



# Sacgasco Limited

ABN 83 114 061 433

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

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

Announcement to ASX

7 June 2023

## CADLAO OILFIELD FARMOUT Letter of Intent

- PNOC Exploration Corporation Letter of Intent to Farmin to SC6B including Cadlao Oil Field
- Cadlao Oil Field Redevelopment targets 6.2 million barrels of economically recoverable oil
- Cadlao Drilling and Extended Well Test (“EWT”) planning for 2023 /24 drilling program
- Deep Venture drillship being prepared in Vietnam for Philippines Drilling Program

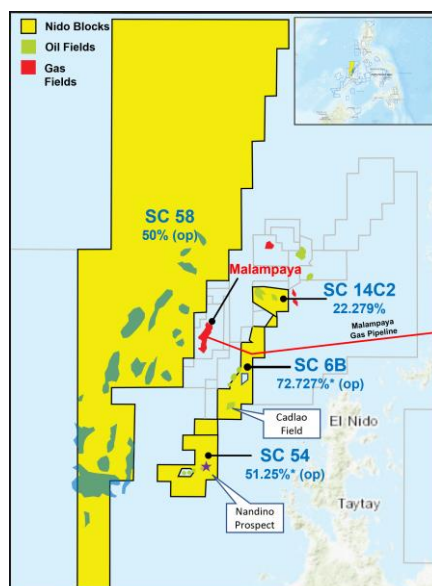
Sacgasco Limited (ASX: SGC) (“Sacgasco” or “the Company”) is pleased to announce a Letter of Intent from PNOC Exploration Corporation for drilling of the Cadlao 4 well and an Extended Well Test (EWT) as the first stage of redevelopment of the Cadlao Oil Field.

Sacgasco, through its wholly- owned subsidiary, Nido Petroleum Philippines Pty Ltd (“Nido”) has accepted a Letter of Intent from PNOC Exploration Corporation (PNOC EC) for its farmin to Service Contract 6B (SC 6B), including the drilling of the Cadlao 4 well as the first stage of redevelopment of the Cadlao Oil Field.

Sacgasco holds its SC 6B interest in its wholly owned subsidiary Nido and references to Sacgasco in this announcement includes this subsidiary, and vice versa.

PNOC EC is a wholly owned subsidiary of the Philippines National Oil Company.

Saba Drilling the Operator of the Deep Venture DP2 Drillship is diligently working to have the drillship readied for drilling a number of wells for Nido / Sacgasco and other Operators in the Philippines.



**Nido's Acreage in the Northwest Palawan Basin, Philippines**

**Letter of Intent Summary:**

PNOEC signed a Letter of Intent (LOI) to Nido to farm in to SC 6B and participate in the drilling of the Cadlao 4 well on the following terms:

- PNOEC to acquire from Nido an undivided twenty percent (20%) participating interest in SC 6B for the drilling and EWT of the Cadlao 4 well.
- PNOEC shall pay to Nido prior to and during drilling and EWT operations:
  - US\$3.34mm to be paid upon execution of a binding farm in agreement to be finalized no later than 31 July 2023.
  - Up to an additional US\$10.01mm to be paid upon cash calls as operations commence. The final amount is dependent upon actual approved costs by the regulator the Department of Energy (DOE).
- PNOEC farm in agreement to SC 6B shall be subject to DOE, and the usual respective Board and Joint Venture approvals.

The relevant interest changes in the Cadlao SC 6B are:

Joint Venture Party	Current Participating Interest (%)	Nido Farm in Participating Interest (%)	PNOEC Farm in Participating Interest Post (%)
Nido Petroleum Phils Pty. Ltd. (Operator)*	9.090%	72.727%	52.727%
The Philodrill Corporation	58.182%	17.455%	17.455%
Oriental Petroleum and Mineral Corporation	16.364%	4.909%	4.909%
Forum Energy Phils. Corp.	8.182%	2.455%	2.455%
Alcorn Petroleum and Minerals Corp.	8.182%	2.455%	2.455%
PNOEC Exploration Corporation	0.000%	0.000%	20.000%
<b>Total</b>	<b>100.000%</b>	<b>100.000%</b>	<b>100.000%</b>

Notes to above table:

Nido and PNOEC will have preferential cost recovery rights for costs incurred before commencement of Commercial Production.

Sagasco (Nido) previously announced an Investment Agreement for Blue Sky International Holdings to contribute equitably to the funding of the Nido's initial drilling and Cadlao Redevelopment. (Refer ASX Release Dated 22 August 2022)

**Sagasco's Managing Director, Gary Jeffery commented:**

"Nido plan to drill the Cadlao EWT well as the first well in its 2 well Philippines drilling campaign as it can provide early cash flow, and moreover is assessed as the lowest risk well.

Placing the Cadlao EWT as a priority in our planned drilling program, to be followed by a Nandino exploration well, with an EWT upon success, will make for an exciting and potentially transformational 8-month period for Sagasco and Nido in the Philippines.

"I'm delighted that we have secured this funding outcome which gives us further impetus for the potential redevelopment of the Cadlao oilfield. This is just one of a number of projects we are pursuing offshore the Philippines.

"We have had extensive discussions with suppliers and have identified suitable equipment for an extended well test which if positive and confirms our modelling, will likely lead to a more comprehensive development of Cadlao Oilfield and exploration of the nearby Cadlao East Prospect.

Other prospects in the area can also then be pursued and incorporated into the production operations for the Cadlao Oilfield

All the pieces, including the key team members are coming together rapidly. Shareholders will recall we have production alliances in place and an option with a potential offtaker for the oil. Sagasco expects to fund the balance of the Cadlao Well Drilling and EWT costs from cashflow, external development financing, asset sales and / or shareholder funding.

The DP2 drillship Deep Venture is being prepared for drilling action in Vietnam. The drillship provides the most flexibility for Philippines operations in that it can drill in water depth ranging from 80 metres to 1,500 metres and can carry EWT and drilling equipment and supplies, hence simplifying logistics, as well as providing options for drilling in deeper water Service Contracts, like SC-14C which includes the potential redevelopment of the West Linapacan Oil field, and in which Nido has a Participating Interest.

The Philippines Government have shown they are supportive of our activities, and the local community and the DOE have shown their support for early drilling offshore Palawan.”

### Cadlao Resources

The independent Contingent Resources estimated for the Cadlao Oilfield located in Service Contract 6B (“SC 6B”) are summarized in the table below (Refer SGC ASX release “Cadlao Contingent Resources” 13 April 2022).

The Contingent Resources are for the Cadlao Field Redevelopment only and **do not include** any additional Contingent and Prospective Resources identified in SC 6B, e.g., Cadlao East Prospect.

Cadlao Contingent Resources Summary (oil, MMstb)			
	1C	2C	3C
Gross Contingent Resources	4.5	6.2	8.2
SGC Net Contingent Resources (72.727%) before PNOEC Farmout	3.3	4.5	6.0

**Note 1:** These are unrisksed contingent resources that have not been risked for the chance of development, and that there is no certainty that at the time of project approval it will be economically viable to produce any portion of the contingent resources.

**Note 2:** The field contains limited volumes of solution gas that can be consumed during operations, e.g. for gas lift to improve oil recovery. There are no plans to export gas from Cadlao Oilfield

**Note 3:** Nido has entered into a Farmin Agreement (FIA) with the SC6B Joint Venture (JV) to increase its working interest to 72.727% which is subject to Philippines Department of Energy (DOE) approval – Refer to the Company’s announcement dated 4 March 2022

**Note 4:** Nido’s net entitlement to future production proceeds is dependent on approval of the FIA which includes preferential cost recovery and an approved EWT agreement under SC 6B by the DOE.

**Note 5:** The contingent resource estimate assumes an economic cutoff of 750 barrels of oil per day.

The Cadlao Field resources are classified as Contingent Resources rather than reserves. Phase-1 of the development (EWT) will initially be approved and progressed. Resources associated with the EWT can be transferred to undeveloped reserves once this project is approved. RISC has reviewed and in general support the field re-development plans for Cadlao.

The Reserves have been reviewed by SGC’s Competent Person, Mr Gary Jeffery. Mr Jeffery has more than 50 years technical, commercial and management experience in exploration appraisal and development of oil and gas. Mr Jeffery is a member of the American Association of Petroleum Geologists. Mr Jeffery has reviewed the information and supporting documentation referred to in this announcement and considers the reserve

estimates to be fairly represented and consents to its release in the form and context in which it appears. His academic qualifications and industry memberships appear on the Company's website and Mr Jeffery is qualified in accordance with ASX listing rule 5.41.

**Cadlao Oilfield**

The Cadlao Oil Field within Service Contract 6B (SC 6B) is considered to be the most attractive development target from several discovered oil pools within Sacgasco’s Philippines portfolio. This assessment is based on potential volume and value, well productivity, time to first cashflow, water depth and follow up potential.

The field is a Miocene-aged carbonate pinnacle reef structure covered by recently reprocessed 3D seismic and located in water depths of 20 to 90 meters. It was discovered in 1977 by Amoco and produced 11.1 mmbbls over a 10-year period between 1981 and 1991 before being shut in while still producing 5,900 barrels of liquids (oil and water) per day, including 960 bopd.

The interpretation of recently reprocessed 3D seismic has identified an updip attic oil volume which will form the basis for the EWT and subsequent full field development.

The Production License for SC 6B ends in 2024, prior to which the Joint Venture will apply for an extension in the event commercial reserves remain to be produced.

Cadlao drilling and EWT is planned for 2023 /2024 as part of a 2-well drilling program with the Nandino Prospect in Service Contract 54 (refer Announcement “Nandino Prospective Resources Certified” dated 3 March 2022); subject to DOE and JV approvals.

In the event of a successful EWT at Cadlao and depending upon the field data obtained, a full field development may include multiple wells with a dedicated oil production facility. The East Cadlao Prospect, which is only 3km away, may also be drilled, tested and produced from any Cadlao development.

**Cadlao Redevelopment – 72.727% WI#, Operator**

*Low cost development opportunity to generate near-term cashflow with material upside*

- Produced 11.1MMstb oil to 1991 from two production wells; Cadlao-1A & Cadlao-3
- Acquisition of 3D seismic and recent reprocessing identified unswept attic volume
- Fractured carbonate reservoir, known deliverability and matrix recharge during 25-year shut-in supports low risk reserve volumes
- Shallow water depths and high well deliverability allow for a single well, low CAPEX development concept

**Near term plans**

- Leveraging technical capability and fast-tracking schedule to drive redevelopment in 2022
- 1Q 2022: Secure Farm in Agreement, Resource Assessment
- 2Q 2022: JV and DOE Approvals, Site survey mobilisation, LLI tender, Rig and other rental equipment contracting
- 2H 2022: Cadlao-4 Drilling and EWT Execution; Generate cashflow
- 2023/2024: Full field development subject to EWT success

\* Subject to DOE Approval  
 \* Held through wholly-owned subsidiary Nido Petroleum Pty Ltd  
 \* Independently certified by PISC Advisory

**For and on behalf of the Board of Sacgasco Limited.**

**Gary Jeffery**  
**Managing Director**  
**+61 8 9388 2654**

**About Sacgasco Limited (ASX: SGC)**

***Sacgasco Limited (ASX: SGC) is an Australian-based energy company focused on under-explored, recently over-looked, world class oil and gas opportunities near under-supplied markets. Sacgasco's Natural Gas activities include Hydrogen and Helium.***

***The Company is currently focussed on conventional oil and gas exploration and production in the Sacramento Basin in California, Alberta Province in Canada and offshore The Philippines.***

***Sacgasco has an extensive portfolio of natural gas and oil producing wells as well as prospects and discoveries at various exploration and appraisal stages. The Company is targeting supply to the local Californian and Canadian oil and gas markets and the burgeoning Asian market.***

***Sacgasco is in the process of acquiring additional undervalued oil and gas producing and exploration assets.***

***[www.sacgasco.com](http://www.sacgasco.com)***

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