Average Quarterly Production 19,598 bopd and Improved Corporate Decline

CALGARY, Oct. 7, 2015 /CNW/ - Bankers Petroleum Ltd. (Bankers or the Company) (TSX: BNK, AIM: BNK) is pleased to announce the Company's third quarter operational update.

Production

Average production from the Patos-Marinza and Kuçova oilfields in Albania for the third quarter of 2015 was 19,598 barrels of oil per day (bopd), a decrease of 2% compared to the second quarter average of 20,045 bopd. Production in the quarter stabilized with development drilling utilizing two rigs, response from the enhanced oil recovery (EOR) patterns that were implemented last year and continued focus on converting wells to injectors as part of the 2015 EOR program.

The Bubullima reservoir continues to perform well, with four (4) producing wells averaging close to 200 bopd per well, which includes some downtime for workovers in the quarter. The latest Bubullima well drilled in the third quarter was recently tied-in and is being optimized. While the volumes are very encouraging, the Bubullima production is both slightly sour and high in watercut requiring the Company to manage the disposal capacity and sour treatment facilities ahead of the Bubullima development program. The Company has facilities in place to support its plans to drill two (2) to three (3) additional Bubullima wells in the fourth quarter and is planning the 2016 program accordingly.

Sales and Oil Prices

Oil sales during the third quarter averaged 19,730 bopd, 0.4% higher than the previous quarter average of 19,599 bopd. Crude oil inventory at September 30, 2015, was 297,000 barrels down from 307,000 barrels at June 30, 2015.

The Patos-Marinza third quarter average oil price was approximately $39.52 per barrel (representing 79% of the Brent oil price of $50.26 per barrel), as compared with the second quarter average oil price of $47.98 per barrel (representing 77% of the Brent oil price of $61.92 per barrel). Sales to the export market during the third quarter 2015 represented 97% of total sales, at an average export price of 79% of the Brent oil price. The majority of the volumes were sold to the export market in the third quarter to capitalize on the continued demand during the summer months. In the fourth quarter, crude oil volumes have been largely committed to the export market to capture higher realized prices and consistent off-take during the winter months.

Bankers realized $16.4 million (representing $9.05 per barrel) during the third quarter in proceeds from corporate hedges.

Hedging Strategy

Bankers has hedged 6,000 bopd at a Brent price of $80 per barrel for the balance of 2015. The remaining 2015 hedge program at September 30, 2015, is valued at $23.4 million.

During the third quarter, Bankers initiated its 2016 hedging strategy by placing two costless collar contracts with an average floor of $54 and average ceiling of $58 for a total of 2,500 bopd for the full year. The Company will look to add to this hedging position as the markets allow, for up to 6,000 bopd. These contracts are designed to protect Bankers against further weakness in oil prices in 2016, while still providing the Company and its shareholders the opportunity to benefit from price improvement.

Enhanced Oil Recovery Program

The EOR program continues to demonstrate strong performance with twenty-eight (28) polymer and six (6) water flood patterns operating in the Patos-Marinza oilfield at the end of the third quarter. During the third quarter, Bankers converted two (2) producing wells to injector wells and plans to convert an additional ten (10) to fifteen (15) wells before the end of 2015.

The polymer and water flood programs produced a total of approximately 3,715 bopd in the month of September, representing 19% of Bankers total production or 12% incremental production above what the estimated primary performance would have produced. With a growing percentage of the field under pressure support from the EOR program, the Company estimates that the base corporate decline has begun to shallow from an estimated thirty (30) percent in early 2015 to an estimated twenty (20) to twenty-five (25) percent corporate decline in 2016.

"This is a significant milestone for the Company. The EOR program is doing exactly what it was intended to do, provide an incremental production wedge as well as reduce our corporate decline, allowing the Company to achieve more with less activity," commented David French, President and Chief Executive Officer of Bankers Petroleum.

Drilling Update

Bankers drilled a total of fourteen (14) wells in the third quarter: thirteen (13) horizontal producers in Patos-Marinza and one (1) horizontal producer in Kuçova. Twelve (12) of the producing wells are on production, the remaining two (2) wells will be placed on production early in the fourth quarter.

In the fourth quarter, Bankers plans to drill fourteen (14) horizontal production wells and one (1) multi-lateral well. This will be the second multi-lateral well in Patos-Marinza, testing the Lower Driza performance from thinner stacked reservoir sands. The multi-lateral concept reduces the capital cost of each lateral leg compared to a single lateral well improving access to the reservoir and allowing expansion of our development plan.

Infrastructure Development

Infrastructure projects in the third quarter focused on emulsion gathering systems to tie-in wells and improved inlet systems and vapour recovery units at satellite facilities. The final stages of the north gathering system are being completed with partial commissioning underway and the remaining leases being tied-in during the coming weeks. The inlet vessels at Satellite 3 treating facility are currently being commissioned in conjunction with the north gathering system. Construction on the west gathering system has progressed as scheduled, with expected completion in the first half of 2016.

Additional projects included the installation of vapor recovery units at Pad H and Pad D treating facilities that commenced late in the second quarter and are expected to be commissioned in the latter half of the fourth quarter. As well, the second commercial polymer skid was commissioned, completing the majority of the necessary facilities associated with the remainder of the planned EOR conversions in 2015.

Cost Recovery Audit Update

The Company is pleased to announce that it has signed a formal Terms of Reference with the Albanian National Agency for Natural Resources (AKBN) and the Minister of Energy and Industry to engage a third-party international auditor to assist in resolving the outstanding cost recovery audit. The audit firm will be selected by mid-October and this process is expected to be finalized by the end of the fourth quarter.

In parallel with this process, the Albanian Courts have formally deferred (subject to appeal) the previously announced profits tax assessment until resolution of the outstanding cost recovery audit. It is expected that the findings of the third-party audit will trigger a reduction of the previously announced tax assessment.

Updated Corporate Presentation

For additional information on this Operational Update, please see the Company's October 2015 corporate presentation at www.bankerspetroleum.com.

Conference Call

The Management of Bankers will host a conference call on October 7, 2015 at 6:30 am MDT (8:30 am EDT, 1:30 pm BST). Following Management's presentation there will be a question and answer session for analysts and investors.

To participate in the conference call, please contact the conference operator ten minutes prior to the call at 1-888-231-8191 or 1-647-427-7450. A live audio web cast of the conference call will also be available on Bankers website at www.bankerspetroleum.com or by entering the following URL into your web browser, https://event.on24.com/eventRegistration/EventLobbyServlet?target=registration.jsp&eventid=1061615&sessionid=1&key=69706B8

The web cast will be archived two hours after the presentation on the website, and posted on the website for 90 days. A replay of the call will be available until October 21, 2015 by dialing 1-855-859-2056 or 1-416-849-0833 and entering access code 53385520.

Caution Regarding Forward-looking Information

Information in this news release respecting matters such as the expected future production levels from wells, future prices and netback, work plans, anticipated total oil recovery of the Patos-Marinza and Kuçova oilfields constitute forward-looking information. Statements containing forward-looking information express, as at the date of this news release, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results and are believed to be reasonable based on information currently available to the Company.

Exploration for oil is a speculative business that involves a high degree of risk. The Company's expectations for its Albanian operations and plans are subject to a number of risks in addition to those inherent in oil production operations, including: that Brent oil prices could fall resulting in reduced returns and a change in the economics of the project; availability of financing; delays associated with equipment procurement, equipment failure and the lack of suitably qualified personnel; the inherent uncertainty in the estimation of reserves; exports from Albania being disrupted due to unplanned disruptions; and changes in the political or economic environment.

Production and netback forecasts are based on a number of assumptions including that the rate and cost of well takeovers, well reactivations and well recompletions of the past will continue and success rates will be similar to those rates experienced for previous well recompletions/reactivations/development; that further wells taken over and recompleted will produce at rates similar to the average rate of production achieved from wells recompletions/reactivations/development in the past; continued availability of the necessary equipment, personnel and financial resources to sustain the Company's planned work program; continued political and economic stability in Albania; the existence of reserves as expected; the continued release by Albpetrol of areas and wells pursuant to the Plan of Development and Addendum; the absence of unplanned disruptions; the ability of the Company to successfully drill new wells and bring production to market; and general risks inherent in oil and gas operations.

Forward-looking statements and information are based on assumptions that financing, equipment and personnel will be available when required and on reasonable terms, none of which are assured and are subject to a number of other risks and uncertainties described under "Risk Factors" in the Company's Annual Information Form and Management's Discussion and Analysis, which are available on SEDAR under the Company's profile at www.sedar.com.

There can be no assurance that forward-looking statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. Readers should not place undue reliance on forward-looking information and forward looking statements.

Review by Qualified Person

This release was reviewed by Suneel Gupta, Executive Vice President and Chief Operating Officer of Bankers Petroleum Ltd., who is a "qualified person" under the rules and policies of AIM in his role with the Company and due to his training as a professional petroleum engineer (member of APEGA) with over 20 years' experience in domestic and international oil and gas operations.

About Bankers Petroleum Ltd.

Bankers Petroleum Ltd. is a Canadian-based oil and gas exploration and production company focused on developing large oil and gas reserves. In Albania, Bankers operates and has the full rights to develop the Patos-Marinza heavy oilfield, has a 100% interest in the Kuçova oilfield, and a 100% interest in Exploration Block "F". Bankers' shares are traded on the Toronto Stock Exchange and the AIM Market in London, England under the stock symbol BNK.

SOURCE Bankers Petroleum Ltd.

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