



# STRATA-X ENERGY

**QUARTERLY ACTIVITIES REPORT**  
*Quarterly Ending 30 June 2013*

Traded on the Australian Securities Exchange (ASX)  
under the symbol "SXA" and on the Toronto Stock  
Exchange - Ventures (TSX.V) under the symbol "SXE"

STRATA-X ENERGY LIMITED  
(INCORPORATED IN BRITISH COLUMBIA, CANADA #C0952496  
FORMERLY KNOWN AS STRATA-X LTD. AND OZCAPITAL  
VENTURES INC.)

ARBN - 160 885 343

## STRATA-X HIGHLIGHTS DURING THE QUARTER

The Directors of Strata-X Energy Limited present their Activities Report on the consolidated entity consisting of Strata-X Energy Limited (a Canadian entity) and the entities it controls, Strata-X, Inc. (United States of America entity) and Strata-X Australia Pty Ltd (Australian entity) (collectively the “Company” or “Strata-X”) for the Fourth Quarter 2013 ending 30 June 2013.

### Operations

Strata-X operates and has the majority interests in four key projects in the USA and Australia. Following the recent Australian Securities Exchange (ASX) capital raising, the Company is working towards de-risking its three key USA projects during calendar year 2013 with the objective of generating early cash flows and achieving forward investment decisions to develop the projects.

#### **Vail Oil Project – Illinois Basin, USA: 100% of 48,000 net acres**

Acquired the necessary permits from the Illinois Department of Natural Resources to drill the Company’s first appraisal well known as the Burkett 5-34HOR.

On 8 July 2013 Strata-X mobilized Les Wilson Inc.’s drilling rig #25 to commence drilling operations on the Burkett 5-34HOR well and on 10 July 2013 spudded the well.

The vertical leg of the well was completed successfully including coring the target formation and logging of the vertical section of the wellbore.

During the drilling of the vertical portion which reached a total depth of 4,730 feet, oil and gas shows were encountered in the targeted Devonian Lingle formation and a drill stem test of the target recovered gas and oil cut mud.

Initial core analysis indicated two oil zones in the dolomite reservoir with a total net thickness of 10.5 feet over a 30 foot interval.

As of the date of this quarterly report, Strata-X was commencing drilling and casing to the landing point prior to drilling the horizontal leg into the target oil reservoir



Les Wilson, Inc, rig #25 drilling Strata-X’s Burkett 5-34HOR well, Clay County, Illinois

## **Maverick Oil Project – Eagle Ford shale, Texas, USA: ~100% of 10,945 net acres**

The Company secured the services of specialized analysis company, Total Depth Pty Ltd ("Total Depth"), to conduct proprietary seismic processing and interpretation analysis of the current 3-D seismic data on the Maverick Oil Project. The initial phase of this analysis has been completed in Houston with interpretive maps suitable for well location section due by the middle of August.

The Company plans to permit and begin drilling up to three vertical wells on the Maverick Oil Project in the third quarter of 2013.

## **Sleeping Giant Gas Project – Williston Basin, North Dakota, USA: 100% of 155,000 net acres.**

Commenced geological and land work to firm-up drilling locations prior to seeking regulatory approval for up to four vertical stimulated pilot wells.

## **Production**

344 barrels of oil (net to Strata-X) produced during reporting period ending 30 June 2013.

## **Corporate**

On 29 April 2013, the Company appointed Larry Kellison as Vice President of Operations of its U.S. subsidiary (Strata-X, Inc.) and retained the services of Christensen Consulting as the Company's North American Investor Relations representative.

On 21 May 2013, the Board of Directors appointed David L. Hettich as Chief Financial Officer ("CFO") of the Company. Mr. Hettich replaced Timothy Bradley who had been the Company's CFO since Strata-X first became a public issuer. This management change was effected by Strata-X's Board of Directors as part of a long term transition plan that would enable Mr. Bradley to return to managing his private accounting business on a full time basis while still allowing him to remain on the Company's Audit Committee and Board of Directors.

Shaun Maskerine was appointed as the Company's Canadian Corporate Secretary on the same date.

## **OUTLOOK**

During the past few years, the Company has been building a portfolio of projects that offer relatively low geologic risk and the potential for significant oil and gas reserves. The Company has also been targeting large working interests and operatorship, thereby giving it full control of its projects with a view to maximizing shareholder value. This approach has allowed the Company to dictate which targets it will pursue, using the technology it considers best suited for the purpose, and according to a schedule that reflects the availability of critical resources on economic terms.

Strata-X has four key projects that align with this strategy: Sleeping Giant, Canning Basin, Vail Oil and Maverick Oil Projects. The Company has a 100% interest in the Sleeping Giant Gas Project, the Canning Oil and Gas Project, and Vail Oil Project and a 75%-100% interest in the Maverick Oil Project. All of these projects are operated by the Company and have rights to substantial potential hydrocarbon reserves. Management considers the Company's asset base to be unique for an entity of its size. Comparable entities typically have only one or two projects that are scalable and possess significant reserve potential. Strata-X, by comparison, has access to four projects of this magnitude.

For the remainder of calendar 2013, the Company's primary focus will be to conduct the appraisal work necessary to demonstrate the production potential and commercial viability of its three key USA projects: the Sleeping Giant Gas Project, the Vail Oil Project and the Maverick Oil Project. The Company commenced its appraisal drilling campaign on the Vail Oil Project early in the third quarter of 2013. Drilling on the Maverick Oil and Sleeping Giant Projects is also expected to begin in the third quarter of the year.

In the Canning Basin Project, the Company will be seeking to finalize access agreements with Native Title claimants as a requirement to have the tenement granted. The timing of the exploration of this project is pending subject to Native Title completion.

The Company is reviewing its other projects, in which it has 22.5% to 37.5% working interests, in order to determine going-forward activities that meet the Company's growth plans. No decision has been made on drilling or continuing with any of these projects at this time. Any drilling on these projects will depend on the Company's ability to target oil reserves that, in the Company's assessment, offer a combination of acceptable risk and sufficiently high potential reward to more than offset such risk.

The company has also been and will continue to review other growth opportunities.

In summary, the Company is preparing for, or has already commenced, the drilling and testing of its key USA projects as follows:

#### Currently Drilling

- Q3 2013 – Vail Oil Project, one horizontal multistage stimulated well.

#### Anticipated Exploration Activities in 2013

- Q3 2013 – Maverick Oil Project, up to three vertical wells.
- Q3 2013 – Sleeping Giant Gas Project, up to four vertical wells.

# PROJECTS OVERVIEW

## Exploration and Evaluation Projects (E&E)

### **Maverick Oil Project, Eagle Ford Shale, Texas USA: 75% to 100% of 10,945 Acres**

To date, the Company has acquired 10,945 mostly contiguous acres net for the Maverick Oil Project.

The Maverick Oil Project is situated in the Eagle Ford shale fairway in southern Texas and covers a gross area of 21,000 acres. The Company's exploration efforts will target light shale oil and associated gas and condensate. Within the Maverick Oil Project area is a well called El Indio-1H which was drilled by the previous operator. The operator reported flows of 175 barrels of oil and 1.8 MMCF (million cubic feet) of gas per day over a 12-day test period despite a less than adequate fracture stimulation and testing program by the previous operator.

Since acquiring the Maverick Oil Project, a successful shale oil well called Sanchez Mark and Sandra-2H (not owned by the Company) was drilled nearby which initially flowed 896 barrels of oil per day. More recently, Newfield Energy drilled a well nearby which reported initial flow rates of 1,130 BOED.

The Company is working towards selecting drilling locations and seeking approvals for up to three vertical wells in the Maverick Oil Project. The locations will be finalized following an interpretation of previously acquired (third party) three-dimensional (3D) seismic data in the project area. The Company secured the services of specialized analysis company, Total Depth Pty Ltd, to conduct the proprietary seismic processing and interpretation analysis of the current 3D seismic data over the Maverick Oil Project. The interpretative maps suitable for well location selection are due by mid August.

### **Vail Oil Project, Illinois Basin, USA: 100% of 48,000 net acres**

Based on existing well data, the Company has mapped a potential oil accumulation that could be as large as 520 square miles. The oil accumulation is within an unconventional stratigraphic dolomitic trap immediately below the oil mature New Albany Shale source rock in the Illinois Basin. The Illinois Basin has historical production of 4.3 billion barrels of oil and infrastructure including oil and gas pipelines with capacity.

To date, the Company has secured lease rights to approximately 48,000 net acres of leases and options over the mapped oil accumulation. The secured lease and option rights contain favorable terms and provide an average net revenue interest to the Company of 86.25%.

Currently, the Company is drilling the Burkett 5-34HOR well. It was permitted in early June by the Illinois Department of Natural Resources (IDNR) as a horizontal well with the following approximate parameters: a true vertical depth of 4,500ft, a true measured depth of 9,300ft and a horizontal leg length of 4,300ft. Strata-X is drilling the Burkett 5-34HOR well in two stages. First, the Company completed operations to drill a vertical hole to the top of the target formation and then core approximately 59 feet of the formation. Then the Company began operations to plug back the vertical

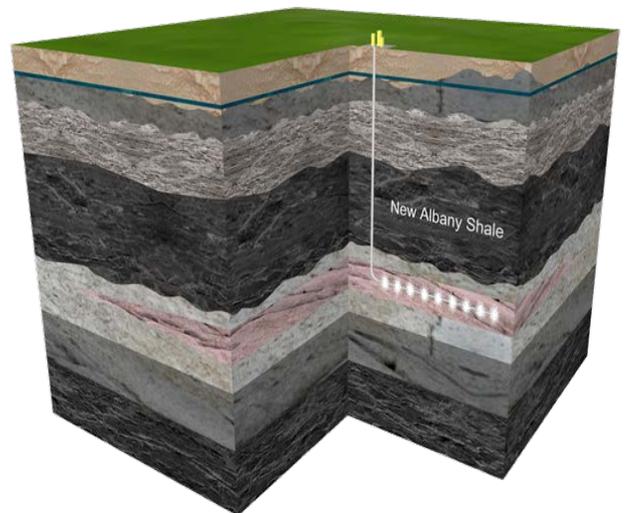
section of the well and drill the horizontal leg, which operation is currently being undertaken. The information gained from the analysis of the core and well logging is expected to assist the Company in designing the most efficient completion method for the well.

From data acquired in the vertical portion of the well, in addition to information obtained from technical consultants, the Company has determined that the horizontal lateral length of the Burkett 5-34HOR well will be reduced to approximately 1,900ft. The reduction of lateral length of the wellbore is not due to any technical failure or hurdle, rather optimal wellbore design in anticipation of completing the well given formation characteristics and current regulatory constraints. The Company anticipates that future drilling of the Vail Oil Project may utilize longer length horizontal laterals.

While the Company has not yet determined a preferred completion method for the Burkett 5-34HOR well, a possible approach would be a high volume fracture stimulation. Were such an approach to be selected by the Company, it would come within the ambit of a recently enacted State of Illinois statute known as the “Hydraulic Fracturing Regulatory Act” (Act). This Act regulates the hydraulic fracture stimulation of horizontal wells in Illinois and is currently being implemented by the IDNR. The IDNR, however, has not yet set a definitive timeline for accepting applications under the Act. The Company anticipates that it will be able to comply with the Act.

During the drilling of the vertical portion which reached a total depth of 4,730 feet, oil and gas shows were encountered in the targeted Devonian Lingle formation and a drill stem test of the target recovered gas and oil cut mud. Coring of the target zone was completed with the Company recovering 59 feet of core. The core is presently being processed at the Weatherford core facilities in Colorado for analysis. Preliminary results indicate approximately 10.5 feet of oil saturation in the Lingle Formation which is in line with Company expectations. Well logs have been successfully run and operations to set the kick off plug are underway before proceeding to the horizontal portion of the well. As of the issuance of this report the Company has begun operations to drill to the landing point of the well followed by casing to the landing point prior to drilling the horizontal section of the well.

The Burkett 5-34HOR well is set up as a test of the Devonian Lingle formation, a dolomitic reservoir which lies directly below the hydrocarbon rich New Albany Shale. This shale, which is interpreted to have expelled in excess of 300 billion barrels of oil (Lewan, et al., 2002), is the primary source of hydrocarbon generation in the Illinois basin.



### **Canning Basin Laurel Shale Project, Western Australia, Australia: 100% of 1.4 million acres**

In March 2012, the Company was conditionally awarded 100% of a permit to explore approximately 1.4 million acres in the Canning Basin in northwest Australia. The Permit, L 11-3, in the rapidly emerging Laurel shale petroleum province, was won in a competitive acreage release round based on a work program. Granting of this permit is conditional upon complying with the Native Title Act of 1993. The Company has begun the negotiation process towards securing access agreements with the Native Title claimants. In the fourth fiscal Quarter of 2013, Strata-X retained the services of a third party Australian consultant to assist the Company in complying with the Native Title Act of 1993.

The Company believes the L 11-3 onshore Canning Basin block is prospective for both conventional and unconventional petroleum resources within the Carboniferous Laurel Formation where recent discoveries have been made by Buru Energy along similar geologic trends in the basin.

### **Sleeping Giant Project, Williston Basin, North Dakota, USA: 100% of 155,000 net acres**

The Company has acquired the rights to approximately 200,000 gross acres (155,000 net acres) in the Williston Basin in North Dakota which have multiple prospective structures for natural gas. The targets are shallow gas accumulations in reservoirs at depths generally under 2,000 feet (610 metres).

Currently, the Company is acquiring additional strategic leases in advance of the 2013 drilling program. The Company expects to begin evaluation drilling of up to four pilot wells on this project in the third calendar quarter of 2013.

### **Vallecitos Oil Project, San Benito County, California, USA**

The Company has a 22.5% working interest and a 19.5% net revenue interest in approximately 21,000 gross acres of leasehold in the Vallecitos area in California, including a 120 acre F&I Pool. The 120 acre F&I Pool production is currently restricted due to water disposal issues which are expected to be resolved in the third quarter of 2013.

Multiple leads and prospects have been interpreted using a 24 square mile 3D seismic survey acquired in 2009. To help high grade the leads and prospects that the Company is considering developing, the 3D seismic was recently reprocessed incorporating VSP data obtained during the drilling of a prior well on the project.

In December 2012, the partners of the Vallecitos project were the high bidders for multiple Bureau of Land Management (BLM) leases covering 10,373 gross acres with 2,334 acres net to the Company's interest. The leases were recently named in a lawsuit between an environmental activist group and the BLM which will delay the vesting of the leases to the partners until the case is finalized. Neither the partners of the project nor the Company have any liability associated with the third party suit.

### **Eagle Project, Kings County, California, USA**

The Company has a 23.59% working interest in 5,160 gross acres of land in the Eagle Project in the San Joaquin Valley area in California and is the operator of the project. One previously drilled well in the Eagle Project area encountered good oil shows in the Eocene Age Gatchell sands that tested up to 192 barrels of light oil and 427 MCF per day. Third party reserve analysis results indicate approximately 254,000 gross barrels of probable undeveloped reserves. Although light oil was recovered, the well was considered to be non-commercial at the time due primarily to formation damage by heavy drilling mud and cement squeezing. Subsequent activity on the prospect was met with mechanical issues despite continuing indications of oil shows in the primary target. At this time, the Company does not anticipate any drilling on the project in calendar 2013.

### **Margarita Oil Project, AMI Southern Texas, USA**

The Company has 37.5% equity in this Area of Mutual Interest (AMI) in southern Texas. Land has been acquired over a low risk oil prospect which was mapped using 3D seismic data. No definitive drilling date has been determined on the project.

## USA TENTAMENT/LEASE EXPLANATION

The ownership of in-situ hydrocarbons in the United States differs from almost all other countries in that the owners are typically private individuals or private entities. The vast majority of the exploration tenements or leases held by the Company in the USA are with private parties. Currently, the Company holds rights to over 1,800 leases in the USA. These leases differ from each other in numerous ways including the size of each parcel of land, financial terms, royalties and contract duration. Differences in expiration dates allow for a gradual release or roll-over or, if renewed, continuation, of exploration rights. The tenement or leasehold position for each project, including its relative location, reflects the position of the Company as of the date of this report. If the disposal of a Company position was material or represented a change from a prior reporting period then this aggregate change would be reflected in the total position listed by the Company.

Generally, petroleum rights in the USA are purchased from the owner as leases on negotiated terms which may include cash payments up front, royalties and rental arrangements. Competition for leases can become very heated, particularly in highly sought-after productive areas. Strata-X's goal has been and continues to be to minimize lease purchase costs while maximizing shareholder growth potential by striving to be the first or early mover on areas or projects. To accomplish this, the Company carries out its own in-house geological mapping and analysis to high-grade areas or projects for acquisition. Further, the Company will not be making public detailed geological maps or detailed lease maps as this may attract competitors, especially much larger and better financed rivals, potentially increasing the Company's lease purchase costs and diminishing its ability to consolidate significant land positions on attractive terms.

# CORPORATE, FINANCIAL & OTHER INFORMATION

## Financial Position

Strata-X Energy Ltd's cash position at the end of the quarter was USD\$8,591,000. During the reporting quarter the Company incurred foreign exchange losses of approximately USD\$1,044,000 due to the sudden drop in the Australian dollar when compared to the United States dollar. Due to continued weakness in the Australian dollar, the Company's Board of Directors authorized the consolidation of cash deposits into USD which transfer was carried out in full during the reporting period.

## Reporting Currency

The functional reporting currency of Strata-X Energy Ltd is United States of America dollars (USD). Therefore the corresponding ASX Appendix 5B (Statement of Cash Flows) is denoted in USD.

## Share Data

As of 30 June 2013, Strata-X had 123,752,453 shares outstanding, including 73,412,467 CDIs.

During the reporting period the Company had the following notable equity transactions:

- On 18 April 2013, the Company issued 100,000 incentive options with an expiration date of 18 April 2018
- On 21 May 2013, the Company issued to employees 700,000 incentive options with an expiration date of 21 May 2023

## **Corporate Information**

On 29 April 2013, the Company appointed Larry Kellison as Vice President of Operations of its U.S. subsidiary (Strata-X, Inc.) and retained the services of Christensen Consulting as the Company's North American Investor Relations representative. Prior to joining Strata-X as Vice President of Operations, Larry Kellison provided consulting services on a variety of Company projects. Mr. Kellison is a certified petroleum geologist with over 33 years of experience in the oil and gas industry. Mr. Christensen, meanwhile, has 25 years of experience in active management and financing of public companies in the resource sector and in developing direct relationships within the investment community.

On 21 May 2013, the Board of Directors appointed David L. Hettich as Chief Financial Officer ("CFO") of the Company. Mr. Hettich replaced Timothy Bradley who had been the Company's CFO since Strata-X first became a public issuer. This management change was effected by Strata-X's Board of Directors as part of a long term transition plan that would enable Mr. Bradley to return to managing his private accounting business on a full time basis while still allowing him to remain on the Company's Audit Committee and Board of Directors. Shaun Maskerine was appointed as the Company's Canadian Corporate Secretary on the same date. Prior to joining Strata-X as CFO, Mr. Hettich provided consulting services to the Company in a variety of positions including Controller and Land Manager. Mr. Maskerine has over 14 years experience in the administration and development of public companies including direct involvement in numerous listings, capital raisings and transactions. He has extensive experience in the areas of corporate compliance, corporate secretarial work and governance of listed companies.

## **Person Compiling Information**

Technical information contained herein is based on the information compiled by the Company's Chief Executive Officer and President, Tim Hoops. Mr. Hoops has over 33 years experience in the petroleum industry and is a graduate of the Colorado School of Mines with a degree in Geological Engineering. Mr. Hoops consents to the inclusion in this document of the matters based on the information, in the form and context in which it appears.

## COMPANY DIRECTORY

### **Directors**

Mr. Ron Prefontaine – Chairman of the Board of Directors  
Mr. Tim Hoops – President and CEO  
Mr. Tim Bradley – Non Executive Director  
Mr. Bohdan (Don) Romaniuk – Non Executive Director  
Mr. Don Schurman – Non Executive Director

### **Company Secretary**

Shaun Maskerine – Canada  
Duncan Cornish – Australia

### **Head Office**

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