



19 September 2011

Deshotels 13H No.1 Completion Update Turner Bayou Chalk Project

Pryme Energy Limited (Pryme) provides the following update on operations at its Turner Bayou project in Louisiana, USA.

The Turner Bayou project is a significant part of Pryme's exploration portfolio and comprises approximately 80 square miles (50,000 acres) which have been imaged by a proprietary 3D seismic survey. Primary targets are the Austin Chalk formation at 15,300 feet and the Eagle Ford formation at 16,000 feet.

Deshotels 13H No.1 (40% Working Interest / 30% NRI)

As previously announced, a Packers Plus staged production liner was installed into the horizontal section of the well in order to isolate fractures for acid treatment and production testing.

The Packers Plus liner comprises ten stages. Each stage includes ball actuated hydraulically activated flow ports which are isolated by hydraulic packers to allow the flow of oil and natural gas from the formation into the well bore. When installed the Packers Plus liner ports are closed. The ports are then progressively opened during the completion by pumping into the well bore different sized balls which seat inside the respective ports, actuate the movement of the sleeve around the port when under pressure and open the port.

Testing commenced on Monday 12 September 2011. Given the continuous nature of that testing, a trading halt was sought until the results of the testing were obtained,

However, Pryme was subsequently informed by its engineering team that they believed that the ports, which provide connectivity between the oil and gas bearing fractures in the formation and the well bore, may not have opened properly during the completion process. This belief was based on the fact that pressure monitored at the surface did not rise and fall as expected as the ports progressively opened, indicating that the actuator balls may not have seated properly and have not moved the sleeves sufficiently to open the ports. It is estimated that possibly only two out of the ten ports may have opened.

Accordingly, a completion rig has been contracted to return to site late this week to undertake further work, including milling out the actuating balls and port seats in the Packers Plus liner (balls and seats are drillable) and carrying out conventional perforation of each stage to establish connectivity between the well bore and the oil and gas bearing fractures in the formation.

It is expected that production testing will be resumed following perforation and it is expected that the initial oil and natural gas production results will be available for announcement to the market by the end of the month.

"Whilst this delay in production testing is disappointing, we remain confident of a flow test that will exceed our expectations based on all of the data from the well," said Justin Pettett, Pryme's Managing Director.

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