

ASX ANNOUNCEMENT

5 February 2018

SM 71 UPDATE: WELL COMPLETION OPERATIONS UNDERWAY

- **EnSCO 68 drilling rig is now positioned over the SM 71 F1 well for completion**
- **Three wells will be completed for production over the next 6 weeks**
- **Production start-up at the SM 71 F platform is expected in March 2018**

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to advise that the EnSCO 68 drilling rig has been repositioned over the SM 71 F1 well and operations to complete the F1 as a producing well in the D5 Sand have begun. This marks the end of drilling operations which began in early December 2017. During this time two new wells were drilled in the initial development phase of the SM 71 project, both of which were successful.

The SM 71 F1 well was drilled to a depth of 7,477 feet measured depth in April of 2016 and logged a total of 151 feet of True Vertical Thickness ("TVT") net hydrocarbons in four discrete sands. The primary target in the F1 well was the D5 Sand, a prolific oil producing sand in other portions of the SM 73 salt dome field. The F1 well logged 91 feet TVT net oil pay in the D5 Sand and the joint venture committed to construction of a manned tripod production facility on that basis.

In November 2017, the SM 71 F platform was set on location and the EnSCO 68 drilling rig was mobilised to begin drilling operations.

The SM 71 F2 well was drilled to a total depth of 8,615 Measured Depth ("MD") in late December and logged a total of 203 feet TVT net oil in four sands including the D5 Sand (130 feet TVT Oil pay) and the previously untested B65 Sand. After the drill pipe became stuck below the D5 Sand, casing was run across the B65 Sand (54 feet TVT net oil pay) and the F2 well will serve as the initial take point in the newly discovered B65 Sand reservoir.

Otto announced that a third well, the SM 71 F3, would then be drilled to further develop the D5 Sand. In January 2018, the F3 well was drilled to a depth of 7,714 feet MD and logged oil in five sands, including 175 feet TVT of oil in the D5 Sand. Casing was run and cemented to total depth and the F3 will be completed in the D5 Sand as part of the completion program at SM 71.

Completion operations on all three wells will take about 6 weeks. Modern sand control techniques common to the Gulf of Mexico will be utilized to optimize production rates and provide longevity to each well. During completion work, only limited flowback will be possible and production rates will be established only as each well is placed into production. Piping and instrumentation work on the SM 71 F Platform is nearing completion and production start-up will begin in March 2018. The wells will begin producing sequentially as the new facility is brought on line.

Otto holds a 50% working interest (40.625% net revenue interest) in South Marsh Island Block 71 through a wholly owned subsidiary Otto Energy (Louisiana) Inc. The operator, Byron Energy Inc., a wholly owned subsidiary of Byron Energy Limited (ASX: BYE) holds the remaining 50% working interest.

Otto will issue progress reports regarding the ongoing completion operations at SM 71 as material developments occur.

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Otto's Managing Director, Matthew Allen, commented: *"We are very excited to be moving to the completion phase of the development operations having finished the very successful drilling program. Not only will the drilling results significantly increase reserves, but the joint venture has now confirmed the J1, B55, B65 and C10 Sands are worthy of further evaluation as potential future drilling prospects which, in a success case, would be produced through the SM 71 F production platform."*

We join Byron in thanking the consulting drilling engineers and the many vendors for their efforts over the course of the drilling program.

We now look forward to commencing production in March 2018 with production rates ramping up over several weeks as the wells are brought on line."

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