



ASX ANNOUNCEMENT

03 FEBRUARY 2022

FIELD DEVELOPMENT PROGRAM UNDERWAY TO INCREASE OIL PRODUCTION

HIGHLIGHTS

- Work underway on first two drilled & uncompleted wells ('DUCs') at primary targets in the Illinois Basin – The wells have now been perforated and are flowing naturally with fracture stimulations to be performed next week;
- The DUCs were prioritised due to the low cost for completion and favourable project economics. Further seven DUCs have also been identified;
- First high impact vertical infill well to be drilled on AXP's 100%-owned Dacy Lease; drill pad completed with drilling to commence in March, weather permitting;
- The internal drilling team is maturing a field development program concurrently with ongoing workover programs – which will continue uninterrupted.

AXP Energy Limited (ASX: AXP, OTC US: AUNXF), ('AXP', 'Company') is pleased to confirm field development and well completion operations have commenced with work underway on the completion of the first of two Illinois Basin oil wells. In addition, the drill pad has been prepared for the first of the new vertical infill wells to be drilled next month.

As reported on 4 November 2021, AXP formed a new drilling division to pursue cost effective increases in oil and gas production through field development activities, including drilling infill wells in existing productive leases and also bringing online wells that were previously drilled but not completed. AXP is deploying its own geologists, drillers and field hands for all work which can be executed more cost effectively than through the hiring of contractors. In building its own drilling capability, AXP has been able to reduce its reliance on contractors so that its planned programs can be executed more cost effectively.

ILLINOIS BASIN TWO-WELL COMPLETION PROGRAM

In formulating the field development program for CY2022, AXP's geologists have now identified a portfolio of nine previously drilled, cased and uncompleted wells (DUCs) that were never brought into production due to the GFC market downturn in 2007. These wells were shut-in and have remained idle for the past 14 years. The first two (DPI-2604 and DPI-2605) are located in Eastern Muhlenberg County, Kentucky (*refer image 1*) and sit within the Salem-Warsaw and Upper Fort Payne formations which are common targets for oil production in the region.

This project has been prioritised ahead of drilling new wells due to their lower risk development potential and favourable project economics as the drilling costs have already been incurred. Both wells were perforated this week (*refer image 2*) and are currently flowing naturally. Despite

the natural flow, AXP plans to fracture stimulate both vertical wells next week to enhance production. Flow rates will be reported upon completion and after flow back. This initial field development activity aims to take advantage of the low cost, quick execution, high reward opportunities that exist within the Company's portfolio. A further seven DUCs which are prospective for both gas and oil have been identified and will be considered for perforating, fracking and completing once the results from the first two wells are evident. In addition, 10 of our gas producing wells in the Appalachian Basin have been drilled through oil producing formations and the Company is now assessing the feasibility of perforating these zones to produce the oil as well as the gas.

VERTICAL WELL TO COMMENCE NEXT MONTH

Work is also well advanced on the first high impact vertical infill well which has been identified on the Dacy Lease, located within the Poole Consolidated oil field in Webster County, Kentucky (refer image 3) and are part of the Kentucky Exploration leases which were acquired in full late last year (refer ASX announcement: 19 November 2021). The drill pad has been constructed (refer image 4) and drilling is likely to commence in March, weather permitting.

The Dacy Lease was earmarked as a priority target after a thorough internal geological review. The well is planned to be drilled vertically into the Mississippian age Ste. Genevieve formation, a thick Mississippian carbonate. Production comes from lenticular oolitic porosity zones, overlain and interbedded with shales and non-oolitic limestone.

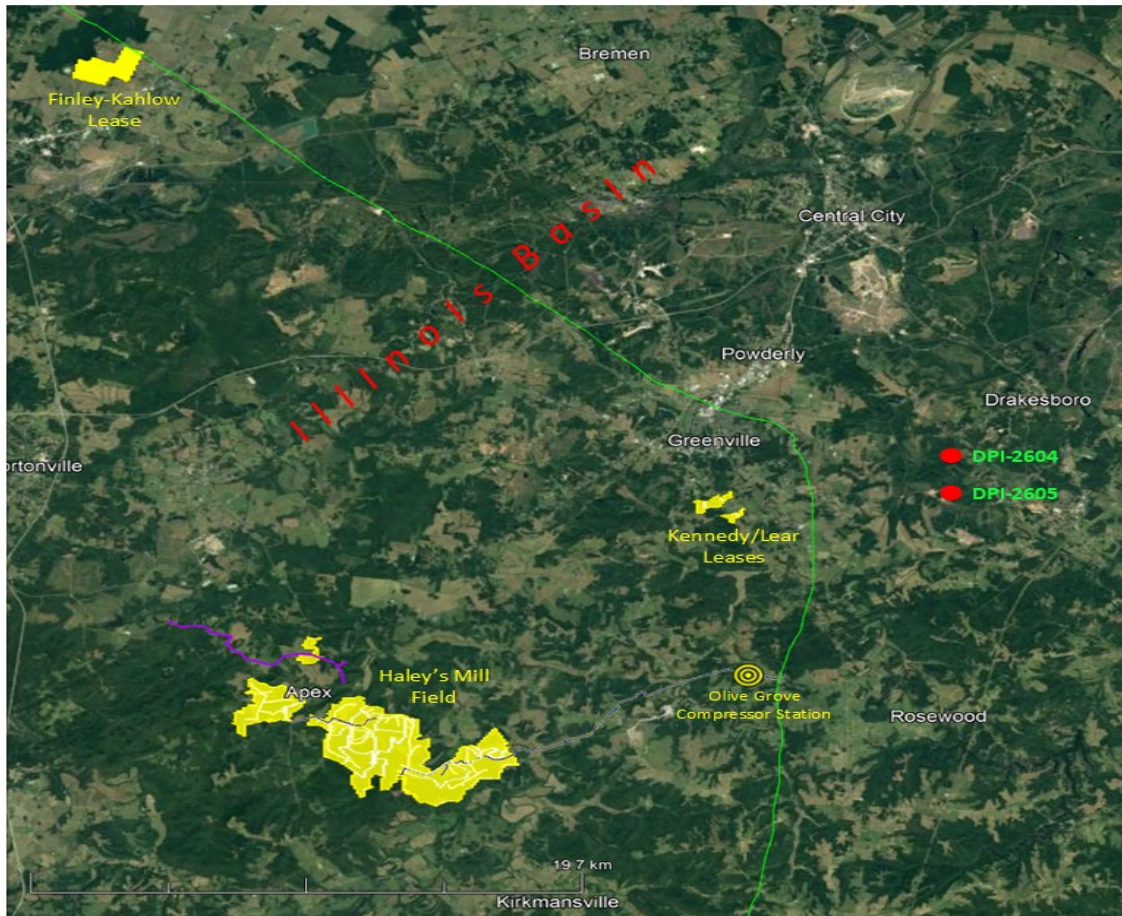


Image 1: DPI-2604 and DPI-2605 location within the Illinois Basin

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Image 2: Workover underway at DPI-2605 well



Image 3: The Dacy Lease new well locations

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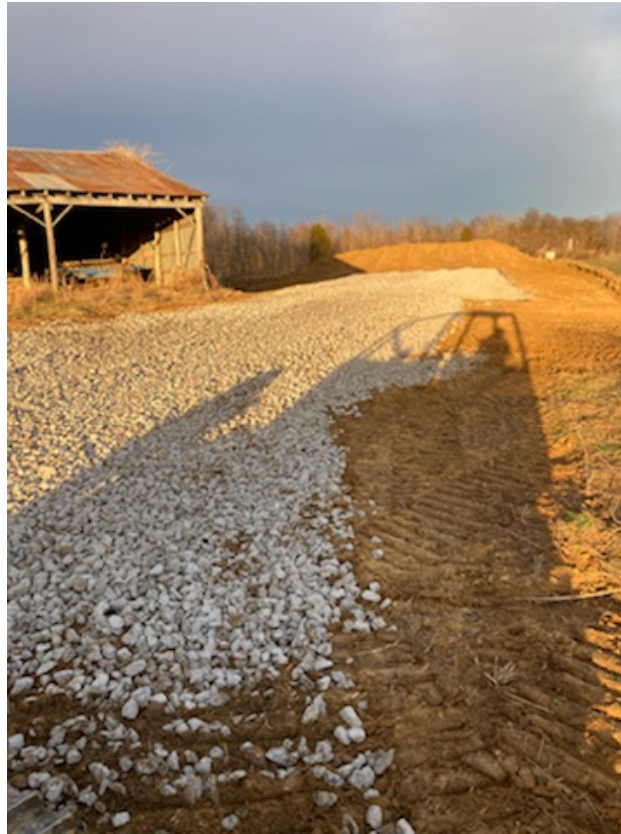


Image 4: The Dacy Lease drill pad under construction

AXP's Chief Executive Officer Tim Hart said: *"Our calendar 2022 field development program is now well underway with the team focused aggressively on growing oil and gas production by drilling new, low-cost vertical wells and bringing these DUCs online to deliver quick, easy gains. We will report flow rates once the fracs have been completed next week. We plan to then immediately move to drilling our first vertical well in many years on the Dacy Lease. Our objective is for the drilling team to be operating back-to-back from one well to the next on the basis that production gains materialise. This program will operate concurrently with the ongoing well workover program.*

"With the WTI oil price continuing its strong upward trend, our primary focus from this field development program is oil targets whilst at the same time bringing more gas online that can be sold into sales channels that are not impacted by downstream outages. With our field development work continuing alongside current workover programs, we look forward to providing shareholders with more regular operational updates and production results as they materialise. Also, we are very focused on resolving permitting in Colorado so we can advance with activities there and bring greater volumes of oil online."

This announcement has been authorised by the Board of AXP Energy Limited.

END

FURTHER INFORMATION

Tim Hart, Chief Executive Officer: +1 (303) 999 5420

Robert Lees, Company Secretary: +61 411 494 406

ABOUT AXP ENERGY LIMITED

AXP ENERGY Limited (ASX: AXP) (formerly Fremont Petroleum Corporation Limited) is an oil & gas production and development company with operations in Colorado, Illinois, Kentucky, Tennessee and Virginia. AXP's focus is to aggressively grow daily production by improving current asset performance and opportunistically acquiring onshore USA oil & gas assets with the following characteristics: producing conventional oil & gas wells; production that can be enhanced through low-cost field operations and workovers; leases which are held by production and which do not require ongoing drilling commitments; and economies of scale which can be achieved by acquiring and carrying out similar enhancement strategies on contiguous or nearby fields with similar characteristics.

DISCLAIMER

This announcement contains or may contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21B of the Securities Exchange Act of 1934. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, goals, assumptions or future events or performance are not statements of historical fact and may be "forward looking statements." Forward looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. Forward looking statements in this action may be identified through the use of words such as "expects", "will," "anticipates," "estimates," "believes," or statements indicating certain actions "may," "could," or "might" occur. Hydrocarbon production rates fluctuate over time due to reservoir pressures, depletion, down time for maintenance and other factors. The Company does not represent that quoted hydrocarbon production rates will continue indefinitely.

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