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ASX RELEASE

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Nyanda-4 Testing Proves Gas Production Below 1,150 Metres

State Gas Limited (ASX: GAS); Production Log Testing (PLT) at Nyanda-4 has confirmed that in addition to gas production from coal seams between 400m and 1000m, gas is being successfully produced at Reid's Dome at depths below 1150m, well below the usual depths regarded as the limit for the production of coal-seam gas.

State Gas is appraising the coal seam gas potential of its 100% owned Reid's Dome Project at PL231. The coals at Reid's Dome extend to depths well below those usually regarded as productive. The particular geological features of the dome, as well as analogue wells elsewhere, led to the Company's hypothesis that the coal seams would produce gas from much deeper than is typical. This hypothesis has now been proved.

The Company has been production testing the Nyanda-4, Nyanda-7 and Nyanda-8 wells at Reid's Dome. Gas flow data from those tests strongly indicated that gas is being produced from the lower seams. To confirm that this is the case, the Company recently ran a PLT at the Nyanda-4 well.

The Nyanda-4 well intersected 40m of net coal, between 394m and 1177m, with the lowest coals positioned just above the bottom of the well at 1200m depth¹. Both temperature logs and noise logs were acquired by the PLT to identify the zones from which the gas is being produced.

The PLT results demonstrated that good flows came from both near the top of the coals (with the top producing interval between 400m to 600m), and importantly, good flows from the bottom section of the well below 1150m.

The confirmation of gas production at greater depths is commercially important in confirming not just more productive zones in the Reids Dome Beds, but also a much larger productive area. The coal seams dip down away from the crest of the Dome; and if the depth cut off for productive coals is deeper a much more expansive area of the Dome can be expected to produce. This means significantly more gas reserves will be available to the Project than if the coals were limited to typical CSG depths.

"This is unambiguously good news," commented Mr Richard Cottee, Executive Chairman of the Company.

"These results prove conclusively that we can produce economically at depths exceeding 1,000m naturally, unaided by any form of stimulation. We can now show that coals at these depths in Reid's Dome need to be included in assessments of the field's production potential, right down the full depth of the wells."

¹ Nyanda-4 results originally announced 5 December 2018

On completion of the PLT, Nyanda-4 was returned to production and is currently producing 138,000 scf/day. The Nyanda-7 and Nyanda-8 wells at Reid's Dome are producing 7,000 scf/day and 38,000 scf/day respectively.

State Gas will continue to update the market as new information becomes available.



Production testing at Nyanda-4

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