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Catahoula Lake – New Oil Exploration Project

Pryme Oil and Gas Limited has entered into an agreement with TriDimension Energy for oil exploration on Catahoula Lake which is located in LaSalle, Rapides, and Grant parishes, Louisiana.

The Catahoula Lake project will test the same “Middle-Wilcox” oil horizons as the Company’s existing production in the LaSalle Parish and Four Rivers projects. However, in a less drilled environment. It will target reservoirs estimated to collectively contain in excess of 10 million barrels of oil remaining undiscovered in the Catahoula Lake and South Catahoula Lake fields which have produced 24 million and 4 million barrels of oil respectively to date.

Pryme’s interest in the project comprises a 50% working interest (39.75% net revenue interest) 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.

“This is a very unique project in that it includes highly prospective leases as well as the equipment which is necessary for the exploration and development of wells and fields within the lake,” said Justin Pettett, Pryme’s Managing Director. “Through a direct ownership interest in the drilling barge and associated equipment, acquired at significantly below replacement cost, we have a competitive advantage throughout the 30,000 acre area of Catahoula Lake. This gives Pryme and its partners a strategic control position in an under-explored area.”



The barge rig used to drill wells on the Lake

The mineral leases and equipment were originally purchased from Hunt Oil by Axis Onshore LP, the operating arm of TriDimension Energy, Pryme’s partner in the Four Rivers project. Pryme’s 50% interest was acquired for US\$1.35m, a substantial discount to the replacement cost of the equipment alone. Axis Onshore LP is an experienced operator in the region and will be the operator for the project.



Scott O'Neil COO of TriDimension and Ryan Messer COO of Pryme (centre) on the derrick floor of the barge rig

Catahoula Lake wells will be drilled to between 4,500 to 5,500 feet in depth. They can be drilled on a less than 40 acre spacing and should exhibit stable, long life oil production. 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. The optimum Lake drilling period is typically between February and July each year. In other months most drill locations around the periphery of the Lake are accessible via a land-based rig. Drilling and completion costs are expected to lie between US\$500,000 - \$600,000 per well to the 100% working interest. Ultimate oil recoveries are expected to range from 50,000 through to 200,000 barrels for each successful well.

Drilling of the first well will commence next week. It will be drilled from an onshore location directionally under the Lake to a depth of approximately 5,200 feet with the primary objectives being upper sands of the Wilcox formation. Drilling from the barge rig is planned to begin in February 2010 when the lake is full of water. Production facilities will be located on land outside of the lake boundary.

“We have an aggressive drilling program planned for 2010 which includes wells to be drilled on water and directionally beneath the lake from a land-based rig. Our objective is that the project becomes self funding and adds to Pryme’s earnings in the short term,” said Ryan Messer, Pryme’s Chief Operating Officer. “During 2010, we remain focused on extracting value from our existing projects, including the first deep horizon test in Turner Bayou; a possible second well drilled in Atocha and



continued drilling in the Four Rivers project. The Catahoula Lake Project is another strong addition to Pryme's project portfolio; targeting a mix of medium risk oil prospects with an explicit focus on building Pryme's oil production, reserves and shareholder value"



Catahoula Lake located in LaSalle, Rapides, and Grant parishes, Louisiana during the wet season

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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.