

# Alvopetro Announces Operational Update, Year-End 2019 Financial Results and Filing of Annual Information Form

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CALGARY, March 19, 2020 - [Alvopetro Energy Ltd.](#) (TSX-V:ALV; OTCQX: ALVOF) announces our year-end 2019 financial results, the filing of our annual information form and an operational update.

## December 31, 2019 Reserves and Net Asset Value

On March 9, 2020, Alvopetro announced its December 31, 2019 reserves based upon the independent reserve assessment and evaluation prepared by GLJ Petroleum Consultants ("GLJ") dated March 6, 2020 with an effective date of December 31, 2019 ("GLJ Report"). The GLJ Report assigned total proved plus probable ("2P") reserves of 7.9 MMboe and a before tax value of \$198.2 million, discounted at 10%. Following this evaluation and based on updated year-end 2019 financial results, the Company's net asset value based on its 2P reserves is \$188.0 million, reflecting CAD\$2.77 per common share.

	Total Proved	Total Proved plus Probable	Total Proved plus Probable plus Possible
Net Asset Value (in MUS, other than per share amounts)			
Before Tax Net Present Value <sup>(1)</sup> , discounted at 10% (MUS)	\$129,860	\$198,226	\$263,036
Credit facility balance outstanding &ndash; at December 31, 2019	(5,027)	(5,027)	(5,027)
Working capital deficit <sup>(2)</sup> &ndash; at December 31, 2019	(6,701)	(6,701)	(6,701)
Materials and equipment inventory &ndash; at December 31, 2019	1,482	1,482	1,482
Total Net Asset Value <sup>(2)</sup>	\$119,614	\$187,980	\$252,790
CAD per share <sup>(3)</sup>	\$1.76	\$2.77	\$3.73

(1) See "Oil and Natural Gas Reserves" section within this new release

(2) Non-GAAP measure. See "Non-GAAP Measures" section within this new release.

(3) Converted to Canadian dollars ("CAD") based on the exchange rate on March 19, 2020. The per share calculation is computed based on 98.3 million common shares outstanding as of March 19, 2020.

## Operational Update

### Caburé Unit Development (49.1% Alvopetro)

The majority of Alvopetro's reserves are from the Caburé natural gas field (Alvopetro 49.1% working interest). There were several new wells drilled in 2019 and the field now has a total of seven wells. Six of the wells are now tied into recently expanded production facilities and are ready to deliver Alvopetro's share of natural gas into our Midstream Project. The Unit has a gross production plateau rate of 450,000 cubic metres per day (15.9 mmcfpd).

### Caburé Midstream Project (100% Alvopectro)

Our Caburé Midstream Project includes construction of an 11-kilometre Transfer Pipeline and a Gas Treatment Facility. Construction of the Transfer Pipeline was completed in January and is now tied-into the Caburé Unit production facilities. The Gas Treatment Facility is being constructed by Enerflex Ltd. ("Enerflex"). The construction of the Facility is complete and pre-commissioning has commenced.

Our natural gas will be sold under our long-term gas sales agreement ("GSA") with Bahiagás, the local distribution company in the state of Bahia. As part of this agreement, Bahiagás agreed to extend their distribution network by 15 kilometres and construct a new gas receiving station (City Gate) at the Facility site. Bahiagás expects to complete their projects in the second quarter of 2020, at which time Alvopectro plans to start natural gas deliveries from the Caburé field.

### Deep Basin Gomo Natural Gas Project (100% Alvopectro)

On our deep basin Gomo natural gas project, we completed the stimulation and initial production test of our 183(1) well. The pressure recorders were recovered from the wellbore earlier this week and we will now perform pressure transient analysis to assess potential longer term productivity of the well. We are finalizing our permit application to extend our Transfer Pipeline 15 kilometres to the north to tie-in the 183(1) well to undertake a long-term production test from the well. We expect to complete construction on this pipeline extension in the second half of 2020.

### Commodity Price Fluctuations

Alvopectro's GSA helps mitigate the impacts of recent international commodity price declines and helps protect future free cash flows. If international benchmark prices persist at current levels the natural gas sales price to be received under our GSA is expected to reach the contractual floor price of \$5.21/mmbtu (indexed to US CPI inflation) starting in February 2021. At a natural gas price and a Brent oil price of \$30/bbl, our estimated 2021 net operating income forecast would decline to \$29.5 million compared to \$39.5 million in the GLJ Report for our proved and probable reserves. This reinforces the Company's ability to maintain profitability even at relatively low commodity prices.

### Financial and Operating Highlights &dash; Fourth Quarter of 2019

- The Company entered into a \$15 million Credit Agreement (the "Credit Facility") and all funding conditions were met on October 8, 2019, with \$13 million available initially and the final \$2 million available upon first sales from the Caburé natural gas field. A total of \$5.0 million was drawn on the Credit Facility in the fourth quarter. In connection with the financing, the Company incurred a total of \$1.1 million in cash transaction costs and issued 8.4 million share purchase warrants with an exercise price of \$0.60 per share.
- Development of the Company's Caburé natural gas field continued during the fourth quarter. Joint unit development work period included drilling a third development well and construction of high pressure production facilities. All remaining field development work was completed in January 2020. On the Company's midstream project, construction of our 11-kilometre transfer pipeline was virtually complete by December 31, 2019 and installation and assembly of the gas treatment facility progressed through the fourth quarter. Total capital expenditures of \$4.9 million were incurred on these projects in the fourth quarter, \$2.6 million relating to joint unit development costs payable to our partner in 2020.
- The Company stimulated the 183(1) well in the fourth quarter, incurring costs of \$1.5 million. The well was shut-in in January 2020 for an extended pressure build-up. Pressure transient analysis is expected near the beginning of the first quarter 2020.
- Our sales volumes averaged 12 bbls/d in the quarter including 4 bbls/d in natural gas liquids (condensate) sales from the Caburé unit and 8 bbls/d of oil from the Mãe-da-lua field. With reduced production expenses in the fourth quarter, the Company realized an operating netback of \$3.57/bbl.
- We reported a net loss of \$1.1 million, primarily due to \$0.7 million in negative funds flow from operations and financing activities and expenses of \$0.2 million, primarily under the Credit Facility.

### Financial and Operating Highlights &dash; Year-End 2019

- Activities in 2019 were focused on development of the Company's Caburé natural gas field and related midstream infrastructure, including joint unit development activities (drilling development wells, tie-in of existing and new wells) and construction of high-pressure facilities) and construction of Alvopectro's 11-kilometre transfer pipeline and gas treatment facility.

- Capital expenditures of \$12.7 million in 2019 included Alvo Petro's share of joint unit development costs of \$3.8 million for construction of the transfer pipeline, \$1.5 million in costs for the gas treatment facility, \$1.2 million in expenses for drilling the commitment well on Block 57, \$1.5 million for stimulation and testing activities on the 183(1) well and capitalized G&A of \$1.0 million.
- The net loss of \$5.0 million in 2019 included impairment charges of \$1.6 million, primarily on Block 57.

#### Summary of Q4 2019 and Year-End 2019 Results

The following table provides a summary of Alvo Petro's financial and operating results for periods noted. The audited consolidated financial statements with the Management's Discussion and Analysis ("MD&A") are available on our website at [www.alvo.com](http://www.alvo.com) and will be available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com). The summary of annual and quarterly results contained in this news release represents a comparison of the respective periods ended December 31, 2019 and December 31, 2018.

#### SELECTED QUARTERLY AND ANNUAL RESULTS

	As at and Three Months		As at and Twelve Months	
	Ended December 31,	Ended December 31,	Ended December 31,	Ended December 31,
	2019	2018	2019	2018
<b>Financial</b>				
(\$000s, except where noted)				
Oil and condensate sales	65	62	240	519
Net loss	(1,086)	(1,445)	(5,011)	(4,340)
Per share &ndash; basic and diluted (\$) <sup>(1)</sup>	(0.01)	(0.02)	(0.05)	(0.05)
Funds flow from operations <sup>(2)</sup>	(747)	(821)	(2,862)	(3,266)
Per share &ndash; basic and diluted (\$) <sup>(1)</sup>	(0.01)	(0.01)	(0.03)	(0.04)
Capital expenditures <sup>(3)</sup>	6,999	1,249	12,671	5,344
Total assets	71,416	65,372	71,416	65,372
Cash and cash equivalents	1,215	7,070	1,215	7,070
Net working capital (deficit) surplus <sup>(2), (4)</sup>	(6,701)	6,729	(6,701)	6,729
Credit facility &ndash; balance outstanding	5,027	-	5,027	-
Common shares outstanding, end of year (000s)				
Basic	97,850	96,671	97,850	96,671
Diluted <sup>(1)</sup>	115,121	107,528	115,121	107,528
<b>Operations</b>				
Operating netback (\$/bbl) <sup>(2)</sup>				
Brent benchmark price	62.51	68.08	64.17	71.53
Discount	(4.58)	(8.23)	(6.68)	(4.36)
Sales price	57.93	59.85	57.49	67.17
Transportation expenses	-	(0.97)	-	(1.68)
Realized sales price	57.93	58.88	57.49	65.49
Royalties and production taxes	(8.91)	(9.65)	(8.14)	(7.12)
Production expenses	(45.45)	(229.73)	(66.11)	(108.71)
Operating netback	3.57	(180.50)	(16.76)	(50.34)
Average daily crude oil and natural gas liquids sales (bbls/d) 12		11	11	21

Notes:

- (1) Consists of outstanding common shares, stock options, and warrants of the Company.
- (2) Non-GAAP measure - see "Non-GAAP Measures" section within this news release.
- (3) Includes non-cash capital expenditures of \$2.6 million and \$3.2 million in the three months and twelve months ended December 31, 2019, respectively (December 31, 2018 - \$0.6 million and \$2.7 million).
- (4) Includes Other Liabilities of \$5.7 million as of December 31, 2019 (reclassified as current liabilities in 2019).

Corporate Presentation

Alvopetro's updated corporate presentation is available on our website at:  
<http://www.alvopetro.com/corporate-presentation>.

Annual Information Form

Alvopetro has filed its annual information form (AIF) with the Canadian securities regulators on SEDAR. The AIF includes the disclosure and reports relating to oil and gas reserves data and other oil and gas information required pursuant to National Instrument 51-101 of the Canadian Securities Administrators. The AIF may be accessed electronically at [www.sedar.com](http://www.sedar.com).

[Alvopetro Energy Ltd.](#)'s vision is to become a leading independent upstream and midstream 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.

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.

All amounts contained in this new release are in United States dollars, unless otherwise stated and all tabular amounts are in thousands of United States dollars, except as otherwise noted.

**Non-GAAP Measures.** This news release contains financial terms that are not considered measures under International Financial Reporting Standards ("IFRS"), such as funds flow from operations, funds flow per share, net working capital surplus and operating netback. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. Specifically, funds flow from operations and funds flow per share reflect cash generated from operating activities excluding changes in non-cash working capital. Management considers funds flow from operations and funds flow per share important as they help evaluate performance and demonstrate the Company's ability to generate sufficient cash to fund future growth opportunities. Net working capital (deficit) surplus includes current assets less current liabilities and is used to evaluate the Company's financial resources. Operating netback is determined by dividing oil and condensate sales less royalties and production taxes, transportation and production expenses by sales volumes. Management considers operating netback important as it is a measure of profitability per barrel sold and reflects the economic quality of production. Funds flow from operations, funds flow per share, net working capital (deficit) surplus and operating netbacks may not be comparable to those reported by other companies nor should they be viewed as an alternative to cash flow from operations, net income or other measures of financial performance calculated in accordance with IFRS. For more information with respect to financial measures which have not been defined by GAAP, including reconciliations to the closest comparable GAAP measure, see the "Non-GAAP Measures" section of the Company's MD&A which may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com). This news release also refers to Net Asset Value and Net Asset Value per Share. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. Net Asset Value represents the value of the underlying assets held by the Company less its liabilities and Net Asset Value per Share is used to indicate the per unit market value.

Oil and Natural Gas Reserves. The disclosure in this news release summarizes certain information contained in the GLJ Report but represents only a portion of the disclosure required under NI 51-101. Full disclosure with respect to the Company's reserves as at December 31, 2019 is contained in the Company's annual information form which has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)). All net present values in this press release are based on estimates of future operating and capital costs and GLJ's forecast prices as of December 31, 2019. The reserves definitions used in this evaluation are the standards defined by COGEH reserve definitions and are consistent with NI 51-101 and used by GLJ. The net present values of future net revenue attributable to the Alvopetro's reserves estimated by GLJ do not 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 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. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Abbreviations:	
CAD\$	= Canadian dollars
MMbtu	= million British Thermal Units
MMcf	= million cubic feet
MMcf/d	= million cubic feet per day
MMboe	= million barrels of oil equivalent
MUS	= thousands of U.S. dollars

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 (6Mcf/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 the plans relating to the Company's operational activities, the expected timing of commencement of gas sales under Alvopetro's long-term gas sales agreement, the Company's reserves, exploration and development prospects of Alvopetro and the expected timing and outcomes of certain of Alvopetro's testing activities. The forward-looking statements are based on certain key expectations and assumptions made by Alvopetro, including but not limited to 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 provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Although Alvopetro believes that the 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 Alvopetro 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 Alvopetro 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 Alvopetro 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.

SOURCE [Alvopetro Energy Ltd.](#)

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