

ASX ANNOUNCEMENT

30 August 2018

BIG TEX EXPLORATION WELL COMMENCES DRILLING

- **Drilling has commenced on the first well in Otto’s Gulf Coast drilling program with Hilcorp**
- **The Big Tex exploration well is targeting a large, mainly oil, prospective resource**
- **Drilling is expected to take 55 days to reach total depth on a dry hole basis**

Otto Energy Limited (ASX:OEL) (“Otto” or the “Company”) is pleased to advise that the initial exploration well, SL 192 PP 031, on the Big Tex prospect has commenced drilling from a barge-mounted rig. As at 6am US Central Time on August 29, 2018 the well is drilling ahead at 1038 feet True Vertical Depth.

The well will be drilled to 13,175 ft MD/12,700 ft TVD and is expected to take 55 days to reach total depth. Otto will earn a 37.5% working interest by paying 50% of the costs of drilling and either setting casing or plugging and abandoning the well, after which point Otto will pay 37.5% of all future costs. The well is expected to cost the Company US\$4.23 million (50% paying interest).

The exploration well on the Big Tex prospect is targeting the Tex W 16 Sand and Tex W 18 Sand that are Middle Miocene in age. This is a prolific section, having produced from the east in Hilcorp’s East Bay Field, and from the west from the massive West Delta 30 Field, which has produced 562 MMBO and 934 BCF to date. The success case development concept will be a flowline tieback to an existing platform. The prospect has been assessed as having a probability of success of 54%.

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

BIG TEX PROSPECTIVE RESOURCES ¹

Prospect	GROSS			OTTO 37.5% WI			OTTO 28.125% NRI		
	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)
P90	0.3	0.9	0.5	0.1	0.3	0.2	0.1	0.2	0.1
P50	2.5	4.9	3.3	0.9	1.8	1.2	0.7	1.4	0.9
Mean	5.0	9.3	6.5	1.9	3.5	2.4	1.4	2.6	1.8
P10	13.0	23.5	16.9	4.9	8.8	6.3	3.7	6.6	4.8

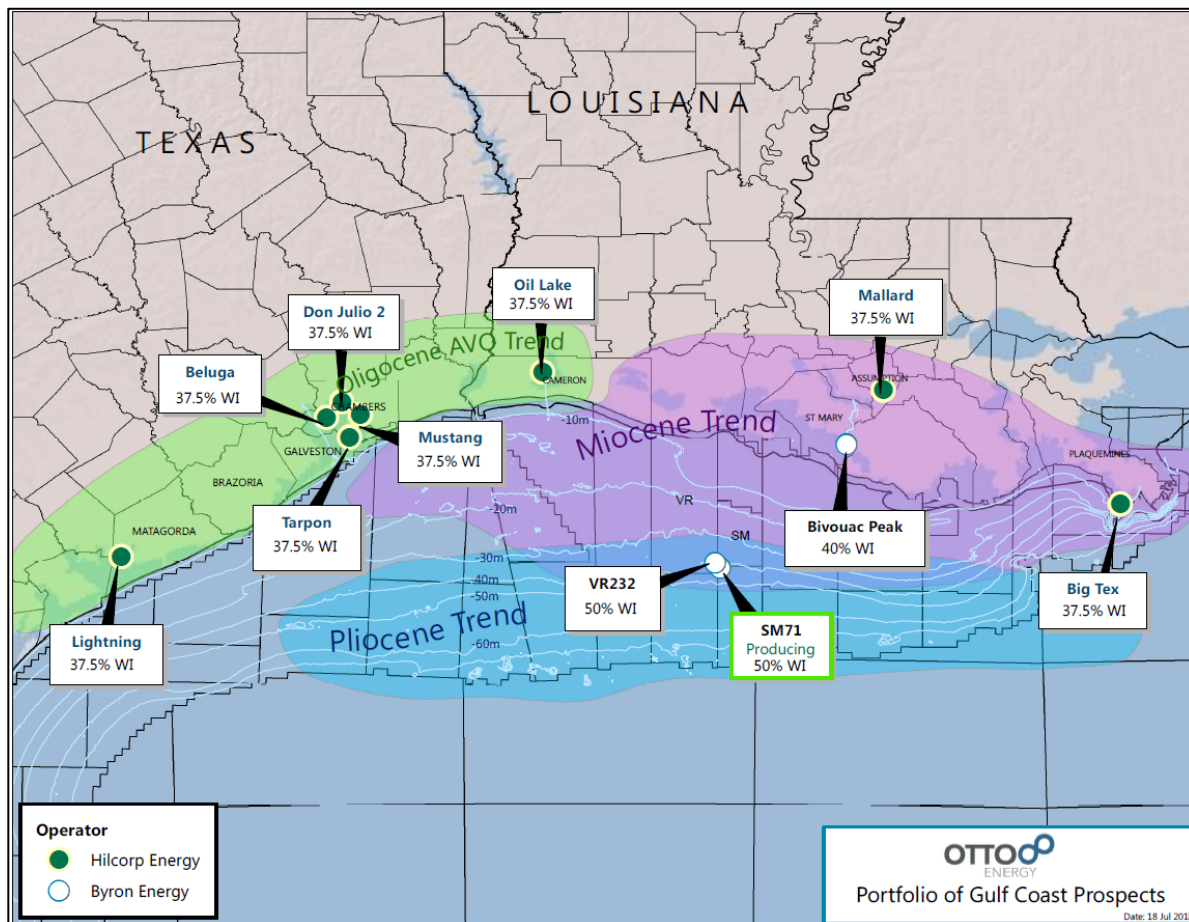
Otto’s Managing Director, Matthew Allen, commented: *“Otto is excited to be participating in the Gulf Coast drilling program with Hilcorp. Big Tex is the first of an eight well program that provides Otto with the opportunity to materially grow its position in the Gulf of Mexico area of focus and deliver upon our strategy of growing production to 5,000 boepd by 2020.*

“Otto is entering a period of very high activity and looks forward to sharing the results of the highly impactful drilling events with shareholders.”

1. Refer to the ASX release *“Otto Farms in to Eight Well Gulf Coast Package with Hilcorp”* dated 31 July 2018 for further details on the prospective resources.

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable

Big Tex Key Details		
JV Partners	Hilcorp (operator) 62.5%	Otto Energy 37.5%
Objective	13,175 ft MD/12,700 ft TVD targeting Middle Miocene Tex W 16 and Tex W 18 sands	
Prospective Resources	Gross (100%): Best Estimate 6.5 MMboe WI (37.5%): Best Estimate 2.4 MMboe NRI (28.125%): Best Estimate 1.8 MMboe	
Lease terms	Royalty rate 25%	
Development Plan	Completed well will be tied back to existing platform via flowline. Estimated completion and development costs US\$1.17 million (Otto share US\$0.44 Million)	



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Competent Persons Statement

The information in this report that relates to oil and gas resources in relation to the Gulf Coast Package in the Gulf of Mexico was compiled by technical employees of Hilcorp Energy Company, the Operator of the Gulf Coast Package, and subsequently reviewed by Mr Will Armstrong BS in Geology, MS in Geology (Applied Geophysics), who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Armstrong is an employee of the Company, with more than 30 years relevant experience in the petroleum industry and is a member of The Society of Petroleum Engineers (SPE). The resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/ American Association of Petroleum Geologists (AAPG)/ Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The resources information included in this report are based on, and fairly represents, information and supporting documentation reviewed by Mr Armstrong. Mr Armstrong is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

Prospective Resources Cautionary Statement

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Prospective Resources – Information in respect of LR 5.25

- The prospective resources information is effective as at 30 June 2018 (Listing Rule (LR) 5.25.1).
- The prospective resources information has been estimated and is classified in accordance with SPE PRMS (Society of Petroleum Engineers Petroleum Resources Management System) (LR 5.25.2).
- The prospective resources information is reported according to the Company's economic interest in the resources and net of royalties (LR 5.25.5).
- The prospective resources information in this document has been estimated and prepared using the probabalistic method (LR 5.25.6). The estimates are un-risked and have not been adjusted for both an associated chance of discovery and a chance of development. Otto is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates of reserves and contingent resources and the relevant market announcements referenced continue to apply and have not materially changed.
- The prospective resources information in this document has been estimated using a 6:1 BOE conversion ratio for gas to oil; 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency (LR 5.25.7).
- is reported on a best estimate basis (LR 5.28.1).

Definitions

“\$m” means USD millions of dollars

“bbl” means barrel

“bbls” means barrels

“bopd” means barrels of oil per day

“Mbbbl” means thousand barrels

“Mscf” means 1000 standard cubic feet

“MMscf” means million standard cubic feet

“boe” or “BOE” means barrels of oil equivalent determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency

“Mboe” means thousand barrels of oil equivalent (“BOE”)

“MMboe” means million barrels of oil equivalent (“BOE”)

“MMbtu” means million British thermal units

“NGLs” means natural gas liquids