



Release Date: 31 January 2018  
ASX Announcement

## Quarterly Report for the period ending 31 December 2017

Release Date: 31 January 2018, Melbourne, Australia:

### Highlights

- **Peak Energy/East Texas Acquisition doubles AOW proven reserves to 2 million barrels**
- **First revenue booked from recently acquired oil and gas assets in Texas**
- **Signed LOI on new South Texas acquisition further increasing reserves to 2.3 million barrels of oil equivalent, which generates ~over US\$95m in revenue at US\$65 oil**
- **Transactions to date add 500boepd to the Company's production profile which generates over ~US\$10m in annual revenue at US\$65 oil**
- **Strong pipeline of conventional producing assets in Texas targeting production of over 2,000bopd in 2018**
- **Debt facility with Arena Investors L.P. on track to close in early February**

American Patriot Oil and Gas (ASX: AOW) ("American Patriot", "the Company") is pleased to present its quarterly activities report for the period ending 31 December 2017.

During the quarter, American Patriot continued its rapid transformation into a significant conventional oil and gas production company, announcing several new acquisitions. Importantly these acquisitions were entered into when oil was at US\$50/bbl vs current market prices of USD\$65/bbl. Collectively the transactions announced in the second half of 2017 add 500boepd to the Company's production profile, an amount that is expected to generate approximately US\$95m revenue at current oil and gas prices over a period of time. Annual revenue from these transactions is expected to be over US\$10m.

In November, American Patriot announced the acquisition of the Peak Energy East Texas assets more than doubling existing reserves to over 2 million barrels of oil equivalent. The Purchase and Sale Agreement on this acquisition is almost finalised and is expected to be signed shortly. The Company also announced first production and cash flow from the Anasazi assets acquired in Texas, an important milestone for the Company. The acquisition of an additional conventional oil and gas asset in South Texas, currently producing 102 boepd and possessing significant upside potential, was also announced during the quarter. The Company has also recently commenced the re-work process at the Lost Lake Oil field to restart shut-in production in that asset and production should be back on line in early 2018.

American Patriot has its sights set on becoming a growing US oil and gas production company and with the backing of its US funders, is well on the way to achieving this. The Company has a significant pipeline of acquisition opportunities and is continuing to find attractive conventional assets with significant upside potential in the current market. Due diligence is currently being



completed on assets more than five times the size of recent acquisitions. With this pipeline of deals, 2018 is looking to be a significant year for American Patriot as it looks to build production to well over 2,000 boepd. This strategy is underpinned by a growing reserve base, growing cash flows and the support of the Company's US-based funder.

### **Peak Energy East Texas Acquisition, Harrison, Gregg, Rusk and Upshur Counties, Texas**

American Patriot signed a new LOI to acquire additional conventional oil and gas assets in East Texas, consisting of 37 barrels of oil a day and 440 mcf/d of gas production (110 boepd) with significant upside potential. The asset contains 1,100,000 barrels of oil equivalent proven oil and gas 1P reserves certified by independent reserve reports. These reserves have been acquired for US\$2.5m and are estimated to have the potential to generate USD\$20m revenue over a period of time. The reserve study has been conservatively valued at US\$50/bbl oil prices vs current market prices of US\$65/bbl. The assets have been acquired from a number of private oil and gas companies.

The Company has already completed an independent reserve report and full engineering study on the assets with further due diligence including land title and environmental work currently being undertaken. The transaction is scheduled to close in early 2018. Operating costs in this region are approximately US\$23/bbl so the wells are economic down to a low oil price. Importantly all infrastructure including pump jacks, tanks and batteries is in place, with ready access to market through gas pipeline and delivery to nearby refineries. The asset requires minimal workover expenditure to increase the production in the field. American Patriot will be the operator of the asset with the current owner assisting with the process. The Purchase and Sale Agreement for the deal is close to being finalised, with financial close anticipated in late February.

The fields acquired in this transaction are located in Harrison, Gregg, Rusk and Upshur Counties, Texas. The fields are mature legacy assets with current daily production of 37bopd oil and 440mcf/d gas production, with significant proven behind pipe pay and infill drilling opportunities that has not yet been exploited. American Patriot expects to be able to grow production significantly for minimal capital expenditure. There are more than 38 producing wells over 43 leases with an average NRI of 76%. Estimated reserves are 400,000 bbls oil and 4 bcf gas.

These assets are being acquired using funding from the facility provided by Arena Investors LLC ("the Lender") which has already successfully completed engineering due diligence on this asset and American Patriot's other assets. This review was conducted by an independent reserve auditor on behalf of the Lender, which is now completing additional due diligence activities including land title and environmental reviews on all assets.

American Patriot has acquired the assets at a low-cost entry point, with significant reserve potential and upside potential through production growth and future growth in the oil price. The asset is already generating 110 bopd production and this is expected to increase significantly – up to double or triple over the next 12 months – with workovers at low cost. On this deal and the other transactions, the Company sees substantial opportunities to lower the Lease Operating Expenses and achieve further cost efficiencies.



### **First Revenue Recorded from Anasazi Assets, Goliad County Texas**

American Patriot has achieved first oil and gas production and booked first cash flows from assets recently acquired in South Texas and Louisiana, USA with Anasazi New Venture Corporation. The net income received during the quarter was A\$56,146. This production and revenue base is expected to increase significantly as American Patriot continues to acquire new assets, and enhance production in this field and others we acquire. This is an important milestone for the Company as it seeks to become a significant oil and gas production company and puts it well on track to being cash flow positive. Production and revenue is expected to increase significantly as additional transactions are closed and production enhancements are implemented in recently acquired oil and gas fields.

### **HJH – South Texas Acquisition, Lee, Fayette and Burleson Counties, Texas**

American Patriot signed a Letter of Intent (LOI) in November 2017 to acquire an additional conventional oil and gas asset in South Texas, currently producing 40 barrels of oil a day (bopd) and 374 mcf of gas (102 boepd) and possessing significant upside potential. The asset contains 430,000 boe proven oil and gas 1P reserves certified by independent reserve reports. These reserves have been acquired for US\$1.2 million and are estimated to have the potential to generate more than US\$15 million in revenue for American Patriot. The reserve study has been conservatively valued at US\$50/bbl verses current market prices of US\$65/bbl.

American Patriot is acquiring the field from private oil and gas company, HJH Resources LLC, in a private, off-market transaction expected to close in late February 2018. Engineering due diligence has been completed to the Company's satisfaction, while land title and environmental due diligence remains to be carried out. The asset consists of 38 Austin Chalk producing wells on 43 leases and requires minimal workover expenditure to significantly increase production. American Patriot will operate this asset, with the existing owner assisting with the process during the transition period.

The existing infrastructure is complete and in good working order consisting of pump jacks, tanks and batteries, with ready access to market through gas pipeline and delivery to nearby refineries. Operating costs in this region are approximately US\$21/bbl, ensuring the wells are economic at low oil prices. As with American Patriot's other recent acquisitions, the Company sees substantial opportunity to lower the Lease Operating Expenses and achieve further cost efficiencies.

The fields acquired in this transaction are located in Lee, Fayette and Burleson Counties, Texas. They are mature legacy assets with current daily production of 40 bopd oil and 374 mcf gas production from the Austin Chalk, with significant proven behind pipe pay and infill drilling opportunities that have not yet been exploited with the ability to grow production significantly for minimal capital expenditure. There are over 38 producing wells across 43 leases with an average NRI of 76%. Estimated proven reserves are 236,000 bbls oil and 4 bcf gas.



## **Lost Lake & Goose Creek Oil Field, Harris and Chambers County Texas**

During the quarter, American Patriot commenced the re-work process at Lost Lake and Goose Creek oil field to restart shut in production in that asset and production should be back on line in early 2018.

The Lost Lake and Goose Creek Oil field consists of 50 barrels of oil a day of conventional production (bopd) with significant upside potential. The asset contains 300,000 barrels equivalent proven oil and gas 1P reserves certified by independent reserve reports. These reserves were acquired for US\$430,000 and are estimated to have the potential to generate US\$11m revenue with a PV10 value of \$US3m. The assets have been acquired out of Chapter 11 Bankruptcy from the major lender Solstice Capital LLC.

The Lost Lake and Goose Creek Oil fields are located in Harris and Chambers Counties Texas. Both fields are mature legacy assets with current daily production of 50bopd shut-in, with significant proven behind pipe pay that has not yet been exploited with the ability to grow production significantly for minimal capital expenditure. There is also substantial workover and behind pipe potential on the existing wells. Importantly all the existing infrastructure is in place consisting of pump jacks, tanks, batteries and piping. The asset requires minimal workover expenditure to bring these fields back to life and the field consists of 37 recompletions and underdeveloped wells with significant potential in these mature legacy fields. AOW will be operator of this asset with the existing owner assisting with the process. Operating costs in this region are approximately US\$22/bbl so the wells are economic down to a low oil price. The assets consist of 65 oil wells covering approximately 340 leasehold acres HBP at 100% GWI/average 75-81% NRI in Harris and Chambers counties Texas.

On this deal and the other transactions we have completed we see substantial opportunities to lower the Lease Operating Expenses and achieve further cost efficiencies such as through the use of solar power in the field vs diesel to increase the net cash flows on the assets.

The Lost Lake field is located in Chambers County and encompassed the entire Lost Lake Salt dome. Wells produce from the shallow Miocene zones with cumulative production of 1.37 million barrels of oil and 230 million cubic feet of gas since first production in the 1970's. Existing 2D seismic has identified 8-10 additional infill drilling sites upon the leases. The primary objective is to return the shut-in wells to production and rework behind pipe zones.

The Goose Creek Field is located in Baytown Texas. The wells produce from the shallow Miocene at depths from 1200 to 3860 feet. Cumulative production of 1.8 million barrels of oil has been recovered since the first production in the 1950's. Rework of the shut-in wells should result in daily production increases in the range of 25-30bopd per well at minimal capex to rework the wells. In addition there are numerous additional locations for infill drilling targeting 50 to 100bopd per well targeting additional reserves of 300,000 barrels of oil. The producing wells are fully equipped while many of the shut-in wells have tubing and or rods in them.



### **Northern Star Project, - Valley County, Montana**

The JV partner Treasure Exploration on the Northern Star asset was expected to drill the second horizontal well, in H2 2016. However this well commitment was not completed by the due date in the JV agreement. Accordingly under the agreement Treasure Exploration have returned their acreage to American Patriot. American Patriot is actively marketing the acreage to new potential JV partners to explore the acreage.

### **Rough House Project - DJ Basin, Colorado**

American Patriot had a farm-out agreement in place with Running Foxes Petroleum (RFP), a private oil company covering the Rough House project acreage located in the Denver Julesburg (DJ) Basin, Colorado. RFP was expected to drill the first well in late 2016 and the second well in 2017. Given RFP has not completed these obligations American Patriot decided to terminate the JV and is actively marketing the acreage. The Company has already received indications of interest from a number of potential JV partners and is in ongoing discussions with them.

### **Debt facility on track to close in early February**

In late September AOW announced it has signed a term sheet with Arena Investors LLP. The facility is subject to completion of loan documentation satisfactory to both parties and the completion of full technical due diligence on American Patriot's recent and all future acquisitions. This process is nearing completion and we expect to close the facility in early February.

Execution of this facility is a key next step in further progressing American Patriot's US conventional oil and gas acquisition programme. This facility will enable American Patriot to undertake a number of material acquisitions in the next 12 months that will have the potential to significantly grow the production, cash flow and reserves base of the company and generate significant value for shareholders.

### **Capital raising to be completed for approximately \$1 m**

AOW is currently in the process of completing a placement of securities (Placement) to raise approximately AUD\$1.0m to be completed in two tranches. Proceeds received from the placement will be used to fund further acquisitions and development work on conventional oil and gas projects in Texas.

The first tranche of the placement will consist of the issue of 23,924,238 fully paid ordinary shares to investors at an issue price of \$0.033 per share, together with one free attaching option for every two shares subscribed for and issued under the Placement. The options will be quoted and exercisable at \$0.045 each on or before 20 September 2019.

The second tranche is expected to be completed during early February with approximately \$272,000 expected to be raised.

The issue of shares and options under the Placement will be issued out of the Company's Placement capacities pursuant to ASX Listing Rule 7.1 and 7.1A. The board of American Patriot would like to thank its shareholders for their support of the placement.



### Current Petroleum tenements as at 31 December 2017

United States Acreage	Location	Working Interest	Joint Venture Partner	Gross Acres Held at 31 December 2017	Acres acquired during the quarter
Northern Star (includes 319 leases)	Montana	Depth Dependent	Anadarko Minerals	58,032	-
Panther Prospect (includes 28 leases)	Montana	100%		6,840	-
Southern Sun (includes 6 leases)	Utah	100%		1,078	-
Overthrust (includes 3 leases)	Wyoming	100%		2,598	
Rough House (includes 27 leases)	Colorado	100%		20,807	

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**About American Patriot Oil and Gas**

American Patriot Oil and Gas (AOW) is an oil and natural gas exploration and development (E&P) group headquartered in Melbourne, Australia, with a U.S. office in Denver, Colorado. The Company is focused on developing a significant conventional oil and gas production company focused on assets in the Texas and Gulf Coast region. The company has announced a number of recent acquisitions with a focus on acquiring conventional producing properties with low operating costs onshore USA with reserve reports and significant production upside via shut in wells, workover potential, behind pipe potential and infill drilling upside.