



ASX ANNOUNCEMENT

2 APRIL 2024

## UPDATE ON COLORADO ACTIVITIES LAST 12 MONTHS AND FORWARD WORK PLAN FOR PATHFINDER FIELD COLORADO

On 12 March 2024, **AXP Energy Limited** (ASX: AXP, OTC US: AUNXF), ('AXP', 'Company') announced that the sale of its non-Colorado oil and gas assets had closed and that all funds had been received, subject to closing adjustments which are expected to be finalised by 7 May 2024. In the same announcement, the Company advised that it was re-prioritising the performance of its core Colorado asset, specifically the Pathfinder Field. The Company is pleased to now further articulate the work that has been done in Colorado over the past 12 months and the plan forward for this asset.

### Completion of Asset Sale

In the latter 6 months of calendar 2023, the Company was determinedly focused on the sale of its loss-making Appalachian Basin assets which, as communicated to shareholders at various times, had been a significant burden on the Company's financial position. During this period, the Board resolved to manage costs and preserve capital.

Also during this period and notwithstanding the capital preservation necessity, the Company had been working to enhance the performance of its 100%-owned Pathfinder Field in Colorado – with a view to now significantly ramping activity within this core asset in the coming months.

### Colorado Project

The Company maintains its 100% working interest (76% Net Royalty Interest) in assets located in the Denver-Julesburg (DJ) Basin in Colorado, namely the Pathfinder Field. The assets are located in the historic Florence Oilfield and are geologically defined by the Canon City Embayment. This area is an extension of the prolific DJ Basin which spans across Colorado, Kansas, Montana and Wyoming. Formations of interest in this area include the Pierre Shale, Niobrara Shale, Codell Sandstone and the Greenhorn Limestone.

The Company's Colorado Project maintains substantial potential on account of:

- having a specific gas make up (heavy in liquids) which is more likely to lead to profitable gas production;
- having immediate development potential from the existing portfolio of oil and gas wells; and
- having multiple known exploration targets.

Presently, the operations team in Colorado is finalising a plan to test and complete wells within the Greenhorn Formation, being a geological formation existing at greater depth than existing producing formations. The Greenhorn Formation has exhibited encouraging results

for both oil and gas production within other parts of the DJ Basin in close proximity to the Company's leases, but remains untested within the Florence field, where the Company's leases exist.

In 2018, the Company's Amerigo Vespucci well was also drilled through the Greenhorn Formation, again with strong indications of hydrocarbons through the formation. However, due to instability in the formation above, and due to the completion methodology used, the Greenhorn was unable to be completed within this well. The Greenhorn test and completion planned for the Pathfinder #1 well will be the first time this formation has ever been tested in the Florence field.

**Colorado Production Profile**

Quarterly oil production for the past 12 months in Colorado (in BBL) has been as follows:

Apr – Jun 2023	Jul – Sep 2023	Oct – Dec 2023	Jan 2024	Feb 2024
3,715	2,881	2,478	760	973

The Company notes that it has commercial volumes of associated gas available at its oil wells on the Colorado Project, however, the regulatory environment within the state of Colorado is such that regular or raw flaring of this gas is not generally permitted.

As a result, the potential sale and subsequent combustion of the gas in gas-fired generators at or near the wellhead will obviate such restrictions and permit the flowing and commercialisation of more oil. Indeed, such combustion as opposed to regular flaring of the gas, is the most environmentally acceptable solution to resolve the Company's stranded gas constraint. Given the very high capital cost required to pipe such gas to the state's sales network, the sale and combustion of the gas at or near the wellhead is also the most commercially optimal.

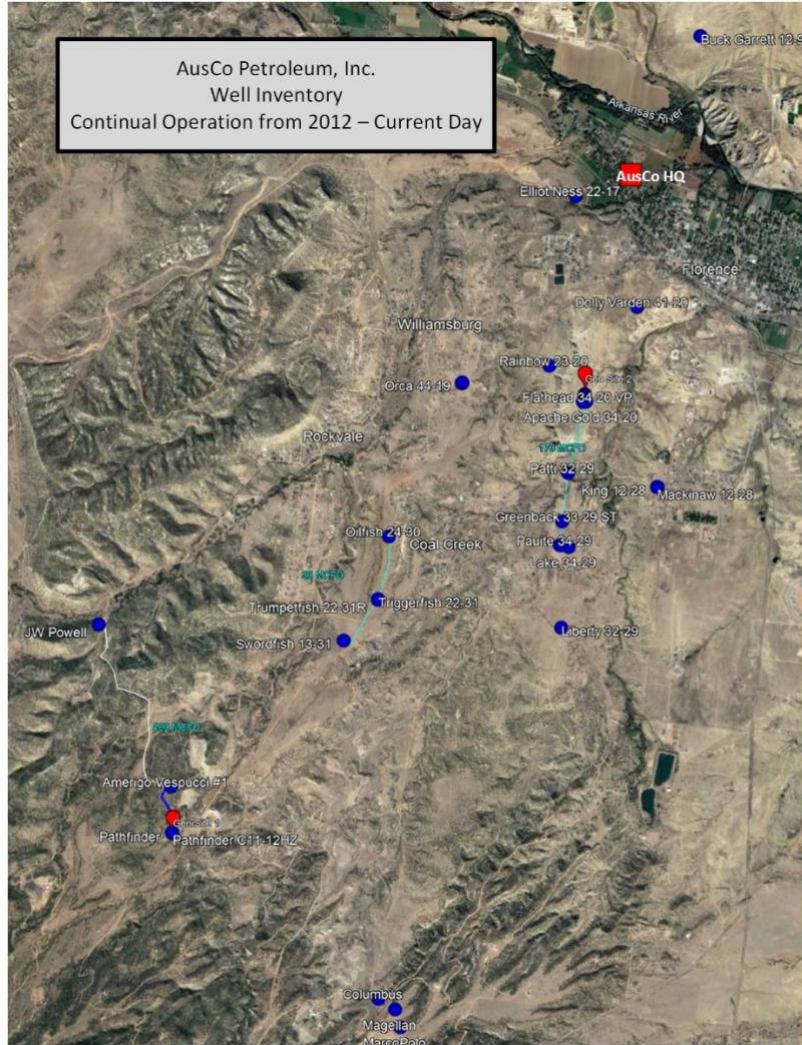
**Colorado Project Work – Last 12 Months**

Although fiscally constrained in the last 12 months, and working within a capital preservation framework, the Company has been working to enhance the performance of the existing Pathfinder Field in Colorado in order to now accelerate activity within this core asset.

Areas of focus in Colorado and work done over the past 12 months have been to continue to operate the asset and wells as the Company has been doing over the past 10 years. The following map details the Company's Colorado wells (blue markers).

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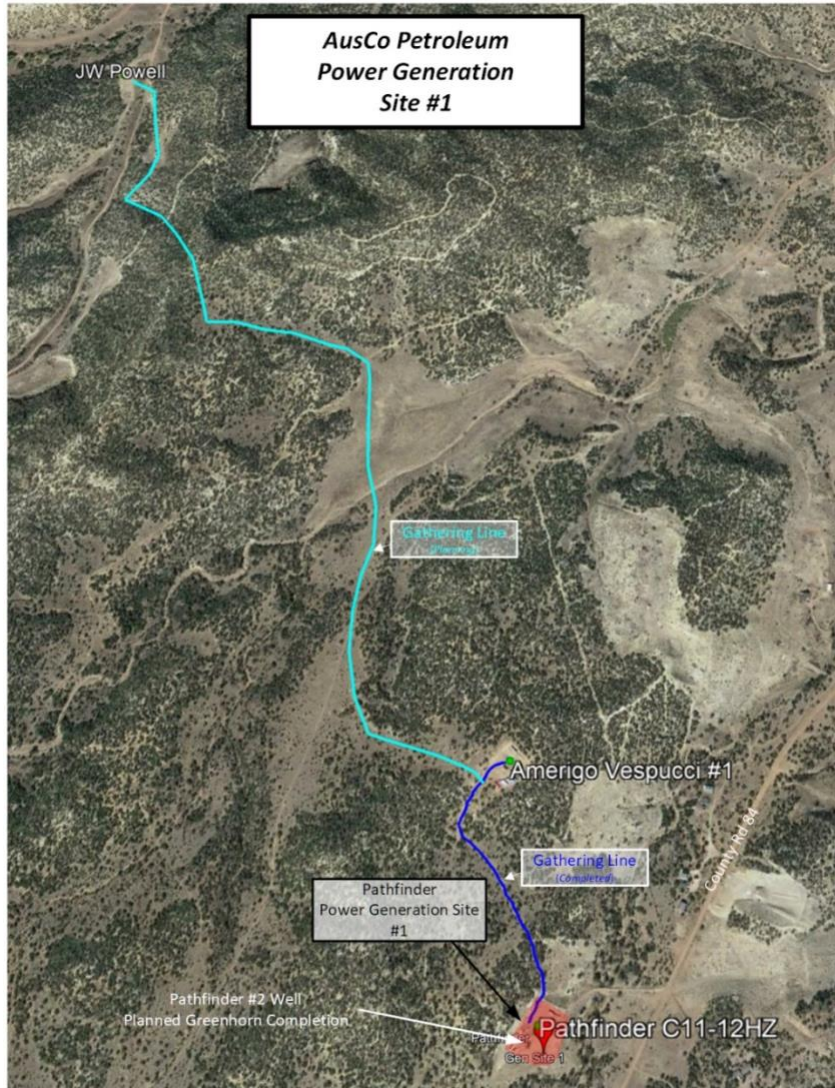


There has been no reduction in staffing or activity levels within the Colorado project within the past 12 months, except that due to capital preservation the Company has not undertaken any significant exploration in this period.

In preparation for direct gas sales for power generation, the Company has continued to enhance its in-field gas gathering system by tying in the newest and most prolific wells into a central location on the Pathfinder well site. Ultimately, all wells will be tied into one of three centralized locations for potential power generation sites.

To that end, the Company has built out additional pipeline capacity between June and September 2023, such as to create a single, central gas offtake point. The following map details the extent of the pipeline construction:

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Furthermore, the Company has, during this period, carried out the following works:

- performing well engineering for re-entry and completion of an additional formation (the Greenhorn formation) within the Pathfinder #1 well and compiled relevant engineering and other documentation for permitting of this well re-entry. The Company expects to make further announcements with regards to the timing of this re-entry and re-completion of this well within the coming 90 days;
- engaging with the local (state) authorities regarding permits to operate gas fired electricity generators. This process will be finalised within 30-45 days of us signing a contract to purchase one or more gas fired generators. The process cannot be finalised beforehand as it requires us to specify the models and specifications of the gas fired generators;
- engaging with the local electricity operator to commence the process of connecting to the grid. This will allow us to sell energy into the grid, generate electricity sales and move gas; and
- we have also been offered a gas offtake agreement that is dependent on AXP securing in-situ gas generators.

The Company is currently exploring several gas sale opportunities which would allow the Company to market gas directly from the wellhead (i.e., without transport or processing as was required for the Appalachian Basin asset). As a result of the exploitation of its gas assets, the Company expects oil production to increase commensurately.

The Company has also had recent engagements with 2 other neighbouring operators with a view to potentially acquiring additional wells and production within the Florence field itself. Already the largest oil and gas producer in Fremont County, these potential acquisitions could position AusCo Petroleum<sup>(1)</sup> as the sole operator in this field, doubling current production.

### **Proposed Near Term Activities**

The immediate focus of the Company is now enhancing the performance of AXP's Pathfinder Field in Colorado, identifying reliable and profitable gas sales channels and enhancing the field's oil production, as previously announced to the market, the Company is also actively seeking additional complementary acquisitions in the oil and gas sector. To this end, the Company intends to preserve part of the funds received from the recent asset disposal to ensure AXP maintains sufficient financial flexibility to identify and acquire complementary oil and gas producing assets with a focus on the United States.

Specifically, in the coming 12 months, the Company intends to:

- 1) Purchasing up to 3 gas fired generators for the generation of electricity at site within the Pathfinder Field site and wells to generate electricity at the wellhead which can be sold into the grid. This would provide for:
  - (a) potential additional revenue from electricity sales; and
  - (b) increased oil production, anticipated to be between 30-50 barrels per day, which will result in an overall increase in revenue which will be based on the price of West Texas Intermediate (WTI) at the time that this increased production materialises.

The Company is currently in the process of obtaining quotes for generators from suppliers and expects to be able to announce an agreement to purchase at least one generator within the coming 3 weeks.

- (2) Securing permits to operate a gas turbine (the permit needs the precise specifications of the gas fired generators before it can be finalised). This process is underway already.
- (3) Negotiating a connection to the Colorado electricity grid via a transmission line that crosses the permits. This will take an estimated 2 months and the process has already commenced.
- (4) Sourcing and purchasing associated equipment such as storage tanks and pumps to facilitate continuous gas supply and electricity production.

The anticipated costs of the Company's proposed activities over the next 12 months is approximately U\$1.5M, which is comprised of U\$750K<sup>(2)</sup> for the gas-fired generators, U\$600K for working capital, U\$70K for grid connection, U\$50K for site preparation and U\$30K for permitting.

These costs are a statement of current intentions and, as with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors.

Successful execution of the above business plan at the Colorado project are expected to see the Company recover its costs within a 12 month period and materially increase annualised revenue.

ASX have advised that AXP have demonstrated a sufficient level of operations in accordance with ASX Listing Rule 12.1 and will continue to trade (refer ASX Announcement 'Sale of Assets of AXP Energy' – 28 Sept 2023).

A webinar will be held in the coming weeks to further articulate the above business plan.

Notes:

- (1) Ausco is a 100% owned subsidiary of AXP Energy Limited.
- (2) This is a maximum and assumes the purchase of 3 gensets.

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

## **FURTHER INFORMATION**

**Andrew Bald**, Non-Executive Director: 0409 758 229

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## **ABOUT AXP ENERGY LIMITED**

AXP ENERGY Limited (ASX: AXP) (formerly Fremont Petroleum Corporation Limited) is an oil & gas production and development company with core operations in Colorado. 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.