

Ng Energy Announces 551% Yoy Increase To 3p Reserves

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- 314% increase to 2P reserves to Company gross 161.6 BCF for before tax NPV₁₀ of US\$259.7 million
- 551% increase to 3P reserves to Company gross 304.8 BCF for before tax NPV₁₀ of US\$466.8 million
- Company gross unrisked best estimate contingent resources of 195.8 BCF for before-tax NPV₁₀ of US\$148.4 million
- Company gross unrisked best estimate prospective resources of 184.0 BCF for before-tax NPV₁₀ of US\$300.5 million
- Production at Maria Conchita has increased to 18 MMcf/d with 100% of gas volumes being sold

TORONTO, Dec. 27, 2023 - [NG Energy International Corp.](#) ("NGE" or the "Company") (TSXV: GASX) (OTCQX: GASXF) is pleased to announce that, with its partners Olympo and Duemav in the Maria Conchita Block and with Clean Energy and Oleum in the SN9 Block, it has increased reserves at both Maria Conchita and Sinu-9 as part of an updated independent analysis by Sproule International Limited ("Sproule"). The updated reserves and resources incorporate the recently drilled Aruchara-3 well at Maria Conchita which includes the newly encountered section in zone H4 in addition to zones H1 and H2 and finalized plans for construction of infrastructure at Sinu-9.

Highlights

Sinu-9 Block:

- Company gross Proved (1P) reserves of 26.7 BCF (37.0 BCF project gross) of natural gas for before-tax NPV₁₀ of US\$22.0 million;
- Company gross Proved + Probable (2P) reserves of 114.36 BCF (158.8 BCF project gross) of natural gas for before-tax NPV₁₀ of US\$150.3 million;
- Company gross Proved + Probable + Possible (3P) reserves of 245.3 BCF (340.8 BCF project gross) of natural gas for before-tax NPV₁₀ of US\$331.0 million;
- Company gross unrisked best estimate contingent resources (development pending) of 130.2 BCF for before-tax NPV₁₀ of US\$78.5 million; and
- Company gross unrisked best estimate prospective resources of 131.0 BCF for before-tax NPV₁₀ of US\$264.4 million.

Maria Conchita Block:

- Company gross Proved (1P) reserves of 25.0 BCF (31.3 BCF project gross) of natural gas and 50 MBBL (63 MBBL project gross) of condensate for before-tax NPV₁₀ of US\$75.4 million;
- Company gross Proved + Probable (2P) reserves of 47.2 BCF (59.0 BCF project gross) of natural gas and 75 MBBL (94 MBBL project gross) of condensate for before-tax NPV₁₀ of US\$34.1 million;
- Company gross Proved + Probable + Possible (3P) reserves of 59.5 BCF (74.3 BCF project gross) of natural gas and 94 MBBL (117 MBBL project gross) of condensate for before-tax NPV₁₀ of US\$135.8 million;
- Company gross unrisked best estimate contingent resources (development pending) of 65.6 BCF for before-tax NPV₁₀ of US\$69.9 million; and
- Company gross unrisked best estimate prospective resources (prospects) of 53.0 BCF for before-tax NPV₁₀ of US\$36.0 million.

Note: All dollar amounts are in US\$.

Serafino Iacono, CEO of NGE, commented: "We are very pleased to have our two greatest accomplishments of the year reflected in our reserves and resources report. The report validates the incredible achievements by our team and our partners after encountering a new naturally fractured natural gas bearing section in the drilling of Aruchara-3 and finalizing contracts to build production infrastructure at Sinu-9. We look forward to continuing to grow these numbers in 2024 as we aim to achieve significant free cash flow by the end of next

year."

Additional Disclosure Regarding Sinu-9 and Maria Conchita

Sinu-9

The report entitled "Evaluation of the P&NG Reserves and Resources of NG Energy International in the Sinu-9 Block, Colombia" (the "Sinu-9 Report") was prepared by Sproule with an effective date of December 31, 2023 and a preparation date of December 21, 2023. The Company's working interest in Sinu-9 is 72%, subject to payment of ANH sliding scale royalties. Reserves and resources attributed to the Hechizo, Brujo, Magico, Mago, Hechicero, Encanto, Milagroso, Porquero, Embrujo, Ensalmó and Sortilegio zones have been included in the Sinu-9 Report. Contingent resources for Sinu-9 are petroleum and natural gas classified as "development pending" and are attributed a chance of development of 80%. The prospective resources assigned to the Brujo-Porquero, Hechicero-Porquero and Milagroso fields are subclassified as "prospects" and are attributed a chance of discovery of 58-60% and a chance of development of 66%. The prospective resources assigned to the Embrujo, Ensalmó and Sortilegio fields are subclassified as "lead" and are attributed a chance of discovery of 25-30% and a chance of development of 66%.

Total gas is planned to be produced through new and existing wellbores and a pipeline to a processing facility using established recovery technology.

The development plan for the reserves area located within Sinu-9 includes the completion of the Brujo-1X, as well as drilling a total of 12 wells; 5 in the Hechicero field, 4 in the Magico field and 3 in the Brujo field. Production will be processed through a dehydration and compression facility as well as a gas pipeline from Sinu-9 to Jobo station.

The development plan for the contingent resources area located within Sinu-9 includes the drilling of 5 locations for the low estimate scenario, 12 locations for the best estimate scenario and 18 locations for the high estimate scenario. Production will be processed through new facilities to be built by the Company. Due to the number of reservoirs identified in the area, the number of wells may change by category according to the uncertainty identified in the reservoir areas, since they are not completely concentric with respect to each other.

The development plan for the prospective resources area located within Sinu-9 includes the drilling of 13 locations. Production will be processed through new facilities to be built by the Company. Due to the number of reservoirs identified in the area, the number of wells may change by category according to the uncertainty identified in the reservoir areas, since they are not completely concentric with respect to each other.

The natural gas resources were estimated based on the technically recoverable volume, budgeted operating and capital costs and the terms of the fiscal regime. Forecasts of net revenue were prepared by predicting the annual production from the resources and product prices. Gas reserves and resources have only been assigned based on the gas contracts and the gas contract precedents expected to be in place at production start-up. There is no certainty it will be commercially viable to produce any portion of the contingent resources and there is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

In sum, the development forecast presented in the Sinu-9 Report was based on a complete evaluation of the Company's lands for the zones identified by the Company to be prospective for economic development at the time of the Sinu-9 Report. The development forecast represents full development of the lands for which reserves and resources could be assigned. Additional potential could exist within zones which were not identified by the Company, within the scope of the Sinu-9 Report.

Maria Conchita

The report entitled "Evaluation of the P&NG Reserves and Resources of NG Energy International in the Maria Conchita Block, Colombia" (the "Maria Conchita Report") was prepared by Sproule with an effective date of December 31, 2023 and a preparation date of December 20, 2023. The Company holds an 80% working interest in Maria Conchita. Reserves and resources attributed to the H1, H1A, H1A1, H1B, H2, H2B, H3, H4 and LM2 zones have been included in the Maria Conchita Report. Contingent resources for Maria

Conchita are petroleum and natural gas classified as "development pending" and are attributed a chance of development of 0.73. The prospective resources for Maria Conchita are subclassified as "prospect" and are attributed a chance of discovery of 0.41 and chance of development of 0.73.

Total gas is planned to be produced through new and existing wellbores and a pipeline to a processing facility using established recovery technology.

The development plan for the reserves area located within Maria Conchita includes the production maintenance of Aruchara-1 and Aruchara-3, as well as the drilling of a total of 5 wells; 2 in the Aruchara field and 3 in the Tinka field on 425 acres spacing. Production will be processed through an existing facility.

The development plan for the contingent resources area located within Maria Conchita includes the drilling of a total of 10 wells; 9 in the Aruchara field and 1 in the Tinka field on 425 acres spacing. Additionally, expansion of the existing facility is included to a total capacity of 60 million cubic feet per day for the best estimate scenario. Due to the number of reservoirs identified in the area, the number of wells may change by category according to the uncertainty identified in reservoir areas, since they are not completely centric with respect to each other.

The development plan for the prospective resources area located within Maria Conchita include the drilling of 10 wells on 425 acres spacing across the intervals of interest H2, H2B and H3.

The natural gas and condensate reserves and resources were estimated based on the technically recoverable volume, operating and capital costs and the terms of the fiscal regime. Forecasts of net revenue were prepared by predicting the annual production from the reserves, resources and product prices. Gas reserves and resources have only been assigned based on the gas contracts and the gas contract precedents in effect as of date of the Maria Conchita Report. There is no certainty it will be commercially viable to produce any portion of the contingent resources and there is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

In sum, the development forecast presented in the Maria Conchita Report was based on a complete evaluation of the Company's lands for the zones identified by the Company to be prospective for economic development at the time of the Maria Conchita Report. The development forecast represents full development of the lands for which reserves and resources could be assigned. Additional potential could exist within zones which were not identified by the Company, within the scope of the Maria Conchita Report.

With regard to the costs associated with achieving additional commercial production at Maria Conchita and Sinú-9, and the general timeline of the projects, please see the Company's Annual Information Form dated June 30, 2023 and its most recent Management's Discussion & Analysis, both of which can be found at www.sedarplus.ca.

Sproule International Limited, an independent qualified reserves and resources evaluator, has conducted the reserves and resource evaluation for Maria Conchita and Sinú-9 in accordance with the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook"). It adheres in all material aspects to the principles and definitions established by the Calgary Chapter of the Society of Petroleum Evaluation Engineers regarding annual reserve and resource reports that are being released in the public domain. The COGE Handbook is incorporated by reference in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101").

About NG Energy International Corp.

[NG Energy International Corp.](http://www.ngenergyintl.com) is a natural gas exploration and production company with operations in Colombia. The Company is on a mission to discover, delineate and develop meaningful natural gas fields in developing counties to support energy transition and economic growth. In Colombia, the Company is executing on this mission with a rapidly growing production base that is being delivered to the premium priced Colombian market. NGE's team has extensive technical expertise and a proven track record of building companies and creating value in South America. For more information, please visit SEDAR+ (www.sedarplus.ca) and the Company's website (www.ngenergyintl.com).

Cautionary Statement Regarding Forward-Looking Information

This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release, including, without limitation, the information contained in this news release regarding any development forecast and any information concerning the intentions, plans and future actions of the Company. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "Risk Factors" in the Company's most recent Management Discussion and Analysis and its Annual Information Form dated June 30, 2023, which are available for view on SEDAR+ at www.sedarplus.ca. These risks include but are not limited to, the risks associated with the oil and natural gas industry, such as exploration, production and general operational risks, volatility of pricing for oil and natural gas, changing investor sentiment about the oil and natural gas industry, competition in the markets where the Company operates, any delays in production, marketing and transportation of natural gas, drilling costs and availability of equipment, regulatory approval risks and environmental risks. Forward-looking statements contained herein, including but not limited to the Company's statements related to anticipated business plans or strategies, including the Company's plans to complete infrastructure construction required for commercial production from Sinu-9; completion of the transactions contemplated by the pipeline agreement; and the completion of any updated resource assessment and reclassification of contingent resources to reserves. The Company disclaims, other than as required by law, any obligation to update any forward-looking statements whether as a result of new information, results, future events, circumstances, or if management's estimates or opinions should change, or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Abbreviations

The abbreviations set forth below have the following meanings:

~~Oil~~ Natural Gas
~~and~~
~~natural gas~~ cubic feet per day
~~Gasels~~
~~liquids~~ cubic feet
~~gas~~
~~liquids~~
Other

~~NPV~~
present
value
using
a
10%
forward
discount
rate
Caution Respecting Reserves Information

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgement combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The recovery and reserve estimates of NGLs and gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of the disclosed gas reserves does not represent the fair market value of these reserves.

Information Regarding Reserves

Reserves are estimated remaining quantities of commercially recoverable oil, gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be subclassified based on development and production status.

"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.

"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 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 reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of Proved plus Probable plus Possible reserves.

The qualitative certainty levels referred to in the definitions above are applicable to "individual reserves entities" (which refers to the lowest level at which reserves calculations are performed) and to "reported reserves" (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90% probability that the quantities actually recovered will equal or exceed the estimated Proved reserves; and
- at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated Proved plus Probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Each of the reserve categories (Proved and Probable) may be divided into developed and undeveloped categories as follows:

"Developed Producing reserves" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"Developed Non-Producing reserves" are those reserves that either have not been on production, or have

previously been on production, but are shut-in, and the date of resumption of production is unknown.

"Undeveloped reserves" are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (Proved, Probable and Possible) to which they are assigned and expected to be developed within a limited time.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped subclasses or to subdivide the developed reserves for the pool between developed producing and developed nonproducing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Information Regarding Contingent Resources

"Contingent resources" are those quantities of oil or gas 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. Contingencies are conditions that must be satisfied for a portion of contingent resources to be classified as reserves that are: (a) specific to the project being evaluated; and (b) expected to be resolved within a reasonable timeframe.

The contingencies that apply to the contingent resources in Sinu-9 are as follows:

- (1) Timing of Production and Development: The Company has not prepared a detailed development and the overall timing of production is unknown. It is anticipated that as the development plan is refined the Company would be able to make a final investment decision, at which point this contingency would be lifted;
- (2) Infrastructure and Market Considerations: Current infrastructure in the contingent resources area does not allow access to pipelines or existing facilities, although there are two third party facilities nearby and the Company has begun discussions with the relevant third parties. Once this has been completed or is contracted to be completed in the near term, this contingency would be lifted;
- (3) Corporate Commitment: The Company is committed to move forward with the commercial development of the assets assigned as contingent resources, but currently there is no final investment decision. Therefore, the risk factor is low; and
- (4) Regulatory Approval: The Company has not submitted a regulatory application for the development of the total contingent area, but its virtually certain that they will obtain regulatory approval. Therefore, the risk is low. Once the application has been submitted this contingency would be lifted.

The contingencies that apply to the contingent resources in Maria Conchita are as follows:

- (1) Regulatory Approval: The Company has not submitted a regulatory application for the development of the contingent resource area. The absence of the submission of an application to expand the development has resulted in the contingency. Once the application has been submitted this contingency would be lifted;
- (2) Timing of Production and Development: The development plan (which has not been submitted in accordance with the regulations) includes a high concentration of wells to be drilled per year. A small risk factor has been applied to account for the risk of development proceeding at a slower pace. Once the Company demonstrates this level of development is sustainable this contingency would be lifted; and
- (3) Infrastructure and Market Considerations: Current infrastructure in the contingent resources area does not allow access to pipelines or existing facilities. This has restricted the volumes of produced hydrocarbon from the contingent resources area that can access viable markets. Therefore, pipelines need to be built to allow for the product to reach markets. Once this has been completed or is contracted to be completed in the near term, this contingency would be lifted.

Contingent resources are further categorised according to the level of certainty associated with the estimates and may be sub-classified based on a project maturity and characterised by their economic status. There are three classifications of contingent resources: low estimate, best estimate and high estimate. Best estimate is a classification of estimated resources described in the COGE Handbook as the best estimate of the quantity that will be actually recovered; it is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the best estimate.

The project maturity subclasses include development pending, development on hold, development unclarified and development not viable. All of the contingent resources disclosed in this news release are classified as development pending. Development pending is defined as a contingent resource where resolution of the final conditions of development is being actively pursued. Chance of development is the likelihood that an accumulation will be commercially developed.

Conversion of the development pending contingent resources to reserves is dependent upon a final investment decision for the natural gas development of Maria Conchita and Sinu-9.

For Sinu-9 the major positive factors relevant to the estimate of the development pending contingent resources are production has already been tested for three fields (Brujo, Magico and Hechizo), analogs and test results show high potential for economically recoverable volumes, reclassification of Brujo, Magico and Hechizo will assist to get access to future infrastructure for gas transportation and treatment and the proximity to existing infrastructure for gas gathering and compression. The major negative factors are the long-term sustainability of the gas price is unknown and there is insufficient infrastructure capacity to handle large volumes of gas.

For Maria Conchita the major positive factors relevant to the estimate of the development pending contingent resources are production tests performed in wells drilled in the area are showing gas presence and wells logged favourable reservoir quality formations. The major negative factors are the non-concentricity between target formations, which could cause an increase in the number of wells, long-term water production since some formations produced water and caused water loading up problems during well testing and insufficient infrastructure capacity to handle large volumes of gas.

There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Information Regarding Prospective Resources

This news release discloses estimates of the Company's prospective resources. There is no certainty that it will be commercially viable to produce any portion of such prospective resources. Estimates of prospective resources involve additional risks over estimates of reserves. The accuracy of any resources estimate is a function of the quality and quantity of available data and of engineering interpretation and judgment. While resources presented herein are considered reasonable, the estimates should be accepted with the understanding that reservoir performance subsequent to the date of the estimate may justify revision, either upward or downward.

"Prospective Resources" are defined in the COGE Handbook as 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 and a chance of development. The chance that an exploration project will result in the discovery of petroleum is referred to as the chance of discovery. The chance that an accumulation will be commercially developed is referred to as the chance of development.

Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery:

- **Low Estimate:** This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

- **Best Estimate:** This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- **High Estimate:** This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

Prospective resources are not, and should not be confused with, reserves or 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 and a chance of development.

There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources or that the Company will produce any portion of the volumes currently classified as prospective resources. The estimates of prospective resources involve implied assessment, based on certain estimates and assumptions, that the resources described exists in the quantities predicted or estimated, as at a given date, and that the resources can be profitably produced in the future. Actual prospective resources (and any volumes that may be reclassified as reserves) and future production therefrom may be greater than or less than the estimates provided herein.

The contingencies that apply to the prospective resources in Sinu-9 are as follows:

- (1) **Evaluation Drilling:** There is a requirement for more evaluation drilling to confirm the geological continuity of the reservoir and reduce the distance from proven productivity. It is anticipated that as the Company continues to pursue primary development of the reservoir, commercial productivity will be established closer to and within the primary production prospective resources areas, at which time this contingency would be removed;
- (2) **Regulatory Approval:** The Company has not submitted a regulatory application for the development of the prospective resources area. The absence of the submission of an application to expand the development has resulted in the contingency. Once the application has been submitted this contingency would be lifted;
- (3) **Infrastructure and Market Considerations:** Current infrastructure in the prospective resources area does not allow access to pipelines or existing facilities. This has restricted the volumes of produced hydrocarbon from the prospective resources area that can access viable markets. Therefore, pipelines and facilities need to be built to allow for the product to reach markets. Once this has been completed or is contracted to be completed in the near term, this contingency would be lifted;
- (4) **Timing of Production and Development:** The Company has not prepared a detailed development and the overall timing of production is unknown. It is anticipated that as the development plan is refined the Company would be able to make a final investment decision, at which point this contingency would be lifted; and
- (5) **Corporate Commitment:** There has been no final investment decision and endorsement from the Company to move forward with commercial development of the assets assigned as prospective resources. It is likely that a final investment decision to approve this project will not occur for several years. Additionally, a detailed development plan has not been created and further work needs to be completed to confirm how the resources will be developed. It is anticipated that as the development plan is refined the Company would be able to make a final investment decision, at which point this contingency would be lifted.

The contingencies that apply to the prospective resources in Maria Conchita are as follows:

- (1) **Regulatory Approval:** The Company has not submitted a regulatory application for the development of the prospective resources area. The absence of the submission of an application to expand the development has resulted in the contingency. Once the application has been submitted this contingency would be lifted;

(2) Timing of Production and Development: The development plan (which has not been submitted in accordance with the regulations) includes a high concentration of wells to be drilled per year. A small risk factor has been applied to account for the risk of development proceeding at a slower pace. Once the Company demonstrates this level of development is sustainable this contingency would be lifted; and

(3) Infrastructure and Market Considerations: Current infrastructure in the Prospective Resources Area does not allow access to pipelines or existing facilities. This has restricted the volumes of produced hydrocarbon from the Prospective Resources Area that can access viable markets. Therefore, pipelines and facilities need to be built to allow for the product to reach markets. Once this has been completed or is contracted to be completed in the near term, this contingency would be lifted.

For Sinu-9 the major positive factors relevant to the estimate of the prospective resources are the proximity of the Milagroso prospect to the existing gas gathering and compression infrastructure could speed gas access to the market if discovered and exploration wells have been successfully drilled in Sinu-9, so the prospects uncertainty is decreasing. The major negative factors are the long-term sustainability of the gas price is unknown, prospects and leads are quite far away in some instances from the gathering and compression facilities, so additional CAPEX should be required to construct new facilities and due to the high uncertainty associated with Cabala and Conjuro, these couldn't be classified as prospective resources, further studies should be performed to classify them as that.

For Maria Conchita the major positive factors relevant to the estimate of the prospective resources are as large amplitudes are seen in seismic for prospective resources, the areas could be larger than expected. The major negative factors are the uncertainty in lateral variation of thickness and reservoir quality and insufficient infrastructure capacity to handle large volumes of gas.

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