

**OTIS ENERGY LIMITED**

A.C.N. 075 419 715

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## Otis Energy Operational Update

### Highlights

- Test Well # 2 stabilizing at 25 BO and 275 MCFPD
- Third well planned for Q1 2013
- Potential for multiple infill wells
- Otis receiving revenue from Test Well # 1 and # 2
- Acreage rates in the MFL play continue to rise - from \$300 to \$750 an acre
- New entrants joining the play, multiple wells permitted

**Otis Energy Limited (ASX: OTE)** is pleased to provide the following operational update.

**Comanche Update (16.66% BPOWI, 12.5% BPORI; 12.5% APOWI, 9.375% APORI).**

To date two test wells have been drilled at the Comanche Project located in the Jack and Young Counties in North Central Texas. The Hoefle # 1H (Test Well # 1) and the Sloan # 1H (Test Well # 2).

**Otis Managing Director Barnaby Egerton-Warburton** commented "The big picture at Comanche is that this is an extremely early phase of the MFL play that is gaining momentum. Lease rates in the play have risen from the \$300 per acre range to as high as \$750 an acre over the last six months. The MFL play is like many other plays that start slowly and gain momentum as results improve with better understanding of the drilling, completion and production of these wells. With multiple wells permitted in nearby locations from the company's such as Cobra, Veritas and Oakridge Energy and the recent entry of Petrichor the play is gaining momentum and exposure. It is always better to be in at the early stage than a late comer paying big acreage leasing rates. We remain upbeat on Comanche and look forward to further enhancing the plays economic returns".

**Sloan # 1H Well (Test Well # 2)** has performed to expectation and appears to have stabilized at an average flow rate of approximately 25 BOPD and 275MCFPD (70 BOEPD) over the last four weeks. The well has seen a sharper than normal decline in daily water production which leads the operator to believe that there may be a potential blockage within the well inhibiting the flow of fluids to surface. Any potential blockage, sand or debris, is likely to be removed within the coming weeks as a workover rig has been commissioned. Following the clearing of the blockage, Test Well #2 will be placed on long term production which is expected to occur before year end. Otis has begun receiving revenue cheques from both the Test Well # 1 and # 2. It should be noted that oil from the Comanche Project is priced at West Texas Intermediate pricing and Gas is priced at an average of 1.5 -1.75x spot natural gas price.

**Hoefle # 1 H (Test Well # 1)** flow rates have declined since the initial production test and have performed below expectations. The Test Well # 1 has begun to

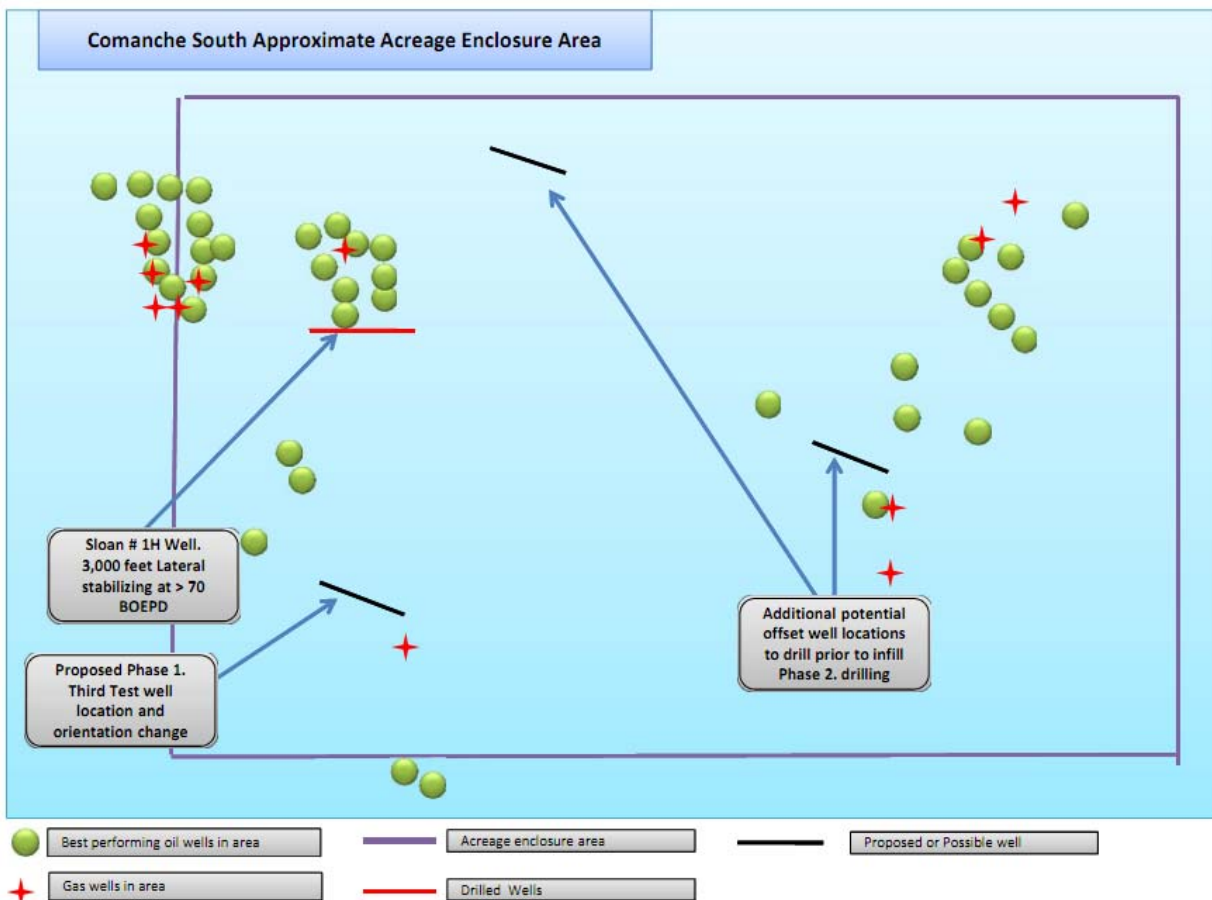
stabilise in the 10 BOPD and 50 MCFPD range (18.33 BOEPD range). It is now believed that potential depletion issues are due to unreported production from nearby offset wells in the MFL. The well continues to produce under gas lift (gas from the well is injected back into the well to assist in lifting oil and fluid to surface). The Test Well #1 will continue to be observed and left in production.

**NuTech Recommends changes to further test wells drilled at the Comanche Project.** NuTech, an independent advanced completions engineering firm based in Houston Texas was commissioned by the partners of the Comanche Project to evaluate the two test wells drilled to date. NuTech focussed specifically on the fracture stimulation size, fracture fluid make-up and well orientation to enhance penetration of the micro fracturing present in the Marble Falls Limestone. NuTech has designed an optimized completion plan for the planned third well at the Comanche Project with an increase in fracture stimulation size, changes to fluid properties and a slight change in lateral well direction to enhance fracture penetration. There is also the potential to increase the length of the lateral section of the well to more than 3,000 feet.

**Otis Energy Manger of Engineering Steve Burr said** “when looking at any emerging play like the horizontal Marble Falls Formation we have at the Comanche Project the fracture stimulation process is extremely intricate. We need to continuously evaluate the fluids, sand or propant, pump rate of frac fluid, pressure, how many stages and the spacing of those stages we use in the frac design. The fracture stimulation process will be continuously improved until we optimize the completion practices and resulting production from future wells”.

**Planned Drilling**

Updated cost estimates and the rig schedule are being evaluated to drill a third test well in the Comanche Project for 1Q 2013. This well is currently planned as the second well in the Comanche South acreage position.



## 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 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>Stagecoach</i>             | 10%              | 7.4%             | Texas                   |

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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

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