

Hemisphere Energy Grows Proved Reserves by 18% and Proved Plus Probable Reserves by 22%

11.03.2021 | [Newsfile](#)

Vancouver, March 11, 2021 - [Hemisphere Energy Corp.](#) (TSXV: HME) (OTCQB: HMENF) ("Hemisphere" or the "Company") is pleased to announce highlights from its independent reserves evaluation (the "Reserve Report"), prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") and effective as at December 31, 2020.

During 2020 Hemisphere incurred capital expenditures of \$1.7 million and maintained average production year-over-year at approximately 1,700 boe/d (99% heavy crude oil). The Company's main focus in 2020 was to reduce debt and position itself for growth in 2021. Hemisphere successfully lowered its year-end net debt by 23% to approximately \$24.5 million, invested in preliminary work required to implement a polymer flood at its Atlee Buffalo property, and expanded its existing water flood with the conversion of three oil producing wells to water injectors. With this water flood optimization, corporate production has increased to approximately 1,815 boe/d (99% heavy oil, based on field estimates between Feb 16th - Mar 9th, 2021).

McDaniel recognized significant reserve additions in both the Proved and Proved plus Probable categories for Hemisphere's polymer flood implementation at the Atlee Buffalo Upper Mannville G pool. Management anticipates polymer injection start-up into the pool by the third quarter of 2021, and intends to move forward polymer flood development plans at its Atlee Buffalo Upper Mannville F pool this year.

Consistent with the 2019 year-end evaluation, McDaniel's Reserve Report incorporates full corporate abandonment, decommissioning, and reclamation costs ("ADR") in the Proved Developed Producing ("PDP") category. ADR is estimated by management to be \$8 million unescalated (\$1.9 million NPV10, with costs escalated at 2%/yr), including all ADR associated with both active and inactive wells, pipelines, and facilities regardless of whether such wells, pipelines, and facilities had any attributed reserves.

2020 Reserve Highlights

Proved ("1P") Reserves

- NPV10 BT of \$170 million.
- Increased reserve volumes by 18% to 11.7 Mboe (99.8% heavy crude oil).
- Replaced 384% of estimated 2020 production through organic development.
- Achieved a two-year average F&D Cost of \$2.32/boe (including changes in FDC) for a recycle ratio of 11.6.
- NAV of \$1.39 per fully diluted share, including internal valuation of undeveloped land and seismic, corporate ADR, estimated net debt as at year-end, and proceeds of option and warrant exercises.
- RLI of 19 years based on estimated 2020 production.

Proved plus Probable ("2P") Reserves

- NPV10 BT of \$211 million.
- Increased reserve volumes by 22% to 14.9 Mboe (99.8% heavy crude oil).
- Replaced 538% of estimated 2020 production through organic development.
- Achieved a two-year average F&D cost of \$0.67/boe (including changes in FDC) for a recycle ratio of 40.3.
- NAV of \$1.78 per fully diluted share, including internal valuation of undeveloped land and seismic, corporate ADR, estimated net debt as at year-end, and proceeds of option and warrant exercises.
- RLI of 24 years based on estimated 2020 production.

Pricing Assumptions

McDaniel's independent evaluation was based on the average of the published price forecasts for McDaniel, GLJ Petroleum Consultants Ltd., and Sproule Associates Ltd. (the "Consultant Average Price Forecast") at January 1, 2021, with the following table detailing pricing and foreign exchange rate assumptions. Hemisphere's corporate production typically averages a discount of approximately \$4.50 to WCS pricing. When compared to last year's Consultant Average Price Forecast dated January 1, 2020, the current WCS pricing outlook is down approximately 28% in 2021, and 22% over the next 15 year period. This has led to significant reductions in net present values of future net revenues across the industry when compared to those from last year.

Table 1

To view an enhanced version of this graphic, please visit:
https://orders.newsfilecorp.com/files/3810/76834_hme.ht4.gif

The reserves data set forth below is based upon an independent reserves evaluation prepared by McDaniel dated March 5, 2021 with an effective date of December 31, 2020, and is in accordance with definitions, standards, and procedures contained within COGEH and 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 Hemisphere's Annual Information Form which will be filed on SEDAR on or before April 30, 2021. Due to rounding, certain totals in the columns may not add in the following tables. All dollar values are in Canadian dollars, unless otherwise noted.

Summary of Reserves⁽¹⁾

Reserves Category	Heavy Oil (Mbbbl)	Conventional Natural Gas (MMcf)	Total (Mboe)
Proved			
Developed Producing	4,245.2	138.3	4,268.2
Developed Non-Producing	328.0	8.1	329.3
Undeveloped	7,081.1	4.8	7,081.9
Total Proved	11,654.2	151.2	11,679.4
Probable	3,232.3	54.0	3,241.3
Total Proved plus Probable	14,886.5	205.2	14,920.7

Notes:

(1) Reserves are presented as "gross reserves" which are the Company's working interest reserves before royalty deductions and without including any royalty interests.

Summary of Net Present Value of Future Net Revenue, Before Tax⁽¹⁾⁽²⁾

Reserves Category	NPV10 BT (M\$, except per share amount) Discounted at (% per Year)		
	0%	5%	10%
Proved			
Developed Producing	110,645.8	94,652.5	80,669.2
Developed Non-Producing	7,681.7	5,513.2	4,182.9
Undeveloped	191,204.6	123,738.7	84,950.3
Total Proved	309,532.1	223,904.4	169,802.4
Probable	109,055.8	63,681.9	41,485.8
Total Proved plus Probable	418,587.9	287,586.3	211,288.2

Per basic share ⁽³⁾			
Proved	\$3.57	\$2.58	\$1.96
Proved plus Probable	\$4.82	\$3.31	\$2.43

Notes:

(2) Based on the average of the published price forecasts for McDaniel, GLJ Petroleum Consultants Ltd., and Sproule Associates Ltd. at January 1, 2021, as outlined in the table herein entitled "Pricing Assumptions".

(3) The net present value of future net revenue does not represent the fair market value of Hemisphere's reserves.

(4) Based on there being 86,782,302 issued and outstanding shares of the Company as of December 31, 2020.

Future Development Costs

The following summarizes the development costs deducted in the estimation of the net present value of the future net revenue attributable to 1P and 2P reserves.

Year	Forecast Costs	
	Proved (M\$)	Proved plus Probable (M\$)
2021	6,338	6,338
2022	7,217	8,003
2023	8,416	10,015
2024	9,747	10,773
2025	6,208	6,208
Subsequent years	874	874
Total Undiscounted	38,799	42,210
Total Discounted at 10%	30,023	32,647

2020 Finding and Development Costs and Recycle Ratios⁽¹⁾⁽²⁾

	2020		2020 and 2019 2-Year Average	
	Proved	Proved plus Probable	Proved	Proved plus Probable
F&D Costs ⁽³⁾				
Exploration and development capital (M\$) ⁽⁴⁾⁽⁵⁾	1,028	1,028	11,395	11,395
Total change in FDC (M\$)	5,619	4,374	877	-7,693
Total F&D capital, including change in FDC (M\$)	6,647	5,402	12,272	3,702
Reserve additions, including revisions (Mboe)	2,390	3,348	5,298	5,535
F&D costs, including FDC (\$/boe)	2.78	1.61	2.32	0.67
Recycle Ratio ⁽⁶⁾	8.3	14.4	11.6	40.3

Notes:

(1) All financial information included in this news release is per Hemisphere's preliminary unaudited financial statements for the year ended December 31, 2020 which have not yet been approved by the Company's audit committee or board of directors and therefore represents management's estimates. Readers are advised that these financial estimates may be subject to change as a result of the completion of the independent audit on Hemisphere's financial statements for the year ended December 31, 2020 and the review and approval of same with the Company's audit committee and board of directors.

(2) See "Oil and Gas Advisories" and "Oil and Gas Metrics".

(3) F&D costs are calculated as the sum of development capital plus the change in future development

capital for the period divided by the change in reserves that are characterized as development for the period. Finding and development costs take into account reserves revisions during the year on a per boe basis and estimated 2020 production of 1,706 boe/d.

(4) The aggregate of the exploration and development costs incurred in the financial year and change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year.

(5) The capital expenditures also exclude capitalized administration costs.

(6) Recycle ratio is calculated as operating netback divided by F&D costs. Operating netback is calculated as the operating field netback plus the Company's realized commodity hedging gain (loss) per barrel of oil equivalent. Operating field netback is calculated as the Company's oil and gas sales, less royalties, operating expenses and transportation costs per barrel of oil equivalent. The Company's estimated operating netback in 2020 was \$23.22/boe (unaudited) and the combined two-year average for 2020 and 2019 was \$26.96/boe (unaudited).

Reserve Life Index

	As at December 31	
	2020 ⁽¹⁾	2019 ⁽²⁾
Proved Developed Producing	6.9	8.1
Proved	18.8	16.3
Proved plus Probable	24.0	20.1

Notes:

(1) Calculated as the applicable reserves volume divided by Hemisphere's average 2020 production of 1,706 boe/d.

(2) Calculated as the applicable reserves volume divided by Hemisphere's average 2019 production of 1,665 boe/d.

Net Asset Value⁽¹⁾

	As at December 31			
	2020		2019	
(MM\$ except share amounts)	Proved	Proved plus Probable	Proved	Proved plus Probable
NPV10 BT ⁽²⁾	169.8	211.3	198.2	234.5
Undeveloped Land & Seismic	1.1 ⁽³⁾		1.1 ⁽⁴⁾	
Proceeds from Warrants and Stock Options	5.6		5.6	
ADR not included in Reserve Report (NPV10 BT) ⁽²⁾	-		-	
Net Debt	(24.5) ⁽⁵⁾		(32.0)	
Million Shares Outstanding (basic)	86.8		88.9	
Million Shares Outstanding (fully diluted)	109.0		110.8	
NAV per share (basic)	\$1.69	\$2.17	\$1.88	\$2.29
NAV per share (fully diluted)	\$1.39	\$1.78	\$1.56	\$1.89

Notes:

(1) Based on the Consultant Average Price Forecasts used in the McDaniel Reserve Report of the respective years.

(2) 100% of corporate ADR has been included in the McDaniel Reserve Reports of the respective years. Total corporate ADR accounted for in the 2020 reserve report amounts to \$2.3 million NPV10 BT in each of the Proved and Proved plus Probable categories, respectively. Total corporate ADR accounted for in the

2019 reserve report amounts to \$2.3 million and \$2.2 million NPV10 BT in each of the Proved and Proved plus Probable categories, respectively.

(3) Based on an internal evaluation by management of Hemisphere as of December 31, 2020 with an average value of \$50 per acre for 11,037 undeveloped net acres, and \$0.55 million for seismic.

(4) Based on an internal evaluation by management of Hemisphere as of December 31, 2019 with an average value of \$50 per acre for 11,197 undeveloped net acres, and \$0.55 million for seismic.

(5) All financial information as at December 31, 2020 is per Hemisphere's preliminary unaudited financial statements for the year ended December 31, 2020 which has not yet been approved by the Company's audit committee or board of directors and therefore represents management's estimates. Readers are advised that these financial estimates may be subject to changes as a result of the completion of the independent audit on Hemisphere's financial statements for the year ended December 31, 2020 and the review and approval of same with the Company's audit committee and board of directors.

About Hemisphere Energy Corporation

Hemisphere is a Canadian oil company focused on sustainable growth of its high netback, low decline conventional heavy oil assets through water and polymer flood enhanced recovery methods. Hemisphere trades on the TSX Venture Exchange as a Tier 1 issuer under the symbol "HME" and on the OTCQB Venture Marketplace under the symbol "HMENF".

For further information, please visit the Company's website at www.hemisphereenergy.ca to view its corporate presentation or contact:

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Forward-looking Statements

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: Management's anticipation for polymer injection start-up into the G pool by the third quarter of 2021; Management's intention to move forward polymer flood development plans for its Atlee Buffalo Upper Mannville F pool this year; the volumes of Hemisphere's oil and gas reserves and the estimated net present values of the future net revenues of such reserves; Hemisphere's estimated 2020 average corporate production rate; and the Company's anticipated filing date for its annual information form for the year ending December 31, 2020. In addition, 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 reserves described can be profitably produced in the future.

The estimates of Hemisphere's reserves and the recovery factors provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. In addition, forward-looking statements or information are based on a number of material factors, expectations or assumptions of Hemisphere which have been used to develop such statements and information, but which may prove to be incorrect. Although Hemisphere believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Hemisphere can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: that Hemisphere will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities are consistent with past operations; the quality of the reservoirs in which Hemisphere operates and continued performance from existing wells; the continued and timely

development of infrastructure in areas of new production; the accuracy of the estimates of Hemisphere's reserve volumes; certain commodity price and other cost assumptions; continued availability of debt and equity financing and cash flow to fund Hemisphere's current and future plans and expenditures; the impact of increasing competition; the general stability of the economic and political environment in which Hemisphere operates; the impact of COVID-19 on the Company's operations and demand for oil and natural gas; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of Hemisphere to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Hemisphere has an interest in to operate the field in a safe, efficient and effective manner; the ability of Hemisphere to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Hemisphere to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Hemisphere operates; and the ability of Hemisphere to successfully market its oil and natural gas products.

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes to, or restrictions of, labour, supplies, and infrastructure as a result of COVID-19; changes in the demand for or supply of Hemisphere's products, the early stage of development of some of the evaluated areas and zones; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Hemisphere or by third party operators of Hemisphere's properties, increased debt levels or debt service requirements; inaccurate estimation of Hemisphere's oil and gas reserve volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in Hemisphere's public disclosure documents, (including, without limitation, those risks identified in this news release and in Hemisphere's annual information form).

The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Hemisphere does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Oil and Gas Advisories

All reserve references in this news release are "gross" or "Company interest reserves". Such reserves are the Company's total working interest reserves before the deduction of any royalties and without including any royalty interests of the Company.

It should not be assumed that the net present value of the estimated net revenues presented in this news release represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Hemisphere's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

All future net revenues are estimated using forecast prices, arising from the anticipated development and production of our reserves, net of the associated royalties, operating costs, development costs and abandonment and reclamation costs and are stated prior to provision for interest and general and administrative expenses. Future net revenues have been presented in this news release on a before tax basis.

"Boe" means barrel of oil equivalent on the basis of 6 mcf of natural gas to 1 bbl of oil. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on

a 6:1 basis may be misleading as an indication of value.

Oil and Gas Metrics

This news release contains metrics commonly used in the oil and natural gas industry, such as finding and development ("F&D") costs", "recycle ratio", "operating netback", " and "reserve life index ("RLI")". These terms do not have a standardized meaning and the Company's calculation of such metrics may not be comparable to the calculation method used or presented by other companies for the same or similar metrics, and therefore should not be used to make such comparisons.

"Finding and development costs" or "F&D costs" are calculated as the sum of development capital plus the change in future development capital ("FDC") for the period divided by the change in reserves that are characterized as development for the period. Finding and development costs take into account reserves revisions during the year on a per boe basis. The aggregate of the exploration and development costs incurred in the financial year and changes during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

"Development capital" means the aggregate exploration and development costs incurred in the financial year on reserves that are categorized as development. Development capital excludes capitalized administration costs.

"Recycle ratio" is calculated as the operating netback divided by the F&D cost per boe for the year.

"Reserve life index" is calculated as total company interest reserves divided by annual production, for the year indicated.

Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare the Company's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this news release, should not be relied upon for investment or other purposes.

Financial Information

All financial information included in this news release is per Hemisphere's preliminary unaudited financial statements for the year ended December 31, 2020 which have not yet been approved by the Company's audit committee or board of directors and therefore represents management's estimates. Readers are advised that these financial estimates may be subject to change as a result of the completion of the independent audit on Hemisphere's financial statements for the year ended December 31, 2020 and the review and approval of same with the Company's audit committee and board of directors. All amounts are expressed in Canadian dollars unless otherwise noted.

Non-IFRS Measures

The news release contains terms commonly used in the oil and gas industry which are not defined by or calculated in accordance

with International Financial Reporting Standards ("IFRS"), such as: (i) net debt; and (ii) operating netback, operating netback per boe and operating field netback. These terms should not be considered an alternative to, or more meaningful than the comparable IFRS measures (as determined in accordance with IFRS) which in the case of operating field netback and operating netback, are cash flow from operating activities and net income or net loss, respectively. There is no IFRS measure that is reasonably comparable to net debt. These measures are commonly used in the oil and gas industry and by Hemisphere to provide shareholders and potential investors with additional information regarding: (i) in the case of operating netback, operating netback per boe and operating field netback, the indication of the Company's profitability relative to current commodity prices; and (ii) in the case of net debt, the capital structure and financial position of the Company.

Hemisphere's determination of these measures may not be comparable to that reported by other companies. Net debt is calculated as the total of the Company's bank debt and current liabilities, less current assets. Operating netback is calculated as the operating field netback plus the Company's realized commodity hedging gain (loss) per barrel of oil equivalent. Operating netback per boe is calculated as operating netback divided by the applicable barrels of oil equivalent of production. Operating field netback is calculated as the Company's oil and gas sales, less royalties, operating expenses and transportation costs. The Company has provided additional information on how these measures are calculated in the Management's Discussion and Analysis for the year ended December 31, 2018 and for the three and nine month period ended September 30, 2019, which are available under the Company's SEDAR profile at www.sedar.com.

Definitions and Abbreviations

bbl	barrel	\$US	United States dollar
Mbbl	thousands of barrels	\$Cdn	Canadian dollar
MMbbl	millions of barrels	M\$	thousand dollars
boe	barrel of oil equivalent	MM	million
boe/d	barrel of oil equivalent per day	NPV10	Net Present Value of future net revenue, discounted at 10%
Mboe	thousands of barrels of oil equivalent	NPV10 BT	NPV10 Before Tax
MMboe	millions of barrels of oil equivalent	FDC	Future Development Costs
MMcf	million cubic feet	F&D Cost	Finding and Development Costs
MMbtu	million British Thermal Unit	NAV	Net Asset Value
AECO	Alberta Energy Company	RLI	Reserve Life Index
WCS	Western Canadian Select	WTI	West Texas Intermediate

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