

# Orca Energy Group Inc. Announces Independent Reserves Evaluation for Year End 2020

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TORTOLA, March 02, 2021 - [Orca Energy Group Inc.](#) ("Orca" or the "Company" and includes its subsidiaries and affiliates) (TSX-V: ORC.A, ORC.B) announces the approval of its Independent Reserves Evaluation as at December 31, 2020. All currency amounts in this news release are in United States Dollars (\$) unless otherwise stated.

## INDEPENDENT RESERVES EVALUATION

The Company's conventional natural gas reserves as at December 31, 2020 for the period to the end of the primary (25 year) term of the production sharing agreement (the "Songo Songo PSA") with the Tanzanian Petroleum Development Corporation (the "TPDC") have been evaluated by independent petroleum engineering consultants McDaniel & Associates Consultants Ltd. ("McDaniel") in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). The Songo Songo PSA expires upon the expiry of TPDC's Songo Songo licence in respect of the Songo Songo Block (the "Songo Songo Licence") in October 2026. The preparation date of the independent reserves evaluation prepared by McDaniel (the "McDaniel Report") is February 23, 2021 and the effective date of the evaluation is December 31, 2020.

All the Company's reserves are located in Tanzania. Reserves included herein are stated on a Company gross reserves basis unless noted otherwise. Company gross reserves are the total of the Company's working interest share in reserves before deduction of royalties owned by others and without including any royalty interests of the Company, and are based on the Company's 92.07 percent ownership interest in the reserves following the transaction with Swala Oil & Gas (Tanzania) plc ("Swala") described in Note 3 to the tables below.

The Company's Board of Directors has reviewed and approved the year ended December 31, 2020 McDaniel Report. Additional reserves information required under NI 51-101 is included in Orca's reports relating to reserves data and other oil and gas information under NI 51-101, which are filed on its profile on SEDAR at [www.sedar.com](http://www.sedar.com). The following discussion is subject to a number of cautionary statements, assumptions, contingencies and risks as set forth in this news release.

## HIGHLIGHTS

- Total Proved ("1P") Gross Company conventional natural gas reserves at year ended December 31, 2020, were 203 billion standard cubic feet ("Bcf"). After adjustment for the Company's share of gas produced in 2020, this represents a 5%, or 12 Bcf decrease from the year end 2019.
- Total Proved plus Probable ("2P") Gross Company conventional natural gas reserves at year ended December 31, 2020, were 229 Bcf. After adjustment for the Company's share of gas produced in 2020, this represents a 6%, or 16 Bcf decrease from the year end 2019.
- Net Present Value of 1P estimated future cash flows discounted at 10% were \$216.4 million at year end 2020, compared to \$237.1 million at year end 2019, representing a 9% decrease.
- Net Present Value of 2P estimated future cash flows discounted at 10% were \$241.3 million at year end 2020, compared to \$282.6 million at year end 2019, representing a 15% decrease.
- The reduction in Gross Company 1P reserves from year end 2019 to year end 2020 are primarily attributed to forecasted Company gas sales of approximately 27 Bcf for the year 2020, of which approximately 19 Bcf were produced and sold. Actual sales of Additional Gas were lower than forecast in 2020 due to reduced power and industrial gas demand in Tanzania attributable to abnormally high rain fall leading to increased hydro power in Tanzania and the worldwide pandemic which impacted global supply chains and associated industrial gas demand in Tanzania.

- Company gas sales are forecasted to average approximately 65.3 MMcfd (~23.8 Bcf) in 2021 (1P case) assuming normal hydro power generation, recovering industrial demand and prospective customer confidence.
- The reduction in future net present values were primarily attributed to lower reserves at year end 2020 associated with the reduced number of years remaining on the primary license (5.8 years at YE 2020 versus 6.8 years at YE 2019, or a 15% reduction in producing days to end of license).

The following tables outline the Company's conventional natural gas reserves as at December 31, 2020 and the net present value of future net revenue attributable to such reserves as evaluated in the McDaniel Report utilizing the evaluator's forecast price and cost assumptions to the end of the Songo Songo Licence period in October 2026.

	Company Gross Reserves			Company Net Reserves		
	Light and Medium Crude Oil	Natural Gas Liquids	Conventional Natural Gas	Light and Medium Crude Oil	Natural Gas Liquids	Conventional Natural Gas
	<i>Mbbl</i>	<i>Mbbl</i>	<i>MMcf</i>	<i>Mbbl</i>	<i>Mbbl</i>	<i>MMcf</i>
Proved						
Developed Producing	-	-	202,563	-	-	124,729
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-
Total Proved	-	-	202,563	-	-	124,729
Probable	-	-	26,930	-	-	16,832
Total Proved plus Probable	-	-	229,493	-	-	141,561

	Company net present value of future net revenues					Unit Value
	Before/After Future Income Tax Expenses Discounted at					Before/After Tax at 10%
	0%	5%	10%	15%	20%	\$/Mcf
(\$'000)						
Proved						
Developing Producing	298,459	252,435	216,364	187,679	164,564	1.73
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-
Total Proved	298,459	252,435	216,364	187,679	164,564	1.73
Probable	37,611	30,427	24,898	20,584	17,175	1.48
Total Proved plus Probable	336,070	282,862	241,262	208,263	181,739	1.70

Notes:

1. During the third quarter of 2015, The Petroleum Act, 2015, (the "Act") was passed into law by Presidential decree. The Act repeals earlier legislation, provides a regulatory framework over upstream, mid-stream and downstream gas activity, and as well consolidates and puts in place a single, effective and comprehensive legal framework for regulating the oil and gas industry in the country. The Act also provides for the creation of an upstream regulator, the Petroleum Upstream Regulatory Authority. The mid and downstream petroleum as well as gas activities are proposed to be regulated by the current authority, the Energy and Water Utilities Regulatory Authority. The Act also confers upon on the TPDC, the status of the National Oil Company, mandated with the task of managing the country's commercial interest in the petroleum operations as well as mid and downstream natural gas activities. The Act vests TPDC with exclusive rights in the entire petroleum upstream value chain and the natural gas mid and downstream value chain. However, the exclusive rights of TPDC do not extend to mid and downstream petroleum supply operations. The Act does provide grandfathering provisions upholding the rights of the Company under the Production Sharing Agreement as it was signed prior to the passing of the Act.

2. On October 7, 2016, the Government of Tanzania issued the Petroleum (Natural Gas Pricing) Regulation ("Natural Gas Pricing Regulation") made under Sections 165 and 258 (I) of the Act. Article 260 (3) preserves the Company's pre-existing right with TPDC to market and sell Additional Gas together or independently on terms and conditions (including prices) negotiated with third party natural gas customers. The impact of the Natural Gas Pricing Regulation cannot be determined at this time.
3. On January 16, 2018 Orca sold (the "Swala Transaction") 7.933 percent of the Class A common shares (7,933 Class A common shares) of its wholly owned subsidiary PAE PanAfrican Energy Corporation ("PAEM"), a Mauritius registered Company and sole shareholder of PanAfrican Energy Tanzania Limited ("PAET") a Jersey registered Company, to a wholly owned subsidiary of Swala. The Songo Songo PSA is held by PAET. While Swala has no management or control of PAEM and no shareholding in, or management or control of PAET, the McDaniel Report was prepared based on Orca's ownership of 92.07 percent of PAET's gross reserves.
4. "Company Gross Reserves" are the total of the Company's working interest share in reserves before deduction of royalties owned by others and without including any royalty interests of the Company.
5. "Company Net Reserves" are the total of the Company's working interest share in reserves after deducting the amounts attributable to royalties and Profit Gas owned by others (as defined in the PSA), plus the Company's royalty interests in such reserves.
6. Company Gross and Net Reserves are based on the Company's 92.07 percent ownership interest in the reserves following the Swala Transaction.

McDaniel employed the following gas sales, pricing and inflation rate assumptions as of December 31, 2020 in estimating the Company's reserves data using forecast prices and costs. The Company received an average conventional natural gas price of \$4.34/Million cubic feet ("Mcf") in 2020 and \$4.01/Mcf net of the Songas tariff.

Songo Songo gas prices				
Year	Brent crude \$/bbl	Proved \$/Mcf	Proved plus probable \$/Mcf	Annual inflation %
2021	49.50	4.10	4.09	2%
2022	53.55	4.16	4.24	2%
2023	54.62	4.25	4.25	2%
2024	55.71	4.18	4.21	2%
2025	56.83	4.20	4.26	2%
2026	57.96	4.29	4.35	2%

Note: Brent price forecast based on the McDaniel January 1, 2021 price forecast.

The price of gas for the Industrial sector is based on a formula related to discounts to heavy fuel oil prices and includes caps and floors. This has been reflected in the above pricing.

## BACKGROUND TO THE 2020 YEAR END RESERVES EVALUATION

The Company initiated a comprehensive review of the Songo Songo subsurface field mapping, reservoir simulation modeling and well performance in 2020 to better understand the remaining potential of the Songo Songo (SS) field to the end of the primary license (October 2026) and assess the remaining resource potential beyond October 2026.

The 2020 studies included a detailed review of the seismic data base and a subsequent remapping of the SS field utilizing third party consultants to develop a new static subsurface model. The new (2020) static model was imported into the reservoir simulation (dynamic) environment, and parameterization investigated to obtain a model history match against observed well performance (production and pressure). The 2020 updated static and preliminary dynamic (simulation) modeling results were provided to McDaniels as part of the normal year end reserve process.

Key findings of the 2020 subsurface review:

- A reduction of mapped original gas initially in place (OGIP) in the greater Songo Songo field area, primarily in the Northern area of the Songo Songo field. The mapped reduction in Songo Songo OGIP did not materially impact the core producing portion of the field or the remaining reserves to the end of the current license in October 2026. However, the reduction in OGIP is expected to reduce the potential recoverable gas resources beyond 2026.
- As the field matures, having produced ~ 450 Bcf to year end 2020, well performance and pressure analysis supports the emergence of compartments within the SS main field which will require additional study and increased future capital, prior to and beyond October 2026 to optimally develop the field. To date, three compartments (SS Core, SS South and SS East) in the main field have been identified from the current well set and the associated pressure data obtained in 2020. Currently, the wells in the south and east compartments are shut in pending well work over programs. The Company is currently planning a 2021 onshore multi-well workover program to replace a tubing string in SS 10 (SS Core) and, subject to certain approvals, will include the reactivation of the currently shut-in wells (SS3 and SS4) in the eastern compartment. The south compartment would require an offshore rig to remediate and restore production from the currently shut in SS7 well. Reactivation of SS7 will be evaluated for potential inclusion in any future offshore well activity to optimize mobilization and shared services costs.

## FUTURE PLANS

With the results of subsurface work conducted during 2020, and subsequent reduction in mapped OGIP for the SS north area of the field, the Company has engaged McDaniels to update the 2019 Resource Assessment report for the Songo Songo PSA, to evaluate the future development potential of the Songo Songo licence area prior to and beyond October 2026.

Concurrently, the Company will progress dynamic modeling in concert with additional technical review and assessment of the emerging multi-tank (compartments) model for the Songo Songo field, to prepare and evaluate future development scenarios to support the optimum development of additional natural gas resources to meet Tanzania's anticipated future demand growth.

### [Orca Energy Group Inc.](#)

Orca is an international public company engaged in natural gas development and supply in Tanzania through its subsidiary PanAfrican Energy Tanzania Limited. Orca trades on the TSX Venture Exchange under the trading symbols ORC.A and ORC.B.

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*Forward Looking Information*

Certain information regarding Orca set forth in this news release contains forward-looking information and statements as defined under applicable securities laws (the "forward-looking statements" or "statements") that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Orca's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Orca.

In particular, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources described exist in the quantities predicted or estimated, and that the resources described can be profitably produced in the future. Additional forward-looking statements in this news release include statements regarding:

- expectations regarding demand for natural gas and the implications of increasing demand;
- the Company's 2021 onshore multi-well workover program, including the Company's intention to replace a tubing string in SS10 and reactivate shut-in wells;
- the Company's intention to evaluate reactivation of SS7 and future offshore well activity;
- the Company's intention to prepare and evaluate future development of additional natural gas resources; and
- expectations regarding 2021 sales of Additional Gas and associated cash flows.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to risks and uncertainties regarding or associated with:

- drilling wells, including the costs of drilling and whether development drilling results in commercially productive quantities of oil and gas;
- the terms of Orca's future petroleum contracts, including potential obligations to drill wells and declare discoveries in order to retain Orca's exploration and production rights;
- Orca's local operational dependence and focus of its existing contracts;
- Orca's future control over its licence areas and facilities, including its status as operator thereof, and the timing and extent of costs in association therewith;
- estimations of reserves and the present value of future net revenues derived from them;
- Orca's dependency on its management and technical team;
- Orca's business plan including the additional capital required to execute on it;
- commercializing Orca's interests in any hydrocarbons produced from future licence areas;
- Orca's ability to access appropriate equipment and infrastructure in a timely manner;
- the exploration and production of oil and natural gas, including but not limited to drilling and other operational and environmental risks and hazards;
- severe weather including but not limited to tropical storms and hurricanes;
- disagreements with TPDC regarding certain of Orca's rights and responsibilities under the Songo Songo PSA;
- the political and economic circumstances in the countries in which Orca operates;
- technological development;
- activism against oil and exploration and development;
- limitations on insurance coverage;
- Orca's operations in a litigious environment;
- global populism;
- Orca's future capitalization which may include additional indebtedness;
- acquisitions and the integration of any target entity or business into Orca's current business;
- cybersecurity and data breaches;
- disease;
- share price volatility and dilution;
- Orca's controlling shareholder and its control over key decision making as a result of its control of a majority of the voting rights attached to Orca's issued and outstanding securities;
- Orca's status as a holding company that's ability to declare and pay dividends and purchase its own securities is dependent upon the receipt of funds from Orca's subsidiaries by way of dividends, fees, interest, loans or otherwise;
- the impact of general economic conditions, including global and local oil and gas prices;
- industry conditions including changes in laws and regulations, and changes in how they are interpreted and enforced;

- *competition;*
- *lack of availability of qualified personnel;*
- *risks related to obtaining required approvals of regulatory authorities;*
- *risks associated with negotiating with governments and other counterparties;*
- *fluctuations in foreign exchange or interest rates;*
- *risks associated with obtaining an extension to the Songo Songo PSA and related licence or successfully renegotiating them;*
- *changes in income tax laws or tax rates;*
- *ability to access sufficient capital from internal and external sources;*
- *associated with the failure of counterparties to perform under the terms of their contracts, including collectability of Orca's receivables from such parties;*
- *reduced global economic activity as a result of the COVID-19 pandemic, including lower demand for natural gas and a reduction in the price of natural gas;*
- *the potential impact of the COVID-19 pandemic on the health of the Company's employees, contractors, suppliers, customers and other partners and the risk that the Company and/or such persons are or may be restricted or prevented (as a result of quarantines, closures or otherwise) from conducting business activities for undetermined periods of time;*
- *the impact of actions taken by Governments to reduce the spread of COVID-19, including declaring states of emergency, imposing quarantines, border closures, temporary business closures for companies and industries deemed non-essential, significant travel restrictions and mandated social distancing, and the effect on the Company's operations, access to customers and suppliers, availability of employees and other resources;*

*and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive.*

*Although the forward-looking statements contained in this news release are based upon assumptions which management believes to be reasonable, Orca cannot assure investors that actual results will be consistent with these forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements included in this news release, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. With respect to forward-looking statements contained in this news release, Orca has made assumptions regarding, among other things: continued and timely development of infrastructure in areas of new production; obtaining an extension to the Songo Songo PSA and related licence on terms acceptable to Orca; accuracy of estimates of Orca's resource volumes; the impact of the COVID-19 pandemic on the demand for and price of natural gas, volatility in financial markets, disruptions to global supply chains and the Company's business, operations, access to customers and suppliers, availability of employees to carry out day-to-day operations, and other resources; commodity prices will not further deteriorate significantly; availability of skilled labour; availability of transactions to facilitate Orca's growth strategy; growth of demand and consumption of natural gas in Tanzania and throughout Africa; timing and amount of capital expenditures; the impact of increasing competition; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of partner, regulatory and community approvals; future operating costs; effects of regulation by governmental agencies; that Orca will have sufficient cash flow or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed including pursuant to its growth strategy; that Orca's conduct and results of operations will be consistent with its expectations; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; and other matters. There are a number of assumptions associated with the development of the evaluated areas, including continued performance of existing wells, future drilling programs and performance from new wells, the growth of infrastructure, well density per section, and recovery factors and development necessary involves known and unknown risks and uncertainties, including those risks identified in this news release. Orca believes the material factors, expectations and assumptions reflected in the forward-looking information are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.*

*Management has included the above summary of assumptions and risks related to forward-looking information provided in this news release in order to provide investors with a more complete perspective on Orca's current and future operations and such information may not be appropriate for other purposes. Orca's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Orca will derive. These forward-looking statements are made as of the date of this news release and Orca disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of*

*new information, future events or results or otherwise, other than as required by applicable securities laws. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.*

OIL AND GAS ADVISORY: The Company's conventional natural gas reserves as at December 31, 2020 disclosed herein were evaluated by McDaniel in accordance with the definitions, standards and procedures contained in the COGE Handbook and NI 51-101. The McDaniel Report had an effective date of December 31, 2020.

Additional reserves information required under NI 51-101 are included in Orca's reports relating to reserves data and other oil and gas information under NI 51-101, which are filed on its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

This news release contains estimates of the net present value of Orca's future net revenue from the Company's reserves. The net present value of future net revenue attributable to the Company's reserves is stated without provision for interest costs and out of country general and corporate administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment costs for only those wells assigned reserves by McDaniel. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Company's reserves estimated by McDaniel represent the fair market value of those reserves. Such amounts do not represent the fair market value of the Company's reserves. The recovery and reserve estimates of the Company's conventional 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.

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