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ASX RELEASE

## Relinquishment of South Marsh Island Block 6 Lease

On June 9, 2016, **Byron Energy Limited** ("Byron") (**ASX: BYE**) announced it would not re-enter the Byron Energy SM6 #2 (SM6 #2) wellbore due to concerns about the wellbore's mechanical integrity and geologic conditions encountered while drilling. The SM6 #2 wellbore was left temporarily abandoned after drilling operations were completed in March 2016.

After an extensive study of various development scenarios, it was decided to relinquish the lease and the Bureau of Ocean Energy Management (BOEM) accepted Byron's voluntary relinquishment of the SM 6 lease on August 24, 2016.

Although the two wells drilled by Byron on SM6 in 2014 and 2016 found and logged hydrocarbons in the F Sand section, higher than expected pressures were encountered that prohibited drilling to the predicted depth of the primary target G20 Sand. The SM6 #2 well in 2016 encountered pressures that were much higher than prognosed which indicate a high geologic risk of the presence of sand below the deepest penetration. In addition, concerns about the intermediate cement job in the SM6 #2 were high and the well was temporarily abandoned and the drilling rig was moved to Byron's South Marsh Island Block 71 lease where it drilled the successful SM71 #1 well.

Additional analysis of development scenarios did not discern any path to production that made economic sense in the current oil and gas pricing environment. Consequently, Byron decided to relinquish the SM6 lease to BOEM. Under current BOEM regulations, Byron has 12 months to plug and abandon the two wellbores and remove the temporary caisson that holds the wells. In December 2015, Byron applied for and was granted a Suspension of Production (SOP). Byron has cancelled the SOP for SM6 and will not proceed toward developing the F Sands.

Byron, through its wholly owned subsidiary Byron Energy Inc., held a 100% working interest and an 81.25% net revenue interest in SM 6 and is the operator of the block. In December of 2015, Byron announced that it had farmed out a 50% working interest to **Otto Energy Limited** ("Otto") (**ASX: OEL**). Otto did not earn an interest in the SM6 lease because earning depth was not achieved in the SM6 #2 wellbore. Consequently, Otto is only responsible for a portion of the plugging liability associated with the SM6 #2 well. Byron is responsible for all other abandonment liabilities on SM6.

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**CEO Comment**

*Maynard Smith, Bryon's CEO said "After considering several options to develop the SM6 F Sand pay, it became clear that the economics were simply too marginal to be attractive. Because of Byron's limited capital it was decided to focus our staff, energy and capital on bringing our South Marsh Island Block 71 discovery into production as soon as possible".*

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