



Sacgasco Limited

ABN 83 114 061 433

OCTO Building, Level 2, Unit 14, 210 Bagot Road, Subiaco, WA, 6008.

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

Announcement to ASX

20 March 2017

SACGASCO ACQUIRES 5 MORE GAS WELLS, FACILITIES AND STRATEGIC LEASES OVER DEMPSEY PROSPECT

- Sacgasco now a Top-5 natural gas producer in the Sacramento Basin
- Adds more wells to Sacgasco's growing portfolio – five wells secured with two in production and opportunity to bring a further three back into production
- Acquisition includes associated infrastructure - gas processing plants, meter stations and pipelines in two fields adjacent to existing SGC producing assets
- Previously announced acquisition of 13 wells across 3 fields completed – takes Sacgasco's total well portfolio to over 25 with 10 currently producing
- Sacgasco has over 20 drillable prospects mapped on 3D in existing reservoir zones ready for higher natural gas prices
- Sacgasco has doubled lease area over its 1+Tcf Dempsey Natural Gas Prospect

Sacramento Basin Natural gas producer and developer, **Sacgasco Limited (ASX: SGC) ('Sacgasco')** is pleased to confirm that it has significantly strengthened its asset base in the Sacramento Basin, California, through the acquisition of five additional operated natural gas wells from various private Californian entities (see location of new wells acquired (identified in red) in Figure 1 below).

The acquisition is effective February 1, 2017

Sacgasco will operate the wells under its current service agreement with Dero Parker's Integrity Management Services.

The assets also include all associated leases, production facilities, including meter stations and pipelines in two gas fields Rancho-Capay, adjacent to existing SGC production and East Rice Creek Gas Field, immediately north of Rancho-Capay.

The leases and gas production infrastructure acquired lie above or adjacent to SGC's mapped 1+ Tcf* Dempsey Natural Gas Prospect, and are a highly strategic addition to the Company's lease holdings in the prolific Sacramento Basin which has produced over 11 Tcf of natural gas to date.

**Further details were included in the Company's ASX release dated 4 September 2014: "The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons."*

As consideration, Sacgasco will assume future liabilities for plugging the wells, and removing associated facilities, estimated to be approximately \$50,000 per well. This will occur at some undetermined future time that is dependent on operational decisions on future utilisation of the wells for production, workovers or new drilling.

Current gross (100%) production from just two wells in the latest acquisition is around 120 mcf gas per day. There are opportunities to bring other wells back into production through workovers and/or alternative gas gathering pipeline connections for modest expenditures. This production has added to Sacgasco's current gas production from Rancho Capay and Los Medanos Gas Fields (see Figures 2 and 3 below) and the gas production from the previous acquisition announced on 7 February 2017, which has been completed.

In total, Sacgasco now has a portfolio of 25 natural wells in the Sacramento Basin with 10 in production and a further 15 wells that have the potential to be brought back into production. All production assets have material infrastructure which can be used to market gas from successful exploration of Sacgasco portfolio of mapped Tcf-scale prospects.

After this acquisition, Total Gross Production is of the order of 900 mcf per day which will place SGC amongst the Top-5 natural gas production operators in the Sacramento Basin.

SGC's working interest in all its natural gas wells ranges from 50 to 100% and Net Revenue Interests (after Royalties) are in the range of 68% to 83% (of 100%). Xstate Resources Limited has an option under a Sacramento AMI agreement with Sacgasco to take between 10% and 30% of Sacgasco's above Working Interest in the recent acquisitions.

Sacgasco's Managing Director Gary Jeffery commented: *"This transaction adds further diversity and strategic value to Sacgasco's portfolio, providing access to additional operated leases, production, and natural gas infrastructure facilities adjacent to our exciting Dempsey Prospect."*

Sacgasco already has access to 3D seismic data over the areas acquired and the Company is confident that in addition to the Dempsey Prospect, other highly prospective gas prospects will be readily identified.

Sacgasco's portfolio of mapped prospects in the Northern Sacramento Basin now includes the Dempsey and Alvares appraisal Prospects, lookalike-prospects, and over 20 natural gas prospects on its operated acreage. This portfolio gives Sacgasco optionality for drilling as gas prices improve in response to the key role of natural gas in the supply of energy to California and world markets.

This latest acquisition further solidifies Sacgasco's position in the Sacramento Basin, as the Company narrows its focus to the drilling of the Dempsey 1 well in the coming months. The drilling of the Dempsey 1 well has the potential to be a key near-term value catalyst for Sacgasco. So too does the further development of our producing fields.

The Company looks forward to providing shareholders with further updates in the near term as development, production & exploration strategies are progressed."

For and on behalf of the Board of Sacgasco Limited.

Gary Jeffery
Managing Director
+61 8 9388 2654

Ben Jarvis
Six Degrees Investor Relations
+61 413 150 448

Sacgasco Limited Company Background

Sacgasco Limited (ASX: SGC) is an Australian-based energy company focused on conventional gas exploration in the Sacramento Basin, onshore California. SGC has an extensive portfolio of oil and gas prospects at both exploration and appraisal stages, including a number of multi-Tcf opportunities. The Company is targeting gas supply to the local Californian gas market and burgeoning LNG market in North America. SGC is of the view that the size of the prospects in California have the potential to supply both the domestic Californian gas market and export LNG markets.

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Figure 1: Location of SGC Sacramento Basin Projects
Acquired Assets Highlighted in Red



Figure 2: SGC Sacramento Basin Meter Station



Figure 3: SGC Sacramento Gas Production Facility