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Drilling Underway in Catahoula Lake

Drilling of the inaugural exploration test in the Catahoula Lake Project, the State Lease No. 19857 well in the Hawg Pen Prospect, has commenced. The well will be drilled from an onshore location to a measured depth of 5,200 feet, it will include a 1,700 foot slight directional kick and have a true vertical depth of 4,400 feet. Drilling and logging are expected to be completed late next week.

The objective in drilling the well is to test several Middle Wilcox sands which have been identified from offset production. Mapping of two locally productive Middle Wilcox Sands indicates the existence of a structural nose with associated sand shale outs beneath the prospect and infers a potential reservoir for development. The Hawg Pen prospect has potential for production of several hundred of thousands of barrels of oil from these sands.

"We are excited to be drilling the first well in this new project. Our goal is for the project to become self funding in the short term," said Justin Pettett, Pryme's Managing Director. "We have a busy Catahoula Lake drilling program ahead of us with 12 wells scheduled for drilling in 2010. Drilling of the first well from the barge mounted rig is planned to begin in February when the lake is full of water."

Project Description

Pryme has a 50% Working Interest (39.75% Net Revenue Interest (NRI)) in 7,676 mineral acres and a 50% ownership interest in a drilling barge, service barges, crew boats and associated equipment necessary to drill and operate on the Lake. The project is located on Catahoula Lake in LaSalle, Rapides, and Grant parishes, Louisiana. The Catahoula Lake project will test the same multiple "stacked" oil zones throughout the Middle-Wilcox formation as the Company's existing production in the LaSalle Parish and Four Rivers projects at depths ranging from approximately 4,500 to 5,500 feet. However, in a less drilled environment. Wells drilled in the Middle-Wilcox exhibit long production lives with low decline rates after the initial flush oil is produced and relatively steady production is established. They are relatively inexpensive to drill and typically have low operating and on-going maintenance costs. The water depth of the lake is up to 18 feet and varies through the year as the US Army Corps of Engineers regulates the flow of water into and out of the lake. Ultimate oil recoveries are expected to range from 50,000 through to 200,000 barrels for each successful well.

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Pryme Oil and Gas Limited is an Australian oil and natural gas producer and explorer with interests in the Gulf States of the U.S. The company has oil and gas exploration projects focused on Louisiana, the fifth-largest oil-producing state in the U.S. These projects are funded in part by existing cash flow. Pryme's management team has over 75 years of energy industry experience and has uniquely focused local knowledge, underscored by the



proven track records of its managers and directors. Directors of the company are George Lloyd (Non Executive Chairman), Justin Pettett (Managing Director) and Ryan Messer (Executive Director).

The information in this announcement has been reviewed by James A. Stewart (a registered professional Petroleum Geologist in the State of Louisiana and Mississippi in the United States of America) who has over 20 years experience in petroleum geology, drilling, well completions and production operations. Mr Stewart reviewed this announcement and consents to the inclusion of the geological and engineering descriptions and any estimated hydrocarbons in place or flow rates in the form and context in which they appear. Any resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, further information on which is available at spe.org.