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ASX Announcement

## **PURCHASE AND SALE AGREEMENT SIGNED ON EAST TEXAS ACQUISITION**

- **Formal documentation completed for East Texas oil field acquisition**
- **Delivers 110boepd and doubles reserves to 2.1 million barrels of oil equivalent**
- **Transaction on target to close in 40 days with due diligence substantially completed**
- **AOW on track to be producing 500 barrels of oil equivalent per day – more than US\$95m annual revenue at current US\$65/bbl oil prices**

American Patriot Oil and Gas (ASX: AOW) (“American Patriot”, “the Company”) is pleased to announce the signing of a Purchase and Sale Agreement (PSA) pertaining to the acquisition of conventional oil and gas assets in East Texas (Peak Energy Transaction), consisting of 37 barrels of oil a day and 440 mcf/d of gas production (110 boepd) located in Harrison, Gregg, Rusk and Upshur Counties.

The transaction was announced on 2 November 2017 and following completion of the PSA, is scheduled to close within 40 days. A majority of the due diligence has already been completed including an independent reserve report and full engineering study on the assets and environmental assessment, with just land title work to be finalised.

The assets contain 1,000,000 barrels of oil equivalent proven oil and gas with 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 over US\$22m 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 are being acquired from a number of private oil and gas companies, with the deal financed using the recently announced debt facility.

Operating costs in this region are approximately \$23/bbl, meaning the wells are economic down to a low oil price. All the existing infrastructure is in place, including pump jacks, tanks, batteries and ready access to market through gas pipeline delivery to nearby refineries. The asset requires minimal workover expenditure to increase the production in the field. AOW will be operator of this asset with the existing owner assisting with this process.

Collectively, the 4 transactions AOW has announced since August 2017 add 500boepd to the Company’s production profile. Annual revenue from these transactions is expected to be over US\$10m at US\$65/bbl oil prices. The current reserve base of ~2.1 million barrels of oil equivalent has the potential to generate ~US\$95m revenue at current oil and gas prices over the life of the assets. These proven oil and gas reserves have been certified by independent reserve reports.



American Patriot CEO Alexis Clark commented: *“Signing the PSA on this transaction continues American Patriot’s transformation into a significant production company with a growing reserve base in a rising oil price environment and demonstrates our ability to execute on our strategy. The East Texas acquisition is our largest transaction to date and it has doubled our reserve base and production potential, underpinning the cash flow of the business. Importantly we acquired this asset on the basis of US\$50/oil vs current oil prices at US\$65/bbl.”*

*“The assets have significant upside potential through low cost capex initiatives such as workovers and behind pipe recompletions which can grow the production. On this deal and other transactions we have completed, we see a number of opportunities to lower the Lease Operating Expenses and achieve further cost efficiencies.”*

*“We have a significant pipeline of acquisition opportunities and continue to find attractive conventional assets with significant upside potential in the current market. Due diligence is currently being completed on assets which are a multiple of recent acquisitions and 2018 is looking to be a significant year for American Patriot as we look to build production to well over 2,000 boepd”.*

*“We recently announced the first production and cash flow from the Anasazi assets acquired in Texas, an important milestone for the Company. This production and revenue base is expected to increase significantly as American Patriot continues to acquire and close on new assets. Enhanced production methods in this field and others we have acquired means the Company is on track to become a significant oil and gas producer.”*

The East Texas 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. Significant proven behind pipe pay and infill drilling opportunities exist that have not yet been exploited, with the ability to grow production significantly for minimal capital expenditure. There are over 38 producing wells over 43 leases with an average NRI of 76%. Estimated reserves are 400,000 bbls oil and 4 bcf gas.





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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.