

ASX ANNOUNCEMENT

21 June 2019

LIGHTNING FIELD COMMISSIONING COMPLETED

- **Production from the Lightning field reaches steady state delivering approximately 10 MMscf/day in gas and more than 280 bbl/day in condensate**
- **Field development planning underway preparing for a second development well in January 2020 or earlier**
- **Maiden reserves report to be released in July 2019**

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to advise that production from the Green #1 well on the Lightning field in Matagorda County Texas has now reached a steady production state as final facilities commissioning has been completed. Otto has a 37.5% working interest (28.5% Net Revenue Interest) in the leases covering this field.

Field Commissioning

The Green #1 well has undergone a series of tests to determine deliverability and is currently being operated on a 13/64th of an inch choke setting. The well is delivering approximately 10 MMscf/day with more than 280 bbls/day of associated condensate. The well has a tubing pressure of approximately 9,750 psi. Otto's 37.5% working interest share is 3.7 MMscf/day and 105 bbls/day and 28.5% net revenue interest share is 2.9 MMscf/day and 80 bbls/day. Condensate yield from initial production continues to be strong and will contribute significant additional value to the project.

Final commissioning of the gas plant and associated facilities at the Lightning development have now been completed and production has reached a steady state. The hot tap into the sales pipeline was completed in May and the well was opened to the sales line. During the commissioning of the Green #1 well, additional perforations have been added to the well taking the total perforations across the Tex Miss 1 and Tex Miss 2&3 zones to 189 feet.

Petrophysical evaluation indicated between 180 and 330 feet of net hydrocarbon filled sand had been intersected in the Lightning discovery well. The perforations made so far indicate deliverability from the lower porosity and higher water saturation zones is occurring and will contribute to overall recoverability during production. There are additional hydrocarbon bearing sands yet to be brought on production and those may be produced from the first development well to be drilled in January 2020 or earlier.

It is expected that the Lightning well will contribute towards revenue through the commissioning months in May and June 2019 with the first full month of contribution to occur in July 2019.

Further Field Development

Field evaluation will be ongoing with flowing material balance being used over the coming months to determine well deliverability and the overall reservoir size to optimize future development wells. At this stage, the joint venture is planning for a second well to be drilled in January 2020 or earlier dependent upon the results of this analysis. Further wells will likely be required to fully develop the very large size of the Lightning field.

Otto is working with Ryder Scott to finalize the maiden reserve volumes on the Lightning discovery and it is expected that these maiden reserves will be reported in July.

Otto’s Managing Director, Matthew Allen, commented: *“The Lightning field development represents the first in what Otto anticipates will be a strong pipeline of new development opportunities to come out of the current busy exploration drilling campaign that has been underway since mid-2018.*

Diversifying Otto’s production base and delivering upon our strategic goal of 5,000 boepd by the end of 2020 has been a key focus for Otto over the past three years since entering the USA and making our first discovery at South Marsh Island 71. Otto is very pleased to be making significant progress towards the achievement of this goal.

Otto would like to congratulate the field operator and all the team involved at Hilcorp Energy on the successful commissioning of the Lightning facilities and achieving a steady production state. The development of deep, geo-pressured gas/condensate fields requires the skills and experience of an operator of Hilcorp’s calibre.

Otto looks forward to working with Hilcorp to further the Lightning development in coming months with the drilling of additional wells being planned in the early stages of the field life to optimise ultimate recoveries.”

The Chairman of Otto Energy, John Jetter, commented: *“Bringing the Lightning project into production is yet another major milestone in fulfilling the company’s stated goals of becoming a successful independent oil and gas producer in the Gulf of Mexico.*

By working with some of the best operators in the Gulf, Otto has proven the correctness of its strategy of developing a portfolio of production assets as a non-operator. The combination of SM 71, Lightning and Green Canyon 21 (which is expected to come into production in 2020) means that Otto is on track to fulfil its goal of 5000 boe/day production and means that Otto has grown beyond being an exploration company.

This is the beginning of an exciting growth phase for the shareholders of Otto Energy.”

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