Hemisphere Energy’s field production up more than 40%

Ahead of its’ Second Quarter 2017 financial report, Hemisphere Energy Corporation (TSXV: HME) has just announced a production and operations update and the news is positive. Estimated field production for July was approximately 700 barrels of oil equivalent per day (boe/d), up nearly 20% from the First Quarter 2017 average of 584 boe/d, but up more than 40% over July 2016.

The company continues to focus on the core area in south east Alberta. Recall that the company has two properties – one at Atlee-Buffalo and a second at Jenner, just 25 kilometers southwest of Atlee-Buffalo. These 100%-owned properties are predominantly shallow, medium gravity oil with associated water production and are being developed with horizontal wells (no fracs required). Drilling locations are identified by 3D seismic and the oil pool production is supported by waterflooding the reservoir to maximize reserve recovery and maintain or grow oil production.

Through 2016, the company made significant expenditures on facilities for water handling and reinjection in addition to drilling new wells. In 2017, the company has focused on enhancing the waterflood projects in Atlee-Buffalo “F” pool to support field production.

Further potential production growth is anticipated in 2017 as a new facility is planned for the first well in the Atlee-Buffalo “G” pool, drilled in August 2016 but constrained by facility capacity. In addition, up to two further wells are planned for the Atlee-Buffalo area for the remainder of 2017 which should allow for additional new production. The company has a lot of room to grow production on both of their oil fields by drilling more new wells.

The company plans to release Second Quarter 2017 financial results on August 22, which should be similar to First Quarter 2017 results, but are expected to reflect the company's good financial position and the continued work done by the company this year.

Focus on key oil & gas assets and an "all-star" team catalyst for Hemisphere's +130% share rise this year

November 18, 2016 – Don Simmons, President and CEO of Hemisphere Energy Corporation (TSXV: HME), in an interview with InvestorIntel Corp. CEO Tracy Weslosky discuss a focus on key oil & gas assets and an "all-star" management team as contributors of the 130% share price increase this year. Introducing the corporate story and professional quarterbacks that have aligned their talents and invested in Hemisphere Energy, Don provides an overview on the latest news releases, drill results as they discuss the overall oil & gas industry.

Tracy Weslosky: Don we are delighted to have been introduced to Hemisphere Energy. I see your stock has moved up over 130% since the New Year in the oil and gas industry – what is Hemisphere doing differently?

Don Simmons: We are focusing on key assets and have the management team to execute on it. That's what our focus has been through this downturn and as we're seeing things (get) better now we'll continue to focus on what makes the most sense and adds the most value.

Tracy Weslosky: Your board and management team are very impressive. I read some bios and it seems like you put together just all-star professional team here. Can you give the InvestorIntel audience new to Hemisphere Energy, kind of, an overview?

Don Simmons: We have a great supportive board. This is a board I've worked with for a number of years, in some cases more than a decade. These people bring a vast amount of experience in the oil and gas business from the past decades. When we look at our management team, our CFO, Dorlyn Evancic, COO Ian Duncan, Vice President of Engineering Ashley Ramsden-Wood and our Vice President of Exploration Andrew Arthur, all are key people that have got years of experience in doing what we do best. We're supported by great number of other team members that are in the field, in our operations, in our accounting, in our land, in our business development and even on the geophysics side. We have a great team that's been able to execute in good and bad times.

Tracy Weslosky: Well, obviously your shareholders like your results. You just had some production results recently from your Atlee well? What were these production results and why are they being translated so well and do you think you've hit your market valuation yet?

Don Simmons: Well, I actually don't think that our new well is being valued into our story at all. I think it's something that it's just a factor that's going to take some time for people to understand the important of this well and the importance of this pool for the company going forward. Most of our long-term shareholders are well aware of what we've done over the past years in Atlee Buffalo in really taking a property that had very little production and something we focused on to add a lot of reserves and production. The G pool significantly though and more importantly recently with our new well there it’s the first producing well into this pool. This is a 38 million barrel original oil in place pool. Only 3% of the productions been taken out. There’s a huge amount of upside, huge amount of future growth for the company in that pool.

Tracy Weslosky: And, of course, in that particular news release you reference a reservoir and production concepts. Can you tell me what you mean by this?

Don Simmons: In this part of southern Alberta it’s fairly common for these pools of this size to be developed with horizontal wells and then followed up with secondary recovery or a water flood. These are things that have been going on for decades…to access the complete interview, click here

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Hemisphere Energy – A “first mover” in the recovery of the oil and gas industry

Despite miners thinking that the world revolves around them and their sector, the sad truth is that in most places it does not. When commodity currencies had their Wile E. Coyote moment in 2013 and plunged it was interpreted in Canada by miners as being due to the weak metals prices. We would vouch for that being the reason behind the Australian and South African currency dives but in Canada the real reason was the weakness in the energy sector, namely oil and gas.

The difficult situation is best shown by the rig counts, which give a good reading on activity levels. These figures are only to the end of 2015 though. Surprisingly things have got worse since then despite energy prices having firmed up (and the CAD having stayed down). In August 2016 there were only 120 rigs in operation, down 552 from the fleet of 671 rigs representing a dire 18% utilisation rate.

Probably the drillers would not like us admitting this but you don’t need the drilling to have the production. You just need the drilling to have the future production. The chart shows rig counts and activity peaked in 2014 but as the chart below shows production in Alberta in 2016 is near record levels (discounting the dive for the Fort MacMurray fires). Canadian oil and gas producers are living on past exploration efforts through the lean times. And so they should and this is no different to the producers in the mining fraternity.

With production up and prices up (see chart below) it’s not exactly party like its 2012 but it is not as dire as it was either. As a result there are stirrings in the oil patch… we thought it might be useful to highlight one of the rising plays in the space that has just come onto the radar screen of InvestorIntel.

Hemisphere

One presumes it is a sign of the times that O&G juniors are starting to crawl out of the bunkers like the miners have done in the first half of 2016. The key difference is though that those in the energy space have had a brutal ride like the miners but the downturn has been much shorter than the five year drought in metals.

As the downturn was shorter the pain was more bearable if the juniors kept themselves in good financial health and husbanded their pennies. The one that came to my attention of late was Hemisphere Energy Corp. (TSXV:HME), a Toronto Venture-listed oil and gas company focused on oil & gas production and reserve building. Its stated principal focus is growth through strategic acquisitions and farm-ins that provide low-risk drilling opportunities. Hemisphere’s core operations are in the Jenner and Atlee Buffalo areas in southeast Alberta.

The main attributes of these properties are:

- ~31,000 net acres
- ~100% Working Interest
- Mannville and Pekisko oil formations
- Depth of 900-1,000 m
- Conventional horizontal wells
- No fracking required

The reserve building strategy has put it in a strong position coming out of the slump.

Feeling Predatory & Expansionary

While many others are still reeling from the tough time they have been through, Hemisphere Energy aims to come out fighting. The strategy at the moment is based on the belief that current prices present an opportunistic entry point and is summed up as:

- Acquire known conventional oil pools with large OOIP (Original Oil in Place)
- Focus on oil pools that have low recovery factors compared to local analogue pools
- Consolidate to achieve 100% working interest and operatorship
- Use 3D seismic and reservoir modeling to map drilling

and development plan
- Apply proven horizontal drilling and completion practices for optimal oil recovery
- Implement low risk enhanced recovery waterflood programs to increase recovery factors

Conclusion

Hemisphere seems to be doing all the right things at the right time. Its stock price started the year at 4.5 cts and has been mainly around 18 cts for the last six months with a brief spike to 28 cts in mid-June. Believers in HME’s strategy have been rewarded in a way that has been quite rare in the oil and gas space in recent years.

With oil having seen its worst moments in recent times the recovery seems to be in place even if it is not soaring. Frankly, moderate recoveries are more welcome to us than “boom and bust” type moves. Hemisphere is clearly planning on being a first mover in this recovery (and certainly their share price has reflected that) but also hoping the recovery is not that robust that the bargains they want to hoover up are not made too pricey. Clearly their ambitions lie in leaving the “junior” producer label behind in an opportunistic, yet inexpensive, growth spurt.