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## Turner Bayou Operational Update

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

Turner Bayou comprises approximately 80 square miles (50,000 acres) which have been imaged by a proprietary 3D seismic survey. Primary targets within the survey 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)**

Drilling of the second well in the Turner Bayou Chalk project, the Deshotels 13H No.1 well in North Bayou Jack Field, has commenced and is currently at a depth of 525 feet (160 metres.) The well will be drilled to a vertical depth of 15,000 feet (4,570 metres) with a 4,000 foot (1,220 metre) lateral through the Austin Chalk formation. The total measured depth of the well will be 19,000 feet (5,790 metres.)

The drilling procedure involves a small rig to drill the surface hole and running casing to a depth of approximately 4,500 feet (1,370 metres.) The surface hole will be drilled on a fixed fee contract basis and is expected to be completed within 7-10 days. A larger rig will be used to drill the remainder of the vertical section of the well and the lateral. Drilling with the larger rig is scheduled to commence in the first week of June and is expected to take approximately 2 months. Following completion the well will be connected to the Deshotels 20H No.1 production facilities.

### **Deshotels 20H No.1 (40% Working Interest / 30% NRI)**

The first Turner Bayou well, the Deshotels 20H No.1, is currently producing around 180 barrels of oil and 140 Mcf of natural gas per day. While the well has not met our production expectations, due to mechanical issues during completion, it has confirmed the basis on which we have chosen to thoroughly explore the Austin Chalk formation within our leasehold. The well also provided intriguing oil shows from the Wilcox formation, which is above the chalk, and the Eagle Ford formation immediately below the chalk; once our chalk exploration program is well-established we expect to test both of these formations in greater detail.

Natural gas from the Deshotels 20H No.1 will be flared until construction of the flow line to the main gas sales pipeline is complete. Construction has been delayed by inclement weather and is now expected to be completed within 2 weeks. The flow line will service both the Deshotels 20H No.1 and 13H No.1 wells.

### **Ongoing Development Plan**

Current planning for the Turner Bayou project contemplates a fully developed field of up to 30 Austin Chalk wells at a spacing of around 640 acres. We expect to be well advanced with our third Austin Chalk well by the end of this year and then to drill up to 6 new wells during 2012 increasing to 12 new wells per year in 2013 until fully developed. We also expect to re-enter the Deshotels 20H No.1 well during the year and take further steps to repair the liner hanger and increase its production.

Austin Chalk wells typically show high initial production followed by a rapid decline to a lower level that is



generally sustainable over many years. Our planning shows that, by the fourth well, the Turner Bayou Chalk project should generate substantial free cash flow and be self-sustaining from a capital cost point of view.

“Turner Bayou is a company transforming project for Pryme. We expect each successfully completed chalk well should initially produce over 1,000 barrels per day of oil of which Pryme’s share would be over 300 barrels per day. A considerable effort has gone into evaluating the technical difficulties which were encountered with the first well and steps have been taken to avoid these in the second and future wells,” said Justin Pettett, Pryme’s Managing Director.

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