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ASX RELEASE

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Nyanda-8 Evaluation

State Gas Limited (ASX: GAS) is pleased to advise the initial results of the second well in its Phase 2 drilling campaign, Nyanda-8, at its 100%-owned Reid's Dome Gas Project (PL 231) in the Bowen Basin in Central Queensland.

Nyanda-8 is approximately 2.2 km south-west of the successful Nyanda-4 well, and together with Nyanda-7 (approximately 2.6km north of Nyanda-4 – see Figure 1), was drilled as a coal seam gas (CSG) well as part of the Company's program to appraise the Nyanda Focus Area¹ within PL231 for early development.

Nyanda-8 reached the targeted Total Depth of 1200m on 3 January 2021, following spud on 29 December 2020. Wireline logs indicate the well has intersected 19.7m net coal with open fractures apparent on the image log, exhibiting good potential for CSG production.

The results of both Nyanda-7 (as announced on 31 December 2020) and Nyanda-8 are within the expected range based on data for Nyanda-4, where testing in late 2020 recorded gas production at rates approaching 500,000 cubic feet per day². All three wells have intersected good quality coals, with seams of similar thicknesses and depths, confirming the widespread presence of gas-bearing coal seams and significant net coal within the Nyanda Focus Area.

The next step in the appraisal of the Nyanda Area is to undertake production testing of the two new Nyanda wells and recommence the production test at Nyanda-4. To this end, the Completion/Workover Rig has commenced operations at Nyanda-4 to enable the production test to recommence, following which it will install pumps in both Nyanda-7 and Nyanda-8. All three wells are anticipated to be dewatering by the end of January to enable gas production.

The drilling rig is currently completing installation of casing at Nyanda-8, following which the crew will demobilise while the current La Nina weather event is at its peak. When an appropriate weather window opens, the crew will return and drill the proposed Aldinga-2 well in the northern area of PL 231, and Serocold-3 in the central area.

Commenting on the positive initial results State Gas Executive Chairman Richard Cottee provided some context: "The aim of this initial phase of our present drilling campaign was to prove up an initial Nyanda Area production zone with step out wells more than 2 km to the north (Nyanda-7), and south (Nyanda-8), of the proven Nyanda-4."

"To say that the results to date are encouraging would be an understatement. The geological parameters at Nyanda-7 appear to be better than Nyanda-4, whilst at Nyanda-8 they appear to be roughly equivalent."

¹ The Nyanda Area is proposed as the initial production hub at PL231 – as advised in Quarterly Report dated 30 October 2020

² As announced on 23 September 2020

“In testing last year, Nyanda-4 delivered gas production at rates approaching 500,000 cubic feet per day, which is a high benchmark for CSG.”

“With all three wells expected to be on production testing by Australia Day we hope to be in a position to confirm our confidence shortly thereafter”, said Mr Cottee.

Mr Cottee also commented on the campaign: "Conditions have been extremely trying with the onset of the wet season coming early, but it is testimony to the dedication of our drilling team that the platform for production testing of the initial production zone has reached this milestone."

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).³

State Gas is also the 100% holder Authority to Prospect 2062 (“Rolleston-West”), a 1,414 km² permit (eight times larger than PL 231) that is contiguous with the Reid’s Dome Gas Project. Rolleston-West contains highly prospective targets for both coal seam gas (CSG) and known conventional gas within the permit area. It is not restricted by domestic gas reservation requirements.

The contiguous areas (Reid’s Dome and Rolleston-West), under sole ownership by State Gas, enable integration of activities and a unified super-gasfield development, providing economies of scale, efficient operations, and optionality in marketing.

State Gas is implementing its strategic plan to bring gas to market from Reid’s Dome and Rolleston-West 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 market⁴.

³ The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

⁴ Strategy announced on 21 August 2019

State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

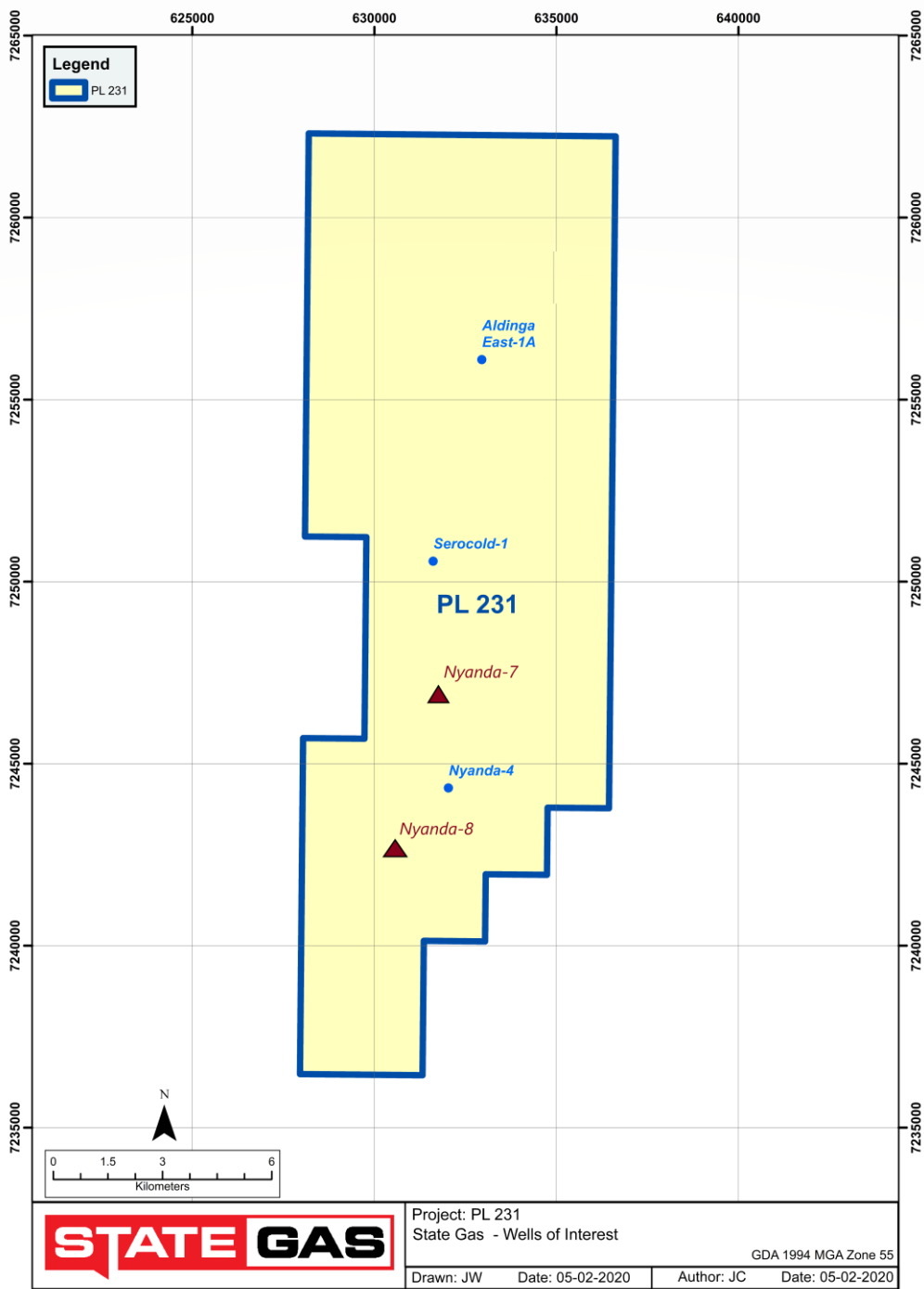


Figure 1: Map showing location of Nyanda-7 and Nyanda-8



Silver City Drilling Rig 25 at Nyanda-8