

ASX ANNOUNCEMENT

9 April 2018

THIRD WELL NOW PRODUCING AT SM 71

- **SM 71 F3 well is now in production with rates of 1,559 bopd and 808 mcfgpd**
- **Platform production from all three wells is 4,288 bopd and 2,132 mcfgpd as of 9 April 18 USCDT**

Otto Energy Limited (ASX: OEL) ("Otto" or the "Company") is pleased to provide the following update on the Company's flagship South Marsh Island Block 71 ("SM 71") oil project.

On 6 April 2018, at approximately 4 PM US Central Daylight Time ("USCDT"), production was initiated from the SM 71 F3 well. The F3 well was completed over a 184-foot interval of high quality oil bearing sand in the D5 Sand reservoir. After 48 hours of production, the F3 well is producing at a restricted rate of 1,559 bopd and 808 mcfgpd with 82 bbls of completion fluid per day at a FTP of 1,495 psi. Production of completion fluids from the F3 well was expected and the trend has reduced over the past 24 hours. Further increases in the F3 well oil production rate are expected to be made when the well is fully cleaned of completion fluids and as the newly commissioned production facilities are further optimised to allow maximum throughput from all wells. The operator has advised that initial performance of the F3 well suggests stabilised rates will be well within or exceed pre-completion expectations.

Production from SM 71 began on 23 March USCDT when the SM 71 F1 well was brought on line. The F1 well was also completed in the D5 Sand and production levels from the well have remained steady since it began producing. The SM 71 F2 well, completed in the B65 Sand, was opened to the system on 25 March USCDT. As announced last week, after initial high flow rates, the F2 well experienced a drop in flowing tubing pressure and the choke was reduced to assess the optimal rate at which to flow the well. The choke has now been increased and the F2 well is showing modest signs of pressure support along with increased oil and gas rates. Additional time and production data is needed before a complete assessment can be made.

Current production levels from all three wells are summarized below:

Well	Reservoir	BOPD	MCFGPD	BWPD	FTP (psi)	Choke
SM 71 F1	D5 Sand	2,067	976	0	1,465	22/64
SM 71 F3	D5 Sand	1,559	808	*82	1,495	20/64
SM 71 F2	B65 Sand	662	348	0	1,189	15/64
Well test data as of 3 pm 8 April 2018 USCDT						
*Bbls of completion fluid, not reservoir water						

All wells are being monitored and managed to ensure rates are appropriate and remain stable for the reservoir conditions in each sand. As production increases on the SM 71 F platform, each component of the production system continues to be optimised to allow oil and gas rates to be at levels that are optimum for each reservoir. There are several valves and other components that require upgrades. Currently, the platform is limited to about 4,300 barrels of oil per day. This process will take time as new system components are activated and each well will be managed appropriately during this process.

Operationally, the ENSCO 68 drilling rig has been released and will leave the location on Sunday 8 April 2018 (USCDT) when weather conditions allow transit.

The operator of SM 71, Byron Energy Limited (ASX: BYE) ("Byron") advised the market, on 3 April 2018, that Crimson Gulf, LLC, ("Crimson") the operator of the oil pipeline transporting the SM 71 oil to market planned to undertake maintenance on other sections of the oil pipeline commencing on 10 April 2018 and this would result in a shut in of SM 71. Crimson has now indicated that the pipeline work will not begin on 10 April 2018 due to expected adverse weather conditions in the Gulf of Mexico. As such, the Company expects to have continuous production until further notice from Crimson.

Otto holds a 50% working interest (40.625% net revenue interest) in SM 71 through a wholly owned subsidiary Otto Energy (Louisiana) LLC. The operator, Byron Energy Inc., a wholly owned subsidiary of Byron, holds the remaining 50% working interest.

Otto's Managing Director, Matthew Allen, commented: "Commencement of production from the F3 well completes the commissioning process for Otto's 50% owned SM 71 field. With the Ensco 68 rig moving off location, SM 71 will move into operational mode. Longer term field development planning will now be undertaken to schedule the introduction of the additional discovered, undeveloped sands at SM 71 once facility capacity is available in order to enhance ultimate project value."

"Otto congratulates Byron Energy and all its employees and contractors on the successful commissioning of the SM 71 project which is recognised as one of the best recent Gulf of Mexico oil discoveries. Otto is very proud to be a joint venture partner in this very important discovery which will form the platform for Otto's planned growth in the area over the coming years."

<p>Contact: Matthew Allen Managing Director & CEO +61 8 6467 8800 info@ottoenergy.com</p>	<p>Media: Yvonne Ball Citadel-MAGNUS +61 8 6160 4910</p>
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www.ottoenergy.com