

RNS Number : 8267Q
Mosman Oil and Gas Limited
15 September 2017

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

Operations Update and Completion of Welch acquisition

Mosman Oil and Gas Limited (AIM: MSMN) the oil exploration, development and production company, announces an update on Operations and the completion of the Welch Permian Basin Project acquisition in Texas.

Strategy

Mosman's strategic objective continues to be that of identifying opportunities which will provide operating cash flow and have further development upside; in conjunction with adding value to the Company's existing exploration permits.

Two acquisitions were completed in the last quarter and one in the third quarter. Other potential acquisitions remain under review; however the immediate focus is on the recently acquired projects and existing exploration portfolio.

USA

Strawn (Texas): 50% interest and Operator

The Company's plan remains to re-invest free cash flow generated at the project with a view to further increasing production with further workovers. This work is ongoing.

Production for August 2017 was limited by water disposal to 160 bbls (gross), due to downtime of the main water injection pump. This pump has been repaired and the wells can now produce unconstrained. Cumulatively the Project is operating as expected and delays are unavoidable from time to time.

Whilst there were no Sales in August, c.170 bbls have been sold this week with two more similar shipment sizes expected to occur shortly.

Welch Permian Basin Project (Texas): 100% interest and Operator

Further to the announcement of 11 September 2017, the Company is pleased to confirm that the Welch Permian Basin Asset acquisition has now completed. Mosman's US operating subsidiary will soon take over operations, and will immediately implement the strategy outlined in the acquisition RNS.

Welch presents a good investment opportunity and meets Mosman's strategic objectives. The daily average volume of oil sold for the 13 months to June 2017 was 34 bopd and there is good development potential in respect to shorter term well workovers and medium term horizontal drilling potential. (Note: as the daily production

records were not available, production figures are based on oil sold).

In the near term, the plan is to critically manage lease operating expenses and increase production to achieve positive 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 at Strawn. The development potential at Welch, such as horizontal wells, provides significant potential upside.

Arkoma Stacked Pay Project (Oklahoma): 10% interest with options over a further 45%

Mosman's immediate focus remains the technical work to estimate the Resources and to make the next investment decision. Both options to acquire further equity at the fixed price expire if the first option is not exercised by 10 October 2017.

The 3D Seismic data received to date requires additional work and thus progress in the last weeks has been slower than planned. This will have an effect of the timing of the independent third party Resource Report which has already been commissioned.

On-site, the Operator continues to bring wells on production and these activities are being closely monitored. Production rates at Arkoma have been variable while the Operator has been carrying out work. In order to provide accurate results, Mosman will release production data once this variability has abated.

The immediate focus remains completion of the technical work to estimate the Resources in order to make the next investment decision.

NEW ZEALAND

Murchison

Mosman has been advised by NZPAM that the Change of Condition application was declined. This application was formally made on 28 December 2016 and it has taken over eight months to finally get a decision.

Whilst waiting for the decision, Mosman has not progressed further work at Murchison and NZPAM have now advised that Mosman is now non-compliant with its formal Permit obligations. This can be rectified by completing the exploration activities defined in the Permit grant, which includes drilling 2 wells and the completion of 10km of seismic by March 2018 and Mosman will now recommence the planning process in relation to the Permit while evaluating its other options.

Mosman also continues to actively pursue a farm-out process on the Permit.

Petroleum Creek

Planning continues for the three wells drilled to be plugged and abandoned. It was expected that a suitable rig will be available in the September quarter to complete the tasks. This now looks like being deferred. Given the mobilisation costs from the North Island it is planned to complete the task when the rig is in the South island, thus sharing costs.

The freehold property at Petroleum Creek has now been listed for sale, and that sale is expected to cover most of the abandonment costs.

AUSTRALIA

Amadeus Basin Permits

Mosman owns and operates two granted permits (EP 145 & 156) and one application (EPA 155).

The Northern Gas Pipeline ("NGP") that has commenced construction, and from 2018 will provide access for Northern Territory gas to markets in Eastern Australia, is progressing.

The field geologist report in relation to EP145 remains under review; however the recent USA based investments are being prioritised ahead of this work.

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

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

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