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ASX RELEASE

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Record CSG flow rates at Reid's Dome

State Gas Limited (ASX: GAS) refers to recent announcements¹ relating to its production testing activities at its 100%-owned Reid's Dome Gas Project (PL 231) in the Bowen Basin in Central Queensland. As previously advised, State Gas is undertaking production testing of three coal seam gas (CSG) wells in the Nyanda area at Reid's Dome in order to appraise that area for early development.

The Nyanda-4 well has provided exceptional results overnight, producing a total of 620,000 cubic feet in the previous 24 hours.

Drilled in late 2018, the Nyanda-4 well was placed on test for two periods last year; in each case promising gas production was interrupted by pump breakdowns after six and nine weeks respectively. Production in the current test has exceeded previous rates achieved, on both a daily production and instantaneous basis.

Production testing at the Nyanda-7 and Nyanda-8 wells drilled in 2020 also continues.

Nyanda-7 is experiencing strong water recharge, indicating good permeability, although slowing the progress in reducing downhole pressures aimed at accelerating gas production. Despite this, and in a positive early sign, gas production at the well has commenced, with 5000 cubic feet/day recorded.

Nyanda-8 gas flows also continue to build, producing 31,000 cubic feet/day over 24 hours yesterday.

State Gas Executive Chairman, Richard Cottee, expressed his delight: "Last week I advised we had 'cracked the code' at Reid's Dome and these results truly confirm it."

"The rates we are seeing from Nyanda-4 are well above the indicative threshold for a commercial well (commonly taken to be around 100,000 cf/d), and I am confident the area will prove commercial." Mr Cottee said.

"In addition, the fact that the well has come back to exceed previous rates so quickly and emphatically is great news – this suggests the well hasn't been damaged by stoppages in production, as is so often the case with CSG wells. The implication is that Reid's Dome can supply intermittent volumes, enabling it to optimise sales into a volatile market to achieve best pricing. This is very exciting", Mr Cottee added.

¹ 27 January 2021, 3, 11 & 18 February 2021, 8 & 10 March 2021

“I am also pleased with the progress at Nyanda-7 and 8. Neither of these wells has the benefit of the “free gas” that Nyanda-4 has because of its location on the crest of the anticline and this means the pumps have to work harder and longer until the higher flows come through. Nyanda-8 is flowing at one third of the indicative commercial threshold of 100,000 cubic feet/day. I have no doubt both these wells will produce at the levels we want to see”, Mr Cottee said.

State Gas also advises that the Secure Well Services Rig 2 was mobilised to site on 15 March 2021 to undertake a workover at the Serocold-1 well. This well will be cleaned out and a new pump installed, prior to a production test commencing to establish the producibility of gas in this central area of PL231.

Planning is also progressing for drilling at the Company’s new Rolleston West permit (ATP 2062), located to the north-east of PL 231, with drilling anticipated to commence in mid to late April, weather permitting.

Further details will be available on Wednesday, 17 March 2020 via a company presentation by Mr Cottee to the Australian Energy & Minerals Conference, to be held in Brisbane. A copy of the presentation will be released to the Australian Securities Exchange on 17 March.

State Gas will also continue to update the market as production testing continues and as drilling activities progress.

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 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 market³. State Gas' current focus has been 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