

ASX/MEDIA ANNOUNCEMENT

14 December 2010

The Manager
Companies Announcements Office
Australian Securities Exchange



THE OTWAY PETROLEUM PROJECT – WIRELINE PROGRAM 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.

Earlier in 2010, ADE drilled and completed a number of wells as part of its Otway Petroleum Project. Following subsequent laboratory and desktop technical analysis, in the last 2 weeks ADE has undertaken various wire-line based activities on these wells and has achieved the following results:

- **Patrick 1** : The first zone of the Sawpit sandstone was perforated and the well tested to flare with some improvement to the well's productivity. The well can now produce at the required pressure to test to the sales line and the Company plans to put the well on production later this week. Initially the well is expected to produce up to 500,000 cubic feet of gas per day with a volume of condensate yet to be determined. Depending on the results of this testing, the well may be perforated further in the Sawpit sandstone and/or the well put on compression over the coming months.
- **Hollick 1** : The well was perforated in another zone of the Sawpit Sandstone and although there appeared to be no immediate improvement to the well's producibility on a short term test, well pressure is building up more rapidly than previously. The well will be produced on compression to sales line and observed under extended production testing in the near future.
- **Wynn 2** : The well was perforated in 2 extra zones on separate occasions with extensive swabbing in between. Crude oil was observed in the well and although this is encouraging, further work is required to determine source and commerciality.
- **Extended Production Testing Approval** : The Company now has Regulatory approval to proceed with extended production testing of Patrick 1, Hollick 1 and Jacaranda Ridge 2 (the latter for a further 6 month extension) via a sales line.
- **Facilities** : Work on the permanent production facility at the Jacaranda Ridge site containing the three wells will be completed in the next few days and will allow the wells to be put on sales production to the Katnook Gas Facility. The permanent facility also allows the use of compression which will be put on line upon the installation of a further three Gas Jacks due in early January 2011.

- **Reserves** : Monitoring this production will assist ADE in determining the additional reserves added to the PEL 255 inventory. An independent audit of these reserves will be conducted in early 2011.
- **Camera Work** : Downhole camera work on Patrick, Hollick and Jacaranda Ridge 2 has provided additional data to feed into the Company's evaluation program with respect to better understanding the local reservoirs and the petroleum reserves contained therein.

Commenting on the program, ADE's Managing Director, Mr Carl Dorsch, said:

"We continue to be encouraged by the results we have been getting from these Otway Basin wells and have made good progress in their technical evaluation and in understanding the extent of their commerciality. Along with gas and condensate, we have seen crude oil in Wynn 2 which is an exciting development, but much work remains to be done before we could convert this technical discovery into commercial production. In parallel, work will continue on producing/selling gas and establishing gas reserve levels from the new and existing wells.

Gas and condensate sales remain strong and we currently anticipate reaching 1,000 TJ of gas sales for the year ending 31 December 2010."

The Otway Petroleum Project (100% ADE) comprises:

- PEL 255 : contains the Jacaranda Ridge-2, Hollick-1 and Patrick-1 wells and 3 remaining targets
- 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 (Wynn) & 2 (Limestone Ridge)
 - Petroleum Production Licences 62, 168 & 202
 - Existing gas pipelines to the Gas Plants from wells in the PPLs
 - 13 Producing/shut in gas/gas liquids wells

(Note: a map of a. and b. is attached below)
- PELs 494 and 496 – 2 exploration licences awarded to ADE on 24 March 2009
- PRL 13 (50% ADE) – Killanoola Prospect (soon to be 100% ADE)

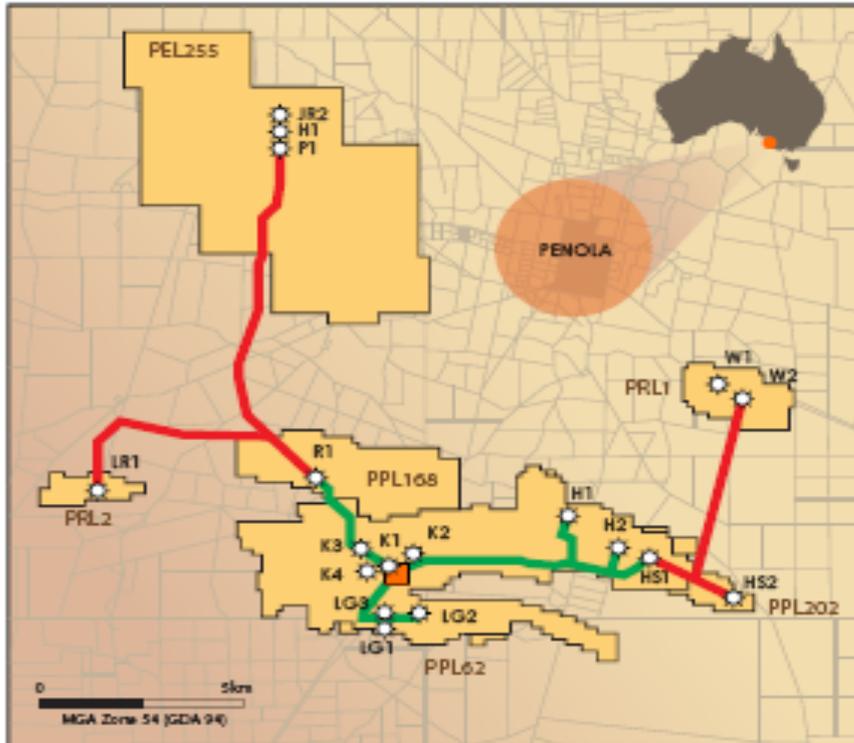
For further information contact:

Carl Dorsch
Managing Director
Adelaide Energy Limited
Mob: 0400 508 088
c.dorsch@adelaideenergy.com.au

Neil Young
Chief Commercial Officer
Adelaide Energy Limited
Mob : 0417 850 245
neil.young@adelaideenergy.com.au

ASX Code : ADE

ADE Production Assets The Otway Petroleum Project



- | | |
|---|---|
|  Katnook Gas Plant |  PPL Petroleum Production Licence |
|  Existing Pipeline |  PRL Petroleum Retention Licence |
|  ADE Pipeline (tied-in March 2010) |  PEL Petroleum Exploration Licence |
| |  Petroleum WELL |
| | LR - Limestone Ridge |
| | K - Katnook |
| | LG - Ladbroke Grove |
| | W - Wynn |
| | H - Hazelgrove |
| | HS - Hazelgrove South |
| | R - Redman |
| | JR - Jacaranda Ridge |
| | P - Patrick |
| | H - Hollick |