

ASX ANNOUNCEMENT
27 December 2017

SM71 F2 WELL SIGNIFICANTLY EXCEEDS PRE-DRILL EXPECTATIONS

- SM71 F2 well has been drilled and logged to 8,615 feet measured depth
- Four high quality oil bearing sands were intersected with estimated combined net oil pay of true vertical thickness of 190 feet (58 metres)
- The B65 and D5 sands were found to be thick, excellent quality sands that are expected to be capable of high rates of oil production
- The F2 well has seen a significantly better developed D5 sand interval than was seen in the F1 well and the B65 is a new discovery in this location

Otto Energy Limited (ASX:OEL) (“Otto” or the “Company”) is pleased to advise that the OCS G-34266 #F-2 well (‘SM 71 F2’), operated on behalf of the joint venture by Byron Energy Ltd (ASX: BYE, “Byron”) within the South Marsh Island 71 (‘SM 71’) lease in the Gulf Of Mexico shelf, has encountered four discrete hydrocarbon bearing sands.

On 25 December 2017 (11.00 PM USA Central Time) the F2 well had reached a depth of 8,615 feet measured depth (“MD”). A triple combo Log While Drilling (LWD) tool, which includes neutron/density porosity data, has been acquired over the prospective portions of the wellbore. Based on preliminary evaluation, the transmitted resistivity and porosity log data demonstrates the presence of oil across all four separate pay intervals, summarised as follows:

Zone	Top of Sand (feet) MD/TVD	Base of Sand (feet) MD/TVD	True Vertical Thickness Net Feet Oil Pay
J1 Sand	6,819/6,455	6,835/6,468	11
B 55 Sand	7,266/6,727	7,288/6,739	10
B 65 Sand	7,488/6,838	7,572/6,880	52
D5 Sand	8,205/7,200	8,405/7,300	117

All four sands exhibit excellent reservoir quality and are expected to be capable of high quality production based on analogous productive zones from the SM 71 and 73 Fields. Each of these four sands has been productive in other areas of the SM73 field.

Net oil pay counts are preliminary and based on the transmitted LWD data. Final pay counts will be calculated if, and when, logging while drilling (“LWD”) memory data becomes available and upon the completion of a petrophysical analysis.

While drilling the final section of the hole in the F2 well below the D5 interval, referred to as the “rathole” (extra hole drilled at the end of the well beyond the last zone of interest in order to facilitate completion), the drill pipe became stuck approximately 214 feet below the bottom of the D5 Sand. The current operation, at 2.00 pm USA Central Time, 26 December 2017 is working to free stuck drill pipe.

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) Inc. The operator, Byron, holds the remaining 50% working interest.

The results of the F2 well will result in a significant uplift in booked reserves volumes as a result of notable improvements in the D5 interval and the transfer of the B65 from Prospective Resources to Reserves ⁽¹⁾.

Otto’s Managing Director, Matthew Allen, commented: *“The SM71 F2 well has delivered a result that has significantly exceeded the joint ventures pre-drill expectations in both the B65 and D5 zones. This is an exciting and rewarding outcome for the joint venture and Otto’s shareholders. The incremental oil volumes that will be added to this development are very high value as the joint venture has already installed its own production platform facilities.*

Otto’s Chairman, John Jetter, commented: *“Otto looks forward to the completion of the drilling program and the commencement of production from the field in 2018. Otto congratulates Byron on its excellent technical work in developing and executing this well. Otto’s strategy of investing in high value, low risk exploration drilling opportunities has been further validated with these results.”*

Otto intends to report on well progress as material milestones are achieved. For further information on the well, please see the Company’s announcement on 4 December 2017.

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⁽¹⁾ The Company’s reserves and resources as at 30 June 2017 were reported on 28 September 2017 (refer to the Company’s ASX announcement dated 28 September 2017) and were prepared by Collarini and Associates, Houston, TX. The results of F2 well are expected to result in a material uplift in proved and probable reserves when Collarini updates the Company’s reserves, effective 30 June 2018, in the September 2018 quarter.