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Manager of Company Announcements  
Australian Stock Exchange Limited  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000



By E-Lodgement

## **Otto and Incremental announce the start of the 2006/07 drilling and testing program in Turkey**

### **Highlights**

- **Otto Energy Ltd ("Otto" ASX – OEL) has pleasure advising that the Koyustu-1 gas exploration well in the Edirne Licence in the Thrace Basin of European Turkey is due to spud around 25 December 2006. Otto has a beneficial 65% interest in the licence.**
- **Koyustu-1 will be drilled to a Total Depth of around 650m with the primary target intervals, the Oligocene-Miocene Osmancik sandstones, expected between 350 and 500m. Total drilling time will be around 10 days, after which a testing program may follow if wireline logs indicate the presence of gas in reservoir quality intervals.**
- **Following the completion of the Koyustu-1 well, the rig will be moved to the adjacent Bati Umur-1 gas discovery for flow testing of that well. Bati Umur-1 was drilled by the Otto Joint Venture in December 2005 and wireline logging showed several intervals with gas saturations in reservoir quality sandstones.**

### **Background**

The Edirne Licence Joint Venture comprises Otto Energy 65%, Incremental Petroleum Ltd 15% ("Incremental" – ASX: IPM) and Turkish Operators Merty Energy and Petraco Energy – 10% each.

The first two exploration wells drilled by the Edirne Joint Venture in December 2005 and January 2006 resulted in a potential gas discovery at Bati Umur-1 and a well with promising gas intervals at Arpacı-1. The wells could not be tested at the time due to severe winter conditions.

Following the 2 well drilling program in December/January 2005/06, the Joint Venture carried out a seismic survey of 185 line km to mature further drilling targets in the Edirne Licence. Otto is being carried through the seismic and drilling up to an expenditure of A\$3million by Incremental.

The first well in the 2006/07 drilling program will be Koyustu-1 on a prospect immediately adjacent to the company's first gas discovery Bati Umur-1. Bati Umur was drilled in December 2005 and several zones of potential gas pay were identified on wire line logs. The well was not flow tested due to the severe winter conditions at the time of completion.

The Bati Umur discovery and Koyustu prospect both have positive geochemical anomalies at surface, indicative of mini gas seepage from the underlying structure,

as well as amplitude anomalies on seismic ("direct hydrocarbon indicators") coinciding with interpreted reservoir intervals.

Following the completion of drilling and evaluation at Koyustu-1, the rig will be moved to Bati Umur-1 for flow testing of that well. If either or both wells prove to contain producible gas, a feasibility study will commence immediately to identify the best way to commercialise these fields.

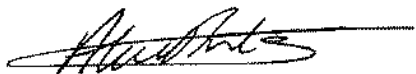
The Joint Venture is currently completing the interpretation of the final lines recorded in the recent seismic survey to select a second prospect for drilling, following the Koyustu / Bati Umur program.

Merty calculates a reserves estimate for the Koyustu prospect of up to 3.1 BCF of gas assuming 10m pay in the Osmancik Formation at around 500m depth. The Operator had previously calculated a potential reserve of up to 1.4 BCF of gas in Bati Umur assuming a 5 m gas pay interval. It is believed that as little as 1 to 1.5 BCF of gas is commercial in this area, given the favourable gas price of over US\$6.50 / mcf.

Commenting on the company's announcement, Otto's CEO Alex Parks said: -

*"The commencement of drilling in Turkey is the first step in what should be an exciting year of activity for Otto. We will endeavour to commercialise any discovery as rapidly as possible to generate positive cash flow which is a key target for Otto in 2007".*

**Yours faithfully**



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**Alex Parks**  
CEO

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**Editors Notes :**

**About Otto**

West Perth-based oil and gas explorer Otto Energy limited ("OEL") listed on the ASX on 20 December 2004 and has assembled a balanced portfolio of oil and gas exploration and production projects in the Philippines, Turkey and Argentina.

**Philippines**

Otto recently acquired 100% of NorAsian Energy Limited (NorAsian"), which gives the company operational control to progress the development of the Calauit Oilfield (SC50 – 65%) in late 2007, after recently securing a semi-submersible drilling and production rig. The Calauit Oilfield contains 39.4 mm barrels of oil in place of which 6.44 mm barrels are recoverable (mean category). Other licenses include East Visayan (SC 51-50%), Ultra Deep Water Palawan (SC 55-55%)

Otto now has one of the largest publicly owned acreage holdings offshore Philippines, with a total area of over 15,000 sq km (over 3.7 million acres). Canadian Vital Resources Corp ("Vital") agreed to acquire a 35% interest in SC 50 and a 30% interest in SC 51 and SC 55 on advantageous terms to Otto.

#### Turkey

Otto has 65%-80% in 3 gas prospective licences in the onshore Thrace Basin of European Turkey. Otto has a first well gas discovery in Bati Umur-1, which it hopes to commercialise in 2007, depending on further drilling success. Incremental Petroleum Limited ("Incremental") agreed to acquire 15% in the Edirne Licence by carrying out a \$3million exploration program, which has recently commenced with an 185km seismic survey completed to provide the current drilling targets.

#### Argentina

Otto and Oromin Explorations Ltd ("Oromin") agreed to a farm in arrangement, whereby Otto will initially earn a 32.48% working interest in the Santa Rosa Block in the oil prolific onshore Cuyana Basin of the Mendoza Province of Argentina - by contributing US\$1.4m towards drilling with option to earn an additional 8.7 per cent.

Website: [www.ottoenergy.com](http://www.ottoenergy.com)

#### Map of Thrace basin

