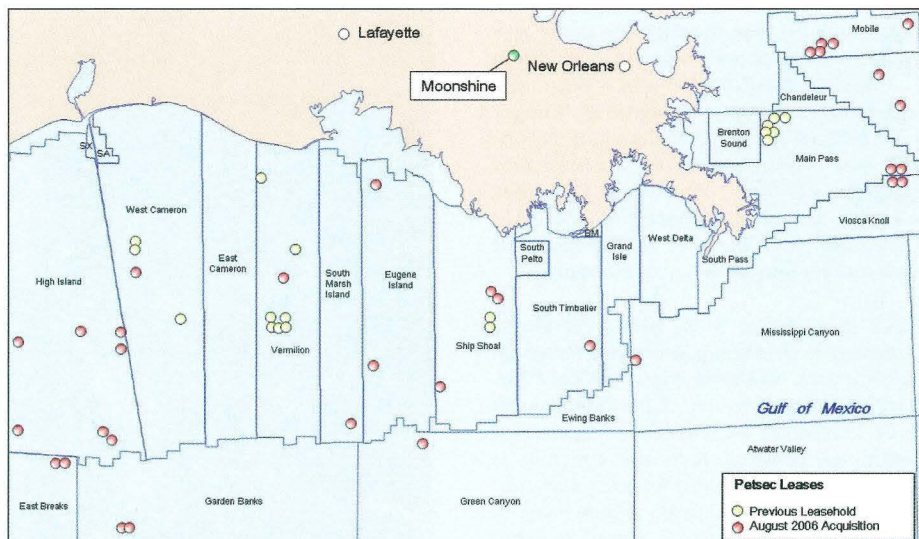


Petsec Embarks On 11-Well US Programme

Petsec Energy Limited plans to drill up to 11 wells, commencing in October, in the Gulf of Mexico and onshore US after the Sydney based company recently trebled its leasehold position in the Gulf from 17 to 50 leases.

"Starting in October, the closing months of 2006 will see Petsec target a total of 19 to 36 Bcfe with the drilling of a significantly increased number of exploration wells in the Gulf region", Executive Chairman, Terry Fern, said. "If successful, that exploration could generate free cash flow to Petsec over the next three years in the range of \$156 – \$281 million, based on the current net operating margin of \$7.82 per MMcf of gas."

The first well in a three well drilling programme at the company's Mobile Bay leases reached



Petsec's Gulf of Mexico and onshore US leases.

total depth of 930 m and encountered 5.5 m of net gas pay. The drilling programme is being conducted on the Mobile Bay 950, 951 and 873 leases which are located about 160 km east of New Orleans and will target a total of 6-10 Bcfe of gas net to Petsec (after payout).

The new exploration joint venture covers 33 lease blocks in the Outer Central Shelf (OCS) waters of the Gulf of Mexico. Petsec acquired a 50% interest in 28 lease blocks, a 25% interest in five additional lease blocks and the right to participate in future MMS lease sales with the group for up to a 35% working interest.

"Over 36 prospects have been mapped to date with an estimated net unrisks potential of 157 Bcf of gas and 29 MMbbl of oil. Within this potential is an estimated 43 Bcfe of gas net, discovered by prior drilling", Fern said. "The leases, which have all been acquired at OCS lease sales in 2005 and 2006, are expected to be tested over the next two to three years."

Fern said drilling of the first wells on the newly acquired lease blocks was expected to start at Mobile Bay with a two to five well programme targeting 5 - 11 Bcf of gas net to Petsec. Also starting in October will be the first wells on Petsec's Gulf of Mexico onshore play – the Moonshine Project – where the company plans to drill two to three wells to test 6 -10 Bcf of gas net. Exploration/development of Petsec's Main Pass 18/103 leases (two to five wells) would test 8 - 15 Bcf of gas, starting late in 2006.

Fern said Petsec has already enjoyed significant exploration success in 2006. He said six wells were drilled in the June half year and five were successful, discovering 21 Bcfe of gas in the Main Pass 18/19 leases in the Gulf of Mexico and in excess of 2.5 MMbbl of oil in Block 22/12, Beibu Gulf, China, net to Petsec. ■