

Pan Orient Announces September 30, 2019 Contingent Bitumen Resources for Sawn Lake, Alberta SAGD Project of Andora Energy Corporation

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CALGARY, Alberta, Dec. 02, 2019 - [Pan Orient Energy Corp.](#) (POE – TSXV), on behalf of its 71.8% owned subsidiary Andora Energy Corporation (“Andora”), is pleased to release the September 30, 2019 Contingent Bitumen Resources Report (“Resources Report”) which is a National Instrument 51-101 compliant resources evaluation for Andora’s oil sands interests at Sawn Lake Alberta, Canada, as evaluated by independent qualified reserves evaluator Sproule Associates Limited (“Sproule”). The evaluation included all of Andora’s Oil Sands Leases at Sawn Lake based on exploitation using Steam Assisted Gravity Drainage (“SAGD”).

Please note that unless otherwise stated, amounts are in Canadian dollars and volumes and financial amounts are net to Andora.

Highlights of Sawn Lake, Alberta Contingent Resources Report as at September 30, 2019

- The Resources Report reflects the development plan for Sawn Lake Central and Sawn Lake South of staged development with five standardized “battery scale” SAGD facilities where growth is primarily funded by cash flow generated by the project. The SAGD batteries are 5000 to 6000 barrels of bitumen per day (BOPD) each and utilize Andora’s proprietary Produced Water Boiler (“PWB”) technology which uses water from SAGD production to generate steam and meet water recycle requirements in Alberta. This strategy significantly reduces financial, reservoir and operating risk.
- Contingent resources have been assigned to the Sawn Lake Central and Sawn Lake South blocks of Sawn Lake. The unrisks “Best Estimate” contingent resources for Andora are 227.8 million barrels of bitumen recoverable (163.6 million barrels net to Pan Orient’s 71.8% interest in Andora).
- Andora is the operator of both these blocks and holds a 50% working interest in the 11 sections of the Central Block, which have been assigned 149.6 million barrels of unrisks recoverable bitumen (net to Andora’s interests), and holds a 100% working interest in the 16 sections of the South Block, which have been assigned 78.2 million barrels of unrisks recoverable bitumen.
- The unrisks “Best Estimate” net present value, discounted at 10%, for Andora’s interests is \$311 million on a before tax basis and \$232 million on an after tax basis (\$223 million and \$167 million net to Pan Orient’s 71.8% interest in Andora respectively).
- The Resources Report assigned an 85% chance of development for Sawn Lake, and the risks “Best Estimate” contingent resources for Andora are 193.6 million barrels of bitumen recoverable (139.0 million barrels net to Pan Orient’s 71.8% interest in Andora). The risks “Best Estimate” net present value, discounted at 10%, for Andora’s interests is \$265 million on a before tax basis and \$199 million on an after tax basis (\$190 million and \$143 million net to Pan Orient’s 71.8% interest in Andora respectively).
- The Resources Report forecasts bitumen production from 2022 to 2097, with maximum unrisks “Best Estimate” production net to Andora of 15,313 BOPD in 2034. The unrisks “Best Estimate” evaluation indicates that the maximum cumulative year-end financing requirement, being cumulative cash flow of operating income less capital expenditures and income tax, is \$31 million in Year 5 and the estimated after tax rate of return is 33.4%.

- The first stage of Sawn Lake commercial development is reactivation of the existing SAGD facility and wellpair at Sawn Lake Central (Andora operator with 50% working interest), and expansion to install the first PWB and drill an additional wellpair at an estimated cost of \$11 million net to Andora. A further expansion in the second year is for drilling of an additional three wellpairs plus facilities work at an estimated cost of \$16 million to increase Andora's share of production from 620 BOPD to 1547 BOPD. Regulatory approval for this commercial operation was received in December 2017.

Resources Report

- The Update of the Evaluation of the Contingent Bitumen Resources in the Sawn Lake Area of Alberta of Andora Energy Corporation as of September 30, 2019 by Sproule evaluated Andora's interests at the Sawn Lake Alberta oil sands project. 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 resources volumes estimated in the Sproule report are considered contingent until such time as there are additional delineation wells confirming reservoir quality and continuity, refinement of the commercial development plan, regulatory approval for full field development, corporate commitment to move forward and financing for commercial development. Contingent resources are further classified as "High", "Best" and "Low" in accordance with the level of certainty.
- Sproule classifies the project evaluation status of the contingent resource volumes to be at the Development Studies level. The contingent resource volumes are classified as Development Pending with respect to project maturity. Sproule evaluated the Company's development plan for the contingent resources to be Economically Viable in the aggregate, although there may be individual locations within the project which may be uneconomic.
- Contingent resource volumes in the Resources Report have been assigned an 85% chance of development by Sproule. This chance of development risk factor is an aggregation of risk factors attributable to the identified contingencies. There is uncertainty that it will be commercially viable to produce any portion of the reported contingent resources volumes.
- The Resources Report identified key positive and negative factors for development of the Bluesky formation in the Sawn Lake area. Key positive factors include: the abundance of well data available from penetrations on and surrounding the Company lands (petrophysical, geophysical and production history); the presence of successful analog SAGD projects; and the successful pilot project at the 16-30-91-12W5M location. Key negative factors include: access to the funding required to develop the resource base; sensitivity to low commodity pricing which will impact the economics of development; environmental and regulatory approval for approval of bitumen development, pipelines and other infrastructure; higher Alberta or Federal Carbon tax, income tax or royalties; and market egress.
- The September 30, 2019 Contingent Resources Report represents an update of a June 30, 2016 Contingent Resources Report which was also prepared by Sproule. There is no change to the geology, the well type curves or the assigned development risk. The September 30, 2019 report has been updated for:
 - The Sawn Lake development plan utilizing five SAGD batteries (instead of an industry standard central processing facility) and the resulting longer period for development and production.
 - Revised date of 2022 for the estimated commencement of commercial production.
 - September 30, 2019 price forecasts for crude oil, bitumen, natural gas and exchange rates.
 - Revised estimates for capital expenditures and operating costs based on the development plan instead of industry standard costs for a central processing facility used in the June 30, 2016 Contingent Resources Report.
 - Changes to income tax rates, carbon tax legislation and other factors.
 - The September 30, 2019 Contingent Resources Report does not assign any contingent resources to Sawn Lake North lands (where Andora is a non-operator with a 10% working interest) which had been assigned 1.6 million barrels of Best Estimate Contingent Resources in the June 30, 2016 Contingent Resources Report.

Sawn Lake SAGD Development

Andora holds interests in 78 sections (34.7 net sections) of heavy oilsands leases in Sawn Lake, within the central Alberta Peace River Oil Sands region. Andora is focused on developing the bitumen resources at Sawn Lake using SAGD development. Contingent resources have been assigned to the Sawn Lake Central and Sawn Lake South where Andora is the operator.

A SAGD demonstration project at the Sawn Lake Central block commenced in 2013 and consisted of one SAGD wellpair drilled to a depth of 650 meters and a horizontal length of 780 meters and a SAGD facility for steam generation, water handling and bitumen treating. Steam injection commenced in May 2014 and produced bitumen from September 2014 to February 2016. The demonstration project reached a steady state production level in February 2016 of 620 BOPD with an instantaneous steam-oil ratio (“ISOR”) of 2.1. The demonstration project successfully captured the key data associated with the objectives of the demonstration project and operations were suspended at the end of February 2016. The demonstration project proved that the SAGD process works in the Bluesky formation at Sawn Lake, established characteristics of ramp up through stabilization of SAGD performance, indicated the productive capability, ISOR, and provided critical information required for well and facility design associated with future commercial development. Production results to date are 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.

The development plan for Sawn Lake Central and Sawn Lake South is for development in stages with five standardized “battery scale” SAGD facilities where growth is primarily funded by net operating income generated by the project. After tax cash flow in the Sproule evaluation is Andora’s share of revenue less royalty burden, operating expenses, abandonments, capital expenditures and income tax. The first stage is commercial expansion of the demonstration project SAGD facility to 1600 BOPD (3200 BOPD gross) with reactivation of the existing facility and wellpair, installation and testing of Andora’s PWB and drilling of an additional four wellpairs. Regulatory approval was received in December 2017 for commercial expansion of the existing Sawn Lake Central demonstration project to 1600 BOPD (3200 BOPD on a gross basis) using Andora’s PWB. The lead time to acquiring the necessary equipment and commencing operations would be approximately 18 months and another 6 months is required until the start of bitumen production (after development of the steam chamber). Further stages of development include expansion to 5000 BOPD of the first SAGD battery and then an additional four SAGD batteries which are located in the best parts of the reservoir. The timing of individual batteries is dependent on regulatory approval and after tax cash flow from existing operations for funding of new investment.

It is recognized that stable crude oil prices, and specifically Western Canada Select benchmark prices, will have a significant impact on project economics and financing, and on decisions regarding the timing and extent of future development.

Andora Sawn Lake, Alberta Interests at September 30, 2019

	Gross Sections	Working Interest	Unrisked Best Estimate Contingent Resources - Company Gross (million barrels)
Central Block (Andora operated)	11	50%	149.6
South Block (Andora operated)	16	100%	78.2
North Block (Andora operated)	9	100%	-
North Block (non-operated)	42	10%	-
	78		227.8

Summary of Contingent Bitumen Resources as of September 30, 2019 as provided by Sproule

Marketable Resources - Company Gross (million barrels)	Andora	Pan Orient 71.8%
Risked (evaluation assigned an 85% chance of development)		
Contingent - Low Estimate “1C”	174.9	125.6
Contingent - Best Estimate “2C”	193.6	139.0
Contingent - High Estimate “3C”	228.2	163.8
Unrisked		
Contingent - Low Estimate “1C”	205.7	147.7

Contingent - Best Estimate “2C”	227.8	163.6
Contingent - High Estimate “3C”	268.4	192.7

Sawn Lake Oil Sands Project

Summary of Net Present Values as of September 30, 2019

Contingent Resources as provided by Sproule

Andora 100% (Cdn\$ million)

Net Present Values Before Tax (Risky)	0%	5%	10%
Contingent - Low Estimate “1C”	2,937	659	202
Contingent - Best Estimate “2C”	3,953	851	265
Contingent - High Estimate “3C”	6,020	1,113	325
Net Present Values After Tax (Risky)	0%	5%	10%
Contingent - Low Estimate “1C”	2,259	500	150
Contingent - Best Estimate “2C”	3,050	648	199
Contingent - High Estimate “3C”	4,642	850	245
Net Present Values Before Tax (Unrisky)	0%	5%	10%
Contingent - Low Estimate “1C”	3,455	775	238
Contingent - Best Estimate “2C”	4,649	1,000	311
Contingent - High Estimate “3C”	7,082	1,309	382
Net Present Values After Tax (Unrisky)	0%	5%	10%
Contingent - Low Estimate “1C”	2,656	586	175
Contingent - Best Estimate “2C”	3,585	761	232
Contingent - High Estimate “3C”	5,459	999	287

1 For risky resources and values, the evaluation assigned an 85% chance

2 Resources assessed at forecast crude oil reference prices and costs.

3 Bitumen production is forecast to commence in 2022.

4 The reference prices for heavy oil per barrel (Western Canada Select & Canadian dollars) are \$63.10 for 2022, \$64.36 for 2023, \$65.65 for 2024, \$69.67 for 2027, \$71.06 for 2028 and increase at 2% per year thereafter.

5 Bitumen revenue per barrel for these resources is \$15.85 less than the 2022 and the differential increases between \$0.23 to \$0.29 per year until 2028.

6 The reference prices for natural gas (AECO-C Spot price per MMBTU in Canadian dollars) are \$2.89 for 2022, \$2.98 for 2023, \$3.06 for 2024, \$3.15 for 2025, \$3.24 for 2026, \$3.33 for 2027, \$3.42 for 2028 and increase at 2% per year thereafter.

7 Future development costs (including inflation of 0% per annum for 2019-2021) for Contingent Resources which have been deducted in calculating the before-tax NPV are:

- ▪Unrisky Low Estimate – CDN\$3,108 million with the drilling and building facilities

- ▪Unrisky Best Estimate – CDN\$3,094 million with the drilling and building facilities

- ▪Unrisky High Estimate – CDN\$3,218 million with the drilling and building facilities

8 The values disclosed may not represent fair market value.

9 There is uncertainty that it will be commercially viable to produce any portion of the resources.

Sawn Lake Oil Sands Project

Summary of Net Present Values as of September 30, 2019

Contingent Resources as provided by Sproule

Pan Orient 71.8% Interest in Andora (Cdn\$ million)

Net Present Values Before Tax (Risky)	0%	5%	10%
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Contingent - Low Estimate “1C”	2,109	473	145
Contingent - Best Estimate “2C”	2,837	611	190
Contingent - High Estimate “3C”	4,320	799	233
Net Present Values After Tax (Risky)	0%	5%	10%
Contingent - Low Estimate “1C”	1,622	359	107
Contingent - Best Estimate “2C”	2,189	465	143
Contingent - High Estimate “3C”	3,332	610	176
Net Present Values Before Tax (Unrisked)	0%	5%	10%
Contingent - Low Estimate “1C”	2,480	556	171
Contingent - Best Estimate “2C”	3,337	718	223
Contingent - High Estimate “3C”	5,083	940	274
Net Present Values After Tax (Unrisked)	0%	5%	10%
Contingent - Low Estimate “1C”	1,906	421	126
Contingent - Best Estimate “2C”	2,573	546	167
Contingent - High Estimate “3C”	3,918	717	206

- 1 Results represent Pan Orient’s 71.8% interest in Andora.
- 2 For risky resources and values, the evaluation assigned an 85% chance of success.
- 3 Resources assessed at forecast crude oil reference prices and costs.
- 4 Bitumen production is forecast to commence in 2022.
- 5 The reference prices for heavy oil per barrel (Western Canada Select & Canadian dollars) are \$63.10 for 2022, \$64.36 for 2023, \$65.65 for 2024, \$69.67 for 2027, \$71.06 for 2028 and increase at 2% per year thereafter.
- 6 Bitumen revenue per barrel for these resources is \$15.85 less than the 2022 and the differential increases between \$0.23 to \$0.29 per year until 2029.
- 7 The reference prices for natural gas (AECO-C Spot price per MMBTU in Canadian dollars) are \$2.89 for 2022, \$2.98 for 2023, \$3.06 for 2024, \$3.15 for 2025, \$3.24 for 2026, \$3.33 for 2027, \$3.42 for 2028, \$3.51 for 2029 and increase at 2% per year thereafter.
- 8 Future development costs (including inflation of 0% per annum for 2019-2022) for Unrisked Contingent Resources which have been deducted in calculating the before tax NPV are:
 - ▪Unrisked Low Estimate – CDN\$2,232 million with the drilling and building facilities
 - ▪Unrisked Best Estimate – CDN\$2,221 million with the drilling and building facilities
 - ▪Unrisked High Estimate – CDN\$2,311 million with the drilling and building facilities
- 9 The values disclosed may not represent fair market value.
- 10 There is uncertainty 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 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 resources estimates and estimates of recoverable quantities of bitumen, obtaining and timing of regulatory approvals, 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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