



**Heavy Oil**

**Gems**

TSX:PXX; OMX:PXXS

November 2010



[www.blackpearlresources.ca](http://www.blackpearlresources.ca)



# Introduction

## Corporate:

Symbol:	PXX, PXXS
Exchanges:	TSX, OMX

## Shares Outstanding (MM):

Basic <sup>(1)</sup>	282.9
Fully Diluted(options & warrants) <sup>(1)</sup>	308.1
Current Share Price (\$/share):*	5.05
Market Capitalization (\$MM) <sup>(1)</sup> :	1,429
Management ownership <sup>(1)</sup>	7%/11%

## Financial:

Working Capital (\$MM):** <sup>(1)</sup>	140
Debt (\$MM):**	0.0

## Operational:

Current Production (boe/day)	6,800
2P Reserves (mm) ***	23.6
2C Resource (mm) ****	749.0

## Trading Volumes (3 mon daily Avg)

Canada (TSX)	883,000
Sweden (OMX)	510,000
Total	1,393,000

\* as at November 18, 2010; \*\*as at September 30, 2010

\*\*\* as at Dec 31, 2009; \*\*\*\* as at Sept 30, 2010

## Overview

- ***Focus is heavy oil***
- ***Exposure to long life oil reserves***
- ***Conservative financial structure***
- ***Significant management ownership***
- ***Independent reserve and resource assessments support 80,000 Bbl/d***

# Why Heavy Oil?



- *Heavy oil is a high cost barrel due to the energy and equipment needs for extraction*
- *Heavy oil trades at a discount to light oil*
- *High cost and lower price creates a margin squeeze. Our strategy is to be a low cost operator with a conservative financial plan*
- *The upside is that there are vast amounts of heavy oil and oil sands with long life reserves*
- *The key is to understand what can be extracted economically with current technology and current pricing*
- *Understanding the resource subtleties and the right extraction technology are keys to success*



# Recent developments

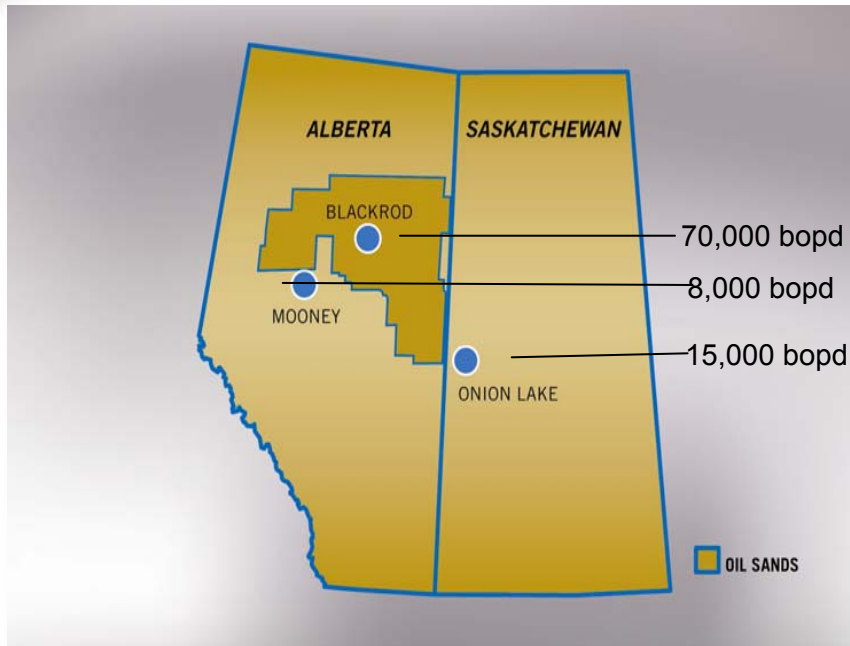
- ***Sproule Associates Limited recently completed an independent resource assessment of BlackPearl's three core properties***

## ***Summary of Contingent Resource Assessment <sup>(1)</sup>(<sup>2</sup>) :***

	Gross Heavy Oil//Bitumen (MMboe)	Net Present Values of <u>Before Tax</u> Future Net Revenue as of September 30, 2010 Contingent Resources Discounted at			
		0%	5%	8%	10%
Low estimate (P90)	673	15,715	6,033	3,647	2,671
Best estimate (P50)	749	19,257	7,022	4,174	3,039
High estimate (P10)	831	23,051	8,174	4,850	3,542

- 1) Definitions of each of the resource categories and the pricing assumptions used is included in the appendix to this presentation
- 2) These volumes are arithmetic sums of multiple estimates of contingent resources, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class as explained.

# Core Areas



\*Best estimate recoverable resource as per contingent resources study prepared by Sproule Associates Limited dated September 30, 2010

## Core Area Profile

<u>Core Areas</u>	<u>Contingent Resource*</u> (mmbbls)	<u>WI</u>	<u>Operator</u>	<u>Technology</u>
Onion Lake	86	87%	PXX	Conventional wells SAGD
Mooney	44	100%	PXX	Horizontal wells Polymer flood
Blackrod	619	100%	PXX	SAGD

***Our three core areas have common characteristics: lots of oil in place; BlackPearl operated; high working interests, and the resource is exploitable with proven technology.***



# Onion Lake

## General Characteristics

- *Current production of ~ 5,500 Boe/day*
- *11° API oil*
- *87.5% working interest*

## Keys to Value Creation

- *Primary well development*
  - *200+ well drilling inventory*
- *Develop resource with a thermal (SAGD) process*
  - *25+ year project life*

## Potential

- *Production potential of 15,000 Boe/day*
- *11mm Bbl reserves <sup>(1)</sup> and 86mm Bbl 2C resource <sup>(2)</sup>*





# Onion Lake

## Primary Development

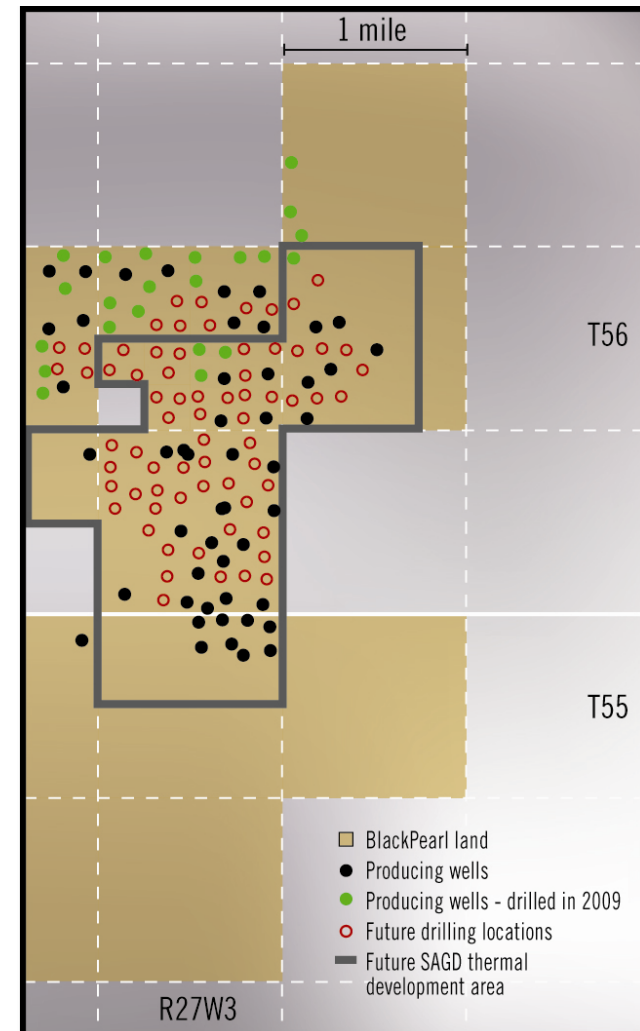
- Production from the Cummings and Dina sands
- Typical well IP ~ 60-75 bbl/day;
- Capex ~ \$0.5mm/well; 1 year or less to payout capital costs; F&D <\$10/bbl
- 5-8% recovery factor; 60 – 80,000 bbls/well

## SAGD Opportunity

- Net pay on a portion of the lease is in excess of 15m, making it suitable for thermal exploitation
- 50-70% potential recovery factor

## Future Plans

- Continue drilling primary heavy oil wells (next 4 yrs)
- Initiate a 10,000 bbl/day SAGD project (in 3-5 yrs)





# Mooney Project

## General Characteristics

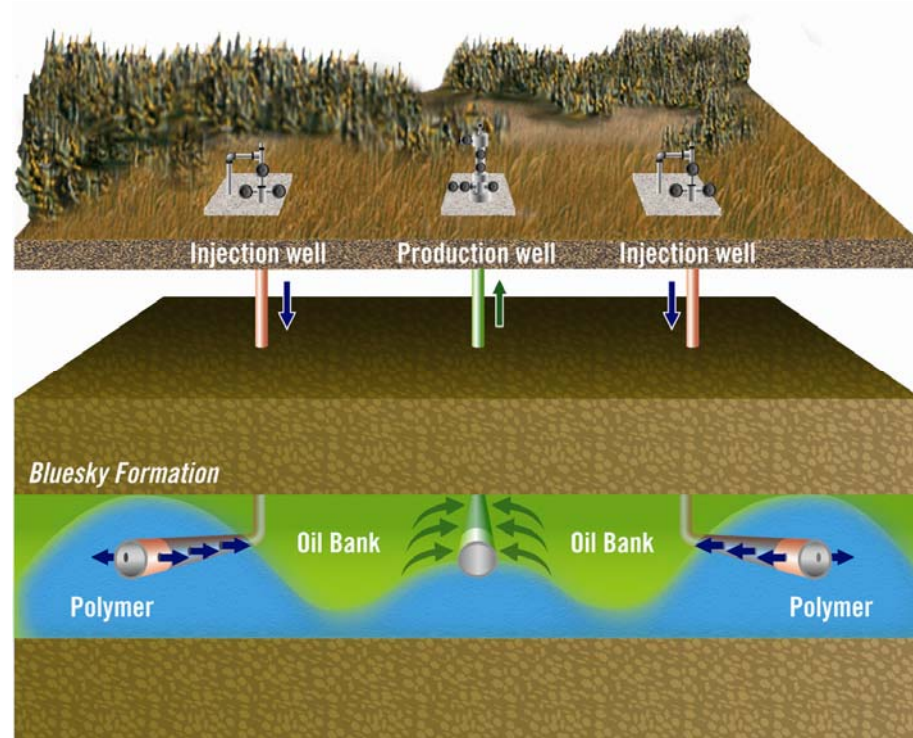
- *Current production of ~ 900 Boe/day*
- *16° API oil*
- *100% working interest*

## Key to Value Creation

- *Polymer flood*
- *Regulatory approval - received*

## Polymer Flood Characteristics

- *Polymer thickens the water to improve the ability to sweep oil to the wellbore*
- *Alkali and surfactant acts as a detergent to wash more oil from the rock*
- *Potential to significantly increase oil recovery rates*





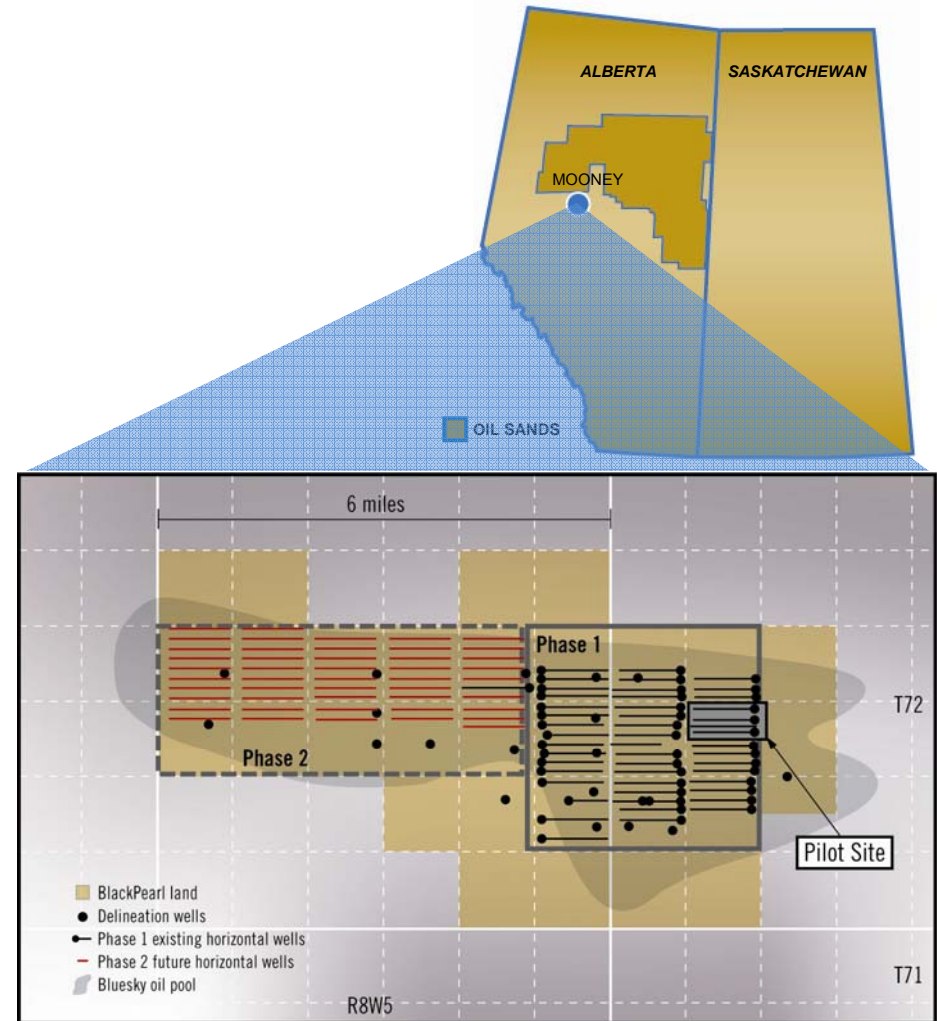
# Mooney Project

## Potential

- 7,000 – 10,000 Boe/day
- 8mm Bbl reserves <sup>(1)</sup> and 44mm Bbl 2C resource <sup>(2)</sup>

## Future Plans

- Expand polymer flood in 3 – 5 yrs
  - Additional drilling, surface facilities



# Blackrod SAGD Project

## General Characteristics

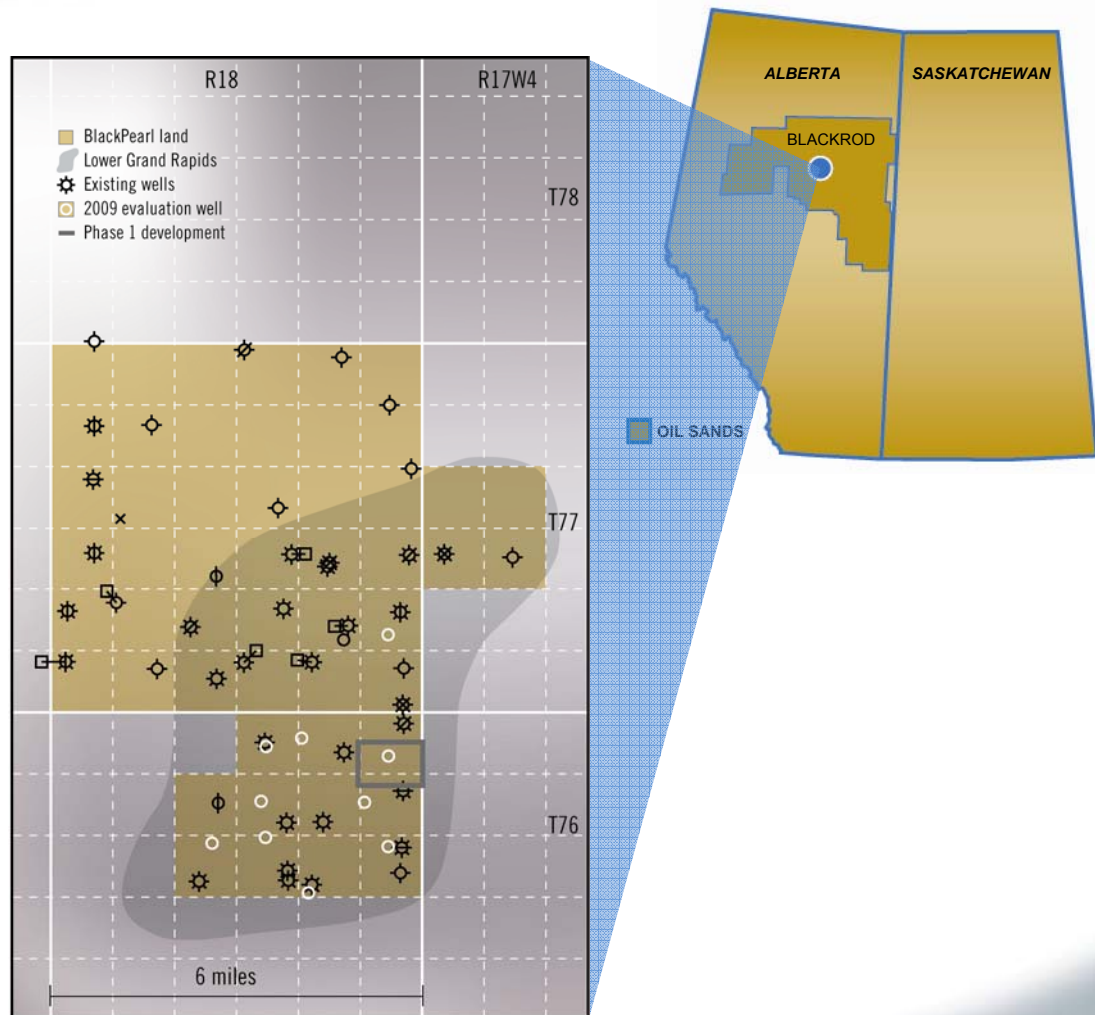
- Athabasca Oil Sands
- Lower Grand Rapids ~300 metres
- No current production
- 9° API oil
- 100% working interest

## Key to Value Creation

- *Move from a pilot to first phase of commercial development*

## Potential

- 70,000 Boe/day <sup>(1)</sup>
- 619mm Bbl 2C resource <sup>(1)</sup>



# Blackrod SAGD Project

## Next Steps

- *Regulatory - approval received to construct a SAGD pilot*
- *Drill single well SAGD well pair*
- *Drill water source and observation wells*
- *Construct surface facilities*
- *First steam in the ground Q1 2011*

## Future Plans

- *File application for 40,000 bbl/day commercial development of the lease (late 2011/early 2012)*
- *Commercial development to occur in phases*



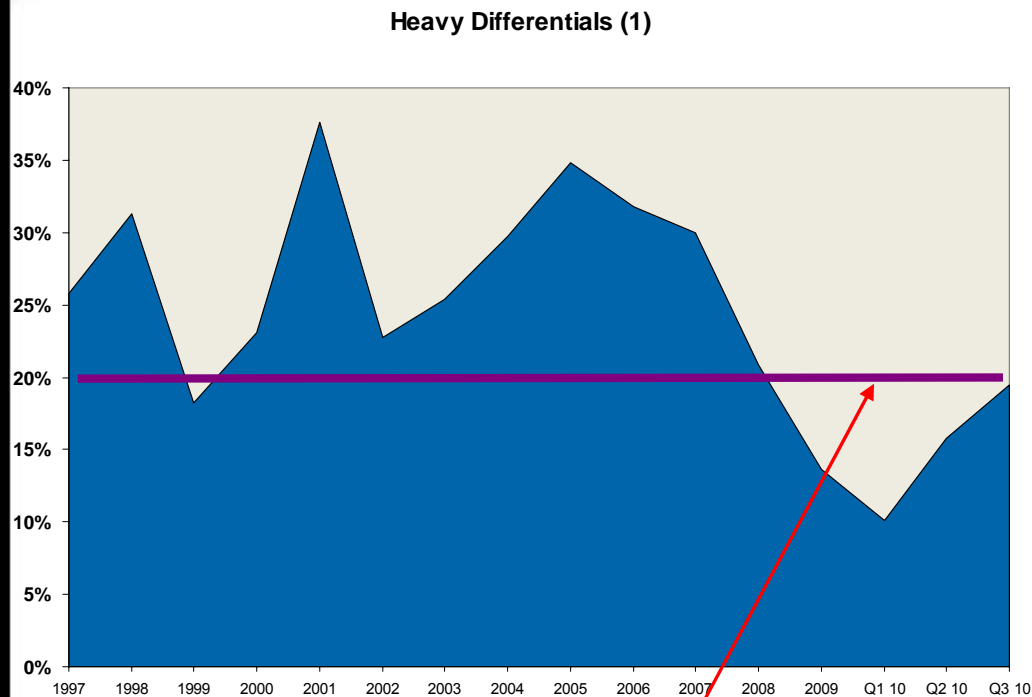
40,000 bopd Commercial  
Project Application Area

Initial Phase 1 -  
10,000 bopd project

Lower Grand Rapids  
Net Oil Pay  
<17m Pay Cutoff

 **BlackPearl**  
Resources Inc.

# Heavy Oil Differentials



PXX uses 20% for longer term planning

- BlackPearl produces, on average, 11°-12° API crude
- The trend over the last 3 yrs is narrowing heavy oil differentials.
  - increased pipeline access to the US gulf coast
  - increased heavy oil refining capacity
  - decreased supplies from other countries

(1) Differential is the discount a heavy oil reference bbl (Bow River) receives compared to a WTI bbl



# 2011 Guidance

	2010	2011
<b>Production:</b>		
Average (boe/d)	6,800-7,100	9,200-9,700
Year-end exit (boe/d)	8,000	11,000-13,000

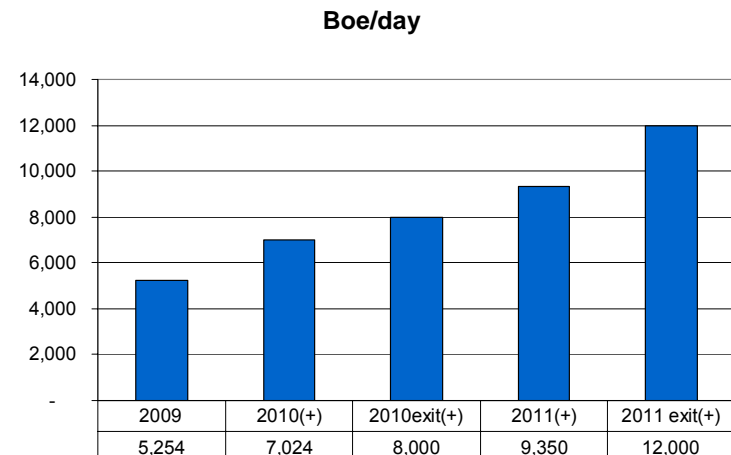
<b>Investment:</b>		
Capital expenditures (\$mm)	\$100-110	\$130-150

<b>Financial:</b>		
Cash flow from operations (\$mm)	\$53-57	\$65-70
Per share	0.21	0.25
Ending Working Capital (\$mm):	\$55 - 60	*\$0 - 5
Debt (\$mm):	0	0

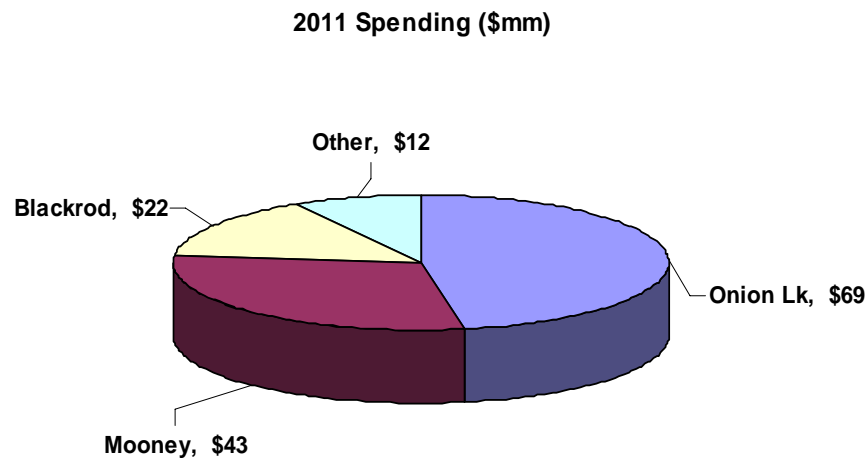
Pricing Assumptions (avg for the yr)		
Crude Oil - WTI	US\$78	US\$80
Light/Heavy Differential	US\$14	US\$16
Cdn/US\$ exchange	0.98	1.00

**2011 exit production levels are expected to be 50% higher than 2010**

**Capital program will be funded from existing working capital and anticipated cash flow**



# 2011 Capital Program



***We plan to spend  
\$130-\$150 million in 2011***

## ● Onion Lake

- Drill 100-110 primary wells*
- Upgrade infrastructure*

## ● Mooney

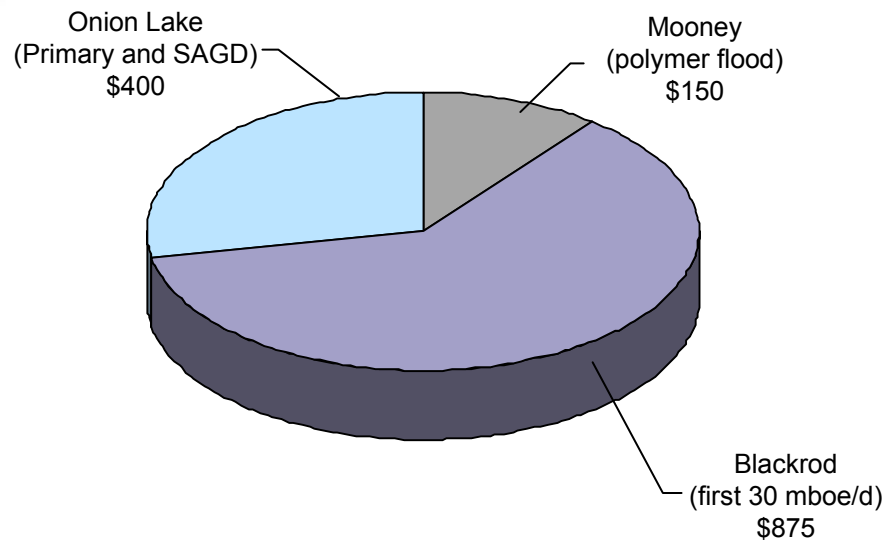
- install polymer facilities*
- convert wells to polymer injection*

## ● Blackrod

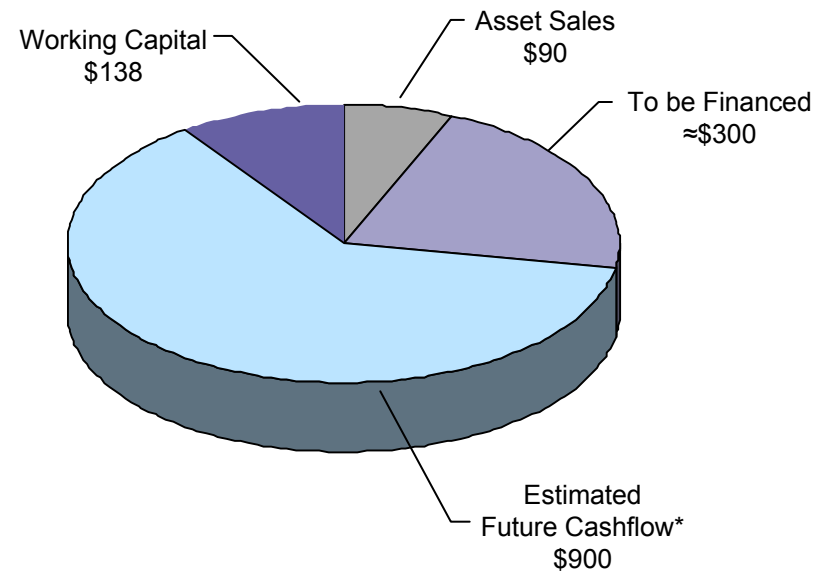
- Complete construction of SAGD pilot and begin steaming*
- Complete 40,000 bbl/day commercial application*

# 10 Year Capital Requirements

## Capital Required (\$mm)



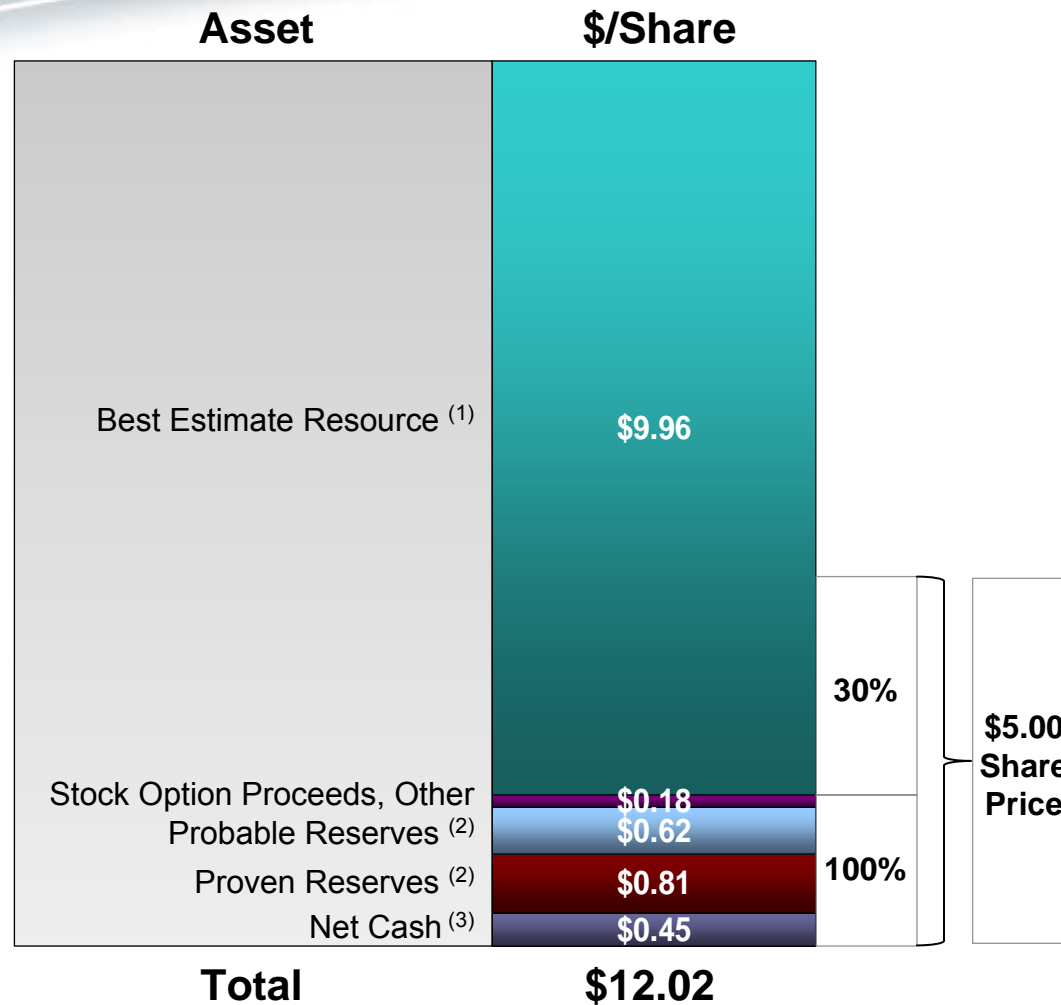
## Sources of Capital (\$mm)



- Three core properties will require over \$1 billion during the next 10 years
- Financing Options
  - Issue equity
  - Debt
  - Take on a partner
  - Sell one of our core properties

\*Estimate based on 13,000 boe/d, WTI of \$80, differential of 20%, 28% royalty rate; Fx=1; Operating costs & transportation of \$18.50/bbl

# BlackPearl Share Price Analysis



<sup>(1)</sup> as per Sept 30/10 Sproule resource study (PV@10%)

<sup>(2)</sup> as per Dec 31/09 Sproule report (PV@10%)

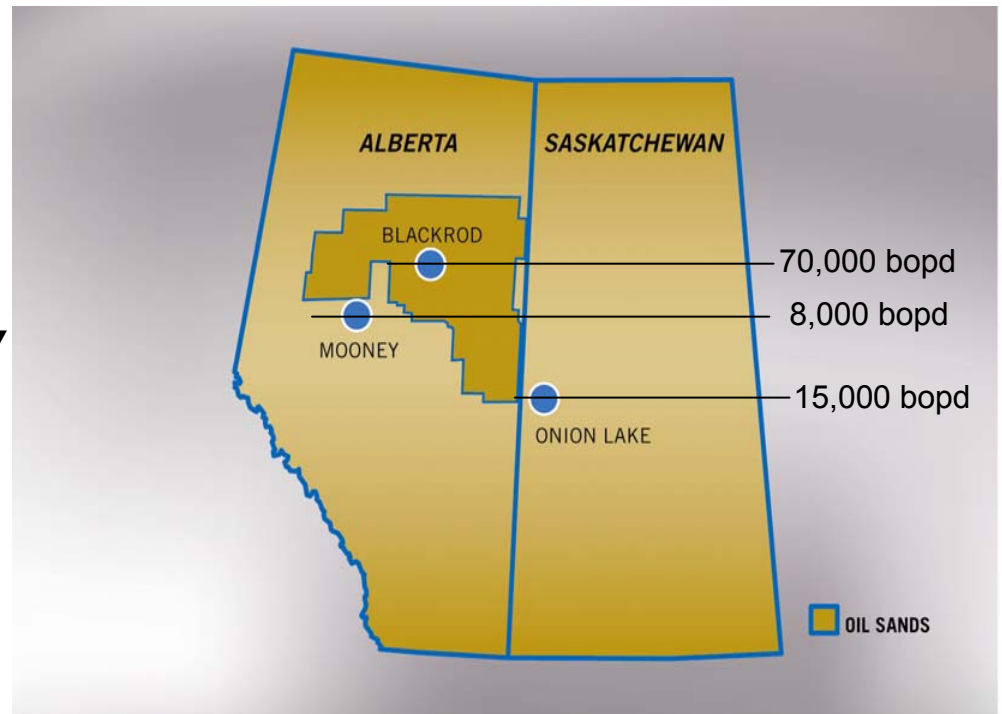
<sup>(3)</sup> as at Sept 30, 2010



# Reasons to Invest

***In Summary, BlackPearl provides:***

- ***Pure heavy oil focus***
- ***Significant leverage to oil prices***
- ***Disciplined, experienced heavy oil management team***
- ***Exposure to large high quality, high impact properties***
- ***Strong balance sheet***





# Cautionary Statements

**FORWARD-LOOKING STATEMENTS** This presentation contains certain forward-looking statements and forward-looking information within the meaning of applicable Canadian securities legislation (collectively referred to as "forward-looking statements"). All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", "predict", "targeting", "seek", "intend", "could", "potential" or similar words. In particular, this presentation contains forward looking statements pertaining to the following: the Company's capital expenditure programs, the estimated quantity of the Company's Proven and Probable Reserves (2P) and Contingent Resources (2C); the Company's drilling plans and its exploration and development activities; the net present value of future net revenues from contingent resources of bitumen and heavy oil; forecasted production levels; estimated cash flow from operations; forecast working capital and debt levels; funding for the Company's current and future capital programs and estimated proceeds from asset dispositions.

Statements relating to "reserves", "resources"; "oil initially in place" or "contingent resources" are deemed to be forward-looking statements 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 profitably be produced in the future.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to the Company and its shareholders.

Forward-looking statements are based on the Corporation's current beliefs as well as assumptions made by, and information currently available to, the Corporation concerning anticipated financial performance, business prospects, strategies, regulatory developments, future commodity prices, future production levels, the ability to obtain equipment in a timely manner to carry out development activities, the ability to market oil and natural gas successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, and the ability to add production, reserves and resources through development and exploration activities. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. These factors include, but are not limited to, risks associated with oil and gas exploration, financial risks, substantial capital requirements, bank financing, government regulation, aboriginal claims, environmental matters, prices, markets and marketing, dependence on key personnel, availability of drilling equipment and access, uninsurable risks, management of growth, expiration of licenses and leases, reserves estimates, seasonality, competition, conflicts of interest, issuance of debt, title to properties, variations in exchange rates and hedging and uncertainty in global financial markets. Readers are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by the Corporation that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained in this short form prospectus are made as of the date hereof, and neither the Corporation nor the Underwriters undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.



# Cautionary Statements cont'd

**RESOURCES:** There are significant differences in the criteria associated with the classification of reserves and contingent resources. Contingent resource estimates involve additional risk, specifically the risk of not achieving commerciality, not applicable to reserves estimates. There is no certainty that it will be commercially viable to produce any portion of the resources. No adjustments for these risks have been made in the groupings of reserves and recoverable resources. The estimates of reserves and future net revenue from individual properties may not reflect the same confidence level as estimates of reserves and future net revenues for all properties, due to the effects of aggregation.

**BOE's:** All references to BOEs are based on a 6 to 1 conversion ratio. BOEs may be misleading, particularly if used in isolation. A BOE conversion of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

**NON-GAAP MEASURES:** This presentation uses the terms "Cash flow from operations" and "cash flow" which represent cash flow from operating activities before working capital adjustments.



# Appendix



# Contingent Resource Definitions

- **Contingent Resources** are defined in the COGE Handbook as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as Contingent Resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage.
- **Best estimate (P50)** is a classification of estimated resources described in the COGE Handbook as being considered to be the best estimate of the quantity that will be actually recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the best estimate.
- **Low estimate (P90)** is a classification of estimated resources described in the COGE Handbook as being considered to be a conservative estimate of the quantity that will be actually recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the low estimate.
- **High estimate (P10)** is a classification of estimated resources described in the COGE Handbook as being considered to be an optimistic estimate of the quantity that will be actually recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the high estimate.



# Sproule Resource Assessment -Oil Price Assumptions

The price forecasts and assumptions that formed the basis for the revenue projections in the Sproule assessment was based on Sproule's pricing models as of September 30, 2010. A summary of selected items from these pricing models are set forth below.

Year	WTI Cushing 40° API (US\$/bbl)	Edmonton Par Price 40° API (CDN\$/bbl)	Western Canada Select 20.5° API (CDN\$/bbl)	Alberta AECO-C Spot (CDN\$/MMBtu)	Inflation rate (%/yr)	Exchange rate (US\$/CDN\$)
2010	75.60	79.12	69.63	3.64	1.5	0.934
2011	80.57	84.42	73.45	4.19	1.5	0.934
2012	83.76	87.82	75.52	4.82	1.5	0.934
2013	86.09	90.29	74.94	5.35	1.5	0.934
2014	90.22	94.69	77.65	6.33	1.5	0.934
2015	91.57	96.12	78.82	7.30	1.5	0.934
2016	92.94	97.57	80.01	8.01	1.5	0.934
2017	94.34	99.04	81.22	8.14	1.5	0.934
2018	95.75	100.54	82.44	8.28	1.5	0.934
2019	97.19	102.06	83.69	8.41	1.5	0.934
2020	98.65	103.60	84.95	8.55	1.5	0.934

Escalation rate of 1.5% thereafter