

**ASX ANNOUNCEMENT**

4 February 2019

**LIGHTNING WELL DELIVERS SIGNIFICANT GULF COAST DISCOVERY**

- **Lightning exploration well, Green#1, has reached final total depth of 15,216 feet**
- **Petrophysical evaluation has confirmed the well to be a commercial discovery with a minimum 180 feet of net pay**
- **Well result has significantly exceeded pre-drill expectations**
- **Production liner has been run and set for completion with production expected to commence before the end of March 2019**
- **Drilling rig to move to the next well location, Don Julio 2, in Chambers County, Texas**

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to advise that the initial exploration well, Green #1, testing the Lightning prospect in Matagorda County Texas, has reached final total depth of 15,218ft MD (15,216ft TVD). A quad combo wireline logging suite, including dipole sonic, has subsequently been acquired over the target Frio-Tex Miss sand intervals which are Oligocene in age.

Through participation in the drilling of the Lightning exploration well, Otto has earned a 37.5% working interest in the leases covering this prospect.

Petrophysical evaluation of the logging data indicates the presence of a total net hydrocarbon filled sand interval of 180 feet. This petrophysical evaluation has been undertaken using historical parameters for production performance in the play trend. Dependent upon porosity and water saturation cutoffs applied, there is potential for an additional 150 feet of net pay in the well.

Pre-drill prospective resource estimates for the Lightning prospect, as first announced on 4 December 2018, assumed a P50 net hydrocarbon bearing reservoir thickness of 31 feet with a P10 net hydrocarbon bearing reservoir thickness of 75 feet. Estimates of reserves will take some months to calculate and will be further refined with production data. Otto will update the market as soon as these numbers are available.

Further evidence supporting the presence of movable hydrocarbons occurred during drilling where strong gas shows, including C5+, were recovered at surface. Indications during drilling showed several sand intervals have the potential for liquids yields significantly higher than the pre-drill estimates. Fluid composition and liquids yield will be determined during well clean-up operations and ultimately production.

The Operator has run a 5½" production liner in the well and is commencing preparations for completion and subsequent tie back to a nearby sales pipeline. The drilling rig will be released and mobilized to the drilling location for the next prospect in the Gulf Coast program with Hilcorp, Don Julio 2, in the coming week. A completion rig will be used to install production equipment and bring the well into operation.

The development plan is to deliver production into one of two nearby multi-phase sales pipelines via a 4" export line to be laid from the well. Otto expects these operations to take approximately 45 days with first production from the well by the end of March 2019.

Otto's Managing Director, Matthew Allen, commented: *"The result of the Lightning well is an outstanding outcome for Otto shareholders. The well has delivered significantly in excess of our pre-drill estimates which will materially increase Otto's reserves base and rapidly diversify our revenue base.*

*It is expected that production from the Lightning field will deliver steady cashflow for Otto for a significant period of time.*

*With the ability to tie the well in and commence production in a very short time frame, this discovery will be a major step in our plans to expand Otto's production base and deliver on our objective of 5,000 boepd production.*

*This initial exploration well has de-risked a large amplitude supported structure and plans for the further development of the field will commence once production from the first well has stabilised. This will include the potential for future additional wells to deliver the full field potential of this significant new discovery.*

*Otto congratulates Hilcorp, the operator of the Lightning well, for the safe and efficient performance by their drilling team and the quality of the geoscience work that has led to this discovery. Otto is proud to be partnering with a successful operator of Hilcorp's calibre.*

*This discovery is testament to the application of new seismic technologies and evaluations, and bodes well for the remainder of the Gulf Coast drilling program with Hilcorp.*

*Otto has a highly active drilling program during 2019 and this result kicks off that program with a material new discovery. The drilling rig will now move to the Don Julio 2 well location and commence drilling operations in the coming weeks.*

*Otto's Winx-1 well in Alaska is also scheduled to commence drilling during mid-February. This is a very exciting time for Otto's shareholders."*

Refer to Appendix 1 and Otto's ASX release of 4 December 2018 for further details on the Lightning prospect. 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 overall Hilcorp Gulf Coast eight well program.

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## **Video Conference and Call**

Otto will hold a video conference and call at 11am (AEDT)/8am (AWST) on Monday 4 February 2019 [6pm US CST, Sunday 3 February 2019] to discuss this announcement. Please refer below for the dial-in details. Please use the computer login if you wish to submit typed questions during the call via the “chat” functionality.

### **Details**

**Time:** 11am AEDT/8am AWST  
**Date:** Monday 4 February 2019

**Computer login for video:** <https://global.gotomeeting.com/join/658721837>

If dialing in by phone:

United States: +1 (646) 749-3117  
Australia: +61 2 8355 1038  
New Zealand: +64 9 913 2226  
Switzerland: +41 315 2081 00  
United Kingdom: +44 808 178 0872

**Access Code:** 658-721-837

**Appendix 1 – Lightning Information**

Lightning Key Details					
<b>JV Partners</b>	<table border="0"> <tr> <td>Hilcorp (operator)</td> <td>62.5%</td> </tr> <tr> <td>Otto Energy</td> <td>37.5%</td> </tr> </table>	Hilcorp (operator)	62.5%	Otto Energy	37.5%
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Otto Energy	37.5%				
<b>Well Depth</b>	15,218 ft MD/15,216 ft TVD				
<b>Geological Setting</b>	<p>Significant historical production exists from the Frio/Tex Miss shelf edge, however the slope channel/fan setting has only been lightly explored. Overlaying production from the shallower Miocene levels dates back to the early 1930’s. Recent modern 3D seismic has yielded discoveries that prove working analogues in the slope channel/fan setting at Baer Franklin in the deeper Oligocene setting.</p> <p>The Lightning prospect demonstrates strong AVO (amplitude versus offset) on 3D seismic with good conformance of the amplitude response to structure.</p> <p>Well has logged 180 ft of net pay in the Lower Oligocene Frio/Tex Miss sands.</p>				
<b>Lease terms</b>	Royalty rate 24%				
<b>Development Plan</b>	Completed well will be tied back to an existing gas export line near the well via a 4” pipeline with first sales expected to be delivered by the end of March 2019. Estimated completion and development costs US\$3.0 million (Otto share US\$1.50 Million)				

Otto has earned a 37.5% working interest by paying 50% of the costs of drilling and setting casing, after which point Otto will pay 37.5% of all future costs.

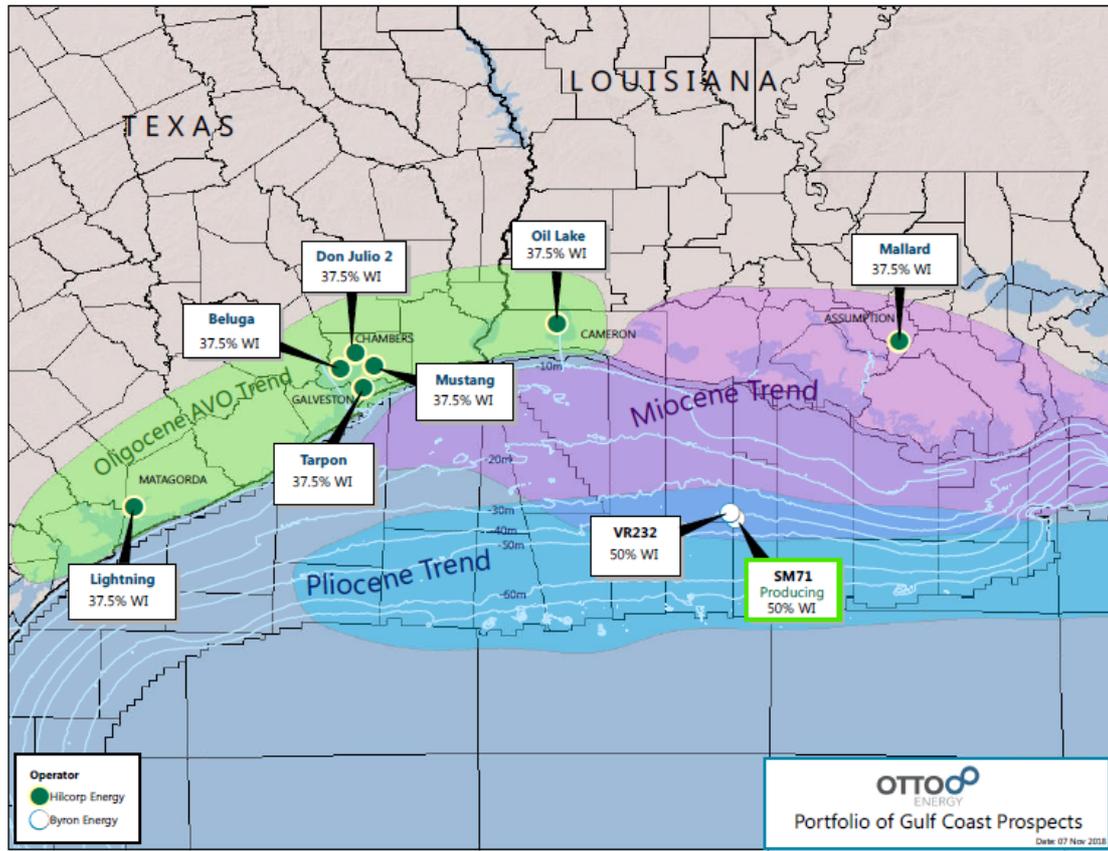


Figure 1: Otto Gulf Coast and Shelf interests

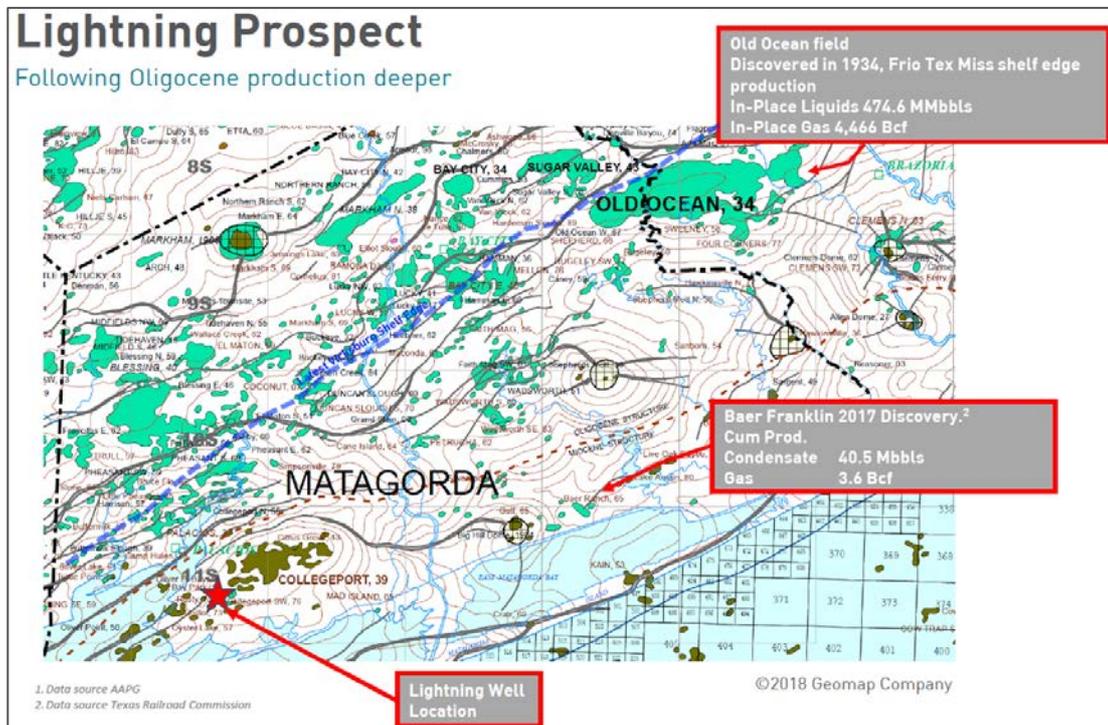


Figure 2: Oligocene production in Matagorda County, Texas

# Matagorda County – Lightning Prospect

Discovery well to be tied into nearby sales pipelines within 45 days of drilling the well



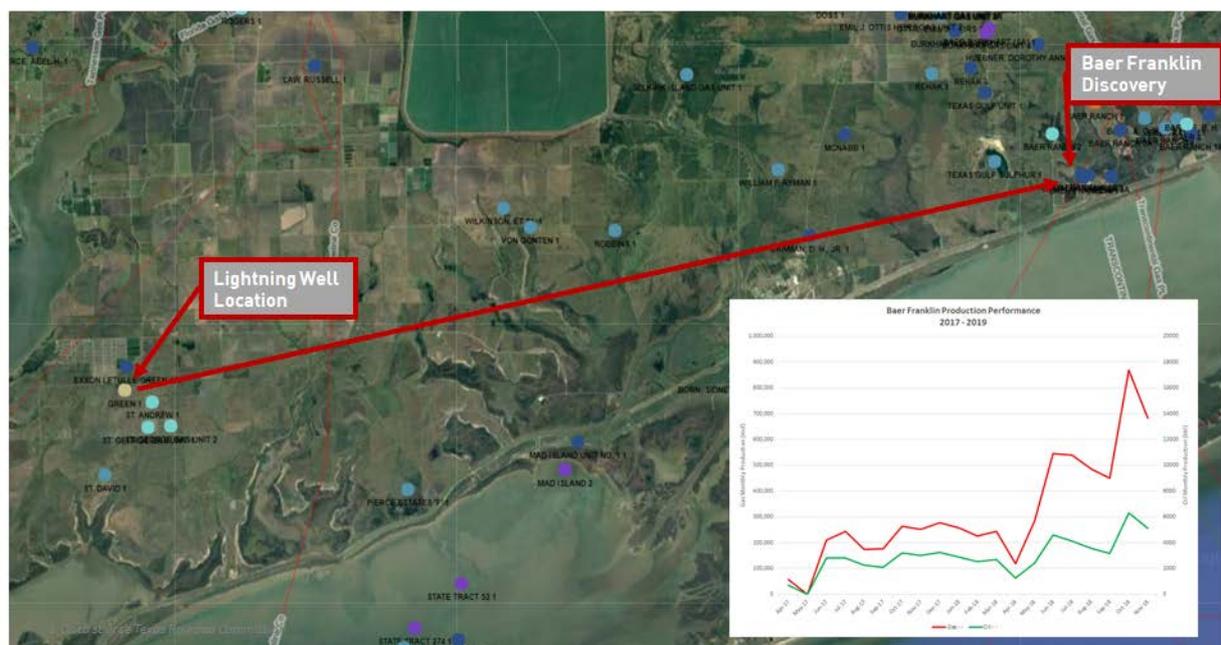
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1. Data source Texas Railroad Commission

Figure 3: Sales export routes for Lightning well

# Baer Franklin Frio-Tex Miss Production

Over 13 Bcf of gas and 109 Mbbbls of condensate recovered from the same stratigraphic interval since 2014



1. Data source Texas Railroad Commission

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Figure 4: Offset production at Baer Franklin field

## Appendix 2 – ASX Listing Rule 5.30 Information

- (a) The Green #1 well is a conventional oil and gas well.
- (b) The well is located on private land in Matagorda County, Texas, USA. Refer to the map in Appendix 1.
- (c) Otto's working interest is 37.5%. The royalty rate is 24% yielding a 28.5% net revenue interest.
- (d) Gross pay thickness is not reported. Net pay of 180 feet.
- (e) The well tested the lower Oligocene Frio/Tex Miss sands.
- (f) There was no testing undertaken as is customary for this type of well in this area.
- (g) There was no testing undertaken as is customary for this type of well in this area.
- (h) There was no testing undertaken as is customary for this type of well in this area.
- (i) There was no testing undertaken as is customary for this type of well in this area.
- (j) There was no testing undertaken as is customary for this type of well in this area. The well has not been flowed.
- (k) Not applicable as no fracture stimulation.
- (l) There were no material volumes of non-hydrocarbon gases, such as, carbon dioxide, nitrogen, hydrogen sulphide and sulphur.
- (m) There is no other information that is material to understanding the reported results.