



ASX RELEASE

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Somerton targeting oil in latest addition to its Otway Basin Portfolio

Somerton Energy Ltd (ASX:SNE) has agreed the terms of a farm-in agreement under which it will acquire a 15% interest in the onshore Otway Basin petroleum exploration permit PEL 495 from Cooper Energy Limited.

PEL 495 lies in the South Australian Otway Basin and covers a portion of the Penola Trough which Somerton considers to be primarily prospective for oil.

Somerton's managing director, Mr. Hector Gordon, said, *"The acquisition of an interest in PEL 495 is a key step in building Somerton's portfolio of Otway Basin oil prospects. The permit contains 7 prospects and leads, each of which we consider to have the potential to contain up to 4 million barrels of recoverable oil. We expect that the first prospect, "Sawpit", will be drilled in the second quarter of 2011. If we are successful at that location an aggressive program to exploit the potential of the other prospects would be likely to follow. We have also identified an unconventional oil play in PEL 495 that we will pursue in the longer term."*

The Sawpit Prospect

Sawpit-2 will test an oil prospect located approximately 4 km northeast of Penola. The well's primary objective will be the early Cretaceous Sawpit Sandstone, which is near the base of the Otway Basin section. This basal section and the underlying Casterton Formation contain the best oil source rocks in the Otway Basin and have yielded oil shows and recoveries over a wide area, particularly along the northern flank of the Penola Trough. Most relevantly to PEL 495, Sawpit-1, drilled near the limit of closure on the Sawpit structure, encountered oil shows in the Sawpit sequence and recovered 1.5 bbls of oil during a Drill Stem Test (DST) of fractured basement.

Sawpit-2 will be located approximately 1 km north of Sawpit-1 and will be drilled to a total depth of approximately 2,500 metres. Somerton assesses the prospect to have the potential to contain up to 4.2 million barrels of recoverable oil in the Sawpit Sandstone.

Participants in Sawpit-2 and PEL 495 will be:

Somerton Energy	15%*
Cooper Energy	50%
Beach Energy	35%*

*subject to completion of farm-in agreement and regulatory approval

Farmin Terms

Somerton will earn a 15% interest in PEL 495, by:

1. A cash payment of \$95,000; and
2. A payment of \$95,000 as reimbursement of 15% past costs incurred in PEL 495; and
3. Contributing 30% of the cost to drill the Sawpit-2 exploration well.

Assuming a well cost of \$3million, this represents a financial commitment by Somerton of approximately \$1.1 million.

Divestment of PRL 13

Somerton has entered into an agreement with Adelaide Energy Limited to sell its 20% interest in PRL 13 (Killanoola) to that company for a cash sum of \$110,000. This decision has been made as participation in PRL 13 is not considered to be consistent with Somerton's strategic focus on projects with the potential to make material additions to its asset base.

Update on Wombat Project

Work associated with Somerton's farmin to the Wombat tight gas project in the Gippsland Basin commenced on 17 December 2010 with start-up of an extended flow and pressure build-up test of the Wombat-2 well. This work will be used to determine whether long term production from the well is economically viable and to assist in the design of the fracture stimulation program of Wombat-4, scheduled for the first quarter of 2011.

Wombat-2, which was drilled in 2004 by Lakes Oil, was fracture stimulated in 2004 and re-stimulated in mid-2009. Throughout 2010 a series of short two hour flow tests of the well were conducted. The PRL 2 Joint Venture now plans to flow test the well for approximately two weeks followed by an extended pressure buildup for about one month.

About Somerton Energy

- Somerton Energy recently completed a capital raising of \$12.5 million consisting of a share placement for \$0.7 million and a rights issue which realised \$11.8 million.
- The company now has 141 million shares on issue and has a market capitalisation of approximately \$21 million (@ \$0.15/share).
- Beach Energy is the company's largest shareholder with a 57% interest.
- Somerton holds around \$10 million in cash.
- Apart from the interest in PEL 495, Somerton Energy has interests in four exploration tenements in the Otway Basin and the Gippsland Basin.

For more information contact

Hector Gordon

Managing Director

Phone: 08 8433 1481

Email: hgordon@somerton.com.au

Media inquiries:

Ian Howarth

Collins Street Media

0407 822 319

Somerton Energy Limited

25 Conyngham Street, Glenside South Australia 5065

Telephone: 61 8 8433 1481 Facsimile: 61 8 8338 2336 E-mail: info@somerton.com.au ACN 089 956 150

