

ASX/MEDIA ANNOUNCEMENT

14 January 2010

The Manager
Companies Announcements Office
Australian Securities Exchange



THE OTWAY PETROLEUM PROJECT - UPDATE

The **Otway Petroleum Project** is Adelaide Energy Ltd's (ADE's) 100% owned suite of integrated production, development and exploration oil and gas assets, which are located in the South Australian section of the onshore Otway Basin.

Given the substantial ongoing activity currently being undertaken by ADE in the *Otway Petroleum Project*, the Company intends in this quarter to issue weekly updates to investors on the progress being made in the various project areas, as follows:

PROJECT	PROGRESS REPORT
PEL 255 : Drilling	<ul style="list-style-type: none">▪ Earthworks and other site works have commenced at Jacaranda Ridge in preparation for the forthcoming drilling of the back to back Hollick #1 and Brand #1 wells (see Attachment 1 below)▪ Spud date is expected to be at the end of February/start of March 2010
Katnook Gas Plant Production enhancement	<ul style="list-style-type: none">▪ Compression units ("gas-jacks") have been installed on two existing wells (Haselgrove 1 and 2) to enhance gas production▪ Production testing to sales line has commenced
Pipelines : PL 19	<ul style="list-style-type: none">▪ The contractor engaged by ADE to connect gas pipelines from Jacaranda Ridge and Limestone Ridge to Katnook is currently proceeding – expect full scale works to commence in the next fortnight
PEL 494/496 : Seismic	<ul style="list-style-type: none">▪ Terrex has been contracted to shoot ~100 km of 2D seismic in exploration permits PELs 494 and 496▪ The seismic program will commence next month
Business Development: Strategic Asset Monetisation	<ul style="list-style-type: none">▪ ADE is in discussions with a number of large energy industry players over the company's gas storage development opportunities at Katnook and Ladbroke Grove▪ Feasibility studies are currently being conducted into small scale gas-fired generation options at Ladbroke Grove

The Otway Petroleum Project (100% ADE) comprises:

- a. PEL 255 : contains the Jacaranda Ridge 2 discovery + 5 extra targets
- b. The Katnook Gas Assets consisting of:
 - The Katnook Gas Processing Plant and associated infrastructure
 - The Ladbroke Grove Gas Processing Plant and associated infrastructure
 - Petroleum Retention Licences 1 & 2
 - Petroleum Production Licences 62, 168 & 202
 - Existing gas pipelines to the Gas Plants from wells in the PPL's
 - 13 Producing/shut in gas/gas liquids wells
- c. PEL's 494 and 496 – 2 exploration licences awarded to ADE on 24 March 2009

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Attachment 1 – Earthworks commenced at Jacaranda Ridge

PREPARATION WORKS START AT THE JACARANDA RIDGE 2 SITE 7th January 2010.



REMOVING OVERBURDEN TO PREPARE THE
DIRECTIONAL DRILL SITE PAD



EARTHWORKS EQUIPMENT BEING UNLOADED
AT THE JACARANDA RIDGE 2 SITE PAD

JACARANDA RIDGE 2 WELL.

Caged Well Head with safety and shut off valves.
Tested at 3 million cubic feet per day.



- The Hollick #1 and Brand #2 wells will be drilled from the Jacaranda Ridge #2 site
- Modern drilling techniques allow “deviated” wells to be drilled to multiple sub surface targets from one surface location
- Earthworks and other preparatory work for these wells have commenced
- ADE is installing a gas pipeline from this site to the Katnook gas processing plant
- By drilling the new wells from the existing well pad, ADE will achieve:
 - The utilisation of the sunk investment previously made into the existing pad
 - The ability to readily connect any discoveries into the new pipeline
 - A reduction in the company’s drilling “footprint”
 - The avoidance of any rig mobilisation costs between the 2 wells
 - Easier remediation post drilling

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