



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2016

ASX CODE: AJQ

SHARES ON ISSUE
322,858,077

MARKET CAPITALISATION
\$25.8m (at \$0.08 per share)

DIRECTORS

Nicholas Mather (Chairman)
William Stubbs
Roland Sleeman
Stephen Bizzell

CHIEF EXECUTIVE
Roger Cressey

COMPANY SECRETARY
Karl Schlobohm

CONTACT DETAILS

Level 27, 111 Eagle Street
Brisbane Qld 4000
Tel: +61 7 3303 0620
Fax: +61 7 3303 0681

POSTAL ADDRESS
GPO Box 5261
Brisbane Qld 4001

www.armourenergy.com.au

HIGHLIGHTS

- Kincora Project, Roma Shelf in the Surat Basin – Armour now on title for all tenements.
- Kincora Project – planning of start up, well stimulation and drilling program to lift project to production.
- Kincora Project – 510% increase in 2C contingent resources in the Myall Creek, Parknook, Namarah and Warroon fields.
- Kincora Project– oil production re-commences at Emu Apple and first shipment sold during the Quarter.
- Settlement reached with AEGP Australia, under which the Company effectively took ownership of approximately 40million Armour shares, which it subsequently divested for approximately \$3million in proceeds.
- DGR Global Finance Facility – the date for repayment or extension notification has been extended by the parties to 31 December 2016. Armour continues to progress other financing alternatives in relation to the Surat Basin asset package.
- Roger Cressey appointed as Acting CEO until such time as the CEO position is reconsidered.

PROJECT ACTIVITIES

Kincora Project, Roma Shelf in the Surat Basin – Armour is now on title for all tenements

As announced on 2 September 2016, Armour is now on title for all 17 production licences, 3 exploration licences and 4 pipeline licences at the Kincora Project site. The project area covers over 3000km² of prospective acreage, and includes infrastructure connecting directly into the major gas hub on the east coast at Wallumbilla, Queensland. The overall replacement value of the Kincora infrastructure is estimated at more than \$250 million. This infrastructure includes the 100% owned Newstead gas storage facility with a capacity of 7.5 PJ and which has 2.3 PJ of sales quality gas currently stored in it. In July 2016, Armour announced an independently verified 510% increase in 2C resources to 105 PJ attributed to Myall Creek, Parknook, Namarah and Warroon Fields (Figure 1).

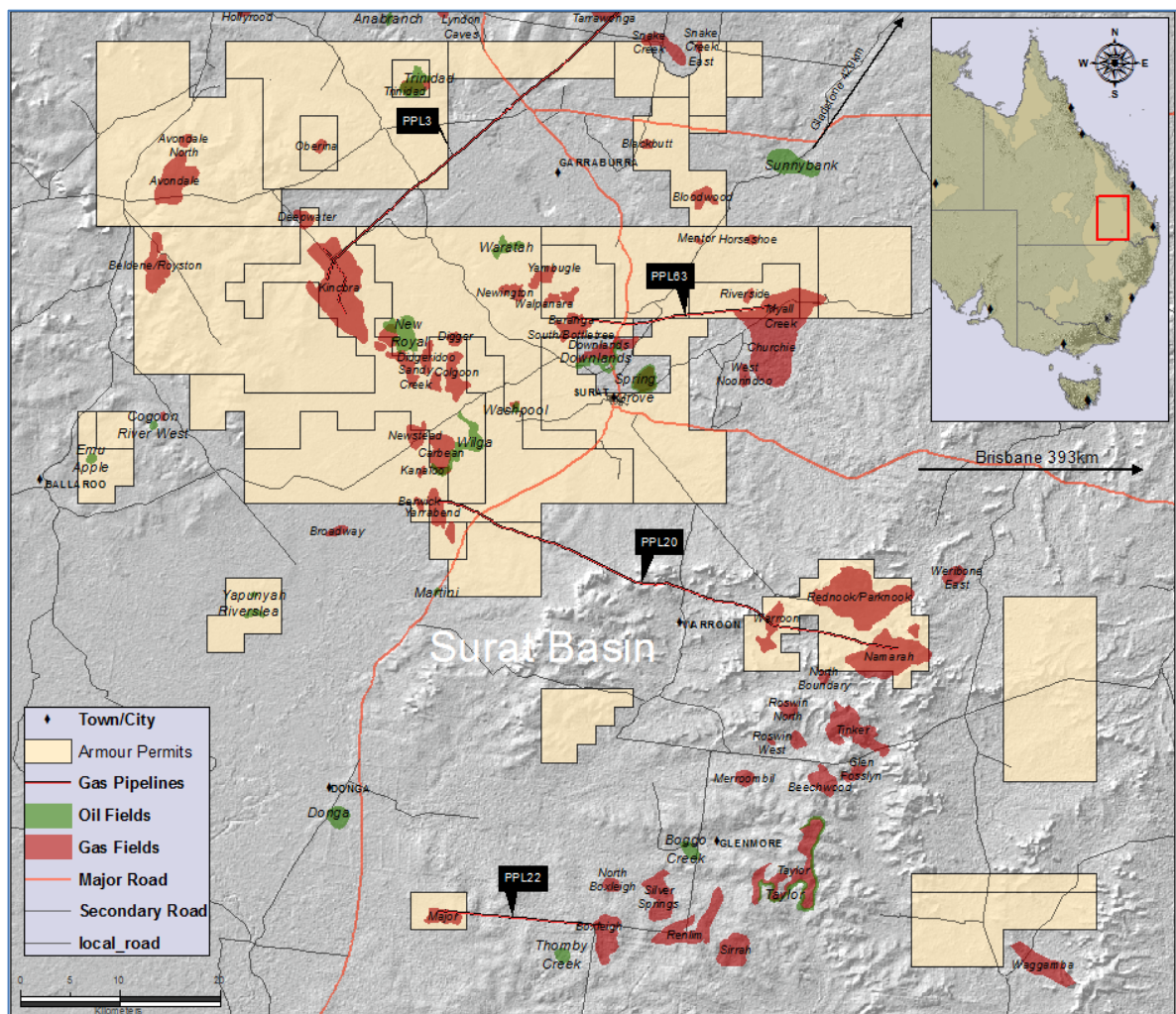


Figure 1: 2016 Armour Energy Bowen-Surat Lease position.

Start Up, Well Stimulation and Drilling Program to Lift Kincora Project to Production

As announced on 21 July 2016, Armour has completed a thorough investigation of the opportunities to rapidly re-establish production from its Kincora Project on the Roma Shelf in the Surat Basin, and ramp up to plant capacity at the recently acquired Kincora Gas Plant. This plan follows on from the announcement of the 2C contingent resources upgrade (refer below), and involves a multi phase program as follows:

- Phase 1 is the commencement of gas production at approximately 5 TJ per day (1.8 PJs per annum) and associated liquids, with first gas production targeted to be achieved by end 2016, and the balance of the restart (including associated liquids) to be completed during Q1 2017. Over time these liquid product streams are expected to add significantly to projected gas revenues and will meet the operating costs of the Kincora Project.
- Phase 2 will involve well workovers, drilling and stimulations to achieve ramp up to a total production of approximately 10 TJ/d (3.6 PJs per annum) which represents less than 40% of the Kincora Gas Plant name plate capacity. Associated liquids production historically averaging 9942 barrels of condensate per PJ of gas and 2066 tonnes of LPG per PJ of gas are expected to yield 99.4 barrels of condensate and 20.7 tonnes of LPG per day. These condensate and LPG figures are based on the information contained in the Company's ASX release of 19 July 2016.

Table 1 below sets out the targeted objectives and the tenement details for the drilling and stimulation Phase 2 program. Armour is currently negotiating funding for these programs.

The above mentioned production rates, as well as the flow rates in **Table 1**, are based on historical (2012) well performance from nearby wells and detailed sub-surface analysis work undertaken by Armour and its consultants over the past 9 months.

Armour is currently discussing gas sales arrangements with a number of third parties and is targeting summer peak periods in which to commence gas sales, assuming negotiations are successful.

First stimulation targets

Tenement	Well	Operation	Details	Estimated initial targeted uplift (mscf/d)
PL 511	Myall Creek 4	Perforate and stim new zones	25m of behind pipe pay in Lower Tinowon	1,500
PL 511	Myall Creek 2	Perforate and stim new zones	25m of behind pipe pay in Lower Tinowon	1,500
PL 511	Myall Creek 3	Perforate and stim new zones	25m of behind pipe pay in Lower Tinowon	1,500
PL 71	Parknook 2	Perforate new zones	25m of behind pipe potential over Showgrounds, Rewan and Bandanna	400
PL 71	Parknook 5	Perforate new zones	28m of behind pipe potential over Showgrounds, Rewan and Bandanna	350
PL 71	Warroon 1	Perf & Stim new zones	Perf and stimulate Rewan	350

TOTAL 5,600

First drilling / deepening targets

Tenement	Well	Operation	Details	Estimated initial flow (mscf/d)
PL 511	Myall Creek 12	New drill and stimulate	Targeting entire Tinowon interval	3,000
PL 511	Myall Creek 13	New drill and stimulate	Targeting entire Tinowon interval	3,000
PL 511	Myall Creek 14	New drill and stimulate	Targeting entire Tinowon interval	3,000
PL 511	Myall Creek 8	Deepen, case & stim	Perforate Lower Tinowon and stimulate both Upper and Lower Tin	2,500
PL 511	Myall Creek 6	Deepen, case & stim	Perforate and stimulate all Tinowon	2,500
PL 511	Myall Creek 11	Redrill Underbalanced	Redrill underbalanced; perforate all Tinowon sands	1,800
PL 511	Myall Creek 7	Deepen well underbalanced	25m of underlying pay in Lower Tinowon	600

TOTAL 16,400

Table 1: Initial well stimulation and drilling program

510% Increase in 2C Contingent Resources in Armour's Myall Creek, Parknook, Namarah and Warroon Fields near Roma, Queensland

On 19 July 2016, the Company announced the results of an independent resources review of certain of its licence areas within its Kincora Project in the Surat Basin, Queensland. The 2C contingent resources (net to Armour) in the Myall Creek, Parknook, Namarah and Warroon Fields) have increased from 15 PJs to 92 PJs. The overall total 2C contingent gas resource (net to Armour) of the broader Kincora project area is now 105 PJs.

Armour has a 100% working interest in the Myall Creek petroleum licenses PL511 and PL227, which cover an area of 78km², and a 90% working interest in the Parknook, Namarah and Warroon Fields (petroleum license PL71, covering an area of 134 km²) (**Figure 2**). The recoverable resource estimates have been classified as contingent resources and **Table 2** indicates Armour's net share of remaining recoverable products.

2C contingent resources will be reclassified to 2P reserves upon demonstrating economic viability following the re-start of the Kincora Gas Plant. Since acquiring these assets the Armour team has been working on re-start plans and is currently intending to achieve first gas production by the end of Q1 2017. This will involve gas from the Newstead storage facility which should require minimal processing to meet sales gas specification as it was already processed prior to injection into storage.

The balance of the re-start will involve recommissioning of the LPG system at the Kincora Gas Plant and this is expected to be completed during Q2 2017, which is when Armour intends to bring the Myall Creek and other fields back into production.

Category	Total Net Resources ⁽¹⁾			
	Gas (BCF)	Gas (PJ)	LPG (kTonne)	Condensate (kbbl)
Total Proved (1C)	26	27	56	270
Total Proved + Probable (2C)	87	92	190	913
Total Proved + Probable + Possible (3C)	222	234	483	2,326

Table 2 –Total Net Contingent Gas Resource Estimation- Myall Creek, Parknook, Namarah and Warroon Fields

Table 2 Notes:

1. Contingent Resources are classified according to SPE-PRMS (Society of Petroleum Engineers – Petroleum Resource Management System).
2. Contingent Resources are stated on a risk net basis with historical production removed.
3. Contingent Resources stated are inclusive of previous estimates reported by Armour.
4. Contingent resources exclude plant operating fuel used during operations estimated at 7%.
5. Contingent Resources are stated exclusive of minor overriding royalty and net profit interest.
6. BCF = billion cubic feet, LPG = liquefied petroleum gas, PJ = petajoules, kbbl = thousand barrels, kTonne = thousand tonnes; Conversion 1.055 PJ/BCF.

The 2C contingent resources (net) from Table 2 above are split as follows:

		Myall Creek 2C (net) PL511 and PL227	Parknook, Namarah and Warroon 2C (net) PL71	Total 2C (net)
Gas	PJ	60	32	92
LPG	kTonnes	125	65	190
Condensate	Kbbls	600	313	913

Further technical details of the work undertaken by SRK Consulting (Australasia) Pty Ltd are outlined in the ASX release of 19 July 2016.

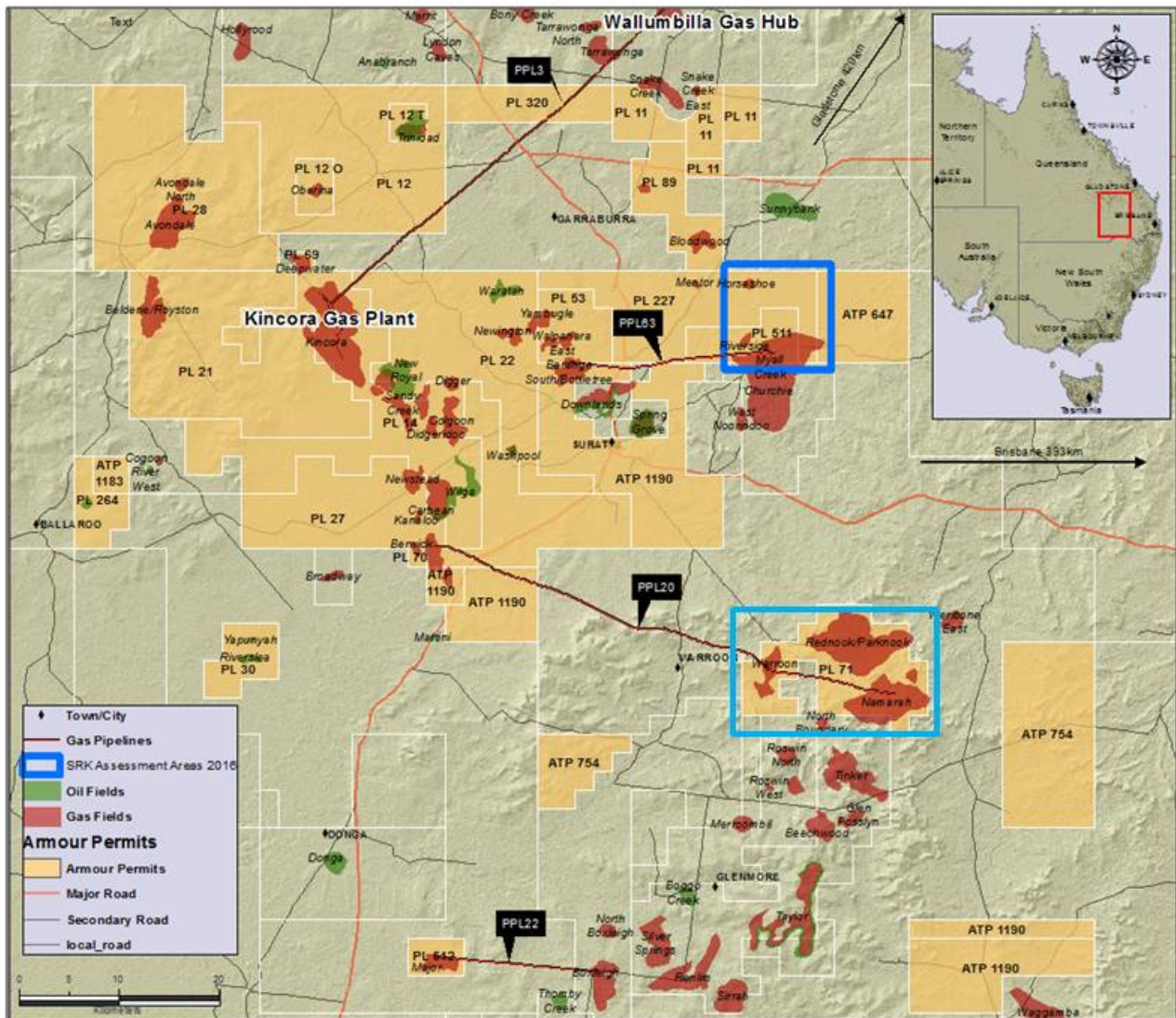


Figure 2: Upper Tinowon & Wallabella Sandstone Contingent Gas Resource Area, Armour Energy operated 100% WI PL 511 & PL 227; Showgrounds & Rewan Contingent Gas Resource Area, Armour Energy operated 90% WI PL 71

Restart of Oil Production at the Kincora Project

During the Quarter, Armour recommenced oil production from the Emu Apple field, which is part of the Company's Kincora Project assets. Production during the Quarter was steady, and ranged between 50 and 42 barrels of oil per day. Operating cost per barrel of oil, including transportation cost to the refinery, was \$21.50 per barrel.

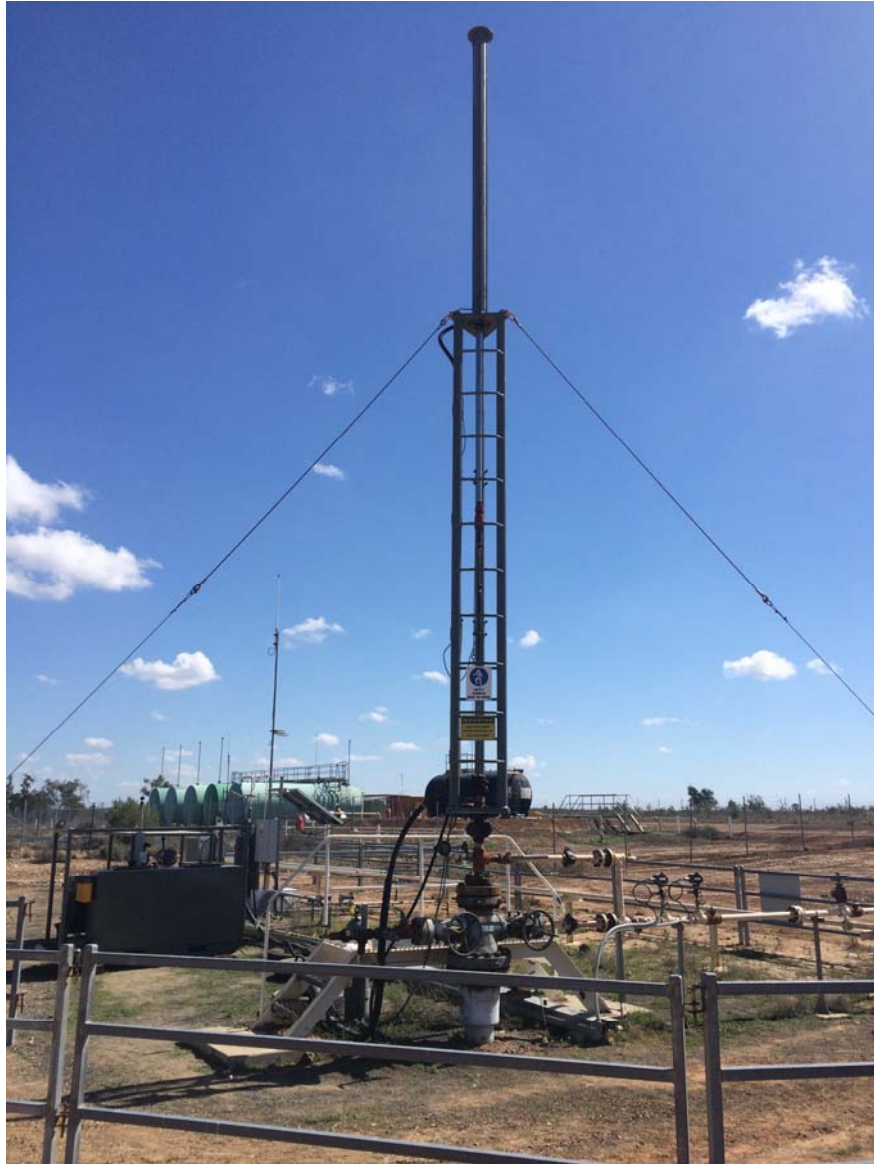


Photo1: Oil production facility at Emu Apple, Kincora Project

Armour's first load of crude oil was collected by crude oil road tanker (approx. 53,000 litres or 333 bbls) from Emu Apple on 23 September 2016 and taken to Brisbane's Caltex Refinery.



Photo 2: First load of crude oil from Emu Apple being collected on 22 September 2016.

CORPORATE ACTIVITIES

Finance Facility with DGR Global Limited

On 30 September 2015, Armour and DGR Global Limited executed a Term Sheet in relation to an interim financing arrangement for Armour's acquisition of the Roma Shelf assets. The parties subsequently executed comprehensive legal agreements in relation to the facility.

Following the closing of the AEGP Australia partial take-over offer, Armour provided security to DGR Global as provided under the facility agreement, thereby reducing the rate of interest payable under the facility from 22% to 15% per annum.

The financing facility has been extended a number of times by agreement of the parties, and remains on the terms outlined above, through to 31 December 2016.

Settlement with AEGP Australia

During the Quarter the Company reached a settlement agreement with AEGP Australia Pty Ltd (AEGP) following the ruling by the Queensland Supreme Court on 14 July 2016 ordering specific performance by AEGP of its obligations under the Farm-out Agreement between Armour and AEGP, in respect of the Northern Territory petroleum exploration permits.

Under the Farm-out Agreement, Armour was to receive an upfront cash payment of US\$13m and a subscription by AEGP to a further A\$3.5m in Armour shares at 20 cents per share. Following the death of AEGP Director and US affiliate American Energy Partners (AEP) founder, Chairman and CEO Aubrey McClendon on March 2nd 2016, AEGP found itself in a position which rendered it incapable of performance of its obligations pursuant to the Queensland Supreme Court order.

A wholly owned subsidiary of AEGP, AEGPAS Pty Ltd (AEGPAS) held 40,063,785 shares in Armour. Given the prevailing circumstances and lack of certainty, Armour agreed to acquire AEGPAS from AEGP at no cost in settlement of AEGP's obligations to Armour. AEGP also waived its right to earn up to a 75% interest in Armour's Northern Territory tenements, allowing Armour to retain a 100% interest in these assets.

During the Quarter, Armour successfully divested the shares held by AEGPAS, realising approximately \$3.05million in proceeds to the Company. These proceeds were largely used to finalise settlements due to Origin for the Kincora Project.

Management Changes

On 30 September 2016, the Company advised that Robbert de Weijer had resigned his position as Chief Executive Officer of the Company. Armour's Chief Operating Officer, Mr Roger Cressey, agreed to act as CEO for the Company on an interim basis, until such time as the CEO position is reconsidered.

Roger has been employed as an executive of Armour since 2011. He has over 30 years experience in engineering construction and project management, including over 20 years within the oil and gas industry, having held senior project management roles with OSD Pipelines, Transfield Services and Caltex Refineries.

Over the course of the last 12 months, Roger has been instrumental in Armour's ongoing process of acquiring title to, and evaluating and planning for the operational aspects of, the Kincora Project on the Roma Shelf.



On behalf of the Board
Karl Schlobohm
Company Secretary

ABOUT ARMOUR ENERGY

Armour Energy is focused on the discovery and development of world class gas and associated liquids resources in an extensive and recently recognised hydrocarbon province in northern Australia. This region has only recently had its shale potential identified by Armour Energy. The domestic and global demand for gas, combined with the new shale extractive technologies and experienced personnel, provides Armour with an extraordinary opportunity to define and ultimately develop a new liquids rich gas province.

Armour Energy's permit areas are characterised by low population densities, cooperative stakeholders and aspects of the natural environment suited to the exploration and development of a future gas and liquids province. Armour places considerable importance on close liaison with traditional owners and all stakeholders.

Armour Energy is focusing on the exploration of the McArthur, South Nicholson and Georgina Basins in the Northern Territory and Queensland, and in the onshore Gippsland Basin in Victoria in joint venture with Lakes Oil, for gas and associated petroleum liquids.

Armour's recent acquisition of assets and resources on the Roma Shelf establish the company's future as a petroleum producer.

Further information regarding Armour Energy Limited is available on Armour's website at www.armouenergy.com.au

Competent Persons Statement

Consents

Reported resources are in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines and under the supervision of Mr Luke Titus, Chief Geologist, Armour Energy Limited. Mr Titus qualifications include a Bachelor of Science from Fort Lewis College, Durango, Colorado, USA and he is an active member of AAPG and SPE. He has over 20 years of relevant experience in both conventional and unconventional oil and gas exploration & production in the US and multiple international basins. Mr Titus meets the requirements of qualified petroleum reserve and resource evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this release.

SPE-PRMS

Society of Petroleum Engineer's Petroleum Resource Management System - Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations, resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

PRMS provides guidelines for the evaluation and reporting of petroleum reserves and resources.

Under PRMS

“Contingent Resources” are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

The estimated quantities of petroleum that may potentially be recovered by the application of 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.

Previous reported information on the Contingent Resources in this release related to Armour Energy’s Surat Basin PLs and ATPs is based on an independent review conducted by RISC Operations Pty Ltd (RISC) 2015 Independent Technical Specialist Report Roma Shelf dated 30 September 2015 and SRK Consulting (Australasia) Pty Ltd Myall Creek Contingent Resources Report PLs 227 and 511 (19 July 2016) and SRK Consulting (Australasia) Pty Ltd PL 71 Contingent Resources Report- Parknook, Namarah and Warroon area (19 July 2016) and Armour Energy Target Statement dated 7 October 2015 related to Armour Energy’s Surat Basin PLs and ATPs is based on the Annexure A - Independent Expert Report review conducted by BDO Corporate Finance (QLD) Ltd and fairly represents the information and supporting documentation reviewed. All the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Forward Looking Statement

This announcement may contain certain statements and projections provided by or on behalf of Armour Energy Limited (Armour) with respect to the anticipated future undertakings. These forward-looking statements reflect various assumptions by or on behalf of Armour. Accordingly, these statements are subject to significant business, economic and competitive uncertainties and contingencies associated with exploration and/or production which may be beyond the control of Armour which could cause actual results or trends to differ materially, including but not limited to price fluctuations, exploration results, resource estimation, environmental risks, physical risks, legislative and regulatory changes, political risks, project delay or advancement, ability to meet funding requirements, factors relating to property title, native title and aboriginal heritage issues, dependence on key personnel, share price volatility, approvals and cost estimates. Accordingly, there can be no assurance that such statements and projections will be realised.

Armour makes no representations as to the accuracy or completeness of any such statement of projections or that any forecasts will be achieved.

Additionally, Armour makes no representation or warranty, express or implied, in relation to, and no responsibility or liability (whether for negligence, under statute or otherwise) is or will be accepted by Armour or by any of their respective officers, directors, shareholders, partners, employees, or advisers as to or in relation to the accuracy or completeness of the information, statements, opinions or matters (express or implied) arising out of, contained in or derived from this presentation or any omission from this presentation or of any other written or oral information or opinions provided now or in the future to any interested party or its advisers. In furnishing this information, Armour undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Nothing in this material should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities. It does not include all available information and should not be used in isolation as a basis to invest in Armour Energy Limited.

APPENDIX 1

INTERESTS IN TENEMENTS FOR THIS QUARTER

TYPE	LOCATION	NAME	OWNER	INTEREST
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Acquired During Quarter

ATP 647	Queensland	Myall Creek East	AE (SB) P/L	50%
EL 31012	Northern Territory	Carpentaria	Ripple Resources P/L	100%

Relinquished During Quarter

N/A

Held Throughout Quarter

PL14	Queensland		AE (SB) P/L	100%
PL 53	Queensland		AE (SB) P/L	100%
PL70	Queensland		AE (SB) P/L	100%
PL 511	Queensland		AE (SB) P/L	100%
PL 227	Queensland		AE (SB) P/L	100%
PPL 3	Queensland		AE (SB) P/L	100%
PPL 20	Queensland		AE (SB) P/L	100%
PPL 63	Queensland		AE (SB) P/L	100%
PL 28	Queensland		AE (SB) P/L	46.25%
PL 69	Queensland		AE (SB) P/L	46.25%
PL 89	Queensland		AE (SB) P/L	46.25%
PL 320	Queensland		AE (SB) P/L	46.25%
PL 11W	Queensland		AE (SB) P/L	46.25%
PL 12W	Queensland		AE (SB) P/L	46.25%
PL 11(SCEE)	Queensland		AE (SB) P/L	25%
PL21	Queensland		AE (SB) P/L	87.5%
PL 22	Queensland		AE (SB) P/L	87.5%
PL 27	Queensland		AE (SB) P/L	87.5%
PL 71(P)	Queensland		AE (SB) P/L	90%
PL 71(E)	Queensland		AE (SB) P/L	72%
PL 264	Queensland		AE (SB) P/L	90%
PL 30	Queensland		AE (SB) P/L	75%
PL 512	Queensland		AE (SB) P/L	69%
PPL 22	Queensland		AE (SB) P/L	69%
ATP 754	Queensland		AE (SB) P/L	50%
ATP 1190	Queensland		AE (SB) P/L	50.64%
ATP1190(B)	Queensland		AE (SB) P/L	24.748%
EPP 171	Northern Territory	Abner Range	Armour Energy Ltd	100%
EPP 174	Northern Territory	Robinson River 2	Armour Energy Ltd	100%
EPP 176	Northern Territory	Ryans Bend	Armour Energy Ltd	100%
EPP 190	Northern Territory	Calvert	Armour Energy Ltd	100%

TYPE	LOCATION	NAME	OWNER	INTEREST
Held Throughout Quarter				
EPP 191	Northern Territory	Wallhollow	Armour Energy Ltd	100%
EPP 192	Northern Territory	Wollogorang	Armour Energy Ltd	100%
EPM 19833	Queensland	Bowthorn	Ripple Resources P/L	100%
EPM 19835	Queensland	Shadforth East	Ripple Resources P/L	100%
EPM 19836	Queensland	Shadforth	Ripple Resources P/L	100%
EPM 25410	Queensland	Bowthorn - Extended	Ripple Resources P/L	100%
EPM 25504	Queensland	Argyle Creek	Ripple Resources P/L	100%
EPM 25505	Queensland	Border	Ripple Resources P/L	100%
EPM 26018	Queensland	Kola South	Ripple Resources P/L	100%
EPM 26020	Queensland	Inca Creek	Ripple Resources P/L	100%
EPM 26022	Queensland	Yelvertoft	Ripple Resources P/L	100%
EPM 25802	Queensland	Walford East	Ripple Resources P/L	100%
EL 30810	Northern Territory	Sweetums	Ripple Resources P/L	100%
EL 30812	Northern Territory	Pepe the Prawn	Ripple Resources P/L	100%
EL 30813	Northern Territory	Camilla the Chicken	Ripple Resources P/L	100%
EL 30817	Northern Territory	Birrindudu	Ripple Resources P/L	100%
EL 30818	Northern Territory	VRD	Ripple Resources P/L	100%
EL 30822	Northern Territory	Crazy Harry	Ripple Resources P/L	100%
EL 30823	Northern Territory	Scooter	Ripple Resources P/L	100%
EL 30836	Northern Territory	Western Creek	Ripple Resources P/L	100%
EL 30925	Northern Territory	Mt Lamb	Ripple Resources P/L	100%
EL 30926	Northern Territory	Alexandria	Ripple Resources P/L	100%
EL 30927	Northern Territory	Buchan Dam	Ripple Resources P/L	100%
EL 30943	Northern Territory	Calvert Hills	Ripple Resources P/L	100%
EL 30736	Northern Territory	Vutron	Ripple Resources P/L	100%
EL 30737	Northern Territory	Collider	Ripple Resources P/L	100%
EL 30750	Northern Territory	Hyperion	Ripple Resources P/L	100%
EL 30751	Northern Territory	Carrington	Ripple Resources P/L	100%
EL 30752	Northern Territory	Acheron	Ripple Resources P/L	100%
EL 30753	Northern Territory	Mondegreen	Ripple Resources P/L	100%
EL 30076	Northern Territory	Kermit	Ripple Resources P/L	100%
EL 30078	Northern Territory	Fozzie	Ripple Resources P/L	100%
EL 30079	Northern Territory	Scooter	Ripple Resources P/L	100%
EL 30080	Northern Territory	Miss Piggy	Ripple Resources P/L	100%
EL 29837	Northern Territory	Catfish Hole	Ripple Resources P/L	100%
EL 29951	Northern Territory	Eric Cartmen	Ripple Resources P/L	100%
EL 29952	Northern Territory	Kenny McCormick	Ripple Resources P/L	100%
EL 29953	Northern Territory	Secret Treasure	Ripple Resources P/L	100%
EL 29954	Northern Territory	Kyle Broflovski	Ripple Resources P/L	100%
EL 29955	Northern Territory	Stan Marsh	Ripple Resources P/L	100%
EL 30494	Northern Territory	Statler & Waldorf	Ripple Resources P/L	100%
EL 30774	Northern Territory	Same the Eagle	Ripple Resources P/L	100%

TYPE	LOCATION	NAME	OWNER	INTEREST
Held Throughout Quarter				
EL 30775	Northern Territory	Floyd Pepper	Ripple Resources P/L	100%
EL 70776	Northern Territory	Dr. Teeth	Ripple Resources P/L	100%
ATP 1087	Queensland	South Nicholson	Armour Energy Ltd	100%
PEP 169	Victoria	Moreys	Lakes Oil NL	51%
PEP 166	Victoria	Holdgate	Lakes Oil NL	25%
PRL2	Victoria		Lakes Oil NL	15%

AE (SB) P/L = Armour Energy (Surat Basin) Pty Ltd

EPM	Exploration Permit - Minerals
EL	Exploration Licence
EPP	Exploration Permit - Petroleum
ATP	Authority to Prospect
PEP	Petroleum Exploration Permit
PL	Petroleum Lease
PPL	Petroleum Pipeline Licence
PRL	Petroleum Retention Lease