

# Alvopetro Announces Caburé Unit Development Plan and Unitization Agreements

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CALGARY, April 20, 2018 /CNW/ - [Alvopetro Energy Ltd.](#) (TSX-V:ALV) announces the finalization of the required unitization agreement (UOA) and the unit development plan for our Caburé natural gas field (the 197(2) and 198(A1) wells).

## Unitization

Alvopetro and Imetame Energia Ltda. (Imetame) have negotiated a UOA and all related agreements. The National Agency of Petroleum, Natural Gas and Biofuels of Brazil ("ANP") was initially engaged to arbitrate the terms of the unitization and completed a full review of all technical data provided by the parties and determined the initial working interest share for each resource owner as follows:

	Gas in Place	
	%	mmboe (Bcf) <sup>1</sup>
Alvopetro	49.1%	10.40 (62.4)
Imetame	36.1%	7.65 (45.9)
Orteng Óleo & Gas S.A.(Orteng) <sup>2</sup>	14.8%	3.13 (18.8)
		21.18 (127.1)

<sup>1</sup> Gas in place estimated by the ANP (high estimate) following the review of all technical information submitted by Alvopetro and Imetame. These resource estimates have not been reviewed by Alvopetro's external reserve evaluators and do not reflect recoverable reserves.

<sup>2</sup> Orteng's 14.8% share is in the process of being acquired by Imetame, subject to ANP approval.

## Unit Development Plan

Pursuant to the UOA, Imetame and Alvopetro have agreed to a comprehensive unit development plan. In 2018, two existing wells will be completed and tied-in to a low-pressure early production facility with an early production plateau of 150,000 cubic metres per day. In 2019, three additional unit development wells will be drilled and a high-pressure field processing facility will be constructed. All unit wells will be completed and tied in by the end of 2019 with a planned gross field production plateau rate of 450,000 cubic metres per day. Each party will be entitled to nominate for its working interest share of field production and for any natural gas not nominated by the other party. Once a party produces its share of 2P reserves they will no longer be entitled to any further production. Imetame is entitled to 100% of the early field production (allocated against Imetame's share of proved plus probable (2P) reserves) and has agreed to fund virtually all of the unit development capital in 2018 and 2019. Alvopetro will pay for our share of these unit capital expenditures when we commence production, or in March 2020, whichever comes first. Unit operating costs will be shared by the parties based on monthly production delivered to each party. Alvopetro's expects to start production allocations by the end of 2019.

## Initial Operator & Redeterminations

Under the UOA, Alvo Petro has agreed for Imetame (50.9% initial working interest) to act as initial operator. If Alvo Petro's working interest increases to over 50% following a working interest redetermination, Alvo Petro may elect to assume operatorship of the unit. The first working interest redetermination will occur on the later of; 18 months after Alvo Petro starts production, or December 31, 2021. The second redetermination will occur once 40% of the 2P reserves of the unit have been produced.

The unitization and the unit development plan are subject to the approval of the ANP.

## Natural Gas Commercialization Plan

We are also working to finalize a gas sales agreement for our share of the natural gas of the unitized field and have nearly completed all required engineering and permitting work for this natural gas commercial solution, which will include a natural gas processing facility and an 11-kilometre pipeline. These agreements are an important milestone in commercializing this important natural gas resource and we look forward to updating our shareholders on our progress.

[Alvo Petro Energy Ltd.](#)'s vision is to become a leading independent oil and natural gas operator in Brazil. Our strategy is to unlock the on-shore natural gas potential in the state of Bahia in Brazil, building off the development of our Caburé natural gas field and the construction of strategic midstream infrastructure. Our efforts in the near-term are concentrated on concurrently finalizing a long-term natural gas sales contract and a mandatory unitization process.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

## Abbreviations:

Bcf	= billion cubic feet
m3	= cubic metre
m3/d	= cubic metre per day
MMcf	= million cubic feet
MMcfpd	= million cubic feet per day
mboe	= million barrels of oil equivalent
mmbtu	= million British Thermal Units

**BOE Disclosure.** The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 Mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this news release are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

**Forward-Looking Statements and Cautionary Language.** This news release contains "forward-looking information" within the meaning of applicable securities laws. The use of any of the words "will", "expect", "intend" and other similar words or expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning

anticipated outcomes of regulatory determinations, future results from operations, projected financial results and financing requirements, future capital and operating costs, future production rates, proposed exploration and development activities, sources and availability of capital, and capital spending levels. The forward-looking statements are based on certain key expectations and assumptions made by Alvpetro, including but not limited to regulatory requirements including the completion of the unitization of certain fields, securing gas sales agreements, the timing of regulatory licenses and approvals, the success of future drilling, completion, recompletion and development activities, the outlook for commodity markets and ability to access capital markets, the performance of producing wells and reservoirs, well development and operating performance, general economic and business conditions, weather and access to drilling locations, the availability and cost of labour and services, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the regulatory and legal environment and other risks associated with oil and gas operations. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information presented here as a result of numerous known and unknown risks and uncertainties and other factors. Although Alvpetro believes that its expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Alvpetro can give no assurance that it will prove to be correct. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Alvpetro are included in our annual information form which may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com). The forward-looking information contained in this news release is made as of the date hereof and Alvpetro undertakes no obligation to update publicly or revise any forward-looking information whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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