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Charro Project – Paddy 23 #1 Update

Highlights;

- **Well to be completed for production**
- **Well logging complete**
- **24 feet of potential pay.**

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% WI, 4.29% NRI).

As of Thursday afternoon US time on 25 October 2012 the Paddy 23 State # 1 well has reached target depth of 7,500 feet and logs have been run identifying multiple potential pay zones. The primary interest is in the intervals 7051 - 66' and 6135 - 44' feet across the Paddock-Blinebry formations. Other prospective intervals may also be added after further evaluation.

Otis has elected to participate in the completion of the well. It is expected to be several weeks before the well is completed and initial flow rates will be known.

The Paddy 23 State #1 well is targeting the Paddock/Blinebry formations at approximately 7,500 feet (2,286 metres).

Dry hole costs (DHC) attributable to Otis for this well are \$US 70,257. Completion costs to put the well into production should it be a successful are estimated at \$38,211.

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 is particularly focussed on the application of modern drilling and completion techniques in the previously discovered yet undeveloped hydrocarbon trends.

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

For more information contact;
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The information in this announcement has been reviewed by Truitt Mathews (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 Mathews 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

BPORI - Before Payout Revenue Interest
 NRI – Net Revenue Interest
 WI – Working Interest