

BlackPearl Announces Onion Lake Construction Update, Provides Q4 Production Data and 2017 Year-End Reserves and Contingent Resource Estimates

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CALGARY, ALBERTA--(Marketwired - Jan. 30, 2018) - BlackPearl Resources Inc. ("we", "our", "us", "BlackPearl" or the "Company") (TSX:PXX) (OMX:PXXS) is pleased to provide a construction update on its Onion Lake thermal expansion project, provide Q4 2017 production information, as well as, announce the results of its 2017 independent year-end oil and gas reserve resource evaluation.

Highlights and accomplishments included:

- Construction of the Phase 2 expansion of the Onion Lake thermal project is ahead of schedule and within budget. Commissioning of the facilities has begun and steam injection is expected to begin in February.
- Q4 2017 production averaged 10,600 boe/day; full year production averaged 10,199 boe/day.
- 24% year over year increase in total proved (1P) reserves to 94.4 mmbbls. The increase primarily reflects positive revisions due to the performance from Phase 1 of the Onion Lake thermal project as well as an increase in the Onion Lake thermal development area to which reserves were assigned.
- 48% increase in net present value, before tax, discounted at 10% of our 1P reserves to \$1.1 billion, or \$3.23 per common share.
- 1P reserve additions replaced 583% of 2017 production.
- Net present value, before tax, discounted at 10% of our proved plus probable (2P) reserves was \$2 billion, or \$6.40 per common share. This value is comparable to 2016 despite a 48% drop in 2P reserve volumes. The decrease in 2P reserve volumes was due to the previously announced reclassification of the probable reserves to resources associated with the first phase of the Blackrod SAGD project. This reclassification is the result of a change in the Company's strategy to accelerate the expansion of the Onion Lake thermal project before we commence development of the first phase of the Blackrod SAGD project. The reclassification does not impact management's positive assessment of or its commitment to develop the Blackrod project.
- 28% increase in 2P reserve volumes at Onion Lake.
- Risked contingent resources (best estimate) for our three core properties totaled 640 million barrels of oil equivalent, a 28% increase compared to year-end 2016 resource estimates. The increase reflects the reclassification of the Blackrod reserves discussed above.

John Festival, President of BlackPearl, indicated that "we are very pleased with the progress of the Onion Lake expansion project. Due to our committed operations staff and favourable weather conditions we are going to complete the project well ahead of schedule. We expect to commence steam injection in February.

We are also pleased with the significant increase in proved reserves, which reflects the positive results of our Onion Lake thermal project. These results were one of the primary reasons we made a change in our strategic plan to accelerate the next phase of the Onion Lake thermal project before we tackle development of our Blackrod SAGD project. Full cycle economics of our Onion Lake thermal project are best in class compared to North American oil projects. The increased cash flow generated from an expanded Onion Lake thermal project will put us in a better financial position to develop the large Blackrod project. The consequence of this shift in strategy, that regulatory rules necessitate the reclassification of the Blackrod reserves to resources, but we are still very committed to the development of this large resource."

Onion Lake Construction Update

We have made excellent progress over the last two months on the construction of the 6,000 barrel per day phase 2 expansion at Onion Lake and construction is nearing completion, approximately five months ahead of our original estimates. Construction costs are trending toward the low end of our original estimates of \$180- 185 million. We have started the commissioning of the central processing facilities and steam is expected to be delivered to the first pad of wells in February. Steam injection to the second pad of wells will occur approximately one month later. First oil is expected before the end of Q2 2018. We anticipate

reaching peak production approximately 12 months after initial steam injection, a similar timeline to that achieved for ph

Production Update

BlackPearl's Q4 2017 oil and gas sales volumes were 10,600 boe per day, a 17% increase over production during the t quarter. The increase in fourth quarter production is mainly attributable to the successful restart of the Onion Lake therm after completion of a facility turnaround during the third quarter.

Production by Area (boe/d)	Three months ended		Year ended	
	December 31	December 31	December 31	December 31
Onion Lake - thermal	6,204	6,119	5,686	5,520
Onion Lake - primary	1,917	2,011	2,022	2,135
Mooney	1,178	785	1,096	801
John Lake	699	837	770	863
Blackrod	481	523	490	556
Other	121	204	135	202
Total production	10,600	10,479	10,199	10,077

Oil and Gas Reserves

The following tables summarize certain information contained in the independent reserves report prepared by Sproule & Associates Limited ("Sproule") as of December 31, 2017. The report was prepared in accordance with definitions, standards and p contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101, Sta Disclosure for Oil and Gas Activities ("NI 51-101"). Additional reserve information as required under NI 51-101 will be in the Company's Annual Information Form which is expected to be filed on SEDAR on February 22, 2018. It should not b that the net present value of reserves estimated by Sproule represents the fair market value of these reserves.

Summary of Oil and Gas Reserves

(Company interest, before royalties)

	Heavy Crude Oil (Mbbbl)	Bitumen (Mbbbl)	Natural Gas (MMcf)	2017 Total (MBoe)	2016 Total (MBoe)
Proved developed producing	18,378	426	-	18,804	19,125
Proved developed non-producing	13,247	-	5	13,248	3,428
Proved undeveloped	62,321	-	3	62,322	53,840
Total proved	93,946	426	8	94,374	76,393
Probable	68,038	21	7	68,060	235,186
Total proved plus probable	161,984	447	15	162,434	311,579

Notes:

(1) BOE's may be misleading, particularly if used in isolation. In accordance with NI 51-101, a BOE conversion ratio of 6 Mcf: 1 barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Net Present Value of Reserves

(\$000s)	Net Present Value of Future Net Revenue Discounted at %/year				
	0%	5%	10%	15%	20%
Before Tax					
Proved					
Developed producing	455,399	402,162	354,620	314,838	282,110
Developed non-producing	272,154	239,688	208,828	181,899	159,021
Undeveloped	1,516,483	868,783	521,732	327,678	213,734

Total proved	2,244,035	1,510,633	1,085,180	824,416	654,865
Probable	3,143,580	1,619,000	932,438	588,985	399,242
Total proved plus probable	5,387,615	3,129,634	2,017,618	1,413,400	1,054,106
After Tax					
Proved					
Developed producing	455,399	402,162	354,620	314,838	282,110
Developed non-producing	265,751	235,301	205,765	179,725	157,453
Undeveloped	1,268,764	710,338	415,748	254,094	161,026
Total proved	1,989,914	1,347,801	976,134	748,657	600,589
Probable	2,594,909	1,295,166	725,135	447,556	297,872
Total proved plus probable	4,584,823	2,642,967	1,701,269	1,196,212	898,461

Notes:

(1) Based on Sproule's December 31, 2017 forecast prices.

(2) Columns may not add due to rounding.

Estimated Future Development Capital

The following table summarizes the future development capital ("FDC") Sproule estimates is required to bring total proved plus probable reserves on production.

(\$ Millions)	Total Proved	Total Proved + Probable
2018	59.0	59.1
2019	36.5	86.6
2020	56.3	95.6
2021	29.4	42.0
2022	37.2	25.4
Remainder	537.1	651.4
Total FDC undiscounted	755.5	960.1
Total FDC discounted at 10%	376.6	450.5

Reconciliation of Changes in Reserves

The following table summarizes the changes in Sproule's evaluation of the Company's share of oil and natural gas reserves (before royalties) from December 31, 2016 to December 31, 2017.

	Heavy Crude Oil (Mbbbl)	Bitumen (Mbbbl)	Natural Gas (MMcf)	BOE (MBOE)
Proved				
Balance, Dec 31, 2016	75,260	1,057	456	76,393
Extensions and improved recovery	18,284		8	18,285
Technical revisions	3,931	(452)	(247)	3,438
Economic factors	(20)			(20)
Production	(3,509)	(179)	(209)	(3,723)
Balance, Dec 31, 2017	93,946	426	8	94,374
Probable				
Balance, Dec 31, 2016	56,374	178,742	421	235,186
Extensions and improved recovery	14,904		7	14,905
Technical revisions	(3,348)	(178,721) ⁽²⁾	(421)	(182,139)
Economic factors	108			108
Production				

Balance, Dec 31, 2017	68,038	21	7	68,061
Proved plus Probable				
Balance, Dec 31, 2016	131,634	179,799	877	311,579
Extensions and improved recovery	33,188		15	33,191
Technical revisions	583	(179,173)	(668)	(178,700)
Economic factors	88			88
Production	(3,509)	(179)	(209)	(3,723)
Balance, Dec 31, 2017	161,984	447	15	162,434

Note:

- (1) Columns may not add due to rounding
- (2) Includes technical revisions of bitumen associated with the Blackrod SAGD project that were reclassified to contingent resources

Pricing Assumptions

The pricing assumptions used in the Sproule evaluation are summarized below.

Year	Canadian Light Sweet Crude		Western Canadian Select Alberta		Inflation rate	Exchange rate
	WTI Cushing 40° API	40° API	20.5° API	AECO-C Spot		
	(US\$/bbl)	(CDN\$/bbl)	(CDN\$/bbl)	(CDN\$/MMBtu)	(%/yr)	(US\$/Cdn\$)
2018	55.00	65.44	51.05	2.85	0.0	0.790
2019	65.00	74.51	59.61	3.11	2.0	0.820
2020	70.00	78.24	64.94	3.65	2.0	0.850
2021	73.00	82.45	68.43	3.80	2.0	0.850
2022	74.46	84.10	69.80	3.95	2.0	0.850
2023	75.95	85.78	71.20	4.05	2.0	0.850
2024	77.47	87.49	72.62	4.15	2.0	0.850
2025	79.02	89.24	74.07	4.25	2.0	0.850
2026	80.60	91.03	75.55	4.36	2.0	0.850
2027	82.21	92.85	77.06	4.46	2.0	0.850
2028	83.85	94.71	78.61	4.57	2.0	0.850

Escalation rate of 2.0% thereafter

Notes:

- (1) The pricing assumptions were provided by Sproule.
- (2) None of the Company's future production is subject to a fixed or contractually committed price.

Definitions:

1. "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is 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 likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved reserves.
3. "Developed" reserves are those reserves that are expected to be recovered from existing wells and installed facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling the reserves on production).
4. "Developed Producing" reserves are those reserves that are expected to be recovered from completion intervals time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production and the date of resumption of production must be known with reasonable certainty.
5. "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.
6. "Undeveloped" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

7. The Net Present Value (NPV) is based on Sproule forecast pricing and costs. The estimated NPV does not necessarily represent the fair market value of our reserves. There is no assurance that forecast prices and costs assumed in evaluations will be attained, and variances could be material.

Contingent Resources

In addition to the reserve evaluation discussed above, the Company also requested Sproule prepare resource evaluations of its core properties: Blackrod, Onion Lake and Mooney. The following tables summarize certain information contained in contingent resource evaluations prepared by Sproule as of December 31, 2017. The reports were independently prepared in accordance with definitions, standards and procedures contained in the COGE Handbook.

It should not be assumed that the estimates of recovery, production, and net revenue presented in the tables below represent the fair market value of the Company's contingent resources. There are certain contingencies which currently prevent the classification of these contingent resources as reserves. Information on these contingencies is provided in the footnotes to the tables. There is no certainty that it will be commercially viable to produce any portion of the contingent resources. Please refer to the Annual Information Form (to be filed on February 22, 2018) for a more detailed discussion of our contingent resources.

Summary of Best Estimate Contingent Resource Volumes - By Property ⁽¹⁾⁽²⁾

Project	Maturity Subclass ⁽³⁾	Chance of Development ⁽⁴⁾	Unrisked Volumes		Risky Volumes	
			Heavy Crude Oil Gross ⁽⁵⁾	Bitumen Net ⁽⁵⁾	Heavy Crude Oil Gross ⁽⁵⁾	Bitumen Net
			(Mbbbl)	(Mbbbl)	(Mbbbl)	(Mbbbl)
Blackrod ⁽⁶⁾						
First phase	Development/ pending	94%			179,294	141,971
Future phases	Development/ on hold	77%			566,135	461,358
Onion Lake ⁽⁷⁾						
Thermal	Development/ pending	85%	27,035	21,356		22,980
Primary	Development/ pending	90%	1,154	851		1,038
Mooney ⁽⁸⁾	Development/ on hold	71%	15,904	13,791		11,292

Summary of Net Present Value of Future Net Revenue of Development Pending Contingent Resources

The following table sets forth the net present value of BlackPearl's best estimate risky contingent resources in the development pending project maturity sub-class at December 31, 2017.

An estimate of risky net present value of future net revenues of the "development pending" contingent resources sub-class is preliminary in nature and is provided to assist the reader in reaching an opinion on the merit and likelihood of the Company proceeding with the required investment. It includes contingent resources that are considered too uncertain with respect to their chance of development to be classified as reserves. There is uncertainty that the risky net present value of future net revenues will be realized. The other subclass of resources (development on hold) is not included in this net present value amount, and this is not reflective of the value of the resources base.

Project	Net Present Values of Future Net Revenue Before Income Taxes				
	Discounted at (%/year)				
	0%	5%	10%	15%	20%
	(\$M)				
Blackrod ⁽⁶⁾ (first phase)	4,110,612	1,470,349	554,602	200,879	53,197
Onion Lake ⁽⁷⁾ (thermal)	746,710	322,153	151,364	76,040	39,853
Onion Lake ⁽⁷⁾ (primary)	13,247	9,349	6,643	4,762	3,446

Notes:

- (1) Contingent Resources are defined in the COGE Handbook as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as Contingent Resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage.
- (2) There are three classifications of contingent resources: Low Estimate, Best Estimate and High Estimate. Best estimate is a classification of estimated resources described in the COGE Handbook as being considered to be the best estimate of the quantity that will be actually recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the best estimate.
- (3) Contingent resources are further classified based on project maturity. The project maturity subclasses include development pending, development on hold, development unclarified and development not viable. All of the Company's contingent resources are classified as either development pending or development on hold:
 - (a) Development pending is where resolution of the final conditions of development are being actively pursued, indicating there is a high chance of development.
 - (b) Development on hold is where there is a reasonable chance of development, but there are major non-technical contingencies to be resolved that are usually beyond the control of the operator.
- (4) Chance of Development is defined as the probability of a project being commercially viable. Sproule's estimate of unrisksed contingent resources have been adjusted for risk based on the chance of development (risksed amounts represent unrisksed values multiplied by the Chance of Development).
- (5) "Gross" means the Company's working interest share in the contingent resources before deducting royalties. "Net" means the Company's working interest share after the deduction of royalty obligations. The Company has a 100% working interest at Blackrod and Mooney and the Onion Lake thermal project, and a 50 to 100% working interest at Onion Lake Primary.
- (6) The established recovery technology to be used to recover the contingent resources of the Blackrod project is the SAGD process, the same process that is being used in the successful pilot that is currently being conducted within the Blackrod reservoir.
 - • The contingencies in the Sproule Report associated with the Company's contingent resources for the first phase of the Blackrod project are due to (a) the absence of corporate commitment related to the final investment decision and endorsement from the Board of Directors of the Company to move forward with commercial development and a final investment decision will not likely occur for several years and (b) the estimated timing of production and development may commence beyond the reasonable time periods described in the COGE Handbook to be classified as reserves. For the contingent resources associated with the first phase of the Blackrod project, the estimated timing of first commercial production is 2024 and the estimated capital to reach first commercial production is \$0.8 billion (unrisksed and escalated for inflation).
 - • The contingencies in the Sproule Report associated with the Company's contingent resources for the future phases of the Blackrod project are due to the following: (a) the requirement for more evaluation drilling, as required by the regulatory process, to define the reservoir characteristics to assist in the implementation and operation of the SAGD process; (b) the absence of submission of an application to expand the commercial SAGD development beyond the phase 1 project area; (c) the absence of corporate commitment related to the final investment decision and endorsement from the Board of Directors of the Company to move forward with commercial development of future phases of the Blackrod project and a final investment decision will not likely occur for several years; and (d) the uncertainty of timing of production and development of future phases of the Blackrod project. For the contingent resources associated with future phases of the Blackrod project, the estimated timing of first commercial production is 2028 and the estimated capital to reach first commercial production is \$1.2 billion (unrisksed and escalated for inflation).
- (7) The recovery of the Company's Onion Lake contingent resources will use a combination of production processes: the established modified SAGD process for future phases of the Onion Lake thermal project, the same process that is already utilized commercially in phase 1 of the Onion Lake thermal project; and the established cold heavy oil production with sand (CHOPS) process to extend the primary development area, the same CHOPS process that has already been extensively deployed throughout the field.

- For the Onion Lake thermal project, the contingencies in the Sproule Report associated with the Company's Onion Lake contingent resources are due to the following: (a) the requirement for more evaluation drilling to define the reservoir characteristics to assist in the implementation and operation of the modified SAGD recovery process; and (b) approvals between the Company and OLCN/OLE and Saskatchewan Energy and Resources (SER) for thermal EOR development in the lands currently leased by the Company but outside the thermal EOR development area; and (c) the estimated timing of production and development is beyond the reasonable time periods described in the COGE Handbook to be classified as reserves. For the Onion Lake thermal project contingent resources, the estimated timing of first commercial production is 2022, while the estimated capital to reach first commercial production is \$61.2 million (unrisked and escalated for inflation).
- For the extension of the primary development area, the contingencies in the Sproule Report associated with the Company's Onion Lake contingent resources are due to the following: (a) the requirement for more evaluation drilling to confirm the geological continuity of the reservoir and reduce the distance from proven productivity; and (b) the potential for the current agreements with the Onion Lake Cree Nation (OLCN), which are subject to policies and approvals by Indian Oil and Gas Canada (IOGC), required to be renegotiated due to changes imposed by IOGC. First commercial production for the primary development area has already been achieved and, as a result, estimated capital to reach first commercial production is nil.
- (8) The established recovery technology to be used for phases 3 and 4 of the Mooney project is the established ASP flood process, the same process that is already deployed commercially in phase 1 of the Mooney field. The contingencies in the Sproule Report associated with the Company's Mooney contingent resources are due to the following: (a) the requirement for more evaluation wells to confirm the reservoir characteristics needed for the ASP process; (b) the absence of regulatory approvals to expand the ASP development area beyond the phase 1 and phase 2 project areas; (c) the absence of a final investment decision from the Board of Directors of the Company to move forward with the ASP flood expansion to phases 3 and 4 of the Mooney project and (d) the uncertainty of timing of production and development of phases 3 and 4 of the Mooney project. First commercial production for the Mooney ASP flood has already been achieved and, as a result, estimated capital to reach first commercial production at the Mooney ASP flood is nil.
- (9) The pricing assumptions used by Sproule in the determination of the NPV of the "development pending" contingent resources were the same as those used to determine the NPV of the oil and gas reserves.

Other

The Company is planning to release its 2017 year-end financial and operating results on February 22, 2018. At December 31, 2017, the Company had 336,267,235 common shares outstanding.

Forward-Looking Statements

This release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of historic fact are forward-looking statements. Forward-looking statements are typically identified by such words as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "potential", "targeting", "intend", "could", "might", "should", "believe" or similar words suggesting future events or future performance. In particular, this release contains the following forward-looking statements:

- The estimated volumes and net present values of BlackPearl's proved and probable reserves and contingent resources, as well as the estimated future development capital to bring the reserves on production.
- The estimate that initial steam injection will occur in February 2018 on phase 2 of the Onion Lake thermal project and that peak production rates should occur within 12 months after initial steam injection
- The estimated capital costs to construct phase 2 of the Onion Lake thermal project of between \$180 to \$185 million

The forward-looking information is based on, among other things, expectations and assumptions by management regarding future growth, future production levels, future oil and natural gas prices, continuation of existing tax, royalty and regulatory regimes, foreign exchange rates, estimates of future operating costs, timing and amount of capital expenditures, performance of existing and future wells, recoverability of the Company's reserves and contingent resources, the ability to obtain financing on favorable terms, availability of skilled labour and drilling and related equipment on a timely and cost efficient basis, continuance of favorable general economic and financial market conditions, environment matters and the ability to market oil and natural gas successfully to current and new customers. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their nature, forward-looking statements involve numerous known and unknown risks and uncertainties that contribute to the possibility that actual results will differ from those anticipated in the forward-looking statements. Further information regarding

these risk factors may be found under "Risk Factors" in the Annual Information Form, which can be accessed on SEDAR www.sedar.com.

Undue reliance should not be placed on these forward-looking statements. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will be realized. Actual results will differ, and the differences may be material and adverse to the Company and its shareholders. Furthermore, the forward-looking statements contained in this release are made as of the date hereof, and the Company does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this statement.

This is information that [BlackPearl Resources Inc.](#) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication at 3:00 p.m. Mountain Time on January 13, 2026.

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