



Canadian Overseas Petroleum Limited Comments on the New US Federal Oil and Gas Lease Policy as It Pertains to the Atomic Acquisition

Calgary, Canada & London, United Kingdom, January 28, 2021 - Canadian Overseas Petroleum Limited ("COPL" or the "Company") (XOP: CSE) & (COPL: LSE), an international oil and gas exploration and development company, today is updating its shareholders, investors and the market on the Company's view of the new Presidential Executive Order pertaining to the US Federal Oil and Gas Leases as it relates to COPL's acquisition of Atomic Oil and Gas LLC and its related entities ("Atomic") announced on December 16, 2020. The Company believes that the Executive Order signed by the President of the United States will have a largely positive effect on COPL's Atomic acquisition. The statement by the President of the United States on signing the Executive Order stated the following:

- **No** new US Federal Oil and Gas Leases will be issued offshore, or onshore through the Bureau of Land Management an arm of the US Department of the Interior.
- There will be a **review** of existing leases and permitting for oil and gas operations conducted on Federal lands.
- There will be **no** ban on Hydraulic Fracking ("Fracking").
- Legacy suspended wells on Federal Leasehold are to be abandoned to **reduce** methane emissions.
- Operations on Federal lands shall be conducted with regards to the nation's climate objectives.

Effect on Atomic

The Company believes the Executive Order signed today by the President of the United States to have a largely positive effect, and limited negative effects, on COPL's Atomic acquisition for the following reasons:

- Atomic requires **no** additional Federal Oil and Gas Leases to conduct its operations.
- Atomic's Federal Leasehold is in **good standing**.
 - Atomic holds operating working interests in approximately 52,250 acres of contiguous leasehold (the "Leasehold") in the State of Wyoming.
 - The Leasehold is a combination of the following: Fee Simple Freehold Leases; State (Wyoming) Leases; and Federal Leases. These interests are defined as the "Lessors".
 - Within the Leasehold there are three Units: Two (2) production Units being the Barron Flats Shannon Miscible Flood Unit (57.7% WI) and the Cole Creek Unit (66.7%); as well as one unitized exploration area - the Barron Flats Federal Unit (deep).
 - The purpose of the formation of these Units is to align the various Lessors' interests through the terms of their respective leases with those of the Working Interest holders (the "Lessee's") whose working interest is defined through the Unit.
- Atomic has **secured** drilling permits required to continue to conduct the majority of its operations on the critical Federal Leasehold. If in the future operations are restricted from





the surface of Federal Leasehold, operations can also be conducted from adjoining Fee Simple or State Leasehold directionally if there were to be a hinderance of such operations outside of the newly stated policy on Federal Leasehold.

- The Atomic assets have **new** infrastructure and direct access to pipeline with **no** legacy abandonment or reclamation liabilities.
- The Barrons Flat Unit facilities are state-of-the-art, **environmentally responsible** facilities with zero gas flaring, minimal methane emissions, with required electricity sourced from an adjacent wind farm.

Arthur Millholland, President and CEO, commented: "The issues surrounding Federal Oil and Gas Leases enacted today by the President of the United States are complicated politically and possibly legislatively. However, we have done enough due diligence on Atomic and can safely say that the policy enacted today will have no undue influence on Atomic and its assets going forward and have therefore not hindered our resolve to complete the acquisition. The Atomic producing assets are some of the most environmentally responsible oil and gas assets in the industry. We see no issues with complying to the policies set forth today by the President, and as such, look forward to be at the forefront of an environmentally responsible participant in the oil and gas industry today and in the future."

About Atomic

Atomic is a closely-held private oil and gas company incorporated under the laws of the State of Colorado. Atomic's assets are located in Powder River Basin in the State of Wyoming, USA where it holds operated interests in 52,258 acres (gross) of contiguous leasehold. There are two oil production Units within the lease block: the Barron Flats Shannon Miscible Flood Unit (57.7% WI) and the Cole Creek Unit (66.7%), as well as one unitized exploration area - the Barron Flats Federal Unit (deep). Atomic has two affiliates: The Southwestern Production Corp, the operating entity; and PipeCo, a midstream company holding the pipeline and facility assets.

Benefits to COPL from the Atomic acquisition

- COPL is acquiring **31.1 mm Barrels of Oil Equivalent ("BOE") (24.7 mm BOE net** after royalties) of Proved and Probable Reserves ("2P") (Ryder Scott Reserve Report dated 1st October 2020 of Atomic's Oil and Gas Reserves (the "Ryder Scott Report"), a summary of which can be found on the Company's Press Release dated December 16, 2020.
- Atomic has two **operated** oil fields: the Barron Flats Shannon Unit (57.7% WI) and Cole Creek Unit (66.7% WI) located in the Powder River Basin in the State of Wyoming, USA:
 - Oil producing assets are at the **beginning** of their 40+ year life with **increasing** production to a future production plateau.
 - Current production rate of 1,400 bbls/d (gross) **rising** to 5,000 bbls/d (gross) in 2022 and c.7,000 bbls/d (gross) in 2026 (2P reserve case, Ryder Scott Report).
 - Produced crude oil is light (40°API) and sweet.



- **Barron Flats Shannon Unit (57.7% WI):** Natural Gas and Propane Miscible Flood commenced December 2019. Production increased from c. 200 bbls/d (gross) to **1400 bbls/d** (gross) from 2017 to Sept 2020 with a forecast 2P production rate plateau of **5000 bbls/d** (gross) in 2022 (Ryder Scott Report).
- **Cole Creek Unit (66.7% WI):** Current field limits defined by drilling, Miscible Flood to be commenced upon plateau of Barron Flats Shannon Unit production. Forecast production rate plateau of **c. 3,500 bbls/d** (gross) under the 2P reserves case (Ryder Scott Report) in 2026.
- The Atomic assets have **new** infrastructure and direct access to pipeline with **no** legacy abandonment or reclamation liabilities.
- The Barrons Flat Unit facilities are state-of-the-art, **environmentally responsible** facilities with zero gas flaring, minimal methane emissions, with required electricity sourced from an adjacent wind farm:
 - Produced associated gas is reinjected into the reservoir along with the purchased natural gas and propane miscible flood injection stream.
- The opportunity to undertake this acquisition became available only as a result of the Covid-19 environment and the drop in oil prices during 2020.
 - **The acquisition has a high NPV asset at a price well below traditional metrics:** Proved(P1) value of \$101.7mm (net of royalties); Proved + Probable(P2) value of \$185.8mm (net of royalties).
 - *Note: a summary of the Ryder Scott Report in accordance with Canadian Oil and Gas Evaluation Handbook Guidelines (COGEH) is located within COPL's December 16, 2020 press release.*
 - *Note: The valuation in the Ryder Scott Report dated October 1, 2020 was based on WTI pricing for 2020 of \$39/bbl. Current WTI oil prices are >\$50/bbl. The WTI oil price forecast for the valuation is presented in the summary of the Ryder Scott Report located within the COPL December 16, 2020 press release.*
- The acquisition presents a **high** ROI > 50%; \$2.18/bbl acquisition cost on P2 reserves vs a value of \$7.52/bbl at NPV10%. (net of royalties).
- COPL receives **material** leverage via the transaction, due to enhanced scale and funding.
- On completion, the operative staff of Southwestern Production Corp will join the COPL team thus **maximizing** our existing technical resources with their operational expertise.

About COPL

COPL is an international oil and gas exploration, development and production company actively pursuing opportunities in the United States through the acquisition of Atomic Oil and Gas LLC, and in



sub-Saharan Africa through its ShoreCan joint venture company in Nigeria, and independently in other countries.

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The Common Shares are listed under the symbol "**XOP**" on the CSE and under the symbol "**COPL**" on the London Stock Exchange.

This news release contains forward-looking statements. The use of any of the words "initial", "scheduled", "can", "will", "prior to", "estimate", "anticipate", "believe", "should", "forecast", "future", "continue", "may", "expect", and similar expressions are intended to identify forward-looking statements. The forward-looking statements contained herein are based on certain key expectations and assumptions made by the Company, including, but not limited to, the ability to finalise the necessary funding for completion of the Atomic acquisition and financing for continued operations, delays or changes in plans with respect to exploration or development projects or capital expenditures. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements since the Company can give no assurance that they will prove to be correct since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties most of which are beyond the control of Canadian Overseas Petroleum Ltd. For example, the uncertainty of reserve estimates, the uncertainty of estimates and projections relating to production, cost overruns, health and safety issues, political and environmental risks, commodity price and exchange rate fluctuations, changes in legislation affecting the oil and gas industry could cause actual results to vary materially from those expressed or implied by the forward-looking information. Forward-looking statements contained in this news release are made as of the date hereof and Canadian Overseas Petroleum undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.



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