



# Sacgasco Limited

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Announcement to ASX

29<sup>th</sup> August 2018

## Alvares 1 Testing and Operations Update

- Alvares Re-entry planned for early next quarter
- Dempsey Production Testing
- Pending Workovers
- Opportunities for additional Oil and Gas Operations
- Natural Gas Prices Rising

Sacramento Basin-focused natural gas developer and producer, Sacgasco Limited (ASX:SGC) (“Sacgasco” or “the Company”) provides this operations update on its activities in the Sacramento Basin, onshore California.

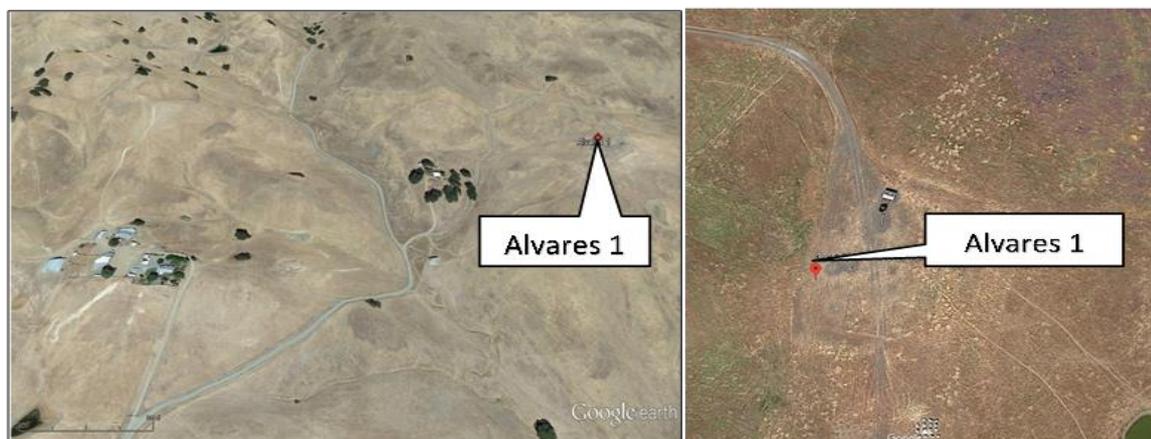
### Alvares Appraisal Project:

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**Prove up large gas resources by appraising extensive natural gas shows in a 1982 well (that was focused on oil targets), by re-entering and testing the integrity of the existing wellbore, before testing a conventional reservoir zone, as well as a new fractured reservoir play concept.**

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Following the successful transfer of responsibility for the Alvares wellbore to Sacgasco, regulatory approval to test the interpreted over-looked natural gas in the Alvares 1 well has been obtained.



**Fig. 1: Alvares location in open ranchlands; more detailed image on the right shows that the original 1982 drilling pad is still evident, and can be restored for planned re-entry**

The initial task is to test the integrity of the existing casing, then log through the casing to select perforation zones; and then test various zones of gas saturated reservoirs in the well. Consistent with good oilfield practise and for evaluation efficiency, we have designed the program with flexibility to respond to the results of testing.

## Appraisal: Alvares Gas Project – Alvares #1



Fig. 2: Alvares 1 well result summary

The Alvares well had a drilled section of over 5,000 feet of high pressure gas shows which were not fully evaluated at the time of drilling due to the oil focus of the operators. The Alvares 1 well is one of only three on-structure wells in the under-explored part of the Northern Sacramento Basin that flowed pipeline quality natural gas to the surface on test. At Alvares the flow stage of the open hole test in the Stoney Creek Formation failed almost immediately as the test equipment in the well bore was dislodged by high pressures.

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**The target Stoney Creek Formation at Alvares is separate from, and older than any of the formations tested at Dempsey or Tulainyo. Stoney Creek rocks have only rarely been drilled in the 100 years of exploration in the Sacramento Basin.**

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The two wells that drilled significant portions of the Stoney Creek Formation – James 1 (1947) and Alvares 1 (1982) flowed natural gas to surface from Stoney Creek reservoirs when oil was the commercial focus.

Under the revised program, the well bore will be assessed for its suitability for directly flow testing various gas saturated reservoirs interpreted from petrophysical and mud logs, and seismic in the Alvares well.

As previously announced Pancontinental Oil & Gas NL subsidiary, Bombora Natural Energy Pty Ltd has executed an agreement to fund 50% (up to US\$200,000) of drilling and pressure testing costs to assess the previously plugged Alvares 1 well bore integrity prior to planned flow testing.

**State-of-the-art through-casing gas detection logs, and high penetration perforating tools are planned to be utilised for the testing.**

### **Working Interests in the Alvares Project**

Subject to satisfaction of various previously announced Farm-in earning terms the Working Interests in the Alvares Gas Project are:

Sagasco Limited (ASX: SGC) (Operator)	39%
Empyrean Energy PLC (LON: EME)	25%
Xstate Resources Limited (ASX: XST)	21%
Pancontinental Oil & Gas NL (ASX: PCL)	15%

### **Dempsey Project:**

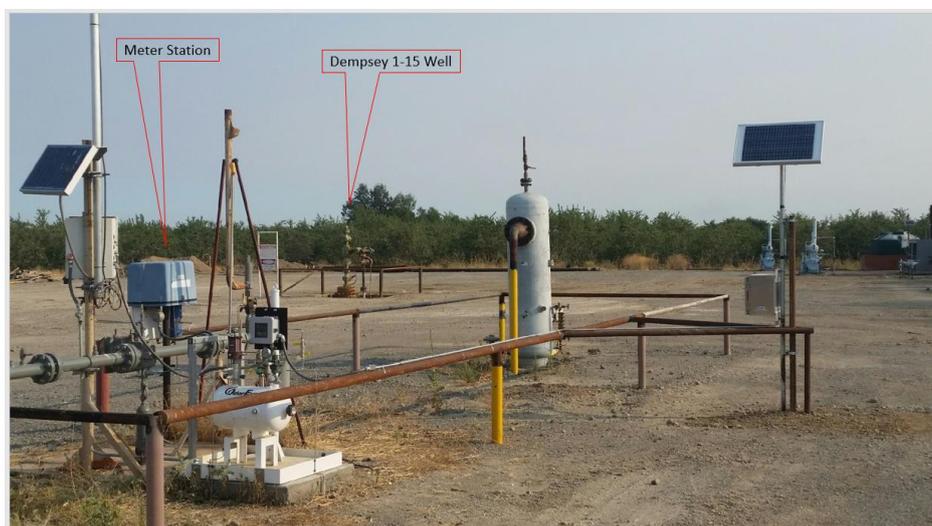
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**Produce gas at Dempsey to evaluate the most efficient way to evaluate and produce the natural gas resources discovered and calibrated by Dempsey 1-15 well results.**

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The Dempsey 1-15 well is the first deeper well in the eastern area of the Northern Sacramento Basin to be based on 3D seismic. For the first time in 100 years of exploration in the Sacramento Basin, natural gas has flowed to sales from older under-explored sediments. Extensive gas shows over 5,000 feet of sediments demonstrate gas charged systems with characteristics similar to productive Basin Centred Gas Systems in other basins.

Moreover, the seismic data demonstrates multiple opportunities for improved reservoir development away from the Dempsey well bore.



**Fig 3: Dempsey Wellhead and Associated Sales Facilities**

Following the previously announced recommencement of gas production from the Dempsey 1-15 well, some water accumulated in the well bore and reduced gas production. Production of gas from the Dempsey well has been shut-in temporarily for pressure build-up as a means to clear water from the well bore before recommencing gas production.

**Working Interests in the Dempsey Project:**

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

**Workovers: (Sagasco Working Interest from 33% to 90%)**

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**Access and produce remaining natural gas resources from existing Sagasco Operated currently producing and / or idle well bores, through well workovers, recompletion or new zone completions, and pipeline connections.**

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Sagasco has obtained regulatory approvals for various workovers with the aim of increasing production. These workovers are low cost and will be scheduled as soon as production operations allow.



**Fig. 4: Workover Candidate- Sagasco Operated Producing Well**

Gas Field	SGC Working Interest (WI)	Total Operated Wells	Gas Producing Well
Rancho-Capay/ Rice Creek East	33-50%	10	6
Los Medanos	90%	3	1
Malton	35-69%	8	5
Dutch Slough	69%	4	0
Denverton Creek	70%	1	1
Willows	10%	1 (Non-operated)	1

**Table 1: Sargasco Operated Wells in Sacramento Basin**

All of Sargasco’s operated wells are regularly evaluated for workover opportunities and the Company is doing this now with specific targets identified. At the same time, interpretation of 3D seismic data is being integrated with well bore geology and gas shows to determine locations for future infill production and appraisal wells to increase production. Multiple locations have been identified.



**Fig. 5: Sargasco Operated gas producing well**

### **New Production Opportunities**

Sargasco is evaluating and negotiating for additional oil and gas producing wells that are complementary to its operations in the Sacramento region.

### **Upward Trend for Natural Gas Prices**

Prices received for Natural Gas sales in the Sacramento Basin (currently around US\$3.25 / mcf) have been on an upward trend since the beginning of the 2018, and continue to be around 10 % above Henry Hub Benchmark prices.

### **Sargasco’s Managing Director Gary Jeffery commented:**

“We are pleased to be moving ahead on several fronts in the Sacramento Basin as we have multiple opportunities to add value. This includes testing Alvares, working over existing wells in our 27-well portfolio to increase production, acquiring new assets that are under consideration, and drilling new wells.

Alvares is a great opportunity that we have been working on for a long time and we are looking forward to commencing the testing program early in the October-December Quarter.

Sacgasco has only scratched the surface of the Sacramento Basin. We are proving up the components of a vertically and horizontally extensive set of gas saturated rocks that have attributes pointing us to conventional reservoirs in under-explored Basin Centred Gas accumulations.

In the next few weeks we expect to publish more details on the Alvares Project and further explain why it is different from, but complementary to recent exploration and appraisal activities.

The Alvares 1 well has previously flowed pipeline quality gas to the surface from the targeted reservoir formation, and the Alvares Project is part of a potentially huge natural gas resource.

Sacgasco is relentlessly pursuing multiple pathways to expand natural gas production with a number of initiatives now underway.

We look forward to providing our shareholders with further and regular news on the multi-dimensional natural gas production growth initiatives in the 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 domestic Californian natural gas and export LNG markets.*

**[www.sacgasco.com](http://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 and or their timing 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.***