

Calvalley Petroleum Inc. posts presentations and provides update

16.01.2014 | [CNW](#)

CALGARY, Jan. 16, 2014 /CNW/ - [Calvalley Petroleum Inc.](#) ("Calvalley" or the "Company") provides the following update for shareholders.

Two presentations are now available on the Company's website under the Investor Relations category, Corporate Results and Highlights at www.calvalleypetroleum.com. These presentations are titled "Prospects and Leads" and "Simulation Studies". Prospects and Leads provides details on the prospects and leads that have been identified to date on Block 9, Republic of Yemen, and Simulation Studies provides details and analysis from the recently completed simulation studies, prepared by independent third parties, for the Hiswah field and the Al Roidhat field.

This press release provides an overview of the information included in these presentations, however, shareholders are encouraged to review the information provided in the detailed presentations. In addition, this press release includes information on the Company's future plans on Block 9.

Background

Calvalley operates and owns a 50% interest in Block 9, Republic of Yemen. Calvalley generates strong cash flow from its current operating activities in Yemen and has sufficient working capital to complete a comprehensive capital program in Yemen and pursue other potential investments to generate shareholder value.

Operations within the Republic of Yemen are subject to several risks and challenges that are unique to the country and the local operating and business environment. Since Calvalley began development activities in the country in 2005, it has gained significant experience in managing these risks. In many cases, showing respect to the people and the local culture plays a significant role in managing day to day operating activities and projects. Firm financial control over all activities, patience, and managing expectations, all contribute to the common interest of the country, the locals and producers. During the Arab Spring uprising in 2011, Calvalley maintained a physical presence at its office at Sana'a, and kept production operations stable throughout the period.

Prospects and Leads

The Company has a significant portfolio of prospects and leads within Block 9. The Prospects and Leads presentation identifies the petroleum system active in the Block and the current discoveries by formation type within Block 9. Details are also identified regarding potential targets in the fractured basement, which have similar characteristics to the recently disclosed successful exploration well on Block 32 operated by DNO, and, in addition to a summary chart of all current prospects by prospective zone (slide 27), the presentation provides details on the top fifteen prospects which have been categorized in the presentation as "Drill Ready", "First Tier" and "Second Tier".

A targeted seismic acquisition program of 2D and 3D seismic data can effectively manage and reduce the risk involved in drilling the Prospects and Leads. The Company is currently preparing plans for acquiring up to 1,000 km of new 2D seismic data and up to 300 sq. km. of 3D seismic data. The 3D seismic acquisition program is targeted over the Qarn Qaymah area where the Company has drilled wells and recovered oil to surface. The 2D Seismic program is targeted over the First Tier and Second Tier prospects and other areas of the Block with limited seismic coverage.

Simulation Studies

The Simulation Studies presentation provides information and results for the studies, completed by separate independent third parties, for both the Hiswah Field which is primarily a Saar/Naifa limestone reservoir and the Al Roidhat field which is a Qishn clastics sandstone reservoir.

The presentation material provides information regarding the structure of the reservoirs based on existing

data. For the Hiswah field, which has a long period of production history, the presentation provides comparisons of certain reservoir information over the period from first production in 2005 through 2010 to the current day. The material for the Hiswah simulation covers results of various cases for implementation of a waterflood scheme. Charts from the simulation are included which show results on various key production statistics under simulation conditions and case by case assumptions. For the Al Roidhat field there is limited production history compared to the Hiswah field. The presentation provides charts on daily production of oil under simulation conditions and case by case assumptions.

The results of the simulations are subject to various risks and uncertainties which are described in the reader advisory of the presentation and are based upon certain plans and assumptions. The Company cannot assure that the results determined by the simulations will be consistent with results of the Company's future plans and activities.

Field Development

The Company is committed to implementing a full water flood scheme in the Hiswah field and work is currently underway for the engineering, procurement and construction of a water filtration and injection facility with an injection capacity of 40,000 barrels per day. Current plans are to have this facility operational by Q3 2014. Drilling plans for 2014 include up to five water injection wells and one water source well at Hiswah.

Additional plans are being made to develop facilities to handle forecast increases in both crude oil and water production levels over the next three to five years. The significant facility projects include water separation, water distribution, water disposal and water filtration and injection facilities at both Ras Nowmah and Al Roidhat and an inter-field pipeline to gather and transport produced fluid from Al Roidhat and Ras Nowmah for treatment and blending at the Hiswah Central Processing Facility. Plans also include a project to develop facilities for utilizing produced natural gas in the generation of electricity which will reduce the current dependency on diesel fuel for power generation.

The safety and security of staff and equipment, availability of skilled manpower and equipment, timely regulatory approval of projects and activities and potential delays in equipment deliveries are key constraints to the timely execution of the Company's plans. Senior management recently returned from a trip to Yemen which included discussions with regulatory authorities and the Ministry to discuss the future development plans and timing of activities and potential to increase the pace of development in Block 9 to optimize production levels efficiently, effectively and economically. The objectives of Calvalley, the regulatory bodies and the Ministry are closely aligned and a key step has been taken to facilitate unlocking the potential that exists on Block 9.

Subject to the safety and security situation in the area, the political environment and skilled resource availability, Calvalley is planning to mobilize a second drilling rig to accelerate field development and the drilling of the large inventory of Prospects and Leads noted above. The expected timing for this commitment cannot currently be accurately estimated.

Since 2011, the political environment in Yemen has been evolving and activity levels throughout the oil industry have been limited.

Block 9 has significant potential for growth in production volumes through waterflood implementation at Hiswah, infill drilling at Al Roidhat and exploitation projects at Ras Nowmah. The block also has significant potential for growth in crude oil production from potential new discoveries of crude oil.

Calvalley is developing a resource plan to increase the pace of development activity to optimize production volumes and cash flow.

Due to the priority on capturing the potential that exists within the Hiswah field and the drilling of water injection wells, production growth during 2014 will be limited to new production additions from appraisal drilling at Ras Nowmah and any subsequent targeted producing wells. Additional production response at Hiswah is expected to occur within six months to a year after implementation of the planned water injection facilities, as reservoir pressure builds.

The Company's firm base of cash flow generation; short term, low risk development potential; longer term, higher risk exploration potential and strong balance sheet represents a balanced portfolio through which to generate shareholder value.

Calvalley is an international oil and gas company, with offices in Calgary, Alberta, Canada, that operates its 50% working interest in Block 9 of the Masila Basin, in The Republic of Yemen.

Forward-looking Information

This press release may contain forward-looking information. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", and similar expressions may have been used to identify forward-looking information. These statements reflect management's current beliefs and are based on information currently available to management. In particular, statements in respect to the intention to acquire additional 2D and 3D seismic data; information on various production statistics under simulation conditions for both Hiswah and al Roidhat; implementation of a waterflood scheme at Hiswah; drilling plans for Hiswah, Al Roidhat and Ras Nowmah; development of facility projects throughout Block 9; plans to mobilize a second drilling rig; potential for growth in production volumes through waterflood implementation at Hiswah and infill drilling at Al Roidhat; growth in crude oil production from potential new discoveries of crude oil in Block 9 contain forward looking information. Forward-looking information involves significant risks and uncertainties. Investors should not place undue reliance on forward-looking information. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this press release is made as of the date of this press release and Calvalley assumes no obligation to update or revise it to reflect new events or circumstances except as expressly required by applicable securities law.

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/164535--Calvalley-Petroleum-Inc.-posts-presentations-and-provides-update.html>

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