

**Otis Energy Limited**  
A.C.N. 075 419 715  
Registered Office  
Suite 25, 145 Stirling Hwy  
Nedlands, Perth WA 6009

ASX Release

31 July 2012

## **Quarterly Activities Report April - June 2012**

Otis Energy Limited (ASX: OTE) is pleased to present the report on activities for the quarter ended 30 June 2012 and since;

### **Highlights**

- **Increasing production at Catahoula Lake with two successfully drilled wells put into production**
- **Two wells drilled at Comanche and awaiting fracture stimulation completion**
- **First well at Sombrero put into production**
- **First well at Charro put into production yesterday**
- **Cage Ranch 89 # 1 well spud at Stagecoach prospect**
- **Avalanche shallow gas well drilled, waiting on pipeline prior to being placed in production**

### **Comanche Project – North Central Texas (12.5% WI / 9.37% NRI)**

During the quarter the Company completed the drilling of two test wells at the Comanche project located in north central Texas, Comanche # 1 well & Comanche # 2 well. Both wells were drilled to approximately 5,000 feet (1,524 metres) vertical depth with an approximate 3,000 feet (914 metres) horizontal section.

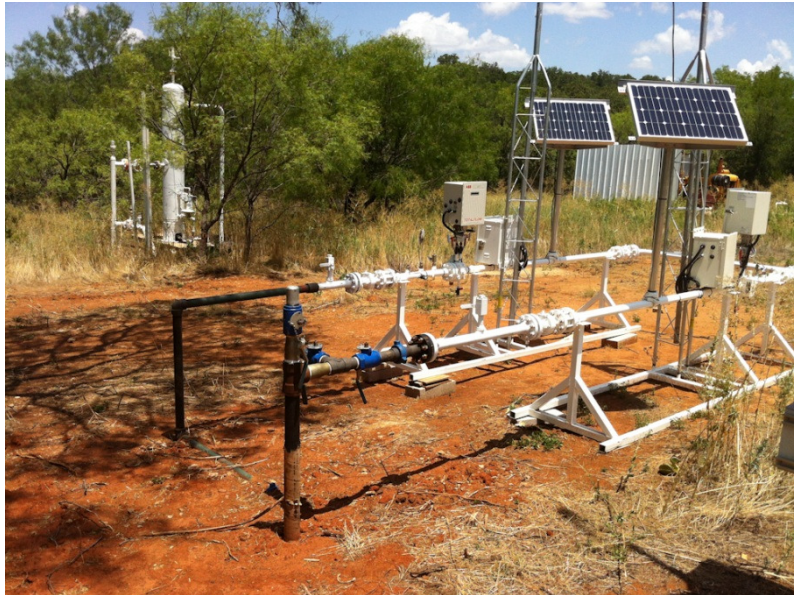
Both wells will be completed with a fracture stimulation procedure to enhance the potential flow rates of the wells. At present, Weatherford International is designing the fracture stimulation treatment based on well logs, core data/photos and mudlogs.

The Comanche # 2 well has been scheduled for fracking the week beginning August 6<sup>th</sup>. On site at well #2 production equipment is currently being installed including production tanks, heater treater as well as a 4,000 foot pipeline to take produced gas to a sales line.

The Comanche # 1 well was originally completed open hole and is currently being cased in preparation for fracking which is scheduled for the week beginning August 20<sup>th</sup>. Production facilities and sales gas line have already been completed at the #1 well.

Oil production will be trucked from the tank batteries at each well location for oil sales.

During the quarter, Otis and its partners increased its leased acreage position in the Comanche Project from 6,000 gross acres to over 10,000 acres. Otis is prevented from naming the exact county/s location of the Comanche project due to the potential of competition for leasing of acreage. Location and operator name will be kept confidential until the desired lease areas have been acquired.



Comanche Project well #1 gas sales line tie in

### **Sombrero Project - Lea County, New Mexico (5% WI/ 3.75% NRI)**

The first well drilled at the Sombrero Project (**WC 35 State # 1 well**) was placed on production on July 21st and produced at rates of between 5 to 15 BOPD from the San Andres formation at approximately 4,520 feet (1,377 metres). The well will be checked for sand fill this coming week for an explanation of the lower than expected rate of production.

San Andres wells in the region typically exhibit long life production (> 15 years), at low steady rates of between 15-50 BOPD. The WC 35 State well will now be monitored while a decision on drilling an offset development well is made. Shallow oil wells in the area typically require pumping as they do not have enough pressure to flow without assistance.



Sombrero Project - WC 35 State well and production facilities.

**Charro Project - - Lea County, New Mexico**  
**(5.5% WI / 4.29% NRI)**

During the quarter Otis acquired a 5.5% working interest, 4.29% net revenue interest in the Charro Project located in Lea County, New Mexico. Charro is situated in an area of multiple producing formations with the initial primary target being shallow oil in the Paddock/Blinbery carbonates at 6,000 to 7,550 feet (1,828 – 2300 metres).

The first well in the Charro Project, the **Paddy 20 State # 1** well, was spud on June 2<sup>nd</sup> and drilled to a total depth of 7,550 feet (2,300 metres). The well was logged and a decision was made to run production casing to total depth and prepare the well for production. At the current time the well has been perforated and acidized. Swabbing operations were completed with returning fluid to surface containing between 10-20% oil cut.

The well was placed on pump and put into production for flow testing last night. The installation of production facilities is also now complete. The well will be powered by generator until the electricity connection is made. Initial flow rates are expected to become available in approximately one week.

Shallow oil wells in the area typically require pumping as they do not have enough pressure to flow without assistance.



Paddy 20 State # 1 well post drilling

**Catahoula Lake Project - La Salle Parish, Louisiana**  
**(20% WI / 15% NRI)**

During the quarter five wells were drilled at the Catahoula Lake project with two wells being completed and tied into the Company's jointly owned production facilities.

The **SL 20846 # 1** well has started to produce oil at a rate of 3-4 BOPD as of today's date. Gas from this well is being utilised to power the Company's jointly owned production facilities offering a substantial cost saving from buying butane to power the production pumping units and equipment. This process will continue until the gas section of the well is depleted and the well produces primarily oil.

The **SL 20884 # 1** has now been tied into the Company's jointly owned production facilities. The commencement of flow testing began on July 3<sup>rd</sup>. Daily production has maintained to date at between 42 to 50 BOPD.

Production issues with three of the ten lake wells during the quarter reduced the daily rate of production. The **SL 19857 #1** went offline abruptly on July 5<sup>th</sup> after producing at a consistent rate of between 3-7 BOPD. Issues with this well are being investigated. **The SL 14617** suffered a broken crank on its pump and was out of production most of the quarter. This well is now repaired and back in production making between 9-12 BOPD. The **SL 502 # 1** well had pump issues over a nine day period during the quarter reducing its production by up to 50% for that period. This well is now back to full daily production. As a result production for the quarter was an average of 14.5BOPD (net to Otis). However with all production issues resolved (except the SL 19857) and the two newly completed wells online daily average production for the project is currently running at approximately 149 BOEPD (22 BOEPD net to Otis).

The final paperwork for the assignment of ownership of the Catahoula Lake assets between Otis and Sanchez Oil and Gas was completed post June 30. As a result of this, oil revenue attributable to Otis from Catahoula Lake has been held in escrow by the Plains American Pipeline Company. This revenue will accrue in the June quarter and be received by the Company in the current quarter.



Catahoula Lake State # 22 production facilities (20% Otis)



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**Stagecoach Project – Brooks County, Texas  
(10% WI / 7.4% NRI)**

During the quarter the Company acquired a 10% working interest (7.4% net revenue interest) in the Stagecoach project located in Brooks County, Texas. The Stagecoach project targets multiple Frio and Vicksburg sands to a depth of 8,000 feet (2,438 metres) in an area of strong Frio/Vicksburg Gas/Condensate production.

The Cage Ranch 89-1 well spud on July 21st and is currently at a depth of 6,665 feet (2,031 metres). The targeted sands are in the 7,000 to 8000 (2,133 to 2,438 metres) feet range.

**Avalanche Project – Evangeline Parish, Louisiana  
(10% WI / 7.3% NRI)**

During the quarter the operator of the Avalanche project, Ventex Oil & Gas (“Ventex”), completed analysis on a strong class 3 AVO anomaly that was identified by the 3D seismic survey.

Ventex recommended that an approximate 3,000 foot (914 metre) well be drilled targeting between 933 MMCFG and 1.86 BCFG.

Otis exercised its right to participate in the well and acquired an additional 2.389% WI taking total WI in the well to 12.389% and revenue interest to 9.0439%. The Roy O Martin 21 #1 well spud late Friday night on July 27<sup>th</sup> 2012 (this past Friday) and was drilled to target depth of 3,000 feet (914 metres) by early Monday July 30<sup>th</sup>. The well was logged and 20 feet of gas pay was observed. The well is now being cased and will be placed into production. A three mile pipeline will be laid to a gas sales line. First production and flow testing is expected to be between two to three months away. Additionally, a second gas anomaly has been identified that sits in between the current well and the sales line connection point. A decision on the drilling of this prospect will be made post observation of the Roy O Martin 21 #1 well over a period of five to six months.

Total cost to drill and complete the well to Otis is estimated at \$US115,626. The largest expense in the drilling of the well was the three miles of pipeline. A second well drilled would expect to have a cost to Otis of approximately \$US40,000 as Otis will be able to utilise the existing pipeline.

**Atocha Project – East Baton Rouge Parish, Louisiana  
(0.5% Overriding Royalty Interest)**

During the first quarter of 2012 Otis completed a sale of 1,235 acres at its Atocha Project to Midstates Petroleum Inc. Midstates have informed Otis that they intend to drill an Austin Chalk test well on the project in Q4 2012 or Q1 2013. Otis retains a 0.5% ORI in any production as a result of a discovery by Midstates at the Atocha Project.



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**San Jacinto 3D Project – San Jacinto/Montgomery Counties, Texas  
(Earning a 10% WI)**

During January 2011 Otis entered into an agreement to acquire up to a 10% working interest in the San-Jacinto 3D project. To date two wells have been drilled on the project and both have been unsuccessful. The project operator, Drill Partners, along with geophysical advisory group, INEXS, have completed a reworking of all data gained from the drilling of the first two wells.

Drill Partners is now in the process of seeking a partner to fund its share of the next wells to be drilled at the project. Once completed Otis will evaluate any proposed wells by the funding partner and make a decision as to whether it will participate in those wells.

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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](http://spe.org).*

**GLOSSARY OF TERMS**

BO – BARRELS OF OIL

BOPD- BARRELS OIL PER DAY

BOPD- BARRELS OIL EQUIVALENT PER DAY

DHC- DRY HOLE COST

MCF- THOUSAND CUBIC FEET OF GAS

MMCF – MILLION CUBIC FEET OF GAS

BCFG BILLION CUBIC FEET OF GAS

OIL CUT – PERCENTAGE OF OIL / WATER RATIO PER BARREL OF FLUID

TD-TARGET DEPTH

TMD- TOTAL MEASURED DEPTH

TVD- TOTAL VERTICAL DEPTH