

# Connacher Reports Year-End 2013 Reserves

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CALGARY, Feb. 25, 2014 /CNW/ - [Connacher Oil and Gas Limited](#) (TSX: CLL) ("Connacher" or the "Company") announces its year-end reserves as of December 31, 2013, as evaluated by GLJ Petroleum Consultants Ltd. ("GLJ"), independent qualified reserves evaluators.

Proved producing reserves increased by 13 per cent to 22.5 million barrels with the inclusion of the recently drilled infill wells and well pairs at Pod One. Production in 2013 totaled 4.3 million barrels.

Estimated proved ("1P") bitumen reserves totaled approximately 212 million barrels, a decrease of one per cent over year-end 2012 volumes. The ten per cent present value ("10% PV") of 1P bitumen reserves is approximately \$900 million as compared to \$1.0 billion in 2012.

Proved and probable ("2P") reserve volumes were approximately 446 million barrels of bitumen, down one per cent from a year earlier. The 10% PV of these 2P bitumen reserves decreased by four per cent to approximately \$1.69 billion, due to GLJ's estimates for future capital and operating costs, slightly lower future commodity prices, and the timing of the Algar expansion.

Connacher has been successfully piloting the SAGD+® process for three years. Based on its success and recent AER regulatory approvals for a commercial project, GLJ assigned 2P reserves at Algar reflecting implementation of that process in addition to steam-assisted gravity drainage ("SAGD"). A commercial project of the SAGD+® process at the Algar facility is planned for 2015. Pod One and the Algar expansion areas do not have SAGD+® process reserves assigned at this time. These areas are assumed to continue to have infill wells in addition to SAGD in the 2P reserves category.

Connacher's first SAGD project at Great Divide, Pod One, has been producing bitumen since late 2007, with commercial production commencing March 1, 2008. Algar commenced producing bitumen in August 2010 and commerciality was achieved October 1, 2010. Production from Great Divide since startup through December 31, 2013 has totaled approximately 21.3 million barrels of bitumen. Such amounts have been deducted from earlier estimates of proved reserves prior to the calculation of reserves as at December 31, 2013.

Unless otherwise stated, reserves refer to reserves of bitumen. Future net revenue is calculated after the deduction of forecast royalties, operating expenses, estimated future capital expenditures and well abandonment costs, but before corporate overhead or other indirect costs, including interest and income taxes, from forecast revenue. Certain amounts cited herein have been rounded for presentation purposes. Outstanding financial hedges were not included in the evaluation. The GLJ December 31, 2013 report ("Year-End 2013 Report") was prepared utilizing the GLJ January 1, 2014 price forecast, effective December 31, 2013. Readers are referred to the notes to the Summary Tables included in this press release for details regarding the price forecast used by GLJ. Earlier reports were prepared using the price forecasts then being applied by GLJ. Future net revenues disclosed herein do not represent fair market value. Also, estimations of reserves and future net revenue discussed in this press release constitute forward looking information. See "Forward Looking Information and Reserves Advisory" below.

The Year-End 2013 Report was prepared using assumptions and methodology guidelines outlined in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and in accordance with National Instrument 51-101 ("NI 51-101"). Comparisons provided herein with respect to Connacher's bitumen reserves and for 10% PV for December 31, 2013 are to estimates contained in the report, prepared by GLJ, with an effective date of December 31, 2012 ("Year-End 2012 Report").

Additional details regarding Connacher's projects and development opportunities at Great Divide can be accessed at [www.connacheroil.com](http://www.connacheroil.com) or [www.sedar.com](http://www.sedar.com). Furthermore, additional information regarding Connacher's reserves and resources, including the Company's interest in the resources and the risks and the level of uncertainty associated with the recovery of the resources, can be found in the Company's annual information form ("AIF") dated March 27, 2013. This AIF can be accessed at [www.sedar.com](http://www.sedar.com). The Company will be filing an updated AIF later this year and prior to March 31, 2014, once it has completed the audit of its financial and operating results for the year-ended December 31, 2013 and has released them to the public.

Detailed information included in the Year-End 2013 Report regarding Connacher's bitumen reserves and associated present values are set forth in the tables below, including a comparison of year-end 2013 results

to year-end 2012 results.

## Summary Tables

Amounts are presented are working interest volumes which are the Company's working interest (operating or non-operating) share before deducting royalties and without including any royalty interests of the Company.

Bitumen Reserves (thousand bbls)			
	31-Dec-12	31-Dec-13	
Proved Producing	19,931	22,525	
Total Proved Reserves (1P)		214,009	212,063
Probable	237,393	234,314	
Proved and Probable Reserves (2P)		451,402	446,377
Proved, Probable & Possible (3P)		569,303	564,045

### 10% Present Value of Future Net Revenue

Bitumen Reserves - Before Tax			
	Dec-12	Dec-13	
	\$MM	\$MM	
Proved Producing	320	401	
Total Proved Reserves (1P)		1,009	900
Probable	749	794	
Proved and Probable Reserves (2P)		1,758	1,694
Possible	686	726	
Proved, Probable and Possible (3P)		2,444	2,420

Before Tax Present Value (\$MM)						
	0%	5%	8%	10%	12%	
Proved Producing		513	450	420	401	384
Total Proved		3,458	1,657	1,135	900	723
Proved plus Probable Producing			765	657	605	574
Total Proved plus Probable			8,682	3,503	2,225	1,694
Total PPP		12,928	5,015	3,170	2,420	1,891

## Notes:

1. 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.
2. 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.
3. 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 per cent probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.
4. Pricing assumptions in the Year-End 2013 Report were as follows: US\$/CDN\$ exchange rates were 1.0 in the Year-End 2012 Report and 0.95 in the Year-End 2013 Report.

Year	Inflation					
%	Exchange					
Rate	NYMEX	WTI				
Current						
US\$/bbl	Light	Sweet				
Edmonton						
C\$/bbl	WCS	@				
Hardisty						
C\$/bbl	Edmonton					
Pentane						
Plus C\$/bbl	AECO					
Spot						
Current						
C\$/Mscf						
2014	2.0	0.950	97.50	92.76	75.60	105.20
2015	2.0	0.950	97.50	97.37	79.36	107.11
2016	2.0	0.950	97.50	100.00	81.50	107.00
2017	2.0	0.950	97.50	100.00	81.50	107.00
2018	2.0	0.950	97.50	100.00	81.50	107.00
2019	2.0	0.950	97.50	100.00	81.50	107.00
2020	2.0	0.950	98.54	100.77	82.13	107.82
2021	2.0	0.950	100.51	102.78	83.76	109.95
2022	2.0	0.950	102.52	104.83	85.44	112.75
2023	2.0	0.950	104.57	106.93	87.14	114.44

5. Tables may not add due to rounding.

### **Forward Looking Information and Reserves Advisory**

*This press release contains forward looking information, including but not limited to estimated reserves and future net revenues associated therewith and the proposed timing of the release of the Company's Annual Information Form for the year ended December 31, 2013. The forward looking information is based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty associated with geological interpretations; the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, risks associated with the implementation of new technology, risks associated with obtaining, maintaining and the timing of receipt of regulatory approvals, permits, and licenses, uncertainties relating to access to capital markets and the risk of volatile global economic conditions. Additional risks and uncertainties are described in the Company's Annual Information Form which is filed on SEDAR at [www.sedar.com](http://www.sedar.com).*

*This press release includes information pertaining to the reserves and the value of future net revenue of the Corporation as at December 31, 2013 and December 31, 2012 as evaluated by GLJ in its reports dated February 24, 2014 and February 15, 2013, respectively (together the "GLJ Reports"). Statements relating to reserves are deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. The GLJ Reports are based on a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of bitumen, operating costs, anticipated reductions in SORs and operating costs as a result of installation of pumps in certain wells to improve productivity, well abandonment and salvage values, royalties and other government levies that may be imposed during the producing life of the reserves. Moreover, there is no assurance that the forecast price and cost assumptions contained in the GLJ Reports will be attained and variances could be material. The reserves estimates of Connacher's properties described herein are estimates only. The actual reserves on Connacher's properties may be greater or less than those calculated. The present value of estimated future net revenues referred to herein should not be construed as the fair market value of estimated bitumen reserves attributable to Connacher's properties.*

*Due to the risks, uncertainties and assumptions inherent in forward looking information, prospective investors in the Company's securities should not place undue reliance on forward looking information. Forward looking*

*information contained in this press release is made as of the date hereof and are subject to change. The Company assumes no obligation to revise or update forward looking information to reflect new circumstances, except as required by law.*

## **About Connacher**

Connacher is a Calgary-based in-situ oil sands developer, producer and marketer of bitumen. The Company holds a 100 per cent interest in approximately 450 million barrels of proved and probable bitumen reserves and operates two SAGD facilities located on the Company's Great Divide oil sands leases near Fort McMurray, Alberta.

## **For further information:**

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