



NEWS RELEASE

February 25, 2020

PIPESTONE ENERGY CORP. REPORTS INCREASED YEAR-END RESERVES, INCLUDING A 585% INCREASE IN PDP RESERVES

Calgary, Alberta, February 25, 2020 (PIPE – TSX-V) Pipestone Energy Corp. (“**Pipestone Energy**” or the “**Company**”) is pleased to report its year-end 2019 independent reserves evaluation prepared by McDaniel & Associates Consultants Ltd. (“**McDaniel**”) with an effective date of December 31, 2019 (the “**McDaniel Report**”).

Year-End 2019 Reserve Results:

Key Highlights from the Year-End 2019 McDaniel Report include:

- ▶ Proved Developed Producing (“**PDP**”) reserves increased by 585% from 2.7 MMboe to 18.5 MMboe and achieved a Finding & Development (“**F&D**”) cost of \$8.39/boe, driving a 2019 PDP recycle ratio of 1.8x;
- ▶ Total Proved (“**1P**”) reserves increased by 24% from 90.8 MMboe to 112.5 MMboe and achieved a 1P F&D cost of \$3.34/boe, driving a 2019 1P recycle ratio of 4.5x;
- ▶ Total Proved + Probable (“**2P**”) reserves increased by 12% from 164.0 MMboe to 183.6 MMboe and achieved a 2P F&D cost of (\$5.24)/boe;
- ▶ Decrease in 1P Future Development Capital (“**FDC**”) of 8% from \$860 million to \$790 million, and a ~19% decrease in 2P FDC from \$1,375 million to \$1,114 million;
- ▶ Go-forward estimated Undeveloped 1P F&D cost (FDC / Undeveloped Reserves) of \$8.95/boe and Undeveloped 2P F&D cost of \$7.28/boe reflect the forecast efficiency of future reserve development;
- ▶ Increase in 1P NPV10% of \$0.4 billion to \$1.3 billion, which is a 51% increase from year-end 2018⁽¹⁾ 1P NPV10% of \$0.8 billion and an increase in 2P NPV10% of \$0.5 billion to \$1.9 billion, which is a 38% increase over year-end 2018⁽¹⁾ 2P NPV10% of \$1.4 billion; and
- ▶ Increase in 2P NAVPS utilizing a 10% discount rate at Strip Pricing (as at February 6th, 2020) to \$5.01 per share, which is a 57% increase from the Jan 4, 2019 2P NAVPS at Strip Pricing (as at March 14th, 2019) of \$3.19 per share.

Pipestone Energy’s 2019 capital program focused on the efficient pad development of its condensate-rich Montney resource with 10 wells drilled, 16 wells completed, and 20 new wells brought on production. The 2019 capital program also included the completion of the in-field gathering system capable of handling

(1) Effective January 4, 2019



~33,000 boe/d of production. Based on achieved capital cost savings, the Company's forecasted drill, complete, equip, and tie-in ("DCE&T") well costs have decreased from \$9.7 million at the beginning of 2019 to \$7.1 million (for a 2,500-metre lateral length well), which is reflected in reduced 1P and 2P FDC costs, despite an increase in booked volumes. These capital cost savings have been achieved through a combination of reduced time to drill wells, improved completion efficiencies and logistics, and optimized well facility designs. All reported F&D costs outlined in this press release are calculated including year over year changes to FDC.

		December 31, 2019		January 4, 2019		
2P Reserve Volumes (Gross Interest)		Amount	Weight	Amount	Weight	Change
Tight Oil	Mbbls	53	Nil	34	Nil	56%
Condensate	Mbbls	63,500	35%	57,028	35%	11%
Other NGLs	Mbbls	23,354	13%	17,971	11%	30%
Total Natural Gas Liquids	Mbbls	86,854	47%	74,999	46%	16%
Shale Gas	MMcf	580,069	53%	533,422	54%	9%
Total	Mboe	183,585	100%	163,936	100%	12%
Proved Developed Producing	Mboe	18,529	10%	2,704	2%	585%
Proved Developed Non-Producing	Mboe	6,789	4%	10,694	7%	-37%
Proved Undeveloped	Mboe	87,177	47%	77,366	47%	13%
Total Proved	Mboe	112,495	61%	90,764	55%	24%
Probable	Mboe	71,091	39%	73,172	45%	-3%
Total Proved + Probable	Mboe	183,585	100%	163,936	100%	12%
Reserves Before-Tax NPV10%⁽¹⁾						
Proved Developed	\$MM	\$360	19%	\$170	12%	112%
Total Proved	\$MM	\$1,268	66%	\$839	60%	51%
Total Proved + Probable	\$MM	\$1,918		\$1,394		

2P NAV per share - 3C Price Deck ⁽¹⁾⁽⁴⁾	\$/sh	\$8.54		\$6.78		26%
2P NAV per share - Flat Price Deck ⁽²⁾⁽⁴⁾	\$/sh	\$5.15				
2P NAV per share - Strip Price Deck ⁽³⁾⁽⁴⁾	\$/sh	\$5.01		\$3.19 ⁽⁵⁾		57%

(1) Calculated using a Three Consultant Average ("3C Price Deck") commodity price forecasts as of January 1, 2020, which includes McDaniel, Sproule Associates Limited and GLJ Petroleum Consultants.

(2) Flat Price Deck utilizes US\$55 per barrel WTI, C\$1.75 per GJ AECO, and \$0.75 CADUSD exchange rate with no future inflation.

(3) Strip Price deck utilizes the WTI, AECO and CADUSD futures as of February 6, 2020. WTI Pricing (US\$ per barrel); 2020: \$52.44, 2021: \$50.90, 2022: \$50.74, 2023+: \$50.98 | AECO Pricing (C\$ per Mcf); 2020: \$1.77, 2021: \$1.89, 2022: \$1.98, 2023: \$2.06.

(4) 2P NAV per Share calculated as 2P Reserves NPV10% - abandonment liabilities - net debt + proceeds from dilutive securities, including publicly traded warrants (see "Pre-tax Net Asset Value" for further details).

(5) Strip Price Deck as of March 14, 2019. WTI Pricing (US\$ per barrel); 2020: \$58.77, 2021: \$56.67, 2022: \$55.11, 2023: \$54.41 | AECO Pricing (C\$ per Mcf); 2020: \$1.65, 2021: \$1.70, 2022: \$1.82, 2023: \$2.05.

2019 Independent Reserves Evaluation:

McDaniel conducted an independent Reserves Evaluation effective December 31, 2019, which was prepared in accordance with definitions, standards, and procedures contained in the Canadian Oil and Gas



Evaluation Handbook and NI 51-101. The Reserves Evaluation was based on a 3C forecast pricing and foreign exchange rates at January 1, 2020 as outlined in this press release.

Reserves included herein are stated on a company gross basis (working interest before deduction of royalties without the inclusion of any royalty interest) unless otherwise noted. In addition to the information disclosed in this news release, more detailed information will be included in Pipestone Energy's annual information form for the year ended December 31, 2019, which will be available on the Company's website at www.pipestonecorp.com and on SEDAR at www.sedar.com on or before March 31, 2020.

3C Price Forecast:

3C Price Forecast	WTI Crude Oil (US\$/bbl)		Edmonton Light Oil (Cdn \$/bbl)		Henry Hub Natural Gas (US\$/MMBtu)		AECO Natural Gas Cdn\$/MMBtu		Foreign Exchange (US\$/Cdn\$)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
2020	\$61.00	\$64.60	\$72.64	\$75.84	\$2.62	\$3.13	\$2.04	\$2.31	\$0.760	\$0.782
2021	\$63.75	\$68.20	\$76.06	\$80.17	\$2.87	\$3.33	\$2.32	\$2.74	\$0.770	\$0.797
2022	\$66.18	\$71.00	\$78.35	\$83.22	\$3.06	\$3.51	\$2.62	\$3.05	\$0.785	\$0.803
2023	\$67.91	\$72.81	\$80.71	\$85.34	\$3.17	\$3.62	\$2.71	\$3.21	\$0.785	\$0.807
2024	\$69.48	\$74.59	\$82.64	\$87.33	\$3.24	\$3.70	\$2.81	\$3.31	\$0.785	\$0.808
2025	\$71.07	\$76.42	\$84.60	\$89.50	\$3.32	\$3.77	\$2.89	\$3.39	\$0.785	\$0.808
2026	\$72.68	\$78.40	\$86.57	\$91.89	\$3.39	\$3.85	\$2.96	\$3.46	\$0.785	\$0.808
2027	\$74.24	\$79.98	\$88.49	\$93.76	\$3.45	\$3.92	\$3.03	\$3.54	\$0.785	\$0.808
2028	\$75.73	\$81.59	\$90.31	\$95.68	\$3.53	\$4.01	\$3.09	\$3.62	\$0.785	\$0.808
2029	\$77.24	\$83.22	\$92.17	\$97.60	\$3.60	\$4.09	\$3.16	\$3.69	\$0.785	\$0.808
Thereafter	+2%/Yr	+2%/Yr	+2%/Yr	+2%/Yr	+2%/Yr	+2%/Yr	+2%/Yr	+2%/Yr	\$0.785	\$0.808

Company Gross (before royalties) Working Interest Reserves

Reserve Category	2019 Year-End Reserves (Gross Interest)			
	Tight Oil (Mbbbl)	Shale Gas (MMcf)	Natural Gas Liquids ⁽¹⁾ (Mbbbl)	Total Company (Mboe)
Proved				
Developed Producing	39	68,339	7,100	18,529
Developed Non-Producing	-	20,620	3,352	6,789
Undeveloped	-	268,890	42,362	87,177
Total Proved	39	357,848	52,814	112,495
Total Probable	14	222,221	34,040	71,091
Total Proved + Probable	53	580,069	86,854	183,585

(1) Natural Gas Liquids includes condensate volumes. Booked 2P condensate volumes are 63,500 Mbbbls as at December 31, 2019.



Company Net Present Value of Future Net Revenue Using 3C Price Forecast⁽¹⁾:

\$C Millions	Before Income Taxes				
	Discount Factor (% / Year)				
Reserve Category	0%	5%	10%	15%	20%
Proved					
Developed Producing	\$314	\$267	\$234	\$209	\$191
Developed Non-Producing	\$165	\$142	\$126	\$115	\$105
Undeveloped	\$1,649	\$1,202	\$908	\$705	\$559
Total Proved	\$2,128	\$1,612	\$1,268	\$1,029	\$856
Probable	\$1,644	\$993	\$649	\$451	\$329
Total Proved + Probable	\$3,772	\$2,605	\$1,918	\$1,480	\$1,184

(1) Calculated using the 3C Price Deck as of January 1, 2020.

Reserve Reconciliation:

	Tight Oil (Mbbbl)	Natural Gas (MMcf)	Natural Gas Liquids ⁽¹⁾ (Mbbbl)	Company Total (Mboe)
Company Gross				
Proved Developed Producing				
Opening Balance - December 31, 2018	28	9,847	1,036	2,704
Extensions	-	-	-	-
Economic Factors	(2)	(430)	(42)	(116)
Transfers	-	64,362	6,711	17,438
Technical Revisions	31	707	211	359
Production	(17)	(6,147)	(816)	(1,857)
Opening Balance - December 31, 2019	40	68,339	7,100	18,529
Total Proved				
Opening Balance - December 31, 2018	28	296,076	41,391	90,764
Extensions	-	76,435	12,137	24,876
Economic Factors	(2)	(499)	(51)	(136)
Transfers	-	8,445	(646)	762
Technical Revisions	31	(16,462)	799	(1,914)
Production	(17)	(6,147)	(816)	(1,857)
Opening Balance - December 31, 2019	40	357,848	52,814	112,494
Proved + Probable				
Opening Balance - December 31, 2018	34	533,422	74,999	163,936
Extensions	-	66,284	10,762	21,809
Economic Factors	(3)	(712)	(73)	(194)
Transfers	-	9,159	(987)	539
Technical Revisions	39	(21,935)	2,970	(648)
Production	(17)	(6,148)	(816)	(1,857)
Opening Balance - December 31, 2019	53	580,069	86,854	183,585

(1) Natural Gas Liquids includes condensate volumes. Booked 2P condensate volumes are 63,500 Mbbbls as at December 31, 2019.



Reserve Life Index:

In 2019, Pipestone Energy's 1P Reserve Life Index ("RLI") was 16.2 years and 2P RLI was 26.5 years. The RLI was determined by dividing 1P and 2P reserves by the mid-point of the Company's 2020 production guidance range of 18,000 to 20,000 boe per day (~35-40% condensate, ~5-7% other NGLs and ~53-60% shale gas), contingent upon the execution of a \$145 to \$155 million capital program.

Future Development Capital and F&D Costs:

FDC reflects McDaniel's best estimate of what it will cost to bring Pipestone Energy's proved and probable developed and undeveloped reserves on production. Changes in forecasted FDC occur annually as a result of development activities, acquisition and disposition activities, changes in capital cost estimates based on improvements in well design and performance, and changes in service costs. Undiscounted 2P FDC at December 31, 2019 decreased by \$261 million relative to January 4, 2019, to total \$1.1 billion. The year-over-year decrease is driven primarily by capital efficiency improvements related to drilling and completions activities.

Pipestone Energy's 2020 capital budget mid-point of \$150 million is 12% higher than the 2P FDC forecasted for 2020, while the total 2P FDC, undiscounted, is ~7 times the Company's 2020 capital budget.

Year	Total Proved (C\$MM)	Total Proved + Probable (C\$MM)
2020	\$134	\$134
2021	\$168	\$168
2022	\$223	\$223
2023	\$149	\$149
2024	\$117	\$154
Remainder Thereafter	\$0	\$286
Total FDC Undiscounted	\$790	\$1,114
Total FDC Discounted (10%)	\$637	\$823



2019 F&D Costs | Recycle Ratio

Proved Developed Producing

Reserve Additions	Mboe	17,682
2019 Capital Expenditures (Estimated)	\$MM	\$148.4
F&D per boe	\$/boe	\$8.39
2019 Operating Netback (Estimated)	\$/boe	\$15.03

Recycle Ratio

1.8x

Total Proved

Reserve Additions	Mboe	23,587
2019 Capital Expenditures (Estimated)	\$MM	\$148.4
2019 Change in FDC	\$MM	(\$69.5)
F&D per boe	\$/boe	\$3.34
2019 Operating Netback (Estimated)	\$/boe	\$15.03

Recycle Ratio

4.5x

Proved + Probable

Reserve Additions	Mboe	21,506
2019 Capital Expenditures (Estimated)	\$MM	\$148.4
2019 Change in FDC	\$MM	(\$261.2)
F&D per boe	\$/boe	(\$5.24)
2019 Operating Netback (Estimated)	\$/boe	\$15.03

Recycle Ratio

n.a

1P / 2P Future Undeveloped F&D Costs⁽¹⁾

Proved Undeveloped

1P Future Development Capital	\$MM	\$780.0
Proved Undeveloped Reserves	Mboe	87,177

1P F&D **\$/boe** **\$8.95**

Proved + Probable

2P Future Development Capital	\$MM	\$1,104.1
Proved + Probable Undeveloped Reserves	Mboe	151,570

2P F&D **\$/boe** **\$7.28**

(1) Excludes FDC in the PDNP category, which was ~\$10 million as at December 31, 2019.



Pre-Tax Net Asset Value – Excludes Unbooked Land Value:

As at December 31, 2019			
\$C Millions	3C Price Forecast	Flat Price Deck ⁽¹⁾	Strip Feb 19, 2019
2P Reserves, Before-Tax NPV10%	\$1,918	\$1,205	\$1,175
(-) Abandonment Obligations (Estimated)	(\$7)	(\$7)	(\$7)
(-) Mark-to-Market of Hedges ⁽²⁾	(\$2)	(\$2)	(\$2)
(-) Net Debt (Estimated) ⁽³⁾	(\$170)	(\$170)	(\$170)
(+) Proceeds from Dilutive Securities ⁽⁴⁾	\$58	\$58	\$58
= Implied Net Asset Value	\$1,797	\$1,084	\$1,054
Fully Diluted Shares Outstanding (millions) ⁽⁵⁾	210.3	210.3	210.3
Net Asset Value per Share (\$/share)	\$8.54	\$5.15	\$5.01

Note: The above Net Asset Value excludes any additional land value for 86 net sections of unbooked undeveloped land.

(1) Flat Price Deck utilizes US\$55 per barrel WTI, C\$1.75 per GJ AECO, and \$0.75 CADUSD exchange rate with no future inflation.

(2) Hedges include floating-to-fixed interest rate swaps as at December 31, 2019.

(3) Net debt represents bank debt and the addition of working capital and is a non-GAAP measure. See "Advisories" for further details.

(4) Assumes exercise of all outstanding warrants and stock options for cash proceeds.

(5) Assumes full dilutive impact of all outstanding warrants, stock options, RSUs, and PSUs.

Pipestone Energy Corp.

Pipestone Energy Corp. is an oil and gas exploration and production company with its head office located in Calgary, Alberta. The company is focused on developing its pure-play condensate-rich Montney asset in the Pipestone area near Grande Prairie, Alberta. Pipestone Energy is committed to building long term value for our shareholders and values the partnerships that it is developing within its operating community. Pipestone Energy shares trade under the symbol PIPE on the TSX Venture Exchange. For more information, visit www.pipestonecorp.com.

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Advisory Regarding Forward-Looking Statements

This news release contains certain information and statements (“forward-looking statements”) that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future results or events, are based upon internal plans, intentions, expectations and beliefs, and are subject to risks and uncertainties that may cause actual results or events to differ materially from those indicated or suggested therein. All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are typically, but not always, identified by words such as “anticipate”, “estimate”, “expect”, “intend”, “forecast”, “continue”, “propose”, “may”, “will”, “should”, “believe”, “plan”, “target”, “objective”, “project”, “potential” and similar or other expressions indicating or suggesting future results or events.

Forward-looking statements are not promises of future outcomes. There is no assurance that the results or events indicated or suggested by the forward-looking statements, or the plans, intentions, expectations or beliefs contained therein or upon which they are based, are correct or will in fact occur or be realized (or if they do, what benefits Pipestone Energy may derive therefrom).

In particular, but without limiting the foregoing, this news release contains forward-looking statements pertaining to: forecasted DCE&T well costs; production guidance; reserves values and financial returns; and FDC costs.

Information and statements regarding Pipestone Energy’s reserves also are forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves exist in the quantities predicted or estimated and can be profitably produced in the future.

With respect to the forward-looking statements contained in this news release, Pipestone Energy has assessed material factors and made assumptions regarding, among other things: future commodity prices and currency exchange rates, including consistency of future oil, natural gas liquids (NGLs) and natural gas prices with current commodity price forecasts; the ability to integrate Blackbird’s and Pipestone Oil’s historical businesses and operations and realize financial, operational and other synergies from the combination transaction completed on January 4, 2019; Pipestone Energy’s continued ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the predictability of future results based on past and current experience; the predictability and consistency of the legislative and regulatory regime governing royalties, taxes, environmental matters and oil and gas operations, both provincially and federally; Pipestone Energy’s ability to successfully market its production of oil, NGLs and natural gas; the timing and success of drilling and completion activities (and the extent to which the results thereof meet expectations); Pipestone Energy’s future production levels and amount of future capital investment, and their consistency with Pipestone Energy’s current development plans and budget; future capital expenditure requirements and the sufficiency thereof to achieve Pipestone Energy’s objectives; the successful application of drilling and completion technology and processes; the applicability of new technologies for recovery and production of Pipestone Energy’s reserves and other resources, and their ability to improve capital and operational efficiencies in the future; the recoverability of Pipestone Energy’s reserves and other resources; Pipestone Energy’s ability to economically produce oil and gas from its properties and the timing and cost to do so; the performance of both new and existing wells; future cash flows from production; future sources of funding for Pipestone Energy’s capital program, and its ability to obtain external financing when required and on acceptable terms; future debt levels; geological and engineering estimates in respect of



Pipestone Energy's reserves and other resources; the accuracy of geological and geophysical data and the interpretation thereof; the geography of the areas in which Pipestone Energy conducts exploration and development activities; the timely receipt of required regulatory approvals; the access, economic, regulatory and physical limitations to which Pipestone Energy may be subject from time to time; and the impact of industry competition.

The forward-looking statements contained herein reflect management's current views, but the assessments and assumptions upon which they are based may prove to be incorrect. Although Pipestone Energy believes that its underlying assessments and assumptions are reasonable based on currently available information, undue reliance should not be placed on forward-looking statements, which are inherently uncertain, depend upon the accuracy of such assessments and assumptions, and are subject to known and unknown risks, uncertainties and other factors, both general and specific, many of which are beyond Pipestone Energy's control, that may cause actual results or events to differ materially from those indicated or suggested in the forward-looking statements. Such risks and uncertainties include, but are not limited to, volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto; the ability to successfully integrate Blackbird's and Pipestone Oil's historical businesses and operations; general economic, business and industry conditions; variance of Pipestone Energy's actual capital costs, operating costs and economic returns from those anticipated; the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms; and risks related to the exploration, development and production of oil and natural gas reserves and resources. Additional risks, uncertainties and other factors are discussed in Blackbird's management information circular dated November 21, 2018, a copy of which is available electronically on Pipestone Energy's SEDAR at www.sedar.com.

The forward-looking statements contained in this news release are made as of the date hereof and Pipestone Energy assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. All forward-looking statements herein are expressly qualified by this advisory.

Advisory Regarding Non-GAAP Measures

This news release contains references to "net debt" and "operating netback", which are terms commonly used in the oil and natural gas industry but without any standardized meaning or method of calculation prescribed by International Financial Reporting Standards ("IFRS") or applicable law. Accordingly, Pipestone Energy's determination of these metrics may not be comparable to similar measures presented by other issuers.

"Net debt" is a non-GAAP measure that is calculated as long-term debt plus adjusted working capital deficit. Adjusted working capital is comprised of current assets less current liabilities on the Company's consolidated statement of financial position and excludes the current portion of financial derivative instruments and the current portion of lease liabilities.

"Operating netback" is a non-GAAP measure that is calculated on a per-unit-of-production basis and is determined by deducting royalties, operating and transportation expenses from liquids and natural gas sales, after adjusting for realized commodity financial derivative instrument gains or losses.



Operating netback is a common metric used in the oil and natural gas industry and is used by Company management to measure operating results on a per boe basis to better analyze and compare performance against prior periods, as well as formulate comparisons against peers.

Oil and Gas Measures

Basis of Barrel of Oil Equivalent – Petroleum and natural gas reserves and production volumes are stated as a “barrel of oil equivalent” (boe), derived by converting natural gas to oil equivalency in the ratio of 6,000 cubic feet of gas to one barrel of oil. Readers are cautioned that boe figures may be misleading, particularly if used in isolation. A boe conversion ratio of 6,000 cubic feet of gas to one barrel of oil is based on energy equivalency, which is primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead.

This presentation contains certain other oil and gas metrics, including DCE&T (drilling, completion, equip and tie-in costs), reserve life index, recycle ratio, F&D and net asset value (or NAVPS), which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. DCE&T includes all capital spent to drill, complete, equip and tie-in a well. Reserve life index in this news release is calculated by dividing 1P and 2P reserves by the mid-point of the Company's expected 2020 production. Recycle ratio means operating netback divided by F&D costs for the particular reserves category. The calculation of F&D costs includes all exploration and development capital for the year plus the change in future development capital for the year. This total capital including the change in the future development capital is divided by the change in reserves for the year. Net asset value has been calculated based on the estimated net present value of all future net revenue from our reserves, before income taxes, as estimated by McDaniel effective December 31, 2019, see “Pre-Tax Net Asset Value” for more information.