

PETSEC ENERGY LTD

ACN 000 602 70

5 October 2010

Drilling Update, Marathon Prospect

State Lease No. 20221 No. 1 Well,
Atchafalaya Bay, Louisiana, USA

Petsec Energy Ltd (ASX, PSA; ADR's, PSJEY.PK)

Petsec Energy Ltd is pleased to advise that the 7 5/8th inch casing has been set at 4,267 metres (14,000 feet) in the Louisiana State Lease No. 20221 No. 1 Well on the Marathon Prospect. Reserve potential for the prospect ranges from 20 billion cubic feet of gas equivalent (Bcfe) to 78 Bcfe.

The well is situated in 2.4 metres (8 feet) of water in Atchafalaya Bay.

The well will be drilled to a total depth (TD) of 5,730 metres (18,800 feet), which is expected to be reached in late October/early November 2010.

Participating working interests in the well are:

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

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

For Further Information:

Paul Gahdmar
Company Secretary & Group Financial Controller
Petsec Energy Ltd
Level 13
1 Alfred Street
Sydney NSW 2000
Tel: 612 9247 4605 Fax: 612 9251 2410

Ross Keogh
President
Petsec Energy Inc.
4023 Ambassador Caffery Parkway
Suite 550
Lafayette, LA 70503
Tel: 1 (337) 989 1942 Fax: 1 (337) 989 7271

Level 13, Gold Fields House, 1 Alfred Street, Sydney NSW 2000, Australia
PO Box R204, Royal Exchange NSW 1225, Australia
Telephone (61 2) 9247 4605 Facsimile (61 2) 9251 2410
Company information is available on: petsec.com.au