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31 August 2011

Marathon #2 well Drilling UpdateState Lease No. 20369 No. 1 Well, Marathon Prospect
Atchafalaya Bay, Louisiana, USA*Petsec Energy Ltd (ASX: PSA / OTC ADR: PSJEY)*

Petsec Energy advises that the Marathon #2 well was drilled to a total depth of 21,160 feet (6,450 metres) and electric logging was completed. The well is a follow up to the successful #1 well and is situated in 8 feet (2.4 metres) of water approximately 900 metres from the #1 well location. The #2 well was designed to serve as a development well for the field in addition to testing deeper, previously undrilled exploratory reserve potential on the Marathon structure.

The #2 well confirmed the gas productive reservoirs found in the # 1 well, extending the known field pays across the structure. The deeper, exploratory section of the well was found to contain non-commercial hydrocarbons and as a result the well will be completed for production in one of the upper pay sands. Production is expected to commence in the fourth quarter of 2011.

Participating working interests in the well are:

Petsec Energy Ltd	8%
Phoenix Exploration Company LP (operator)	65%
Private Companies	27%

For further information, please contact:

Mr. 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

Mr. Ross A. Keogh
President
Petsec Energy Inc.
3861 Ambassador Caffery Parkway, Suite 500
Lafayette, LA 70503, USA
Tel: (337) 989-1942 Fax: (337) 989-7271

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 oil and gas/condensate in the shallow waters of the Gulf of Mexico and onshore Louisiana and Texas Gulf Coast region of the USA.