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ASX Announcement

## FIRST JV HORIZONTAL WELL TESTING UPDATE

- Testing of a number of zones in the well has been completed
- Petrophysical analysis indicates potential oil resource
- Planning and selection of second well location underway

The initial testing phase of the first unconventional, horizontal well (the "subject well") in the Northern Star Project in Montana, USA (the "Project") has been completed. Perforation, acidization and swabbing of 4 zones in the well has indicated that further testing including a possible frac job, will have to be implemented.

The well was tested in 4 zones with various strengths of acid, completion fluid combinations and injection rates and recoveries indicate that the reservoir was tight. Accordingly, it has been determined that further evaluation of the current test results needs to be completed before further testing is initiated including a potential frac job.

Planning is currently underway for the site selection of the second horizontal well, with drilling and testing expected by Q1 2016. The lessons learnt from the first horizontal well will be used in the testing process of the second well. AOW has a 21.5% working interest in these wells. As per the terms of the applicable agreement AOW is carried on all costs of drilling and completing these first two horizontal test wells.

American Patriot CEO Alexis Clark said, *"We are encouraged by the early results and the indication of a potential oil resource and whilst further testing is required, this was expected in these early test wells as the geological properties are analysed and optimal completion methods are determined. The lessons learnt from this well will be used in the next well which is currently in advanced stages of planning. Importantly, AOW is free carried with no cost caps on the first two horizontal wells."*

*"We recently received an approach from a significant private US oil company for the entire assets of American Patriot at this early stage in the development program. The offer demonstrates the quality of AOW's portfolio of assets and validates the company strategy, particularly in the current challenging market environment." "However we believe this offer is opportunistic and substantially undervalues the potential value of the AOW assets."*

*"Accordingly, the board believed that is in the best interests of AOW's shareholders to focus on improving the value our assets through further technical work to realise their significant upside potential while at the same time, to continue discussions with potential bidders to extract a more realistic offer price for the assets."*



*“American Patriot’s business model continues to be robust, even with the present volatile oil markets. We will continue to focus on delivering on this model for our shareholders and to grow the business by looking for quality, low cost, early entry acreage plays. We will also look to maximise value and protect shareholder funds by entering into joint ventures with high quality US operators who can pay for the drilling costs of our projects.”*

*“The current low oil price environment represents a great opportunity to acquire valuable acreage in the USA. AOW will continue to look to expand its existing acreage positions and look to acquire attractive new projects if they become available.” Importantly we are in advanced discussions with a number of potential JV parties on the Rough House project in Colorado and Panther project in Montana and expect to close at least one new JV transactions in late 2015”.*

*“Our business plan is straightforward. We lease acreage at low cost, prove it as a resource project and then look to sell it for a multiple of the entry price. We will then return the capital to shareholders as a special distribution and look to repeat the model with quality US operators as JV partners. This is a proven model used by successful US oil and gas companies. Our Joint Venture partners are aligned with this strategy.”*

*“The Northern Star wells discussed above, are part of a four well program that has the potential of unlocking a significant new tight oil resource, adding significant acreage value for shareholders. AOW does not pay for the drilling of these initial test wells and is carried through the testing phase. We have carefully structured the JV in this manner, knowing that all successful resource projects require multiple wells to determine the most economic methods to drill and complete in order to understand the geological and engineering properties of the play and to develop a successful drilling programme.”*



**For further information please contact:**

American Patriot Oil and Gas: CEO Alexis Clark +61 9945 8739.  
Media & Investor Enquiries: Collins Street Media  
Ian Howarth +61 3 9223 2465  
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 has approximately 40,466 net mineral acres under lease across 5 key projects. The projects are geographically focused on tight oil exploration and development opportunities in the Rocky Mountain Basins. Since its establishment, AOW has assembled a portfolio of prospective oil and gas exploration assets in the USA and has completed joint venture agreements on its key Northern Star asset in Montana with US based partners. AOW's business model is to internally generate prospects using geological knowledge, capture significant land positions at a low cost, and then reduce or remove risk capital exposure through a farm- out of a majority interest to a qualified US operator in a cash and carry deal. AOW project map:



Technical information contained in this announcement in relation to the projects of the Company have been reviewed by Mr Robert Hoar, Chief Geologist American Patriot, BA Geology (Hamilton College), MSc Geology (University of Vermont) who has more than 30 years' experience in the practise of petroleum geology. Mr Hoar is a member of the American Association of Petroleum Geologists AAPG and the Rocky Mountain Association of Petroleum Geologists (RMAG) and he consents to the inclusion in this announcement of the information in the form and context in which it appears.

American Patriot Oil and Gas Ltd  
ACN: 154 049 144  
Email: [info@ap-oil.com.au](mailto:info@ap-oil.com.au) website: [www.ap-oil.com](http://www.ap-oil.com)

Level 1, 23 Oxford Street Oakleigh Vic 3166  
Ph: +61 3 9945 8739 Fax: +61 3 9530 4117