



Otis Energy Limited

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ASX Release

12 June 2012

Otis Acquires Second New Mexico Exploration Project

Highlights

- **Multi pay environment in prolific oil/gas producing region**
- **First well already spud**
- **25,000 to 250,000 barrels oil per well potential**

Otis Energy Limited (ASX: OTE) is pleased to announce the acquisition of a 5.5% WI (4.29% NRI) in the Charro Oil Exploration Project located in Lea County New Mexico.

The Charro Project is located along the Northwestern 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 7,400'. Additional reserve potential may be present in the Abo, Wolfcamp, Cisco, Atoka and Morrow formations below the Paddock/Blinebry formations.

The first well at the Charro Project spud on June 2nd and will be drilled to a total depth of 7,500' to test the Paddock/Blinebry formations. The well is expected to take 20-25 days to reach target depth. Typical Paddock/Blinebry completed wells in the area range from 25,000 barrels (25MBO) to over 250,000 (250MBO) total recoverable barrels of oil per well plus high liquid content associated natural gas. Average gross reserves per well in the area are 110-125 MBOE in the Paddock/Blinebry formations.

The operator of the Charro Project is a fully staffed, private exploration and production company with primary operations along the Upper Gulf Coast of Texas and the Permian Basin of West Texas and Southeast New Mexico. It has been operating for over 30 years and currently operates over 210 active producing wells.

Otis will have a low cost of entry in the Charro Project by paying \$5,000 for reimbursement of costs for acreage, geology, geophysical and engineering work. Otis will also fund, on a third for a quarter basis, the drilling costs for the first well drilled at Charro (funding 7.33% to casing point). Expected costs to drill, complete and equip a well with facilities stands at \$115,000 per well to Otis.

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;

AMI = Area of Mutual Interest

MBO = 1,000 Barrels of Oil

MMBO = 1,000,000 Barrels of Oil

MCF = 1,000 Cubic Feet of Gas

MMCF = 1,000,000 Cubic Feet of Gas.

WI = Working Interest

RI = Revenue Interest

NRI = Net Revenue Interest

DHC = Dry Hole Cost