



# Sacgasco Limited

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Announcement to ASX

31 January 2019

## DECEMBER 2018 QUARTERLY ACTIVITY REPORT

### HIGHLIGHTS

- SGC underpins production and diversifies revenue base via acquisition of a 100% interest in 3 wells in the largest gas field in California - first revenues received already.
- Additional interests acquired in Sacgasco Operated Projects in Sacramento Basin - JV structure simplified ready for accelerated development.
- SGC well portfolio now stands at 30 wells – 13 currently producing, and provides platform to scale up production in near term.
- Multi-well workover program to further grow natural gas production underway.
- Dempsey well to be modified to resume production.
- Anzus well to be permitted for drilling.
- Preparations for Alvares re-entry underway.
- Exclusive option agreement to acquire the rights to earn a 60% Working Interest in under-explored, Multi Tcf gas potential Offshore Sydney Basin (PEP11).

Sacramento Basin-focused natural gas developer and producer Sacgasco Limited (ASX: SGC) (“Sacgasco” or “the Company”) is pleased to provide its Quarterly Activities Report for the period ended 31 December 2018.

### Exploration, appraisal and new ventures

Extensive exploration leases have continued to be maintained within the Sacramento Basin during the quarter. SGC has a working interest (“WI”) of between approximately 30% and 100% in the operated leased lands which cover Sacgasco interpreted Natural Gas prospects.

### DECEMBER QUARTER PRODUCTION UPDATE

Combined Production	December 2018 Quarter	September 2018 Quarter
Gross mcf * (100%)	52,101	74,909
Net SGC mcf (after Royalty)	25,078	28,512
*mcf – Thousand Cubic feet gas		

Gross volumes were lower due to reduced gas flows, but were offset by higher gas prices and revenues. Workovers are underway to increase production.

## **ONSHORE CALIFORNIA**

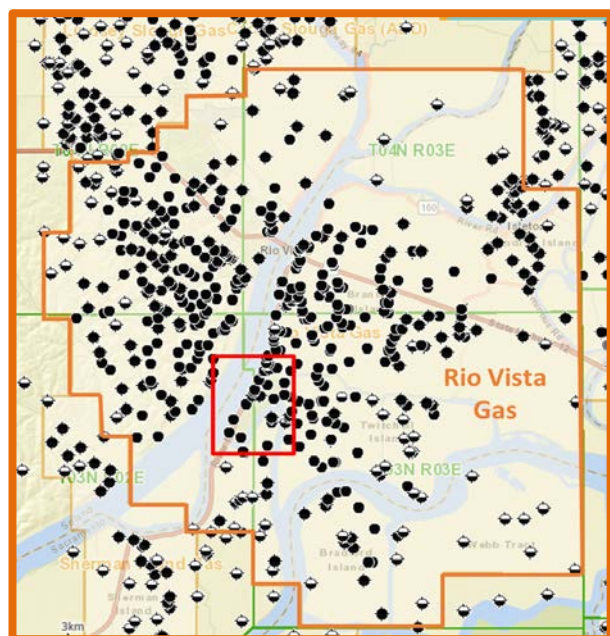
### **Rio Vista Field Well Acquisition (SGC 100% WI)**

During the quarter, Saggasco acquired 100% of a strategic portfolio of natural gas production and development assets in the Rio Vista Gas Field in the Sacramento Basin, California. The Rio Vista field has produced over 3.8 Tcf of natural gas and is the largest natural gas field in the Sacramento Basin.

The acquired wells are located within a 467-acre oil and gas lease, with production from depths between 5,000 and 7,000 feet. The property included two long-term producing wells. Each of these wells has produced around 4 Bcf of gas to date.

The property including an oil and gas lease, wells and associated production facilities has been acquired for no cost. The vendor paid approximately US\$100,000 cash to Saggasco as a contribution to future abandonment costs for the acquired wells. These were the vendors' only gas producing assets in the Sacramento Basin. The effective date was 1 December 2018. The acquisition was completed in early January 2019.

Saggasco received A\$39,000 of gas sales revenue from the acquired wells for December production.



**Fig 1: (a) Location of Saggasco-acquired wells in red box**



**Fig 1: (b) Acquired Well locations**

### **Additional Interests in Saggasco Operated Projects**

Saggasco has executed an Agreement to acquire additional working interests in the Alvares, Dempsey and Dempsey Trend Projects in the Sacramento Basin. Saggasco received A\$79,000 from the vendor to settle JV invoices. The effective date of the agreement was 31 December 2018. The increased interests are reflected in the Working Interest tables that follow in this report.

## **Activities to Increase Operated Natural Gas Production**

Opportunities have been identified in the Sacgasco portfolio of wells for multiples of current production levels.

Sacgasco has identified additional workover and equipment relocation and refurbishment activities in its portfolio that provide opportunities for increases in production in the near future. Scaling up production from the Company's portfolio of 30 wells is a focus, while Sacgasco also works on bringing larger potential projects into production across its multiple gas fields and exploration acreage.

Production facilities provide ready access points for future exploration success from Sacgasco's appraisal and exploration activities.

The Dempsey 1-15 well was shut-in for the quarter. Work is planned to change the completion configuration in the well bore to assess the best way to resume gas flows from the well. This work will be done in conjunction with other imminent well workover operations in the area.

## **Alvares Natural Gas Project (SGC 50% WI)**

The Alvares natural gas project is located only 9 miles from large natural gas pipelines and on trend 35 miles from the similarly structured Sites Anticline on which the 1948 Shell James 1 well flowed gas to surface from reservoirs of similar age to those of interest at Alvares.

The planned Alvares 1 well re-entry and related testing was delayed, initially due to joint venture changes, and the increased operational and financial risks related to the rainy season in the Sacramento Valley.

The JV will prepare for an imminent increase in well workover activities and for the Alvares re-entry work in the early North American Summer.

## **EXPLORATION, APPRAISAL AND NEW VENTURES**

### **CALIFORNIA**

Exploration leases have been maintained within the Sacramento Basin during the quarter. SGC has a net working interest ("WI") of between 10% and 100% in oil and gas leases which cover natural gas prospects ranging in size from 5-20 Bcf to over 2 Tcf of recoverable prospective reserves of natural gas.

Review of Sacramento Basin activity including drilling on the Dempsey and Tulainyo Projects has reinforced the belief that SGC has significant exposure to world-class, multi-Tcf natural gas projects. Technical data and ongoing analysis continue to be used to identify and upgrade additional prospects for leasing and future exploration drilling.

## AUSTRALIA - SYDNEY BASIN PEP11 (Option)

Sacgasco has secured an exclusive option to acquire 100% of the issued capital of RL Energy Pty Ltd (“RL”). RL previously signed a Farm-in Agreement dated 2 May 2018 with Asset Energy Pty Ltd (“Asset Energy”) to earn a 60% Working Interest in Petroleum Exploration Permit PEP11 (“PEP11”) located in the offshore Sydney Basin by carrying Asset through defined Farm In Works. Asset Energy which is a wholly owned subsidiary of MEC Resources Ltd (ASX: MMR) investee Advent Energy Ltd, presently holds 85% of PEP11 and is Operator of that title.

Sacgasco through the execution of this agreement agreed to fund RL in their endeavours to advance the Farm In Works for the highly prospective Sydney Basin, develop an agreed work programme as required under the Farm-in Agreement, and work with JV partners to explore the permit. Under the plan, RL and Sacgasco will support the lodging of the Environment Permit (“EP”) for 3D seismic acquisition, with Sacgasco funding the estimated cost of \$326,000 for the EP.

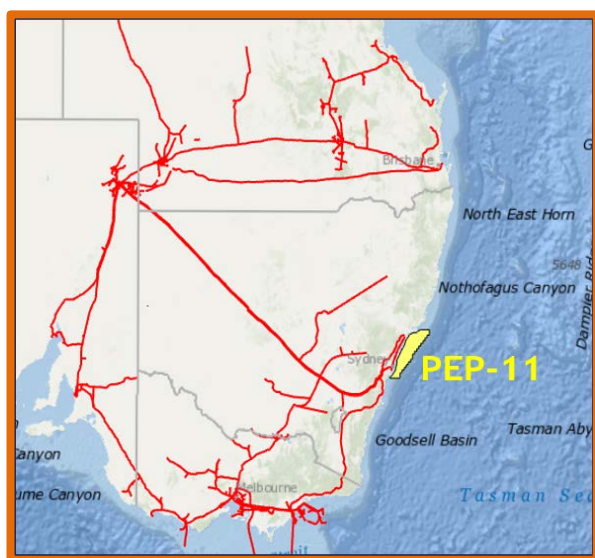


Fig. 2: (a) PEP11 Location Map and Gas Pipelines

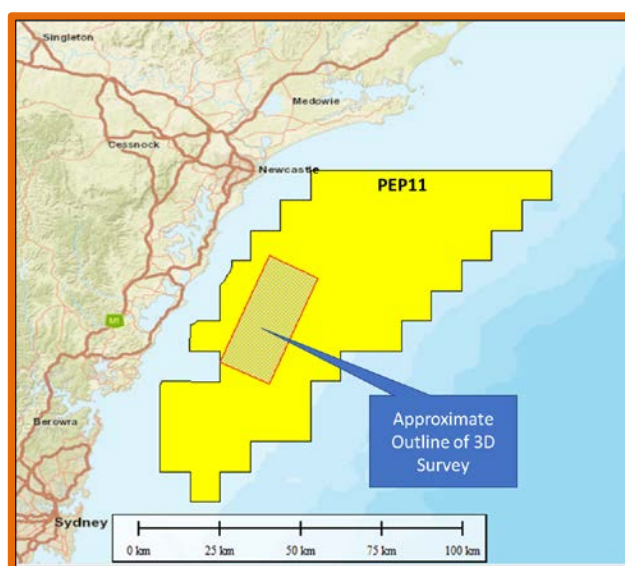


Fig 2: (b) Proposed 3D Seismic Location

The option exercise date has been extended from 31 January 2019 until 28 February 2019.

This is an under-explored, multi TCF gas potential permit, adjacent to a large under supplied Sydney gas market.

### **Project Portfolio (Refer Fig. 3)**

As outlined above, SGC’s current focus is unlocking the underlying value from its natural gas prospects in the under-explored parts of the Sacramento Basin and elsewhere as opportunities arise.

Projects are continuously reviewed for their strategic fit and are expected to be modified over time to reflect industry conditions and results of operations. Sacgasco is the Operator of all but one of its WI wells:

<b>PROJECT NAMES</b> <i>All located in the Sacramento Basin Onshore northern California</i>	<b>LEASES; RELATED GAS FIELD (HBP LEASES); OR KEY WELL</b>	<b>PROJECT TYPE</b>	<b>TOTAL OPERATED WELLS</b>	<b>GAS PRODUCING WELLS</b>	<b>WORKING INTEREST (WI)*</b>
<b><i>Dempsey Project</i></b>	Rancho Capay, Rice Creek, East Gas Fields - HBP Leases; Oil and Gas Mineral Leases	Exploration, Appraisal & Rework	10	4	33-60%
<b><i>Alvares Project</i></b>	Oil and Gas Mineral Leases; Alvares 1 well (P&A Re-entry)	Exploration & Appraisal	1	-	50%
<b><i>Dempsey Trend Projects (3)</i></b>	Oil and Gas Mineral Leases	Exploration	-	-	46%
<b><i>Los Medanos Project</i></b>	Los Medanos Gas Field HBP Leases	Appraisal & Rework	2	1	90%
<b><i>Malton Project</i></b>	Malton Gas Field HBP Leases and Oil and Gas Mineral Leases	Exploration, Appraisal & Rework	8	4	35-69%
<b><i>Dutch Slough Gas Project</i></b>	Dutch Slough Gas Field HBP Leases	Exploration, Appraisal & Rework	4	-	69%
<b><i>Denverton Creek Gas Project</i></b>	Denverton Creek Gas Field HBP Leases	Gas flow & Rework	1	1	70%
<b><i>Rio Vista Gas Project</i></b>	Rio Vista Field Wells Ex Romara; HBP Leases	Gas flow, development & Rework	3	2	100%
<b><i>Willows Gas Field (Non-operated)</i></b>	Willows Gas Fields HBP Leases	Gas flow & Rework	-	1	10%

**TENEMENT LIST (as 31<sup>st</sup> January 2019)**

<b>PROJECT NAME</b>	<b>LOCATION</b>	<b>WORKING INTEREST (WI)*</b>
<b><i>Dempsey Project</i></b>	Sacramento Basin Onshore Northern California	60%
<b><i>Alvares Project</i></b>	Sacramento Basin Onshore Northern California	50%
<b><i>Dempsey Trend Prospects</i></b>	Sacramento Basin Onshore Northern California	46%
<b><i>Los Medanos Gas Field</i></b>	Sacramento Basin Onshore Northern California	90%
<b><i>Malton Gas Field</i></b>	Sacramento Basin Onshore Northern California	35-69%
<b><i>Dutch Slough Gas Field</i></b>	Sacramento Basin Onshore Northern California	69%
<b><i>Denverton Gas Field</i></b>	Sacramento Basin Onshore Northern California	70%
<b><i>Rancho Capay Gas Field</i></b>	Sacramento Basin Onshore Northern California	43-60%

<b>East Rice Creek Gas Field</b>	Sacramento Basin Onshore Northern California	60%
<b>Rio Vista Field</b>	Sacramento Basin Onshore Northern California	100%
<b>Willows Gas Field</b>	Sacramento Basin Onshore Northern California	10%

Note: WI\* – Approximate numbers represent post farmout working interests

## CORPORATE

Mr Greg Channon joined the Sacgasco Board on the 3<sup>rd</sup> December 2018, when Mr Graeme Clatworthy resigned due to his additional work commitments.

## NEAR TERM OBJECTIVES

Sacgasco's priority is to work-over and tie in several wells that have been identified for early production and revenue. Announcements on these developments will be made progressively throughout the quarter, as will significant updates on existing producing wells and other field development activities.

## SACGASCO CAPITAL STRUCTURE

<b>ISSUED CAPITAL at 31 January 2019</b>	
Ordinary Shares	264,530,949
Unlisted Options exercisable @ 10 cents 30 September 2019	10,000,000
Unlisted Options exercisable @ 5 cents 30 December 2019	6,000,000
Unlisted Options exercisable @ 15 cents 31 December 2019	27,000,000
Note:	
In early January 2019, 750,000 shares as part payment of director's fees approved by shareholders were issued.	
On 22 January 2,000,000 shares (escrowed for 12 months) were issued as part of the acquisition of additional working interest in the Sacramento Basin projects.	

### 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)

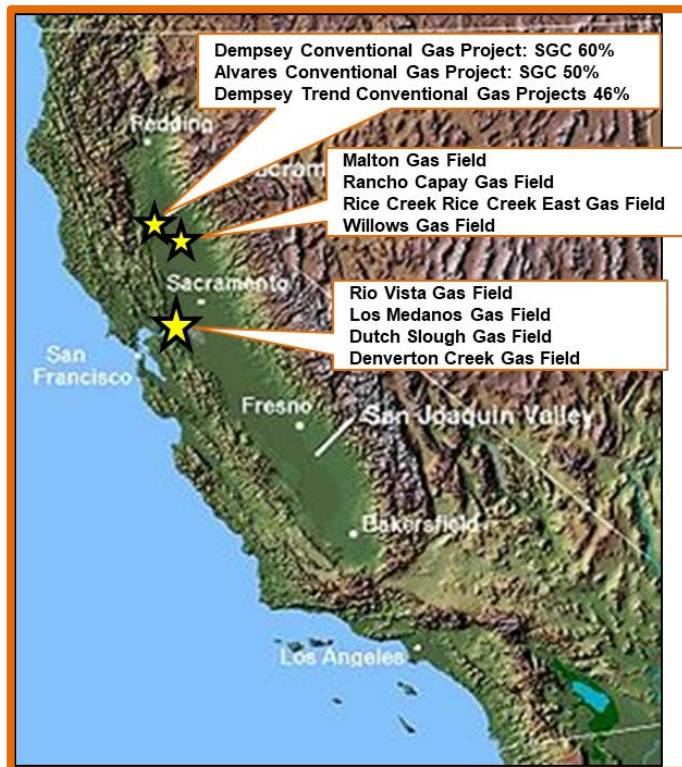
Sacgasco Limited (ASX: SGC) is an Australian-based energy company focused on natural gas exploration and production in the Sacramento Basin, onshore California. SGC has an extensive portfolio of gas prospects at both exploration and appraisal stages, including multi-Tcf opportunities. The Company is targeting gas supply to the local Californian gas market and burgeoning LNG market in North America.

Sacgasco's strategy is to find and develop opportunities in areas that have been overlooked in recent times, but which are close to under-supplied oil and gas markets with attractive product prices.

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

**Twitter: @SacGasCo**





**Fig 3: Saccgasco’s California Project Location Map**

**Leases:**

US exploration is conducted on leases grant by Mineral Right owners, in SGC’s case primarily private individuals or groups. Leases can vary in size from very small parcels (part of an acre) to large landholdings (covering a few square miles). Leases generally are for 5 years and rentals are paid annually. There are no firm work commitments associated with the leases. Some leases are ‘Held By Production’ and royalties, are paid to mineral right owners in lieu of rentals. SGC has not listed all it leases as it is impractical and not meaningful for potential project value assessment in a conventional natural gas play. A detailed listing of leases may also lead to a loss of competitive advantage and consequent reduced value to SGC shareholders.

**Competent Persons**

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 Saccgasco Limited. He is a qualified geophysicist with over 46 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.

The timing of future events is subject to the normal industry vagrancies of operational matters and equipment availability which are outside the control of Saccgasco and its suppliers. Facilities depicted in images on the Saccgasco website are not necessarily assets of Saccgasco. Some of the images used represent aspects of the oil and gas industry in which Saccgasco is involved or images of equipment owned by companies providing services to Saccgasco.

Before investing it is recommended that investors conduct their own due diligence and consult financial and technical advisors.

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

SACGASCO LIMITED

### ABN

83 114 061 433

### Quarter ended ("current quarter")

31 DECEMBER 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	156	704
1.2 Payments for		
(a) exploration & evaluation	(33)	(1,568)
(b) development	-	-
(c) production	(170)	(1,618)
(d) staff costs	(21)	(61)
(e) administration and corporate costs	(331)	(1,445)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(6)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other ( <i>Net JV Receipts</i> )	470	2,236
<b>1.9 Net cash from / (used in) operating activities</b>	<b>70</b>	<b>(1,758)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments ( <i>shares in o/s company</i> )	-	-
(d) other non-current assets ( <i>DOGGR Bond</i> )	-	-



Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	(5)	(5)
(b) tenements (see item 10)	-	-
(c) investments ( <i>shares in o/s company</i> )	-	-
(d) other non-current assets ( <i>Refund of Bond</i> )	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other ( <i>Cash held on acquisition of subsidiary</i> )	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(5)</b>	<b>(5)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	500
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(1)	(31)
3.5 Proceeds from borrowings	-	220
3.6 Repayment of borrowings	(16)	(66)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(17)</b>	<b>623</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	884	2,005
4.2 Net cash from / (used in) operating activities (item 1.9 above)	70	(1,758)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5)	(5)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(17)	623
4.5 Effect of movement in exchange rates on cash held	21	88
<b>4.6 Cash and cash equivalents at end of period</b>	<b>953</b>	<b>953</b>

5. <b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	953	884
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>953</b>	<b>884</b>

Included in the above balance is \$811,000 of cash held by PEOCO LLC, a wholly owned subsidiary of Sacgasco, which represents cash calls made by PEOCO LLC for exploration expenditure incurred up to 31 December 2018 but not yet paid. This includes amounts paid by Sacgasco.

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	14
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Includes salaries and fees paid to Directors of the company.

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	220	220
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Unsecured loan from a director earning interest at 10% pa, repayable within six months unless extended by mutual agreement.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation (net)	300
9.2 Development	-
9.3 Production	-
9.4 Staff costs	47
9.5 Administration and corporate costs	96
9.6 Other	-
<b>9.7 Total estimated cash outflows</b>	<b>443</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:   
Company Secretary

Date: 31 January 2019

Print name: David M McArthur

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.