

Alvopetro Announces August Production and Prospective Resource Assessment of 2021 Exploration Prospects

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CALGARY, Sept. 8, 2020 - [Alvopetro Energy Ltd.](#) (TSX-V: ALV) (OTCQX: ALVOF) announces August natural gas sales from the Caburé Project under our long-term Gas Sales Agreement ("GSA") with Bahiagás and a prospective resource assessment and evaluation of natural gas associated with our planned 2021 exploration drilling program.

In August, daily sales averaged 10.6 mmcfpd (301 10³m³/d), with associated condensate sales of 96 barrels per day for a total sales of 1,867 boepd. At the current rate of production, we expect to generate approximately US\$24.5 million of EBITDA by the end of 2021 allowing us to focus on returning capital to our stakeholders, and on our next phase of growth. We have allocated approximately one-third of this, or US\$7.6 million, for upstream capital reinvestment over this time frame, as follows:

Capital Projects - Second Half 2020 to end of 2021

	(US\$, millions)
Gomo 183-1 production test	\$0.2
182-C1	\$3.7
183-B1	\$3.7
Total	\$7.6

Future Growth

We plan to continue the evaluation of the Gomo tight gas deliverability at our 183-1 wellbore by completing an optimization test in the second half of 2020. This test involves the installation of a plunger lift to remove the completion fluid from the well, which is designed to properly test and forecast expected longer-term productivity of the well. Concurrently, we plan to complete the permitting process for an 8-kilometre flowline to connect the 183-1 well to our Caburé Transfer Pipeline. The investment on the Gomo pipeline is contingent on the results of the production test.

In the fourth quarter of 2020, we expect to commence civil work on our 182-C1 and 183-B1 natural gas exploration prospects located 9-kilometres north of our Gas Treatment Plant. We plan to fund these wells from free cash flow, and to commence production in the first half of 2021. We recently completed an independent prospective resource assessment of these prospects as summarized below. Both prospects target the prolific Agua Grande Formation as the primary target, and the Sergi Formation as a secondary target. Nearly 60% of the production in the Recôncavo Basin comes from these two formations.

Corey Ruttan, President and CEO commented "When compared to our year-end Caburé proved plus probable reserves of 1.5 mmbbls, each of these two natural gas prospects has the potential to materially increase our production and reserves, a key step in achieving our medium-term goal to maximize utilization of our Gas Plant to its design capacity of 18.0 mmcfpd."

Our strategy is to balance stakeholder returns with the reinvestment of cash flows in the upstream part of our business and to pursue new business development initiatives to maximize the utilization through our Gas Treatment Plant and Gas Sales Agreement.

Prospective Resource Summary

The resource data set forth in this news release is based upon an independent prospective resource assessment and evaluation prepared by GLJ Ltd. ("GLJ") dated September 4, 2020, with an effective date of July 31, 2020 (the "GLJ Prospective Resource Assessment").

Report"). The GLJ Prospective Resource Report was prepared in accordance with the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 of the Canadian Securities Administrators ("NI 51-101").

Summary of Company Gross Lease Prospective Resources^{(1), (2), (3), (4), (5), (6), (7)}

Prospect	Gross Lease Unrisked UPIIP			Gross Lease Unrisked			Chance of Discovery G
	(BCF)			Prospective Gas Resources			
	Low Est.	Best Est.	High Est.	Low Est.	Best Est.	High Est.	
Total Block 183 – B1 Prospect	15.4	43.7	100.2	11.7	33.3	75.7	0.44
Total Block 182 – C1 Prospect	8.0	33.5	123.0	6.6	26.1	94.5	0.47

See 'Footnotes' section at the end of this news release.

Prospect	Gross Lease Unrisked			Gross Lease Risked		
	Prospective NGL Resources			Prospective NGL Resources		
	(MBBL)			(MBBL)		
Total Block 183 – B1 Prospect	119	348	807	52	352	
Total Block 182 – C1 Prospect	68	273	1,005	328	469	

See 'Footnotes' section at the end of this news release.

Prospect	Gross Lease Unrisked			Gross Lease Risked		
	Prospective Resources			Prospective Resources		
	(MBOE)			(MBOE)		
Total Block 183 – B1 Prospect	2,065	5,901	13,429	2,074	5,859	
Total Block 182 – C1 Prospect	1,168	4,618	16,757	2,457	7,825	

See 'Footnotes' section at the end of this news release.

For reference, our December 31, 2019 corporate reserves evaluated by GLJ in an independent reserve assessment and dated March 6, 2020 (the "GLJ Reserve Report") were reported on March 9, 2020, and are summarized as follows:

By Field (7),(8),(9),(10)

	Caburé Natural Gas Field Gomo	Bom Lugar	Mãe-da-lua	T
	Gas Field	Oil Field	Oil Field	
	Company Gross	Company Gross	Company Gross	Company Gross
	(MBOE)	(MBOE)	(MBOE)	(MBOE)
Proved				
Producing	-	-	3	3
Developed Non-Producing	4,340	-	21	4
Undeveloped	-	412	147	5
Total Proved	4,340	412	24	4
Probable	1,902	946	14	2
Total Proved plus Probable	6,241	1,358	38	7
Possible	1,629	1,566	16	3
Total Proved plus Probable plus Possible	7,871	2,924	55	1

Footnotes:

- (1) Prospective Resources – Prospective Resources are defined in the COGE Handbook as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance of with the level of certainty associated with recoverable estimates assuming their discovery.
 - i. Low Estimate: This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
 - ii. Best Estimate: This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
 - iii. High Estimate: This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.
- (2) UPIIP – Undiscovered Petroleum Initially in Place. UPIIP values do not include an implied truncation for minimum economic field size. Prospective resources have been truncated for minimum economic field size of 2.2 BCF.
- (3) Minimum Economic Field Size - Prospective resources have both a chance of discovery and a chance of development, which combined represent for any undiscovered accumulation its chance of commerciality. The numerical chance of development has been determined based on the estimation of a minimum economic field size as provided by management of Alvopectro.
- (4) Chance of Discovery – The gross lease risked prospective resources presented above have been adjusted for a chance of discovery (0.44 for the Block 183 prospect and 0.48 for the Block 182 prospect) combined with an adjustment for minimum size (1.00 for Block 183 and 0.98 for Block 182) for an adjusted chance of discovery of 0.44 for the Block 183 prospect and 0.47 for the Block 182 prospect.
- (5) BCF = billion cubic feet
- (6) MBBL – thousands of barrels
- (7) MBOE – thousands of barrels of oil equivalent
- (8) The reserve table above is a summary of the reserves of Alvopectro as evaluated in the GLJ Reserve Report. The tables summarize the data contained in the GLJ Reserve Report and as a result may contain slightly different numbers than such report due to rounding. Also, due to rounding, certain columns may not add exactly.

(9) ~~Company's Working Reserves~~ means the total working interest share of remaining recoverable reserves owned by Alvopectro before deductions of royalties payable to others and without including any royalty interests owned by Alvopectro.

Alvopectro's Annual General Meeting will be held on Wednesday September 23, 2020 at the Eighth Avenue Place Conference Centre, Suite 410 (Fourth Floor), 525 – 8th Avenue S.W., Calgary, Alberta, Canada beginning at 9:30 a.m. The Management Information Circular and all related meeting materials are available on our website www.alvopectro.com.

As a result of the COVID-19 pandemic and public health recommendations in place, Alvopectro will be strictly restricting physical access to the meeting to registered shareholders and duly appointed proxyholders and will not be permitting any others (including beneficial shareholders that hold their Shares through a broker or other intermediary) to attend. In addition, Alvopectro will be required to restrict the number of attendees at the Meeting in accordance with current health guidelines. Alvopectro strongly encourages all shareholders to vote by proxy or by internet in advance of the meeting as further detailed in the Management Information Circular.

Alvopetro will be hosting the meeting via live webcast. Interested parties can register in advance and join the meeting live at <https://talk-deck.com/info/live-register/?150!ut9dx30v1dy> on the day of the meeting. Please be advised that shareholders will not be able to vote any shares through this webcast format.

Corporate Presentation

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

Social Media

Follow Alvopetro on our social media channels at the following links:

Twitter - <https://twitter.com/AlvopetroEnergy>

Instagram - <https://www.instagram.com/alvopetro/>

LinkedIn - <https://www.linkedin.com/company/alvopetro-energy-ltd>

[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 our 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:

10³m³ = thousands of cubic metres

10³m³/d = thousands of cubic metres per day

boepd = barrels of oil equivalent per day

BRL\$ = Brazilian Real

bbls/d = barrels of oil and/or natural gas liquids (condensate) per day

m³/d = cubic metre per day

mboe = thousands of barrels of oil equivalent

mmboe = millions of barrels of oil equivalent

mmbtu = million British Thermal Units

mmcf = million cubic feet

mmcf/d = million cubic feet per day

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.

Undiscovered Petroleum Initially-in-Place ("UPIIP") – UPIIP (equivalent to undiscovered resources) is

that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of UPIIP is referred to as "prospective resources", the remainder as "unrecoverable".

Prospective Resources – This news release discloses estimates of Alvopetro's prospective resources. There is no certainty that it will be commercially viable to produce any portion of such prospective resources. Estimates of prospective resources involve additional risks over estimates of reserves. The accuracy of any resources estimate is a function of the quality and quantity of available data and of engineering interpretation and judgment. While resources presented herein are considered reasonable, the estimates should be accepted with the understanding that reservoir performance subsequent to the date of the estimate may justify revision, either upward or downward.

Supplementary Information of Oil and Natural Gas Resources and Reserves. The disclosure in this news release summarizes certain information contained in the GLJ Prospective Resource Report and the GLJ Reserve Report and is supplemental to the disclosure required under NI 51-101. The GLJ Prospective Resource Report estimates the UPIIP and the prospective resources associated with two prospects on Alvopetro's Blocks 182 and 183, and there are no reserves or contingent resources associated with these prospects included in the Company's reserves as at December 31, 2019. Full disclosure with respect to the Company's reserves as at December 31, 2019 is contained in the Company's annual information form for the year ended December 31, 2019 filed on SEDAR (www.sedar.com).

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 forecasted future earnings, the plans relating to the Company's operational activities, and the expected gas sales and gas deliveries under Alvopetro's long-term gas sales agreement. 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 impact of the COVID-19 pandemic, 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 and in our most recent MD&A, both of which may be accessed through the SEDAR website at 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.

Non-GAAP Measures. This news release contains financial terms that are not considered measures under International Financial Reporting Standards ("IFRS"), such as earnings before interest, tax, depreciation, and amortization ("EBITDA"). This measure is commonly utilized in the oil and gas industry and is considered informative for management and shareholders. EBITDA is used to measure the Company's operating performance and the cash available for reinvestment and distribution to stakeholders. Its most comparable GAAP measure is the Company's net loss and is reconciled to such by adding back depletion and depreciation, impairment, interest and taxes, as presented on the Company's Statement of Operations and Comprehensive Loss. EBITDA may not be comparable to EBITDA reported by other companies nor should it be viewed as an alternative to 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 most recent MD&A which may be accessed through the SEDAR website at www.sedar.com.

SOURCE [Alvopetro Energy Ltd.](#)

Contact

Corey C. Ruttan, President, Chief Executive Officer and Director, or Alison Howard, Chief Financial Officer,
Phone: 587.794.4224, Email: info@alvopetro.com, www.alvopetro.com, TSX-V: ALV

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