

# Alvopetro Announces 2021 Year End Reserves With a 52% Increase In 2P NPV Before Tax

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CALGARY, March 8, 2022 - [Alvopetro Energy Ltd.](#) (TSXV:ALV) (OTCQX: ALVOF) announces our reserves as at December 31, 2021 with total proved plus probable ("2P") reserves of 8.7 mmboe and a before tax net present value discounted at 10% of \$297.0 million. The before tax net present value of our 2P reserves (discounted at 10%) increased by 52% from December 31, 2020, primarily due to increases in forecasted natural gas prices. 2P reserve volumes decreased by 9% due to 2021 production. In addition, Alvopetro announces the December 31, 2021 assessment of the Company's Murucututu natural gas resource (referred to as the Gomo natural gas resource) with risked best estimate contingent resource of 3.5 mmboe and risked best estimate prospective resource of 12.1 mmboe, both of which are virtually unchanged from December 31, 2020. The Murucututu natural gas contingent and prospective resource values (risked best estimate net present value before tax, discounted at 10%) increased by 61% to \$60.7 million and by 44% to \$208.7 million, respectively. The reserves and resources data set forth is based on an independent reserves and resources assessment and evaluation prepared by GLJ Ltd. ("GLJ") dated March 8, 2022 with an effective date of December 31, 2021 (the "GLJ Reserves and Resources Report").

All references herein to \$ refer to United States dollars, unless otherwise stated.

## December 31, 2021 GLJ Reserves and Resource Report Highlights

- 2P net present value before tax discounted at 10% increased 52% to \$297.0 million primarily due to higher forecasted commodity prices.
- Proved reserves ("1P") and 2P reserves decreased to 4.4 mmboe (-13%) and 8.7 mmboe (-9%) respectively, due to 2021 production volumes.
- This represents a 2P Net Asset Value of CAD\$11.20/share (\$8.77/share).
- Risked best estimate contingent and risked best estimate prospective resource of 3.5 mmboe and 12.1 mmboe, respectively, were consistent with prior year with an increase of 61% and 44% respectively on risked best estimate before tax net present value discounted at 10%, due primarily to higher forecasted commodity prices.

Corey Ruttan, President and Chief Executive Officer, commented:

"Our 2021 year-end reserves and resource evaluations highlight the strong profitability from our Caburé natural gas field and the long-term potential of our Murucututu project. The increase in forecasted cash flows reflects the impact of global commodity price increases on our forecasted natural gas prices under our long-term gas sales agreement and our most recent price increase effective February 1, 2022. Our 2022 capital program is focused on natural gas exploration and development aimed at expanding production and reserve base and maximizing the utilization of our strategic midstream infrastructure that is concurrently expanded to a capacity of at least 500,000 m<sup>3</sup>/d (17.7 mmcfpd)."

## SUMMARY

December 31, 2021 Gross Reserve and Gross Resource Volumes: (1)(5)(6)(7)(8)(9)(10)(11)(14)

December 31, 2021 Reserves (Gross)	Total Proved (1P)	Total Proved plus Probable (2P)	Total Proved plus Probable plus Possible (3P)
	(Mboe)	(Mboe)	(Mboe)
Caburé Property	3,224	5,141	6,796
Murucututu Property	1,024	3,286	5,974
Other Properties	173	310	606
Total Company Reserves	4,421	8,737	13,376

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

December 31, 2021 Murucututu Resources (Gross)	Low Estimate	Best Estimate	High Estimate
	(Mboe)	(Mboe)	(Mboe)
Risked Contingent Resource	2,715	3,465	5,697
Risked Prospective Resource	6,555	12,127	17,937

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

Net present value before tax discounted at 10%:(2)(5)(6)(7)(8)(9)(10)(11)(12)(13)

Reserves	1P	2P	3P
	(MUS)	(MUS)	(MUS)
Caburé Property	150,414	216,859	265,483
Murucututu Property	20,239	72,307	135,821
Other Properties	3,107	7,833	15,418
Total Company	173,759	297,000	416,723

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

Murucututu Resource	Low Estimate	Best Estimate	High Estimate
	(MUS)	(MUS)	(MUS)
Risked Contingent Resource	48,505	60,669	108,043
Risked Prospective Resource	100,348	208,677	312,055

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

NET ASSET VALUE

Following the December 31, 2021 reserves evaluation, based on the before tax net present value of Alvo Petro's 2P reserves (discounted at 10%), our total net asset value is \$297.3 million; CAD\$11.20 per common share outstanding. Our 2P net asset value of \$297.3 million is before including the before tax net present value (discounted at 10%) of our risked best estimate risked contingent resource of \$60.7 million and our risked prospective resource of \$208.7 million from the Murucututu natural gas field.

Net Asset Value (in MUS, other than per share amounts)	1P	2P	3P
Before Tax Net Present Value, discounted at 10% (MUS)	173,759	297,000	416,723
Working capital net of debt - as at September 30, 2021 <sup>(a)(b)</sup>	294	294	294
Total Net Asset Value <sup>(b),(c)(d)</sup>	174,053	297,294	417,017
CAD per basic share <sup>(e)</sup>	6.56	11.20	15.71

a) Working capital net of debt is computed as the Company's net working capital the carrying amount of the Company's Credit Facility, decreased by net working capital surplus, as of September 30, 2021.

b) Non-GAAP measure. See 'Non-GAAP Measures' in this news release.

c) Alvo Petro has reflected the contractual obligations pursuant to our September 2018 Gas Treatment Agreement with Enerflex, including the equipment rental component of the agreement which is treated as a right of use asset and reflected as a capital lease obligation on our financial statements. As the future capital lease payments reduce the forecasted future net revenue in all reserves categories, the capital lease obligation as reflected on the Company's financial statements has not been included in the table above.

d) The net asset value reflected above includes the present value of before tax cash flows from the Company's reserves only. No amounts have been included with respect to contingent or prospective resource volumes.

e) Converted to Canadian dollars ("CAD") based on the exchange rate on March 7, 2022. The per share calculation is computed based on 33.9 million common shares outstanding as of March 7, 2022.

#### PRICING ASSUMPTIONS - FORECAST PRICES AND COSTS

GLJ employed the following pricing and inflation rate assumptions as of January 1, 2022 in the GLJ Reserves and Resources Report in estimating reserves and resources data using forecast prices and costs.

Year	Brent Blend Crude Oil North Sea (\$/Bbl)	National FOB Balancing Point (UK) (\$/mmbtu)	NYMEX Henry Hub Near Month Contract (\$/mmbtu)	Alvopetro-Bahiagas Gas Contract \$/mmbtu (Current Year)	Alvopetro-Bahiagas Gas Contract \$/mmbtu (Previous Year)	Change from prior year
2022	76.00	20.75	3.80	9.51	6.40	49%
2023	72.51	12.00	3.50	10.09	6.65	52%
2024	71.24	8.50	3.15	9.86	6.89	43%
2025	72.66	8.67	3.21	9.00	7.14	26%
2026	74.12	8.84	3.28	8.89	7.31	22%
2027	75.59	9.02	3.34	8.99	7.45	21%
2028	77.11	9.20	3.41	9.15	7.59	21%
2029	78.66	9.39	3.48	9.33	7.74	21%
2030	80.22	9.57	3.55	9.52	7.90	21%
2031*	81.83	9.76	3.62	9.71	8.06	20%

\*Escalated at 2% per year thereafter

As of February 1, 2022, Alvopetro's contracted natural gas price under the terms of our long-term gas sales agreement is based on the ceiling price within the contract and is forecasted to remain at the ceiling price until 2024. The forecasted prices in the GLJ Reserves and Resource Report do not reflect the most recent increase in global commodity prices which further extends the period under which Alvopetro's contracted price will be at the ceiling in the contract. The ceiling price incorporates assumed US inflation of 5% in 2022, 3% in 2023 and 2% thereafter.

## GLJ RESERVES AND RESOURCES REPORT

The GLJ Reserves and Resources Report has been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook ("COGEH") that are consistent with the standards of National Instrument 51-101 ("NI 51-101"). GLJ is a qualified reserves evaluator as defined in NI 51-101. The GLJ Reserves and Resources Report was an evaluation of all reserves of Alvopetro including our Caburé and Caburé Leste natural gas fields (collectively referred to as our Caburé natural gas field), our Murucututu natural gas project (previously referred to as Gomo), as well as our Bom Lugar and Mãe-da-lua oil fields. The GLJ Reserves and Resources Report also includes an evaluation of the gas resources of our Murucututu natural gas. In addition to the reserves assigned to our two existing Murucututu wells (197-1 and 183-1) and two additional development locations, contingent resource was assigned to the area in proximity to our existing Murucututu reserves, deemed to be discovered. The area mapped by 3D seismic west and north of the area defined as contingent was assigned prospective resource. Additional reserves and resources information as required under NI 51-101 will be included in the Company's Annual Information Form for the 2021 fiscal year which will be filed on SEDAR by April 30, 2022.

December 31, 2021 Reserves Information:

Summary of Reserves (1)(3)(4)(5)(7)(8)

	Light & Medium Oil Residue Gas				Natural Gas Liquids Oil Equivalent			
	Company	Company	Company	Company	Company	Company	Company	Company
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	(Mbbbl)	(Mbbbl)	(MMcf)	(MMcf)	(Mbbbl)	(Mbbbl)	(Mboe)	(Mboe)
Proved								
Producing	0	0	18,267	17,287	180	171	3,224	3,052
Developed Non-Producing	26	23	2,095	1,953	52	48	427	397
Undeveloped	147	138	3,254	3,012	80	74	770	714
Total Proved	173	161	23,616	22,252	312	294	4,421	4,163
Probable	137	128	22,731	21,331	390	365	4,316	4,048
Total Proved plus Probable	310	289	46,347	43,583	702	659	8,737	8,212
Possible	296	277	23,401	21,866	443	413	4,639	4,334
Total Proved plus Probable plus Possible	606	565	69,748	65,448	1,146	1,072	13,376	12,545

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

Summary of Before Tax Net Present Value of Future Net Revenue - MUS <sup>(2)</sup><sub>(5)</sub><sup>(7)</sup><sub>(8)</sub><sup>(12)</sup><sub>(13)</sub>

	Undiscounted	5%	10%	15%	20%
Proved					
Producing	175,800	162,812	150,414	139,568	130,152
Developed Non-Producing	13,952	10,341	7,977	6,411	5,327
Undeveloped	35,028	22,103	15,369	11,298	8,559
Total Proved	224,780	195,256	173,759	157,277	144,037
Probable	267,646	168,096	123,240	96,623	78,449
Total Proved plus Probable	492,425	363,352	297,000	253,900	222,486
Possible	316,880	175,731	119,723	89,422	70,217
Total Proved plus Probable plus Possible	809,305	539,083	416,723	343,322	292,703

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

Summary of After Tax Net Present Value of Future Net Revenue - MUS <sup>(2)</sup><sub>(5)</sub><sup>(7)</sup><sub>(8)</sub><sup>(12)</sup><sub>(13)</sub>

	Undiscounted	5%	10%	15%	20%
Proved					
Producing	158,208	146,984	136,050	126,439	118,078
Developed Non-Producing	11,493	8,683	6,730	5,402	4,469
Undeveloped	26,984	17,474	12,283	9,039	6,802
Total Proved	196,686	173,141	155,064	140,880	129,349
Probable	207,798	135,466	100,859	79,563	64,708
Total Proved plus Probable	404,484	308,607	255,923	220,443	194,057
Possible	241,128	139,526	97,153	73,331	57,863
Total Proved plus Probable plus Possible	645,612	448,133	353,076	293,774	251,919

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

Future Development Costs (2)(5)(7)(8)(12)(13)

The table below sets out the total development costs deducted in the estimation in the GLJ Reserves and Resources Report of future net revenue attributable to proved reserves, proved plus probable reserves and proved plus probable plus possible reserves (using forecast prices and costs), by field. Total development costs include capital costs for drilling and facility and pipeline expenditures but excludes abandonment and reclamation costs.

Under each reserve category, Alvopetro has elected to reflect 100% of the contractual obligations pursuant to our Gas Treatment Agreement with Enerflex, including all operating, capital, and related financing costs for the full duration of the agreement. These costs are mainly attributable to the Caburé field and also represent the majority of the future development costs for the Caburé field in the table below. The future costs associated with equipment rental are also reflected as a capital lease obligation on our financial statements other than future anticipated equipment rental costs associated with the facility expansion, which will be reflected once completed.

The future development costs for the Murucututu field in the proved category are for the remaining costs anticipated in 2022 for the pipeline and field facility development to tie-in the 183(1) well to Alvopetro's midstream assets, as well as a development location. In the probable and possible categories, there are future development costs for an additional development location and the stimulation and tie-in of the 197(1) well. Also included in the Murucututu future development costs for all reserve categories are a portion of the anticipated contractual obligations associated with the expansion of the gas treatment facility. The future development costs for Bom Lugar in the proved category include costs for a directional wellbore and facilities upgrade. A second directional well is included in the future development costs for the possible category for Bom Lugar. Future development costs at the Mãe-da-lua field relate to a stimulation of the existing producing well.

MUS, Undiscounted	2022	2024	2024	2025	2026	Remaining	Total
Proved							
Caburé Natural Gas Field	3,000	1,730	1,730	1,730	5,096	-	13,286
Murucututu Gas Field	10,550	433	441	-	-	-	11,424
Bom Lugar Oil Field	333	2,771	-	-	-	-	3,104
Mãe-da-lua Oil Field	-	439	-	-	-	-	439
<b>Total Proved</b>	<b>13,883</b>	<b>5,373</b>	<b>2,171</b>	<b>1,730</b>	<b>5,096</b>	<b>-</b>	<b>28,253</b>
Proved Plus Probable							
Caburé Natural Gas Field	3,000	1,730	1,730	1,730	1,730	4,237	14,157
Murucututu Gas Field	16,350	1,463	441	450	459	468	19,631
Bom Lugar Oil Field	333	3,517	-	-	-	-	3,850
Mãe-da-lua Oil Field	0	439	-	-	-	-	439
<b>Total Proved Plus Probable</b>	<b>19,638</b>	<b>7,149</b>	<b>2,171</b>	<b>2,180</b>	<b>2,189</b>	<b>4,705</b>	<b>38,078</b>
Proved Plus Probable Plus Possible							
Caburé Natural Gas Field	3,000	1,730	1,730	1,730	1,730	5,786	15,706
Murucututu Gas Field	16,350	1,463	441	450	459	946	20,109
Bom Lugar Oil Field	333	7,514	-	-	-	-	7,847
Mãe-da-lua Oil Field	0	439	-	-	-	-	439
<b>Total Proved Plus Probable Plus Possible</b>	<b>19,683</b>	<b>11,146</b>	<b>2,171</b>	<b>2,180</b>	<b>2,189</b>	<b>6,732</b>	<b>44,101</b>

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

Reconciliation of Alvo Petro's Gross Reserves (Before Royalty) <sup>(1)</sup><sup>(5)</sup><sup>(7)</sup><sup>(8)</sup><sup>(13)</sup>

	Proved	Probable	Proved Plus Probable	Possible	Proved plus Probable plus Possible
	(Mboe)	(Mboe)	(Mboe)	(Mboe)	(Mboe)
December 31, 2020	5,108	4,485	9,593	4,615	14,209
Extensions	176	(176)	-	-	-
Technical Revisions (12)	11	(1)	(1)	24	23
Economic Factors	9	(4)	5	-	5
Production	(861)	-	(861)	-	(861)
December 31, 2021	4,421	4,316	8,737	4,639	13,376

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

December 31, 2021 Murucututu Contingent Resources Information:

Summary of Unrisked Company Gross Contingent Resources <sup>(1)(3)(4)(5)(7)(10)(11)</sup>

Development Pending Economic Contingent Resources Low Estimate Best Estimate High Estimate

Residue gas (MMcf)	15,719	20,061	32,984
Natural gas liquids (Mbbbl)	389	496	815
Oil equivalent (Mboe)	3,008	3,839	6,313

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

Summary of Before Tax Net Present Value of Future Net Revenue of Unrisked Contingent Resources- MUS <sup>(2)(5)(10)(11)(12)(13)</sup>

	Undiscounted	5%	10%	15%	20%
Low Estimate	158,700	84,965	53,745	37,370	27,487
Best Estimate	222,759	109,139	67,223	46,563	34,432
High Estimate	415,317	193,940	119,715	84,746	64,509

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

The GLJ Contingent Resource Report for Murucututu assumes capital deployment during 2023 for the drilling of wells and expansion of facilities, with total project costs of \$23.9 million and first commercial production in 2023. There can be no certainty that the project will developed on the timelines discussed herein. Development of the project is dependent on several contingencies as further described in this news release. The information presented herein is based on company net project development costs.

Summary of Development Pending Risked Company Gross Contingent Resources<sup>(1)(3)(4)(5)(7)(10)(11)</sup>

The GLJ Reserves and Resources Report estimates the Chance of Development as the product of two main contingencies associated with the project development, which are: 1) the probability of corporate sanctioning, which GLJ estimates at 95%; 2) the probability finalization of a development plan, which GLJ estimates at 95%. The product of these two contingencies is 90%. As there is no risk related to discovery, the Chance of Commerciality for the contingent resource is therefore 90% which is the risk factor that has been applied to the Development Risked company gross contingent resources and the net present value figures reported below.

	Low Estimate	Best Estimate	High Estimate
Residue gas (MMcf)	14,187	18,105	29,768
Natural Gas Liquids (Mbbbl)	351	448	736
Oil equivalent (Mboe)	2,715	3,465	5,697

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

Summary of Development Pending Risked Before Tax Net Present Value of Future Net Revenue of

Contingent Resources- MUS<sup>(2)(5)(10)(11)(12)(13)</sup>

	Undiscounted	5%	10%	15%	20%
Low Estimate	143,226	76,681	48,505	33,726	24,807
Best Estimate	201,040	98,498	60,669	42,023	31,074
High Estimate	374,824	175,031	108,043	76,483	58,219

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

December 31, 2021 Murucututu Prospective Resources Information:

Summary of Unrisked Company Gross Prospective Resources <sup>(1)(3)(4)(5)(7)(9)(11)</sup>

Prospective Resources	Low	Best	High
Residue gas (MMcf)	42,228	78,126	115,553
Natural gas liquids (Mbbbl)	1,044	1,931	2,856
Oil equivalent (Mboe)	8,082	14,952	22,115

See  
'Footnotes'  
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Summary of Before Tax Net Present Value of Future Net Revenue of Unrisked Prospective Resources- MUS

<sup>(2)(5)(9)(11)(12)(13)</sup>

	Undiscounted	5%	10%	15%	20%
Low Estimate	474,489	220,405	123,722	77,245	51,350
Best Estimate	1,005,490	449,220	257,284	167,675	117,555
High Estimate	1,584,857	678,025	384,741	252,103	178,690

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

The GLJ Prospective Resource Report for Murucututu assumes capital deployment starting 2024 for the drilling of wells, expansion of field facilities, and additional pipeline capacity, with total project costs of \$66.1 million and first commercial production in 2024. There can be no certainty that the project will developed on the timelines discussed herein. Development of the project is dependent on several contingencies as further described in this news release. The information presented herein is based on company project development costs.

The GLJ Reserves and Resources Report estimates the Chance of Commerciality as the product between

the Chance of Discovery and the Chance of Development. The Chance of Discovery of the prospective resources has been assessed at 90%, while the Chance of Development has been assessed as the same as for the Contingent Resources described above at 90%. The resulting Chance of Commerciality is 81%, which has been applied to the company gross unrisks prospective resources and the net present value figures reported below.

Summary of Development Risked Company Gross Prospective Resources<sup>(1)(3)(4)(5)(7)(9)(11)</sup>

The GLJ Reserves and Resources Report estimates the Chance of Commerciality as the product between the Chance of Discovery and the Chance of Development. The Chance of Discovery of the prospective resources has been assessed at 90%, while the Chance of Development has been assessed as the same as for the Contingent Resources described above at 90%. The resulting Chance of Commerciality is 81%, which has been applied to the company gross unrisks prospective resources and the net present value figures reported below.

	Low	Best	High
Residue gas (MMcf)	34,250	63,366	93,723
Natural gas liquids (Mboe)	847	1,566	2,317
Oil equivalent (Mboe)	6,555	12,127	17,937

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

Summary of Development Risked Before Tax Net Present Value of Future Net Revenue of Prospective Resources- MUS<sup>(2)(5)(9)(11)(12)(13)</sup>

	Undiscounted	5%	10%	15%	20%
Low Estimate	384,847	178,765	100,348	62,652	41,649
Best Estimate	815,529	364,352	208,677	135,997	95,346
High Estimate	1,285,440	549,930	312,055	204,475	144,931

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

Upcoming 2021 Results and Live Webcast

Alvopetro anticipates announcing its 2021 fourth quarter and year-end results on March 17, 2022 after markets close and will host a live webcast to discuss the results at 8:00 am Mountain time, on the March 18, 2022. Details for joining the event are as follows:

DATE: March 18, 2022  
 TIME: 8:00 AM Mountain/10:00 AM Eastern  
 LINK: <https://zoom.us/j/99386897923>  
 DIAL-IN NUMBERS: <https://zoom.us/u/aixrWbAbO>  
 WEBINAR ID: 993 8689 7923

The webcast will include a question and answer period. Online participants will be able to ask questions through the Zoom portal. Dial-in participants can email questions directly to [socialmedia@alvopetro.com](mailto:socialmedia@alvopetro.com).

Corporate Presentation

Alvopetro's updated corporate presentation is available on our website at:

<http://www.alvopetro.com/corporate-presentation>.

## FOOTNOTES

- (1) Mboe = thousands of barrels of oil equivalent.
- (2) MUS = 000's of U.S. dollars.
- (3) Mbbl = thousands of barrels.
- (4) MMcf = Million cubic feet.
- (5) References to Company Gross reserves or Company Gross Resources means the total working interest share of remaining recoverable reserves or resources owned by Alvopetro before deductions of royalties payable to others and without including any royalty interests owned by Alvopetro.
- (6) References to "Other Properties" refers to the Company's Bom Lugar and Mae-da-lua oil fields.
- (7) The tables above are a summary of the reserves of Alvopetro and the net present value of future net revenue attributable to such reserves as evaluated in the GLJ Reserves and Resources Report based on forecast price and cost assumptions. The tables summarize the data contained in the GLJ Reserves and Resources 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.
- (8) 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.
- (9) 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. There is no certainty that any portion of the prospective resources will be discovered and even if discovered, there is no certainty that it will be commercially viable to produce any portion. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery as described in footnote 11.
- (10) Contingent Resources are defined in the COGE Handbook as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates as described in footnote 11 and may be subclassified based on project maturity and/or characterized by their economic status. The Contingent Resources estimated in the GLJ Reserves and Resources Report are classified as "economic contingent resources", which are those contingent resources that are currently economically recoverable. All such resources are further sub-classified with a project status of "development pending", meaning that resolution of the final conditions for development are being actively pursued. The recovery estimates of the Company's contingent resources provided herein are estimates only and there is no guarantee that the estimated resources will be recovered. There is uncertainty that it will be commercially viable to produce any portion of the resources. Actual recovered resource may be greater than or less than the estimates provided herein.
- (11) 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.

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.

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.

(12) The net present value of future net revenue attributable to Alvo Petro's reserves and resources are stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, well abandonment and reclamation costs for only those wells assigned reserves and material dedicated gathering systems and facilities. The net present values of future net revenue attributable to the Alvo Petro's reserves and resources 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 and resource estimates of the Company's reserves and resources 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.

(13) GLJ's January 1, 2022 escalated price forecast is used in the determination of future gas sales prices under Alvo Petro's long-term gas sales agreement and for all forecasted oil sales and natural gas liquids sales. See <http://www.alvopetro.com/press-releases/2022/01/01/2022-Price-Forecast> for details. Neither the TSX Venture Exchange nor the Reporting 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.

(14) The GLJ Reserves and Resources Report was an evaluation of the Company's contingent and prospective resource of the Company's Murucututu natural gas project and excluded an evaluation of the 183-B1 and 182-C1 exploration prospects which were evaluated by GLJ in an independent resource assessment dated September 4, 2020 with an effective date of July 31, 2020. For further details, see our September 8, 2020 press release and the annual information for the year-ended December 31, 2020 which has been filed on SEDAR.

Oil and Natural Gas Reserves. The disclosure in this news release summarizes certain information contained in the GLJ Reserves and Resources 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, 2021 will be contained in the Company's annual information form for the year ended December 31, 2021 which will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on or before April 30, 2022. 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, 2021. 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 Alvo Petro'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.

Contingent Resources. This news release discloses estimates of Alvo Petro's contingent resources and the net present value associated with net revenues associated with the production of such contingent resources as included in the GLJ Reserves and Resources Report. There is no certainty that it will be commercially viable to produce any portion of such contingent resources and the estimated future net revenues do not necessarily represent the fair market value of such contingent resources. Estimates of contingent resources involve additional risks over estimates of reserves. Full disclosure with respect to the Company's contingent resources as at December 31, 2021 will be contained in the Company's annual information form for the year ended December 31, 2021 which will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on or before April 30, 2022.

Prospective Resources - This news release discloses estimates of Alvo Petro's prospective resources included in the GLJ Reserves and Resources Report. There is no certainty that any portion of the prospective resources will be discovered and even if discovered, there is no certainty that it will be commercially viable to produce any portion. 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. Full disclosure with respect to the Company's prospective resources as at December 31, 2021 will be contained in the Company's annual information form for the year ended December 31, 2021 which will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on or before April 30, 2022.

Abbreviations:

1P	= proved reserves
2P	= proved plus probable reserves
3P	= proved plus probable plus possible reserves
CAD\$	= Canadian dollars
F&D	= finding and development costs
FDC	= future development costs;
Mboe	= thousand barrels of oil equivalent
MMbtu	= million British Thermal Units
MMcf	= million cubic feet
MMcf/d	= million cubic feet per day
MMboe	= million barrels of oil equivalent
MMUS	= millions of U.S. dollars
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. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the expectations discussed in the forward-looking statements. These forward-looking statements reflect current assumptions and expectations regarding future events. Accordingly, when relying on forward-looking statements to make decisions, Alvo Petro cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. More particularly and without limitation, this news release contains forward-looking information concerning the plans relating to the Company's operational activities and the expected natural gas price, gas sales and gas deliveries under Alvo Petro's long-term gas sales agreement. The forward-looking statements are based on certain key expectations and assumptions made by Alvo Petro, including but not limited to equipment availability, the timing of regulatory licenses and approvals, the success of future drilling, completion, testing, 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, foreign exchange rates, 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 Alvo Petro 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 Alvo Petro 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 factors that could affect the operations or

financial results of Alvo Petro are included in our annual information form which may be accessed on Alvo Petro's SEDAR profile 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 Alvo Petro 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 working capital net of debt and net asset value. Working capital net of debt is computed as current assets less the sum of current liabilities and the carrying amount of the Company's credit facility. Net asset value is computed based on the before-tax net present value of the Company's proved plus probable reserves, discounted at 10%, increased by the Company's working capital net of debt. The non-GAAP measures do not have standardized meanings under IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. While these measures may be common in the oil and gas industry, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. The non-GAAP measures referred to in this report should not be considered an alternative to, or more meaningful than measures prescribed by IFRS and they are not meant to enhance the Company's reported financial performance or position. 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](http://www.sedar.com).

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#### Contact

Corey C. Ruttan, President, Chief Executive Officer and Director, or Alison Howard, Chief Financial Officer, Phone: 587.794.4224, Email: [info@alvopetro.com](mailto:info@alvopetro.com), [www.alvopetro.com](http://www.alvopetro.com)

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