

18 September 2014

## Third well added to Capitola Oil Project Drilling Program Operations Update

### HIGHLIGHTS

- **Third well added to upcoming drilling program in Claytonville acreage block**
- **Devon Energy drills Canyon Sands horizontal well south of Capitola acreage**

Pryme Energy Limited (Pryme) is pleased to announce that a third well has been added to the upcoming drilling program in the Capitola Oil Project. The McCain 189 1F will be drilled vertically to a depth of approximately 7,500 feet through the Ellenburger formation within the Claytonville acreage block (northern block within Capitola). The well will target the stacked productive Canyon Sands and other untested Canyon Sands as well as the Palo Pinto, Strawn and Ellenburger formations. Drilling of the McCain 189 1F well is scheduled to begin in mid-October.

Drilling of the first two wells in the Capitola Oil Project, the Mahaffey Bishop PU1 and Hope Boles PU1 which are to be drilled vertically to depths of approximately 6,000 feet through the Cline Shale in the Sweetwater acreage block and test all formations down to and including the Cline shale, is now scheduled to commence in the first week of October due to weather delays.

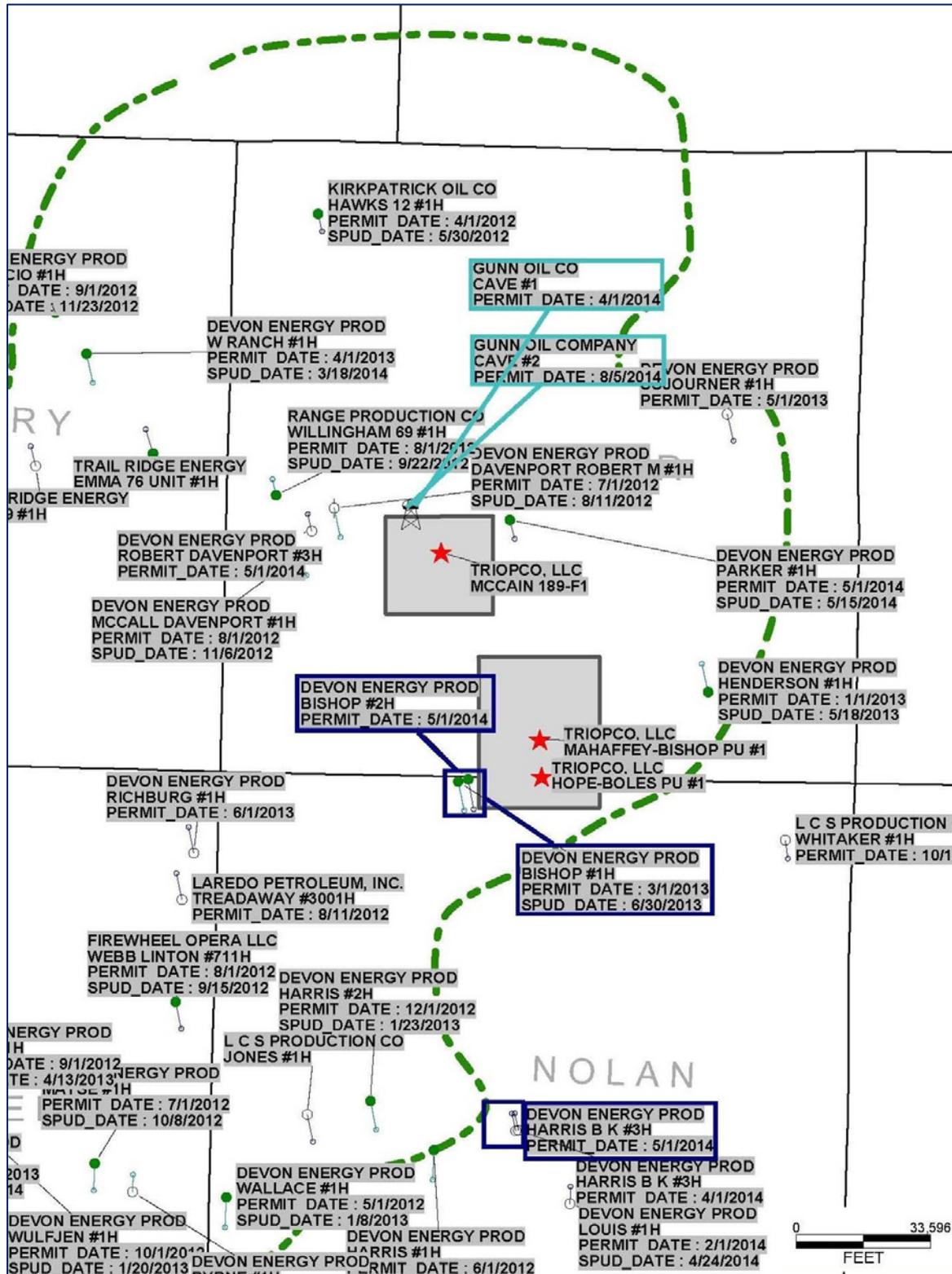
“The addition of the McCain 189 1F well will assist us in delineating our acreage and evaluating its numerous objectives,” said Justin Pettett, Pryme’s Managing Director. “We will drill three Capitola wells during October. We will also focus on getting our two Sweetwater wells completed and online as quickly as possible and acquiring modern well data across both of our acreage blocks to help prioritize objectives and efficiently develop the project.”

### **E&P Company exploration activity in vicinity of Capitola Oil Project**

Gunn Oil’s Cave No.1 well has been drilled and is currently undergoing completion and stimulation. The Cave No.1 is located less than one mile north of the Claytonville acreage block; it was drilled vertically through the Canyon Sands, Palo Pinto, Strawn and Ellenburger, formations.

Devon Energy (NYSE:DVN), in addition to its unconventional Cline Shale drilling program, has recently completed and is producing from the BK Harris 3H well, from the Canyon Sands formation, 8 miles south of the Capitola Oil Project. The BK Harris 3H appears to be the first horizontal well drilled in the Canyon Sands formation within the Capitola region and, if successful, could result in additional oil production potential throughout Capitola.

“Devon has also permitted a second horizontal Canyon Sands well, the BK Harris 4H, offsetting the BK Harris 3H and approximately 1 mile southwest of it,” said Ryan Messer, Pryme’s Executive Director and COO. “We will continue to monitor this significant development as we execute our vertical well program in Capitola.”



Capitola acreage is shown in grey in the above activity map. The McCain 189 1F is shown to be drilled in Claytonville, the Mahaffey Bishop PU1 and Hope Boles PU1 are to be drilled in Sweetwater. Also shown are Gunn Oil's Cave #2 well just north of the Canyonville block and Devon Energy's horizontal Canyon Sands well, the BK Harris 3H, to the south of the Sweetwater block.



## About the Capitola Oil Project

The Capitola Oil Project is located in an active region of 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 the emerging Cline Shale resource play as the major US E&P companies which surround Pryme’s acreage demonstrate its value.

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 is earning a 75% working interest in 9,333 acres (7,000 net acres) in all mineral rights from the surface through to the top of the Cline Shale and a 50% working interest (4,666 net acres) in all other rights including the Cline Shale.

The Capitola Oil Project acreage is contained within two contiguous lease blocks 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.*