

CALGARY, Feb. 16, 2016 /CNW/ - [Connacher Oil and Gas Ltd.](#) (CLC – TSX; "Connacher" or the "Company") announces its year-end reserves as of December 31, 2015, as evaluated by GLJ Petroleum Consultants Ltd. ("GLJ"), independent qualified reserves evaluators.

Proved producing reserves decreased by 12.4 million barrels to 7.8 million barrels. Estimated proved ("1P") bitumen reserves totaled approximately 214 million barrels, a decrease of three per cent over year-end 2014 volumes. The ten per cent present value ("10% PV") of 1P bitumen reserves is approximately \$840 million as compared to \$868 million in 2014.

Proved and probable ("2P") reserve volumes were approximately 436 million barrels of bitumen, down one per cent from a year earlier. The 10% PV of these 2P bitumen reserves increased by 7 per cent to approximately \$1.544 billion, due to the lower long term netback bitumen prices forecast by GLJ, offset by lower operating expense and well drilling costs which are 10 per cent lower than in 2014.

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, 2015 has totaled approximately 31.7 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, 2015.

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. The GLJ December 31, 2015 report ("Year-End 2015 Report") was prepared utilizing the GLJ January 1, 2016 price forecast, effective December 31, 2015. 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 2015 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, 2014 are to estimates contained in the report, prepared by GLJ, with an effective date of December 31, 2014 ("Year-End 2014 Report").

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 24, 2015. This AIF can be accessed at www.sedar.com. The Company will be filing an updated AIF later this year and prior to March 31, 2016, once it has completed the audit of its financial and operating results for the year-ended December 31, 2015 and has released them to the public.

Detailed information included in the Year-End 2015 Report regarding Connacher's bitumen reserves and associated present values are set forth in the tables below, including a comparison of year-end 2015 results to year-end 2014 results.

Summary Tables

Set out below is a summary of the bitumen reserves and the value of future net revenue of the Corporation as at December 31, 2015 as evaluated by GLJ in the Year-End 2015 Report. The pricing used in the forecast price evaluations is set forth in the notes to the tables.

BITUMEN RESERVE VOLUMES
BASED ON FORECAST PRICES AND COSTS⁽⁶⁾

	Bitumen	
	Gross ⁽¹⁾	Net ⁽¹⁾
	(Mbbbl)	(Mbbbl)
Proved Reserves		
Producing ⁽²⁾⁽⁵⁾	7,783	7,518
Developed Non-Producing ⁽²⁾⁽⁶⁾	-	-
Undeveloped ⁽²⁾⁽⁷⁾	206,791	180,657
Total Proved ⁽²⁾	214,687	192,035
Total Probable ⁽³⁾	221,061	179,510
Total Proved Plus Probable ⁽²⁾⁽³⁾	435,748	367,797

NET PRESENT VALUE SUMMARY
BASED ON FORECAST PRICES AND COSTS⁽⁶⁾

	Net Present Value of Future Net Revenue Before Income Taxes Discounted %/Year (\$MM)				
	0%	5%	10%	15%	20%
Proved Reserves					
Producing ⁽²⁾	-35	-18	-11	-8	-7
Developed Non-Producing ⁽²⁾⁽⁴⁾	2.2	2.1	2.0	1.9	1.8
Undeveloped ⁽²⁾⁽⁵⁾	4,048	1,769	850	426	208
Total Proved ⁽²⁾	4,013	1,752	840	420	203
Total Probable ⁽³⁾	5,552	1,756	704	340	189
Total Proved Plus Probable ⁽²⁾⁽³⁾	9,566	3,507	1,544	760	392

Figures in tables may not add due to rounding.

Notes:

- (1) "Gross Reserves" are the Corporation's working interest (operating or non-operating) share before deducting royalties and without including any royalty interests of the Corporation. "Net Reserves" are the Corporation's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Corporation's royalty interests in reserves.
- (2) "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.
- (3) "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.
- (4) "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.
- (5) "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.
- (6) Pricing assumptions in the Year-End 2015 Report were as follows: US\$/CDN\$ exchange rates were 0.725 for 2016 and 0.75 in the Year-End 2015 Report. The following is the price forecast for the Year-End 2015 Report:

		BOC	WTI	WCS@ NRBP Hardisty		
		Exchange Constant				
Inflation Rate		2016 \$	Current	Current		
Year	%	USD/CAD	USD/bbl	USD/bbl	CAD/bbl	CAD/bbl
2016	2.0	0.725	44.00	44.00	42.26	12.96
2017	2.0	0.750	50.98	52.00	51.20	28.23
2018	2.0	0.775	55.75	58.00	55.39	32.32
2019	2.0	0.800	60.31	64.00	60.84	40.33
2020	2.0	0.825	64.67	70.00	66.18	48.26
2021	2.0	0.850	67.93	75.00	70.00	52.08
2022	2.0	0.850	71.04	80.00	75.88	57.79
2023	2.0	0.850	74.00	85.00	81.41	62.99
2024	2.0	0.850	75.00	87.88	84.90	66.89
2025	2.0	0.850	75.00	89.63	86.60	68.43

Comparison of Reserves 2014/2015

BITUMEN GROSS RESERVES (Mbbbls)

	31-Dec-14	31-Dec-15
Proved Producing	20,173	7,783
Total Proved Reserves (1P)	219,293	214,687
Probable	221,739	221,061
Proved and Probable Reserves (2P)	441,032	435,748

10% PRESENT VALUE OF FUTURE NET REVENUE OF BITUMEN RESERVES - BEFORE TAX

	31-Dec-14	31-Dec-15
	\$MM	\$MM
Proved Producing	118	-11
Total Proved Reserves (1P)	868	840
Probable	580	704
Proved and Probable Reserves (2P)	1,448	1,544

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, 2015. 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.

This press release includes information pertaining to the reserves and the value of future net revenue of the Corporation as at December 31, 2015 and December 31, 2014 as evaluated by GLJ in its reports dated January 30, 2015 and February 17, 2014, 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 435 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.

SOURCE [Connacher Oil and Gas Ltd.](#)

Contact

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