

OTIS ENERGY LIMITED

A.C.N. 075 419 715

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Second Well Spud at Charro Project

Highlights

- **Paddy 23 State # 1 well spud**
- **Targeting 125,000 BOE**
- **Low cost, short drill and test time frame.**

Otis Energy Limited (ASX: OTE) is pleased to provide the following update on its Charro Oil Exploration Project located in Lea County New Mexico 5.5% Working Interest (4.29% net revenue interest).

The Paddy 23 State #1 well spud on 7th September 2012 US time and is targeting the Paddock/Blinebry formations at approximately 7,500 feet (2,286 metres). The well is currently drilling ahead at a depth of 1,564 feet (476 metres). The well is expected to take approximately two weeks to reach target depth.

Dry hole costs (DHC) attributable to Otis for this well are \$US70,257.00. Completion costs to put the well into production should it be a successful are estimated at US\$38,211.25.

Otis will continue to keep the market informed on the progress of the well as relevant news becomes available.

About Charro

The Charro Project is located along the North-Western Shelf of the Delaware Basin in a prolific oil and gas producing region of Lea County, New Mexico. Charro is situated in an area with multiple producing formations with the initial primary target being shallow oil in the Paddock/Blinebry carbonates at 6,000' to 7,500'. Additional reserve potential may be present in the Abo, Wolfcamp, Cisco, Atoka and Morrow formations below the Paddock/Blinebry formations.

About Otis Energy Limited

Otis Energy Limited is an ASX-listed company engaged in the exploration, development and production of oil and gas in the United States with a particular focus on the Gulf States of Texas, New Mexico, Louisiana and Mississippi. Otis Energy has acquired a portfolio of seven (7) oil and gas projects ideally located nearby to prolific oil reservoirs. Otis Energy implements a low to medium risk strategy with a focus on cash flow and near term production plays.

Otis Energy aims to maintain its current portfolio of low to medium risk project areas that can be competitively drilled with minimal front end cost loading normally associated with the amassing of a geological and geophysical database. Otis Energy's Dallas offices are staffed by two Geologists, one Reservoir Engineer and two Landmen allowing Otis to generate and review exploration and production projects internally.

Otis Energy's current portfolio includes:

Project	Working Interest	Revenue Interest	Location
<i>Comanche Project</i>	12.5%	12.5% BPORI	North Central Texas
<i>Avalanche Project</i>	10%	7.5%	South Central Louisiana
<i>Catahoula Lake Project</i>	20%	15.9%	Central Louisiana
<i>Charro Project</i>	5.5%	4.29%	New Mexico
<i>Sombrero</i>	5%	3.75%	New Mexico
<i>San Jacinto 3D Project</i>	10% earning	7.5% earning	San Jacinto, Texas
<i>Stagecoach</i>	10%	7.4%	Texas

For more information contact;
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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.

GLOSSARY OF TERMS

BIAPO – BACK IN AFTER PAYOUT
 BOE – BARRELS OF OIL EQUIVALENT (Calculated at 6MCF = 1B0)
 BOPD- BARRELS OIL PER DAY
 NRI – NET REVENUE INTEREST
 BPOWI –BEFORE PAYOUT WORKING INTEREST
 APOWI- AFTER PAYOUT WORKING INTEREST
 BPORI- BEFORE PAYOUT REVENUE INTEREST
 APORI- AFTER PAYOUT REVENUE INTEREST
 TD – TARGET DEPTH
 DHC – DRY HOLE COST