



**ASX Announcement / Media release**  
**26 May 2006**

**Drilling rig for first step-out well secured and on site**  
**30 days ahead of schedule**

The drilling rig, for the first development wells, at Pryme Oil and Gas' the LaSalle Parish Project has been moved on site 30 days ahead of schedule, and is preparing to spud the SU118 No.2 located in the Shirley State Acreage

The well will be drilled to a depth of 4,400 feet in an effort to establish production in a northern G-1 reservoir in the Shirley/State Lease area of Catahoula Lake Field (see enclosed location map.) The G-1 Sand of the Wilcox Formation was previously penetrated by the VU B; Shirley et al – DWTD – State No.1 and the WX D RC SU 118 DWTD et al No.1, both to the south of the proposed location and drilled by Belle Exploration, Inc.

The SU 118 No.2 is being drilled to gain 8 to 10 feet of structure over the two wells previously mentioned that encountered 4-5 feet of oil shows over water.

The proposed location for the SU 118 No.2 is situated on a structural nose that is plunging to the south, and should be in a crestal position to the wells previously drilled in a down dip portion of the reservoir.

There are three other sands of the Wilcox Formation that are secondary objectives for the SU 118 No.2, these secondary objectives include the E-1, E-2 and F-2 sands

The G-1 sand is currently producing from a southern reservoir. The WX D RC SU 117 Shirley – State No.1 is currently producing this southern reservoir at a current rate of +/- 75 BOPD and has cumulative production that exceeds 56,000 barrels of oil from December 2003.

Pryme Oil and Gas managing director Justin Pettett said it was pleasing to be in the position to start drilling ahead of schedule.

"Our interests in LaSalle Parish, Louisiana will provide us with immediate cash flow, enabling us to fund the development of further wells another 20 wells through to December 2007," Mr Pettett said.

Pryme Oil and Gas Limited (ASX: PYM) listed on the Australian Stock Exchange 21 April 2006.

In addition to the existing production in LaSalle, Pryme will be identifying and participating in on-shore exploration opportunities in several Louisiana oil and gas regions – in particular, ground-floor 3D seismic projects that will test multiple horizons from 4,000 feet to 16,000 feet.

Belle Oil is the operator of each of the fields in the LaSalle Parish Project and it collectively owns the majority of the working interest in the LaSalle Parish Project.

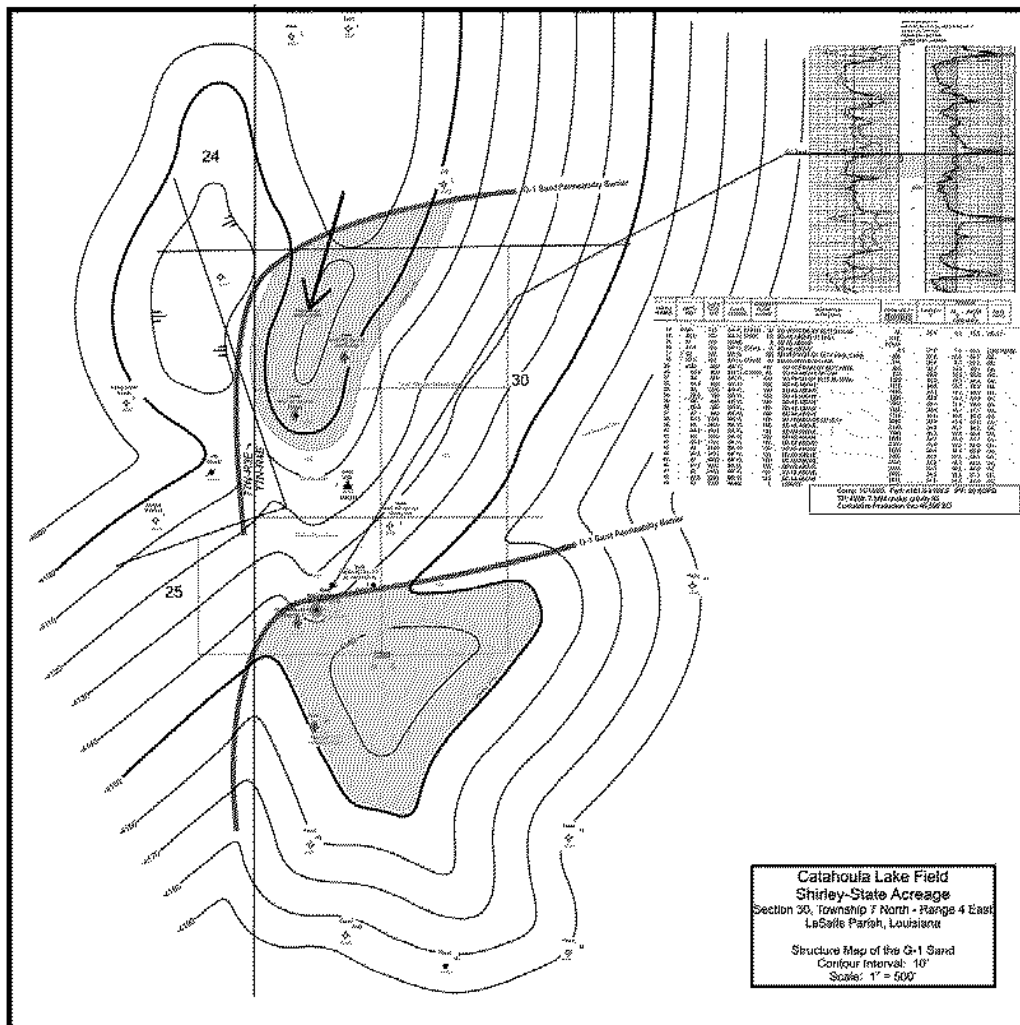


Mr Pettett said Pryme Oil and Gas have a close working relationship the Bell Oil as the operator of the LaSalle Parish Project that has been nurtured since 2001 when Pryme's Chairman, John Dickinson first became a working interest owner himself in the LaSalle Parish Project wells.

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The geological information included in this announcement is based on information provided by Mr Craig Sceroler, a qualified geologist retained as a technical consultant to the Company. Mr Sceroler has practised as a geologist in the petroleum industry in Louisiana for over 20 years. Mr Sceroler has consented to the inclusion of the geological information in this announcement in the form and context in which it appears.