

Alvopetro Announces Results of Caburé Unit Redetermination

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CALGARY, April 5, 2024 - [Alvopetro Energy Ltd.](#) (TSXV: ALV) (OTCQX: ALVOF) ("Alvopetro") announces the results of Caburé Unit redetermination process wherein the appointed independent expert ("the Expert") has found in favour of Alvopetro's final proposal, increasing Alvopetro's working interest to 56.2%.

Highlights

- Alvopetro's working interest in the Caburé Unit has been increased from 49.1% to 56.2%.
- The redetermined working interest is to become effective on June 1, 2024 (the "Effective Date").
- Incorporating the increased working interest, Alvopetro's share of proved plus probable reserves ("2P") (effective December 31, 2023) in the Caburé Unit increases to 4.6 MMboe from 3.7 MMboe, a 25.4% increase.
- Alvopetro's total company 2P reserves (effective December 31, 2023) increases to 9.6 MMboe from 8.7 MMboe, a 10.3% increase.
- Following the Effective Date, Alvopetro's entitlement to natural gas production from the Unit will increase to 13.9 MMcfpd (before additional NGL volumes), compared to average 2023 natural gas production from the Unit of 11.7 MMcfpd.
- Alvopetro retains our right to nominate for additional gas volumes in excess of our entitlement when those volumes are available at the Unit.
- Upon the Effective Date, Alvopetro will be pursuing our right to assume Unit operatorship.

Background

As previously disclosed, Alvopetro's Caburé natural gas discovery extends across two blocks owned by Alvopetro (Blocks 198) and two adjacent blocks owned by a third party (Blocks 211 and 212). Under Brazilian legislation, petroleum accumulations straddling two or more licensed blocks must undergo unitization (pooling) in order to promote efficient and fair exploration and development. In April 2018, Alvopetro and the adjacent resource owner finalized the terms of the Unit Operating Agreement ("UOA"), the unit development plan and all related agreements, with Alvopetro's initial working interest share of the unit being 49.1% and Alvopetro's 50.9% partner being named initial operator. Under the terms of the UOA, the working interest split is subject to redeterminations. The first redetermination was to occur 18 months after Alvopetro commenced production allocations but the parties agreed to defer the redetermination to include data up to October 31, 2023.

Under the provisions of the UOA, the parties agreed that the redetermination would be evaluated by the Expert. Pursuant to the provisions of the UOA, where an Expert is engaged, the Expert's determination shall be made using what is commonly known as the "pendulum" method of dispute resolution. Under this method, the Expert is not required or permitted to provide their own interpretation but is required to select the single Final Proposal (between the two partner's respective Final Proposals), and the Expert's opinion, provides the most technically justified result of the application of the relevant information and data material provided to the Expert consistent with the UOA and all related agreements.

Basis of Redetermination

The UOA and related agreements require that any redetermination of working interest to each party shall be based on the estimated ultimate recovery of all natural gas, natural gas liquids and crude oil that are projected to be recovered from the Unit commencing from first production ("Unit Recoverable Volumes") on a best estimate basis. For purposes of the redetermination, each party presented their proposal as to Unit Recoverable Volumes for this purpose and the proposed redetermined working interest to each party following the redetermination. Unit Recoverable Volumes are not determined in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") or the standards of NI Instrument 51-101 ("NI 51-101") and Alvopetro's remaining share of such Unit Recoverable Volumes will not agree to be disclosed by Alvopetro for purposes of NI 51-101.

Expert Decision

Alvopetro has received the Expert's final decision indicating the acceptance of our Final Proposal which results in Alvopetro's working interest in the Unit being increased from 49.1% to 56.2% based on Unit Recoverable Volumes as follows:

Unit Recoverable Volumes (Natural Gas) Alvopetro Share Third-Party Partner Share

Total million m ³	1,518.4	1,181.8
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Total Bcf		
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53.6

Up until December 31, 2023, Alvopetro had received 470.9 million m³ (16.6 Bcf) of natural gas deliveries from the Unit. Based on the above redetermined interest, Alvopetro's remaining entitlement to Unit Recoverable Volumes effective December 31, 2023 is 1,047.5 million m³ (37.0 Bcf or 6,165 Mboe).

Remaining Entitlement (Natural Gas)	Alvopetro Share
(December 31, 2023)	(MMm ³)
Unit Recoverable Volumes (expected ultimate recovery)	1,518.4
Natural gas production allocated to December 31, 2023	(470.9)
Remaining entitlement as of December 31, 2023 - MMm ³	1,047.5
Remaining entitlement as of December 31, 2023 - Bcf	37.0
Remaining entitlement as of December 31, 2023 - Mboe	6,165

Alvopetro's remaining entitlement to Unit Recoverable Volumes pursuant to this redetermination decision is 6,165 Mboe (December 31, 2023) which contrasts with our previously disclosed Caburé Unit reserves as of December 31, 2023 and February 26, 2024 (based on Alvopetro's original 49.1% interest) as reflected in the table below. The reserves and resources below (the "Original December 31, 2023 Reserves") is based on an independent reserves and resources assessment and evaluation prepared by GLJ Ltd. ("GLJ") dated February 26, 2024 with an effective date of December 31, 2023 (the "GLJ Reserves and Resources Report").

Original December 31, 2023 Reserves ^{(1),(2),(3)}	Total Proved	Total Proved plus Probable	Total Proved plus Probable plus Possible
(Company Gross)	(1P)	(2P)	(3P)
	(Mboe)	(Mboe)	(Mboe)
Caburé Natural Gas Field - at original 49.1%	1,995	3,700	4,853
Murucututu Natural Gas Field	582	4,559	9,679
Bom Lugar Oil Field	126	415	622
Mãe-da-lua Oil Field	23	36	53
Total Company Reserves	2,727	8,711	15,208

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

Alvopetro's independent reserve evaluator, GLJ, has prepared an updated evaluation of reserves as of December 31, 2023 ("Pro-forma December 31, 2023 Reserves") incorporating the redetermined working interest of 56.2%, which is summarized as follows (the "GLJ Proforma Report"):

Pro-forma December 31, 2023 Reserves ^{(1),(2),(3)}	Total Proved	Total Proved plus Probable	Total Proved plus Probable plus Possible
(Company Gross)	(1P)	(2P)	(3P)
	(Mboe)	(Mboe)	(Mboe)
Caburé Natural Gas Field - at 56.2%	2,691	4,638	5,968
Murucututu Natural Gas Field	582	4,559	9,679
Bom Lugar Oil Field	126	415	622
Mãe-da-lua Oil Field	23	36	53
Total Company-Pro-forma December 31, 2023 Reserves	3,423	9,648	16,323
Total Company - Original December 31, 2023 Reserves	2,727	8,711	15,208
Increase	696	937	1,115

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

Alvopetro's remaining entitlement to Unit Recoverable Volumes of 6.2 MMboe as of December 31, 2023 exceeds Alvopetro's December 31, 2023 Pro-forma Caburé 1P and 2P Reserves of approximately 2.7 MMboe and 4.6 MMboe, respectively but is relatively consistent with Pro-forma 3P reserves of approximately 6.0 MMboe. Unit Recoverable Volumes were not prepared nor determined in accordance with the COGE Handbook or NI 51-101 and Alvopetro's remaining entitlement to such volumes as of December 31, 2023 is higher than the December 31, 2023 Pro-forma Reserves assigned at the new redetermined working interest. Such differences arise due to differing levels of certainty associated with the various classes of reserves but also arise due to differing assumptions utilized in the determination of Unit Recoverable Volumes most notably with respect to the extent and estimated ultimate recovery of the reservoirs. Alvopetro's ultimate entitlement to natural gas volumes over the life of the field will be based on the results of future development and overall reservoir performance.

Effective Date

Pursuant to the provisions of the UOA and related agreements, the redetermined working interest is expected to become effective on June 1, 2024.

Impact on Future Entitlements to Natural Gas Production

Under the terms of the Gas Balancing Agreement between Alvopetro and the Third-Party Partner, each party is entitled to their working interest share of natural gas produced from the Unit (the "Lifting Entitlement") plus any natural gas not nominated by the other party. The Lifting Entitlement is updated based on the redetermined working interests and as a result, the share of natural gas production which Alvopetro may nominate from the Unit is expected to increase. Once the redetermined working interest is effective, Alvopetro's Lifting Entitlement from the Caburé Unit will be increased to approximately 393 e³m³/d (13.9 MMcfpd or 2,315 boepd) before natural gas liquids (condensate) production compared to Alvopetro average natural gas sales from the Caburé natural gas field in 2023 of 332 e³m³/d (11.7MMcfpd or 1,957 boepd). Alvopetro's ability to sell the incremental natural gas production following the increase in our Lifting Entitlement will be dependent on demand from Bahiagas, our offtaker.

Operatorship

Once the redetermined working interest becomes effective Alvopetro has the right, as defined in the UOA, to assume operatorship of the Unit.

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 means the total working interest share of remaining recoverable reserves held by Alvopetro before deductions of royalties payable to others and without including any royalty interests held by Alvopetro.
- (2) The tables above are a summary of the reserves of Alvopetro as evaluated in the GLJ Reserves and Resources Report and the GLJ Proforma Report. The tables summarize the data contained in the GLJ Reserves and Resources Report and the GLJ Proforma Report and as a result may contain slightly different numbers than such reports due to rounding. Also due to rounding, certain columns may not add exactly.
- (3) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. There is a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. There is a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves. 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.

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YouTube - https://www.youtube.com/channel/UCgDn_igrQgdIj-maR6fWB0w

[Alvopetro Energy Ltd.](#)'s vision is to become a leading independent upstream and midstream operator in Brazil. Our strategy is to unlock the on-shore natural gas potential in the state of Bahia in Brazil, building off the development of our Caburé natural gas field and our strategic midstream infrastructure.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

All amounts contained in this new release are in United States dollars, unless otherwise stated and all tabular amounts are in thousands of United States dollars, except as otherwise noted.

Abbreviations:

1P = proved reserves
2P = proved plus probable reserves
3P = proved plus probable plus possible reserves
Bcf = billion cubic feet
boepd = barrels of oil equivalent ("boe") per day
bopd = barrels of oil and/or natural gas liquids (condensate) per day
e³m³/d = thousands of cubic metres per day
m³ = cubic metre
m³/d = cubic metre per day
Mboe = thousands of barrels of oil equivalent
MMboe = millions of barrels of oil equivalent
Mcf = thousand cubic feet
Mcfpd = thousand cubic feet per day
MM³ = million cubic metre
MMcfpd = million cubic feet per day
NGLs = natural gas liquids
Oil and Natural Gas Advisories

Original December 31, 2023 Reserves and Pro-forma December 31, 2023 Reserves

The disclosure in this news release summarizes certain information contained in the GLJ Reserves and Resources Report and the GLJ Proforma Report but represents only a portion of the disclosure required under National Instrument 51-101 ("NI 51-101"). Full disclosure with respect to the Company's Original December 31, 2023 Reserves is included in the Company's AIF for the year ended December 31, 2023 which has been filed on SEDAR+ (www.sedarplus.ca).

The reserves definitions used in the GLJ Reserves and Resources Report and the GLJ Proforma Report are the standards defined by the COGE Handbook reserve definitions and are consistent with NI 51-101. 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.

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 (6 Mcf/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, Alvopetro 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 effective date of the redetermination, the expected impact of the redetermination on future natural gas entitlements from the Caburé Unit, the expected impact of the redetermination on Alvopetro reserves and Alvopetro's expectations on assuming operatorship of the Unit. The forward-looking statements are based on certain key expectations and assumptions made by Alvopetro, including but not limited to expectations and assumptions concerning the success of future drilling, completion, and testing, equipment availability, the timing of regulatory licenses and approvals, recompletion and development activities, the outlook for commodity markets and ability to access capital markets, the impact of global pandemics and other significant worldwide events, 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 outcome of any future redeterminations, the availability and cost of labour and services, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the regulatory and legal environment and other risks associated with oil and gas operations. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Although Alvopetro believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Alvopetro can give no assurance that it will prove to be correct. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on factors that could affect the operations or financial results of Alvopetro are included in our annual information form which may be accessed on Alvopetro's SEDAR+ profile at www.sedarplus.ca. The forward-looking information contained in this news release is made as of the date hereof and Alvopetro undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

SOURCE [Alvopetro Energy Ltd.](#)

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