

ASX ANNOUNCEMENT

10 January 2018

SM 71 F3 DEVELOPMENT WELL SPUDS

- **Drilling operations on the F3 development well have begun at SM71**
- **SM 71 F3 development well will provide a second D5 Sand take point for production**
- **First Production from F1, F2 and F3 wells expected early March 2018**

Otto Energy Limited (ASX:OEL) (“Otto” or the “Company”) is pleased to advise that the OCS G-34266 #F-3 well (‘SM 71 F3’), 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, is currently, at 3pm Tuesday 9th January 2018 USA Central Standard time, drilling ahead at 668 feet Measured Depth (“MD”).

The SM 71 F3 development well will be drilled to planned total depth of 7,624 ft/2,324 metres MD, equivalent to 7,423 ft/2,263 metres true vertical depth (“TVD”). SM 71 F3 is expected to be drilled and evaluated by early February 2018. Operations on the F3 commenced over the weekend, after 7 5/8” casing was run on the SM 71 F2 appraisal well, which is now temporarily suspended prior to B65 perforation and completion procedures. Completion operations on all wells will commence sequentially once drilling of the F3 is finished. As previously reported, SM 71 F2 appraisal well encountered four discrete hydrocarbon bearing sands, including the B65 and D5 and has been completed across the B65 sand interval.

The SM 71 F3 well is designed to intersect the D5 Sand very near the point that the SM 71 F2 well intersected the D5 Sand which logged 117 feet of True Vertical Thickness (“TVT”) oil pay. The SM 71 F3 well will provide a second take point in the D5 Sand reservoir in addition to the SM 71 F1 well (91 feet TVT oil pay), which was drilled in 2016. The engineering design of the SM 71 F3 well has a borehole angle of 24 degrees resulting in shorter measured depth than the SM 71 F2 well which had an angle of 60 degrees. The design will also provide an optimal completion configuration in the reservoir.

The operator has also updated that final pipeline tie-ins from the SM 71 F Platform to oil and gas sales lines have now been fully completed in the field. Instrumentation and electrical crews are also working on the SM 71 F platform daily to complete facility work and ensure a timely transition from drilling to production when the EnSCO 68 rig leaves location after drilling and completion operations are finished.

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. 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.

<p>Contact: Matthew Allen Managing Director & CEO +61 8 6467 8800 info@ottoenergy.com</p>	<p>Media: John Gardner Citadel-MAGNUS +61 8 6160 4901 jgardner@citadelmagnus.com</p>
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