



Sacgasco Limited

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Announcement to ASX

22nd February 2018

Sacgasco significantly increases Gas Production

- **Current production from 12 wells up ~70% to over 1,000 Mcf/day so far this quarter**
- **Production forecast to increase to 1,500 Mcf/day by end of March**
- **Active field wellwork program initiated to ramp up gas production and cash flows**
- **Multiple channels being pursued to deliver sustainable production growth**
- **Dempsey testing program progressing to add production**

Sacgasco Limited (ASX: SGC) is pleased to provide this update on production growth from its portfolio of 26 natural gas wells in the Northern Sacramento Basin.

The Company has working interests in seven gas fields in the Northern Sacramento Basin and is the operator of wells in six of these fields. The fields are **Rancho-Capay, Rice Creek East, Malton, Dutch Slough, Denverton Creek, Los Medanos and Willows** (See Figure 1 below). 12 wells are in production and 14 are currently idle (See Table 1 below).

In addition Sacgasco has identified numerous plugged wells on its leases (for example Alvares-1) that can be cost effectively re-entered, deepened or side-tracked to enhance production and / or evaluate appraisal and exploration targets.

70% production growth in current quarter

Sacgasco is pleased to report that gross production has increased materially in the current quarter to over 1,000 Mcf/day, which in dollar terms equates to gross revenue of ~US\$3,000 per day (production net to Sacgasco is ~570 Mcf/day). This is a ~70% increase to the average daily gross production of 584 Mcf/pd reported in the 2017 December quarter.

The increase is primarily due to the low cost re-activation of 2 previously idle wells which are now producing profitably without the need for more costly workovers.

Near-term production ramp-up

Sacgasco has commenced an active wellwork program that has delivered material and progressive production growth and will bring many of the 14 idle wells back on stream. Based on a combination of re-activations, well-work and workover appraisal activities now underway, daily production is expected to exceed 1,500 Mcf/day by the end of March. This is forecast to increase to over 2,000 Mcf/day by the end of June 2018. Further gains are anticipated in the second half of 2018 from the existing 26 well portfolio.

These production targets do not include gas flows from the Dempsey well, or production from projects such as Alvares. In addition, development drilling that Sacgasco may undertake across its extensive

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underexplored Northern Sacramento Basin acreage may increase production more rapidly. Further acquisitions in California that immediately add to gas production are also under active review.

Dempsey 1-15 update

The Dempsey 1-15 well continues to be produced on an extended production test, while the additional testing program at Dempsey is designed and permitted.

Sacgasco and its Joint Venture partners have been working diligently to assess the most economic way to monetise the Dempsey well and the JV expects to provide an update shortly. As previously advised, Dempsey 1-15 is a successful gas discovery with lots of optionality for future development and production.

Commentary

Sacgasco’s Managing Director Gary Jeffery said: “Alongside our strategy of exploring and testing the under-explored older gas-bearing zones in the Sacramento Basin through drilling wells such as Dempsey, we have commenced an active works program to ramp up production from our existing portfolio, the majority of which was acquired last year.

“There is lots of upside here, and the growing cash flows underpin a more aggressive well development program across the seven fields which will in turn grow production even more. Our acreage in the Northern Sacramento Basin still has extensive untapped potential, and we will systematically exploit these fields fully.

“We look forward to updating shareholders as and when we bring more wells on stream. Concurrently, we are actively pursuing multiple larger gas targets in older strata, with Dempsey and Alvares our first two priorities.”



Figure 1: Sacgasco Well Location Map

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Field and Well Name	Working Interest (WI) (Approx.)	Well Status
Rancho Capay Gas Field: (Operated)		
Rancho Unit 1	34%	Producing
Rancho Unit 2	47%	Producing
Rio Grande	50%	Producing
Big Jake	50%	Idle
Stoney Creek 3	50%	Producing
Stoney Creek 2	50%	Idle
Dempsey 1-15	50%	Producing
Rice Creek East Gas Field: (Operated)		
OPI Bettencourt Unit	50%	Idle
Bettencourt Unit B	50%	Idle
Nareco Slade #1B	50%	Idle
Malton Gas Field: (Operated)		
Canfield 2	61%	Idle
MU #1	44%	Producing
Santa Clara #1	41%	Idle
Unit #7	35%	Idle
VBC #1	47%	Producing
VBC #2	47%	Producing
VBC #3	47%	Producing
Dutch Slough Gas Field: (Operated)		
Scopesi #3	69%	Idle
Reedy #1	69%	Idle
Reedy #2	69%	Idle
Reedy #3	69%	Idle
Reedy #4	69%	Idle
Denverton Creek Gas Field: (Operated)		
Lambie 3-4	70%	Producing
Los Medanos Gas Field: (Operated)		
Neely 1	90%	Idle
Neely 2	90%	Producing
Willows Gas Field: (Operated by CRC)		
MJ Line	10%	Producing
Examples of Plugged Wells (Available for re-entry)		
Alvares	39%	Plugged
Reedy #5	69%	Plugged

Table 1: Sacgasco's current well portfolio in Northern Sacramento Basin

For and on behalf of the Board of Sacgasco Limited:

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About Sacgasco Limited (ASX: SGC)

Sacgasco Limited (ASX: SGC) is an Australian-based energy company focused on conventional gas exploration and production in the Sacramento Basin, onshore California. Sacgasco has an extensive portfolio of natural gas producing wells and prospects at both exploration and appraisal stages, including multi-Tcf opportunities. The Company is targeting gas supply to the local Californian gas market and burgeoning LNG market in North America. Sacgasco is of the view that the size of the prospects in California have the potential to supply both the domestic Californian gas market and export LNG markets.

www.sacgasco.com

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This document contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by many variables which could cause actual results or trends to differ materially. The technical information provided has been reviewed by Mr Gary Jeffery, Managing Director of Sacgasco Limited. He is a qualified geophysicist with over 45 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. Mr Jeffery consents to the inclusion of the information in the form and context in which it appears.

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