

## ASX ANNOUNCEMENT

28 March 2018

## SM 71 OPERATIONS UPDATE

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") would like to provide the following operations update on the Company's South Marsh Island Block 71 oil project ("SM 71").

### SM 71 Production Update

On 26 March 2018, Otto announced that oil production had commenced from the SM 71 F1 and F2 wells had commenced. Currently the F1 well is producing from the D5 Sand and is flowing oil at a stable rate of 2,055 bopd, 937 mcfpd, and 0 bwpd on a 22/64" choke at 1,500 psi of flowing tubing pressure. The rate and pressure have been consistent over the past 48 hours. The D5 Sand completion is a very good completion and the reservoir appears to be high quality.

The Operator has advised that shortly after the Company made the 26 March 2018 release, pressure fluctuations in the SM 71 F2 well B65 Sand completion were observed. The production choke was then reduced on 25 March 2018, US Central Daylight Time ("USCDT"), to 14/64" which has resulted in a rate of 468 bopd, 410 mcfpd and 0 bwpd on a 14/64" choke at 1,380 psi flowing tubing pressure. Since that time, oil rates have remained relatively stable and the flowing tubing pressure has continued to decline.

The observed pressure decline in the F2 is thought to be due to the proximity of the F2 wellbore to the updip depositional margin of the B65 Sand and variability within the B65 Sand reservoir itself. The SM 71 F2 and F3 wells demonstrate that the F2 well is very close to the updip depositional boundary of the B65 Sand which may affect the production profile. As evidenced by downdip well control, the B65 Sand may become finer grained away from the wellbore which may affect oil as it migrates to wellbore. Either of these factors could contribute to the observed pressure drop and although the well is capable of higher rates it is being managed to produce at a rate appropriate for the reservoir conditions. More data will become available over the next few weeks.

Despite the reduced rate in the SM 71 F2 well, oil and gas sales have averaged 2,517 bopd of oil and 1,363 mcfpd of gas (after platform usage) over the first two full days of production for both wells. Overall, there has been very little production downtime during the start-up phase of the SM 71 F Platform and all production systems are functioning to designed specifications.

### SM 71 F3 Well Update

Fishing operations to remove stuck completion tools and assemblies in the SM 71 F3 well are progressing. Two of the three stuck components have now been removed from the wellbore and work to remove the last portion has started. The SM 71 F3 well intercepted 211 feet of measured depth oil pay (174 feet true vertical thickness) in the D5 Sand. A 184-foot measured depth interval of D5 Sand was perforated and sand control measures completed, before the tools became stuck. The SM 71 F3 well had the thickest D5 Sand development of any well drilled in the SM 71 reservoir.

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) LLC. The operator, Byron Energy Inc., a wholly owned subsidiary of Byron Energy Limited (ASX: BYE) holds the remaining 50% working interest.

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