

SUCCESSFUL FARMOUT OF BLUE RIDGE SALT DOME

ASX Announcement | 12 October 2016



Australian oil and gas Company TTE Petroleum Ltd (ASX: TTE) (**TTE** or the **Company**) is pleased to announce that it has signed a Letter of Intent (**LOI**) with Viceroy Petroleum LP (**Viceroy**) an independent oil & gas production and operating company based in Central Texas.

As part of the continuing alliance, Viceroy will assume operatorship and acquire a 75% Working Interest (WI) in the Blue Ridge field located in Fort Bend County, Texas. TTE will retain a 25% Working Interest as well as an Overriding Royalty Interest.

Upon execution of the LOI Viceroy paid to TTE US\$20,000.00 (the Take Down Fee). TTE and Viceroy will negotiate a mutually-acceptable, comprehensive Purchase and Sale agreement (Definitive Agreement) that is consistent with the LOI. If a mutually acceptable Definitive Agreement is not negotiated and entered into on or before 5:00 p.m. US Central Time on November 10, 2016, the LOI shall terminate and be of no further force and effect provided, however, the Parties may extend this time period by mutual agreement as necessary to facilitate the Transaction.

Upon the execution of Purchase and Sale Agreement Viceroy will pay the sum of US\$200,000.00 less the Take Down Fee, for the assignment at closing of 75.0% of the leasehold Working Interest and a 53.25% Net Revenue Interest (NRI) in the Blue Ridge oil and gas leasehold interests. TTE shall retain a 25% WI with associated NRI. Viceroy and TTE shall assume the subsequent "pipe setter commitments" set forth in the agreement known to the Parties as the TTE/TKE MOU on the basis of 75% payable by Viceroy and 25% payable by TTE. As additional consideration Viceroy agrees to carry TTE on up to an initial 5 new wells to casing point for its working interest portion within 12 months after the Effective Date of the Agreement. This value shall be a dollar total of up to US\$250,000 dollars toward TTE's 25% WI in the 5 initial wells. Following either (a) the drilling of the 5 initial "carried wells" to casing

point, or (b) the depletion of the US\$250,000 in drilling related credit towards TTE's 25% obligation, less any adjustments, Viceroy and TTE will continue at the aforementioned working interest percentage (75%/25%). In the event that Viceroy fails to drill 5 wells during such 12 month period, Viceroy shall have the election to either (a) re-assign to Seller all of Buyer's right, title and interest in the Subject Lease or (b) pay the sum of US\$15,000 due for any of the initial 5 obligation wells not drilled within such the 12 month period. Should there be an adjustment and reduction of the acreage capable of being drilled upon, TTE's drilling carry credit of US\$250,000 shall be adjusted in proportion to the percentage reduction of useable acreage and deducted from the drilling carry portion of the consideration owed to TTE by Viceroy.

TTE acquired 361 net acres on the Blue Ridge salt dome in October 2015 after a successful negotiation with OXY USA, Inc. The acreage, known as the Occidental Fee lease, represents a significant portion of the south-western corner of the Blue Ridge field in Fort Bend County, Texas, approximately 20 miles south of Houston.

Depth of target sands in the Miocene, Frio and Vicksburg formations range from 1,500 feet to 6,000 feet. Over 60 successful wells have been drilled on the Occidental Fee lease since the 1920's, predominantly by major oil companies Gulf Oil (now Chevron) and Continental Oil Company (now Conoco Philips). On a contiguous tract (183 acres) to the Occidental Fee Lease another operator is currently operating over 80 wells according to Texas Railroad Commission records. TTE believes there is considerable potential on the Occidental Fee Lease due to its geological positioning and is twice the amount of acreage of the offset tract. Creating an alliance with Viceroy to pursue this development is an excellent opportunity for TTE to generate successful cash flow and production.

DRILLING PROGRAM

The Company has identified a number of developmental drilling locations to extend the fairway across this south western flank. It is anticipated that the TTE & Viceroy joint development will commence drilling planning operations immediately on signing of the PSA.

Preliminary budgets indicate the five well program will cost approximately US\$1,900,000 of

which TTE's share would be 25% of the completion costs anticipated to be approximately US\$225,000. It is estimated that this work will take approximately 12 months to complete. With oil prices moving up above US\$50 a barrel, the joint venture believes that now is the ideal time to focus on increasing the revenue stream at Allen Dome and drilling development wells on Blue Ridge. TTE will be working alongside Viceroy as the new operator to capitalize on the low drilling costs and downhole services rates.

SUMMARY OF TTE INTERESTS

Following completion of the transaction, the Company will own:

- **Allen Dome:** a 30% Working Interest in the joint venture with Viceroy Petroleum, plus a 3% Overriding Royalty Interest on gross revenue across new and existing leases.
- **Boling Dome:** a 1% Overriding Royalty Interest on gross revenue across existing leases and 2% Overriding Royalty Interest on gross revenue in new leases within a specified area (Area of Mutual Interest).
- **Markham Dome:** a 1.5% Overriding Royalty Interest on gross revenue across existing leases.
- **Blue Ridge Dome:** 25% Working Interest in 361 Net Acres with a free carried interest on the first five wells to casing point. The 361 acres has an estimated 40 or more development and 10 exploration drill sites and infrastructure in place for immediate development. The acreage, known as the Occidental Fee lease, represents a significant portion of the southwestern corner of the Blue Ridge field in Fort Bend County, approximately 20 miles south of Houston.
- **Exploration Permit 455:** an 18.5% Working Interest in EP455 in joint venture with AWE Limited.

The Company continues to investigate acquisition opportunities to maximise the returns of the existing shareholder and encourage the participation of new shareholders.

For further information, please contact:

Jack Toby

Company Secretary & CFO

T: +61 8 9322 6955

M: +61 417 962 369

E: jtoby@ttepetroleum.com

Luke Velterop

Vice President of TTE Operating LLC

M: +1 (714) 595-5197

E: lvelterop@ttepetroleum.com