



# Pryme Oil and Gas Limited

September 2006





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**ASX Code: PYM**

**Shares on issue**  
(Restricted Shares 13,434,000)

**73,737,363**

**Market Cap (Diluted)**

**\$29,494,945**

**Price Range Since Quotation**

**\$0.23-\$1.15**

**Current Price**  
(18 September 2006)

**\$0.40**

### **Top Five Shareholders**

First Capital Corporate Limited  
Zebon Two Pty Ltd  
Anglo Energy Company  
Sceroler Properties Trust  
Pettett Pty Ltd

**Top 20 Hold**

**54.013%**





## Directors and Key People

### Australia

Justin Pettett  
Ananda Kathiravelu

Managing Director  
Non-Executive Director

### U.S.

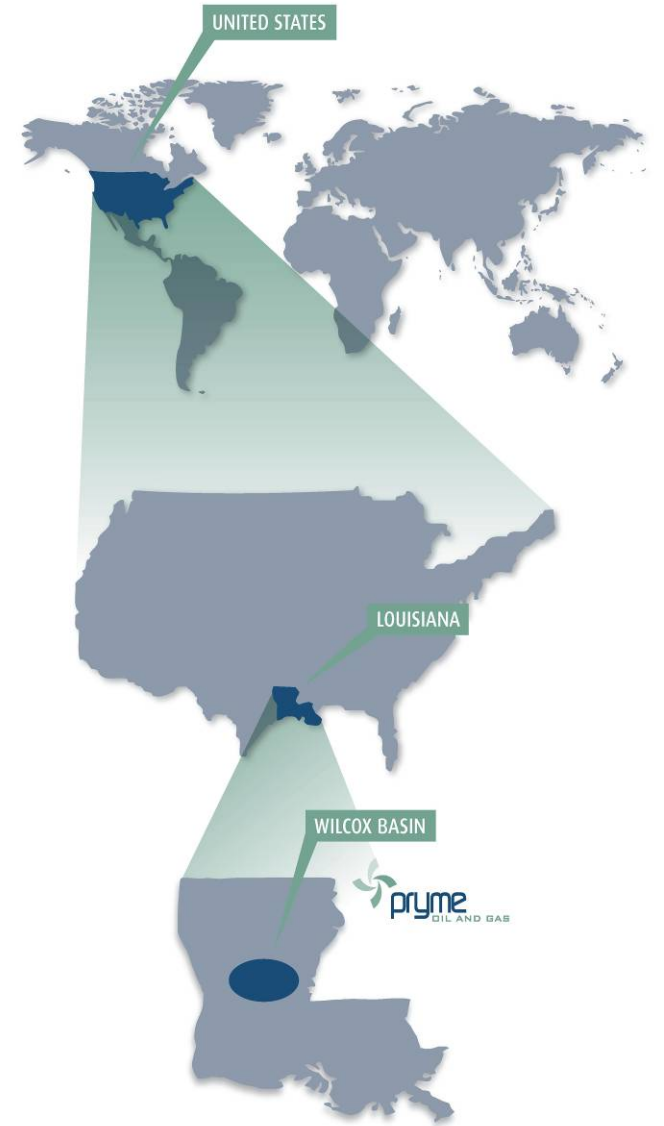
John Dickinson  
Ryan Messer

Chairman  
Chief Operating Officer

## Advisory Board

Don Ellison  
Jay Stewart  
Craig Sceroler

Petroleum Engineering  
Geology/Land  
Geology/Exploration



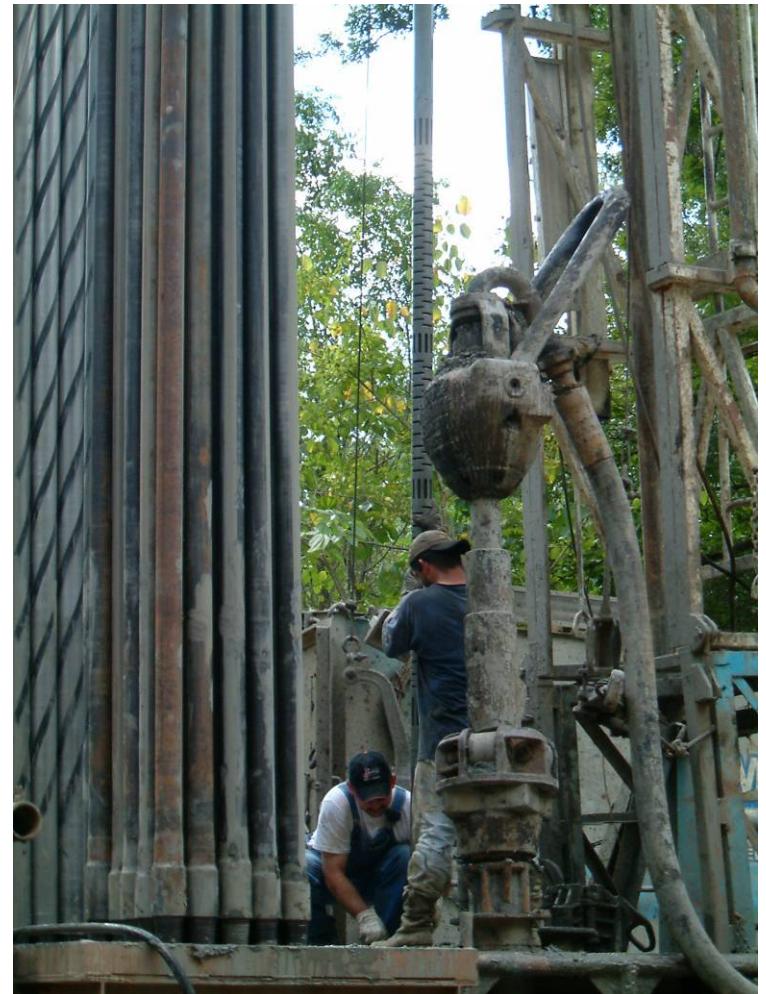


## 4 Key Drivers

1. Production from LaSalle Parish
2. 3D Shoot in prolific region
3. Project origination joint venture
4. People and Relationships

## Point of Difference

1. Existing cash flow
2. Expertise on the ground
3. Exploration upside
4. Biggest energy market



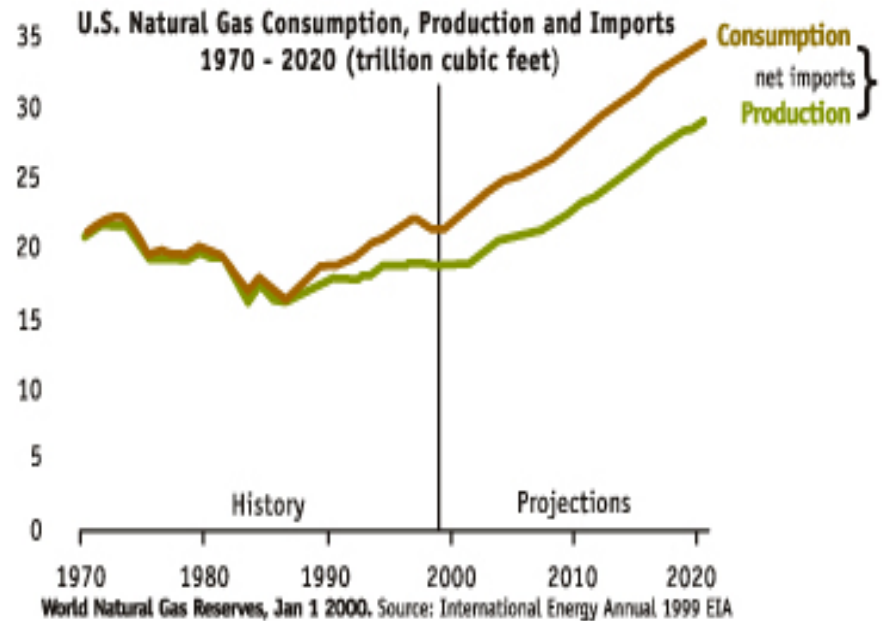


## Why the U.S.?

- USA consumes 62BCFD per day yet production totals 52BCFD
- Serious deficit (10BCFD) made up in near term from LNG and imports
- World's largest natural gas market
- USA uses 25% of global production, yet only holds 3% of global oil reserves
- USA is 5% of worldwide population yet consumes 25% of its oil
- The USA imports about 55% of its oil needs and about 40% of oil in the USA is used to produce gasoline

Therefore...

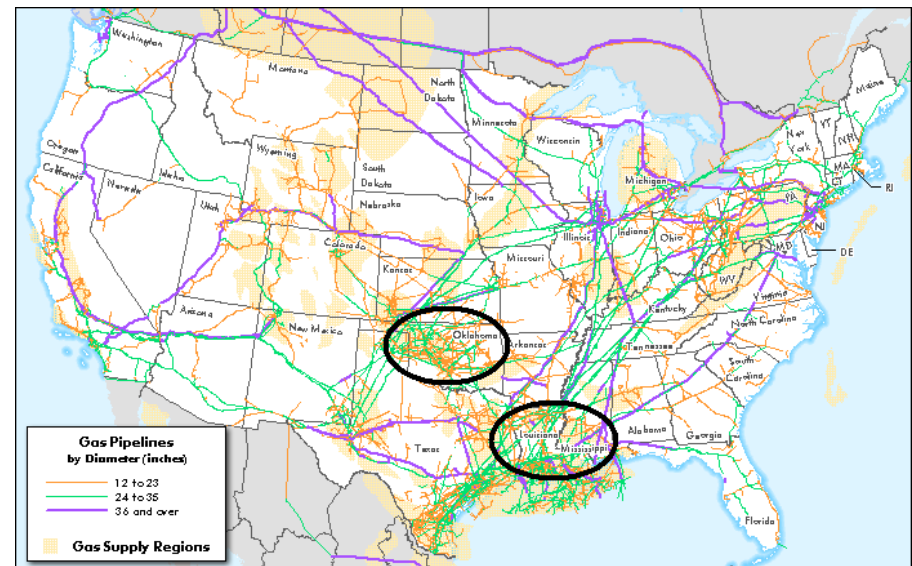
- U.S. gas prices three times those of Australia (US\$6-9 vs. US\$2-2.25)





## Why Louisiana?

- Among the strongest markets for oil and natural gas in the U.S., with commensurately **high oil and gas prices**
- Ranks 5th in oil production and 8th in reserves in the USA
- Network of crude oil, product, and liquefied petroleum gas (LPG) pipelines and storage facilities
- Second-highest refining capacity after Texas





## LaSalle Parish Project

- Stake in 22 producing oil wells
- Located in six separate fields (1,125 acres) in LaSalle Parish, Louisiana; therefore project risk is spread
- Increasing cash flow; currently A\$1.5M in net operating income (production revenue less production expenses); target A\$2.0M NOI end of 2006
- Incremental growth opportunities with little investment
- Six wells to be drilled in 2006







# Turner Bayou 3D Project

## Project Description

- Located in south central Louisiana
- Area covers 79 square miles (50,560 acres)
- Pryme is the major shareholder with 52% working interest - three other partners
- On trend with major producing fields (e.g. Port Hudson 1TCF and Judge Digby 486BCF fields, Morganza Field 432 BCF and Moore Sams Field 264BCF)





## What's there

- 2D seismic survey has already shown potential of the area
- The main oil and gas objectives at different depths are: the Miocene/Frio sands; the Cockfield/Yegua and Sparta sands; Wilcox sands; Austin Chalk and the Tuscaloosa sands.
- High rate of return in the region
- High Frio completion success rate in region
- Prospective Reserves 150-180BCF of natural gas from all intervals



## Activity

- Pryme's Phase II 3D seismic is due to be shot in the area in the last quarter of 2006, starting by the end of September
- Expect 10 Frio prospects to be drilled end of March 2007 to develop infrastructure and cash flow (expect 30-50 targets averaging 1BCF gross each)
- Saline Bayou 36 out of 38 wells in the Frio
- Sugartown 3 out of 3 in the Frio





## Implications for Pryme

- Increase in reserves, production and shareholder value
- Example of strong cash flow - 20 Frio wells successfully drilled should produce US\$455,936 per month (**A\$7,294,976 per annum**) in net operating income to Pryme, based on US\$6/MMBtu gas price
- Exploration success rate in the Frio 94% (Saline Bayou)

<b>Success rate</b>	20%	35%	50%
<b>Working interest</b>	52%	52%	52%
<b>Prospective BCF (100% WI)</b>	150	150	150
<b>Net BCF to PYM (P1)</b>	15.6	27.3	39.0
<b>Net value to PYM (AUD)</b>	52.0M	91.0M	130.0M
<b>Value per share</b>	\$0.60	\$1.06	\$1.51

Notes: 1 Mcf in the ground equals US\$2.50 / Fully diluted shares on issue 86,070,696 / AUD/USD exchange rate 0.75



# Wave Exploration Joint Venture

## Project Description

- Pryme is the funding partner, Wave is the project originator
- Wave consists of two highly successful petroleum geologists with a background working for BP/Amoco responsible for the discovery of over 500BCF
- Currently working on three projects that have combined prospective reserves of 110BCF
- Increase reserves and production at a low capital cost through its carried working interest and overrides
- First right of refusal three year term



## How it works

- Pryme funds leasing of the exploration tenements
- Pryme and Wave sell the projects to other companies
- Large, reputable oil and gas production and exploration companies are already interested. The current industry landscape indicates a shortage of quality projects at the right price
- The sale price of each prospect covers costs plus a cash profit and most often provides (net to Pryme) an 8% carried working interest and 0.8% overriding royalty interest.
- Opportunity to participate through taking a stake in the project at cost



## What's there

- Deep oil and gas targets/ known formations on proven trends mainly being explored by majors
- Large prospective reserves
- Kestrel – 28.5 billion cubic feet of gas (Hackberry - Close to existing wells)
- Raven – 43.2 billion cubic feet of gas (Cotton Valley – Engineering play)
- Condor – 40 billion cubic feet of gas (Deep Tuscaloosa – Reserve report)





## Implications for Pryme

- Cash from sale proceeds
- Increase in company valuation through reserves in the ground.
- Royalty income stream
- Downside? Failure to sell project – unlikely

	<b>Kestrel</b>	<b>Raven</b>	<b>Condor</b>
<b>Cash profit (Cost/Budget) (AUD)</b>	\$100k(\$150k)	\$300k(\$1.4M)	\$160k(\$650k)
<b>Carried W/Override</b>	10%	10%	10%
<b>Working Interest</b>	10%	10%	10%
<b>Prospective BCF</b>	28.5	43.2	40.0
<b>Net BCF to PYM</b>	5.70	8.64	8.00
<b>Net value to PYM (AUD)</b>	19.0M	28.8M	26.7M
<b>Value per share</b>	\$0.22	\$0.33	\$0.31
<b>Total value per share</b>	<b>\$0.87 / \$560k(\$2.2M)</b>		

Notes: 1 Mcf in the ground equals US\$2.50 / Fully diluted shares on issue 86,070,696 / AUD/USD exchange rate 0.75 / Actual trade terms and costs accurate at time of writing.





## The Opportunity

- Turner Bayou Project - \$1.06 per share
- Wave Exploration JV - \$0.87 per share
- LaSalle Parish Project - Profitable – A\$1.5M in NOI per annum
- Potential - > \$1.93 per share  
(Turner 35% successful)  
(Wave 8% carry, 0.8% override & 10% WI)



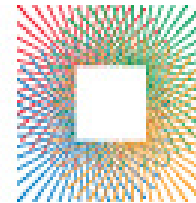
## Negotiating Drill Rig Agreement

- Potential five-year agreement to secure the exclusive right and access to all drill rigs to drill wells at Pryme's discretion throughout Louisiana and Mississippi.
- To facilitate our aggressive drilling program
- Industry acknowledges that drill rig availability is a large issue holding back shareholder value



## ADR Program launched in the USA

- Pryme stock to be quoted in the U.S. through an issue of American Depositary Receipts (ADRs) launched through sponsor Bank of New York
- Establishing the Level One ADR is underway and is expected to be completed in 2-3 weeks
- Increases exposure to U.S. investors
- Further advantage from team on the ground



*The* **BANK**  
*of* **NEW YORK.**



## Outlook

- **LaSalle Parish Project**
  - Drilling to continue throughout 2006 with the drilling of six more development/step-out wells
- **Turner Bayou 3D Project**
  - 3D contractor chosen and signed with topographic survey and shot holes to begin by the end of September
  - 3D shoot completed beginning of 2007
  - Drilling to begin early in 2<sup>nd</sup> quarter 2007
- **Wave Exploration JV**
  - **Kestrel**
    - Fully leased and targeted to be funded by December 2006
    - Drilling to commence in February 2007 (drill sooner if funded earlier)
  - **Raven**
    - Currently being leased
    - Drilling to commence in March/April 2007
  - **Condor**
    - Currently being leased
    - Drilling to commence in April/May of 2007



## Outlook

### The Next 4 Months

- |           |   |
|-----------|---|
| September | Drill one LaSalle Parish Project well (Coleman No.6)<br>Drill another exploration well in LaSalle Parish<br><br>3D shoot to start in Turners Bayou        |
| October   | ADR Program completed – quotation in the USA<br>Drill two LaSalle Parish Project wells  |
| November  | Drill one LaSalle Parish Project well<br>Kestrel funded – ready to drill  |
| December  | Drill two LaSalle Parish Project wells<br>3D shoot in Turner Bayou completed<br>Begin evaluation of Turner 3D<br>Condor and Raven leasing almost complete |



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