

ASX ANNOUNCEMENT

22 February 2018

SM 71 UPDATE: F1 WELL SUCCESSFULLY COMPLETED FOR PRODUCTION

- **D5 Sand successfully perforated with sand control measures installed**
- **2 7/8-inch production tubing run and the well now shut-in**
- **Completion operations on the SM 71 F2 well have begun**
- **SM 71 remains on track for production to commence in March 2018**

Otto Energy Limited (ASX:OEL) (“Otto” or the “Company”) is pleased to advise that the OCS-G34266 #F1 well (“F1”) on South Marsh Island Block 71 (“SM 71”) has been completed for production. A 70-foot measured depth interval of the D5 Sand was perforated on 16 February 2018 and sand control measures were pumped across the interval on 18 February 2018. After rigging down the pumping equipment, 2 7/8” production tubing was run in the well. All operations were successful and after a short flow back that recovered completion fluids and oil, the F1 well was shut in by closing a surface controlled subsurface safety valve.

No production rates were determined during this phase of the project due to limited oil storage tank capacity currently on location. As each well is hooked into the production manifold and SM 71 lease pipelines, it will be individually tested, and optimal rates will be established based on reservoir pressure drawdown.

The F1 well is the first of three completions to be undertaken on the SM 71 F platform. The Ensco 68 drilling rig is preparing to skid into position over the SM 71 F2 well and completion operations in the B65 Sand will begin immediately. The B65 Sand in the F2 well will be completed with sand control measures similar to the F1 well. These sand control measures are designed to improve the production rate and to minimize reservoir pressure drawdown, resulting in better performance and longevity. The SM 71 F3 well will be the last well completed for production following the F2 well.

Final piping and instrumentation work on the SM 71 F platform is nearing completion. Production start-up is targeted for March 2018. It is anticipated that the three wells will utilise a high percentage of the SM 71 F Platform’s oil and gas production capacity.

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) LLC. 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.

Otto’s Managing Director, Matthew Allen, commented: *“We are pleased with the progress being made by the joint venture operator, Byron Energy, in readying the recent discoveries in SM 71 for first production. The delivery of this project on schedule and in a safe manner is the result of significant focus and dedication by a large number of people and contractors. First production from the three wells remains on track for March 2018.*

Otto’s approach of investing in ready to drill, close to infrastructure prospects in the prolific Gulf of Mexico has delivered an excellent outcome at SM 71. Otto is working towards adding to the portfolio of opportunities in this region to continue the early success that has been achieved.”

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