

**Quarterly Activity Report  
FOR THE QUARTER ENDED 31 DECEMBER 2013**

**Company Snapshot**

ASX CODE: .....OTE

Recent Price:..... \$0.001

Cash at end of Quarter:..... \$161,000

Shares outstanding:..... 1,279,564,508

Market Capitalisation:..... \$ 1,279,000

Share price range (12 months):..... \$0.001 - \$0.003

**Net Production**

<b>Project</b>	<b>Oil/Condensate (Bbls)</b>	<b>Natural Gas (MCF)</b>	<b>Barrels Oil Equivalent (BOE)*</b>
<b>Catahoula Lake</b>	1,452	627	1,557
<b>Comanche</b>	91	1,174	286
<b>Avalanche</b>	0	2,964	494
<b>Charro</b>	24	0	144
<b>Total</b>	1,567 Bbls	4,765 MCF	2,361 BOE

*\*Natural gas is converted to BOE on the basis of 6Mcf of natural gas is equivalent to 1 BOE.*

## Quarterly Activity Report

### FOR THE QUARTER ENDED 31 DECEMBER 2013

#### Highlights

- **Non-Government Joint Venture Partners in Block 7 (Al Barqa'a) approve Otis' acquisition of an 8.5% interest (10% paying) from Mitsui E&P Middle East.**
- **Yemen acquisition now with Yemen Ministry of Minerals awaiting approval.**
- **Yemen - Potential for extended well test in Q3-4 2014 of the Al-Meashar-1 & 2 wells.**
- **Comanche Project acreage sale underway, expected close mid to late February 2014**

#### Corporate

During the second quarter 2013 **Otis Energy Limited (ASX: OTE)** entered into an agreement with Mitsui E&P Middle East B.V. in relation to the acquisition of an 8.5% working interest (10% paying interest) in Block 7 in the Republic of Yemen.

The signing of the agreement, which is in essence a conditional offer to Mitsui, is the first stage in a confidential process defined by the Joint Operating Agreement for Block 7.

Having signed the agreement, the confidential process defined by the Joint Operating Agreement is triggered and the Company now awaits the completion of that process to determine whether it can proceed toward the acquisition of the interest in Block 7. Completion of the acquisition is subject to approval from the Yemen Government. This process is now with the Yemen Ministry of Minerals and must pass through their legal, financial and administrative departments before the Minister for Oil and Minerals approves the transaction. More information on Yemen and its energy sector can be found on the "Yemen Petroleum Exploration and Production Authority (PEPA) Web site [www.pepa.com.ye](http://www.pepa.com.ye)

During the quarter the Non-Government Joint Venture Partners for the Block 7 exploration licence in the Yemeni Republic have approved the sale of Mitsui's 8.5% interest to Otis Energy.

#### Operational

##### Average Net Daily Sales

Average net daily sales to Otis for the December quarter remained stable and were approximately 17.22 BOPD (-3.7%) and 52.95 MCFPD (-13.5%). Oil was lower due to shut in days at Catahoula Lake due to weather and gas production was lower due to downtime at the Roy O Martin well at the Avalanche project. Net production to Otis for the quarter was 2,361 BOE which consists of 1,567 BO and 4765 MCF of gas.

There were no petroleum projects and or leases acquired or disposed of during the quarter.

## Yemen Block 7

### About Yemen Block 7

Block 7 is located in the Shabwa Basin approximately 340km east of Sana'a, the capital of the Yemeni Republic and covers an area of approximately 5000 square kilometres (1,235,527 acres). Block 7 contains the "Al Meashar" oil discovery within a proven basement play fairway, *Figure 1*.

### Al Meashar Oil Discovery

The Al Meashar discovery was drilled 14 km east of OMV's Habban Oil Field in the Al Uqlah Block S2. The discovery well, *Al Meashar-1 (AM1)*, was drilled in March 2010 to 3660 metres (12,000 feet) and discovered hydrocarbons in the basement and overlying Jurassic aged Kuhlan Sandstones and Shuqrah Carbonates and these are the equivalent producing zones in the OMV (Habban) field nearby. During the test period, lasting 16 days, the comingled Shuqra, Kuhlan and Basement formations flowed at a peak rate of **950 BOPD** through a 1" choke with associated gas. The well was suspended as a possible future producer pending further analyses.

*The Al-Meashar # 2 well (AM2)* was drilled as a twinned appraisal well to the Al-Meashar # 1 discovery with a view to test the fractured basement reservoir only. During a 21 day production test the AM2 well produced oil at a maximum flow rate of 200 BOPD through a 1" choke with associated solution gas. The well was suspended as a possible future producer pending further analyses.

### Potential extended well testing in Q3-4 2014

A feasibility study which includes surface facilities design engineering, and costings is planned for early 2014 with the goal of initiating an extended well test (EWT) towards the second half of 2014. The study will investigate the possibility of installing early production facilities and the use of a work-over rig to install completion strings in both the Al-Meashar # 1 & 2 wells. The aim of the EWT is to determine the commercial potential of the two wells drilled to date.

### Multiple Prospects and leads.

Block 7 contains additional leads and prospects generated from 2D and 3D seismic surveys. To date 276 square kilometres of 3D and over 1,000 sq. kilometres of reprocessed 2D have been shot on Block 7 with up to ten prospects and leads awaiting further evaluation.

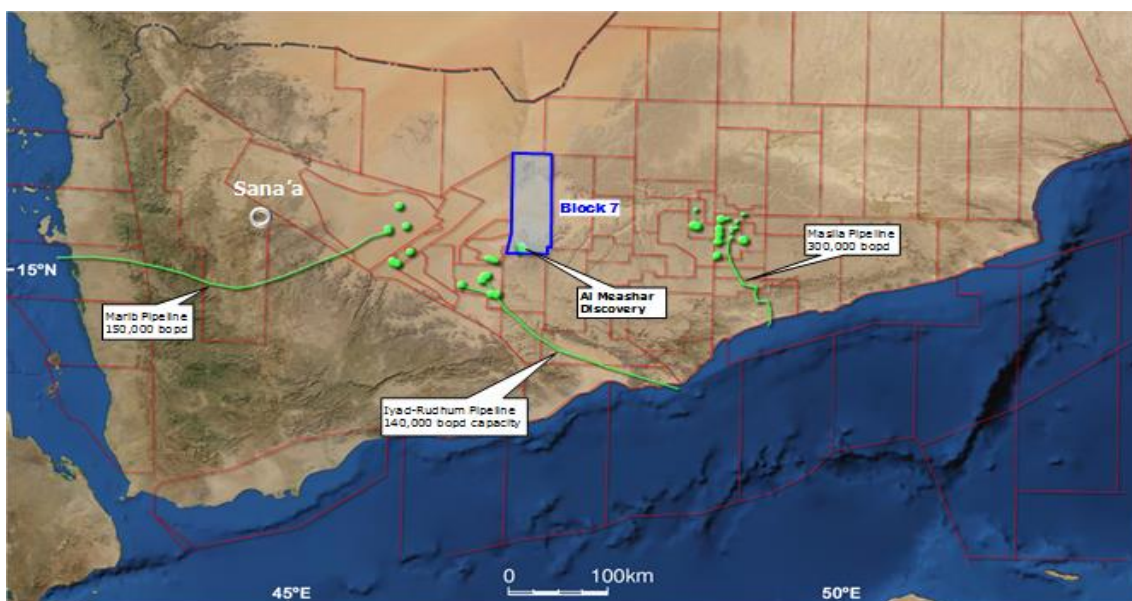


Figure 1. Block 7 location in the Republic of Yemen

**Comanche Project (16.66% BPOWI, 12.5% BPORI, 12.5% APOWI, 9.375% APORI)****Location – Jack and Young Counties Texas, United States**

Otis has a 16.66% BPOWI with a 12.5% BPORI in over 10,000 acres in the Comanche Project and is targeting the Marble Falls Limestone (MFL). A total of three wells have now been drilled at Comanche. The first two wells, the Sloan and Hoefle wells were completed with 3,000 feet lateral sections and fracture stimulated, the Lott Unit # 1 well, was completed as a vertical well with three stage fracture stimulation in the Marble Falls Formation.

During the quarter Otis and its Working Interest Partners in the Comanche project entered into a due diligence and sale process to sell 9,878 acres in the Comanche project to a private oil and gas company. Closing of the sale is expected to be mid to late February subject to satisfactory due diligence by the purchaser. Reserved from the sale will be two wells (Sloan and Lott) and a Mississippian prospect that has been identified by the recent 3D seismic survey.

During the quarter the interpretation of the 3D seismic survey targeting the identified Mississippian reef prospect was completed. A vertical well to test the prospect is planned for the third quarter of 2014.

**Catahoula Lake Project (20% WI, 14.5 – 17.5% NRI)****Location -LaSalle Parish Louisiana, United States**

During the quarter production from Catahoula Lake remained reasonably stable at 16 BOPD net to Otis. Small declines were seen due to wells shut in by maintenance and or bad weather.

As previously advised, there will be no drilling from the Company's jointly owned barge rig for the 2013/14 season due to a decision by the Louisiana Department of Fisheries and Wildlife to drain the lake early each year. Due to the high costs associated with mobilisation and demobilisation of the rig and equipment a decision has been made to postpone all drilling until the lake is either dry or the commencement of the 2014/15 season.

The Catahoula Lake Project is located in LaSalle, Rapides and Grant Parishes, Louisiana and targets multiple "stacked" oil zones throughout the Middle-Wilcox formation at depths ranging from 4,500 to 5,500 feet. Wells drilled in the Middle-Wilcox exhibit long production lives with low decline rates after the initial flush oil is produced and relatively steady production is established.

**Avalanche Project (10 - 12.389% WI, 7.4% - 9.0439% NRI)****Location - Evangeline Parish, Louisiana, United States**

The Roy O Martin 21 # 1 (12.389% WI and 9.0439% NRI) well was placed into production on 25 April 2013. The Roy O Martin well averaged production of 356 MCFPD over the quarter. Net Daily gas production to Otis was 32MCFPD.

A second gas anomaly sits between the Roy O Martin 21 # 1 well and the sales line tie in point. The pipeline has been designed to pass alongside the second target which may be drilled following observation of production from the Roy O Martin 21 # 1 well and gas prices over the coming year.

The Avalanche Project is located in Evangeline Parish Louisiana, covers close to 24,000 acres and is approximately 75% covered by a proprietary 3D seismic survey.

**Charro Project (5.5% WI, 4.29% NRI)****Location – Lea County New Mexico**

The two wells at the Charro Project, Paddy 20 State #1 and Paddy 23 State # 1, continued to produce at very low rates during the quarter. Net production to Otis from the two wells was 24.3 BO for the quarter.

## Other Assets

There was no material exploration or development activity at any of the other assets during the quarter.

For more company information please visit our website at [www.otisenergy.com](http://www.otisenergy.com) or 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 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).*

*The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons*

## GLOSSARY OF TERMS

BOE – BARRELS OF OIL EQUIVALENT (Calculated at 6MCF = 1B0)

BOEPD – BOE PER DAY

BOPD - BARRELS OIL PER DAY

MCF – THOUSAND CUBIC FEET

MCFPD – MCF 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