

11 August 2010

**Drilling underway as Petsec farms into new
Gulf Coast, USA, shallow water gas/condensate prospect**State Lease No. 20221 No. 1 Well, Marathon Prospect
Atchafalaya Bay, Louisiana, USA*Petsec Energy Ltd (ASX, PSA; ADR's, PSJEY.PK)*

Petsec Energy is pleased to advise that it is now participating in a well currently being drilled in shallow waters along the Louisiana Gulf Coast, USA following a decision by the Company to farm-in to an exploration prospect with Phoenix Exploration as operator.

Petsec has taken a working interest in the drilling of the Louisiana State Lease 20221 No. 1 well on the Marathon Prospect. Drilling of the well commenced on 8th August 2010 using the Parker 77 drilling rig.

Reserve potential for the Marathon Prospect ranges from 20 billion cubic feet of gas (BCFG) to 78 BCFG.

The Marathon Prospect is adjacent to the Potomac well, a significant discovery recently drilled and tested by Phoenix Exploration and which is being developed with a production facility capable of handling 100 million cubic feet of gas per day (MMCFGD). First production from the Potomac well is expected in September 2010 at a rate of 25 MMCFGPD.

The potential of the Marathon Prospect is enhanced by its location in an adjacent and separate fault block, along the same structural fault trap as the Potomac discovery. If the State Lease 20221 No. 1 well being drilled on the Marathon prospect is successful, it will utilise the aforementioned Potomac production facilities.

The 18,800 feet (5,730 metre) Marathon prospect exploratory well is located in the Atchafalaya Bay in south Louisiana in approximately 8 feet (2.4 metre) water depth. Drilling operations are expected to take 75 days to reach total depth and log. Petsec's estimated net costs for drilling and logging are US\$1.2 million.

Participating working interests in the well are:

Petsec Energy Ltd	10%
Phoenix Exploration Company LP (operator)	65%
Private Company	25%

Details of the well:

Well name:	State Lease 20221 No. 1 well
Water depth:	2.4 metres (8 feet)
Proposed total depth:	5,730 metres (18,800 feet)
Target reserve range (gross):	20 – 78 Bcfe
Estimated time to drill and evaluate:	75 days
Operator:	Phoenix Exploration Company LP
Petsec working interest:	10.0%
Petsec net revenue interest:	7.3 %
Estimated net drilling cost to Petsec:	US\$1.2 million
Estimated net development cost to Petsec:	US\$1.0 million

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Petsec Energy Ltd is an independent oil and gas exploration and production company listed on the Australian Stock Exchange. Its focus of operations is on gas in the shallow waters of the Gulf of Mexico and onshore Louisiana Gulf Coast region of the USA, and on oil in the shallow waters of the Beibu Gulf off the south coast of China.

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