Biannual Report – Nona Mills Project

July 2019 to December 2019

Issue #11

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LETTER FROM THE DIRECTOR

The OPEC Reference Basket (ORB) commenced 2019 rebounding in January and continuing to improve, averaging $70.78/b by April. This six-month high was reached as the ongoing bullish market sentiment was fuelled by concerns about additional oil supply disruptions in the wake of new geopolitical risks in key oil producing regions.

In 1H2019 crude oil futures prices reached their highest level since last October on the back of improved market sentiment and robust oil market fundamentals amid oil supply outages. The ICE Brent averaged $71.63/b, while the NYMEX WTI averaged $63.87/b. Nonetheless, oil futures retreated in late April and early May, after traders took profits following a steep rally earlier in April, while renewed trade tensions between the US and China raised worries about global energy demand, further weighing on the market.

Although oil prices continued to decline in June, both the Brent and Dubai price structures remained in steep descent. Prompt oil prices were still supported by healthy physical crude oil demand and reduced supply due to planned outages as well as the voluntary supply adjustments from OPEC and participating non-OPEC countries in the Declaration of Cooperation. Heightened geopolitical tensions in the Middle East and concerns about potential supply disruptions also added support to prompt prices. However, the WTI price structure remained in context, specifically in the front of the curve, mirroring the US oil market oversupply.

The global economic growth forecast for 2019 remains at 3.2% and is expected to remain at 3.2% in 2020. While the US and China are forecast to slow slightly, some severely hit economies – mainly in Latin America and Turkey – are forecast to recover, keeping the global economic growth momentum unchanged from the 2019 level. Although large uncertainties remain, current growth forecasts assume no further down-side risks and that trade-related issues do not escalate further.

American Mud Works (AMW) in partnership with Nona Mills continues to make encouraging progress. The construction of the facility is almost at completion with expectations to be fully operational by March 2020 enabling AMW to provide an all-inclusive service offering. This year AMW has succeeded in the formation of multiple strategic partnerships with key members of the oil and gas services community which will ensure continued advances in 2020. For more information on AMW please see the details attached.

Yours sincerely

Wayne Blazejczyk
DIRECTOR

OIL MARKET HIGHLIGHTS

Crude Oil Six-Month Summary

The OPEC Reference Basket (ORB) value closed 2019 higher m-o-m, climbing more than $3/b in December to settle at $66.48/b, its highest monthly value since April 2019. Oil prices gained for the second consecutive month, amid improved oil market fundamentals including continued market stabilization efforts conducted under the DoC, as well as easing trade tensions between the US and China.

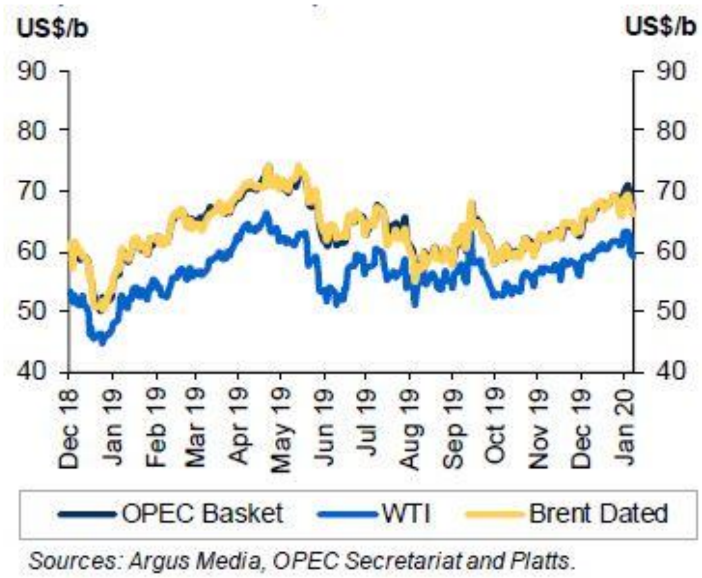
Crude oil futures prices ended the year higher, with ICE Brent rising by $2.46, or 3.9%, to $65.17/b, while NYMEX WTI increased by $2.73, or 4.8%, to $59.80/b m-o-m in December. Moreover, international benchmark Brent crude futures closed the year almost 23% higher than the level registered in late 2018, while NYMEX WTI was up by 34%.

However, in terms of the yearly average, oil prices declined in 2019. ICE Brent was $7.53, or 10.5% lower in 2019, at $64.16/b, while NYMEX WTI fell by $7.86, or 12.1%, to $57.04/b, compared to 2018.

At the same time, DME Oman crude oil futures prices rose m-o-m in December by $2.72, or 4.3%, to settle at $63.05/b. Y-t-d, DME Oman was lower by $5.89, or 8.4%, at $63.99/b, compared to the same period a year earlier.

Prompt oil prices were still supported by healthy physical crude oil demand and reduced supply due to planned outages as well as the voluntary supply adjustments from OPEC and participating non-OPEC countries in the Declaration of Cooperation. Heightened geopolitical tensions in the Middle East and concerns about potential supply disruptions also added support to prompt prices. However, the WTI price structure remained in contango, specifically in the front of the curve, mirroring the US oil market oversupply

Crude Oil Price Movement



Reference: OPEC Monthly Oil Market Report – January 2020

World Economy

The 2019 global economic growth estimate remains at 3.0% for the end of 2019. The overall economic growth trend over the last several weeks across various economies was mainly balanced, with selective economies seeing improvements and others slowing further.

With the services sector remaining solid in the US and other important OECD economies, improvements in global trade relations and monetary policies remaining accommodative the 2020 GDP growth forecast was lifted slightly by 0.1 pp to 3.1%. With further developments on the horizon in US-China trade and Brexit, ongoing high debt levels, fiscal imbalances in some key economies, trade-related uncertainties and heightened geopolitical risks still constitute some headwinds. Indeed, the decision taken in December by OPEC and non-OPEC participating countries in the Declaration of Cooperation to continue striving for a stable and balanced oil market will play a supportive role in maintaining healthy global economic growth.

OECD growth remains at 1.6% for 2019 and is revised up to 1.5% from 1.4% for 2020. The 2019 US economic growth estimate remains at 2.3%, while the ongoing developments have led to the expectation that 2020 US GDP growth will fare slightly better than initially expected at 1.9%, compared to previously assessed. Euro-zone growth remains at 1.2% for 2019, amid confirmation of slowing 2H19 growth carrying over into the coming year, leaving the 2020 forecast unchanged at 1.0%. The UK's 2019 estimate remains at 1.1% for 2019 and the forecast was revised up slightly to 1.1% for 2020, in anticipation of rising certainty about Brexit after the clear outcome in the December parliamentary elections. Japan's 2019 growth estimate was revised up to 1.1%, considering the latest upward revisions of growth for the first three quarters in 2019. Consequently, the 2020 economic growth forecast was revised up as well to 0.7% from 0.6% previously.

In the emerging economies, China's 2019 growth estimate remains at 6.2% and growth in 2020 remains forecast at 5.9%. India's 2019 GDP growth is unchanged at 5.5% and at 6.4% for 2020, but given the economic challenges, the developments need close monitoring. Growth estimates for Brazil and Russia remain unchanged at 1.0% and 1.1% for 2019, but forecasts were revised up to 2.0% and 1.5% for 2020, compared with 1.7% and 1.3% in the previous month, respectively.

Economic growth rate and revision, 2019-2020*, %

	World	OECD	US	Japan	Euro-zone	UK	China	India	Brazil	Russia
2019	**3.0**	**1.6**	**2.3**	**1.1**	**1.2**	**1.1**	**6.2**	**5.5**	**1.0**	**1.1**
Change from previous month	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
2020	**3.1**	**1.5**	**1.9**	**0.7**	**1.0**	**1.1**	**5.9**	**6.4**	**2.0**	**1.5**
Change from previous month	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.3	0.2

*Note: * 2019 = Estimate and 2020 = Forecast.*
Source: OPEC Secretariat.

Reference: OPEC Monthly Oil Market Report – January 2020

World Oil Demand

Global oil demand growth in 2019 is revised lower by around 0.05 mb/d to 0.93 mb/d. As a result, total demand by the end of 2019 stands at 99.77 mb/d. This was despite an upwardly revised 4Q19 amid strong demand growth in the Middle East, which slightly offset a sizeable downward revision to oil demand data in 1H19 due to lower-than-expected oil requirements in OECD America and Asia Pacific.

In the OECD, oil demand growth is revised down in 2019, due to data showing slower growth in OECD Americas, mainly in 1H19, because of lower-than-expected middle distillate demand, in line with slower manufacturing and trucking activities compared with a year ago. In OECD Asia Pacific, oil requirements for industrial fuels and petrochemical stocks were weaker than expected.

World Oil Demand in 2019*, mb/d

(million barrels per day) *

							Change 2020/19	
	2019	1Q20	2Q20	3Q20	4Q20	2020	Growth	%
Americas	25.69	25.42	25.52	26.25	26.35	25.89	0.20	0.77
of which US	*20.94*	*20.85*	*20.82*	*21.39*	*21.34*	*21.10*	*0.17*	*0.80*
Europe	14.33	14.03	14.19	14.69	14.27	14.30	-0.03	-0.21
Asia Pacific	7.97	8.41	7.52	7.60	8.05	7.90	-0.08	-0.99
Total OECD	**47.99**	**47.86**	**47.23**	**48.54**	**48.67**	**48.08**	**0.09**	**0.18**
Other Asia	13.91	14.27	14.32	13.94	14.60	14.28	0.37	2.66
of which India	*4.85*	*5.20*	*4.90*	*4.65*	*5.32*	*5.02*	*0.16*	*3.39*
Latin America	6.57	6.46	6.70	6.99	6.60	6.69	0.11	1.75
Middle East	8.20	8.34	7.96	8.78	8.12	8.30	0.11	1.28
Africa	4.43	4.53	4.52	4.46	4.59	4.52	0.09	2.00
Total DCs	**33.11**	**33.60**	**33.49**	**34.17**	**33.92**	**33.79**	**0.68**	**2.05**
FSU	4.84	4.80	4.78	5.07	5.15	4.95	0.11	2.19
Other Europe	0.76	0.76	0.72	0.76	0.85	0.77	0.01	1.54
China	13.06	12.93	13.52	13.30	13.79	13.39	0.33	2.53
Total "Other regions"	**18.66**	**18.50**	**19.02**	**19.12**	**19.80**	**19.11**	**0.45**	**2.40**
Total world	**99.77**	**99.95**	**99.73**	**101.83**	**102.38**	**100.98**	**1.22**	**1.22**
Previous estimate	99.80	99.78	99.79	101.78	102.12	100.88	1.08	1.08
Revision	-0.03	0.18	-0.06	0.05	0.26	0.11	0.14	0.14

*Note: * 2019 = Estimate and 2020 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Reference: OPEC Monthly Oil Market Report – January 2020

In the non-OECD, oil demand growth is also revised slightly lower in 2019, with significant downward revisions during 2Q19 and 3Q19, counterbalanced by positive revisions in 4Q19. The downward revisions mainly reflect slower momentum in Other Asia, particularly in India, during 2Q19 and 3Q19, while higher-than-expected demand from the Middle East during 2H19 supported upward revisions.

World oil demand in 2020 is foreseen to increase to an average 100.98 mb/d for the year. Improved trade sentiment between the US and China, as well as an improved economic outlook in various economies — coupled with a low baseline — propelled the upward revision.

In the OECD, oil demand is estimated to increase by 0.09 mb/d, higher than last month's projections. OECD Americas is projected to lead oil demand growth in the region, supported by steady NGL and middle distillate demand. In the non-OECD, oil demand is foreseen rising by 1.13 mb/d despite Chinese oil demand growth projected to be less than a year earlier. However, this will be more than offset by improved oil requirements in Other Asia, Latin America and the Middle East compared with 2019.

World Oil Supply

The non-OPEC oil supply growth estimate for 2019 is revised up and is now estimated at 1.86 mb/d, to average 64.34 mb/d by end 2019. The upward revisions to production data from the US, Norway, Australia, Indonesia, Thailand, Argentina and Brazil are partially offset by minor downward production adjustments in the UK, Denmark, India, Qatar, and Ghana. US liquids output y-o-y growth is revised up to average 1.66 mb/d. The US, Brazil, China, Canada, Russia, Australia and the UK are estimated to have been the key drivers of growth in 2019, while Mexico and Norway have seen the largest declines.

The non-OPEC oil supply growth forecast for 2020 is also revised up by 0.18 mb/d from last assessment and is projected to grow by 2.35 mb/d to average 66.68 mb/d. Large upward revisions in Norway, Mexico and Guyana's oil supply forecast are partially offset by downward revisions in the supply forecast of the US, other OECD Europe, and the Sudans. US oil supply growth forecast for the current year is revised down by 76 tb/d, to represent y-o-y growth of 1.43 mb/d. The US, Norway, Brazil, Canada, Guyana, and Australia are expected to be the main growth drivers in 2020, while Indonesia, Thailand, Egypt and Colombia are forecast to see the largest declines.

Non-OPEC Supply

(million barrels per day)

							Change 2020/19	
	2019	1Q20	2Q20	3Q20	4Q20	2020	Growth	%
Americas	25.69	26.71	26.96	27.39	27.68	27.18	1.49	5.80
of which US	*18.38*	*19.23*	*19.78*	*19.99*	*20.21*	*19.81*	*1.43*	*7.77*
Europe	3.72	4.03	3.88	3.93	4.15	4.00	0.27	7.35
Asia Pacific	0.49	0.55	0.54	0.58	0.58	0.56	0.07	14.22
Total OECD	**29.91**	**31.29**	**31.38**	**31.89**	**32.41**	**31.74**	**1.83**	**6.13**
Other Asia	3.43	3.38	3.39	3.39	3.38	3.38	-0.04	-1.31
Latin America	5.41	5.74	5.75	5.74	5.88	5.78	0.37	6.78
Middle East	3.21	3.24	3.25	3.26	3.28	3.26	0.04	1.35
Africa	1.51	1.50	1.55	1.54	1.54	1.53	0.02	1.60
Total DCs	**13.56**	**13.85**	**13.93**	**13.93**	**14.07**	**13.95**	**0.39**	**2.87**
FSU	14.37	14.23	14.45	14.37	14.65	14.42	0.06	0.40
of which Russia	*11.44*	*11.27*	*11.50*	*11.51*	*11.64*	*11.48*	*0.04*	*0.37*
Other Europe	0.12	0.12	0.12	0.12	0.11	0.12	-0.01	-4.32
China	4.10	4.12	4.13	4.10	4.13	4.12	0.02	0.46
Total "Other regions"	**18.59**	**18.47**	**18.70**	**18.59**	**18.89**	**18.66**	**0.07**	**0.38**
Total non-OPEC production	**62.06**	**63.61**	**64.01**	**64.41**	**65.37**	**64.35**	**2.29**	**3.70**
Processing gains	2.28	2.33	2.33	2.33	2.33	2.33	0.05	2.37
Total non-OPEC supply	**64.34**	**65.94**	**66.34**	**66.74**	**67.70**	**66.68**	**2.35**	**3.65**
Previous estimate	64.30	65.82	66.09	66.46	67.49	66.46	2.17	3.37
Revision	0.04	0.12	0.26	0.29	0.21	0.22	0.18	0.28

*Note: * 2019 = Estimate and 2020 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

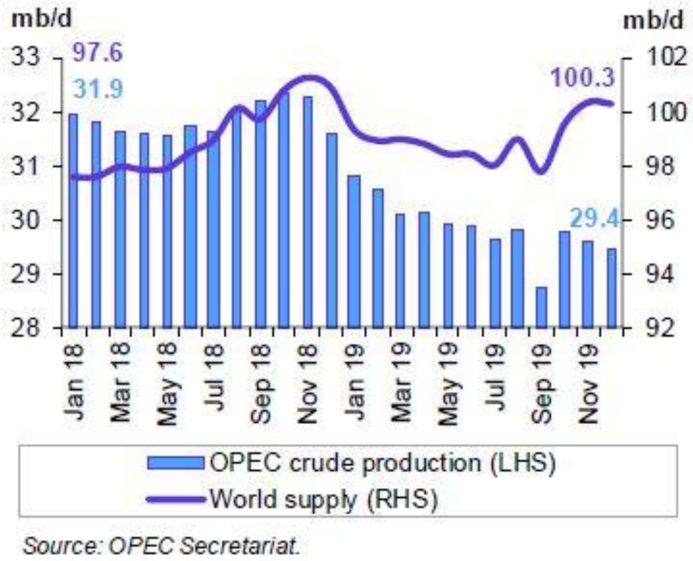
Reference: OPEC Monthly Oil Market Report – January 2020

OPEC NGLs and non-conventional liquids production in 2019 is estimated to have grown by 0.04 mb/d to average 4.80 mb/d by end 2019. In 2020, OPEC NGLs are forecast to grow by 0.03 mb/d y-o-y to average 4.83 mb/d.

In Q419 OPEC crude oil production fell by 161 tb/d in December to average 29.44 mb/d, according to secondary sources. As a result, preliminary data indicates that global oil supply decreased in December to average 100.28 mb/d, and down by 0.61 mb/d y-o-y. Global oil supply in 2019 declined by 0.10 mb/d compared to 2018. OPEC crude oil production in 2019 declined by 2.0 mb compared to a year earlier. With non-OPEC supply growth at 1.86 mb/d, if there had not been an agreement between OPEC and 10 non-OPEC countries, the market would be considerably oversupplied in 2019.

OPEC Supply

(million barrels per day)



Reference: OPEC Monthly Oil Market Report – January 2020

Balance of Supply and Demand

Demand for OPEC crude in 2019 was revised down by 0.1 mb/d from the previous report to stand at 30.6 mb/d, which is 1.0 mb/d lower than the 2018 level.

Compared to the previous monthly report, both 1Q19 and 3Q19 were unchanged, while 2Q19 was revised down by 0.1 mb/d. Demand for OPEC crude in 4Q19 was revised down by 0.2 mb/d.

When compared to the same quarters in 2018, demand for OPEC crude in 1Q19 and 2Q19 were 2.0 mb/d and 1.6 mb/d lower, respectively. 3Q19 and 4Q19 show a drop of 0.1 mb/d and 0.3 mb/d, respectively.

According to secondary sources, OPEC crude production averaged 30.5 mb/d in 1Q19, about 0.3 mb/d higher than the demand for OPEC crude in the same period, while in 2Q19 OPEC crude production averaged 30.0 mb/d, in line with demand for OPEC crude. In 3Q19 OPEC crude production averaged 29.4 mb/d, around 2.3 mb/d lower than the demand for OPEC crude. In 4Q19, OPEC crude oil production stood at 29.6 mb/d, around 1.0 mb/d below the demand for OPEC crude. For 2019, OPEC crude oil production therefore averaged at 29.9 mb/d, around 0.8 mb/d below the demand for OPEC crude.

Demand for OPEC crude in 2020 also was revised down by 0.1 mb/d from the previous report to 29.5 mb/d. This is around 1.2 mb/d lower than the 2019 level.

Compared to the previous monthly report, 1Q20 was revised up by 0.1 mb/d, while 2Q20 and 3Q20 were revised down by 0.3 mb/d and 0.2 mb/d, respectively. Demand for OPEC crude in 4Q20 remained unchanged, when compared to the previous assessment.

When compared to the same quarters in 2019, demand for OPEC crude in 1Q20 and 2Q20 were 1.0 mb/d and 1.4 mb/d lower, respectively. 3Q20 and 4Q20 show a drop of 1.5 mb/d and 0.8 mb/d, respectively.

Balance of supply and demand 2019-2020*

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19
(a) World oil demand	**99.77**	**99.95**	**99.73**	**101.83**	**102.38**	**100.98**	**1.22**
Non-OPEC supply	64.34	65.94	66.34	66.74	67.70	66.68	2.35
OPEC NGLs and non-conventionals	4.80	4.83	4.83	4.83	4.83	4.83	0.03
(b) Total non-OPEC supply and OPEC NGLs	**69.13**	**70.77**	**71.17**	**71.57**	**72.53**	**71.51**	**2.38**
Difference (a-b)	**30.63**	**29.19**	**28.56**	**30.26**	**29.85**	**29.47**	**-1.16**

*Notes: * 2019 = Estimate and 2020 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Reference: OPEC Monthly Oil Market Report – January 2020

Crude Oil Price Movements

The OPEC Reference Basket (ORB) commenced the year with a monthly average of $58.74/b. A high point was reach in April at $70.78/b, however this was not sustained and prices then declined in May and June by about $7/b, or 10%, m-o-m, as all ORB component values dropped significantly alongside their perspective crude oil benchmarks. By the end of 1H19 the ORB value had declined to $62.92/b, its lowest level since January, amid subdued economic data and a weakening global oil demand outlook.

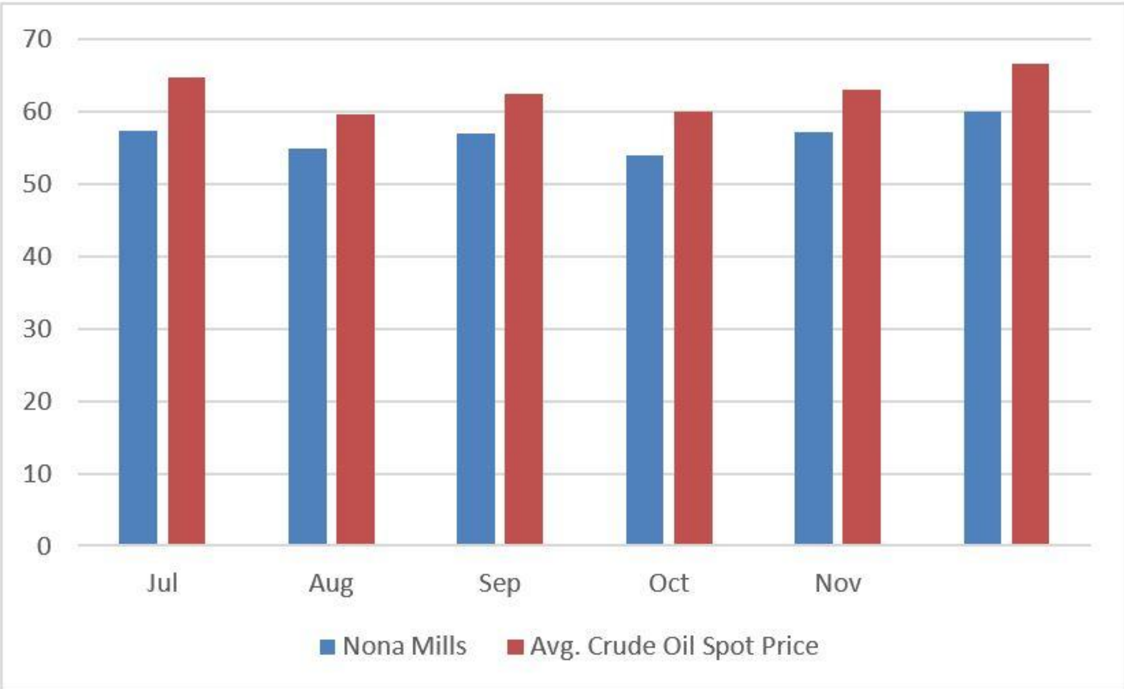
Crude oil futures prices declined significantly by the end of 1H19 both ICE Brent and NYMEX WTI falling about 10% m-o-m, their biggest monthly drop in six months. Oil prices continued the downward trend registered in late May as market sentiment was dominated by concerns about a weakening global economic outlook and slowing oil demand growth amid actual disappointing global economic data and escalating trade disputes. In June, ICE Brent was $7.27, or 10.3%, m-o-m lower at $63.04/b, while NYMEX WTI fell m-o-m by $6.16, or 10.1%, to average $54.71/b. Year-to-date (Y-t-d), ICE Brent was $4.99, or 7.0%, lower at $66.17/b, while NYMEX WTI decreased by $8.02, or 12.2%, to $57.45/b. DME Oman crude oil futures also declined m-o-m by

$8.01 in June, or 11.5%, over the previous month, to settle at $61.85/b. Y-t-d, DME Oman was down by $2.64, or 3.9%, at $65.77/b.

Hedge funds and other money managers continued to close out more bullish positions in June, and net long positions reached their lowest since February in both ICE Brent and NYMEX WTI amid bearish sentiment on the global economic outlook and oil demand growth this year, while most forecasters lowered their oil demand projections for 2019.

Although oil prices continued to decline in June, both the Brent and Dubai price structures remained in steep descent. Prompt oil prices were still supported by healthy physical crude oil demand and reduced supply due to planned outages as well as the voluntary supply adjustments from OPEC and participating non-OPEC countries in the Declaration of Cooperation. Heightened geopolitical tensions in the Middle East and concerns about potential supply disruptions also added support to prompt prices. However, the WTI price structure remained in context, specifically in the front of the curve, mirroring the US oil market oversupply.

Sweet/sour crude differentials widened in both Europe and Asia, while they narrowed slightly in the US Gulf Coast (USGC).



The Impact of the UDS Dollar (USD) and Inflation on Oil Prices

The US dollar (USD) generally declined in December against major currencies. Against the pound sterling, the USD declined on average m-o-m by 1.9% after declines of 2.0% and 2.1% the previous two months, respectively, with the result of the parliamentary election in the UK suggesting a favourable environment for the ratification of the Brexit withdrawal agreement. Against the euro, on average m-o-m, the USD declined by 0.5%, with receding Brexit-related concerns and some firming in inflation readings in the Eurozone, while the US Fed added additional monetary easing in December, including a rate cut. Against the Swiss franc, the USD decreased by 0.7%. Against the Japanese yen, the USD advanced for the fourth consecutive month due to reduced safe haven demand. The USD rose against the yen by 0.3% m-o-m.

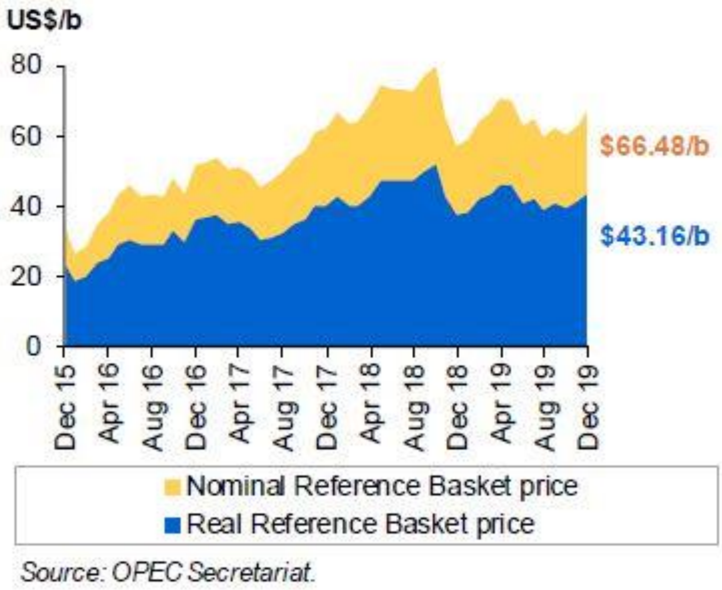
Against the currencies of the largest emerging market economies, the USD declined. On average, the USD decreased by 0.1% against the yuan m-o-m, with the Peoples Bank of China guiding the yuan higher, in view of the anticipation of the phase one deal in the trade dispute with the US. The trend of appreciation of the yuan has continued into January so far. Against the rupee, the USD declined by 0.4% amid positive emerging market sentiment and some signs of stabilization in the economy. The USD decreased by 1.1% against the Brazilian real amid improving domestic economic indicators and the above-mentioned improving EM sentiment in view of the Sino-US trade deal. Against the Russian ruble, the USD was down by 1.4% amid further strengthening in energy prices.

In nominal terms, the price of the ORB increased by $3.54, or 5.6%, from $62.94/b in November to $66.48/b in December.

In real terms, after accounting for inflation and currency fluctuations, the ORB increased to $43.16/b in December from a revised $41.08/b (base June 2001=100) in the previous month.

Over the same period, the USD declined by 0.5% against the import-weighted modified Geneva I + USD basket, while inflation was relatively flat m-o-m.

Impact of Inflation and Currency Fluctuations on the spot ORB Price
(Base June 2001 = 100)



Reference: OPEC Monthly Oil Market Report – January 2020

NONA MILLS PROJECT REPORT UPDATE

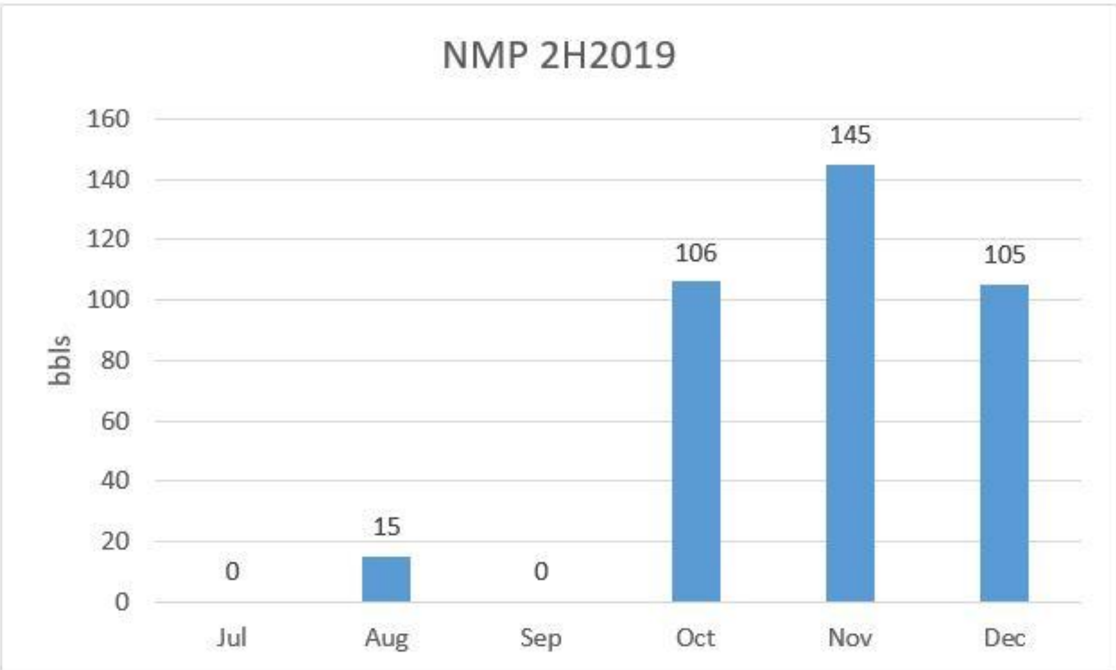
Over the first half of 2019 prices on the Nona Mills Project (NMP) held steady, ranging between $50 - $63/b, peaking in April at an average price of $63.86/b. The industry continues to believe that we will see prices remain firm at $50/b and above.

Due to large fluctuations in the market experienced in 1H19 and the trepidation of operating at a loss, the operator made the decision to limit developmental spending on the lease. While prices have firmed in the $50 -$60/b range, many producers are staying cautious about new development. This decision has resulted in a continual drop in production on the lease.

The operator continued to decrease operating costs throughout the first half of the year, however in spite of the firming of prices, the drop in production prevented the lease from achieving a profit in 1H19.

With all this taken into consideration the net investor revenue of the NMP additionally takes into account the freight, taxes, royalties and operating costs each month. Please note that payment details are received three to four months in arrears. Given the current economic climate it is important to be reminded that the Nona Mills Project is not a short-term consideration.

For the six-month period of July to December 2019 operational costs exceeded the investment, so on a month by month reconciliation there were no royalties payable.



AMERICAN MUD WORKS PROJECT UPDATE

The fourth quarter in the Tri-State is always interesting, as many of the operators in the area have drilled up their annual budgets and are laying down rigs. However, there are those operators that for one reason or another have gotten behind schedule and are scrambling to finish out the year. Additionally, this year we are witnessing some consolidation that has been the norm in the oil and gas industry for the past five years. For example, Equinor, a national oil and gas company from Norway, is a new player in town.

Each year the operators in the Tri-state area reach out to the various vendors in the area and ask them to submit a formal bid to provide services for the coming year. This bidding process includes current price listings and current services provided. As American Mud Works (AMW) was new to the community in 2019 they were not requested to submit any bids, however the Directors have persisted and completed the submission of bids to all of the operators in the area. The following companies received bids from AMW as of Sept 16, 2019: Jay Bee Oil, Montage, Equinor, Huntley and Huntley, Ascent Encino, Edgemarc, Tug Hill, Utica Resources, Antero, Arsenal Resources, EQT, Gulfport, CNX and SWN.

Equinor recently met with the Monroe County Chamber of Commerce and has made a 15 year commitment to Monroe County. Equinor will locate their corporate offices in Monroe County and their first project is the drilling of 27,000 acres located 25 miles from the AMW facilities. The Regional manager met with the AMW team in October to tour the AMW sites. Equinor had one rig up by November 1st and will have four rigs operating by end of March 2020.

Bri-chem Chemical is a publicly traded Canadian company that is a significant supplier of chemicals to most of the operators in the Tri-state area. In addition to selling chemicals, Bri-Chem has also supplied drilling mud to many of the operators in the area. In September Bri-Chem made the decision to get out of the drilling business in the Tri-state area; upon hearing this news AMW contacted Bri-Chem’s senior management and asked if Bri-Chem would consider recommending AMW as the drilling fluids supplier to their customer base. After several conversations, Bri-Chem made the decision to endorse AMW to their customer base and invited AMW to their corporate headquarters to work out the terms of a mutually beneficial agreement. AMW and Bri-Chem have reached agreement on terms and expect to have a signed agreement prior to the end of 2019. Upon signing Bri-Chem will transfer control of one rig to AMW and they plan to turn over a total of at least four rigs to AMW by year end.

Recently AMW has visited with several operator’s field managers and two managers from Back Yard Services companies. A common message was that the operators are looking at consolidating vendors in 2020. This speaks well to the all-inclusive service offering of AMW, encompassing heavy drilling fluid and heavy brine water manufacturing, chemical sales, treatment services; cleaning of heavy drilling fluids, dirty water and produced water, all from a centralized location.

AMW aims to form strategic partnerships with key members of the oil and gas services community. AMW is currently interviewing potential partners in Back Yard Services Companies (Iron Horse, Capex and Whites). AMW is also in the process of meeting with large chemical companies that require the use of the AMW facilities for storage and as a centralized distribution facility (Bri-Chem).

Moving forward, AMW has met with the CEO of Jay Bee Oil and Gas, one of the companies that laid down their rigs, and they were working with a key client to possibly start a new well. AMW is anticipating that Equinor will assign a rig to AMW by the end of the year. Most of AMW sales in Q419 will be to those operators that are 24x7 working to finish their 2019 drilling schedule. In anticipation of these emergency sales, AMW has approximately 1,000 barrels of drilling mud mixed and available upon demand.

It is very apparent that once AMW has the Mud and Water Treatment facility operational sales for mud will increase dramatically, as the one-stop shop model will be in full play.

As previously mentioned, AMW had identified a capital partner in April of this year that had committed to a $10 million debt facility that would provide funding for the construction of the treatment facility as well as the funding for inventor used in the manufacturing of drilling fluids. Based upon this commitment, AMW anticipated that the treatment plant would be fully operational by August 2019. Unfortunately, the capital partner has been dealing with some internal issues; thus, the funding has not been completed. AMW is now working with a group of current investors and several new investors to put the credit facility in place. Based upon the progress made to date, AMW anticipates that funding and construction will ramp up on the treatment plant with hopes of being fully operational by March 2020.

Pictured: American Mud Works – Waste Treatment site, Woodsfield Ohio

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