

18 January 2012

Manager of Company Announcements
ASX Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

By E-Lodgement

Highlights:

- UPDATE ON SERVICE CONTRACT 55 DRILLING PREPARATIONS**

Otto Energy Ltd (ASX:OEL) advises that it has received confirmation from farm-in partner, BHP Billiton, that it has issued a termination notice for the Transocean *Deepwater Expedition* rig due to the rig not passing key acceptance tests.

BHP Billiton has advised that it is progressing preparations to commence drilling the Cinco well and will provide an update on rig status when available.

Service Contract 55 is currently in Sub-Phase 4 which requires the drilling of the Cinco-1 deepwater well by 5 August 2012. Otto advises that at this point the date for commencement of drilling of the Cinco well is yet to be confirmed and will continue to update shareholders as information becomes available.

Yours faithfully



Gregor McNab
Chief Executive Officer

OTTO AT A GLANCE

- ASX-listed oil and gas company with significant growth potential.
- Production from Galoc Oil Field provides cash flow.
- High impact offshore exploration program in SC55 in 2012.
- Opportunity rich with substantial exploration prospects and leads in Palawan and Visayan basins.

COMPANY OFFICERS

Rick Crabb	Chairman
Ian MacIver	Director
Rufino Bomasang	Director
John Jetter	Director
Ian Boserio	Director
Gregor McNab	CEO
Matthew Allen	CFO/Coy Secretary

Contact:
Matthew Allen
Chief Financial Officer
+61 8 6467 8800
info@ottoenergy.com

Media:
Dudley White / John Gardner
MAGNUS Investor Relations + Corporate Communication
+61 2 8999 1010
dwhite@magnus.net.au / jgardner@magnus.net.au