

Connacher Oil and Gas Ltd. Reports Year-End 2018 Reserves

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CALGARY, April 26, 2019 - [Connacher Oil and Gas Ltd.](#) ("Connacher" or the "Company") announces its year-end reserves as of December 31, 2018, as evaluated by GLJ Petroleum Consultants Ltd. ("GLJ"), independent qualified reserves evaluators.

Proved producing reserves decreased by approximately 1.8 million barrels (gross) to 11.5 million barrels (gross). The net present value of future net revenue before income taxes (discounted at ten per cent) ("10% PV") of the proved producing reserves decreased to \$4.4 million from \$30 million last year. Proved plus probable producing reserves are 18 million barrels (gross) compared to 20.4 million barrels (gross) in 2017. The 10% PV of the proved plus probable reserves decreased by \$27 million to \$1,054 million.

Estimated proved ("1P") bitumen reserves totaled approximately 239 million barrels (gross), a decrease of 1.7% per cent over year-end 2017 volumes. The 10% PV of the 1P bitumen reserves decreased by \$2 million to \$666 million in 2018 due to a decrease in the long term GLJ price forecast and changes to carbon tax regulation.

Proved plus probable ("2P") reserve volumes decreased to 462 million barrels of bitumen, from 465 million barrels a year earlier. The 10% PV of these 2P bitumen reserves decreased by \$27 million to approximately \$1.1 billion due to a decrease in the long term GLJ price forecast and changes to carbon tax regulation.

Connacher's first SAGD project at Great Divide, Pod One, has been producing bitumen since late 2007, with commercial production commencing March 1, 2008. Algar commenced producing bitumen in August 2010 and commerciality was achieved October 1, 2010. Production from Great Divide since startup through December 31, 2018 has totaled approximately 43 million barrels of bitumen. Such amounts have been deducted from earlier estimates of proved reserves prior to the calculation of reserves as at December 31, 2018.

Unless otherwise stated, reserves refer to reserves of bitumen. Future net revenue is calculated after the deduction of forecast royalties, operating expenses, estimated future capital expenditures and well abandonment costs, but before corporate overhead or other indirect costs, including interest and income taxes, from forecast revenue. Certain amounts cited herein have been rounded for presentation purposes. The GLJ December 31, 2017 report ("Year-End 2018 Report") was prepared utilizing the GLJ January 1, 2019 price forecast, effective December 31, 2018. Readers are referred to the notes to the Summary Tables included in this press release for details regarding the price forecast used by GLJ. Earlier reports were prepared using the price forecasts then being applied by GLJ. Future net revenues disclosed herein do not represent fair market value. Also, estimations of reserves and future net revenue discussed in this press release constitute forward looking information. See "Forward Looking Information and Reserves Advisory" below.

The Year-End 2018 Report was prepared using assumptions and methodology guidelines outlined in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and in accordance with National Instrument 51-101—Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Comparisons provided herein with respect to Connacher's bitumen reserves and for 10% PV for December 31, 2017 are to estimates contained in the report, prepared by GLJ, with an effective date of December 31, 2017 ("Year-End 2017 Report").

Furthermore, additional information regarding Connacher's reserves and resources, including the Company's interest in the resources and the risks and the level of uncertainty associated with the recovery of the resources, can be found in the Company's annual information form ("AIF") dated March 29, 2016 and Statement of Reserves Data and Other Oil and Gas Information dated April 26, 2019, which can be accessed at www.sedar.com.

Detailed information included in the Year-End 2018 Report regarding Connacher's bitumen reserves and associated present values are set forth in the tables below, including a comparison of year-end 2018 results to year-end 2017 results.

Summary Tables

Set out below is a summary of the bitumen reserves and the value of future net revenue of the Corporation as at December 31, 2018 as evaluated by GLJ in the Year-End 2018 Report. The pricing used in the forecast price evaluations is set forth in the notes to the tables.

BITUMEN RESERVE VOLUMES

BASED ON FORECAST PRICES AND COSTS⁽⁷⁾

	Bitumen	
	Gross ⁽¹⁾	Net ⁽¹⁾
	(Mbbl)	(Mbbl)
Proved Reserves		
Producing ⁽²⁾⁽⁴⁾	11,533	10,752
Developed Non-Producing ⁽²⁾⁽⁵⁾	0	0
Undeveloped ⁽²⁾⁽⁶⁾	227,476	171,554
Total Proved ⁽²⁾	239,008	182,306
Total Probable ⁽³⁾	222,960	159,065
Total Proved Plus Probable ⁽²⁾⁽³⁾	461,969	341,371

NET PRESENT VALUE SUMMARY

BASED ON FORECAST PRICES AND COSTS⁽⁷⁾

	Net Present Value of Future Net Revenue Before Income Taxes Discounted at (%/Year)					Net Present Value of Future Net Revenue After Income Taxes Discounted at (%)	
	0%	5%	10%	15%	20%	0%	5%
	(\$MM)	(\$MM)	(\$MM)	(\$MM)	(\$MM)	(\$MM)	(\$MM)
Proved Reserves							
Producing ⁽²⁾⁽⁴⁾	-33	-9	4	12	16	-33	-9
Developed Non-Producing ⁽²⁾⁽⁵⁾	0	0	0	0	0	0	0
Undeveloped ⁽²⁾⁽⁶⁾	3,108	1,380	662	325	150	2,535	1,176
Total Proved ⁽²⁾	3,075	1,371	666	337	166	2,502	1,167
Total Probable ⁽³⁾	3,010	983	387	168	73	2,085	658
Total Proved Plus Probable ⁽²⁾⁽³⁾	6,085	2,353	1,054	506	239	4,587	1,826

Figures in tables may not add due to rounding.

Notes:

- (1) "Gross Reserves" are the Corporation's working interest (operating or non-operating) share before deducting royalties and without including any royalty interests of the Corporation. "Net Reserves" are the Corporation's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Corporation's royalty interests in reserves.
- (2) "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (3) "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (4) "Producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- (5) "Undeveloped" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production.
- (6) The net present value of estimated future net revenues referred to herein should not be construed as the fair market value of estimated bitumen reserves attributable to Connacher's properties.
- (7) Pricing assumptions in the Year-End 2018 Report were as follows: US\$/CDN\$ exchange rate was 0.770 for 2018. The following is the price forecast for the Year-End 2018 Report:

Year	Inflation (%/Year)	Exchange Rate (\$US/\$)	West Texas Intermediate Crude Oil at Cushing Oklahoma Current (\$US/bbl)	AECO/NIT Spot Current (\$/MMBtu)	WCS Crude Oil Stream Quality at Hardisty Current (\$/bbl)	Alberta Natural Gas Liquids Edmonton C5+ Stream Quality Current (\$/bbl)
2019	2.00	0.750	56.25	1.85	47.67	67.67
2020	2.00	0.770	63.00	2.29	58.44	79.22
2021	2.00	0.790	67.00	2.67	65.82	83.54
2022	2.00	0.810	70.00	2.90	67.90	85.49
2023	2.00	0.820	72.50	3.14	70.12	87.80
2024	2.00	0.825	75.00	3.23	72.73	90.30
2025	2.00	0.825	77.50	3.34	75.76	93.33
2026	2.00	0.825	80.41	3.41	79.28	96.86
2027	2.00	0.825	82.02	3.48	81.24	98.81
2028	2.00	0.825	83.66	3.54	83.22	100.80
2029+	2.00	0.825	+2.00%/yr	+2.00%/yr	+2.00%/yr	+2.00%/yr

Comparison of Reserves 2017/2018

BITUMEN GROSS RESERVES (Mbbbl)

	31-Dec-17	31-Dec-18
Proved Producing	13,294	11,533
Proved Plus Probable Producing	20,366	17,973
Total Proved Reserves (1P)	242,608	239,008
Probable	222,731	222,960
Proved Plus Probable Reserves (2P)	465,339	461,969

Note: The definitions of the respective types of reserves set forth in the notes to the Summary Tables above also apply to the above table.

10% PRESENT VALUE OF FUTURE NET REVENUE OF BITUMEN RESERVES
- BEFORE TAX (\$MM)

	31-Dec-17	31-Dec-18
Proved Producing	30	4
Proved Plus Probable Producing	74	60
Total Proved Reserves (1P)	668	666
Probable	413	387
Proved Plus Probable Reserves (2P)	1,081	1,054

Note: The definitions of the respective types of reserves set forth in the notes to the Summary Tables above also apply to the above table.

Forward Looking Information and Reserves Advisory

This press release contains certain statements that constitute forward-looking statements under applicable securities legislation. All statements other than statements of historical fact are forward-looking statements. In some cases, forward looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", or the negative of these terms or other comparable terminology. These statements are only as of the date of this document and the Company does not undertake to publicly update these forward looking statements except in accordance with applicable securities laws. Forward-looking statements include, but are not limited to, estimated reserves and future net revenues associated therewith and the proposed timing of the release of the Company's Statement of Reserves Data and Other Oil and Gas Information for the year ended December 31, 2018. The forward-looking information is based on current expectations, estimates, projections and assumptions, which the Company believes are reasonable but which may prove to be incorrect and, therefore, such forward-looking statements should not be unduly relied upon. These forward-looking statements involve a number of known and unknown risks and uncertainties, which may cause actual results or performance to differ materially from those anticipated or any future results or performance expressed or implied herein. These risks, uncertainties and other factors relating to the Company include, but are not limited to, the level of indebtedness of the Company, the implementation and impact of obtaining any reorganization or restructuring of the assets, business and financial affairs of the Company, future co-operation of the creditors of the Company, the Company's ability to generate sufficient cash flow from operations or to obtain adequate financing to fund capital expenditures and working capital needs and to meet the Company's ongoing obligations during the Companies' Creditors Arrangement Act ("CCAA") process and thereafter, the risk that the CCAA stay period will not be extended past June 28, 2019 and that, as a result, creditors will be entitled to exercise their various rights and remedies against the Company, the ability to maintain relationships with suppliers, customers, employees, shareholders and other third parties in light of the Company's current liquidity situation and the CCAA proceedings, as well as risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty associated with geological interpretations; the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, risks associated with the implementation of new technology, risks associated with obtaining, maintaining and the timing of receipt of regulatory approvals, permits, and licenses, uncertainties relating to access to capital markets and the risk of volatile global economic conditions. Additional risks and uncertainties are described in the Company's Annual Information Form for the year ended December 31, 2015 which is filed on SEDAR at www.sedar.com.

This press release includes information pertaining to the reserves and the value of future net revenue of the Corporation as at December 31, 2018 and December 31, 2017 as evaluated by GLJ in the Year-End 2018 Report and the Year-End 2017 Report, respectively (together the "GLJ Reports"). Statements relating to reserves are deemed to be forward looking information, as they involve the implied assessment, based on

certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. The GLJ Reports are based on a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of bitumen, operating costs, anticipated reductions in steam-oil ratios and operating costs as a result of installation of pumps in certain wells to improve productivity, well abandonment and salvage values, royalties and other government levies that may be imposed during the producing life of the reserves. Moreover, there is no assurance that the forecast price and cost assumptions contained in the GLJ Reports will be attained and variances could be material. The reserves estimates of Connacher's properties described herein are estimates only. The actual reserves on Connacher's properties may be greater or less than those calculated. The net present value of estimated future net revenues referred to herein should not be construed as the fair market value of estimated bitumen reserves attributable to Connacher's properties.

Due to the risks, uncertainties and assumptions inherent in forward looking information, prospective investors in the Company's securities should not place undue reliance on forward looking information. Forward looking information contained in this press release is made as of the date hereof and are subject to change. The Company assumes no obligation to revise or update forward looking information to reflect new circumstances, except as required by law.

About Connacher

Connacher is a Calgary-based in-situ oil sands developer, producer and marketer of bitumen. The Company's principal asset is a 100 per cent interest in the Company's Great Divide oil sands leases near Fort McMurray, Alberta. The Company operates two SAGD facilities located on these oil sands leases.

SOURCE [Connacher Oil and Gas Ltd.](#)

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