

## WLR enters agreement for new Kansas project in Central Kansas Uplift (CKU)

### ASX Announcement

(ASX: WLR)

21<sup>st</sup> October 2014

World Oil Resources Limited ('**World Oil**' or "**the Company**") is pleased to advise that it has today entered into definitive agreements to acquire an interest in over 15,600 acres in the area known as the Central Kansas Uplift, made up of 204 separate leases in a number of counties in Kansas.

### AREA

### DETAILS

#### Working interest & partners

#### Underlying Equity:

- World Oil (49%)
- CMX Inc. (25%)
- Cade Production LLC (20.8%)
- Panther Energy, Inc.(2.6%) and
- Thomas P. Tenneson (2.6%).

**Operator:** CMX Inc.

**Royalty to land owner:** range between 12.50% and 16.67%

#### Location and Description

**Project Name:** Central Kansas Uplift Appraisal and Development Project (**CKU**)

**Gross acreage:** 15,633 acres

**Location:** Russell, Rice, Ellsworth and Barton Counties, Kansas

**Overview:** The CKU project is a low risk exploration and appraisal joint venture in the Central Kansas Uplift area. The project goal is to mature up to an initial 50 drillable locations in the first land package, by shooting 3D seismic in areas adjacent to existing (and mature oil fields). The premise is that 3D can identify smaller prospects (estimated at 50-60 mbbl EUR) that can be drilled with a single vertical well at a low cost. The use of 3D allows the joint venture to recognize smaller drilling targets than can be detected by geologic mapping. The use of 3D seismic is expected to lower the drilling risk, to allow a possible 70% success rate. The 3D seismic work completed (and to be undertaken is set out in the table over the page.

SHOOT NAME	OPTION #	COUNTY	ACRES	# OF CONFIRMED 3D TARGETS	POTENTIAL LOCATIONS
WOELK	1	RUSSELL	960	14	n/a
CLAFLIN	1	BARTON	320	5	n/a
AMES-ROBL	1	RICE	320	3	n/a
STEINER	1	BARTON	480	TBD	6
MAI	2	BARTON	160	TBD	2
SUSANK SE	2	BARTON	320	TBD	4
SUSANK 2	2	BARTON	160	TBD	3
BUSHTON	3	ELLSWORTH	2,080	TBD	16
GREEN GRUB	3	ELLSWORTH	422	TBD	5
STOLTENBERG	3	ELLSWORTH	160	TBD	2
KOZISEK	3	ELLSWORTH	240	TBD	4
<b>TOTALS</b>			<b>5,622</b>	<b>22</b>	<b>42</b>

**Notes:**

- *TBD means that for these locations Lodestone is waiting on interpretation and/or the 3D shoot to take place*
- *POTENTIAL LOCATIONS means that number of potential well locations that have been identified prior to 3D confirmation*
- *Susank 2 could expand into additional 520 acres*

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### Target formations

The reservoir target is the Arbuckle formation as well as the Lansing Kansas City Super group. The wells are expected to be drilled to a depth of 3250 – 3600 ft. The wells will be vertical only and will not require fracture stimulation. The expected cost to drill and complete these wells is (gross basis) in the range of \$450,000 to \$470,000 per well.

### Strategy

World Oil believes there are a number of possible outcomes for the CKU project which may depend on the outcomes of the initial 10 well program.

For instance it is possible that project could move to development phase where the remaining locations were drilled out over time, to create a consistent production profile. The key risks are drilling costs, success rates, production rates and ability to tie wells in quickly.

It is possible also that the asset could be farmed out (e.g. a partial sale and drill carry) or sold outright.

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None of these outcomes are guaranteed and rely on a number of factors including drill success, production rates, well cost oil price and other factors

The project is seen as a way for World Oil to potentially build out its production profile, in a timely and low risk fashion. As well the project is expected to create value as the complete acreage package is upgraded by maturing an inventory of locations, initial successful drilling and establishing economic production levels.

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### Transaction structure

World Oil and its partners in the CKU project have established a joint venture entity, Lodestone Resources LLC (**Lodestone**) to hold the group's interests in the CKU project. World Oil will own 49% of the equity of Lodestone and has one the three managers (i.e. Directors) of that entity.

The CKU project has been divided into three land packages, each of which is circa 5,000 acres each. The first land package has had 3D seismic completed on the acreage. 3D seismic has been planned on the second and third land packages.

Lodestone has acquired the first land package (5,078 acres), including all rights to the completed 3D seismic. Lodestone paid US\$1,497m to the land owners. World Oil has paid US\$0.733m to Lodestone (i.e. 49% of the total) as its contribution to the land purchase. The other shareholders in Lodestone (i.e. CMX, Cade Production LLC, Panther Energy, Inc. & Thomas P. Tenneson) paid the balance of the funds required (i.e. 51% of the total). The cost per acre (including the 3D seismic) was \$295 per acre.

Lodestone has an option to purchase the second (5,178 acres) and third (5,378 acres) land packages, which will require a payment of US\$1.527m and US\$1.586m respectively. The cost per acre for each land package is \$295 per acre. The options expire on 30 April 2015 and 15 December 2015 respectively for the second and third land packages.

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### Financial implications

World Oil, to acquire its interest in Lodestone was US\$733,987. To maintain its 49% stake in Lodestone, World Oil will need to pay approximately a further US\$0.900m when Lodestone drills its first 4 wells to maintain its 49% shareholding.

World Oil owns 49% of the equity of Lodestone and will seek to maintain (or increase its current holding). World Oil has one the three managers (i.e. Directors) of Lodestone.

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### Drilling timetable

It is planned to drill 4 wells before year end and would like to drill a total of 10 wells within the first year from the start of drilling operations. Four locations have been approved for drilling with operations expected to commence on the first two locations in the near term.

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### Project status

At this stage Lodestone has completed three 3D surveys, with a further seven surveys either planned or in progress. The surveys are done on a group basis, with other adjacent land owners, in order to minimise cost. The expectation is that the first land package will mature up to 50 drill locations.

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### About the other shareholders in Lodestone

**CMX:** is an experienced producer in Kansas, and is actively engaged in drilling and development of natural gas and oil prospectus in continental USA, with a primary focus in mid-continent regions including Kansas and Oklahoma.

**Cade Resources LLC:** is an oil gas exploration company which is a related company to Cade Drilling, LLC which provides onshore contract drilling services to exploration and production companies in North America. Cade Drilling, LLC has a number of land-based drilling rigs that operate primarily in oil and natural gas producing regions of Colorado and Wyoming.

**Panther Energy, Inc:** is owned by a Kansas based oil & gas geologist, Kenneth M. LeBlanc, who was involved in identifying and acquiring the land packages.

**Thomas P. Tenneson:** is USA based oil and gas investor.

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