

ASX ANNOUNCEMENT  
20 October 2017

## DRILLING COMMENCES AT ST 224

- Drilling of the ST 224 #1 well has commenced
- The ST 224 well to target 3.2MMbbls oil + 90Bcf gas (Mid-case, 100% Project)\*
- High chance of success based on 3D seismic amplitude (AVO) support.
- Shallow water and target depth enhance project economics due to lower drilling costs.

Otto Energy Limited (ASX:OEL) ('Otto' or the 'Company') is pleased to announce that drilling of the ST 224 #1 well has commenced within the South Timbalier 224 ('ST 224') lease in the Gulf Of Mexico shelf. Drilling is targeting a large, amplitude supported, high CGR (condensate gas ratio) gas condensate exploration prospect located in the prolific Bul. 1 trend. Otto holds a 25% working interest in ST 224 which is operated by W&T Offshore.

The Operator advised overnight that the ST 224 #1 well had commenced and as at 6am on 19 October US Central Daylight Time the well was at 1,240 feet.

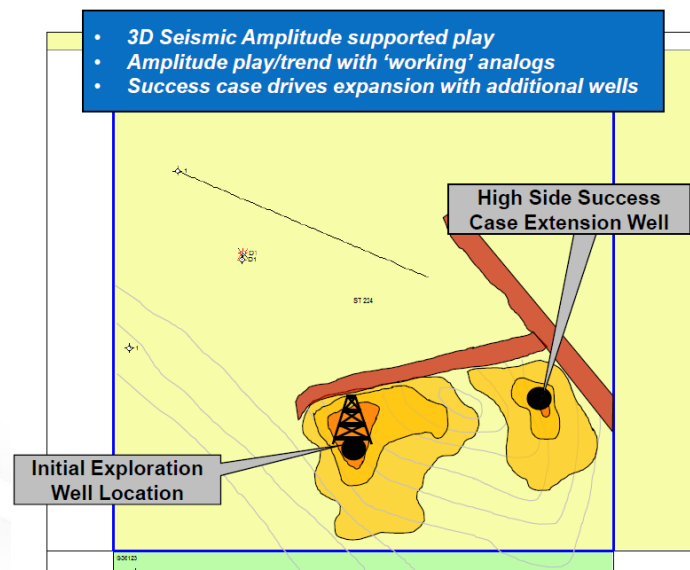
The prospect, which sits in approximately 170 feet of water, is being drilled using the Enterprise 264 jack up drilling rig. The well has a relatively shallow target depth of 10,800ft (TVD) (11,439ft (MD)) and is expected to take around 55 days to drill and evaluate.

Otto intends to report on well progress as material milestones are achieved.

Otto's Managing Director, Matthew Allen, commented:

*"Drilling has commenced as planned and we now look forward to testing this highly prospective opportunity."*

*"With an experienced Gulf of Mexico operator in W&T Offshore and a high calibre rig and drilling crew under contract we are confident that exploration drilling and any subsequent development activities will be conducted in a quick, safe and cost effective manner."*



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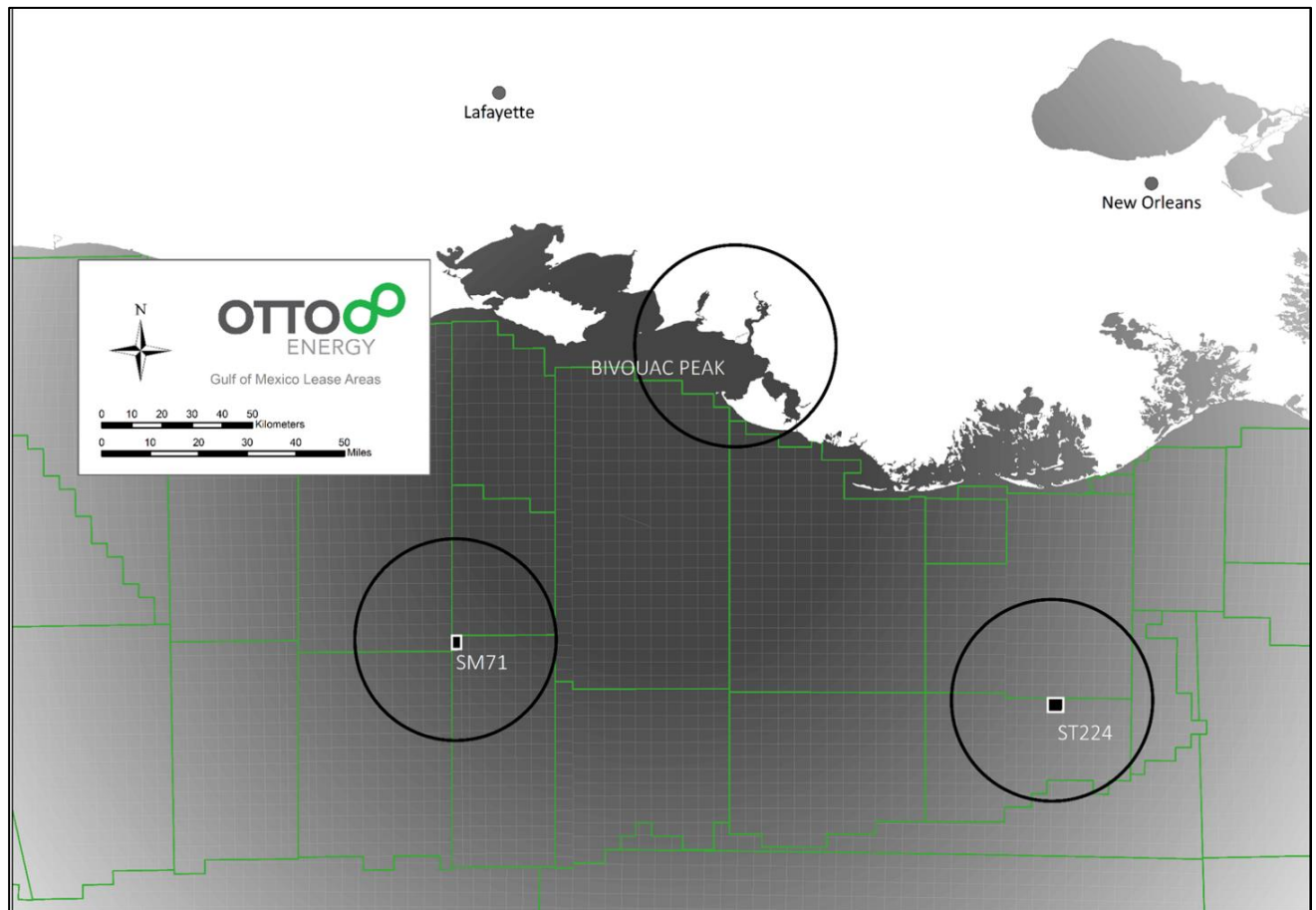
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\*The resources referred to in this report were reported on 5 October 2017 (refer to the Company's announcement on 5 October 2017).

## SCHEDULE 1 – BACKGROUND ON ST 224 PROSPECT

### LOUISIANA/GULF OF MEXICO – SOUTH TIMBALIER 224

<b>Location:</b>	Offshore Gulf of Mexico
<b>Gross Area:</b>	20.23 km <sup>2</sup> (5,000 acres)
<b>Otto's Initial Working Interest:</b>	25%
<b>Water Depth:</b>	170 feet
<b>Prospect Target Depth:</b>	10,800 feet (TVD), 11,439 feet (MD)



### Definitions:

<b>TVD</b>	True Vertical Depth (vertical distance from the wellhead to the target level)
<b>MD</b>	Measured Depth (distance along the well bore from the wellhead – for inclined wells, this will be longer than the TVD)