

## Capitola Oil Project Operations Update

### HIGHLIGHTS

- **Capitola Oil Project production nearing 140 barrels of oil per day**
- **Mahaffey Bishop 30 day average reaches 90 barrels of oil per day**
- **McCain 189-F1 connected and selling oil and natural gas**
- **Completion of the Shari Lynn No.1 underway**

Pryme Energy Limited (Pryme) is pleased to provide an operational update on its Capitola Oil Project located along the Eastern Shelf of the Permian Basin, Texas USA.

Current daily production is approximately 140 barrels of oil (105 barrels of oil net to Pryme) and 200Mcf of natural gas (150Mcf of natural gas net to Pryme) from the first 3 Capitola wells. Production from these wells is expected to increase as the McCain well cleans up and continuous production is established from the Hope Boles well.

The short term plans are to optimise production from producing wells; to fracture stimulate and complete our fourth well, the Shari Lynn No.1, which was drilled in February; and to drill and complete our fifth. The Shari Lynn well is relatively close to the Mahaffey Bishop well and, when connected to pump and cleaned up, is expected to have similar production characteristics. The Mahaffey Bishop well is presently averaging 90 barrels of oil per day with no decline.

Concurrently with the development of the fourth and fifth Capitola wells an evaluation of project reserves will be undertaken. The reserve report will classify reserves from 1P, 2P through to 3P and provide further evidence of the value of the Capitola Oil Project. The results of the study are expected to be included in Pryme's June 2015 Half Year Report.

"Our focus through the first half of 2015 will be on successfully bringing all Capitola wells into production and optimising their performance before planning the drilling program for the second half of the year," said Justin Pettett, Pryme's Managing Director and CEO. "Average lifting cost for our three producing wells is currently about US\$10 per net barrel produced, we expect to further reduce costs through electrifying the pumping units on the Mahaffey Bishop and the McCain wells in the coming weeks. We are also very conscious of our current low commodity price environment and any drilling program for the remainder of 2015 will be executed with this in mind as well as conserving cash."

Below is a summary of the status of each well currently being operated by Pryme in the Capitola Oil Project.

### **Mahaffey Bishop PU1 (100% WI / 75% NRI before payout (75% WI and 56.25% NRI after payout))**

The Mahaffey Bishop PU1 well in the Sweetwater acreage block was drilled to 6,090 feet (1,856 metres) intersecting 34 net feet (10 net metres) of oil and gas saturated sandstone within the A sand of the Canyon Sand formation and encountering additional hydrocarbon shows in the Cline Shale and other intervals.



The Initial Potential (IP) of the well was recorded as 85 barrels of oil per day (63 barrels net to Pryme); it is currently exceeding expectations and has averaged 90 barrels of oil per day production (68 barrels of oil per day net to Pryme) over the past 30 days with no decline in its production profile. The well is producing from the Canyon Sand series; the Cline Shale formation has been isolated due to excessive water production.

“With the well showing no production decline to date, we believe that our frack design and implementation are proving to be very effective in this part of the field,” said Ryan Messer, Pryme’s COO and Executive Director.

#### **Hope Boles PU1 (100% WI / 75% NRI before payout (75% WI and 56.25% NRI after payout))**

The second well to be drilled in the Capitola Oil Project, the Hope Boles PU 1 in the Sweetwater acreage block, reached a depth of 6,050 feet (1,844 metres). Mud log data, collected while drilling, and electric logs indicate that our primary objective, the multiple sand packages within the Canyon Sand formation, contains 94 gross and 36 net feet (11 net metres) of oil and gas saturated sandstone.

Performance to date from the Hope Boles has been intermittent with oil production having reached approximately 50 barrels of oil per day and then fluctuating at around 10-20 barrels of oil per day (8-15 barrels per day net to Pryme). Production and operability of the well were also affected by the unseasonably cold weather which persisted through January and February. Actions to improve the performance of the well have included drilling out the plug, which was installed to isolate the Cline Shale from the Canyon Sands, to allow oil and gas from both zones to be produced to surface.

#### **McCain 189-F1 (100% WI / 75% NRI before payout (75% WI and 56.25% NRI after payout))**

The McCain 189-F1, which is located in the Claytonville acreage block, reached a depth of 7,300 feet (2,225 metres). Mud log data, collected while drilling, and electric logs identified several intervals of oil and gas saturated sandstone aggregating approximately 170 net feet (51 net metres) in the Canyon Sand series. Other intervals with hydrocarbon shows were encountered in the Cline Shale, the Palo Pinto and the Ellenburger formations which were also targets for this well.

The well was fracture stimulated and completed in several Canyon Sand, Palo Pinto, Lower Canyon Sand and the Cline Shale intervals and is currently producing at 45 barrels of oil per day (33 barrels net to Pryme) plus natural gas and its associated liquids (see below). We expect this production rate to increase as the well continues to clean up post its fracture stimulation.

A gas sales line has been laid and sales of natural gas and associated liquids have commenced. This additional revenue stream is enhanced by the high liquids content of the natural gas from the McCain well. We are currently selling 200Mcf per day of natural gas (150Mcf per day net to Pryme) with a BTU rating of approximately 1,700Btu/scf (standard BTU rating is 1,000Btu/scf) and achieving a substantial premium over present natural gas prices.

#### **Shari Lynn No.1 (100% WI / 75% NRI)**

The Shari Lynn No.1 well, located in the Sweetwater acreage block of the Capitola Oil Project, was drilled to a depth of 5,621 feet (1,713 metres) in February. Mud log data collected while drilling identified several intervals with oil and gas shows within the Breckenridge Lime and Canyon Sand intervals. A cased-hole log has been run to tie in the mud log data and to better identify the depths of the multiple



Canyon Sands for completion. Fracture stimulation, completion and installation of production facilities are planned to be carried out in the coming weeks.

### **Fox 7-L4 (100% WI / 75% NRI)**

The Fox 7-L4 well will be drilled within the Sweetwater acreage block of the Capitola Oil Project and will target the Canyon Sand formation. Drilling will commence once the Shari Lynn is brought into production and oil and natural gas sales have commenced.

Upon drilling of the Fox 7-L4 well Pryme will have earned a 45% WI (4,200 net acres) in the Shallow Rights and a 30% WI (2,800 net acres) in the Deep Rights throughout the Capitola Oil Project acreage. Due to the current market conditions, including the price of oil, Pryme has elected to limit its earned interest in Capitola to 45% in the Shallow Rights and 30% in the Deep Rights.

### **About the Capitola Oil Project**

The Capitola Oil Project is located along the Eastern Shelf of the Permian Basin just north of the town of Sweetwater, Texas. The project contains a number of shallow, "stacked" formations to depths of 6,000 feet with established production history from vertical wells. These overlie the Cline Shale formation which is the subject of an emerging resource play of national significance. Pryme's value creation strategy is to develop the shallower, well-defined targets using advanced drilling, completion and stimulation technology, and to exploit horizontal development of formations where feasible.

There are three primary targets in Capitola along with numerous secondary targets. The primary targets, which persist throughout our acreage, are the Breckenridge Lime at 4,500 feet deep, the Canyon Sand series at approximately 5,200 feet in depth and the Cline Shale at 6,000 feet deep. Pryme proposes to earn a 45% working interest in 9,333 acres (4,200 net acres) in all mineral rights from the surface through to the top of the Cline Shale (Shallow Rights) and up to a 30% working interest (2,800 net acres) in all other rights including the Cline Shale (Deep Rights.)

The Capitola Oil Project acreage is contained within two blocks of contiguous leases referred to as Sweetwater (approx. 7,000 acres) and Claytonville (approx. 2,333 acres) to the north of Sweetwater. Pryme is the operator of the Capitola Oil Project.

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### **Competent Person Statement and Disclaimer**

*Technical information contained in this presentation in relation to the projects of the Company have been reviewed by Mr Greg Short, BSc. Geology (Hons), a Director of Pryme who has more than 33 years' experience in the practise of petroleum geology. Mr Short consents to the inclusion in this presentation of the information in the form and context in which it appears.*