

**Thu Dec 17, 2009****Primeline And Cnooc Sign Agreements For Sale Of co2**

**Primeline Energy Holdings Inc.** ("Primeline" or the "Company") (TSXV: PEH) today announced that agreements for the sale of CO<sub>2</sub> which will be produced as a by-product of the production of natural gas from the Lishui 36-1 Gas Field have been entered into.

Primeline is working with China National Offshore Oil Corporation ("CNOOC") on the development plan for the Lishui 36-1 gas field. The raw gas in Lishui 36-1 contains CO<sub>2</sub> which must be extracted as part of the process of production of natural gas for sale into the Zhejiang provincial gas grid. China is imposing tighter environmental controls and the current regulations require that the CO<sub>2</sub> extracted from natural gas must be properly dealt with. Under the overall development plan for the Lishui 36-1 field (ODP) it is intended that the CO<sub>2</sub> should be extracted and then liquefied to create food grade liquid CO<sub>2</sub> which can be sold into the local market. Primeline commissioned a detailed market research report to assess the market for liquid CO<sub>2</sub>, which report confirmed that there is a rapidly growing market for CO<sub>2</sub> products in the East China region with applications including metal processing, fabrication (particularly in the ship building industry) and numerous uses in the food industry.

Primeline and CNOOC have now concluded initial negotiations with the three largest CO<sub>2</sub> distribution companies in Zhejiang and Fujian Provinces which have resulted in Framework Distribution Agreements ("Agreements") being signed between CNOOC and each of the three distribution companies. In entering into the Agreements, CNOOC acted on its own behalf and on behalf of Primeline and Primeline Petroleum Corporation ("PPC") who are the foreign contractors as defined by the petroleum contract under which the contractors hold their interests in Block 25/34. A separate agreement was entered into between CNOOC, Primeline and PPC outlining the terms of authorisation for CNOOC to sell the CO<sub>2</sub> on behalf of Primeline and PPC pursuant to the Agreements.

Under the Agreements the distribution companies have agreed to take or pay for an aggregate amount of liquid CO<sub>2</sub> representing the initial proposed production from the Lishui 36-1 gas field. The Agreements define the general terms on which the distribution companies will buy and distribute the liquid CO<sub>2</sub> to be produced by Primeline and CNOOC. These three companies will sell the liquid CO<sub>2</sub> into the East China market, each being granted an exclusive distribution area. The ODP contains plans for a dock facility adjacent to the gas processing terminal which is intended to be used to facilitate the transportation of the liquid CO<sub>2</sub> by sea.

On the basis of the price agreed for the sale of the liquid CO<sub>2</sub> it is anticipated that the full cost of the creation and operation of the CO<sub>2</sub> production facilities will be covered with a small profit.

In the meantime, Primeline, together with CNOOC, is in the process of finalising all supporting documentation required for submission of the ODP to the Chinese Government. The sale of CO<sub>2</sub> pursuant to the Agreements deals with the environmental concerns relating to the disposal of CO<sub>2</sub> created as a by-product of natural gas production and are an important element of the proposed development.

**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 in the Petroleum Contract with CNOOC for Block 25/34, an offshore exploration area of 5,221 sq km in the East China Sea, where the Lishui 36-1 discovery is located. Primeline has completed the ODP for the Lishui 36-1 gas field on a stand-alone basis and is in the process of preparing to submit the ODP for government approval of the development. A 3D survey was used to define a number of high potential prospects near the discovery for the Company's step out exploration programme. 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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#### **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 the time anticipated to submit the ODP and its approval. They are based on assumptions that the preparation of supporting document will be completed in a timely fashion, and that required governmental approvals will be timely obtained. Actual results may vary from those anticipated in such statements. Documentation may be delayed for technical and other reasons, and if they are, submission of the ODP will also be delayed, and required government approvals may not be obtained in a timely fashion, or at all. If funding is not sufficient or governmental approvals are not obtained, the Company may be unable to develop the gas field.. Exploration for oil and gas is subject to the inherent risk that it will not result in a commercial discovery.*

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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For more information, send questions and comments to [info@primelineenergy.com](mailto:info@primelineenergy.com)

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