



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

ASX RELEASE

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Reid's Dome Production Testing Update

State Gas Limited (ASX: GAS) is pleased to provide an update on production testing activities at its 100%-owned Reid's Dome Gas Project (PL 231) in the Bowen Basin in Central Queensland.

Following significant rain events in March that gave rise to local flooding and made in-field roads temporarily impassable to heavy traffic, the recent dry weather allowed access to Serocold-1 where a work-over of that well was completed on 6th April.

The Serocold-1 work-over cleaned out the section below the previous pump depth and installed a liner which enabled the down-hole pump to be set 330m lower than the previous level. Early indications are positive and suggest that the deeper coals are providing increased water-flow which is generally associated with better permeability.

Work was also carried out on the Nyanda-8 well to reduce the pump size, allowing more efficient pumping as the water production declined and gas production increased.

Dewatering and gas production of the Nyanda area wells has continued following the local flooding and wet weather-related interruptions. Gas flow continues to increase with the rates of 6,000 cubic feet/day recorded at Nyanda-7, and 42,000 cubic feet/day at Nyanda-8.

As demonstrated by cores samples and image logs, natural fracturing has been encountered in the Reid's Dome Project wells, to varying degrees. The high flow rate reported at Nyanda-4 has been attributed to gas contribution from near-well fractures. In line with expectations, the free gas in those fractures appears to have been drained and the gas rate has declined back to a steady 100,000 cubic feet per day. Water production has remained steady through this period. It is expected that new fractures further from the well will open up over time due to shrinkage of the coals as the pressure reduces and gas desorption continues.

Commenting on the results, State Gas Executive Chairman, Richard Cottee, confirmed that the outcomes to date supported his excitement about the favourable geological setting for gas production at Reid's Dome.

"As articulated in my recent presentation at the Australian Minerals & Energy Investment Conference (link: https://stategas.com/wp/wp-content/uploads/2021/03/GMT20210317-040134_Australian_640x360.mp4), the natural fractures in these highly gas-saturated coals will help liberate the gas and enhance production. I have been expecting that the coals between the natural fractures will cause a degree of initial compartmentalisation until those coals shrink as the gas is drained. After shrinkage, the various natural fractures should open up, extend and inter-connect over time, providing additional channels for the gas to enter the wellbore for production."

"The results to date at Nyanda-4 appear to support this thesis. I am further encouraged, based on water-make as a proxy for enhanced permeability, by the water pumping rates for all of our wells at the Reid's Dome Project," Mr Cottee said.

“These results are all quite encouraging for long-term development of the Project,” he added.

State Gas will continue to update the market as production testing continues.

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).¹

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 market². State Gas’ current focus has been to confirm the producibility of the gas through production testing of the wells.

¹ The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

² Strategy announced on 21 August 2019

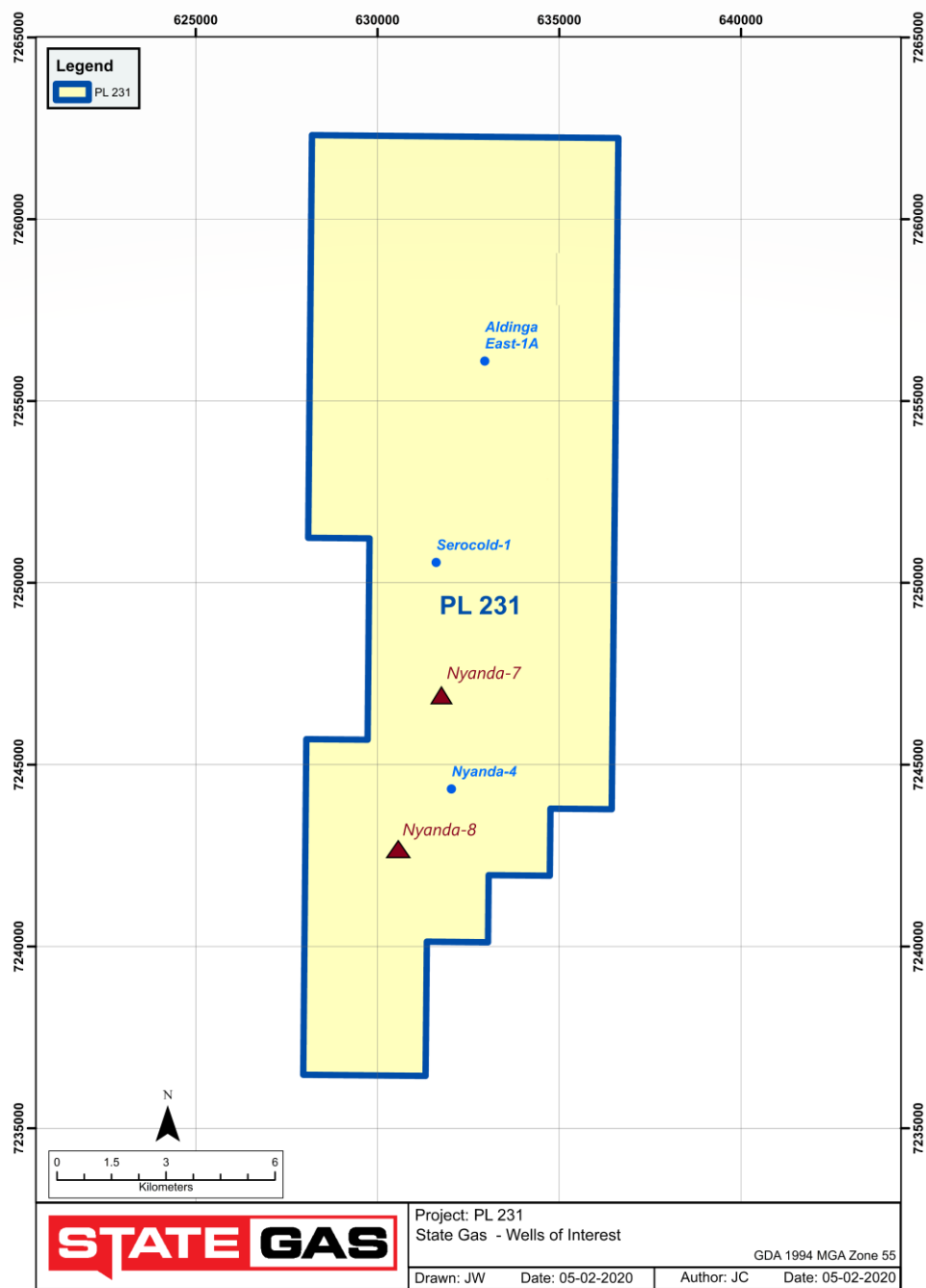


Figure 1: Location of Nyanda-4, Nyanda-7, Nyanda-8 and Serocold-1 wells within Reid's Dome (PL231)