



Sacgasco Limited

ABN 83 114 061 433

Unit 14, 210 Bagot Road, Subiaco, WA, 6008.

T +61 8 9388 2654 E info@sacgasco.com

ASX Announcement

23 May 2018

Dempsey to produce commercial gas flows at ~1,200 mcf per day

- Represents combined gas flow rate from Field Level Intervals and from Zones 2, 3 and 4
- Dempsey will generate cash flow from this production very shortly - more than doubles existing production from Sacramento Basin gas fields
- Multiple options being pursued to further develop Dempsey well and field reservoirs now commercial production has been established
- Sacgasco moving to 2 other gas fields to connect production from 7 currently idle wells
- Alvares works being scheduled for next quarter

Sacgasco Limited (ASX: SGC) is pleased to advise that the Dempsey 1-15 will very shortly produce into the sales gas pipeline at an anticipated rate of 1,200 mcf per day from Field Level Kione Sandstone and the combined Zones 2, 3 and 4. Consequently Dempsey will very shortly be generating cash flow for SGC and its projects partners.

Zone 4 was perforated and tested with gas flow comingled with production from Zones 2 and 3 at a combined rate of 175 mcf / day on a 12/64" choke with associated minor water. The gas contribution from Zone 4 is interpreted to be minimal. The field and older zones in the well will now be produced and monitored in separate streams (via a dual completion) at the surface to enable reservoir assessment as the basis for further development activities in these levels.

Based on test data the Dempsey well has produced clean dry natural gas from a vertical interval of over 2000 feet, and this information will be integrated with geology and seismic to evaluate production options, including reservoir production enhancement through fracture stimulation, and alternative deviated well configurations.

Production data and economic assessments will determine the development plans for Dempsey reservoirs and associated Sacgasco drilling activities in the Sacramento Basin.

Sacgasco is advancing with the connection of 7 idle wells into the sales gas system. Once connected, these wells are projected to add very material natural gas production and revenues. Four of these wells are in the Dempsey area.

Applications have been submitted to the regulator to permit re-entry of the Alvares 1 wellbore.

The plan is to assess the integrity of the well bore as the basis for a decision to either log through casing and perforate zones of interest for natural gas production or alternatively drill a sidetrack to enable gas-filled reservoir assessment in a newly drilled interval of reservoirs. Commencement of these activities are planned for next quarter.

Sacgasco's Managing Director Gary Jeffery commented: "This is a pleasing outcome for Sacgasco as the drilling and testing of Dempsey has proved up a number of gas saturated zones below field production levels. The Dempsey well will very shortly be generating cash flow when it is flowing into the natural gas sales pipeline using the adjacent metering station.

"Now that production has been established at Dempsey, it is anticipated that other intervals will be perforated at a future time. Multiple options for further testing and evaluation of other intervals in the Dempsey well bore are being reviewed and this could include fracture stimulation of the older zones, parts of which were tested.

"The commercial flow rate from the Dempsey well is very rewarding. The Dempsey 1-15 well has a large column of gas saturated rocks and we aim to further develop the well and the surrounding gas reservoirs which will be assessed while Dempsey delivers valuable cash flow.

"Dempsey has taught us a great deal about the potential of our gas fields in the Northern Sacramento Basin and we are now armed with some very encouraging geology and data from the well.

"Our growing cash flow from our 28-well portfolio underpins a more active work-over program, and we also expect to generate additional financial flexibility from increased production to pursue interesting new natural gas targets at multiple levels in the Sacramento Basin. Enhancing production from our existing portfolio and our flexible gas production infrastructure is a priority."

Immediate works program

Ongoing: Production optimisation, and production renewal through workovers of Sacgasco operated wellbores in six gas fields.

Next 4 to 6 weeks: Connection and return to production of currently idle, but available, well bores in the Dempsey area and further south.

Next Quarter: Alvares re-entry and assessment.

Next Half: Infill appraisal and development drilling opportunity(ies) to increase gas production.

Working Interests (WI) in the Dempsey Gas Project:

Sacgasco Limited (ASX: SGC) (Operator)	50%
Empyrean Energy PLC (LON: EME)	30%
Pancontinental Oil and Gas NL (ASX: PCL)	10%
Xstate Resources Limited (ASX: XST)	10%

For and on behalf of the Board of Sacgasco Limited

Gary Jeffery
Managing Director
+61 8 9388 2654

Ben Jarvis
Six Degrees Investor Relations
+61 (0) 413 150 448

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 gas prospects in California have the potential to supply both the domestic Californian gas market and export LNG markets.

www.sacgasco.com

Twitter: @SacGasCo

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.