

# Pan Orient Announces 2014 Year-End Heavy Oil Resources for Sawn Lake, Alberta Project of Andora Energy Corporation

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CALGARY, ALBERTA--(Marketwired - Mar 3, 2015) - [Pan Orient Energy Corp.](#) (TSX VENTURE:POE), on behalf of its 71.8% owned subsidiary Andora Energy Corporation ("Andora"), is pleased to release the December 31, 2014 National Instrument 51-101 compliant resource evaluation for Andora's oil sands project at Sawn Lake Alberta, Canada, as evaluated by Sproule Unconventional Limited ("Sproule"). The evaluation included all of Andora's Oil Sands Leases at Sawn Lake based on exploitation using Steam Assisted Gravity Drainage ("SAGD"). This evaluation does not evaluate the exploitation potential through the use of cyclic steam stimulation.

## Summary and Highlights of Sawn Lake, Alberta Contingent Resources as at December 31, 2014

- The oil sands project at Sawn Lake Alberta as at December 31, 2014 was evaluated by Sproule. 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 for SAGD, but which are not currently considered to be commercially recoverable due to one or more contingencies. The contingent resource volumes estimated in the Sproule report are considered contingent until such time as commercial recovery has been confirmed with SAGD production rates from a SAGD demonstration project, regulatory approvals for commercial SAGD development have been obtained and the company has a firm commercial development plan and funding for the commercial development. Contingent Resources are further classified as "High", "Best" and "Low" in accordance with the level of certainty. There is no certainty that it will be economically viable to produce any of the reported contingent resource volumes.
- The December 31, 2014 contingent resource report by Sproule represents a mechanical update of the prior year's report updated for December 31, 2014 price forecasts for crude oil, bitumen, natural gas and exchange rates, and a revised date of 2019 for the estimated commencement of commercial operations, which is three years later than the date assumed in the resource report of December 31, 2013. There is no change from the estimate of company gross contingent resource volumes from the December 31, 2013 contingent resource report prepared by Sproule, which was also a mechanical update.
- The December 31, 2014 contingent resource report does not incorporate the results to date of the Sawn Lake demonstration project since those results are very early stage as the steam chamber continues to build and it is not expected that the maximum bitumen production level or a stabilized Steam-Oil Ratio ("SOR") will be reached until the third quarter of 2015.
- The "Best Case" company gross contingent resources at Sawn Lake are 214 million barrels of bitumen recoverable attributed to Andora's working interests, which is 154 million barrels attributed to the 71.8% ownership interest of Pan Orient in Andora. Contingent resources have been assigned almost entirely to the South and Central Blocks of Sawn Lake. Andora is the operator of both these blocks and holds a 100% working interest in the 16 sections of the South Block, which have been assigned 74 million barrels of bitumen recoverable, and holds a 50% working interest in the 12 sections of the Central Block, which have been assigned 139 million barrels of bitumen recoverable (net to Andora's interests).
- Net present value of the "Best Case" (discounted at 10% before income tax using forecast prices) attributed to Sawn Lake contingent resources is \$469 million for Andora. The amount attributed to the 71.8% ownership interest of Pan Orient in Andora is \$337 million.

- The net present value of the "Best Case" (discounted at 10% before income tax using forecast prices) attributed to Andora's Sawn Lake contingent resources decreased by \$88 million, or 16% to \$469 million at December 31, 2014 from \$557 million at December 31, 2013. This reduction was attributable primarily to the following:
  - The net present value before tax of the working interests of \$469 million as at December 31, 2014 decreased \$12 million, or 2%, from \$481 million a year earlier (excluding the net present value of the GORR). This decrease is primarily due to the three year delay in the expected timing for commercial operations. Long term bitumen and natural gas prices are largely unchanged. Long term bitumen prices reflect lower reference prices for crude oil offset by a narrowing of the differentials for heavy oil and a stronger United States dollar.
  - Sale of a 3% gross overriding royalty on a portion of the non-owned working interests in 12 sections of the Central Block and 24.5 sections of the North Block ("GORR") in March 2014. A joint venture partner repurchased the GORR for \$2.7 million, which was the price Andora paid for the GORR in 2007, as part of an agreement with joint venture partners that enabled the joint venture partners to fund their 50% share of the demonstration project and allow the demonstration project to move forward. The assigned net present value of the GORR in the December 31, 2013 Contingent Resource Report of Andora (using "Best Case" discounted at 10% before income tax using forecast prices) was \$76 million.
- Net present value of the "Best Case" (discounted at 10% after income tax using forecast prices) attributed to Sawn Lake contingent resources is \$298 million for Andora. The amount attributed to the 71.8% ownership interest of Pan Orient in Andora is \$214 million.

### SAGD Demonstration Project

Andora is focused on developing the bitumen resources at the Sawn Lake property in the Peace River Oil Sands Region using SAGD development. The first step towards determining the commercial viability of the SAGD recovery process at Sawn Lake is a demonstration project to establish that the SAGD process works in the Bluesky formation reservoir and to provide an indication of the productivity of the reservoir and the amount of steam injection required to produce the bitumen, which are key components in assessing the potential for SAGD development at Sawn Lake.

Andora is the operator and holds a 50% working interest in the demonstration project, located in the Central Block of Sawn Lake, which commenced in 2013. For Phase 1 of the SAGD demonstration project, one SAGD well pair was drilled in the fourth quarter of 2013 to a depth of 650 meters and a horizontal length of 780 meters. Construction of the SAGD facility for steam generation, water handling and bitumen treating was completed in 2014, steam injection commenced May 21, 2014 and bitumen production commenced September 16, 2014.

The results to date of the initial SAGD well pair indicate that the SAGD process works in the Bluesky formation reservoir. The well is still in its ramp-up phase and during February 2015 bitumen production averaged 293 barrels per day with an SOR of 5.6. Andora is now focused on reaching bitumen production of between 345 and 449 barrels of bitumen per day, with an associated SOR of between 4.0 and 3.1. These bitumen production parameters correspond to the Best and High case estimates used by Sproule in the December 31, 2014 contingent resource evaluation for the 16-30 -91-12W5M well pair which was drilled in a 15 to 20 meter thick reservoir with no bottom or top water. We expect the steam chamber to reach the top of the Bluesky formation sandstone reservoir in March 2015 and maximum production is anticipated to occur in approximately September 2015, corresponding to the end of the first year of production.

In January 2015, Andora and its joint venture partners made a decision to defer the drilling of a second SAGD well pair until there is greater clarity on the direction of future oil prices. Andora expects to continue producing from the existing SAGD well pair for the foreseeable future in order to obtain key reservoir performance inputs that will form the basis for future planning. Andora had working capital at December 31, 2014 of \$8.1 million and no debt.

Production results to date are of course not necessarily indicative of long-term performance or of ultimate recovery and the Sawn Lake demonstration project has not yet proven that it is commercially viable.

Andora Sawn Lake, Alberta Interests at December 31, 2014

	Gross Sections	Working Interest
South Block (Andora operated)	16	100 %

Central Block (Andora operated)	12	50 %
North Block (Andora operated)	9	100 %
North Block (non-operated)	51	10 %
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Summary of Canada Contingent Bitumen Resources as of December 31, 2014 as provided by Sproule

Marketable Resources - Company Gross (million barrels)	Andora	Pan Orient 71.8%
Contingent - Low Estimate "1C"	194.7	139.8
Contingent - Best Estimate "2C"	214.4	153.9
Contingent - High Estimate "3C"	251.0	180.2

Sawn Lake Oil Sands Project  
Summary of Net Present Values Before Tax as of December 31, 2014  
Contingent Resources as provided by Sproule  
Andora 100% (Cdn\$ million)

	0%	5%	10%	15%
Contingent - Low Estimate "1C"	3,990	1,230	361	42
Contingent - Best Estimate "2C"	5,194	1,537	469	92
Contingent - High Estimate "3C"	7,160	2,047	620	136

- 1 Resources assessed at forecast crude oil reference prices and costs.
- 2 The reference prices for crude oil per barrel (Western Canada Select WCS 20.5 API in Canadian dollars) are \$60.50 for 2015, \$75.13 for 2016, \$84.52 for 2017, \$87.07 for 2019, \$89.31 for 2020 and increase at 1.5% per year thereafter.
- 3 Oil revenue for these resources is on average \$22.90 less than the associated Western Canada Select WCS 20.5 API reference price.
- 4 The reference prices for natural gas (AECO-C Spot price per MMBTU in Canadian dollars) are \$3.32 for 2015, \$3.71 for 2016, \$3.90 for 2017, \$4.47 for 2019 and increase at approximately 1.5% to 1.7% per year thereafter.
- 5 Future development costs for Contingent Resources which have been deducted in calculating the before tax NPV:
  - &#8226; Low Estimate - CDN\$2,183 million with the drilling of 389 gross well pairs and building facilities
  - &#8226; Best Estimate - CDN\$2,198 million with the drilling of 389 gross well pairs and building facilities
  - &#8226; High Estimate - CDN\$2,246 million with the drilling of 389 gross well pairs and building facilities
- 6 The engineered values disclosed may not represent fair market value.
- 7 There is no certainty that it will be commercially viable to produce any portion of the resources.

Sawn Lake Oil Sands Project  
Summary of Net Present Values Before Tax as of December 31, 2014  
Contingent Resources as provided by Sproule  
Pan Orient 71.8% Interest in Andora (Cdn\$ million)

	0%	5%	10%	15%
Contingent - Low Estimate "1C"	2,865	883	259	30
Contingent - Best Estimate "2C"	3,729	1,103	337	66
Contingent - High Estimate "3C"	5,141	1,470	445	97

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- 2 The reference prices for crude oil per barrel (Western Canada Select WCS 20.5 API in Canadian dollars) are \$60.50 for 2015, \$75.13 for 2016, \$84.52 for 2017, \$85.79 for 2018, \$87.07 for 2019, \$89.31 for 2020 and increase at 1.5% per year thereafter.
- 3 Oil revenue for these resources is on average \$22.90 less than the associated Western Canada Select WCS 20.5 API reference price.
- 4 The reference prices for natural gas (AECO-C Spot price per MMBTU in Canadian dollars) are \$3.32 for 2015, \$3.71 for 2016, \$3.90 for 2017, \$4.47 for 2018, \$5.05 for 2019 and increase at approximately 1.5% to 1.7% per year thereafter.
- 5 Future development costs for Contingent Resources which have been deducted in calculating the before tax NPV:
  - &#8226; Low Estimate - CDN\$1,567 million with the drilling of 389 gross well pairs and building facilities
  - &#8226; Best Estimate - CDN\$1,578 million with the drilling of 389 gross well pairs and building facilities
  - &#8226; High Estimate -- CDN\$1,613 million with the drilling of 389 gross well pairs and building facilities
- 6 Results represent Pan Orient's 71.8% interest in Andora.
- 7 The engineered values disclosed may not represent fair market value.
- 8 There is no certainty that it will be commercially viable to produce any portion of the resources.

**Pan Orient is a Calgary, Alberta based oil and gas exploration and production company with operations currently located onshore Thailand, Indonesia and in Western Canada.**

*This news release contains forward-looking information. Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this news release includes, but is not limited to, references to: well drilling programs and drilling plans, estimates of reserves and potentially recoverable*

*resources, and information on future production and project start-ups. By their very nature, the forward-looking statements contained in this news release require Pan Orient and its management to make assumptions that may not materialize or that may not be accurate. The forward-looking information contained in this news release is subject to known and unknown risks and uncertainties and other factors, which could cause actual results, expectations, achievements or performance to differ materially, including without limitation: imprecision of reserve estimates and estimates of recoverable quantities of oil, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, demand for oil and gas, commercial negotiations, other technical and economic factors or revisions and other factors, many of which are beyond the control of Pan Orient. Although Pan Orient believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.*

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