

ASX ANNOUNCEMENT
8 October 2019

GREEN #2 DEVELOPMENT WELL DRILLING COMMENCED

- The Green #2 development well at Lightning has commenced drilling
- The well is expected to take 60 days
- It is expected that the Green #2 well will be completed for production in early 2020

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to announce that drilling has commenced at the Green #2 development well at the currently producing Lightning gas/condensate field, onshore Matagorda County, Texas. The well reached 2,800 feet as of 6:00 am 7 October 2019 (USCDT) and the next step will be to set surface casing at this depth before resuming drilling toward the next casing point at +/- 6,900 feet MD. The next casing point will be at +/- 11,500 ft MD prior to drilling the production hole to TD at 15,234 MD / 15,100 TVD. Logs will be run as necessary during the drilling of the well.

The well is expected to take 60 days and will further evaluate the Tex Miss 1 and Tex Miss 2/3 reservoir units that are currently producing from the Green #1 well at the Lightning field.

The Lightning Field was discovered in February 2019 and commenced production in May 2019. The Lightning field achieved steady state production in June 2019 and is currently producing 11.9 MMscf/d and 360 bbl/d condensate. Maiden 2P reserves of 2.2 MMboe Net to Otto for the Field as at 30 June 2019 were announced on 19 September 2019. Please refer to the full report for full details including notes and cautionary statements.

It is expected that the Green #2 well will be completed for production in early 2020. The well is estimated to cost US\$7.94 million gross (US\$2.98 million net to Otto) on a dry hole basis and will be fully funded through a new finance facility currently being finalized.

Subject to a successful outcome of the reservoir evaluation planned for the Green #2 well, the joint venture would consider the potential for additional wells in the field to further develop the extensive area of the Lightning discovery. There is the potential for up to five wells being required to ultimately develop the entire Lightning accumulation.

Otto's next announcement in relation to this well will be when a material event has occurred.

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About Otto Energy:

Otto is an ASX-listed oil and gas exploration and production company with a regional focus on North America, focused on the Gulf of Mexico region near-term. Otto currently has oil production from its SM 71 oil field in the Gulf of Mexico and gas/condensate production from its Lightning discovery onshore Matagorda County, Texas. Development is underway at the Green Canyon 21 oil discovery in the Gulf of Mexico and testing of the Mustang discovery is underway. Cashflow from its producing assets underpins its growth strategy including an active exploration and appraisal program underway in the Gulf of Mexico region.

Lightning Key Details		
JV Partners	Hilcorp (operator)	62.5%
	Otto Energy	37.5%
Lease terms	The well is located on private land in Matagorda County, Texas, USA. Royalty rate 24% Otto net revenue interest is 28.5%.	

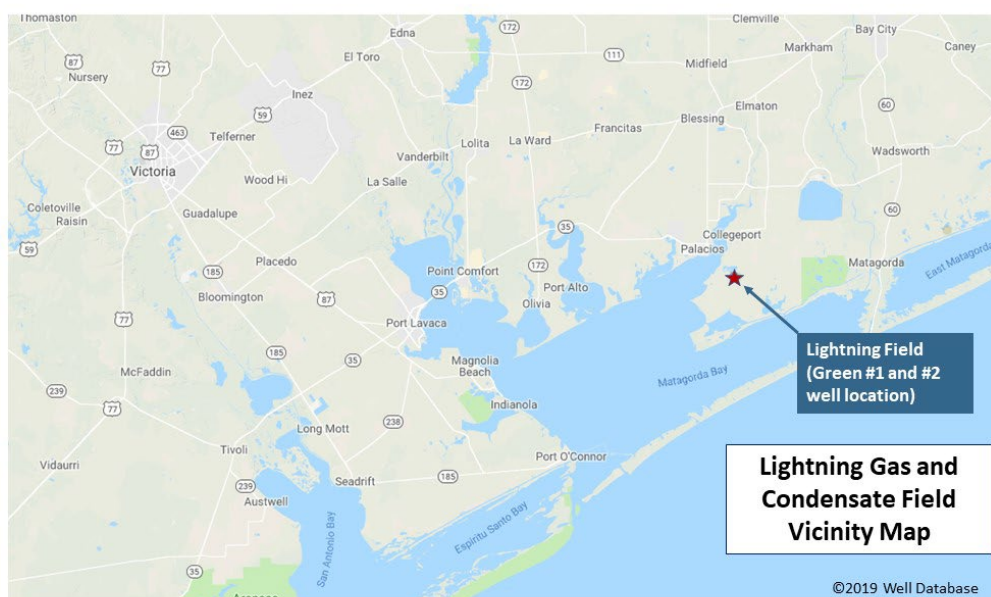


Figure 1: Lightning Vicinity Map