



# Sacgasco Limited

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Announcement to ASX

4 March 2022

## FARMIN TO CADLAO OIL DEVELOPMENT

- **Nido (Sacgasco's subsidiary) farmin to Cadlao Oil Field for 72.727% and Operatorship**
- **Cadlao Extended Well Test planned for 2022 drilling program**
- **Drilling site surveys planned for March 2022**
- **Independent Reserves Assessment results expected March 2022**

Sacgasco Limited (ASX: SGC) ("SGC", "Sacgasco" or "the Company") is pleased to announce that its wholly-owned subsidiary, Nido Petroleum Philippines Pty Ltd ("Nido") has entered into a Farmin Agreement (FIA) with the Service Contract 6B (SC 6B) Joint Venture to fund 100% and Operate the Extended Well Test (EWT) and subsequent development of the Cadlao Oil Field in return for an additional 63.637% working interest, bringing Nido's total working interest in SC 6B to 72.727%. Sacgasco holds its SC 6B interest in its wholly-owned subsidiary Nido and references to Sacgasco in this announcement includes this subsidiary, and vice versa.

The Cadlao Oil Field produced 11.1 million barrels over 30 years ago. Oil rates reached a peak of 6,000 bopd during this first production phase. In 1991, the Operator of the day shut the field in to utilize the surface facilities on another asset.

The Company believes that the field has significant remaining potential reserves (including from reservoir recharge in the intervening 30 years since last production) and previous wells have proven high productivity from the reservoir.

A reserves assessment is underway and expected to be completed during March prior to submission of an EWT proposal to the Philippine Department of Energy (DOE).

The FIA includes Nido taking Operatorship of the Cadlao development and is designed to both accelerate and increase Sacgasco's exposure to cashflow from the anticipated development of the proven oil in the field. Under the FIA, Nido will fund the cost of the EWT and any subsequent development costs 100% up to the date of a Declaration of Commerciality on Cadlao. Nido will receive preferential cost recovery during this period.

The working interest changes in the JV following the FIA are as follows:

Joint Venture Party	Working Interests	
	Pre-FIA	Post-FIA
<b>Nido (Sacgasco's subsidiary); (Operator)</b>	<b>9.090%</b>	<b>72.727%</b>
Philodrill; (pre-FIA Operator)	58.182%	17.4546%
Oriental	16.364%	4.09092%
Alcorn	8.182%	2.4546%
Forum	8.182%	2.4546%
Note 1: FIA and transfer of Operatorship are subject to DOE approval		

## Sagasco's Managing Director, Gary Jeffery commented:

*"Securing this farmin gives Sagasco the opportunity to fast-track the redevelopment of Cadlao Oil Field, as well as greater exposure to its near-term cashflow potential through an EWT. I am pleased that our JV partners have recognised our ability and commitment to execute quickly and to a high standard given the track record of management and in-country team.*

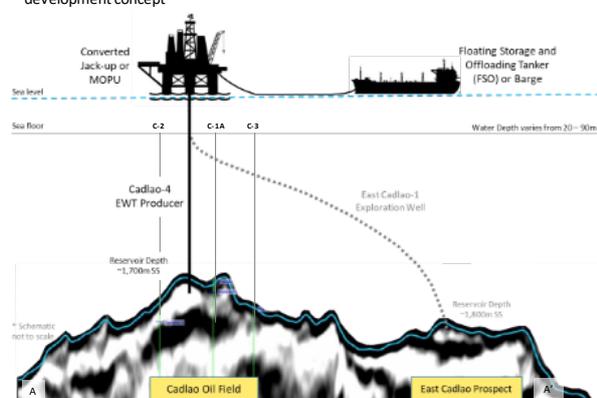
*The Philippines is one of the best countries in Asia to develop oil and gas with proven, high productivity reservoirs, a proactive government and attractive fiscal terms which allow oil and gas companies to recover their investment costs quickly and efficiently, especially during EWT periods.*

*Tying the EWT for Cadlao into our 2022 drilling program along with Nandino will make for an exciting and potentially transformational year for Sagasco."*

## Cadlao Redevelopment – SGC 72.727% WI

Low cost Development Opportunity to generate nearterm cashflow with material upside

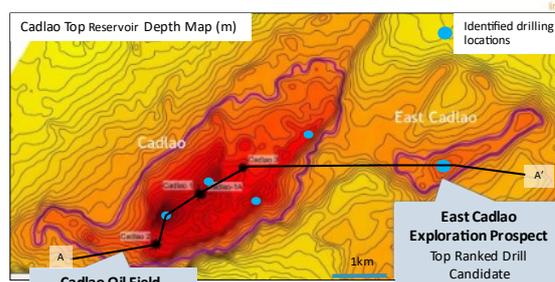
- Produced 11.1MMstb of oil to 1991 from two production wells; Cadlao -1A & Cadlao-3
- Acquisition of 3D seismic and recent reprocessing has identified unswept attic volume
- Fractured carbonate reservoir, known deliverability and matrix recharge during 30 year shutin supports low risk reserve volumes
- Shallow water depths and high well deliverability allow for a single well, low CAPEX development concept



Nido  
Petroleum Limited



SAGASCO  
LIMITED



### Near term Activities

- Leveraging technical capability, and fast-tracking schedule to drive the redevelopment and generate cashflow in 2022
- 1Q 2022 : Site survey, LLI purchase
- 2Q 2022 : EWT Approvals, Rig and other rental equipment contracting
- 2H 2022 : Cadlao-4 Drilling and EWT Execution

The Cadlao Oil Field within SC 6B is considered to be the most attractive development target from a number of discovered oil pools within Sagasco's Philippines portfolio using considerations such as potential volume and value, well productivity, time to first cashflow, water depth and follow up potential.

The field is a Miocene-aged carbonate pinnacle reef structure covered by recently reprocessed 3D seismic and lying in water depths of 20 to 90 meters. It was discovered in 1977 by Amoco and produced 11.1mmbbls over a 10-year period between 1981 and 1991 before being shut while still producing 5,900blpd (960bopd). The interpretation of recently reprocessed 3D seismic has identified an interpreted updip attic oil volume which will form the basis for the EWT and subsequent full field development.

The Production License for SC 6B ends in 2024 at which time the Joint Venture may elect to apply for an extension in the event commercial reserves remain to be produced.

Cadlao drilling and EWT is planned for 2022 in a 2-well drilling program with the Nandino Prospect in Service Contract 54 (*ref Announcement dated 3 March 2022*); subject to Philippine DOE and JV partner approvals. The Company intends to kick off the program in March with the following:

- conducting a drilling site survey
- complete independent reserves audit
- submit EWT proposal to the DOE for the Cadlao-4 well
- tender for drilling long lead items (LLI)

In the event of a successful EWT at Cadlao and depending upon the field data obtained, a full field development may include up to 4 wells with a dedicated oil production facility. The East Cadlao Prospect, which is only 3km away, may also be drilled, tested and produced from any Cadlao development.

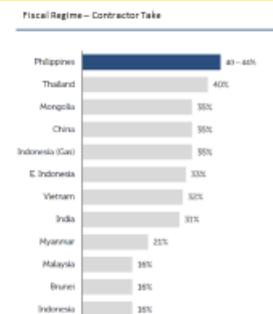
## Philippine Fiscal Terms Summary

### Why Make the Philippines the Focus?

Energy Hungry Market with Attractive Fiscal Terms

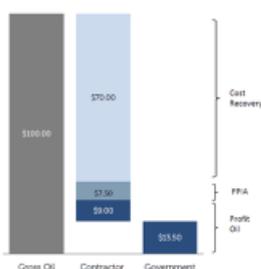


#### Best Fiscal Terms in Asia



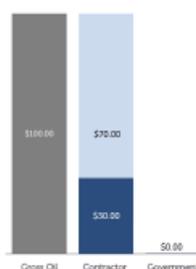
- The Philippines Service Contract embodies a number of elements which combine to produce a stable and attractive fiscal arrangement for oil and gas production
- The Philippine revenue sharing structure has remained unchanged since the Oil Exploration and Development Act was passed in 1992

Revenue Sharing Structure During Maximum Cost Recovery



- Cost Recovery: Maximum of 70% of Gross Oil Revenue
- Filipino Participation Incentive Allowance ("FPPIA") up to 7.5% of Gross Oil Revenue. Sliding scale depending on level of Filipino participation
- Profit Oil: Gross Oil Revenue less Cost Recovery less FPPIA (\$22.50)
  - Government Share: 60% of Profit Oil (\$13.50)
  - Contractor Share: 40% of Profit Oil (\$9.00)
  - Government Share includes Contractor's income tax of 35%

Revenue Sharing Structure During EWT Period



- An EWT Period is negotiable and allows the Contractor to gather valuable technical information on a field and accelerate the recovery of sunk costs prior to a field Declaration of Commerciality
- An EWT period will also cease upon the first occurrence of;
  - full recovery of all historical sunk costs by the contractor
  - Fixed time period (negotiable)
  - % of estimated 2P reserves (negotiable)
- At the end of the EWT the contractor can Declare Commerciality or not proceed with commercial production



**For and on behalf of the Board of Sacgasco Limited.**

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### **About Sacgasco Limited (ASX: SGC)**

**Sacgasco Limited (ASX: SGC) is an Australian-based energy company focused on under-explored, recently over-looked, world class oil and gas opportunities near under-supplied markets. Sacgasco's Natural Gas activities include Hydrogen and Helium. Sacgasco is a Silver Member of the California Hydrogen Business Council.**

**The Company is currently focused on conventional oil and gas exploration and production in the Sacramento Basin in California, Alberta Province in Canada and offshore The Philippines.**

**Sacgasco's goal is to provide natural gases including Hydrogen and Helium and contribute to the production of the required oil to assist the world in an orderly transition to a Clean Energy Future. Sacgasco is using its extensive energy experience to seek out and produce naturally occurring Hydrogen and Helium in its areas of Operations.**

**Sacgasco has an extensive portfolio of natural gas and oil producing wells as well as prospects and discoveries at various exploration and appraisal stages. The Company is targeting supply to the local Californian and Canadian oil and gas markets and the burgeoning Asian market.**

**Sacgasco is in the process of acquiring additional undervalued oil and gas producing and exploration assets.**

**[www.sacgasco.com](http://www.sacgasco.com)**

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