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TSXV: PEH

**NEWS RELEASE**

**PRIMELINE SECURES RIG AND VARIES PETROLEUM CONTRACT TO ACCOMMODATE EXPLORATION DRILLING PROGRAM**

**Primeline Energy Holdings Inc.** ("Primeline" or the "Company") (TSXV: PEH) today announced that Primeline has signed a letter of intent ("LOI") with China Oilfield Services Limited ("COSL") to enter into a turnkey drilling contract for one well, with an option for a second well, to continue its step out exploration drilling program. In addition, Primeline has agreed to a variation of the Petroleum Contract with China National Offshore Oil Corporation ("CNOOC") in order to accommodate the coordination of the drilling program agreed upon with COSL along with the development program for LS36-1 gas field.

Pursuant to the LOI; COSL has agreed, subject to contract, to enter into a turnkey drilling contract with Primeline under which COSL will drill one exploration well, LS 30-3-1, in Block 25/34 sometime in the fourth quarter of 2011. In addition, Primeline will have an option to drill a further well in the nearby area after completion of the proposed well at the same rates. COSL will supply all necessary equipment, services and personnel for the drilling. COSL is the leading integrated oilfield services provider in offshore China and is listed on the Hong Kong and Shanghai Stock Exchanges.

The location and design of the LS30-3-1 well has been agreed by CNOOC and Primeline. A 3D survey was used to define a number of high potential prospects near the discovery for the Company's step out exploration program. LS30-3 is one of these prospects. The proposed well is approximately 16.5 km from Primeline's LS36-1 gas field and, if successful, can be tied into the production platform to be built for LS36-1. As part of Primeline's rolling development strategy the step out drilling of LS30-3-1 and the other prospects identified will be coordinated with the development of LS36-1 gas field.

The turnkey price for drilling LS30-3-1 well, as defined by LOI, is US\$15.8m including site survey and mobilisation costs. The total budget for the well is up to about US\$25m for a success case, depending on the level of testing to be carried out. Before entering into the LOI, Primeline obtained confirmation from its major shareholder and Chairman, Victor Hwang, that he would underwrite the cost of the drilling contract in order to enable Primeline to secure the rig. The cost of the exploration well will be borne by Primeline and



Primeline Petroleum Corporation, a company 100% owned by Mr. Hwang, in the proportions 75/25, representing their respective interests in the Petroleum Contract.

Following the signing of the LOI, COSL will now arrange for a site survey of the proposed well location following which the drilling contract will be finalised and signed at which time further details will be announced. Prior to the signing of the drilling contract Primeline will also put in place arrangements for raising the funds required for its share of the drilling cost.

Under the Petroleum Contract, there is currently a two-well exploration commitment for phase two of the exploration period for Block 25/34 which expired on April 30<sup>th</sup> 2011. Primeline drilled one of those two commitment wells in April to June 2010. Having regard to the current development activity and the drilling program agreed by COSL, CNOOC has agreed, in a letter to Primeline dated April 28<sup>th</sup> 2011, to a grace period of three (3) months so that the expiration date of phase two of the exploration period is extended from May 1<sup>st</sup> 2011 to July 31<sup>st</sup> 2011 to allow time for discussions with regard to the coordination of the exploration program, development work and for Primeline to decide whether to elect to enter into Phase three. By the end of July 2011, if Primeline decides to enter into Phase three, then its respective exploration period shall begin on May 1<sup>st</sup> 2011 and run to April 30<sup>th</sup> 2013. In the meantime, CNOOC has agreed that the currently unfulfilled commitment well in Phase two shall be carried over to Phase three, so that the work program for Phase three would be a minimum of two commitment wells. It is Primeline's current intention to enter into Phase three. However the flexibility granted by CNOOC will allow Primeline and CNOOC time to agree on coordination of the exploration program with CNOOC's work on the development of the LS36-1 gas field and, if necessary, amend the current exploration commitment to facilitate such coordination. Primeline and CNOOC are in discussion with regard to such arrangements.

With regard to the development of the LS 36-1 gas field, CNOOC and Primeline have been continuing with the finalisation of documentation required for the submission of the Overall Development Program (ODP) for Government approval, while CNOOC has been carrying out the engineering design for the development. The environmental impact assessment (EIA) was reviewed on April 26<sup>th</sup> 2011 by the State Oceanography Administration (SOA) without major challenge. CNOOC is now working with the SOA to finalise the EIA which is required to be submitted with the ODP. A further announcement will be made once the ODP has been submitted for approval.

### **About Primeline Energy Holdings Inc.**

Primeline is an exploration and development company focusing exclusively on China resources to become a major supplier of gas and oil to the East China market. Primeline has a 75% Contractor's interest and is the operator for exploration in the Petroleum Contract with CNOOC for Block 25/34, an offshore exploration area of 5,221 km<sup>2</sup> in the East China Sea. Primeline also has a 36.75% interest in the LS36-1 gas field in Block 25/34 which is being developed by Primeline together with CNOOC (acting as Operator for the development) and Primeline Petroleum Corporation. CNOOC is proceeding with the preparation of the development and Primeline is leading the exploration effort currently focused on the prospects in the 3D seismic data area where a number of high potential prospects near the LS36-1 development have been mapped and where the LS35-3-1 discovery (drilled in 2010) is located. The new LS35-3-1 discovery and previously drilled wells in and around Block 25/34 encountered oil and gas shows and flows indicating that



there is significant hydrocarbon potential in the remainder of the Block. Shares of the Company are listed for trading on the TSX Venture Exchange under the symbol PEH.

ON BEHALF OF PRIMELINE ENERGY HOLDINGS INC.

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Please visit the Company's website at [www.pehi.com](http://www.pehi.com). Should you wish to receive Company news via email, please email [lauren@chfir.com](mailto:lauren@chfir.com) and specify "Primeline Energy" in the subject line.

**Forward-Looking Statements**

Some of the statements in this news release contain forward-looking information, which involves inherent risk and uncertainty affecting the business of Primeline. These statements relate to Primeline's expectation that it will enter into a final turnkey drilling contract with COSL pursuant to the LOI, that the Overall Development Plan will be finalised and submitted and that Primeline can successfully make arrangements to finance its share of drilling costs. Actual results may vary from those anticipated in such statements. Such agreements may not be entered into on the terms expected or at all, and financing may not be available on acceptable terms or at all. Exploration for oil and gas is subject to the inherent risk that it will not result in a commercial discovery.

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