



COPL Announces Costless Hedge Restructuring and Corporate Update

London, United Kingdom; Calgary, Canada: December 21, 2022 – Canadian Overseas Petroleum Limited and its affiliates (“COPL” or the “Company”) (**XOP**: CSE) & (**COPL**: LSE), an international oil and gas exploration, production and development company, with production and development operations focused in Converse and Natrona Counties, Wyoming, USA, is pleased to announce a costless restructuring of its West Texas Intermediate (“WTI”) and Butane (“Normal NC4”) hedges effective 1 January 2023, as the Company prepares for senior debt refinancing in the first quarter of 2023.

Highlights of Costless Hedge Restructuring:

- The Company’s current WTI swaps from January 2023 to June 2023 at a price of \$52.87/bbl for approximately 1,000 bbls/d have been cancelled.
- The Company’s Butane swaps from January 2023 to June 2023 have been reduced to a volume of 350,000 gallons/month at \$0.67/gal to align the volume subject to swaps to the Company’s planned injection forecast at the Barron Flats Shannon Miscible Flood.
- The net liability to unwind the above positions has been exchanged for new WTI swaps at an improved price of \$52.88/bbl from March 2024 to December 2024 on 1,000 bbls/d and for WTI puts to provide downside protection for the first half of 2023 on 750 bbls/d at \$60.00/bbl.

Arthur Millholland, President and Chief Executive Officer, commented: “Recent WTI weakness has provided the opportunity for COPL to execute this hedge restructuring without a cash cost to unwind the positions and in a manner that will minimize near term hedge losses that have constrained our pace of development. We are pleased with the result as it is expected to provide COPL with increased exposure to WTI upside and stabilised operating cash flow in early 2023. It also provides for a level of revenue protection and maintains cost protection for butane injections at our Shannon Miscible Flood.”

A complete summary of the Company’s outstanding crude oil and natural gas derivative positions effective 1 January 2023, is included in the table below:

Time Period	Instrument	Total Notional Volume	Price
Jan23 – Jun23	Normal NC4 Futures	2,100,000 gal	\$0.67/gal.
Jan23 – Jun23	WTI Puts	135,750 bbls	\$60/bbl.



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Jun23 – Feb24	WTI Futures	231,218 bbls	\$52.87/bbl.
Jun23 – Feb 24	Normal NC4 Futures	5,451,678 gal	\$0.67/gal.
Mar – Dec '24	WTI Futures	306,000 bbls	\$52.88/bbl.

Debt Financing Update

The Company has approached five US lending institutions who are actively lending to the upstream oil and gas industry. Evaluation of COPL’s proposed facility is in process and is in various stages across these institutions. Given the nature of the discussions and the accompanying high level of due diligence and financial evaluation, the Company expects term sheets from at least two of the institutions in the near term. This process is normal, and has been accelerated post filing of the COPL’s third quarter results which include the July 26, 2022 acquisition of the Cuda assets.

As previously disclosed, the Company is seeking to re-finance COPL America’s US\$42 million Senior Credit Facility and close the remaining outstanding hedges. In addition, the Company is seeking funding through a new loan facility to fund the installation of a high-pressure gas gathering system at its Barren Flats Shannon Unit to augment its current low pressure gas gathering system. Engineering design has been completed with procurement and construction to begin post refinancing. Once completed the field will be debottlenecked, thus resulting in increased oil production in line with modeled reservoir performance.

Joint Venture Update

As previously disclosed, COPL was approached late in the third quarter by a large oil company (“JV Party”) inquiring if the Company was interested in a Joint Venture partner to appraise and develop its Barron Flats Deep oil discovery announced in September 2021. The Company is bound by a non-disclosure agreement (“NDA”) with the JV Party and as such is limited in its ability to disclose their identity and the nature of the discussions to date until after an agreement is entered.

The JV Party conducted technical due diligence on the Company’s interpretation and technical information of its deep oil discovery which was presented as a significant extension to the Frontier and Dakota oil accumulation at its 100% working interest operated Cole Creek oil field. As common in industry the JV Party would also conduct their own internal evaluation, which we believe has been completed.

In early November, the Company presented its outline of a joint venture to the JV Party for discussion. COPL understands the concept is moving through their internal processes as the Company has been asked for additional time for the JV Party to present a potential way forward. COPL has agreed to this request and has been recently advised that a potential way forward will be presented by the JV Party in early January 2023.

Operations Update



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Barron Flats Shannon Unit

On October 11, the Company received a temporary permit from the Wyoming Oil and Gas Conservation Commission to temporarily flare up to 3.5 MMCF/d of produced gas to relieve the pressure constraints at certain high pressure flowing oil wells at its Barron Flats Shannon Unit. Due to the volatile nature of the produced oil in these wells, initiation of flaring for safety reasons was dependent on full installation of vapor recovery units on each well site. Commissioning of these facilities was delayed in November due to supply chain constraints on critical components. All facilities were in place and commissioned in early December. High pressure gathering lines were also laid from two wells directly to the gas plant thus mitigating flaring at these locations. All restricted wells in the field are currently back on line with field production not yet stable, but increasing as rates are slowly increased through the optimization process.

Cole Creek Unit


Operations to recompleate the first of 6 to 7 Frontier 2 oil wells for Frontier 1 oil production are to commence this week. Though oil was identified in the Frontier 1 over 50 years ago at Cole Creek, the reservoir has remained unexploited due to industry convention of completing for production the deepest hydrocarbon producing horizon first. The first well in the campaign is 11-27-35N-77W. Three oil bearing sands are developed in the Frontier 1 at this location totaling 108 feet of reservoir. Sixty-five feet of the third, or lowest sand, will be perforated followed by evaluation for further stimulation if deemed necessary.

Oil resources in the Frontier 1 are a large component of the Company's deep discovery which has extended the current Cole Creek reserves/resources significantly to the east. Successful recompletion of the 11-27 well for oil production before year-end should allow the Company to book significant oil reserve additions to Cole Creek as the base of the perforations is approximately 785 feet below the crestal area of the Cole Creek anticline located 1 mile to the northwest. Two of the recompletion candidates are further down the flank of the structure, with one of these wells exhibiting oil flow during drilling from the uppermost Frontier 1 sand.

Cole Creek is an asymmetrical anticline approximately 9 miles in axial length with approximately 2,500 feet of structural/stratigraphic closure. Five known conventional oil reservoirs are present at Cole Creek: Lakota, Dakota, Frontier 2, Frontier 1 and the Shannon. COPL holds 100% WI in the lease-hold on all rights below the Shannon. Development of the Dakota and Shannon commenced in 1939 extending to the mid 1950's. Frontier 2 development through 7 wells commenced 10 to 15 years ago.

Production



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Oil production is currently fluctuating between 1,400 and 1,500 bbls/d due to cold to extremely cold weather. The Company is continuing with its production optimization plan at the Barron Flats Shannon Unit. Production volumes are expected to increase through the optimization process in addition to continued increases in low-rate pumping wells responding to the miscible flood process.

The ability to temporarily flare excess gas has reduced operating pressures at certain wells, but field production will continue to be restricted until the installation of a high-pressure gas gathering system in 2023 to augment the current low pressure gas gathering system. Flared gas volumes are approximately 1 MMCF/d across the field and primarily consist of miscible injectant.

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 and Natrona Counties Wyoming, 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 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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