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19 December 2012**Drilling Update - Marathon Gas/Condensate Field****Fourth Well on Marathon Field, Atchafalaya Bay, Louisiana, USA
State Lease No. 20369 No. 2 Well, Marathon Field***Petsec Energy Ltd (ASX: PSA / OTC ADR: PSJEY)*

Petsec Energy is pleased to advise that the fourth development well on the Marathon gas/condensate field, which spud on 22 October 2012, has reached a measured depth of 18,215 feet (5,553 metres) and logging operations are underway prior to setting protective casing and drilling ahead.

The well is permitted to 19,400 feet (5,915 metres) and is designed to test known field pays and exploratory reserve potential on the Marathon structure. Drilling, logging, and completion operations on the well are expected to be completed in late January/early February 2013.

Participating working interests in the well are:

Petsec Energy Ltd	8.00%
Apache Corporation	48.75%
Private Companies	43.25%

Details of the well:

Well name:	State Lease 20369 No. 2 well
Water depth:	8 feet (2.4 metres)
Proposed total depth:	19,400 feet (5,915 metres)
Estimated time to drill, log and complete:	120 days
Operator:	Private company
Petsec working interest:	8.00%
Petsec net revenue interest:	5.84 %
Estimated net drilling cost to Petsec:	US\$1.4 million
Estimated net completion cost to Petsec:	US\$0.6 million

For further information, please contact:

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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 and Louisiana Gulf Coast region of the USA, and exploration activities in Shale Oil projects in Canada and the USA.