



State Gas Limited
ACN 617 322 488
PO Box 10348
BRISBANE QLD 4000

ASX RELEASE

27 January 2021

Production Testing Update – Reid’s Dome Project

State Gas Limited (ASX: GAS) is pleased to provide an update on production testing activities underway during the Phase 2 exploration and appraisal program at its 100%-owned Reid’s Dome Gas Project (PL 231) in the Bowen Basin in Central Queensland.

As previously advised, a primary objective of the Phase 2 program is to appraise the Nyanda area for early development following the strong performance of the Nyanda-4 Coal Seam Gas (CSG) well, producing gas at rates approaching 500,000 cubic feet per day during testing in late 2020¹. Accordingly, the Company has drilled two “step out” wells approximately 2.5km to the north (Nyanda-7) and south-west (Nyanda-8) of the Nyanda-4 well², to guide the delineation of an early development area. As announced on 6 January 2021 the new drilling has confirmed the widespread presence of gas-bearing coal seams and significant net coal within the Nyanda area, with all three wells intersecting good quality coals with seams of similar thicknesses and depths and evidence of open fractures.

With these encouraging results the Company is embarking on production testing of the wells, commencing with the Nyanda-4 well being returned to production on 19 January 2021. Gas flows re-commenced immediately at Nyanda-4 with the resumption of dewatering. The well is expected to take some time to recover performance, however rates have been increasing steadily as water levels are slowly lowered. As at 6.00am (AEST) on 27 January the gas flow rate was 57,500 standard cubic feet per day.

Nyanda-7 has now also been completed for production, and testing commenced on 25 January. The well is currently being dewatered to lower wellbore pressure and enable the gas to be produced from the coals.

The Services Rig is currently operating at the most recently drilled well, Nyanda-8, to install the pump to enable dewatering for gas production. All three CSG wells in the Nyanda area are expected to be dewatering by early next week.

The Phase 2 campaign at Reid’s Dome also includes proposed wells in the north and central areas of the permit. As advised on 6 January, the drilling of these wells has been held over until the intensity of the current La Nina weather event has passed (the site has received more than 14 inches of rain since 1 December).

Commenting on the results to date Mr Richard Cottee, Executive Chairman said: “I am very pleased with the early recommencement of gas flows at Nyanda-4, particularly as we have only just brought the fluid level in the well below the coal seams. I look forward to providing updates on production at the latest wells, Nyanda-7 and Nyanda-8, in due course.”

¹ As announced on 23 September 2020

² Nyanda-7 announced on 31 December 2020, Nyanda-8 announced on 6 January 2020

“The wet weather has been a challenge, but I am very pleased to see these wells being brought on quickly, enabling us to progress towards early development”, he said.

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



Production testing at Nyanda-4, January 2021

FOR FURTHER INFORMATION

Richard Cottee
Executive Chairman
Phone: 0458 517 850
Email: richard@stategas.com

Lucy Snelling
Head, Corporate & Commercial
Phone: 0439 608 241
Email: lucy@stategas.com

www.stategas.com

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

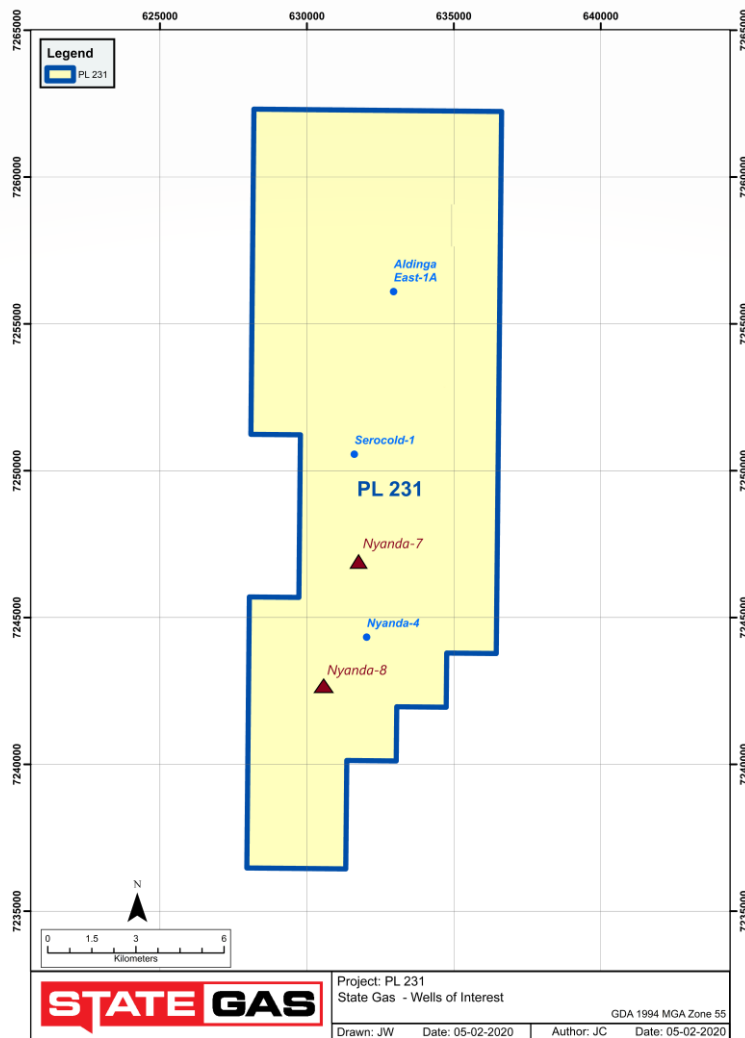


Figure 1: Map showing location of wells including Nyanda-7 and Nyanda-8

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