

ASX ANNOUNCEMENT

18 May 2018

SM 71 PRODUCTION UPDATE

- **Otto's WI revenue for April 2018 is expected to be approximately USD\$2.9 million (US\$2.4 million NRI)**
- **April production from SM 71 was 92,700 bbls of oil and 67 million cubic feet of gas (100%)**
- **Production from the D5 sand (F1 & F3) wells is consistent, averaging 4,200 bopd for May (100%)**
- **The F2 well production from the B65 is currently fluctuating between 300 and 500 bopd which on top of the 4200 bopd from the D5 sand takes total production close to the facility limit**
- **The F2 well has experienced a pressure decline indicating the well may be accessing only a portion of the total mapped B65 reservoir**

Otto Energy Limited (ASX: OEL) ("Otto" or the "Company") provides the following update on well performance and production at its operated South Marsh Island 71 (SM 71) project in the Gulf of Mexico.

As noted in the Company's recent information releases, oil and gas production from the SM 71 F platform began in late March 2018 when the SM 71 F1 and F2 wells were opened to production. In early April, the SM 71 F3 well also began producing. The F1 and F3 wells are completed in the primary D5 Sand reservoir and the F2 well is completed in the B65 Sand which was a successful exploration discovery in the F2 well.

Total April gross oil and gas sales volumes for all three wells were approximately 92,700 barrels of oil and 67 million cubic feet of gas. Otto's 50% working interest production was 46,350 barrels of oil and 34 million cubic feet of gas. Net production after federal royalties was 37,650 barrels of oil and 27.1 million cubic feet of gas. The Company's approximate April WI revenue is US\$ 2.9 million which will be USD\$2.4 million after federal royalties (NRI). During the month of April, the F1 and F2 wells each produced for a total of 23 days and the F3 produced a total of 20 days. Downtime includes a scheduled 4-day pipeline shut in period.

Since production began in March through 16 May 2018 the SM 71 F platform sales have totaled over 170,000 barrels of oil and 135 million cubic feet of gas (100%).

Based on observations of pressure build-ups during the scheduled April pipeline shut in, flowing and bottom hole pressure data was collected in early May to further evaluate well performance and confirm optimal production rates. This analysis is expected to conclude in the coming weeks.

D5 Sand (F1 and F3 wells)

Acquired bottom hole pressure data indicates that the D5 Sand completions in the F1 and F3 wells exhibit very little pressure drawdown across the perforations. This data also shows that the D5 Sand is a high permeability reservoir, which is further evidenced by the high flow rates from each well.

The bottom hole pressure survey data indicates that the F1 and F3 well intersections of the D5 Sand are entirely consistent with the Company's pre-drill mapping and expectations. Both the F1 and F3



wells are performing as expected with daily production consistently averaging 4,200 bopd from the D5 Sand which are appropriate rates for these wells based on the bottom hole pressure data.

B65 Sand (F2 well)

Bottom hole pressure data from the F2 well indicates that there is no near wellbore damage and the B65 Sand reservoir also has high permeability. However, the F2 well is experiencing reservoir pressure depletion. The bottom hole pressure data indicates the B65 Sand has lost over 50% of its initial reservoir pressure and as the pressure has dropped, so have daily oil and gas rates. Currently, the F2 well is fluctuating between 300 and 500 bopd. The bottom hole pressure survey data indicates the B65 Sand intersection in the F2 well is in a limited trap area and may be disconnected from the larger prospect area observed on seismic data in some manner.

The F2 well has never produced any completion fluids and has produced at rates exceeding 1,500 bopd at times, but without stabilisation. Further analysis of the bottom hole pressure data is being undertaken and analysed to help determine if the B65 Sand completion has some communication to a larger area. The B65 Sand will be one of many focus areas of the recently announced seismic processing project the operator is undertaking with Schlumberger's subsidiary WesternGeco to help determine the placement of future wells.

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 Energy Limited (ASX:BYE), holds the remaining 50% working interest.

Otto's Managing Director, Matthew Allen, commented: *"The performance of the F1 and F3 wells is entirely in line with our expectations. Each well continues to perform at high levels and have been very consistent on a daily basis. While the data from the F2 well is unexpected, it is not yet clear what the result will be. Pure depletion drive oil reservoirs are very rare, and we hope that the well will find a stable level and behave more like other B65 Sand producers in the area."*

"Coupled with consistent production and strong oil prices, the F1 and F3 wells are providing strong cash flow for our company and will be managed properly to ensure steady income to fund our program of growth in the Gulf of Mexico."

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