



ALVOPETRO - NEWS EVENTS

Alvopetro Announces Natural Gas Treatment Facility Construction and Operating Agreement

Sep 21, 2018

CALGARY, Sept. 21, 2018 /CNW/ - Alvopetro Energy Ltd. (TSX-V:ALV) announces the award of the contract for the construction of our Natural Gas Treatment Facility (the "Facility") in the state of Bahia in Northeast Brazil. This facility is the key strategic asset underpinning our natural gas development project and will be the first 100% independently owned treatment facility in Brazil capable of delivering sales specification natural gas.

Natural Gas Treatment Facility Contract

Following an extensive competitive bidding process, Alvopetro has awarded a 10-year contract to Enerflex Ltd. to build, own, operate and maintain the Facility. Enerflex is a global leader in the natural gas industry providing integrated gas compression and processing solutions with an established Brazilian operating presence.

Corey Ruttan, President and Chief Executive Officer of Alvopetro stated, "We are extremely excited to be working with Enerflex on this precedent setting development. This agreement brings the confidence of working with a world-class fabrication, construction and operating company, delivering a key component of our infrastructure, and reducing our project financing requirements. We look forward to working with Enerflex as we continue to expand our natural gas business in Bahia."

Under the terms of our agreement, Enerflex will construct the Facility using a mechanical refrigeration unit (the "MRU") as the main processing element. The MRU technology was selected by Alvopetro based on the ability to manage a broader range of inlet natural gas specifications, making it ideal for accommodating our richer Gomo natural gas and natural gas from future discoveries and projects. Enerflex will construct and own the Facility providing operations and maintenance, while warranting the delivery schedule and on-stream availability. The Facility is scheduled to begin commissioning in November 2019 and be operational by the end of 2019. Alvopetro will pay an integrated service fee for the Facility of US\$2.9 million per year over the 10-year term of the agreement.

Operational Update

The execution of this agreement for construction of the natural gas treatment facility, the key strategic asset in our natural gas development in Bahia State in Brazil, builds off the momentum we have achieved over the past five months with the finalization of the unitization agreement for our Caburé natural gas field in April 2018 and our long-term gas sales agreement with Bahiagás in May 2018. The Caburé and Gomo natural gas assets in Brazil were evaluated by GLJ Petroleum Consultants ("GLJ") as of May 31, 2018 with total proved plus probable ("2P") reserves of 5.7 mmboe assigned with a before tax value discounted at 10% of US\$124.0 million.

Over the next few weeks we expect to award the turnkey contract for the construction of the 11-kilometre transfer pipeline from the Caburé unit to the Facility. Alvopetro has secured the land for the Facility, completed all field survey and initial permitting work, and the application for construction of the pipeline and the Facility was submitted for regulatory approval in April 2018. Our Gomo natural gas project will also connect to our 11-kilometer transfer pipeline via an 8-km transfer pipeline to be built in 2019, following the stimulation of the 183(1) well planned near the end of 2018. We anticipate approximately \$1.4 million of capital expenditures for the Caburé and Gomo development later in 2018 and \$6.0 million in 2019, and are in the process of securing the remainder of the project financing for this development.

Updated Corporate Presentation

Alvopetro's updated corporate presentation is available at: <http://www.alvopetro.com/corporate-presentation>.

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 and Gomo natural gas assets and the construction of 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.

Abbreviations:		
bcf	=	billion cubic feet
bcf/d	=	billion cubic feet per day
bopd	=	barrels of oil per day
m3	=	cubic metre
m3/d	=	cubic metre per day
mmboe	=	million barrels of oil equivalent
mmbtu	=	million British Thermal Units
mmcf	=	million cubic feet
mmcfpd	=	million cubic feet per day

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.

Oil and Natural Gas Reserves. All net present values in this news release are based on estimates of future operating and capital costs and forecast prices used by GLJ Petroleum Consultants ("GLJ") in the independent reserve assessment and evaluation dated June 6, 2018 with an effective date of May 31, 2018 ("the GLJ Report"). The reserves definitions used in these evaluations are the standards defined in the Canadian Oil and Gas Evaluation Handbook reserve definitions and consistent with NI 51-101 and used by GLJ. The GLJ Report is for the interim period ended May 31, 2018. Alvopetro's oil reserves associated with its Bom Lugar and Jiribatuba oil fields were not included in the GLJ report and have not been updated from the December 31, 2017 report prepared by Sproule International Limited ("Sproule") dated March 5, 2018. Full disclosure with respect to the Company's reserves as at December 31, 2017 is contained in the Company's annual information form for the year ended December 31, 2017 which was filed on SEDAR.

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. More particularly and without limitation, this news release contains forward-looking information concerning anticipated outcomes of regulatory determinations, future results from operations, projected financial results and financing requirements, future capital and operating costs, future production rates, proposed exploration and development activities, sources and availability of capital, and capital spending levels. Forward-looking statements are necessarily based upon assumptions and judgments with respect to the future including, but not limited to, the success of future drilling, completion, recompletion and development activities, the outlook for commodity markets and ability to access capital markets, the performance of producing wells and reservoirs, well development and operating performance, 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 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 these and other factors that could affect the operations or financial results of Alvopetro are included in our annual information form which may be accessed through the SEDAR website at www.sedar.com. 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.

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