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# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

THE FOLLOWING REPORT IS EXCERPTED FROM  
**THE WALL STREET TRANSCRIPT**

## COMPANY INTERVIEW

**HORST A. SCHMID**  
Deep Well Oil & Gas, Inc.

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# Deep Well Oil & Gas, Inc. (DWOOG)

*This is a TWST Interview with Horst A. Schmid, President and CEO, Deep Well Oil & Gas, Inc.*

## SECTOR – OIL & GAS DRILLING & EXPLORATION

**(ADE609) TWST: We'd like to begin with a brief historical sketch of Deep Well Oil and Gas and a picture of the things you are doing at the present time.**

**Dr. Schmid:** Deep Well Oil & Gas is an emerging junior oil and gas exploration and development company and is headquartered in Edmonton, Alberta. Usually you will find that most head offices of oil companies are in Calgary, but ours is 300 kilometers closer to our oil sands lease, 69 sections, 500 kilometers north of Edmonton. Our immediate focus is to develop this existing land base that, according to an independent estimate, has 819 million barrels of original oil in place. We have subject to Farmout Agreement an 80% interest in these 44,000 acres of Oil Sand Leases, better expressed though, Heavy Oil Lease.

Currently, therefore, our interests are in this Peace River Oil Sands area, identified as the Sawn Lake Oil Project. It is at the same pre-development stage as experienced by other heavy oil companies prior to a major period of growth. For instance, about 60 kilometers from us is a company called Black Rock. They are producing about 10,000 barrels of heavy oil per day. And not very much further away is another major oil company, in fact, Shell, which is also producing heavy oil from the same formation.

Our working interest partner, Signet Energy Inc., has drilled the first well, with a vertical depth

of 752 meters, and a horizontal leg of over 700 meters. We will have production testing done in January. Signet is a Calgary-based private company and its Executive Chairman, C.W. Cassidy, Chartered Accountant was the CFO of UTS, their COO is Fred Kelly, a highly experienced person of the oil industry

**TWST: Would you sketch out your timetable for the next couple of years?**

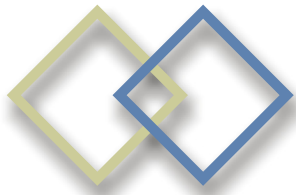
**Dr. Schmid:** To earn a 40% working interest in our lease, Signet, under a farmout agreement, has to drill another nine wells within the next 18 months at no cost to Deep Well Oil & Gas.

**TWST: Do you have any idea of the potential of this property?**

**Dr. Schmid:** Ryder Scott, an independent engineering company, head office in Houston, estimated that our Sawn Lake Oil Sands Project has 819 million barrels of oil in place, and another company has stated that there could be as much as 1.2 billion barrels. This is heavy oil and I should explain that. You probably know that the oil sands are in fact the largest deposits of oil in the world. Sometimes they mention that Saudi Arabia has more, but nearly 1.6 trillion barrels of oil are estimated to be in the oil sands. As you know, the largest importer of our crude oil and petroleum products is the United States; it imports 15% of its total requirements from Canada.

**TWST: What are the costs of extracting sand oil? Are they more or less than other kinds?**

**Dr. Schmid:** The production cost of oil from the actual oil sands, where the oil sand is mined and then separated, is between C\$12 and C\$15. The entire area is described as an oil sands area in which our lease is also located even though the oil



# Deep Well Oil & Gas, Inc.

## Corporate Fact Sheet

**Corporate Office:**  
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10117 Jasper Avenue  
Edmonton, Alberta T5J 1W8 Canada  
Telephone: (780) 409-8144  
Facsimile: (780) 409-8146  
Website: www.deepwelloil.com

### Corporate Profile

Deep Well Oil and Gas, Inc. is an emerging junior oil and gas exploration and development company headquartered in Edmonton, Alberta. The Company's immediate corporate focus is to develop the existing land base that it presently controls in the Peace River Oil Sands area located in North Central Alberta. The Company is a Nevada Corporation and is a reporting issuer to the Security and Exchange Commission (SEC) in the United States.

### 2005 Highlights

- **June 7, 2005** - Deep Well acquired 100 percent of the common shares in Northern Alberta Oil Ltd. Through this acquisition Deep Well acquired an 80 percent working interest in 32 sections (20,243 acres) in the Peace River oil sands region in North Central Alberta.
- **June 29, 2005** - Deep Well announced that a majority of shareholders elected a new board of directors. The new board of directors are Dr. Horst A. Schmid, Mr. Cyrus Spaulding, and Mr. Donald Jones. On July 1, 2005, the directors added Mr. Curtis Sparrow to the board.
- **August 12, 2005** - Deep Well closed a private placement for total proceeds of US\$200,000.
- **September 29, 2005** - Drilling activity began on the Sawn Lake Field.
- **October 12, 2005** - Deep Well closed a private placement for total proceeds of US\$1,260,000. A percentage of the funds acquired were used to fully retire the company's only outstanding secured debt.
- **November 15, 2005** - Deep Well announced that it successfully closed an amended Farmout Agreement with our farmout partner, which included a US\$2 million prospecting fee which has now been paid to Deep Well. Mr. Leigh Cassidy, formerly with UTS Energy Corporation (TSV), will spearhead the development of the Sawn Lake Oil and Gas Project as the new CEO of our farmout partner, in which Deep Well owns 31.4 percent. Mr. Fred Kelly is assuming the position as Chief Operating Officer of our farmout partner.
- **November 28, 2005** - Deep Well announces that the first well has been drilled to the contract vertical and horizontal depth and the operator anticipates testing throughout the month of December, with results expected in mid-January 2006.

### Our Strategy

- Grow through exploitation and development
- Pursue strategic acquisitions
- Minimize drilling risks and costs through joint ventures

### Financial Strengths

- No long-term debt
- Strong balance sheet
- Positive working capital



Precision Drilling was contracted to drill the first well of the Sawn Lake field.

### Shareholder Information

#### COMMON SHARES

Trading symbol: DWOG  
Issued & outstanding as at December 31, 2005: 55.2 million

#### CURRENT SHARE PRICE

Access [www.nasdaq.com](http://www.nasdaq.com) and enter symbol DWOG under flash quotes.

#### INVESTOR RELATIONS CONTACT

Call toll free 1-888 oil sand (1-888-645-7263)

#### TRADING - US\$ per share, as at January 3, 2006

High \$1.50  
Low \$1.22  
Close \$1.45  
52-week High/Low \$1.50-\$0.30

Volume (10 day avg.): 320,444

#### SHARE PRICE HISTORY

Deep Well Oil & Gas, Inc.



*This fact sheet release contains forward-looking statements. The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements." Actual results could differ materially from those projected in the Company's proposed oil and gas related business. The Company's business is subject to various risks, which are discussed in the Company's filings with the Securities and Exchange Commission ("SEC"). The Company's filings may be accessed at the SEC's Edgar system at [www.sec.gov](http://www.sec.gov). Statements made herein are as of the date of this fact sheet and should not be relied upon as of any subsequent date. The Company cautions readers not to place reliance on such statements. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such a statement.*

reserves on our lease are actually heavy oil. This heavy oil has an API between 8 and 15 and we have estimated the production cost to be between about \$7 and probably \$15 per barrel, depending on the production method.

**TWST: What possible problems or challenges could arise for you over the next few years?**

**Dr. Schmid:** Of course, the primary production of the oil that we have in place there would be through conventional pumping and we hope to get at least 10% of the oil in place through that method. After that, one would have to look at enhanced recovery methods to produce more oil. I will give you one example. For instance, I mentioned Shell Oil before. I understand that they have been very successful through their enhanced recovery project, recovering up to 85% of their oil in place.

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***“Our long-term objective is to produce in excess of 100,000 barrels per day of raw heavy oil. We want to get as close as possible to that and also look at the expansion of our company as we have cash flow, to see what other investments we can make within the oil industry.”***

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**TWST: You speak of other methods. Will there be any problem regarding access to equipment?**

**Dr. Schmid:** I don't think so. To give you an idea, right now, there is a European company that has been using nitrogen for enhanced recovery. Up to now, these enhanced recovery methods have involved transporting nitrogen to the area of recovery, whereas this company can now produce nitrogen on-site, so to speak. Therefore, they are able to do that, and that is one of the enhanced recovery methods that

we are looking at presently; another one could be CO2 injection.

**TWST: What would you like Deep Well to look like in about three years?**

**Dr. Schmid:** Within 18 months, we hope to have, first of all, the 10 wells drilled and completed which our farmout partner is committed to accomplish. Within three years we hope to have at least 50 wells drilled and have the appropriate production of oil.

**TWST: Would it be in your thinking for Deep Well to be bought by a larger entity at some point?**

**Dr. Schmid:** That is something that one cannot discount because, as you probably have heard, there are now international interests being expressed from as far away as China, India and Europe in Canadian oil because of its security of supply and the security of the government. I am not saying that Deep Well is involved in that because that would be insider information, but on the other hand, China is looking at investing here and is, for instance, asking for a right of first refusal for the oil, at world prices, for the next 25 years. For a producer of any commodity, having a guaranteed sale is of vital importance

**TWST: What is your personal feeling about the general outlook for oil?**

**Dr. Schmid:** This important commodity is especially required by all industrialized nations. The serious concern is that countries like China and India now have to import oil. I know of 29 oil sites in China and even though they have that many sites, they just can't produce enough. So they are importing from other oil producers, one of the causes of an unprecedented increase in the world price, another one being, of course, the insecurity of supply from countries like Iraq and Iran.

**TWST: Are there any environmental considerations regarding Deep Well?**

**Dr. Schmid:** Because we will start with what we call cold pumping, there wouldn't be that many environmental problems. Cold pumping should produce a minimum of 10% of the 819 million barrels in place. This is a sizable amount of oil to be recovered. Whatever the plans are, we have to comply with the environmental laws of the Alberta and Canadian governments.

**TWST: Are you going to stick to your knitting or, over time, will you be looking at other projects?**

**Dr. Schmid:** Since we are a public corporation, we would literally owe it to our shareholders to look at other acquisitions and/or investments and joint ventures with other companies in the oil and gas industry.

**TWST: Would you tell us about the backgrounds and the expertise of yourself and a couple of your colleagues?**

**Dr. Schmid:** We are a heavy oil development and production company and therefore are proud of our experienced management team regarding the financing, construction, commissioning, operation, upgrading and best terms of sale for the heavy oil.

Cyrus Spaulding, a Registered Professional Engineer, is the Chief Operating Officer. His experience includes forecasting and analysis of heavy oil projects, the operation and construction of gas plants, hydrocarbon liquid fractionation plants, oil pilot plants and heavy oil commercial plants in Canada and overseas.

Donald Jones, also a Registered Professional Engineer, as Project Manager was involved in the construction, commissioning and optimization of commercial scale production and processing plants for heavy oil. He has

significant experience in the environmental sector, very important for our operation.

Curtis Sparrow, our Chief Financial Officer, a Registered Professional Engineer with a Master's degree in Business Administration, has a background in general and petroleum geology, well completions and workovers, reservoir engineering, oil well log analysis and problem well analysis as well as Canadian-US joint ventures in oil and gas exploration and development.

I have been involved around the world in multi-million dollar, very successful, negotiations in the oil and gas industry for the supply of equipment, material, surveying, drilling for and production of oil and natural gas, the processing and sale thereof, joint ventures and acquisitions. I was also Minister of International Trade for Alberta, Canada, for seven years and a member of the Advisory Board of the National Petroleum Company of Thailand.

**TWST: What is the special excitement for a person like you in doing what you do, rather than working for a large company or the government?**

**Dr. Schmid:** In all my life, I can say that no one will take away from me the fact that I have been involved, for instance, in negotiations totaling multibillion-dollars. But to be involved with a company that is developing 44,000 acres of an oil sand lease is very much also large scale. If you imagine that it could amount up to 1 billion barrels of oil to be developed, to find the investors for it, to encourage interest in it, to be involved to get the farmout partner, which can earn 40% interest in our 80% interest in the 69 sections of heavy oil lease, is a challenge and I like challenges in my life.

**TWST: Do you see any need to alter or improve the company's capital structure?**

**Dr. Schmid:** Any corporation, whether it is an oil corporation or a car manufacturer or any other venture around the world, requires additional capital to improve its financial standing and opportunities and benefits for the shareholders. That is something that we have to do.

**TWST: Are you very active in the area of investor relations and are you out talking up the company a great deal?**

**Dr. Schmid:** We have an investor relations line 1-888 oil sand, a Website — [www.deepwelloil.com](http://www.deepwelloil.com) — and we do our best, through weekly news releases, to inform our shareholders and the public of our activities.

**TWST: What would be the two or three best reasons for the long-term investor to take a very good look at Deep Well?**

**Dr. Schmid:** The first reason would be the requirement of the United States for a secure supply of oil. The second reason is China's quest for oil. In this case, even our Prime Minister has gone to China and has stated that he supports the supply of oil to China from Canada. In fact, there's now a corporation that is going to build a pipeline from Alberta to the West Coast to transport that oil to a port there for shipment to China. The third reason is that we also expect to produce natural gas, a by-product, so to speak, and we all know the ever-increasing price of that commodity. I would say the future is very exciting and to increase the production of oil alone is very necessary because of the

security of the oil supply not only to the United States, but to Canada as well. That also impacts the commercial well being of all industry, and the private and government sectors of both countries.

**TWST: Is there anything that you would like to add, especially regarding challenges, opportunities, strategies and long-term objectives?**

**Dr. Schmid:** Our long-term objective is to produce in excess of 100,000 barrels per day of raw heavy oil. We want to get as close as possible to that and also look at the expansion of our company as we have cash flow, to see what other investments we can make within the oil industry. We also want to make sure we have the supply and production of oil that we want for the future requirements of the buyers of this commodity.

**TWST: Thank you. (MC)**

**HORST A. SCHMID**

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