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ASX RELEASE

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Production Update – Reid’s Dome Project

State Gas Limited (ASX: GAS) (“the Company”) refers to its recent announcements¹ in relation to its operations at the Reid’s Dome Gas Project (PL 231) and provides this update of the production testing of the Nyanda-4 and Serocold-1 coal seam gas wells and volumetric estimation of the Reid’s Dome Gas field.

In the south of PL 231, Nyanda-4 is currently flowing gas at rates exceeding 60 mscf/day, less than four weeks after initiating pumping. Water production is again very low, which augurs well for development economics. The Company is preparing for production logging to determine the contribution of the various coal intervals in the well, once the gas flow rates have stabilised at a satisfactory level. This data will inform assessments of the Reserves and Resources in the permit to be undertaken by Netherland Sewell & Associates. It will also assist future well drilling and completions as the field moves to early development.

Located 6.2km north of Nyanda-4 within PL 231, Serocold-1 achieved constant gas flow within one week of being placed on pump, a remarkably early production of gas from the accessible coal seams. This well will be produced to determine the potential from the upper 54% of the coals in this well. The remaining coal seams are situated below the level of the pump due to obstructions in the well. Those remaining 46% of seams below the level of the pump are therefore unlikely to provide any benefit to gas flow rates during the current testing as the water is drawn down to only the level of the pump in Serocold-1. Future well completion will be designed to avoid such issues. As with Nyanda-4, water production is very low providing further positive signs for economics.

State Gas is delighted with the results it is achieving from these exploration wells. Testing the initial exploration wells (rather than drilling new dedicated production test wells) inevitably presents challenges as the wells (one corehole and two narrow RC holes) were not optimised for gas production via casing and conventional production well configuration. This innovative testing provided savings, and has also presented some challenges, requiring the pumps to be redesigned and, in the case of Serocold-1, reset to a much shallower depth than previous attempts (meaning fewer coal seams contributing to production testing). However, use of these initial wells has enabled State Gas to establish gas flow and obtain initial production data much earlier than would have otherwise been possible. The State Gas production team is also very pleased with the performance of the customised pumps now installed and performing as designed in both wells, which will assist with full-field development planning.

As announced on 31 July 2020, Aldinga East 1A (located 12km north of Nyanda-4 within PL 231) has also been flow tested from the intra-Cattle Creek gas reservoir – a conventional gas zone within PL 231. The gas flow rate from the shallow discovery has been calculated at 363 mcf/d. The Cattle Creek Formation contains shallow conventional sandstone reservoirs which will complement the development of the Reid’s Dome Beds coal seam gas field.

¹ 31 July 2020 and announcements referred to therein

Commenting on the latest in-field activities, State Gas Executive Chairman, Richard Cottee, said that the acquisition of production testing data at Reid's Dome was being accelerated with a view to early volumetric estimation, which was a priority for the Company.

"I am very pleased by these results" said Richard Cottee, Executive Chairman of State Gas', Mr Cottee said.

"Our work investigating the earlier pump issues has paid off, and we have successfully brought the water levels down. The customised pumps solution will also help unlock full-field development of Reid's Dome."

"In the short-term, I am looking forward to ongoing increases in the gas flow rates, and in due course, the production logging test at Nyanda-4 to inform further development," he said.

"We are also now very close to achieving all of the production data required to meet our objective of commissioning a maiden independent Resource estimate for Reid's Dome."



Gas flare at Serocold-1 on 27 July 2020 after de-watering for ten pumping days.

This announcement was approved for release by Mr Richard Cottee, Executive Chairman.

FOR FURTHER INFORMATION

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ABOUT STATE GAS

STATE GAS LIMITED (ASX: **GAS**) is a Queensland-based developer of the Reid's Dome gas field, originally discovered during drilling in 1955, located in the Bowen Basin in Central Queensland. State Gas is 100%-owner of the Reid's Dome Gas Project (PL-231) a CSG and conventional gas play, which is well-located 30 kilometres southwest of Rolleston, approximately 50 kilometres from the Queensland Gas Pipeline and interconnected east coast gas network.

Permian coal measures within the Reid's Dome Beds are extensive across the entire permit but the area had not been explored for coal seam gas prior to State Gas' ownership. In late 2018 State Gas drilled the first coal seam gas well in the region (Nyanda-4) into the Reid's Dome Beds and established the potential for a significant coal seam gas project in PL 231. The extension of the coal measures into the northern and central areas of the permit was confirmed in late 2019 by the Company's drilling of Aldinga East-1A (12 km north) and Serocold-1 (6 km to the north of Nyanda-4).²

State Gas is implementing its strategic plan to bring gas to market from PL 231 to meet near term forecast shortfalls in the east coast domestic gas market. The strategy involves progressing a phased appraisal program in parallel with permitting for an export pipeline and development facilities to facilitate the fastest possible delivery of gas to market³. State Gas' current focus is to confirm the producibility of the gas through production testing of the wells.

² The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

³ Strategy announced on 21 August 2019