

Wizard Lake Oilfield production stabilised on choke at 600 BOPD with low operating costs

Operating costs at CDN\$7.50/bbl oil, production constrained to circa 600 bbl oil and 3.8 mmcf gas per day

12 March 2020

Highlights

Due to a reduction in the oil price the company has undertaken the following measures:

- Maintaining production between 550-650 barrels of oil per day (bopd) and 3-4 million cubic feet of gas per day (mmcf), which equates to ~1,050 - 1,315 barrels of oil equivalent per day (boepd).
- The Company has been focused on reducing direct operating costs (excluding royalties) which have now been reduced to CDN\$7.50/barrel at 600 bopd production.
- While oil prices are low, production will be contained at current levels which we expect will result in:
 - Deferred sales compared to our previous timeline (reduced revenue now but higher prices in the future).
 - A flatter production decline curve than may be expected if we were producing closer to full capacity.
- Gross production to date from the Wizard Lake Oil field is approximately 50,000 bbls oil and 200 million cubic feet of gas.
- Rex-4 has been deferred until May 2020, all approvals are in place to drill this well.

Whitebark Energy Managing Director David Messina said: "With the recent low oil price environment we have been absolutely focussed on costs and at CDN\$7.50/bbl oil we are in a good position to ride out the current situation. That being said, we only get to sell a barrel of oil once, so we will be maintaining a production level that reflects a balance between pricing and good oilfield practice. The low operating costs in Alberta combined with the proximity of the Wizard Lake Oilfield to major gas and oil facilities provides the Company with the capability to continue profitable production at low oil prices."

Whitebark Energy Limited ('Whitebark' or 'the Company') (ASX: WBE) advises that in response to the significant reduction in the oil price in recent days, the Company has taken immediate steps to maximise the long term returns from its Wizard Lake oil field in Alberta, Canada. Production will be constrained to between 550-650 barrels of oil per day (bopd) and 3-4 million cubic feet of gas per day (mmcf), which equates to ~1050-1315 barrels of oil equivalent per day (boepd). This is to optimise the value of reserves while oil prices remain at low levels, while still generating significant cashflow for the company.

The Company's Wizard Lake Oilfield has now been operating for approximately two months following the upgrade of the surface processing facilities and the addition of an extra well to production. During this time the Company has been able to establish its operating costs, based on production of 600bopd, at CDN\$7.50/bbl oil. Key costs include oil and water transport and treatment variable costs of CDN\$4.35/bbl, and fixed costs equivalent to CDN\$3.15/bbl (equipment rental, labour, maintenance, regulatory etc). Further reductions in fixed costs of approximately \$2/bbl are available if the rental equipment is acquired rather than leased. The Company is currently exploring the cost benefit of undertaking this exercise.

The oil royalty in Alberta varies according to the nature of the agreement with the Crown or freehold landowner. From the existing three wells at Wizard Lake, royalties are averaging 16% of gross Revenue.

No costs are assigned to the Company's gas production other than the tolling rate at the interconnected Petrus processing facility which is circa 95c/mcf.

The timing of the Rex-4 well has been delayed until the second quarter of 2020. As all the necessary approvals have been received the timing of the next well can be varied to suit company circumstances and could be accelerated or delayed depending on economic circumstances.



Figure 1 - Wizard Lake Facilities

End

This ASX announcement was approved and authorised for release by David Messina, Managing Director Whitebark Energy

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The Company confirms that it is not aware of any new information or data that materially affects the information in the relevant ASX releases and the form and context of the announcement has not materially changed.



Background

- The Wizard Lake Oilfield was identified using geological information obtained from wells drilled mainly in the 1950's.
- It has the potential to contain 24+ wells targeting 11mmboe¹.
- Full production of three wells peaked at a gross rate of 1220 bopd and 3.5mmcf/d in early February 2020².
- The horizontal discovery well, Rex-1, was spud on 24 November 2018³ and production commenced in June 2019⁴. Initial flow testing of recorded rates of more than 300 bopd from only 500m of the horizontal section due to an obstruction which was recently removed⁵.
- Rex-2 was drilled and fraced in August and tested in September 2019, with a peak production rate of 865 boepd (540bbls of oil and 2 mmcf/d of gas) before the well had to be constrained due to unexpected high gas production.⁶
- Rex-3 was drilled to 3,673mMD in eight days with a horizontal section of 2,098m.⁷ Rex-3 averaged 1,278 boepd including 1,084 bopd of oil in the final six hours of a continuous 18 hour period.⁸
- An upgrade to production facilities was commenced in November 2019 and included a 3km gas pipeline to connect to local gas networks to ensure high gas and oil production rates can be managed. These facilities were completed in late December 2019 and production commenced.⁹
- Following the close of Stage 1 of the Wizard Lake acquisition, WBE now owns a 60% working interest in the field. Following completion of Stage 2 WBE will own 100% in the field and 90% in Rex 1 and Rex 2 until Stage 3 closes in December 2020, at which point it will own 100% of all assets in the Wizard Lake field¹⁰.
- Conversion of gas to Barrels of Oil Equivalent (BOE) is done on the basis of 6mcf = 1 BOE.

1 ASX Release 22 August & 1 October 2019

2 ASX Release 17 February 2020

3 ASX Release 26 November 2018

4 ASX Release 5 & 19 June 2019

5 ASX Release 13 November 2019

6 ASX Release 6 September 2019

7 ASX Release 26 November 2019

8 ASX Release 16 December 2019

9 ASX Releases 23 December 2019

10 ASX Releases 18 & 24 December 2019