



# **Australian Oil Company Limited**

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## **QUARTERLY ACTIVITY REPORT March 2014 AUSTRALIAN OIL COMPANY (ASX : AOC)**

### **KEY ACTIVITIES**

- **The Company issued 11,930,326 shares to raise \$1,193,032 before fees.**
- **Technical evaluation of conventional gas prospects and leasing of related lands.**
- **Permitting for drilling exploration wells.**
- **Acquisition of additional interest in producing wells for associated exploration potential**

### **SUBSEQUENT EVENTS**

In early April 2014, the company acquired, effective 1 January 2014, an additional 15% working interest in exploration leases and associated producing wells in California and in which AOC already has 40% working interest.

### **CAPITAL RAISING SHARE PLACEMENT**

The company completed a placement in early February 2014 to institutional and sophisticated investors of 11,930,326 new ordinary shares at 10 cents per share to raise \$1,193,032.

The funds raised will primarily be used to fund the Company's exploration expenditure and working capital requirements.

The Company now has 91,465,838 shares on issue.

### **SACRAMENTO BASIN (Onshore Northern California)**

#### **Exploration and New Ventures:**

Exploration leases have continued to be acquired, resulting in approximately 14,000 acres currently leased. AOC has 40% - 55% working interest (WI) in these leased lands which are subject to land owner royalties of up to 20%.

The company has purchased the rights to more 2D seismic data in the Basin. These data will be used to define additional prospects for exploration drilling.

Mapping of the various data has resulted in the interpretation of multiple prospects with potential recoverable prospective resources of gas ranging from 50 BCF (low estimate) to over 3 Tcf (high estimate).

These prospects are based on an assessment of all available seismic and geological information including petrophysical evaluations of previously drilled wells and the shows of gas in those wells.

The estimates are preliminary and further seismic acquisition or purchases, and interpretation may be required before these prospects are ready for drilling

*“The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons”*

Some of the prospects being prepared for drilling are considered to be relatively low risk because they rely on offsetting and / or re-entering wells with extensive shows of gas that were not considered commercially significant at the time of drilling in the period from the 1950’s to mid-1980’s.

**Production:**

**Rancho - Capay Gas Field (AOC 55% WI in 5 wells) & Los Medanos Gas Field (AOC 55% WI in 2 wells)**

AOC acquired gas production rights in the above fields in the Sacramento Basin onshore California in late 2012 primarily as a means to acquire leases for further exploration and to access an extensive 3D seismic database to generate new exploration opportunities.

The acquisition was countercyclical when gas prices were below US\$2 /mcf. Recent gas prices have been in excess of US\$5 /mcf.

AOC acquired an additional 15% WI in these wells in early April 2014. The acquisition was effective 1 January 2014.

**Production:**

<b>Production</b>	<b>March 2014 Quarter</b>	<b>December 2014 Quarter</b>
Gross MCF (100%)	55,486	55,889
Net AOC MCF (after Royalty)*	20,809	15,252

\*Note AOC WI increased from 40% to 55% for March 2014 Quarter

MCF – Thousand Cubic feet gas

## **SANTA MARIA BASIN (HUASNA SUB-BASIN) Onshore Southern California**

### **Exploration**

#### **PORTER RANCH OIL PROJECT (AOC 45% Working Interest)**

The Porter Ranch Project consists of over 9000 acres leased over a number of surface anticlines in the prospect area.

The permitting process continued in preparation for the drilling of one exploration well with a planned total depth of approximately 1500 metres to test the Monterey oil reservoirs in the middle of 2014.

The first prospect planned to be drilled has estimated recoverable prospective resources of over 10 million barrels of oil (best estimate). This estimate is based on surface geology, 2D seismic and geologic and production parameters from nearby wells and comparisons to analogous fields in the Santa Maria Basin.

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### **Appraisal / Development**

#### **MANKINS RANCH OIL FIELD PROJECT (AOC 35% Working Interest)**

Legal procedures to resolve issues blocking progress on producing Monterey Formation oil from the regulator designated Mankins Ranch Oil Field continued during the quarter at no cost to AOC.

## **SAN JOAQUIN BASIN (Onshore Southern California)**

### **Facility Development**

#### **SCU #1-24 Water-Disposal Well (AOC Working Interest 32.81%)**

Activities to licence use the well SCU #1-24 as a commercial water injection well continued.

In the adjacent area to this well, there are large volumes of water produced from high water-cut oil reservoirs. Disposal of the produced water can make permitted water-disposal wells attractive economic assets.

## **ANTICIPATED FOURTH QUARTER ACTIVITIES**

- **Continue Exploration Strategy pursuing cost effective and highly leveraged exploration for Conventional Oil and Gas in Onshore California**
- **Prepare for drilling at least two wells in onshore California.**
- **Farmout activities to seek funding of wells in California.**
- **Generation of prospects for future drilling.**

### **Managing Director**

**Gary Jeffery**

### **Competent Persons**

This document contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a many variables which could cause actual results or trends to differ materially. The technical information provided has been reviewed by Mr Gary Jeffery, Managing Director of Australian Oil Company Limited. He is a qualified geophysicist with over 40 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. Mr Jeffery consents to the inclusion of the information in the form and context in which it appears.

In accordance with ASX Listing Rules, any new hydrocarbon resource information in this presentation has been reviewed by Australian Oil Company's Technical Director, Mr Keith Martens, who has over 35 years experience in the sector, with 15 years of experience in working in North America. Mr Martens is a qualified resources evaluator and consents to that information being included in the form and context in which it appears.