



Citadel Exploration Announces New Field Discovery

California-focused E&P Proves Heavy Oil at Project Indian is Mobile

Newport Beach, CA, August 13, 2014 - Citadel Exploration, Inc. (OTCQB: [COIL](#)) ("Citadel" or "the Company"), a pure-play California oil company with operations in the Salinas and San Joaquin Basins of California, announced today that its first well at Project Indian, the Indian #1-15, has been producing approximately six barrels of oil per day, over the past seven days. This is the first oil ever produced on this structure after over 100 years of exploration efforts in the area by Standard Oil and Chevron Corp (NYSE: CVX). The Indian #1-15 well data supports Citadel's predrilling geologic model. Citadel believes its 688-acre lease contains an unrisks resource potential of 100 million barrels of original oil in place (OOIP). Historically, thermal recovery methods in California have proven to recover 20-60% of the OOIP.

Time line of events at Project Indian in 2014:

- January 25: Drilled Indian #1-15 to a total depth of 469 feet encountering over 100 feet of oil pay.
- January 28: Perforated 14 feet of oil pay from 382 feet to 396 feet. Submitted application to the Division of Oil, Gas and Geothermal (DOGGR) for steam injection permit.
- May 5: Granted steam injection permit and moved in temporary steam equipment the following week.
- May 13-23: injected steam at a rate of 300-400 bbls/pd, with total steam injection volume of 3,600 barrels.
- May 23-28: Allowed steam to soak in reservoir.
- May 29: Began producing gross fluids at approximately 50 bbls/pd, 100% hot water.
- July 14: First oil is observed at 1% of gross fluid volumes of approximately 50 bbls/pd.
- July 17: Lab analysis on produced oil determines the oil is 11.6 API and has pour point of 58 degrees Fahrenheit.
- July 21: Oil increases to approximately 5% of gross fluid volumes of approximately 40 bbls/pd.
- July 28: Oil increases to approximately 10% of gross fluid volumes of approximately 30 bbls/pd.
- August 4: Oil increases to approximately 20% of gross fluid volumes of approximately 25 bbls/pd
- August 11: Oil increases to approximately 25% of gross fluid volumes of approximately 25 bbls/pd.

"Having worked on this project for over seven years, I can't overstate the importance and magnitude of our discovery at Project Indian." Said Armen V. Nahabedian, President and CEO of Citadel Exploration "We have gained valuable data on the properties of the oil and characteristics of the reservoir. We are confident enough with these early results to now move to Phase II of the project."

Citadel will now move into Phase II of the project. Phase II will include preparing a complete Environment Impact Report (EIR) for full field development which will likely require several hundred wells. Additionally, the company is working with its engineers to procure the long-lead items required for commercial production. These items include the purchase of a steam generator, heated production facilities, a reverse

osmosis water system and construction of an approximate one mile of pipeline to connect to the existing natural gas system in the area.

Phil McPherson, Chief Financial Officer of Citadel, commented, "Given the current commodity price environment, with oil prices averaging \$90 per barrel while natural gas prices average \$4.00 per Mcfe, we are in the perfect environment for a thermal recovery project such as The Indian Oil Field. This first well, the Indian #1-15, has given us several data points, none more significant than the reservoir's response to thermal stimulation and the lower viscosity of the oil. In theory, lower viscosity should reduce operating costs once the field is in full development."

Citadel would like to thank the County of San Benito and its citizens for their support and approval of our project. Even with the recent adverse ruling by the Monterey County Superior Court Judge against the County and its approval of our project, we will continue to work with the County to defend our rights that our mineral lease has afforded us and develop this field with the highest standards of safety and environmental stewardship.

About Citadel Exploration, Inc.:

Citadel Exploration ([COIL](#)) is a pure-play California oil company with operations in the Salinas and San Joaquin Basins of California. Citadel has a broad portfolio of capital investment opportunities arising from management's extensive knowledge of the geology and the history of oil and gas exploration and development in California.

Citadel currently is focusing its efforts on two primary prospects: Project Indian, a thermal-recovery project in San Benito County on which it has recently drilled its first well, and the Yowlumne Project, a new prospect recently acquired from Aera Energy in which it is currently permitting two exploration wells.

Citadel prides itself on its legacy of discovery and innovation in the industry, and is committed to a plan of careful, deliberate growth tempering risk by focusing on historically successful projects. The best place to find oil, is where it has already been found.

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