

Razor Energy Corp. Announces 2019 Year-End Reserves And Net Asset Value

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CALGARY, March 06, 2020 - [Razor Energy Corp.](#) ("Razor" or the "Company") (TSXV: RZE) is pleased to provide a summary of its 2019 year-end reserves evaluation.

The highlights and reserves summary below set forth Razor's gross reserves as at December 31, 2019, as evaluated by Sproule Associates Limited ("Sproule"), qualified reserves evaluators, in an independent report dated February 24, 2020 (the "Sproule Report"). The figures in the following tables have been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook (the "COGEH") and the reserve definitions contained in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Additional reserve information as required under NI 51-101 will be included in the Company's Annual Information Form which will be filed on SEDAR on or before March 31, 2020.

Razor's 2019 annual audited consolidated financial statements have not been completed. Certain financial and operating information included in this news release are based on management's estimates only and are subject to audit and may be subject to change upon completion of the Company's annual audited consolidated financial statements. See "Reader Advisories – Unaudited Financial Information".

HIGHLIGHTS

- Proved Developed Producing ("PDP") reserves value discounted at 10% ("NPV10") before tax is \$116.8 million, or \$2.37 per share net asset value (details below).
- PDP reserve volumes were 11,144 Mboe (85% oil and liquids), which represents a decrease of 9% over year-end 2018. Razor has taken a rigorous and disciplined approach to high-grading well reactivations, balancing economics and value preservation. This proactive approach led to a reserves category change in respect of 1,413 Mboe from PDP to Proved Developed Non-Producing (a category which increased by 86% over year-end 2018), which was the primary reason for the reduction of PDP volumes. As commodity prices improve, these wells will be turned on production and moved back to the PDP reserves category.
- Total Proved ("1P") reserves were 16,258 Mboe, which represents an increase of 6% over year-end 2018.
- Total Proved plus Probable ("2P") reserves were 20,750 Mboe, which represents an increase of 3% over year-end 2018.
- The Company's Reserve Life Index⁽²⁾ is 6.6 years for PDP, 9.6 years for 1P and 12.2 years for 2P reserves based on December 2019 field-reported production of 4,654 boepd.
- Razor's reserves replacement⁽²⁾ was 126% for PDP, 162% of 1P and 196% of 2P based on total 2019 production of 1,608 MMBoe.

Notes:

- Razor's ADR and IWC programs (each as defined below) are compliant with the Alberta Energy Regulator's rules and regulations, scheduled according to remaining reserves life, inflated as per the Sproule December 31, 2019 price forecast and then discounted at 10%.
- (1) "Reserve life index" and "Reserve replacement" do not have standardized meanings. See "Reader Advisories - Oil and Gas Metrics" contained in this news release.

RESERVES REPORTING BEST PRACTICE

In October 2019, the Calgary Chapter of the Society of Petroleum Evaluation Engineers (“SPEE”) and associated industry professionals updated the COGEH. These updates clarify and streamline previous guideline recommendations initiated in 2018 and offer additional guidance regarding Canadian reserves evaluations.

For the second year in a row, Razor continues to be an industry leader, alongside Sproule, by incorporating industry best practice by including all abandonment, decommissioning and reclamations costs (“ADR) and inactive well costs (“IWC”) into the Sproule Report.

With respect to ADR Costs, the discounted year-end 2019 was \$32.5 million, an increase of \$4.4 million from year-end 2018 (\$28.1 million). This increase is attributable to integrating ADR costs associated with the acquisition of Little Rock Resources Ltd. (“Little Rock”).

With respect to IWC Costs, the discounted year-end 2019 was \$28.8 million, an increase of \$7.6 million from year-end 2018 (\$21.2 million). This increase is primarily due to integrating the acquisition of Little Rock.

2019 INDEPENDENT RESERVES EVALUATION

Sproule carried out an independent reserves evaluation effective December 31, 2019, which was prepared in accordance with definitions, standards and procedures contained in the COGEH and in NI 51-101. The reserves evaluation was based on Sproule forecast pricing and foreign exchange rates as at December 31, 2019 as outlined herein.

Reserves included herein are stated on a company gross basis (working interest before deduction of royalties without the inclusion of any royalty interest) unless otherwise noted.

RESERVES SUMMARY

Summary of Gross Oil and Gas Reserves as of December 31, 2019^{(1), (2), (3), (4)}

	Light and Medium Crude Oil	Heavy Crude Oil	Conventional Natural Gas	Natural Gas Liquids	Barrels of Oil Equivalent
	Gross (Mbbl)	Gross (Mbbl)	Gross (MMcf)	Gross (Mbbl)	Gross (Mboe)
Proved					
Developed Producing	7,029	209	9,956	2,246	11,144
Developed Non-Producing	1,859	66	2,307	739	3,048
Undeveloped	1,544	280	629	137	2,067
Total Proved	10,432	555	12,893	3,122	16,258
Probable	2,893	127	3,683	859	4,492
Total Proved plus Probable	13,325	682	16,575	3,981	20,750

Net Present Value of Future Net Revenue Before Income Taxes Discounted at (% per Year) (M\$)

	0%	5%	10%	15%	20%
Proved					
Developed Producing	37,940	119,200	116,832	105,004	93,921
Developed Non-Producing	65,715	49,791	39,409	32,216	26,992
Undeveloped	55,666	42,705	33,019	25,752	20,226
Total Proved	159,322	211,696	189,260	162,972	141,140
Probable	124,635	77,890	53,460	39,056	29,826
Total Proved plus Probable	283,957	289,587	242,720	202,027	170,966

Notes:

- (1) The tables summarize the data contained in the Sproule Report and as a result may contain slightly different numbers due to rounding.
- Gross reserves means the total working interest (operating or non-operating) share of remaining recoverable
- (2) reserves owned by Razor before deductions of royalties payable to others and without including any royalty interests owned by Razor.
- (3) Based on Sproule's December 31, 2019 escalated price forecast. See "Summary of Pricing and Inflation Rate Assumptions & Forecast Prices and Costs".
- The net present value of future net revenue attributable to the Company's reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, well abandonment, decommissioning and reclamation costs, and inactive well costs. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Company's reserves
- (4) estimated by Sproule represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of the Company's oil, NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

NET ASSET VALUE⁽¹⁾

Net Asset Value, including estimated December 31, 2019 cash and working capital was:

	NPV10 (M\$)	Net Asset Value per share ^(1,2,3)
Proved Developed Producing	116,832	\$2.37
Total Proved	189,260	\$5.82
Proved Plus Probable	242,720	\$8.35

Notes:

- The estimated Net Asset Values are based on the estimated net present value of all future net revenue from Razor's reserves (net of ADR and IWC costs), before tax, as estimated by Sproule as at December 31, 2019. All Net Asset Values cited in this press release are the resulting NPV per reserves category per basic share less net debt of \$66.5 million at December 31, 2019. See "Reader Advisories - Oil and Gas Metrics" and "Reader Advisories - Non-IFRS Measures" contained in this news release.
- (1) Basic shares outstanding of approximately 21.1 million at December 31, 2019. There are no dilutive instruments currently outstanding.
- (2) All 2019 financial amounts are unaudited. See "Reader Advisories & Unaudited Financial Information".

Summary of Pricing and Inflation Rate Assumptions & Forecast Prices and Costs

The forecast cost and price assumptions assume increases in wellhead selling prices and include inflation with respect to future operating and capital costs. Crude oil and natural gas benchmark reference pricing, inflation and exchange rates utilized by Sproule as at December 31, 2019 were as follows:

Year	Exchange Rate (CAD/USD)	WTI Cushing Oklahoma 40 API (USD/bbl)	Canadian Light Sweet 40 API (CAD/bbl)	Hardisty Bow River 25 API (CAD/bbl)	Natural Gas AECO (CAD/mmbtu)
2020	0.76	61.00	73.84	61.29	2.04
2021	0.77	65.00	78.51	64.77	2.27
2022	0.80	67.00	78.73	64.55	2.81
2023	0.80	68.34	80.30	65.85	2.89
2024	0.80	69.71	81.91	67.16	2.98

2025	0.80	71.10	83.54	68.51	3.06
2026	0.80	72.52	85.21	69.88	3.15
2027	0.80	73.97	86.92	71.27	3.24
2028+	0.80	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.

Reconciliation of Company Gross Reserves by Principal Product Type^{(1), (2)}

The following table sets forth the reconciliation of the Company's reserves at Forecast Prices and Costs:

Light and Medium Crude Oil Heavy Oil

Factors	Gross Proved + Developed + Probable Producing (Mbbbl)	Gross Proved (Mbbbl)	Gross Proved + Probable (Mbbbl)
December 31, 2018	3,661 3,661	-	-
Acquisitions	1,000 1,000	614	741
Category Change	263 263	-	-
Disposition	(1) (1)	-	-
Extensions/Infill Drilling	-	-	-
Economic Factors	(252) (252)	-	-
Technical Revision	(4,120) (4,120)	-	-
Working Interest Adj.	-	-	-
Production	(602) (602)	(60)	(60)
December 31, 2019	7,022 7,022	555	682

Natural Gas Liquids Conventional Natural Gas

Factors	Gross Proved + Developed + Probable Producing (Mmcf)	Gross Proved (Mmcf)	Gross Proved + Probable (Mmcf)
December 31, 2018	1,668 1,668	-	-
Acquisitions	526 526	-	-
Category Change	569 569	-	-
Disposition	-	-	-
Extensions/Infill Drilling	-	-	-
Economic Factors	(221) (221)	-	-
Technical Revision	1,709 1,709	-	-
Working Interest Adj.	-	-	-
Production	(371) (371)	-	-
December 31, 2019	3,292 3,292	-	-

Barrels of Oil Equivalent

Factors	Gross Proved + Probable Reserves (Mboe)	Gross Proved + Probable Reserves (Mboe)
December 31, 2018	20,227	20,227
Acquisitions	2,083	2,083
Category Change	396	396
Disposition	(1)	(1)
Extensions/Infill Drilling -		
Economic Factors	(276)	(276)
Technical Revision	(245)	(245)
Working Interest Adj.	-	-
Production	(1,608)	(1,608)
December 31, 2019	20,750	20,750

Notes:

- (1) The tables summarize the data contained in the Sproule Report and as a result may contain slightly different numbers due to rounding.
- (2) Conventional Natural Gas includes associated and non-associated gas.

Future Development Costs

The following table sets forth development costs deducted in the estimation of Razor's future net revenue attributable to the reserve categories noted below:

Year	Forecast Prices and Costs (M\$)	
	Total Proved Reserves	Proved plus Probable
2020	9,152	9,738
2021	19,154	19,154
2022	19,870	36,083
Thereafter	2,520	2,520
Total Undiscounted	50,696	67,495
Total Discounted at 10%	43,183	56,893

The future development costs are estimates of capital expenditures required in the future for Razor to convert proved developed non-producing reserves and probable reserves to proved developed producing reserves. The undiscounted future development costs are \$50.7 million for proved reserves and \$67.5 million for proved plus probable reserves (in each case based on forecast prices and costs).

2019 CAPITAL EXPENDITURES

Razor spent \$4.4 million on reactivations and optimizations during the year ended December 31, 2019. This total excludes facilities and pipeline maintenance of \$2.6 million and capital expenditures associated with power generation of \$4.5 million which was offset with government grants of \$5.5 million.

ABOUT RAZOR

Razor is a publicly-traded junior oil and gas development and production company headquartered in Calgary, Alberta, concentrated on acquiring, and subsequently enhancing, producing oil and gas properties primarily in Alberta. The Company is led by experienced management and a strong, committed Board of Directors, with a long-term vision of growth, focused on efficiency and cost control in all areas of the business. Razor

currently trades on TSX Venture Exchange under the ticker “RZE”.

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READER ADVISORIES

Forward-Looking Statements. Certain information included in this press release constitutes forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as “anticipate”, “believe”, “expect”, “plan”, “intend”, “estimate”, “propose”, “project” or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this press release may include but is not limited to: Razor’s business strategy, objectives, strength and focus; the ability of the Company to achieve drilling success consistent with management’s expectations; and future development costs associated with oil and gas reserves. Statements relating to “reserves” are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Razor, including expectations and assumptions concerning the success of future drilling, development, completion and reactivation activities, the performance of existing wells, the performance of new wells, the availability and performance of facilities and pipelines, the geological characteristics of Razor's properties, the successful application of drilling, completion and seismic technology, prevailing weather and break-up conditions, commodity prices, price volatility, price differentials and the actual prices received for the Company’s products, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the availability of capital, labour and services, the creditworthiness of industry partners and Razor’s ability to acquire additional assets.

Although Razor believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Razor can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry and geothermal electricity projects in general (e.g., operational risks in development, exploration and production; variability in geothermal resources; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), constraint in the availability of services, electricity and commodity price and exchange rate fluctuations, changes in legislation affecting the oil and gas and geothermal industries, regulatory and political risks, adverse weather or break-up conditions and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. These and other risks are set out in more detail in Razor’s annual information form for the year ended December 31, 2018 which is available on SEDAR at www.sedar.com.

The forward-looking information contained in this press release is made as of the date hereof and Razor undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward-looking information contained in this press release is expressly qualified by this cautionary statement.

This press release contains future-oriented financial information and financial outlook information (collectively, “FOFI”) about Razor’s prospective results of operations, production, net debt and net asset value, all of which are subject to the same assumptions, risk factors, limitations, and

qualifications as set forth in the above paragraphs. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Razor's future business operations. Razor disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

Oil and Gas Metrics. This press release contains a number of oil and gas metrics, including "future development costs", "net asset value", "reserves life index" and "reserve replacement" which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods. Future development costs are calculated as the sum of development capital plus the change in future development costs for the period. Net asset value for each reserves category is based on present value of future net revenues discounted at 10% before tax, net of net debt as at December 31, 2019, divided by the number of Razor shares outstanding as at December 31, 2019. Reserves life index is calculated as total Company share reserves divided by annual production. Reserve replacement is calculated by dividing reserve volume additions by annual production and expressed as a percentage.

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 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 the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

Unaudited Financial Information. Certain financial and operating information included in this press release for the year ended December 31, 2019, including net asset value and net debt, are based on estimated unaudited financial results for the year then ended, and are subject to the same limitations as discussed under Forward Looking Information set out above. These estimated amounts may change upon the completion of audited financial statements for the year ended December 31, 2019 and changes could be material.

Non-IFRS Measures. This press release contains the term "net debt", which does not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable with the calculation of similar measures by other companies. Net debt is calculated as long-term debt less working capital (or plus working capital deficiency), with working capital excluding mark-to-market risk management contracts. Management believes net debt is a useful supplemental measure of the total amount of current and long term debt of the Company.

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