



Otis Energy Limited

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ASX Release

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Avalanche Project Update

Otis Energy Limited (ASX: OTE) provides the following update on the result of the drilling of the first well at its Avalanche project (Otis Energy 10% WI , 7.3% NRI).

It has been recommended by the operator of the Avalanche project that the first well be plugged and abandoned. The well did not encounter the expected reservoir quality sands which were present to the northwest and to the southeast of our drill sight.

Currently a VSP (Vertical Seismic Profile) is being shot down hole to tie the sands and shales encountered while drilling back to the 3D seismic data. This will help evaluate the remaining 18 3D generated prospects for future drilling.

The Avalanche #1 well is the first well to test the 15,000-17,000 feet depth range within our 3D data set and will now provide an analogue well to evaluate the 18 remaining prospects in the Avalanche project.

Otis Energy's Dallas Based head of Geology David Brewer said "While I am extremely disappointed in this result we now have the first and only analogue well to this depth in the area which is extremely valuable for us in the generation of the next target we decide to drill. We felt that we were in a good environment for sands to be present since they were present north and south of us. Due to the tremendous upside we were willing to take the risk that these sands would be present in our well."

The first well at Avalanche has come in under budget and on time. Otis will keep the market informed on the technical evaluation of the Avalanche project post incorporation of all data obtained from drilling of the Avalanche #1 well.

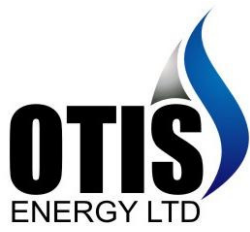
Otis Energy continues to seek a mix of risk managed low cost drilling plays combined with higher risk higher return large upside potential exploration targets like Avalanche.

About the Avalanche Project;

The Avalanche project is located in South Central Louisiana and consists of over 24,000 acres of which approximately 75% is covered by a proprietary 3D seismic survey. The project has 126 million barrels of oil and 379 billion cubic feet of gas reserve potential.

Mapping of independent seismic events has led to the delineation of over 22 separate prospects across the 3D survey.

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The information in this announcement has been reviewed by David Brewer (a Certified Petroleum Geologist with the AAPG) who has over 30 years' experience in petroleum geology, and geophysics, prospect generation and evaluations, and prospect and project level resource and risk estimations. Mr Brewer reviewed this announcement and consents to the inclusion of the geological and engineering descriptions and any estimated hydrocarbon resources in the form and context in which they appear. Any resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, further information on which is available at spe.org.

The estimated reserves for the Avalanche prospect were determined by mapping the aerial extent and thickness of multiple seismic anomalies seen in the 3D seismic data set over the prospective area. These anomalies are interpreted to be potential reservoirs for oil and gas. Once the volume of the reservoirs are determined, values for porosity and hydrocarbon saturation based reservoir parameters from similar producing reservoirs in the area are applied to determine the potential gross reserves. It is anticipated that the potential gross reserves of 126mmbo and 379bcfg will come from multiple reservoirs requiring multiple wells to recover. For these reservoirs to be found commercially productive several criteria must be met. They must have reservoir quality rock, a hydrocarbon source

rock, a trapping mechanism in place during hydrocarbon migration which is still in place today and a sufficient reservoir drive mechanism to allow the hydrocarbons to be produced at commercial rates. The risk associated with the first well is the probability that all of these elements are in place. If they are and we have a successful well, we will gather information on the quality of the reservoir and the associated drive mechanism. From this we can determine the percentage of the gross reserves that will be recoverable.