



MEDIA RELEASE

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Somerton Energy develops Otway Basin shale strategy

Somerton Energy Limited has cemented a vital component in its Otway Basin unconventional oil and gas strategy by securing a Western Victorian exploration permit designated as PEP 171.

Somerton will hold 25% of the permit area, previously known as VIC/0-10(1) in joint venture with Beach Energy.

The new permit is the third Otway tenement acquired by Somerton since its restructure in 2010 and forms an important part of its strategy to explore for unconventional sources of oil and gas within the Otway Basin. This strategy recently received significant support from the results of an independent review of the unconventional prospects of the Otway Basin.

The first drilling, seeking shale based natural gas resources, is due in late 2011.

The expansion of Somerton's Otway Basin portfolio has been driven by Somerton's view that the Casterton Formation, in the western Otway Basin, has the potential to host significant, unconventional, oil and gas resources. This view has been developed utilising a combination of open file data and proprietary geochemical analyses carried out by Beach Energy Limited (which is available to Somerton through its alliance with that company).

Somerton's internal estimates, supported by the independent analysis, suggest the Casterton Formation, within the Otway Basin could contain more than 25 trillion cubic feet of gas and significant oil volumes.

The Casterton Formation contains shales that are the source rocks of the commercial gas accumulations now in production in the Penola Trough region. The Casterton formation has also generated oil, as evidenced by the widespread oil flows/recoveries and shows, particularly on the flanks of the basin. The formation is widespread but has only been penetrated in about ten wells, all of which are located on the flanks of the basin where the Casterton is not sufficiently thermally mature to present a viable shale gas play.

Somerton Energy managing director, Mr. Hector Gordon, said, "Somerton's acquisition strategy in the Otway Basin is similar to that undertaken by Beach Energy which is exploring for shale based gas resources in the Nappamerri Trough in the Cooper Basin."

"We identified a good shale gas play and gradually secured a strong acreage position in the prospective fairway. Now that our acreage position is established, we can be more definitive about our views on the prospectivity of the play. We rate the Casterton play highly and consider that it has the potential to yield substantial gas reserves, of similar size (two trillion cubic feet - tcf) to the resource recently announced in the Nappamerri Trough".

Mr Gordon said that the existing well control data indicates an average prospective shale thickness in the Casterton Formation of about 85 metres.

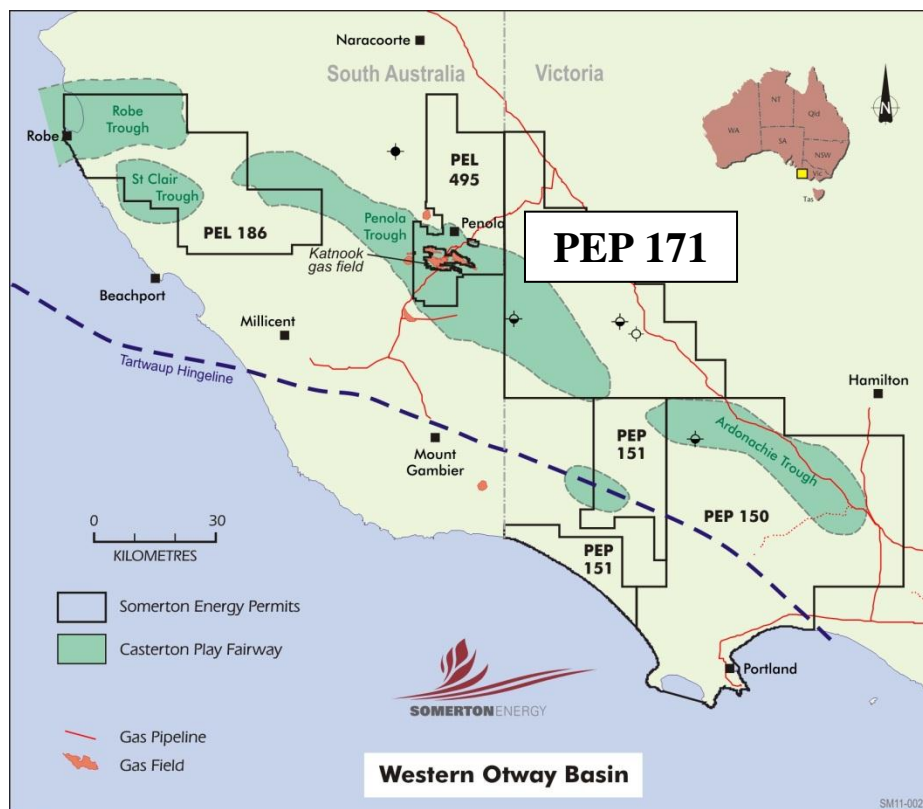
“However, the formation is interpreted to reach thicknesses in excess of 300 metres in the undrilled troughs, where it is thermally mature to overmature and is probably overpressured at depths below approximately 2,600 metres,” Mr. Gordon said. (The deepest Casterton penetration to date is at approximately 2,500 metres).

On a regional basis, the Casterton is generally a moderately rich, gas prone, source rock, with total organic carbon (“TOC”) averaging approximately 2%. However the source richness of the formation can vary widely over relatively short distances and in some portions of the basin it has excellent oil source capacity, with TOCs of up to 20% observed. Although these intervals are thin and not widespread, where they are present and thermally mature, they are capable of generating significant volumes of oil.

The Casterton Formation was deposited in a cold climate, lacustrine environment and contains predominately siliceous shales containing minor amounts of siderite. As such they have similar mineralogy to the Roseneath Epsilon Murturee (REM) shales in the Nappamerri Trough of the Cooper Basin and some producing shales in North America.

Somerton has identified a play fairway, covering approximately 2,000 square kilometres, where the Casterton Formation is prospective for shale gas, with associated gas-liquids probable in the lower maturity zones. Somerton assesses the potential gas in place within the Casterton Formation within its licences to be more than 25 Trillion Cubic Feet (“TCF”).

In addition, Somerton has identified several areas in the basin where the Casterton has the potential to source and host large unconventional oil accumulations, one of which is within PEP 171.



RISC Review

At request of Somerton, RISC Pty Ltd has carried out a proprietary, independent, high-level assessment of the shale gas potential of the Casterton Formation in the Otway Basin. Utilising a combination of open file data and proprietary geochemical analyses carried out by Beach Energy Limited (which is available to Somerton through its alliance with that company) RISC concluded that within Somerton's licences there is an area of more than 1,800 sq km which is prospective for Casterton Formation shale gas, with potential gross gas in place in the range 14-48 TCF. This assessment is consistent with Somerton's own assessments of the potential of the Casterton shale gas play and gives support to Somerton's strategy and forward program.

PEP 171

PEP 171 will cover a total area of 1962 sq km, of which approximately 550 sq km lies within the interpreted Casterton fairway. The tenement is considered by Somerton to be prospective for both conventional and unconventional oil and gas plays. Of most immediate interest to Somerton is the Gordon-1 well which penetrated 243 metres of Casterton Formation and recovered oil from underlying fractured basement. The Casterton Formation in Gordon-1 contained very good shale source rocks, with TOCs measured to be up to 7.7% and visually estimated in thin sections to be up to 20%. The results of Gordon-1 provide significant encouragement for the exploration for unconventional oil and gas plays in PEP 171.

The addition of PEP 171 to Somerton's portfolio means that Somerton will have equity in all but one of the tenements within the Casterton fairway and bring its net equity in the play to approximately 21%.

Somerton expects to complete the necessary native title negotiations for PEP 171 within the next 12 months.

Forward Program

During the forthcoming 12 months, Somerton expects to participate in at least two wells which will directly address the unconventional potential of the Casterton Formation.

1. The Sawpit-2 well, scheduled for late 2011 in PEL 495, in addition to testing a conventional oil target in sandstones of the lower Pretty Hill Formation, will be deepened to obtain core in the Casterton formation.
2. One well is planned in PEL 186, to be drilled in conjunction with the Sawpit-2 program, specifically to test the Casterton Formation's unconventional potential in the Robe or St Clair trough region.

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