

Pan Orient Energy Corp.: Thailand Operations Update

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CALGARY, Feb. 14, 2020 - [Pan Orient Energy Corp.](#) ("Pan Orient") (POE - TSXV) provides an operations update.

THAILAND

Onshore Concession L53 (Pan Orient Energy (Siam) Ltd., in which Pan Orient has 50.01% ownership)

[Pan Orient Energy Corp.](#) ("Pan Orient") (POE - TSXV) is pleased to announce that the L53-DD6ST2 appraisal well has averaged 967 barrels of oil per day ("BOPD") over the past 24 hours from 7.4 meters of perforations within the BB/CC sand with a water cut of 4%. The well has been on production since February 11, 2020 and the water cut of 4% is dropping as the well continues to clean up. The well is being produced by downhole electrical submersible pump ("ESP") with the fluid at approximately 464 meters (pump depth at 1,282.1 meters measured depth). Test results are not necessarily indicative of long-term performance or ultimate recovery.

Commenting today on Pan Orient's operations update, President and CEO Jeff Chisholm stated: "Concession L53 oil sales continue strong into the first quarter of 2020 backed up by the results of the recently drilled L53-DD6ST2 appraisal well that is currently on production at 967 BOPD from the BB/CC sand. Current production for the concession is 2,778, not including an additional 38 BOPD from L53-A coming on in the next five days after its workover is completed and 110 BOPD from L53-DD5ST1 in the new L53AA South field that has been shut-in since the 90 day production test period ended on January 17, 2020. L53-DD5ST1 is not expected to be brought back on until after environmental and production license approval is received in approximately June 2020. In addition to the firm four well exploration program that is currently underway, there will be four development/appraisal wells in the L53DD/L53AA South fields that will underpin production through 2020. We are now firmly backed by a new oil sales agreement effective February 1, 2020 that will better reflect the value of Concession L53's sweet, low sulphur oil that is experiencing increased demand since the implementation of the IMO2020 low sulphur regulations that came into effect on January 1, 2020. Under the Normal Course Issuer Bid ("NCIB") that received TSX Venture Exchange approval for the period May 16, 2019 to May 16, 2020 the Company has purchased 654,400 shares at an average price of \$1.22 per POE share. There have been no purchases since December 20, 2019 as under the NCIB regulations the Company is restricted from purchasing shares while in blackout pending news such as reserve reports, financials and drilling results. The company has been in blackout since December 20, 2019 and will continue to be in blackout until sometime in mid-March, 2020, shortly after the planned brief pause in Thailand exploration drilling and the release of the company's year-end 2019 financials. Lastly, please take the opportunity to refer to the updated POE corporate presentation that can be found on the company's website at: [www.panorient.ca](#)."

L53-DD6ST2 Appraisal Well

L53-DD6ST2 was drilled into the northern portion of the main L53DD field, penetrating the main BB/CC sand target reservoir at a subsurface location approximately 425 meters northwest and 15.5 meters structurally higher than the nearest BB/CC sand penetration at L53-DD1. The BB/CC sand is currently being produced from the L53-DD3 well, and had produced from the L53-DD1 well in the past. The well is now on long-term production within the L53-DD Production License area and no further government approvals are required to produce from this well long term.

The L53-DD6ST2 well encountered approximately 16.5 meters of high quality net oil pay, comprised of 11.5 meters within the BB/CC sand and 5 meters within the shallower AA2 sand. This interpretation is based on open hole wireline logs, oil and gas shows observed while drilling and analog to the offsetting L53-DD oilfield

wells. The BB/CC sandstone reservoir was encountered at a true vertical depth (“TVD”) of 1,066.1 meters and the AA2 sand at 1017.3 meters TVD. This now marks the third well where the AA2 sand has been encountered as oil bearing (L53-DD4, L53-DD3 & L53-DD6ST2 within the greater DD oilfield area). No tests have yet taken place within the AA2 sand nor were reserves of any status attributed to it in the recently announced December 31, 2019 independent reserves evaluation. Through planned future 2020 drilling in the L53-DD field area, the intent is to produce from the AA2 sand and include this new zone in the next reserves evaluation.

L53-BB1 Exploration Well

The L53-BB1 exploration well commenced drilling on February 4, 2020 at a surface location 1.1 kilometers north of the L53-DD wellpad. After setting casing at a depth of approximately 150 meters, far above the estimated depths of any potential reservoir targets, the decision was made on February 7th to suspend the well in order to reinforce the L53BB wellpad. This work will be completed over the next 2 weeks. The rig has since moved to the L53AA wellpad to drill the L53-AA2 exploration well. The L53-BB1 well will re-commence drilling after the L53-AA2 and L53-AA1 exploration wells are completed.

L53-AA2 Exploration Well

The L53-AA2 exploration well commenced drilling on February 12 and is expected to be completed in approximately 14 days. The surface location is approximately 1.4 kilometers due west of the L53-DD wellpad and the well is targeting a structural closure approximately 973 meters northwest and up dip from the sub commercial hydrocarbons encountered in the L53-DD6ST1 well. Upon the completion of drilling, the rig will immediately skid to the next cellar at the same surface location to commence drilling the L53-AA1 exploration well.

L53 Concession Production

Oil sales averaged 2,447 BOPD, 2,542 BOPD, 2,404 BOPD and 2,081 BOPD in the months of October 2019 to January 2020 respectively. On January 17, 2020 the L53-DD5ST1 well was shut-in at the end of its 90 day production test period, producing approximately 110 BOPD at the time of shut-in.

Current oil sales are 2,778 BOPD which includes production from the recently drilled L53-DD6ST2 well but not including an estimated 38 BOPD from a workover at L53-A to replace a sucker rod, and the 110 BOPD from L53-DD5ST1 in the new L53AA South field (which will resume production upon receiving environmental and production license approval which is anticipated in June 2020).

Other than exploration and appraisal drilling, the biggest factor impacting L53 oil production will be the recovery factors in the various sands of the L53DD oil field. Results through 2019 were very encouraging with increased recovery factors given by the independent reserves evaluator for each of the L53DD field sands, mainly on the basis of evidence of strong water drive support. Currently, recovery factors are estimated at between 20% and 22% on a 2P basis and 30% on a 3P basis. Our field analogs to the immediate north and in the offshore Gulf of Thailand have demonstrated recovery factors for similar type reservoirs and quality of crude oil of between 30% to 50%.

2020 Drilling Program

Pan Orient Energy (Siam) Ltd. has an approved Thailand capital budget of Cdn\$24 million (100% basis) for 2020 that will include the drilling of four firm exploration wells, four development or appraisal wells (within the L53DD and L53AA South fields), one L53DD water disposal well plus ten workovers. This program will be funded through Thailand cash flow.

Concession L53 Amended Oil Sales Agreement

Historically, L53 oil sales have received an average price of approximately 10% discount to the Brent crude oil reference price. The basis of historic contract pricing with the refinery has been the price for various per

barrel oil product yields, the majority of which was tied to high sulphur fuel oil (“HSFO” 3.5% Sulphur bunker fuel) in Singapore. This was despite the fact that L53 crude oil is low sulphur in composition at an average less than 0.3% and the contract reference to HSFO was simply a result of the fact that over 85% of all fuel oil traded in Singapore was HSFO, by far the highest volume, highest demand market. IMO2020 regulations that were implemented globally on January 1, 2020 specified that all bunker fuels after this date must be 0.5% sulphur or less. The impact of IMO2020 was seen in the Singapore market starting in October 2020 and has continued through to the present. The realized price for L53 realized crude oil sales from October 2019 to January 2020 saw an average discount to Brent of 23.4%. In accordance with the L53 crude oil sales agreement, discussions between Pan Orient Energy (Siam) Ltd. and the buyer have resulted in an agreed repricing effective February 1, 2020 that would see, on a comparable basis, the average 23.4% discount to Brent experienced through the October to January period reduced to a 2.75% discount to Brent. For comparison purposes, the discount to Brent estimated for the December 31, 2019 independent reserves evaluation was 10%.

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 press 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 press release includes references, express or implied, to drilling plans in Thailand, regulatory approvals, crude oil recovery factors and prices to be received relative to the Brent crude oil reference price. By its very nature, the forward-looking information contained in this press release requires Pan Orient and its management to make assumptions that may not materialize or that may not be accurate. In addition, the forward-looking information is subject to known and unknown risks and uncertainties and other factors, some of which are beyond the control of Pan Orient, which could cause actual results, expectations, achievements or performance to differ materially. Although Pan Orient believes that the expectations reflected in its forward-looking information are reasonable, it can give no assurances that those expectations will prove to be correct. Pan Orient undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

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FOR FURTHER INFORMATION, PLEASE CONTACT:

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