

Alvopetro Announces Authorizations for Operation, Commencement of Commissioning, and Operational Update

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CALGARY, April 22, 2020 - [Alvopetro Energy Ltd.](#) (TSX-V: ALV; OTCQX: ALVOF) announces the receipt of authorizations for operation of our Caburé Midstream Project, commencement of commissioning and an operational update.

Caburé Midstream Project (100% Alvopetro)

Our Caburé Midstream Project includes an 11-kilometre Transfer Pipeline and a Gas Treatment Facility ("Facility"). Construction of the Transfer Pipeline and Facility has been completed and we have received authorization from the National Agency of Petroleum, Natural Gas and Biofuels of Brazil ("ANP") for commissioning operations of both the Facility and the Transfer Pipeline. Commissioning activities commenced on April 21, 2020 with first natural gas being delivered from the Caburé Unit to the Facility. Alvopetro expects to have all commissioning work completed in May.

Our natural gas will be sold under our long-term gas sales agreement ("GSA") with Bahiagás, the local distribution company for 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. Construction of these projects is continuing, and Bahiagás expects to complete their projects in the second quarter of 2020, at which time Alvopetro plans to start natural gas deliveries from the Caburé field. There have been no interruptions to these projects as a result of the COVID-19 pandemic.

Caburé Unit Development (49.1% Alvopetro)

Natural gas for Alvopetro's midstream project will commence from our Caburé natural gas field (Alvopetro 49.1% working interest). The field has a total of seven wells, with six of these wells tied into recently expanded production facilities, ready to deliver Alvopetro's share of natural gas into our Midstream Project and natural gas during the commissioning phase. The Unit has a planned gross production plateau rate of 450,000 cubic metres per day (15.9 mmcfpd). Depending on our partner's delivery nominations, we have the ability to produce up to 450,000 cubic meters per day against Alvopetro's share of reserves from the Caburé Unit.

Deep Basin Gomo Natural Gas Project (100% Alvopetro)

On our deep basin Gomo natural gas project, we completed the stimulation and initial production test of our 183(1) well in January. For this wellbore, we completed and stimulated 13 metres of net pay and have over 26 metres of total potential net pay in this Gomo sequence in the wellbore. The pressure recorders were recovered from the wellbore and we have now completed pressure transient analysis. Results from the pressure transient analysis indicate an effective permeability of 0.045 mD, a 1-year recoverable volume of 0.14 Bcf gas and 4.7 Mbbl condensate, and a 1-year average rate of 0.4 MMcf/d and 13 bbls/d condensate. Unfortunately, during the formation test we were unable to recover all the load and frac fluid due to operational challenges. Since there were substantial liquids in the wellbore and fractures, we were unable to verify the full expected influence of the fracture stimulation with the pressure transient analysis. Alvopetro has applied for an extension to the existing phase deadline for this block to install a plunger lift system to evacuate the remaining completion and stimulation fluid in the wellbore and put the well on a 60-day, long duration test to obtain improved estimates of its full potential while working through the permitting process for the pipeline extension to tie the well into the Caburé infrastructure. We are also pursuing the design of a "fit for purpose" Gomo development well that can optimally exploit the vertical extent of the reservoir with a multistage hydraulic stimulation.

The impact of COVID-19 and Commodity Price Declines

Our employees are our primary concern and we have implemented numerous measures to protect their health and safety while ensuring business continuity in response to the COVID-19 pandemic. As of mid-March, we have directed all staff to implement appropriate social distancing measures and the majority of our employees are working from home, other than essential field staff. Work on our Caburé midstream project has continued to progress with minimal interruption and our supply chain has not been materially impacted.

In light of reduced international commodity prices and in order to improve financial flexibility over the long-term, we have implemented cost savings measures including staff reductions and discretionary spending reductions. With respect to capital projects, Alvo Petro continues to be focused on bringing our Caburé Midstream Project onstream as well as our initial plans for our Gomo gas project. Any other capital expenditures are expected to be delayed, pending commodity price recoveries in the future. Alvo Petro has always focused on maintaining disciplined spending across all aspects of our business and our employees are dedicated to reducing costs while operating safely. Moreover, our GSA helps mitigate the impacts of recent international commodity price declines enabling us to generate positive cash flows even in a low-price environment. Our GSA has a current price floor of US\$5.21/mmbtu that escalates based on US inflation (CPI). Our cost savings measures, disciplined spending, stable production forecast with very low maintenance capital requirements, an attractive GSA, combined with relatively low levels of debt, position the Company very competitively in this environment.

Corporate Presentation

Alvo Petro's updated corporate presentation is available on our website at:
<http://www.alvo-petro.com/corporate-presentation>.

[Alvo Petro 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.

Abbreviations:

bbls = barrels

bbls/d = barrels per day

Bcf = billion cubic feet

Mbbls = thousands of barrels

mD = millidarcies

MMbtu = million British Thermal Units

MMcf = million cubic feet

MMcf/d = million cubic feet per day

MMboe

=

million barrels of oil equivalent

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.

Test Results. Any references in this news release to test results, production from testing and performance rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such well will continue production and decline thereafter. There is no representation by Alvopetro that the data contained in this press release is necessarily indicative of long-term performance or ultimate recovery of hydrocarbons. The reader is cautioned not to unduly rely on such data as such data may not be indicative of future performance of the well or of expected production or operational results for Alvopetro in the future.

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, there can be no assurance that the actual results of Alvopetro will meet the expectations set forth in this news release. 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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