



15 January 2010

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

By E-Lodgement

SEISMIC ACQUISITION AND FARM IN OPTION AGREEMENT- SERVICE CONTRACT 55, PHILIPPINES

Otto Energy Limited (ASX: OEL) advises that it has entered into a seismic acquisition and farm in option agreement in respect to its SC55 permit in the Philippines with BHP Billiton (**BHPB**).

Under the agreement, Otto is required to secure seismic services providing for the commencement of the seismic acquisition. BHPB will fund the acquisition and processing of a minimum of 1,000 km² and up to 2,000 km² of 3D seismic in SC55. In consideration Otto has agreed to grant BHPB exclusivity to review the entire seismic data base and exercise an option to farm-in to SC55.

The farm in option provides BHPB with an exclusive right to elect to earn a 60% net participating interest in SC55 through funding the drilling of the two deepwater exploration wells and the reimbursement of Otto's past costs. BHPB will also be assigned operatorship in the event that it elects to farm in to SC55. If BHPB elects to drill only the first deepwater exploration well then BHPB will transfer back 30% interest and operatorship of SC55 to Otto.

Any farm-in by BHPB will be subject to the negotiation of formal farm-in and joint venture agreements and all necessary approvals being obtained from the current Joint Venture partner and the Philippines Department of Energy.

Otto has recently completed the acquisition of 600 km² of 3D seismic in SC55 and is pleased to be working with BHPB to acquire and process up to an additional 2,000 km² of new 3D seismic in the Service Contract. Together these seismic surveys will allow Otto to establish a comprehensive subsurface understanding of the offshore Palawan permit area and prospects inventory for future drilling campaigns.

SC55 covers an area of 9,000km² and is located offshore Palawan Island in the Philippines. Otto currently has an 85% working interest in SC55 and is the operator.

Yours faithfully

Paul Moore
Chief Executive Officer

Contact:

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