

# Alvopetro Announces 2022 Year End Reserves with a 17% Increase in 2P NPV Before Tax

28.02.2023 | [CNW](#)

CALGARY, Feb. 28, 2023 - [Alvopetro Energy Ltd.](#) (TSXV: ALV) (OTCQX: ALVOF) announces our reserves as at December 31, 2022 with total proved plus probable ("2P") reserves of 9.0 MMboe and a before tax net present value discounted at 10% of \$348.2 million. 2P reserve additions replaced 132% of 2022 production. 2P reserve volumes increased by 3%, despite 0.9 MMboe of production in 2022, due to reserve additions associated mainly with two additional Murucututu development locations (previously included in contingent resources). The before tax net present value of our 2P reserves (discounted at 10%) increased by 17% from December 31, 2021, due to reserve additions and increases in forecasted natural gas prices. Alvopetro also announces the December 31, 2022 assessment of the Company's Murucututu natural gas resource with risked best estimate contingent resource of 2.9 MMboe and risked best estimate prospective resource of 12.5 MMboe. The Murucututu natural gas contingent and prospective resource values (risked best estimate net present value before tax, discounted at 10%) are \$62.2 million and \$259.1 million, respectively. The reserves and resources data set forth herein is based on an independent reserves and resources assessment and evaluation prepared by GLJ Ltd. ("GLJ") dated February 27, 2023 with an effective date of December 31, 2022 (the "GLJ Reserves and Resources Report").

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

## December 31, 2022 GLJ Reserves and Resource Report Highlights

- 2P net present value before tax discounted at 10% increased 17% to \$348.2 million.
- Proved reserves ("1P") decreased 12% to 3.9 MMboe and 2P reserves increased 3% to 9.0 MMboe after 0.9 MMboe production in 2022.
- 2P production replacement ratio<sup>(1)</sup> of 132%.
- 2P F&D costs<sup>(1)</sup> estimated at \$28.66/boe.
- 2P recycle ratio<sup>(1)</sup> estimated at 2.1 times.
- 2P Net Asset Value<sup>(1)</sup> of CAD\$13.56/share (\$9.99/share) before any potential from contingent or prospective resources.
- Risked best estimate contingent resource of 2.9 MMboe (NPV10 \$62.2 million) and risked best estimate prospective resource of 12.5 MMboe (NPV10 \$259.1 million).

Corey Ruttan, President and Chief Executive Officer, commented:

"Our 2022 year-end reserves and resource evaluations highlight the continued 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 reserve additions associated with our near-term development plans on our Murucututu asset and increases in forecasted natural gas prices under our long-term gas sales agreement. Our 2023 capital program is focused on lower risk development opportunities including accelerated activity on our Murucututu asset targeting the long-term natural gas potential of this field."

(1) Refer to the sections entitled "Oil and Natural Gas Advisories - Other Metrics" and "Non-GAAP and Other Financial Measures" for additional disclosures and assumptions used in calculating production replacement ratio, F&D costs, recycle ratio, net asset value and net asset value per share.

## SUMMARY

December 31, 2022 Gross Reserve and Gross Resource Volumes: <sup>(1)</sup><sup>(2)</sup><sup>(3)</sup><sup>(4)</sup><sup>(5)</sup><sup>(6)</sup>

December 31, 2022 Reserves (Gross)	Total Proved (1P) (Mboe)	Total Proved plus Probable (2P) (Mboe)	Total Proved plus Probable plus Possible (3P) (Mboe)
Caburé Natural Gas Field	2,505	4,146	5,637
Murucututu Natural Gas Field	1,232	4,584	8,149
Bom Lugar Oil Field	148	269	542
Mãe-da-lua Oil Field	25	38	55
Total Company Reserves	3,909	9,037	14,382

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

December 31, 2022 Murucututu Resources (Gross)	Low Estimate (Mboe)	Best Estimate (Mboe)	High Estimate (Mboe)
Risked Contingent Resource	2,639	2,907	4,228
Risked Prospective Resource	6,774	12,501	18,481

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

Net Present Value Before Tax Discounted at 10%:(1)(2)(3)(4)(5)(6)(7)(8)

Reserves	1P (\$000s)	2P (\$000s)	3P (\$000s)
Caburé Property	134,023	211,924	270,744
Murucututu Property	33,034	126,946	222,675
Other Properties	3,693	9,306	18,542
Total Company	170,751	348,176	511,961

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

Murucututu Resource	Low Estimate (\$000s)	Best Estimate (\$000s)	High Estimate (\$000s)
Risked Contingent Resource	58,892	62,218	92,105
Risked Prospective Resource	128,581	259,119	383,605

See 'Footnotes' section at the end of this news release  
NET ASSET VALUE

Following the December 31, 2022 reserves evaluation, based on the before tax net present value of Alvo Petro's 2P reserves (discounted at 10%), our total 2P net asset value is \$362.9 million; CAD\$13.56 per common share outstanding. Our 2P net asset value of \$362.9 million is before including the before tax net present value (discounted at 10%) of our risked best estimate contingent resource of \$62.2 million and our risked prospective resource of \$259.1 million from the Murucututu natural gas field.

Net Asset Value (in \$000s, other than per share amounts)	1P	2P	3P
Before Tax Net Present Value, Discounted at 10% (\$000s)	170,751	348,176	511,961
Net working capital - as at December 31, 2022 <sup>(1)(2)</sup>	14,698	14,698	14,698
Total Net Asset Value <sup>(2),(3)(4)</sup>	185,449	362,874	526,659
CAD per basic share <sup>(5)</sup>	6.93	13.56	19.69

(1) Working capital is estimated as of December 31, 2022 and based on unaudited financial information and is subject to change. See "Unaudited Financial Information" in this press release.

(2) Non-GAAP measure. See 'Non-GAAP and Other Financial Measures' in this news release for additional details.

(3) 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.

(4) 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.

(5) Converted to Canadian dollars ("CAD") based on the exchange rate on February 27, 2023. The per share price is based on the closing price of the Company's common shares outstanding as of February 27, 2023.

GLJ employed the following pricing and inflation rate assumptions as of January 1, 2023 in the GLJ Reserves and Resources Report in estimating reserves and resources data using forecast prices and costs.

Year	Brent Blend	National	NYMEX Henry Hub	Alvopetro-Bahiagas	Alvopetro-Bahiagas	Change from prior
	Crude Oil FOB	Balancing Point	Near Month	Gas Contract	Gas Contract	year
	North Sea	(UK)	Contract	\$/MMBtu	\$/MMBtu	
	(\$/Bbl)	(\$/MMBtu)	(\$/MMBtu)	(Current Year)	(Previous Year)	
2023	80.00	28.00	4.71	10.61	10.09	5 %
2024	80.50	24.15	4.50	10.96	9.86	11 %
2025	81.50	20.00	4.27	10.79	9.00	20 %
2026	82.00	14.00	4.35	11.01	8.89	24 %
2027	82.53	10.75	4.44	11.12	8.99	24 %
2028	84.14	10.98	4.53	10.75	9.15	17 %
2029	85.85	11.20	4.62	10.73	9.33	15 %
2030	87.58	11.43	4.71	10.88	9.52	14 %
2031	89.32	11.66	4.80	11.09	9.71	14 %
2032*	91.11	11.89	4.90	11.30	9.90	14 %

\*Escalated at 2% per year thereafter

As of February 1, 2023, 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 2027. The ceiling price incorporates assumed US inflation of 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 four 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 2022 fiscal year which will be filed on SEDAR by April 30, 2023.

December 31, 2022 Reserves Information:

Summary of Reserves <sup>(1)(2)(3)</sup>

	Light & Medium Oil		Conventional Natural Gas		Natural Gas Liquids		Oil Equivalent	
	Company Net	Company Gross	Company Net	Company Gross	Company Net	Company Gross	Company Net	Company Net
	Gross							
	(Mbbbl)	(Mbbbl)	(MMcf)	(MMcf)	(Mbbbl)	(Mbbbl)	(Mboe)	(Mboe)
Proved								
Producing	-	-	16,291	15,435	223	211	2,938	2,784
Developed Non-Producing	25	22	-	-	-	-	25	22
Undeveloped	148	140	4,040	3,787	125	117	946	888
Total Proved	173	162	20,332	19,222	348	328	3,909	3,694
Probable	133	125	26,278	24,760	614	578	5,128	4,830
Total Proved plus Probable	306	287	46,610	43,982	962	906	9,037	8,524
Possible	290	273	26,499	24,938	639	600	5,345	5,029
Total Proved plus Probable plus Possible	596	561	73,108	68,919	1,601	1,506	14,382	13,553

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

Summary of Before Tax Net Present Value of Future Net Revenue - \$000s <sup>(1)(2)(3)(7)(8)</sup>

	Undiscounted	5 %	10 %	15 %	20 %
Proved					
Producing	175,155	159,578	146,947	136,806	128,400
Developed Non-Producing	454	453	446	437	427
Undeveloped	45,093	31,327	23,358	18,120	14,394
Total Proved	220,702	191,358	170,751	155,363	143,221
Probable	380,085	240,807	177,426	140,449	115,665
Total Proved plus Probable	600,787	432,165	348,176	295,813	258,886
Possible	441,963	239,781	163,785	124,468	99,884
Total Proved plus Probable plus Possible	1,042,750	671,946	511,961	420,280	358,770

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

Summary of After Tax Net Present Value of Future Net Revenue - \$000s <sup>(1)(2)(3)(7)(8)</sup>

	Undiscounted	5 %	10 %	15 %	20 %
Proved					
Producing	156,035	143,855	133,178	124,356	116,937
Developed Non-Producing	383	384	380	373	365
Undeveloped	35,724	25,247	18,962	14,727	11,662
Total Proved	192,142	169,486	152,520	139,456	128,964
Probable	289,379	190,348	142,952	114,291	94,583
Total Proved plus Probable	481,521	359,834	295,473	253,747	223,547
Possible	329,908	187,660	131,716	101,493	82,000
Total Proved plus Probable plus Possible	811,428	547,494	427,189	355,240	305,546

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

#### Future Development Costs <sup>(1)(2)(3)(7)(8)</sup>

The table below sets out the total development costs deducted in the estimation 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, in the GLJ Reserves and Resources Report. 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. Also included in future development costs for the Caburé field are two step-out wells and expansion of the unit facilities.

The future development costs for the Murucututu field in the proved category are for two development locations in the field and the stimulation of the 197(1) well. In the probable and possible categories, there are future development costs for two additional development locations. 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 one development well and facilities upgrade. A second development 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.

\$000s, Undiscounted	2023	2024	2025	2026	2027	Remaining	Total
<b>Proved</b>							
Caburé Natural Gas Field	4,539	1,730	6,676	-	-	-	12,944
Murucututu Gas Field	8,480	6,295	420	-	-	-	15,195
Bom Lugar Oil Field	3,910	-	-	-	-	-	3,910
Mãe-da-lua Oil Field	540	-	-	-	-	-	540
<b>Total Proved</b>	<b>17,469</b>	<b>8,025</b>	<b>7,096</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,590</b>
<b>Proved Plus Probable</b>							
Caburé Natural Gas Field	4,539	1,730	1,730	1,730	4,409	-	14,138
Murucututu Gas Field	14,680	13,190	420	420	420	-	29,130
Bom Lugar Oil Field	4,810	-	-	-	-	-	4,810
Mãe-da-lua Oil Field	540	-	-	-	-	-	540
<b>Total Proved Plus Probable</b>	<b>24,569</b>	<b>14,920</b>	<b>2,150</b>	<b>2,150</b>	<b>4,829</b>	<b>-</b>	<b>48,618</b>
<b>Proved Plus Probable Plus Possible</b>							
Caburé Natural Gas Field	4,539	1,730	1,730	1,730	1,730	3,622	15,080
Murucututu Gas Field	14,680	13,190	420	420	420	840	29,970
Bom Lugar Oil Field	9,650	-	-	-	-	-	9,650
Mãe-da-lua Oil Field	540	-	-	-	-	-	540
<b>Total Proved Plus Probable Plus Possible</b>	<b>29,409</b>	<b>14,920</b>	<b>2,150</b>	<b>2,150</b>	<b>2,150</b>	<b>4,462</b>	<b>55,240</b>

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

Reconciliation of Alvo Petro's Gross Reserves (Before Royalty) <sup>(1)</sup><sup>(2)</sup><sup>(3)</sup><sup>(8)</sup>

	Proved (Mboe)	Probable (Mboe)	Proved Plus (Mboe)	Possible (Mboe)	Proved plus Probable plus Possible (Mboe)
December 31, 2021	4,421	4,316	8,737	4,639	13,376
Extensions	182	808	990	990	1,980
Technical Revisions	239	4	242	(283)	(41)
Economic Factors	1	-	1	(1)	-
Production	(933)	-	(933)	-	(933)
December 31, 2022	3,909	5,128	9,037	5,345	14,382

See 'Footnotes' section at the end of this news release  
December 31, 2022 Murucututu Contingent Resources Information:

Summary of Unrisked Company Gross Contingent Resources <sup>(1)(2)(5)(6)</sup>

Development Pending Economic Contingent Resources	Low Estimate	Best Estimate	High Estimate
Conventional natural gas (MMcf)	14,800	16,302	23,711
Natural gas liquids (Mbbbl)	457	504	733
Oil equivalent (Mboe)	2,924	3,221	4,684

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- \$000s <sup>(1)(2)(5)(6)(7)(8)</sup>

Undiscounted	5 %	10 %	15 %	20 %
Low Estimate	197,575	103,633	65,254	45,386
Best Estimate	228,494	112,051	68,940	47,609
High Estimate	367,713	168,900	102,055	70,600

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

The GLJ Contingent Resource Report for Murucututu assumes capital deployment starting in 2024 for the drilling of wells with total project costs of \$19.1 million and first commercial production in 2024. The information presented herein is based on company net project development costs. The recovery technology assumed for purposes of the estimate is based on established technologies utilized repeatedly in the industry.

There can be no certainty that the project will be developed on the timelines discussed herein. The project is

based on a pre-development study. Development of the project is dependent on several contingencies as further described in this news release. Significant positive factors relevant to the estimate include existing production in close proximity, proximity to infrastructure, existing long-term gas sales agreement and corporate commitment to the project. Significant negative factors relevant to the estimate include reservoir performance and the economic viability of the project (with sensitivity to low commodity prices), access to and amount of capital required to develop resources at an acceptable cost, and regulatory approvals for planned activities including stimulations and new infrastructure developments.

Summary of Development Pending Risked Company Gross Contingent Resources<sup>(1)(2)(5)(6)</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 of 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
Conventional natural gas (MMcf)	13,357	14,713	21,399
Natural gas liquids (Mbbbl)	413	455	661
Oil equivalent (Mboe)	2,639	2,907	4,228

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- \$000s<sup>(1)(5)(6)(7)(8)</sup>

	Undiscounted	5 %	10 %	15 %	20 %
Low Estimate	178,311	93,529	58,892	40,961	30,196
Best Estimate	206,216	101,126	62,218	42,967	31,636
High Estimate	331,861	152,432	92,105	63,716	47,369

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

December 31, 2022 Murucututu Prospective Resources Information:

Summary of Unrisked Company Gross Prospective Resources <sup>(1)(2)(4)(6)</sup>

Prospective Resources	Low	Best	High
Conventional natural gas (MMcf)	42,273	78,017	115,335
Natural gas liquids (Mbbbl)	1,306	2,410	3,563
Oil equivalent (Mboe)	8,351	15,413	22,786

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

Summary of Before Tax Net Present Value of Future Net Revenue of Unrisked Prospective Resources - \$000s <sup>(1)(4)(6)(7)(8)</sup>

	Undiscounted	5 %	10 %	15 %	20 %
Low Estimate	608,512	281,759	158,531	99,430	66,486
Best Estimate	1,261,728	560,612	319,476	207,106	144,368
High Estimate	1,972,455	839,098	472,958	307,587	216,260

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

The GLJ Reserves and Resources Report for Murucututu prospective resources assumes capital deployment starting in 2025 for the drilling of wells, expansion of field facilities, and additional pipeline capacity, with total project costs of \$70.0 million and first commercial production in 2025. The information presented herein is based on company project development costs. The recovery technology assumed for purposes of the estimate is based on established technologies utilized repeatedly in the industry.

There can be no certainty that the project will be developed on the timelines discussed herein. Development of the project is dependent on several contingencies as further described in this news release. The project is based on a conceptual study. Significant positive factors relevant to the estimate include existing production in close proximity, proximity to infrastructure, existing long-term gas sales agreement and corporate commitment to the project. Significant negative factors relevant to the estimate include reservoir performance and the economic viability of the project (with sensitivity to low commodity prices), access to and amount of capital required to develop resources at an acceptable cost, and regulatory approvals for planned activities including stimulations and new infrastructure developments.

#### Summary of Development Risked Company Gross Prospective Resources<sup>(1)(2)(4)(6)</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 unrisked prospective resources and the net present value figures reported below.

	Low	Best	High
Conventional natural gas (MMcf)	34,286	63,278	93,546
Natural gas liquids (Mboe)	1,059	1,955	2,890
Oil equivalent (Mboe)	6,774	12,501	18,481

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- \$000s<sup>(1)(4)(6)(7)(8)</sup>

	Undiscounted	5 %	10 %	15 %	20 %
Low Estimate	493,550	228,528	128,581	80,645	53,925
Best Estimate	1,023,358	454,700	259,119	167,979	117,094
High Estimate	1,599,813	680,573	383,605	249,477	175,403

See 'Footnotes' section at the end of this news release.  
 UPCOMING 2022 RESULTS AND LIVE WEBCAST

Alvopetro anticipates announcing its 2022 fourth quarter and year-end results on March 21, 2023 after markets close and will host a live webcast to discuss the results at 9:00 am Mountain time, on March 22, 2023. Details for joining the event are as follows:

DATE: March 22, 2023

TIME: 9:00 AM Mountain/11:00 AM Eastern

LINK: <https://us06web.zoom.us/j/83279531812>

DIAL-IN NUMBERS: <https://us06web.zoom.us/u/kcfqjsznW>

WEBINAR ID: 832 7953 1812

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) References to Company Gross reserves or Company Gross Resources means the total working interest share of remaining recoverable reserves or resources held by Alvo Petro before deductions of royalties payable to others and without including any royalty interests held by Alvo Petro.
- (2) The tables above are a summary of the reserves of Alvo Petro 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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 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 and resources will be recovered. Actual reserves and resources may be greater than or less than the estimates provided herein.

(8) GLJ's January 1, 2023 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 <https://www.gljpc.com/sites/default/files/pricing/Jan23.pdf> for GLJ's price forecast.

[Alvo Petro Energy Ltd.](#)'s vision is to become a leading independent upstream and midstream operator in Brazil. Our strategy is to unlock the on-shore natural gas potential in the state of Bahia in Brazil, building off the development of our Caburé natural gas field and 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 news release are in United States dollars, except as otherwise noted.

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;  
Mbbbl = thousands of barrels  
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  
\$000s = thousands of U.S. dollars

Oil and Natural Gas Advisories

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, 2022 will be included in the Company's annual information form for the year ended December 31, 2022 which will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on or before April 30, 2023. 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, 2022. 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, 2022 will be contained in the Company's annual information form for the year ended December 31, 2022 which will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on or before April 30, 2023.

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, 2022 will be contained in the Company's annual information form for the year ended December 31, 2022 which will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on or before April 30, 2023.

## 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.

## Other Metrics

This press release contains metrics commonly used in the oil and natural gas industry, which have been prepared by management, including "F&D costs", "net asset value", "net asset value per share", "operating netback per boe", "production replacement ratio" and "recycle ratio". These terms do not have a standardized meaning and may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons.

"F&D costs" are reflected on a per barrel of oil equivalent and are calculated as the sum of capital expenditures in the current year plus the change in FDC for the period, divided by the change in reserves in the period, before current year production. The estimated 2022 F&D costs are computed as follows:

2022 capital expenditures <sup>(1)</sup> - \$000s	24,795
Change in FDC from 2021 <sup>(2)</sup> - \$000s	10,540
Total - \$000s	35,335
Change in 2P reserves before 2022 production <sup>(3)</sup> - Mboe	1,233
2022 estimated F&D costs (per boe)	\$28.66

(1) The estimated 2022 capital expenditures noted above are unaudited and subject to change upon completed of audited financial statements. Such changes could be material. See "Unaudited Financial Information" for further details.

(2) Computed based on FDC costs from the 2P reserves in the December 31, 2022 GLJ Reserves and Resources Report less FDC costs from the December 31, 2021 GLJ Reserves and Resources Report.

(3) Computed as the change in 2P reserves from December 31, 2021 to December 31, 2022 (which increased 300 Mboe, from 8,737 Mboe to 9,037 Mboe) plus 2022 total production of 933 Mboe.

"Net asset value" is based on the before tax net present value of the Company's reserves as at December 31, 2022, discounted at 10% plus the Company's net working capital balance estimated as of December 31, 2022. Net working capital is a capital management measure. See "Non-GAAP and Other Financial Measures" below for further details. The estimated net working capital as of December 31, 2022 is unaudited and subject to change upon completion of audited financial statements for the year-ended December 31, 2022. Such changes could be material. See "Unaudited Financial Information" for further details.

"Net asset value per share" is based on the computation of net asset value divided by basic shares outstanding of 36,311,579 adjusted to Canadian dollars based on the foreign exchange rate on February 27, 2023.

"Operating netback per boe" is a non-GAAP financial measure and operating netback per boe is a non-GAAP financial ratio. See "Non-GAAP and Other Financial Measures" below for further details. Alvpetro's operating netback for the year ended December 31, 2022 is estimated at \$59.43 per boe. This

estimate is based on unaudited financial information and subject to change upon completion of audited financial statements for the year-ended December 31, 2022. Such changes could be material. See "Unaudited Financial Information" for further details.

"Production replacement ratio" is calculated as total reserve additions divided by current year production. Alvo Petro's 2P production replacement ratio in 2022 is calculated as:

2P reserve additions <sup>(1)</sup> - Mboe	1,233
2022 production - Mboe	933
2022 2P production replacement ratio 132 %	

(1) See computation in F&D costs above.

"Recycle ratio" is calculated by dividing the estimated 2022 operating netback by estimated F&D costs per boe for the year. The Company's estimated 2022 recycle ratio is calculated as follows:

2022 estimated operating netback - \$ per boe	\$59.43
2022 estimated F&D costs - \$ per boe - see computation above	\$28.66
2P recycle ratio	2.1

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

#### 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 plans relating to the Company's operational activities, proposed development activities and the timing for such activities, capital spending levels and future capital costs, 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 expectations and assumptions concerning the timing of regulatory licenses and approvals, equipment availability, the success of future drilling, completion, testing, recompletion and development activities, the performance of producing wells and reservoirs, well development and operating performance, expectations regarding Alvo Petro's working interest and the outcome of any redeterminations, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the outlook for commodity markets and ability to access capital markets, foreign exchange rates, general economic and business conditions, the impact of the COVID-19 pandemic, weather and access to drilling locations, the availability and cost of labour and services, 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.

#### Unaudited Financial Information

Certain financial and operating information included in this news release for the year ended December 31, 2022 including, without limitation, 2022 capital expenditures and the impact on F&D costs, working capital, recycle ratio and operating netback, are based on estimated unaudited financial results for the year then ended, and are subject to the same limitations as discussed under Forward Looking Statements and Cautionary Language set out in this news release. These estimated amounts may change upon the completion of audited financial statements for the year ended December 31, 2022 and changes could be material.

#### Non-GAAP and Other Financial Measures

This news release contains references to various non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures as such terms are defined in National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure. Such measures are not recognized measures under GAAP and do not have a standardized meaning prescribed by IFRS and might not be comparable to similar financial measures disclosed 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 and other financial measures referred to in this news release 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. These are complementary measures that are used by management in assessing the Company's financial performance, efficiency and liquidity and they may be used by investors or other users of this document for the same purpose. Below is a description of the non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures used in this news release. 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 and Other Financial 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).

#### Non-GAAP Financial Ratios

##### Operating netback per boe

Operating netback is calculated on a per unit basis, which is per barrel of oil equivalent ("boe"). It is a common non-GAAP measure used in the oil and gas industry and management believes this measurement assists in evaluating the operating performance of the Company. It is a measure of the economic quality of the Company's producing assets and is useful for evaluating variable costs as it provides a reliable measure regardless of fluctuations in production. Alvo Petro calculated operating netback per boe as operating netback (a non-GAAP financial measure calculated as natural gas, oil and condensate revenues less royalties and production expenses) divided by total sales volumes (barrels of oil equivalent). More details on the method of calculation is provided in the "Operating Netback per boe" section of the Company's MD&A. The Company's MD&A may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com). Operating netback is a common metric used in the oil and gas industry used to demonstrate profitability from operations on a per unit basis (boe). The Company's operating netback per boe is estimated at \$59.43 per boe for the year ended December 31, 2022. This amount is unaudited and subject to change as further discussed in the section "Unaudited Financial Information".

#### Capital Management Measures

##### Net Working Capital

Net working capital is computed as current assets less current liabilities. Net working capital is a measure of liquidity, is used to evaluate financial resources. The Company's net working capital as of December 31, 2022 is estimated at \$14.7 million. This amount is unaudited and subject to change as further discussed in the section "Unaudited Financial Information".

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](mailto:info@alvopetro.com), [www.alvopetro.com](http://www.alvopetro.com), TSX-V: ALV

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