



Welcome to the sixth edition of *Pryme Times* Quarterly Shareholder Newsletter. *Pryme Times* is a publication of articles and news compiled by the directors of Pryme to keep shareholders and investors up to date on the progress of their company and the industry in general.

During the past quarter we witnessed the drilling and successful completion of the inaugural Raven well, the Spinks Middlebrooks 11-1, in northern Louisiana. This well advances the strategy of the directors of proving reserves and creating earnings through exploration. Natural gas is flowing into the sales line with first receipts from gas sales due in December. A second location is currently being prepared with drilling to begin in November.

We also drilled a further development well in our dependable LaSalle Parish Project named the Coleman No.8, adding new oil reserves. We're expecting an increase in production over time as wells are worked over and down hole pump assemblies are replaced after four past years of operation.

The first test in our Saline Point project was drilled during the past quarter and while it was commercially unsuccessful, the log had three oil shows but further testing and core samples proved there was not enough oil in place to complete the well. This result gave us valuable information in order for the generating geologist to re-map the sub surface and better identify the second location.

We cover Turner Bayou in detail throughout this edition as it shapes up to be everything that we had planned for. Pryme listed with Turner Bayou being its "company maker" type project and from what we are seeing in the seismic data that is certainly ringing true. The first five wells in this venture are scheduled to begin drilling in November. Pryme has a 52% working interest in this project.

The coming quarter is undoubtedly the most anticipated for the company since listing as we begin and continue a very busy drilling program in both Turner Bayou and Raven. This edition details our strategic objectives taking shape in our Turner Bayou and Atocha projects along with a simplified discussion on Peak Oil.

To all of our shareholders both old and new thank you for your support as we develop our strategic and valuable projects for the company. We look forward to updating you on the progress of Turner Bayou.

Sincerely  
**Justin Pettett**  
Managing Director



Building a  
World-Class Inter  
Oil & Gas Comp

### Past Quarter Highlights

- Successful drilling and completion of inaugural Raven project well
- First natural gas sales from Raven project
- Coleman No.8 drilled adding new oil reserves in LaSalle Parish Project
- Saline Point project underway
- 3-D data acquisition at Turner Bayou completed

### Upcoming Key Dates

#### October, November, December

- Drilling in Turner Bayou begins
- Second Raven well drilled
- Atocha leasing position firmed up
- Second Saline Point well drilled

## Pryme's Strategic Objectives Taking Shape

Where we started; where we are now and the goals for the future:

The first stage was to establish oil production in the U.S. We did that via using part of Pryme's initial capital to buy existing, long-term oil production. Three of the company's founding partners had personal, direct experience in the establishing the fields and wells in which Pryme later bought its interest.

During this first stage, we began our participation in the Turner Bayou 3-D seismic shoot and formed the Wave joint venture. These two moves put the company on "the ground floor" with respect to being on parity with very credible oil and gas explorers and producers in Louisiana.

Stage two is the point where Pryme takes a sizeable share of ownership interests in its projects. The Turner Bayou shoot has been completed, with evaluation of the data underway. In this portfolio-building stage the company funded the work of Wave Exploration in their study and preparation of higher-risk deeper drilling prospects which we know as "Kestrel", "Atocha" and "Condor". Pryme is marketing these prospects to companies with a risk profile that is more aggressive than ours, yet retaining an interest in them via overriding royalties and "carried" working interests, as we have pointed out in past memos and announcements.

Stage three - building earnings and reserves - continues from its LaSalle Parish jump-start with our first Cotton Valley well in the "Raven" prospect being drilled. It appears to be a commercial



"keeper" with the primary objective "C" zone. The well will be configured to produce this sand as a tubing completion - a standard for gas zones at these depths.

We continue the exploration of Middle-Wilcox oil at Saline Point and we will drill our first series of tests at Turner Bayou, targeting several zones prospective of oil and gas in the shallow to intermediate depths. Pryme will exploit Turner's deeper prospects in the future, based on their further geophysical definition and the company's working capital position and risk profile at the time.

We've come a long way since listing taking a methodical approach to project selection in order to optimize Pryme's value. As we begin our drilling program investors can measure Pryme's success through the quarterly cash flow reports announced through the ASX as earnings increase.



## Turner Bayou Project

The 3-D seismic shoot in the Turner Bayou Project has been completed. An initial Quality Control (“QC”) review of the seismic tapes has identified seismic anomalies or “bright spots”. These bright spots have been identified from a first pass at the Frio/Miocene level of between 3,000 to 5,000 feet. Drilling of Frio/Miocene wells in this area has around an 80% success rate using 3-D seismic technology. Flow rates (post initial flush production) are usually in a range of 300Mcf - 500Mcf per day per well and have a reserve value from 0.5 to 1Bcf each.

Pryme is currently working on developing a drilling program that will see the company drill its first group of Frio/Miocene wells in early November of this year, weather permitting. Pryme plans to drill as many wells as possible in the run-up towards year end. The strategy is to develop the shallower Frio/Miocene targets initially to increase earnings and develop its infrastructure and then to revisit the deeper horizons to 16,000 feet.

Pryme has a 52% interest (39% NRI) in the Turner Bayou project, which covers approximately 80 square miles (50,000 acres). Prospective reserves are in the order of 150Bcf gross, un-risked with the primary targets consisting of six prospective formations in a range from 3,000 feet to 16,000 feet.

Turner Bayou is on trend with prolific oil and gas production and is targeting shallower Tuscaloosa, Wilcox, Miocene and Frio objectives. The Turner Bayou Project has always been Pryme’s “company-maker” objective since its ASX listing. The board of directors is eager to begin the next phase using the drill bit, believing that this project has the capability to produce substantial value for Pryme shareholders.

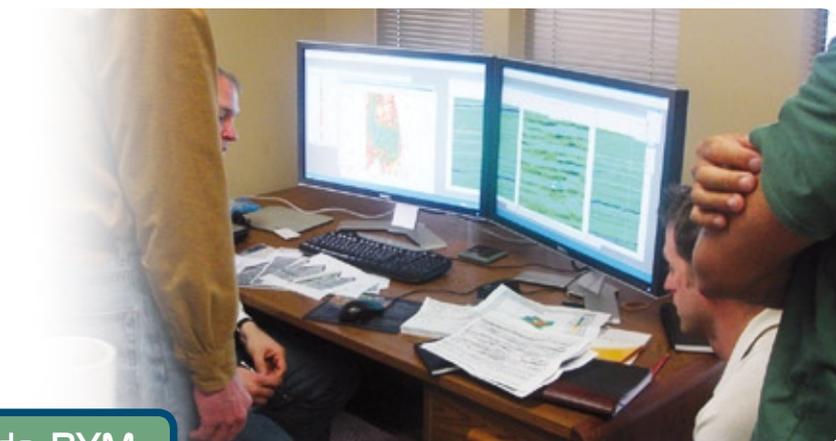
## Peak Oil Simplified

Many people ask us about “Peak Oil” and the possible ramifications to Pryme Oil and Gas and our industry as a whole. Whether you believe in Peak Oil or not, higher oil prices will affect everyone. An investment in energy or commodity companies that own direct reserves in oil could be your best defense against increasing oil prices. As we explain below we expect prices to go a lot higher yet before drastic changes are made to the economies of most countries.

Oil will not just “run out” because all oil production follows a bell curve. This is true whether we’re talking about an individual field, a country, or on the planet as a whole. Oil is increasingly plentiful on the upslope of the bell curve, increasingly scarce and expensive on the down slope. The peak of the curve coincides with the point at which the endowment of oil has been 50 percent depleted. Once the peak is passed, oil production begins to go down while oil’s market price begins to go up.

In practical and considerably oversimplified terms, this means that if 2005 was the year of global Peak Oil, worldwide oil production in the year 2030 will be the same as it was in 1980. However, the world’s population in 2030 will be both much larger (approximately twice) and much more industrialized (oil-dependent) than it was in 1980. Consequently, worldwide demand for oil will outpace worldwide production of oil by a significant margin. Under such circumstances, the price would skyrocket.

The issue is not one of “running out” so much as it is not having enough to keep our economies running. In this regard, the ramifications of Peak Oil for our civilization are similar to the ramifications of dehydration for the human body. Our physiological makeup is 70 percent water. The body of a 90 kilogram man thus holds 63 kilograms of water. Because water is so crucial to everything the human body does, the man doesn’t need to lose all 63 kilograms of water weight before collapsing due to dehydration. Rather, a loss of as little as 5-7 kilograms of water may be enough to bring this about.



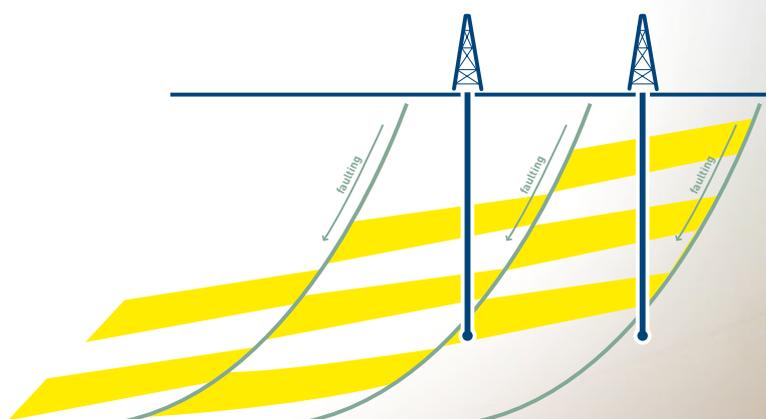
## Blue Sky Atocha

Pryme's Atocha Prospect is located up-dip in the prolific Tuscaloosa trend that has produced in excess of 2.5Tcf of natural gas to date. The primary objective, the Deep Tuscaloosa, is targeted at approximately 17,500 feet with additional secondary Lower Cretaceous targets as deep as 22,000 feet. The potential reserves of the Tuscaloosa sands in Atocha could exceed 1Tcf using an average sand thickness of 250 feet in the aggregate.

The primary target consists of multiple down-to-the-basin faults that occur in the Tuscaloosa defined on reprocessed 2D seismic data. These are believed to have been deposited in "stair-step" fashion and create thickening of the sand along with providing a trapping mechanism for the reservoir as detailed in the Morganza Field analog image below. Morganza Field has produced in excess of 500Bcf from this exact type of reservoir structure.

Pryme has over 5,600 contiguous acres leased in this high impact project. The potential value to Pryme if successful from only one well drilled could be as high as US\$24 million net reserves in the ground based on US\$2.50/mcf and \$6 million per annum in revenue based on a \$6.00/mcf gas price. It is expected that if successful in excess of ten wells will need to be drilled to effectively delineate the reservoir.

### Structure Analog Morganza Field 500 Bcf



#### Pryme Oil and Gas Ltd.

Level 7  
320 Adelaide St  
Brisbane, Qld 4000  
Australia  
**Tel.** +61 7 3371 1103

#### Pryme Oil and Gas Inc.

1001 Texas Ave.  
Suite 1400  
Houston TX 77002  
United States  
**Tel.** +1 866 471 1300

