruptions in operations together with any associated insurance proceedings; the uncertainty of estimates and projections in relation to costs and expenses and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the uncertainty associated with negotiating with foreign governments, the risk of adverse determinations by governmental authorities, the risk of arbitrating and enforcing claims against entities that may claim sovereignty and other risks associated with international activity, including the lack of federal petroleum legislation and ongoing political disputes in Iraq and recent terrorist activities in Iraq in particular. For further information on WesternZagros and the risks associated with its business, please see the Company's Annual Information Form dated March 13, 2014 ("AIF") which is available on SEDAR at www.sedar.com.

Reserves and Resources Advisory

In addition, statements relating to "reserves and other "resources" contained herein are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources described can be economically produced in the future. Future net revenue values are estimated values only and do not represent fair market value. There is no assurance that the forecast prices and cost assumptions, the initial phases of the development plans as submitted to the KRG and anticipated future phases contemplated in completing the full field development utilized in such estimated values will be attained and variances could be material. The reserve and resource estimates provided herein are estimates only and there is no assurance that the estimated reserves and other resources will be recovered. Actual reserves and other resources may be greater than or less than the estimates provided herein. Terms related to resource classifications referred to herein are based on the definitions and guidelines in the Canadian Oil and Gas Evaluation Handbook which are as follows.

"Reserves" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on (a) analysis of drilling, geological, geophysical and engineering data, (b) the use of established technology and (c) specified economic conditions which are generally accepted as being reasonable and shall be disclosed. Reserves are classified as Proved, Probable or Possible according to the degree of certainty associated with the estimates. "Proved Reserves" are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved Reserves. If

probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated Proved Reserves. "Probable Reserves" are those additional Reserves that are less certain to be recovered than Proved Reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable (2P) Reserves. If probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated 2P Reserves. "Possible Reserves" are those additional Reserves that are less certain to be recovered than Probable Reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated Proved plus Probable plus Possible (3P) Reserves. If probabilistic methods are used, there should be at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated 3P Reserves.

"Contingent Resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). The Contingent Resources estimates referred to herein have not been risked for the chance of development. There is no certainty that the Contingent Resources will be developed and, if developed, there is no certainty as to the timing of such development or that it will be commercially viable to produce any portion of the Contingent Resources.

"Prospective Resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery (geological chance of success) and a chance of development (economic, regulatory, market, facility, corporate commitment or political risks). The chance of commerciality is the product of these two risk components. The estimates referred to herein have not been risked for either the chance of discovery or the chance of development. There is no certainty that any portion of the Prospective Resources will be discovered. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development or that it will be commercially viable to produce any portion of the Prospective Resources.

Gross Block resource estimates presented represent the total volumes for the indicated reservoirs attributable to 100% of the relevant block, without any adjustment for the Company's working interest therein whereas the Working Interest Gross resource estimates presented represent the Company's 40% working interest (operating or non-operating) share before deduction of royalty petroleum, profit petroleum, production bonuses and capacity building support payments pursuant to the provisions of the applicable PSC.

A barrel of oil equivalent (BOE) is determined by converting a volume of natural gas to barrels using the ratio of 6 thousand cubic feet (Mcf) to one barrel. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

The Company's Statement of Oil and Gas Information contained in the AIF and the material change report of the Company dated as of the date hereof (the "Material Change Report") contain additional detail with respect to the Company's resource assessments and the estimates of net present values and include the significant risks and uncertainties associated with the volume estimates and the recovery and development of the resources, the forecast prices and cost assumptions and details of the conceptual development plans used in connection with the net present value estimates and the specific contingencies which prevent the classification of the Contingent Resources as Reserves. Readers should also refer to the AIF and the Material Change Report for a detailed breakdown of the high (P10), low (P90) and best (P50) Prospective Resources and Contingent Resources estimates for each of the individual reservoir assessments.

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