



## 2014 FULL YEAR RESERVE REPORT

### AusTex Oil Limited

A.C.N. 118 585 649

ASX: AOK

OTCQX: ATXDY

### Corporate Snapshot

Market Cap: \$64.7m @  
\$0.115  
p/share

Shares on issue  
Ordinary: 562.5m  
Preference: 220.1m  
Options: 83.2m  
Shareholders: 2,265

### Directors

**Michael Stone**  
(Non-Executive Chairman)

**Richard Adrey**  
(Co-Managing Director)

**Nick Stone**  
(Co-Managing Director)

**Russell Krause**  
(Non-Executive Director)

**Justin Clyne**  
(Non-Executive Director &  
Company Secretary)

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### FULL YEAR HIGHLIGHTS

- **1P and 2P Reserves of 14.2mmboe as at 2014 Year End**
- **1P Reserves:** Total Proved (1P) Reserves of 8.7 mmboe
- **2P Reserves:** Total Proved plus Probable (2P) Reserves of 5.5 mmboe
- **Net Present Value (NPV10):** NPV10 for 1P Reserves of \$86.5m and NPV10 for 1P and 2P Reserves totals \$118.7m
- **Reserves based on Snake River Project only**

AusTex Oil Limited (ASX:AOK, OTCQX:ATXDY, AusTex or the Company), is pleased to provide shareholders with a summary of its independent full-year reserves estimates. The independent reserves estimates were evaluated and prepared by Pinnacle Energy Services LLC in Oklahoma City in the United States.

The NPV10 for 1P Reserves is \$86.5m and the NPV10 for 1P and 2P Reserves combined is \$118.7m. As reported previously, there are a number of contributing factors which have caused such a significant shift since the last reserves report. Some of these factors include:

- The significant decline in oil prices;
- Lower oil price projections (refer table 2) means that for the purposes of assessing reserves the wells reach the end of their economic life earlier;
- The results of some of the Company's wells drilled in the north of Snake River prior to the end of the year were less productive than anticipated. These results were factored into the expectations for wells from the north, resulting in a reduction in the average type curve assigned to PUD's in that area. Results obtained in 2015 suggest better early performance from recently completed wells in the same area which could positively influence the next reserve report but are not included herein; and
- The decline in oil price and poor performance of wells in the north prior to the end of the year have caused a shift from the Proved to Probable category for undrilled wells based on the these factors causing an increase in uncertainty of the economic viability of future wells

At current oil prices, there is no residual economic value in the Sweet area and only \$600k of NPV in Kansas. As such, this will focus on the assumptions for the Snake River area.

### Executive Commentary

Co-Managing Director, Richard Adrey, commented:

*"The Board recognises that the report represents a snapshot in time when there were a number of headwinds to be taken into account by the Reserve Engineer in his assessment. While no guarantee can be given, a positive move upwards in the oil price together with continued success at Snake River, particularly in the north, should see the results of the next report shift favourably."*

*"The Company's growth over the previous 12 months in taking production from 5,500 net acres at Snake River and 251,000 BOE in 2013 to 11,200 net acres and 439,000 BOE in 2014 are indicators of the strong potential AusTex has to continue to deliver for its shareholders."*

*“As the Board has stated in recent months we remain confident in the embedded value of our assets at Snake River and will continue with our current strategy to operate as an efficient allocator of capital and identify the best opportunities available to the Company.*

*“The Company has a strong balance sheet, operates in a low cost formation and is a low cost producer and these are all factors that allow AusTex to thrive notwithstanding the current unfavourable market conditions for many oil and gas producers.”*

### **Net Reserves and Net Present Value**

Table 1 demonstrates the Net Reserves (after working interests and royalties are removed but before taxes) and Net Present Value as of December 31, 2014:

Reserve Class	Number of Properties	Net Reserves		Net Reserves	Net Capital	Net Cashflow	NPV Disc @ 10%
		Oil MMBL	Gas MMCF	MBOE (1:6)	M\$	M\$	M\$
<b>Proved Developed Producing (PDP)</b>	55	1,077	5,792	2,042	0	58,374	31,831
<b>Proved Non-producing (PNP)</b>	7	152	1,023	323	1,210	8,022	4,337
<b>Proved Undeveloped (PUD)</b>	124	3,276	18,364	6,337	80,600	141,964	50,311
<b>Total Proved (1P)</b>	<b>186</b>	<b>4,505</b>	<b>25,179</b>	<b>8,702</b>	<b>81,810</b>	<b>208,360</b>	<b>86,479</b>
<b>Probable Reserves</b>	129	2,735	16,606	5,503	83,850	106,186	32,229
<b>Total Non-Proved</b>	<b>129</b>	<b>2,735</b>	<b>16,606</b>	<b>5,503</b>	<b>83,850</b>	<b>106,186</b>	<b>32,229</b>
<b>Grand Total (2P)</b>	<b>315</b>	<b>7,240</b>	<b>41,785</b>	<b>14,204</b>	<b>165,660</b>	<b>314,546</b>	<b>118,708</b>

Table 1: Net Reserves for Snake River Project area

### **Pricing**

As stated above, the NYMEX strip pricing as of January 1, 2015 was used for this evaluation. The price forecast is outlined below in Table 2:

Year	Oil	Gas
<b>2015</b>	\$56.26	\$3.03
<b>2016</b>	\$62.63	\$3.46
<b>2017</b>	\$66.55	\$3.76
<b>2018</b>	\$68.50	\$3.96
<b>2019</b>	\$69.75	\$4.12
<b>2020</b>	\$70.58	\$4.25
<b>2021</b>	\$71.28	\$4.37
<b>2022</b>	\$71.57	\$4.49
<b>2023</b>	\$71.62	\$4.61
<b>2024</b>	\$71.62	\$4.69
<b>2025</b>	\$71.62	\$4.76
<b>2026</b>	\$71.62	\$4.87
<b>2027+</b>	\$71.62	\$5.02

Table 2: NYMEX strip pricing forecast

Based on an evaluation of actual oil prices received by the Company from January 2014 to December 2014, differentials to NYMEX prices were applied to each lease.

The calculated oil price differential for Snake River was \$(1.11) per barrel and the calculated gas price differential was +15.54% per mcf. For all Proven Undeveloped and Probable cases the differential used was \$(1.11) per barrel and +15.54% per mcf.

### **Taxes**

Oklahoma severance taxes are 7.095% for both oil and gas. All new wells drilled in Oklahoma have a severance tax of 2% for 36 months which increases to 7.095% thereafter. Any ad valorem tax is assumed to be included in lease operating expenses.

### **Expenses**

Fixed operating expenses of \$1,491/well/month and variable expenses of \$4.39/Bbl oil produced are being used for Snake River. Capital expenditures used for future wells is \$650,000 per well which includes costs for drilling the required saltwater disposal wells.

### **Future Development Timeline**

Future wells were assumed to be drilled five wells per month starting in July 2015. All Proven Undeveloped and Probable locations will be drilled by September 2019.

### **Methodology and Assumptions**

Information used in the report was provided by AusTex Oil Limited's US based subsidiary entities and supplemented by data gathered from public sources. The evaluation was performed using SEC reserve standards and the NYMEX strip pricing as of 1 January, 2015 and includes 42 PDP properties, 7 PNP properties and 124 PUD locations and 129 Probable Undeveloped (PROB) locations.

### **Reserve Certification**

The information contained within this announcement relating to oil and gas reserve estimates has been certified by John Paul Dick, a petroleum engineer employed by Pinnacle Energy Services LLC of Oklahoma City in the United States. Mr Dick holds a Bachelor's degree in Petroleum Engineering from the University of Tulsa and is a Registered Professional Engineer in the states of Oklahoma and Texas. He provides reserve and economic valuations and other services to numerous clients concerning oil and gas activities. Pinnacle Energy Services was founded in 1998 as an experienced provider of petroleum reservoir engineering consulting services.

The report is based on and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Dick.

### **Notes:**

1. MBOE means million barrels of oil equivalent
2. Bbl means Barrel
3. Mcf means thousand cubic feet
4. The Company also holds oil and gas leases in areas surrounding Tulsa and Kansas which do not form part of the report prepared by Pinnacle Energy Services LLC as, at this stage given the Company's development at Snake River these other leases are considered immaterial and contributing a nominal amount of production only.

ENDS

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### **About AusTex**

*AusTex Oil Ltd is an Exploration and Production company that is focused on the development of oil and gas leases in the USA. The company produces oil and gas in Oklahoma and Kansas. AOK holds interests in oil and gas leases, including acreage in the highly prospective Mississippi Lime Play in Northern Oklahoma and Kansas. The Company's flagship 100%-owned Snake River Project in the Mississippi Lime Play delivering annual production in 2014 of 439,000 BOE.*