

RNS Number : 3006Q  
Mosman Oil and Gas Limited  
11 September 2017

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

**Welch Permian Basin Project Acquisition - West Texas**

Mosman Oil and Gas Limited (AIM:MSMN) the oil exploration, development and production company, announces it has today executed a contract to acquire several oil and gas leases that comprise the **Welch Permian Basin Project** ("Welch" or "Project") located in Dawson County, West Texas for a consideration of USD\$310,000, which will be funded from existing cash reserves.

Mosman's strategic objective continues to be that of identifying, acquiring and operating projects with cash flow and development upside, whilst continuing to add value to our existing exploration permits with further technical work.

The 34 bopd Welch Project exactly fits this criteria, with near term upside from low cost workovers and medium term development potential.

**Welch Permian Basin Project Overview**

The Project is located in the Permian Basin, in and around the Welch township in Dawson County, West Texas, approximately 550 km west of Dallas. It consists of 653 acres of leases (held by production) with 10 producing wells, 7 injector wells, and 10 shut-in wells. The acquisition includes production equipment and facilities.

The Project is a small part of the larger Welch Oil Field, which was discovered in 1941 and has produced in total over 170 million barrels. Oxy (OXY USA Wtp LP) is the Operator of the Welch West and Welch South unit, and is having considerable success with drilling, fracking and producing horizontal wells in the area. Devon Energy (Devon Energy Production Co. LP) is the Operator of the Welch North Unit and has also been very successful with horizontal wells.

After waterflood commenced in 1997, the Project produced at rates of between 100-200 bopd until 2009, and then gradually declined. The average sales volume from the Project over the last 13 months has been 34 bopd (gross). There is no formal resource estimate available for these leases.

Walsh Petroleum, Inc. (one of the previous owners of the Project) had developed plans for three horizontal wells on the Welch leases based on adjacent acreage analogues that could add potentially significant additional daily production to the Project. These plans look attractive but further technical work needs to be done by Mosman before a decision could be made to proceed with drilling these horizontal wells.

In the near term, Mosman's plan is to critically manage the lease operating expenses

and low cost initiatives to increase production to increase cash flow. Mosman has already identified existing shut in wells that will be considered for workovers in the shorter term. This is a similar strategy to the approach adopted successfully by Mosman at its recently acquired Strawn leases (50% interest and Operator) where workovers significantly increased oil production to 440 bbls (gross) in July. The medium term development potential at Welch, such as horizontal wells, provides further significant upside potential.

**John W Barr, Chairman**, said: "The Welch Permian Basin Project is an ideal acquisition as it meets Mosman's stated objectives, immediately doubles our oil production and has significant upside potential. Many similar opportunities are under review and I am pleased that we are able to demonstrate the active execution of our Business Plan."

### **Funding**

Mosman will fund the acquisition from existing cash reserves.

### **Other General Information**

1. There are three separate selling parties; Walsh Petroleum, Inc., Granite Pacific, LC. and Cornell Energy, LLC.
2. For the half year to 30 June 2017 it is estimated that the acquisition made a financial loss of USD\$85,389 including an operator overhead charge of USD\$18,000. Without this allocation the operating loss across the leases is estimated to have been USD\$67,389. This figure includes several "one off" items.
3. The acquisition will be completed by Mosman's existing Texas incorporated entities. Mosman Texas LLC and Mosman Operating LLC have both been established to hold Mosman's local assets and the operatorship of the Texas leases respectively.

### **Agreement of Proposed Acquisition, Completion and Risk**

The Acquisition is conditional on standard settlement issues.

Settlement is expected to be completed in September 2017.

### **Wells, Lands, Leases & Units**

The wells are spread across six leases being acquired by Mosman:

<b>Lease</b>	<b>Working Interest (%)</b>	<b>Net Of Royalty Interest (%)</b>
Britt 65	100.00%	82.09%
Britt 131	100.00%	81.49%
Drennan 208	100.00%	81.73%
Fortenberry	99.29%	79.85%
Marr	94.00%	72.38%
Welch Town site Unit	96.14%	72.10%

The rights are to the base of the San Andres structure and no deep rights.

### **Royalties and Taxes**

Normal USA royalties are payable. Royalties range from 18-28% resulting in the Net Revenue Interests shown in the table

A state severance tax of 4.6% applies to the market value of oil produced in Texas. In addition, any profits resulting from oil production will be subject to US income tax.

## **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.

The established regulatory system in Texas requires that 10% of inactive wells need to be restored to production, or abandoned on an annual basis. Mosman intends to meet this obligation by restoring wells to production. The hypothetical total cost of an immediate full abandonment of the Asset is estimate to be USD\$426,720 but as noted above Mosman does not expect this to be applicable to the field in the foreseeable future.

Mosman Operating LLC will be able to utilise its existing RRC bond which will allow for a consolidation of operating costs and funds across its Texas based projects.

## **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.

## **Risks**

The proposed Acquisition remains subject to completion.

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 contains 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.

## **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.

Enquiries:

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Updates on the Company's activities are regularly posted on its website

[www.mosmanoilandgas.com](http://www.mosmanoilandgas.com)

This information is provided by RNS  
The company news service from the London Stock Exchange

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Company Announcement - General

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