

ASX ANNOUNCEMENT

26 March 2018

PRODUCTION COMMENCES AT SM 71

- **Oil Production for the SM 71 F1 and F2 wells commenced on 23 March 2018 in the US Gulf of Mexico**
- **Production rates are not fully established, but are in the upper ranges of expectations**
- **Combined restricted oil rates from both wells as of 25 March are approximately 4,000 BOPD**

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is proud to announce that production has commenced at its flagship South Marsh Island Block 71 ("SM 71") oil development, in the shallow water of the Gulf of Mexico. The commencement of maiden production has elevated the Company back to producer status.

At approximately 2 PM US Central Daylight Time (USCDT) on 23 March 2018, after final regulatory inspections were concluded, the SM 71 F1 well was opened to the production system on the SM 71 F platform. After all flow lines and production vessels were filled with fluid and operating pressures were established, the choke was slowly opened and the SM 71 F1 well went into production. Within 5 hours, the SM 71 F1 well was producing at rates approaching 2,000 bopd with little or no water. The well has been on continuous production ever since at a controlled rate. Last test data at 3 PM USCDT on 25 March 2018 was 2,118 bopd of 42 degree API oil, approximately 1 mmcfpd and less than 1% water cut with 1500 psi flowing tubing pressure on a 22/64ths choke. Any water recovered is completion fluid and is not from the D5 Sand reservoir.

On 25 March 2018 at 2 PM USCDT, the SM 71 F2 well was opened to the system and is slowly being stepped up to a controlled rate. At 7 PM USCDT 25 March 2018 test data indicated a rate of 1944 bopd of 42 degree API oil, approximately 1 mmcfpd and less than 1% water cut with 1,540 psi flowing tubing pressure on a 20/64ths choke. Any water recovered is completion fluid, not water from the B65 Sand reservoir. Because the well has only been flowing a few hours, final rates have not been established.

Neither the SM 71 F1 nor the SM 71 F2 well is currently producing at its maximum capacity due to facility commissioning. As with any new platform, there are minor facility-related issues to resolve prior to producing the wells at their maximum effective rate. Currently, the wells are being restricted to a combined rate of 4,000 bopd. Based on current reservoir models, both wells are capable of significantly higher production rates. The facility issues will be resolved over the next few days and production rates will then be optimized for the facility capacity.

Operations to remove stuck completion tools from the F3 wellbore are ongoing. Once the stuck tools are removed from the wellbore, and the completion finalised, it will be placed into production with the other two wells. The SM 71 F3 well intercepted 211 feet of measured depth oil pay (174 feet true vertical thickness) in the D5 Sand. The Company perforated a 184-foot measured depth interval of D5 Sand and completed sand control measures, before the tools became stuck. The SM 71 F3 well had the thickest D5 Sand development of any well drilled in the SM 71 reservoir.

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's Managing Director, Matthew Allen, commented: *"First production from SM 71 is a momentous event for Otto, and our joint venture partner Byron, and has been delivered within two years of the discovery well. The flow rates that are being observed at the moment are towards the upper end of expectation and with the F3 well coming on line shortly, production is likely to be at the capacity of the SM 71 F platform."*

With the finalization of the F3 well in the coming short period of time, the SM 71 development will be the platform for Otto's growth in the Gulf of Mexico. The production and significant cashflow from SM 71 will be a long term enabler that delivers value and growth for Otto's shareholders."



SM 71 F Platform with Ensco rig over the top.

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