



Canadian Overseas Petroleum Confirms Significant Oil Discovery

London, United Kingdom; Calgary, Canada: January 10, 2022 – Canadian Overseas Petroleum Limited (“COPL” or the “Company”) (XOP: CSE) & (COPL: LSE), an international oil and gas exploration, production and development company with operations focused in Wyoming, USA, announces a significant conventional light oil discovery at its Wyoming asset. In addition, COPL provides an operational update on its Barron Flats Shannon Field production.

Highlights of the significant conventional light oil discovery

Following the announcements by the Company in August and November 2021, discovery has been confirmed on COPL’s large leasehold position in Converse and Natrona Counties, Wyoming in four (4) Frontier Fm. (1&2) and one (1) Dakota Fm sand(s).

- COPL currently estimates the total reservoir volume of the discovery to be 1.5 billion to 1.9 billion Bbl. of Oil in Place (“OIP”), of which 1.275 billion to 1.64 billion Bbl. of OIP underlays COPL lands
- Production has already commenced from the Dakota Fm, the lowermost reservoir sand in the BFU 14-30VF discovery well (100% WI) at 100-120 Bbl. oil/d

Arthur Millholland, President & CEO of COPL, commented:

“We acquired Atomic Oil & Gas in January 2021 aware of the significant exploration upside, however the acquisition rationale and financial model reflected a long-term production flow from existing wells of 5,000 barrels per day. Since then, we have increased production from the existing wells and accelerated our exploration program which has resulted in today’s announced discovery. This highlights the potential for the Wyoming asset to generate long-term production on a scale many multiples greater than our original expectation.”

“We are delighted that this discovery reflects the scale of previous discoveries made over my career and in particular, the North Sea. We estimate the Frontier element of the discovery to cover an area of approximately 51 square miles with the capacity of up to three horizontal wells per square mile each initially producing 1,000 – 3,000 barrels per day. We plan a phased production program and have already applied for permits covering four horizontal wells. We will use internal resources to cover the initial costs of development whilst full field development plans are evaluated. This



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discovery highlights the long-term sustainable production outlook from this outstanding asset.”

“This is a significant oil discovery and the size of the upside at our Wyoming asset was a surprise to us all. Conventional light oil discoveries of this magnitude have been rare in continental North America for years if not decades. We control the majority of this discovery as it is coincident with our large contiguous lease block. We will start exploiting the discovery this year.”

“We are also delighted to report that oil production at the Shannon Unit continues to be strong and ahead of our original expectations of 2,000 bbl./d. This will imminently increase once we have resolved the current high working pressure issue. In addition, our recent simulations have indicated modifications to our injection gas/NGL mix to maximize sweep efficiency and reduce injection costs. We are currently finalizing these modifications, but all indications are that it should lead to increased productivity and most importantly increased operating margins in 2022. Together these represent major positive developments for the Company and we look to the future with renewed confidence.”

Barron Flats Federal (Deep) Unit Oil Discovery

The Company can confirm that its BFU 14-30VF exploration well drilled in August 2021 has made a significant conventional light oil discovery on COPL’s affiliates large operated leasehold (47,992 gross contiguous acres) position in Converse and Natrona Counties, Wyoming. Light crude oil was discovered in stratigraphic traps in the Upper Cretaceous Frontier Fm. 1 and 2 sands and the Lower Cretaceous Dakota Fm. sands. Mapping of the reservoirs on regional trends has shown the discovery to be extensive, with the Company estimating the combined reservoir volume to be 1.5 billion to 1.9 billion Bbl. of Oil in Place (“OIP”), of which 1.275 billion to 1.64 billion Bbl. of OIP underlays COPL lands. COPL’s current working interest on its operated leasehold block ranges from 55-85%. Federal leases constitute the majority of the Company’s leasehold on the discovery and as such Federal royalties on these “deep” reservoirs are assumed by the Company to be 12.5%, delivering an attractive Net Revenue Interest (“NRI”). The Dakota Fm. sand as the deepest or lowermost oil-bearing horizon was completed and placed on production recently to comply with the Barron Flats Federal (Deep) Exploration Unit terms.

A summary of the oil discovery follows below:

Frontier Fm.

The Company estimates the Frontier discovery to be approximately 33,000 acres (51 square miles) in size, of which 88% is under the Company’s leasehold. The potential resource is significant, with Oil in Place (“OIP”) is currently estimated by COPL to be 1.1-1.5 billion Bbl, with 0.968-1.32 billion Bbl. of this estimated to be on the Company’s 47,992 gross contiguous acres of leasehold.



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The BFU 14-30VF (100% WI) discovery well drilled in August 2021 intersected 140 feet of net reservoir sand in three (3) Frontier 1 sands and the single Frontier 2 sand. Light oil (40° API) was recovered from the lowermost Frontier 1 and the underlying Frontier 2 sand on perforation. All of the four Frontier sands experienced significant formation damage from the invasion of drilling fluids and cement through drilling, casing and remedial cementing operations. As such, indicative flow rates were not achieved as the Company believed further reservoir stimulation through hydraulic fracturing to be high risk at this time. The reservoir characteristics which caused these issues have been identified by the Company and as such are being incorporated into well planning for exploitation drilling of the Frontier reservoirs by horizontal well(s) later in the year. The issues identified caused these oil-bearing reservoir sands to be bypassed by previous drilling 40 to 70 years ago.

Light oil from the Frontier has been produced and/or is currently producing from five (5) wells up-dip on Company lands at Cole Creek on the western margins of mapped accumulation with cumulative production to date from the Frontier 2 sands of approximately 1.1 million bbl oil over the past 10 years. Light oil has also been recovered by drill stem test (150 bbl/d) from the Frontier sand in Mobil Valentine-1 well 40 years ago 3.5 miles down-dip on the eastern margin of the mapped accumulation. Exploitation of the oil-bearing Frontier sands will commence later this year through horizontal wells.

Dakota Fm.

The Company estimates the Dakota discovery to be approximately 37,000 acres (58 square miles) in size, of which 77% is under the Company's leasehold. The potential resource is significant, with Oil in Place ("OIP") in the Dakota Fm. reservoir sand estimated by COPL to be 400 million bbl, with 308 million bbl. of this estimated to be on the Company's 47,992 gross contiguous acres of leasehold.

The BFU 14-30VF (100% WI) discovery well drilled in August 2021 intersected 20 feet of net reservoir sand in Dakota sand. Light oil (39° API) was recovered from perforation. The well has been placed on production unstimulated at an initial rate of 100-120 bbl./d. Light oil has been produced and/or is currently producing from 40 wells up-dip on Company lands at Cole Creek on the western margins of mapped accumulation and off the Company lands at South Cole Creek. Approximately 6.3 million bbl of light oil has been produced from these wells. Light oil from the Dakota Fm sand has also been produced approximately 3.5 miles down-dip from the BFU 14-30VF discovery well at eastern margin of the mapped accumulation. This well, the Mobil Valentine-1 well drilled 40 years ago located in section 27-35N-76W, produced over 114,000 barrels of oil with negligible water from eastern edge of the Dakota stratigraphic accumulation. Further exploitation of the oil-bearing Dakota sands will likely be through horizontal wells.



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Operational update - Barron Flats Shannon Unit

The Barron Flats Shannon Unit continue to perform beyond COPL's initial expectations with crude oil production running at around 2,000 bbl./d. The increase in production since the asset was acquired is due to the enhanced gas injection program which commenced on April 1st 2021.

As previously disclosed in recent months the Company experienced higher than expected surface working pressures at its Barron Flats Shannon Unit miscible flood project. These are a result of better-than-expected performance of the miscible flood. To handle these high pressures, specifically at a horizontal well located in the north central area of the field, upgraded surface facilities were installed to reduce the pressure of the associated gas production for entry to the field's gas gathering system. Despite this, high wellhead working pressures and proportionate increased produced gas volumes continued, causing issues downstream of the well in the gas gathering system. This caused oil production to be restricted to previous levels.

The Company's initial solution was to lay a dedicated 2-mile gas pipeline from the wellsite to the plant to handle the increased volumes. Though engineering design work commenced on this in December, implementation will be delayed until after the sale of the Cuda Energy LLC ("Cuda") 27 % interest in the Unit through the process initiated by the bankruptcy of Cuda and its parent Cuda Oil and Gas Inc through US and Canadian Bankruptcy Courts respectively. Cuda and its parent were placed into Receivership on November 18, 2021. In the interim, the Company's engineers have reduced and redistributed the gas injection volumes to bring down the working pressures and thus allow for currently restricted oil production to increase from the horizontal well and other vertical wells. This process is working with flowing wellhead pressure down from 900 psi to 750 psi on restricted chokes. The process is not immediate as there is a delay in the pressure response from the injection wells to the production wells. Oil production is expected to increase during the month as working pressures decrease.

The issues we face were unforeseen in the previous simulations as the reservoir is performing beyond our and the original expectations. Our team's current solution to mitigate the issue is necessary due to the Cuda Bankruptcy. Once the sale of the Cuda interest in the assets is concluded we can proceed with a proper engineered solution for the longer term.

Note Regarding Cuda Energy LLC Bankruptcy

Cuda Energy LLC ("Cuda") was placed into Receivership along with its parent Cuda Oil and Gas Inc on November 18, 2021. Ongoing operations on the assets held jointly with Cuda have not been materially impacted, and continue as normal. Cuda is currently in operating arrears to COPL's affiliate Southwestern Production Corp ("Southwestern") for \$3,080,187 to the end of the November 2021 operating month. Southwestern continues to take Cuda's operating net revenue through set off or "net billing" to reduce the arrears over time. As such, Cuda's working interest share of the oil



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production and expenses in the Barron Flats Shannon Unit accrues to the account of Southwestern as the field operator, and creditor, until the arrears are satisfied. Shareholders are encouraged to view the Cuda Receiver's website <http://cfcanada.fticonsulting.com/cuda> for updates to the Cuda Receivership process.

About the Company:

COPL is an international oil and gas exploration, development and production company actively pursuing opportunities in the United States with operations in Converse County, Wyoming, and in sub-Saharan Africa through its ShoreCan joint venture company in Nigeria, and independently in other countries.

The Company's Wyoming operations are one of the most environmentally responsible with minimal gas flaring and methane emissions combined with electricity sourced from a neighbouring wind farm to power production facilities.

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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 raise the necessary funding for 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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