

ASX Release

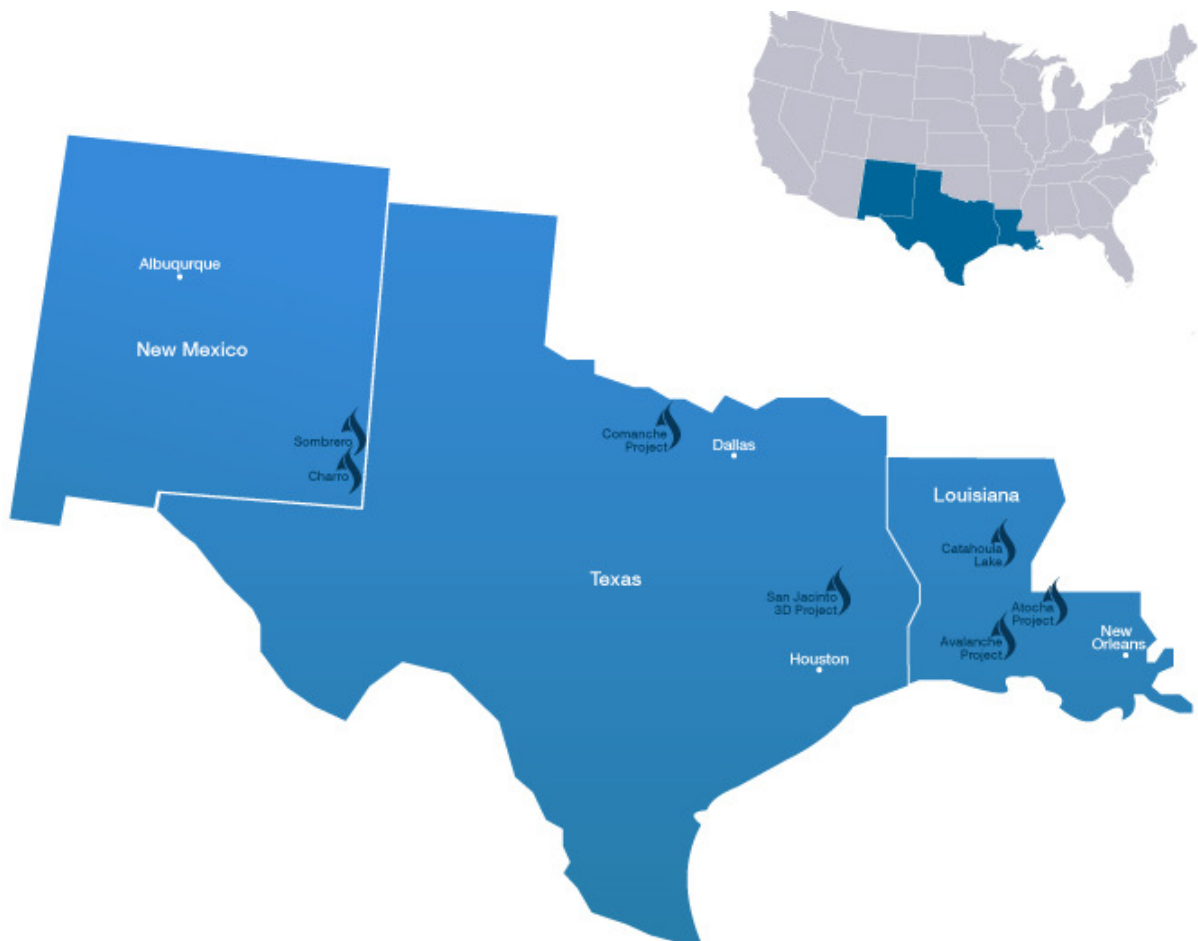
25 June 2012

Otis Energy Operational Update.

Otis Energy Limited (ASX: OTE) is pleased to provide the following update on recent project acquisitions, drilling status and completion activities across its project areas in North America.

Otis Projects with recent drilling or completion activity;

- Comanche, North Central Texas (12.5% Working Interest, 9.375% NRI)
- Sombrero, Lea County New Mexico (5% Working Interest, 3.75% NRI)
- Charro, Lea County New Mexico (5.5% Working Interest, 4.29% NRI)
- Catahoula Lake, La Salle Parish Louisiana (20% Working Interest, 16.09% NRI)



Otis Energy Project Location Map



Otis Energy Limited

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Nedlands, Perth WA 6009

Comanche

First Test Well

The first well has been drilled and the initial flow test produced a material oil cut and good gas flows. The completion process is underway and to date the well has undergone an acid treatment and is now awaiting a fracture stimulation treatment for final completion of the well. Flow rates and testing will begin post the completion of the fracture stimulation process. The first test well will be fracture stimulated following the second well in order to optimize operations scheduling.

Second Test Well

The second test well spud on June 17th and was designed to test the Marble Falls Limestone (MFL). The vertical section of the well has now been completed and logged to a depth of 4,935 feet (1,504 metres). Currently a kick-off plug is being set in order for the horizontal section of the well to begin. It is planned to run 5 ½ inch casing in the horizontal section of the well and fracture stimulate the second test well in late July 2012. The first test well will be fracture stimulated following the second well in order to optimize operations scheduling.

Leasing of Acreage

Additionally Otis and its partners have now increased their acreage position of the Comanche project from 6,000 to over 9,000 gross acres.

Sombrero

The first well at Sombrero has now been fraced, production tubing set and rods installed. The well is now awaiting the final installation of a pumping unit and to be hooked up to the electricity lines. All production tanks are now installed and completed. The well's flow rate will be known once the unit is powered up. Post flow testing it will be decided if additional offset wells can be drilled to the San Andres to further exploit the reservoir.

Typically, flow rates for the San Andres in the region on a per well basis range from 15-50 BOPD. With the formation sitting at less than 5,000 feet it presents an inexpensive drilling and completion cost to exploit the rest of the potential reserves.

Charro

The first well at the Charro project made target depth of 7,550 feet on Tuesday night June 19th. There are two zones of interest, the Paddock and the Blinebry. The Blinebry will be selectively perforated and fraced over the 6,300-7,000 foot range. The Paddock, being higher in the well will be perforated at a later date and potentially commingled with the Blinebry production. At present 5 ½ inch production casing and tubing is being run and production facilities are being prepared. It is expected that the well will be fraced in the coming weeks. Initial production rates of 50-100+ BOPD have been observed in offset wells in the Paddock/Blinebry formations.



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Catahoula Lake

During the drilling season five wells were drilled and two are being completed to be placed into production. Production platforms are now in place with unidraulic pumps inserted into the wells. Approximately 14,000 feet of coated flow lines have been run to and from the Company's jointly owned production facilities. It is expected that the wells will be connected to facilities in approximately one week's time and testing of the wells can begin.

Post season analysis at Catahoula Lake will involve remapping of potential drilling targets and reservoirs. As always, the potential to drill wells from a land rig may present itself once the lake is drained. Approximately 20% of the lake can be accessed by a land rig during the late summer.

Second Half 2012 - Exploration wells currently planned with estimated timelines;

Comanche - 1 well in Q3-Q4

Sombrero- 1-2 wells in Q4

Charro- 1-2 wells in Q4

Catahoula Lake- potential for 1 well in late Q3, early Q4

Since the capital raising was completed earlier this year Otis has been extremely active in acquiring and drilling new prospects, drilling existing prospects and now entering the completion and production phase.

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.