

ASX/MEDIA ANNOUNCEMENT

26 May 2010

The Manager
Companies Announcements Office
Australian Securities Exchange



THE OTWAY PETROLEUM PROJECT – TESTING 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.

ADE has recently drilled and completed a number of wells as part of its Otway Petroleum Project. This report provides an update on the ongoing testing program on those wells. The Company expects the majority of the testing work to be completed over the next two weeks. Significant events will be reported as they arise.

TESTING PROGRAM REPORT TO 0600 hrs 24 May 2010

ITEM	DETAIL
Patrick-1	<ul style="list-style-type: none">Testing of Patrick-1 to date has focused on perforating the Jacaranda Ridge SandstoneGas and condensate have flowed to surface from this reservoir - at a rate of ~300,000 scf/d + 20 bbls of condensate (see picture below)Programs to increase these flow rates (through, e.g., re-perforations, acidification, etc) will be applied over the next few weeksThe Sawpit Sandstone is yet to be perforatedData obtained in the testing program to date will enhance reservoir understanding and hence reserves bookings, further drilling opportunities, stimulation optimization plans, etc
Hollick-1	<ul style="list-style-type: none">Perforations in the deeper Sawpit Sandstone have not as yet produced hydrocarbon flowsA program of perforating the entire Jacaranda Ridge Sandstone is ongoing as at the date of this Report
Wynn-2	<ul style="list-style-type: none">Three separate zones in Wynn-2 have been identified for perforation and these will be approached from the bottom up over the next week
Safety issues	<ul style="list-style-type: none">None
Environmental issues	<ul style="list-style-type: none">None

The Otway Petroleum Project (100% ADE) comprises:

- a. PEL 255 : contains the Jacaranda Ridge 2 discovery + 5 extra targets
- b. 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 PPL's
 - 13 Producing/shut in gas/gas liquids wells
- c. PEL's 494 and 496 – 2 exploration licences awarded to ADE on 24 March 2009
- d. PRL 13 (30% ADE) – Killanoola Prospect (soon to be 80% ADE)

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ASX Code : ADE

Flare from Patrick-1

