

4 January 2011

Deshotels 20-H No.1 Flow Test Update

Mechanical issues and the impact of holidays continue to delay the flow testing and completion of the Deshotels 20-H No.1 well in the Turner Bayou Chalk project.

To summarise progress to date – the horizontal leg of the well intersected a number of major fracture zones in the targeted Austin Chalk formation and flowed oil and gas to surface during drilling. A liner (casing) was run through the horizontal leg and cemented in place. Twenty intervals, comprising an aggregate 640 feet of the 3,755 feet length of the horizontal leg, were perforated. A plan was implemented to acidize each of the perforated intervals with the goal of cleaning up the perforations of residual cement and enhancing communication between the perforated intervals and the oil and gas bearing fracture zones.

Progress with the acidizing procedure has been impeded by the mechanical failure of packers used to selectively isolate each perforated zone and ensure that the acid is directed to the most relevant areas of the formation. As a result, it appears that the perforated zones which would benefit most from acidizing have not been effectively treated and oil and gas production to date is adversely affected. The acidizing procedure has been temporarily suspended pending a revised remediation plan and the securing of appropriate services.

In the meantime, production facilities, comprising oil storage tanks, a natural gas flow line connecting to a nearby natural gas sales line and associated equipment, are being installed.

The schedule for completion of the production facilities and the effective acidizing of the well is difficult to predict but is expected to be within three weeks. At that time a comprehensive flow test will be carried out to establish the flow capacity of the reservoir. Following this the well will be immediately put into production.

While it is not believed that the current output of the well is an indication of its production potential, the well is now producing oil at approximately 600 barrels per day and natural gas at approximately 500 mcf per day through a 20/64 inch choke.

Notwithstanding, the frustration caused by the delays in bringing the well into production, Pryme is confident that the ultimate performance of the well will confirm its view that the Deshotels 20-H No.1 well will be a significant oil producer which will provide an attractive financial return.

Shareholders will be kept informed as activities progress.

Pryme has a 40% working interest (30% net revenue interest (NRI)) in this well.

Project Description

The Deshotels 20-H No.1 well, in Pryme's Turner Bayou Chalk project in the North Bayou Jack Field, is the first deep well to be drilled within the Turner Bayou 3D seismic survey. The well has been drilled to a depth of 16,400 feet (5,000 metres) vertically with a 3,755 feet (1,144 metre) horizontal leg through the Austin Chalk formation which is predominantly oil bearing in this region. The well location was confirmed using high resolution 3D seismic data from a survey carried out in 2007 and data from surrounding well bores.



Turner Bayou is one of Pryme's high value projects. It is located in Avoyelles Parish, Louisiana. Pryme has a 40% interest in the Turner Bayou Chalk project area, which is contained within the Turner Bayou 3D seismic survey, and a 52% interest in the balance of Turner Bayou. The Turner Bayou project comprises approximately 80 square miles (50,000 acres) which have been imaged by a proprietary 3D seismic survey. Primary targets are contained within six prospective formations ranging in depth from the Frio formation at 3,000 feet, to the Tuscaloosa formation at 18,000 feet.

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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 board of directors and management team has over 100 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) and Greg Short (Non-Executive Director).