



# Sacgasco Limited

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Announcement to ASX

28 October 2020

## Construction begins on all-weather drill pad for Borba 1-7 gas well

- Construction of all-weather drilling location and future production base commencing this week
- Drilling expected to commence in 2020
- 3 km access roadwork was completed for the Borba 1-7 Natural Gas well earlier in 2020
- High capacity rig selected and available at short notice to mobilise
- Significant interest from potential partners to participate and fund Borba drilling

Sacgasco Limited (ASX: SGC) (“Sacgasco” or “the Company”) is pleased to announce that construction of the all-weather drilling-pad and future production-base for the Borba 1-7 conventional natural gas well will commence this week. Highly experienced local contractor, NOR CAL Construction will build the pad which is expected to take around 10 days. The pad will measure approximately 300 feet by 175 feet and will sit some 16 inches above field level.



Fig. 1: Borba 1-7 Well Pad Site

The Borba 1-7 well will be drilled to test multiple stacked 3D seismic anomalies in the interval from 3,200 feet (975 metres) to 9,500 feet (2,800 metres) depth and finish in Basement rocks. The prospective interval covers around 6,300 feet (1,920 metres).

The well will be drilled with a small directional component to optimise the intersection of more than 10 separate seismic anomalies on 3D seismic. The well is expected to take some 25 to 35 days to drill and operations are expected to commence this calendar year.

Sacgasco is planning to commence drilling the Borba 1-7 well as soon as final preparation for drilling is completed and additional leasing is documented. The well is already fully permitted with the State and local authorities.

At the shallow Kione Formation the Borba well will test a strong seismic anomaly separated from the sandstones that were productive at this level in the nearby West Ord Bend Gas Field. Production has also been encountered in the Borba vicinity from other shallower sand reservoirs.

At around 5,600 feet (1,700 metres) the well is projected to be in a mapped structural closure 140 feet (43 metres) up-dip from a 1998 well which encountered multiple zones over a 570 feet (175 metres) interval of high gas shows and porosity. These shows were not flow tested at the time, but these sands intervals have been productive in the local area.

Deeper seismic anomalies are interpreted to indicate sand reservoir development and natural gas shows are expected. Sacgasco has also previously found the basement to be fractured and gas productive.

The well will be drilled with the largest capacity rig in the area and will require a 10,000 psi rated control stack on the 9 5/8" casing below 6,000 feet. The well will have 3 strings of protective pipe.

**Sacgasco's Managing Director Gary Jeffery commented:**

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***"Sacgasco has progressed drilling preparation for the exciting, proof-of-concept Borba well with the construction of this all-weather pad commencing this week. Borba is an exciting and highly prospective conventional natural gas play and we have undertaken a huge amount of work to define what we firmly believe to be the prime drill location. As well, third party interest is building, and we are assessing several potential farm-in offers and other proposals that will ensure we are fully funded to capitalise on this enticing investment.***

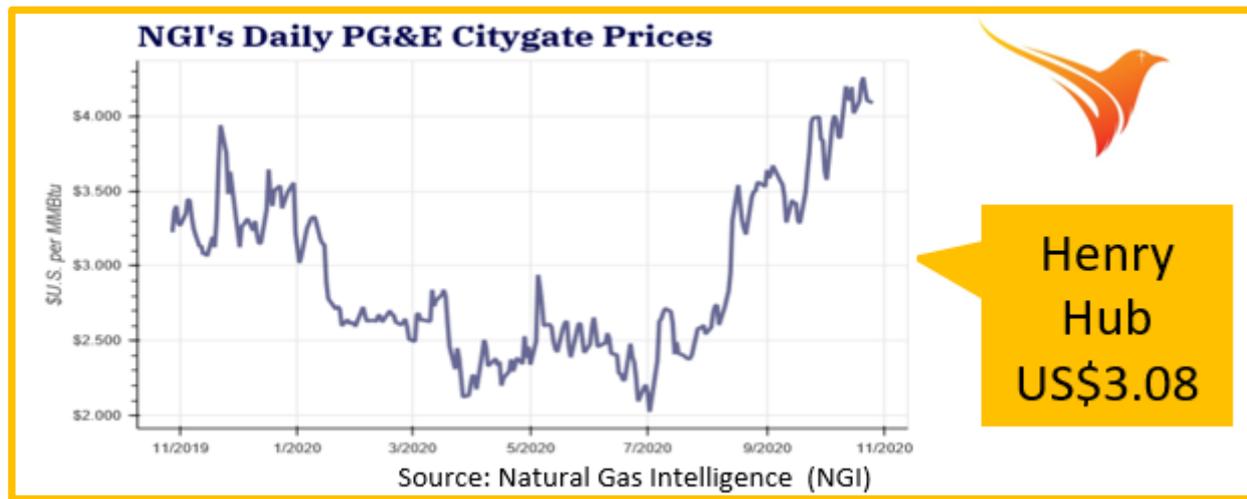
***The Borba well is the logical next step in evaluating the world class potential of the older sediments in the Sacramento Basin. Investors and shareholders are reminded of the similarities between our Sacramento Basin opportunities and the recent success achieved in the older and much deeper sediments of the Perth Basin. (Refer Fig. 3.)***

***I do not need to remind shareholders of the of the unsatiated 7 Bcf/day gas market in California which imports over 90% of its Natural Gas from Canada and other US states.***

***Natural Gas in California continues to realize premium prices which has made Borba even more valuable. Since July 2020, these prices have ranged from 120% to 270% of the US benchmark Henry Hub natural gas prices and are currently over US\$4.00 per mcf (Refer to Fig.2 below.)***

***We will keep shareholders informed of progress as well as other opportunistic initiatives we are considering.***

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**Fig. 2: Gas prices in Northern Sacramento Basin**

The Working Interests in the Borba 1-7 well are currently:

Sagasco Limited (Operator) (ASX: SGC)	76%
Xstate Resources Limited (ASX: XST)	24%

Farmout and funding discussions to reduce Sagasco's Working Interest exposure are advanced to enable Sagasco to implement its plans to drill the well this year.

A Resource Report by an independent party is being finalised and will be released once final working interests are settled

A comparison of key characteristics of the Perth Basin and the Sacramento Basin shows the many advantages of the Sacramento Basin as an investment location.

## Perth Basin Comparison – SGC, XST and Strike / Warrego

Comparison Criteria	SACRAMENTO BASIN	Perth Basin
Production to Date	Over 13 Tcf	Around 0.6 Tcf
Gas Market	7 Bcf per day; Undersupplied- 90% gas imported from interstate	Less than 1 Bcf per day; Over supplied, limited market subject to WA DOMGAS Policy
Gas Price	~A\$6 per mcf – 120% to 160% of Henry Hub US benchmark natural gas price	Less than A\$4 per mcf; No export outlet (WA Govt Policy Aug 2020)
Well Depths	Less than 3,000 Metres	Around 5,000 metres
Market Caps and Leverage	SGC - \$ 11 million ( 270 Million Shares) XST - \$ 4 million ( 1,400 Million Shares)	STX - \$ 422 million ( 1,700 Million Shares) WGO - \$ 190 million ( 900 Million Shares)
Reservoirs and Opportunity	Tens of Bcf to Tcf potential; Highly pressured; Identified in Outcrop; Identified Sweet Spots in Subsurface from 3D Seismic; Extensive vertical column of gas saturated rocks in Sagasco's Dempsey control well	Tens of Bcf to Tcf potential; Highly Pressured; Identified from limited well intersection and high flow rates; reliant on seismic amplitudes for Resource Estimation
Land Access	Landowner Incentives in form of 20% Royalty from Production	"Lock the Gate" adversarial activity; little landowner incentive;
Equipment and Industry Support	Existing owned plant; Extensive local suppliers and competition mean lower costs -> \$	New plant needed; Limited suppliers and equipment and labour drive costs up -> \$\$\$
Government Regulation	Existing Gas Field Administrative Areas facilitate activity; California is desperate for gas "to keep the lights on"	Sovereign Risk from WA Govt Domgas Policy of restricted gas export

**Fig. 3: Sacramento Basin compared to Perth Basin Investments**



**Fig 4: Truck laying road to Borba Drilling Pad Site**

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

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

*Sacgasco's strategy is to find, acquire and develop undervalued and under-developed opportunities connected to materially under supplied oil and gas markets across the world.*

*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, including those in Asia.*

**[www.sacgasco.com](http://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 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 47 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. Mr Jeffery is a member of the American Association of Petroleum Geologists. Mr Jeffery consents to the inclusion of the information in the form and context in which it appears.***