

Spud of First Rougemont well

State Gas Limited (ASX: GAS) has commenced drilling the first well in its new Rolleston-West Gas Project in ATP 2062. Rougemont-1 was spudded at 9:00pm on 14th May 2021. At 6am this morning the well was at 75m.

The Rougemont-1 well is the first of two planned wells being drilled to evaluate the highly prospective Bandanna coals in the eastern arm of the new Rolleston-West permit, which was granted to the Company by the Queensland Government late last year. The Bandanna Formation is well established as a host of commercially viable coal seam gas, producing at the Arcadia Valley (Santos/GLNG) and under development at Mahalo (Comet Ridge/Santos/APLNG) at similar distances to the south-east and north-east of ATP 2062 respectively.

Rougemont-1, with a planned total depth of 800m, is targeting gas-bearing coals between approximately 500m and 780m. Located on the crest of a “plunging nose” in the formation, the coals are expected to host gas content and permeability comparable to the analogue fields.

The Rougemont wells will confirm coal thickness, gas content and the permeability of the coals in this area of ATP 2062. This will be achieved using wireline logs, coal sampling (coring) and specific permeability testing of the coals. The data will provide valuable information as to the potential of the area, to be confirmed through subsequent production testing of the wells. Once the initial testing processes are completed, the wells will be suspended, awaiting subsequent production testing of the wells.



Silver City Drilling Rig 23 at Rougemont-1 well

Reid's Dome Gas Project

As previously advised¹, State Gas is appraising the potential of the Reid's Dome Gas Project (PL231) for development, undertaking production testing of three coal seam gas (CSG) wells in the southern area (Nyanda-4, 7 and 8), and the Serocold-1 well in the central part of the permit.

Production from the Serocold-1 well has been very promising. The well was placed on pump on 7 April, following a workover to clean out and line the well and set the pump some 330m lower than had been possible in the previous test last year². The water level has been lowered to expose just over half of the coals culminating in production reaching 35,700 cft/day and expected to increase as pumping is optimised. This rate, more than twice the rate achieved in the previous test, indicates the Company has made very substantial progress in "cracking the code" of the coals in this area.

As previously advised³ the Nyanda-4 well has produced exceptional results, with gas production reaching over 700,000 cft/day as natural fractures were intersected in the well, after which production resumed at the economic rate of around 100,000 cft/day. This production pattern suggests that the free gas in the intersected fractures has been drained. Production at Nyanda-4 has been gradually increasing again, currently at 114,000 cft/day, and we expect that this consistent build-up will confirm the rate at which gas is produced from the natural matrix of the coal.

Production at Nyanda-7 is also slowly increasing, as the rate of water production is reducing. The higher effective permeability of this well bodes well for future productivity, as natural open fractures provide pathways initially for water and then for gas to be released. Production has built to the current 6,700 cft/day and we expect the productivity of the well to continue to steadily improve.

Gas production at Nyanda-8 is increasing and currently approaching 44,000 cft/day. This well is expected to pass the economic threshold by the end of this financial year.

Combined Development Opportunity in Central Queensland

Executive Chairman Mr Richard Cottee noted that the spud of the Rougemont-1 well was a milestone for the Company. "This is the first well in the new acreage awarded by the Queensland Government to State Gas last year, increasing the Company's potential many-fold. These core holes are designed to help quantify that increased potential."

"The new Rolleston-West permit covers an area of 1,414km² adjacent to PL231 in Central Queensland – if all goes well, we have the makings of a major gas development combining the gas from both projects. Knowledge about the potential of Rolleston-West will be vital in informing the development planning for Reid's Dome, enabling the optimum scaling and location of facilities and infrastructure. We will be able to commence at Reid's Dome knowing that Rolleston-West gas will come in, bringing additional cashflow and economies of scale for the benefit of both project areas."

"The synergistic nature of this development coming at the time of a predicted gas shortage, targeted for 2023, will enhance its economics and increase the avenues available for financing such development. In addition, the Company retains significant freedom and optionality for its gas

¹ Announced on 29 January 2021

² Announced on 16 April 2021

³ Announced on 30 April 2021

production, as none of its acreage is burdened by any mandated marketing restrictions," Mr Cottee said.

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

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

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).⁴

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 market⁵. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

⁴ The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

⁵ Strategy announced on 21 August 2019

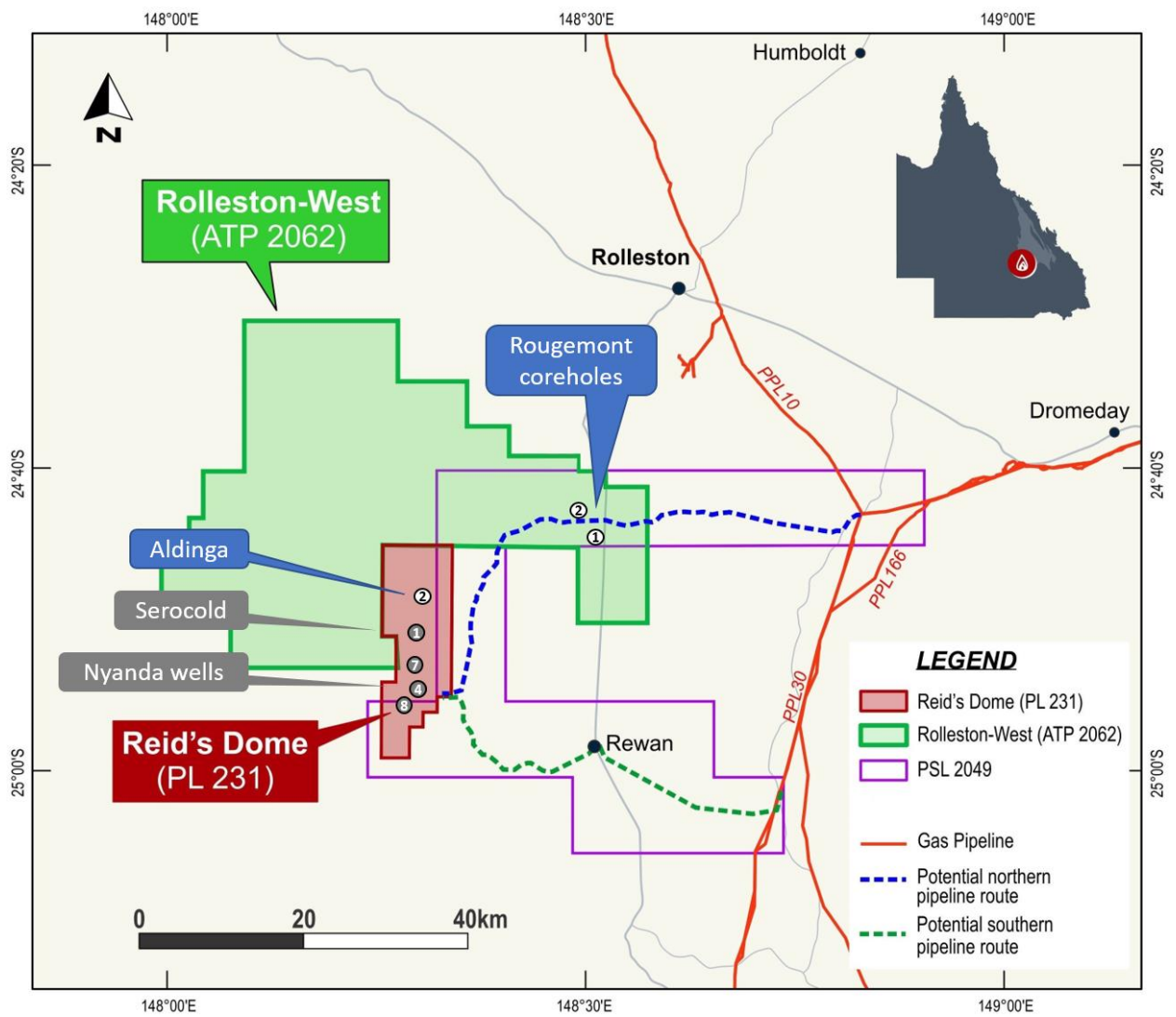


Figure 1: Map showing locations of State Gas project activities