



Release Date: 30 April 2018  
ASX Announcement

## Quarterly Report for the period ending 31 March 2018

Release Date: 30 April 2018, Melbourne, Australia:

### Highlights

- **Peak Energy/East Texas Acquisition purchase and sale agreement signed/due diligence completed**
- **Revenue booked from recently acquired oil and gas assets in Texas with first oil sales from Lost Lake/Goose Creek asset**
- **Two larger transactions in due diligence/negotiation targeting June close**
- **HJH Deal not proceeding**

American Patriot Oil and Gas (ASX: AOW) (“American Patriot”, “the Company”) is pleased to present its quarterly activities report for the period ending 31 March 2018.

During the quarter, American Patriot made significant progress on its asset acquisition programme. We announced that we signed the Purchase and Sale Agreement on the Peak Energy transaction. Due diligence has been successfully completed on that transaction. In addition to this we are currently completing due diligence and negotiating the acquisition of two larger additional deals which we should be in a position to announce to the market shortly. We have decided to combine all three acquisitions and to close all the deals at one time in a much larger financing package with the lender. These transactions are expected to close by the end of June. Whilst this process is taking longer than anticipated we are excited by the quality and strategic nature of these acquisitions and believe the outcome will generate a significant positive shareholder benefit to American Patriot shareholders.

Production and cash flow from the Anasazi assets acquired in Texas continues and the restart of the Lost Lake/Goose Creek Oil field commenced in April 2018. We have restarted shut-in production in that asset and production should steadily come back on line throughout 2018.

We continue the rapid transformation of the company into a significant conventional oil and gas production company and we have several new acquisitions in the pipeline. Importantly these acquisitions were entered into when oil was at US\$50-60/bbl vs current market prices of USD\$68/bbl. We are continuing to find attractive conventional assets with significant upside potential in the current market with the majority of players focused on more expensive shale plays. Due diligence is currently being completed on assets a multiple 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 in the company. This strategy is underpinned by a growing reserve base and cash flows.



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

American Patriot signed the purchase and sale agreement in February 2018 to acquire additional conventional oil and gas assets in East Texas. Due diligence has been completed on the asset and we have decided to combine this transaction with two other acquisitions which are currently in negotiation and to close all three deals at one time which is expected to occur by the end of June.

The asset consists 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 land title and environmental work completed. 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 operator of the asset with the current owner assisting with the process.

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.

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 over the next 12 months through low cost workovers. On this deal and the other transactions, the Company sees substantial opportunities to lower the Lease Operating Expenses and achieve further cost efficiencies.

### **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 and first sales on the asset have commenced in April. We are expecting to significantly grow production and net cash flows from this asset over the coming months.

The Lost Lake and Goose Creek Oil field consists of 50 barrels of oil a day of conventional production (bopd) largely shut in 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. 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. 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.

### **Revenue continues to be earned from Anasazi Assets, Goliad County Texas**

American Patriot continues to receive oil and gas production and 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\$69,000. This production and revenue base is expected to increase significantly as American Patriot continue to acquire new assets, and enhance production in this field and others we acquire.

### **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. During the due diligence process we uncovered a number of differences in production estimates on the assets which could not be resolved and as a result we have decided not proceed with the acquisition.

### **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 we are close to finalising a deal on part of the acreage.

### **Successfully completed capital raising of \$861,500**

American Patriot Oil and Gas Ltd (AOW, American Patriot or the Company) successfully completed a placement of its securities (Placement) to raise AUD\$861,500. The placement was oversubscribed and the funds used from the placement will be used to fund further acquisitions and development work on conventional oil and gas projects in Texas.

The placement comprised the issue of 26,106,055 shares to existing shareholders of American Patriot who are sophisticated and professional 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 issue of the options is subject to shareholder approval and the options will be quoted and exercisable at \$0.045 each on or before 20 September 2019.

The issue of the shares under the Placement were 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 the successful completion of the placement. The fact that it was oversubscribed is an indication of the endorsement by shareholders of the conventional acquisition strategy in Texas being pursued by American Patriot.

#### Current Petroleum tenements as at 31 March 2018

United States Acreage	Location	Working Interest	Joint Venture Partner	Gross Acres Held at 31 March 2018	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	-

#### For further information please contact:

American Patriot Oil and Gas:

CEO Alexis Clark +61 9945 8739.

Media & Investor Enquiries:

Media + Capital Partners

Luke Forrestal +61 411 479 144

luke.forrestal@mcpartners.com.au

Or visit the website:

[www.ap-oil.com](http://www.ap-oil.com)

#### 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.