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Mosman Oil and Gas Limited
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Mosman Oil and Gas Limited
("Mosman" or the "Company")

Arkoma Stacked Pay Acquisition

Mosman Oil and Gas Limited (AIM:MSMN) the oil exploration, development and production company, announces its wholly owned US subsidiary Mosman Texas LLC has executed a contract to acquire a 10% interest in the **Arkoma Stacked Pay Project** ("The Project"), located in Okfuskee County, Oklahoma, from Inland Oil & Gas Corporation and Inland Operating Company (collectively "Inland" or "the Vendor") for a consideration of USD\$500,000, ("Initial Transaction").

Inland estimates the gross reserves and resources of the area to be 8.48 Mmboe, based on 3D seismic which was used to identify a significant geological structure and the wells drilled to date have demonstrated multiple reservoir horizons ("Stacked Pay Project"). Mosman has conducted initial technical due diligence and has commissioned an independent reserves and resource report to verify the vendor estimates.

In addition to the Initial Transaction of 10%, Mosman has also agreed the terms of two options with Inland: to acquire a further 20%, should it elect to do so, and if exercised then a further 25% of their interest in Project.

If both options are exercised Mosman will hold a total of 55% of Inland's interest and at this stage would become Operator of the Project. Mosman's Strategic Alliance Partner, Blackstone Oil & Gas, Inc. ("Blackstone") has agreed an option with Inland to then acquire Inland's remaining 45% of the Project. Blackstone has also agreed to pay Mosman a USD\$100,000 Facilitation Fee upon completion of the Initial Transaction.

Importantly Mosman also has a First Right of Refusal on any projects in the 36 square mile 3D seismic data owned by Inland, where five other targets have been identified.

This transaction is the next phase of Mosman's broader strategy to build production and cash flow and other potential acquisitions continue to be examined and evaluated.

Details of the Arkoma Stacked Pay Project

The Project is located in Okfuskee County, Oklahoma and covers an area of approximately 400 acres.

A 3D seismic survey over a larger area led Inland to focus on the 400 acres forming the Project. The seismic enabled the mapping of an uplifted NE-SW horst block with eight stacked reservoirs. The primary reservoir is the Wilcox sandstone at circa 4,000 feet; additional shallower oil and gas conventional pay zones include the Viola, Cromwell, Union Valley, Gilchrist and Booch sands, and two "tight gas" shales including the

Woodford Shale.

The Project includes surface leases, five production wells, a water disposal well, production infrastructure, seismic and other data. The vendor operates the field.

The first deep well in the area, Wise 1-25, was drilled in 2015. Initial flow rates were circa 85 boepd. Production has been constrained as there was no water disposal well, but this well has already produced over 350,000 Boe, and is currently producing circa 20 boepd.

Another well, Wise 3-25, has produced up to 60 boepd from the Wilcox and is currently shut in waiting to test the Woodford shale. Williamson 4-25 production was constrained by the lack of a water disposal well, and is producing 20 boe from three feet of Wilcox sands, with an additional 30 feet of Wilcox pay yet to be perforated and produced. Two other wells have recently been drilled and are expected to be brought into production in May/June 2017. The production equipment and costs associated with installation are included in the Initial Transaction.

There is existing onsite infrastructure which includes roads, pumps, separators, tank batteries, three phase electrical power and a connection to a gas pipeline.

A reserves evaluation conducted for the vendor indicates a gross reserves and resources estimate over the 400 acres of 8.48 Mmboe, based on mapping using 3D seismic and well logs. Further work is required to update the report and to ensure compliance with SPE definitions.

Mosman has not completed a full independent review of reserves and resources, so Mosman is not yet in a position to make any comment on the reserves or resources. Mosman has completed initial technical data due diligence that confirms the 3D seismic data, the wells drilled and logged, and two Directors have conducted a site visit. Mosman has commissioned an independent third party Reserves Report and will announce the results of this review when completed.

Transaction Details

Mosman has today signed agreements to acquire 10% of the Vendor's assets ("Inland Assets") for USD\$500,000 which also includes:

1. A first option to acquire a further 20% of the Inland Assets in October 2017 for USD\$1 million (the "First Option");
2. Subject to the First Option being exercised, a second option to acquire a further 25% of the Inland Assets in March 2018 for USD\$425,000 (the "Second Option"); and
3. A right of first refusal for Mosman to participate in any Inland project in the 36 square mile adjacent area which is covered by an existing 3D seismic survey.

The total cost of the 55% acquisition of Inland's interest (if all options are exercised by Mosman) will be USD\$1,925,000.

Settlement of the Initial Transaction is expected to complete this month.

At the same time Blackstone has agreed an option to acquire the remaining 45% Inland's interest in the Project. That option expires in March 2018. Blackstone has agreed to pay Mosman a USD\$100,000 Facilitation Fee upon completion of the Initial Transaction.

Mosman has deliberately negotiated the acquisition in stages so that;

- The Initial Transaction is funded from existing cash reserves;
- The production from existing wells can be extended before Mosman decides to exercise the options;
- Further due diligence can be completed including the Independent Reserves Report; and
- Various options can be considered and implemented to fund the options, including cash flow from production, sale of investments, reserve based bank loans, equity raising or other funding sources.

The Inland Assets includes:

- Leases, wells and unitisations including:

Well	Inland Interest	Maximum MOG Interest in Inland Participation following exercise of the options	Net MOG Interest (Max) following exercise of the options
Wise 1-25	20%	55%	11.00%
Wise 3-25	92.5%	55%	50.875%
Williamson 4-25	92.5%	55%	50.875%
Williamson 5-25	25%	55%	13.75%
Crawley 2-36	92.5%	55%	50.875%

- 100% of a water disposal well (Mosman may acquire up to 55%);
- 100% of the three phase power supply lines (Mosman may acquire up to 55%);
- Infield oil and gas gathering systems owned in proportion to working interests;
- The geological data base covering the total project 400 acres;
- The 36 square miles of 3D seismic which Mosman has access to through the included First Right of Refusal on any projects in the 36-square mile 3D seismic data owned by Inland, where 5 other targets have been identified).

The leases are held by production and (unlike exploration leases) there is no minimum work requirement. As the wells are all recently drilled there is no imminent inherited abandonment liability.

John W Barr, Chairman, said: "We are pleased to have concluded this transaction with Inland on the Arkoma Stacked Pay Project in Oklahoma. Production from existing wells is expected to increase in the next few months as new wells and new pay zones come on stream. The acquisition has been structured to secure an initial interest and the options to acquire additional interests over time and Mosman welcomes the participation from its Strategic Alliance partner Blackstone.

"The acquisition delivers production and expected resources with upside potential in both areas at an economically acceptable cost, meeting our investment criteria and enabling us to take a further step in delivering on our strategy to build production and cash flow."

Other General Information

1. The selling parties are Inland Oil and Gas, LLC who owns the lease assets; and Inland Operating Company who own the production assets and are the operator of the lease assets ("Inland");
2. In all but the Wise 1-25 well, the operatorship will transfer to Mosman at the conclusion of all the purchases and options once Mosman's interest exceeds 50%;
3. In 2016 it is estimated that the assets (in which Inland has some interest) made a financial profit of USD\$300,000 excluding any capital expenditures or corporate overhead;
4. Mosman will use its American subsidiary Mosman Texas LLC as the purchaser, and should change of operatorship occur Mosman will use its American subsidiary Mosman Operating LLC.

Agreement of Proposed Acquisition, Completion and Risk

The Acquisition is conditional on standard settlement issues.

Settlement of the Initial Transaction is expected very shortly. Exercise and settlement of the two options is expected to be accordance with the schedule set out above.

Project Life and Abandonment Liabilities

The leases are "held by production". Typically, these projects continue as long as revenue exceeds operating cost, which is mainly a function of oil price. Based on current production, Mosman anticipates the field will produce for the foreseeable future.

It is Mosman's estimate that the current total abandonment liability to the project is not a material amount for the current state of development of the projects (covering the 5 wells).

Any future abandonment liability is currently estimated to be no more than USD\$40,000 per well and Mosman's cost would be based on project participation percentage.

Royalties and Taxes

Royalties vary for each lease and average 20%, which is in the normal range for leases in the area.

Severance tax applies on oil and gas sales in Oklahoma. This applies on the following basis:

- On all new wells drilled it is 2% for the first 36 months before increasing to 7%;
- Existing wells will have the tax rate set based on the type of production and date of drilling:
 - o 1.00% - Qualified Horizontal Well;
 - o 2.00% - New Well (Beginning July 1, 2015);
 - o 4.00% - Qualified Ultra-Deep Well;
 - o 7.00% - Base Tax Rate.

Mosman Oil USA Inc. (that owns Mosman Texas LLC and Mosman Operating LLC) is the regarded entity for tax purposes and will have to file corporation income and franchise taxes in Oklahoma. These rates are currently:

- Corporate income tax: flat 6% rate
- Corporate franchise tax: \$1.25 tax per \$1,000 of invested capital in

Oklahoma, plus \$100

Wells, Lands, Leases & Units

The property being acquired is identified as summarised below:

Wells

Well	Inland Interest	Other Interest Holder	Production Status
Wise 1-25	20%	80% Delecta Limited (ASX Listed)	Producing
Wise 3-25	92.5%	6% Several small working interest owners 1.5% E-Land Ventures LLC (Plano, Texas)	Temporarily shut in
Williamson 4-25	92.5%	6% Several small working interest owners 1.5% E-Land Ventures LLC (Plano, Texas)	Producing
Williamson 5-25	25%	75% E-Land Ventures LLC (Plano, Texas)	Not yet
Crawley 2-36	92.5%	6% Several small working interest owners 1.5% E-Land Ventures LLC (Plano, Texas)	Not Yet

Lands, Leases & Units

Similar to other States, in Oklahoma historically Petroleum rights were attached to the freehold land. However these rights can be separated from the freehold by the signing and registering of a leasehold arrangement.

Those leases have been subject to legal Due Diligence.

It is further possible for individual wells to have a number of unit holders. This occurs where oil and gas potential reservoirs extend over lease boundaries for example. In those cases other parties may have an interest in the Unitization.

Further, in some cases other parties may fund some of the costs of a well (for example) and by doing so acquire a working interest in the well.

In the case of the Project being acquired there are leases, five unitized wells and various Working Interests.

Competent Person's Statement

The information contained in this announcement has been reviewed and approved by Andy Carroll, Technical Director for Mosman, who has over 35 years of relevant experience in the oil industry. Mr Carroll is a member of the Society of Petroleum Engineers.

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

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Updates on the Company's activities are regularly posted on its website
www.mosmanoilandgas.com

APPENDIX 1

Glossary of Oil and Gas Terms

%	per cent
Acre	a unit of land being 4,840 square yards (0.405 hectare)
bbl	Barrel
Bcf or BCF	billion standard cubic feet of gas
Boepd	barrels of oil equivalent per day
Bopd	barrels of oil per day
km	Kilometre
m	Metre
MMbbl	million barrels of oil
MMboe	million barrels of oil equivalent
MMscf	standard cubic feet of gas
Severance tax	A specialized form of income tax that is levied when owners sell minerals. Oklahoma levies gross production, or severance taxes, on oil, gas, and other natural products taken from land or water. The rates can vary from year to year and are set by the state.
SPE	Society of Petroleum Engineers
USD\$	United States Dollar

Appendix 2

The Project amongst other things includes all right, title and interest of the vendor to the following:

Leases

The oil and gas leases; subleases and other leaseholds; net profits interests; carried interests; farmout rights; options; and other interests, located in Section 25 -Township 10 North - Range 11 East and Section 36 - Township 10 North - Range 11 East, Okfuskee County, Oklahoma, including but not limited to those described together with each and every kind and character of right, title, claim, and interest in and to the lands covered by the Leases or the lands currently pooled, unitized, communitized or consolidated therewith ("**Land**" collectively the "**Lands**").

Wells

The oil, gas, water, disposal or injection wells located on or associated with the Lands, whether producing, shut-in, or abandoned, whether producing, shut-in, or temporarily abandoned (individually a "**Well**" collectively, the "**Wells**").

Unitizations

The interests derived from the Leases in or to any currently existing pools or units which include any Lands or all or a part of any Leases or include any Wells, including (even to the extent not located on the Lands) those pools or units together with the Leases, Lands and Wells, and including all interest derived from the Leases in production of Hydrocarbons from any such Unit, whether such Unit production of Hydrocarbons comes from Wells located on or off of a Lease, and all tenements, hereditaments and appurtenances belonging to the Leases and Units.

Appendix 3

Risks

The proposed Initial Transaction remains subject to completion which is anticipated to be in May or June 2017.

The exercise and completion of the two options is not certain.

The Acquisition is conditional on standard settlement issues including verification of certain Vendor due diligence information identified by Mosman's due diligence undertaken to date.

Mosman has in the ordinary course of business accepted certain historic information from the vendor as being fact, and has not attempted to independently verify each statement, rather it has focussed on key facts which have been subject to due diligence both internally and using external consultants.

As is usual in the oil industry, the Asset has subsurface, reserve and production risk.

A number of assumptions have been made in determining the operational targets, production rates and expected cost reductions possible that may not be achieved or may be influenced negatively by factors outside Mosman's control.

This RNS may contain forward-looking statements which have not been based solely on historical facts but rather on Mosman's and its technical advisers' current expectations about future events and a number of assumptions which are subject to significant uncertainties and contingencies.

In particular Mosman has not yet completed a full independent review of potential reserves and resources. That process is underway, so Mosman makes no comments about the vendor's numbers.

Hydrocarbon prices in the world environment remain volatile.

Exchange rates are volatile.

Any individual who is in any doubt about the investment should consult an authorised person specialising in advising on investments of the kind referred to.

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Anonymous (not verified)

Arkoma Stacked Pay Acquisition

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Mergers, Acquisitions and Disposals

MSMN