



State Gas Limited  
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## ASX RELEASE

31 October 2019

### QUARTERLY ACTIVITIES REPORT

1<sup>st</sup> July 2019 – 30<sup>th</sup> September 2019

#### HIGHLIGHTS:

- Target 2021 strategy to bring gas to the East Coast market to meet shortfalls forecast in upcoming years.
- Processing of historic seismic data provides the first coherent picture of the subsurface Reid's Dome structure and coal beds over much of PL 231, and reinforces the Company's prior understanding.
- Preparations made for drilling and testing campaign, enabling spud of first well in early October.
- State Gas Limited obtained judgement in its favour in Supreme Court action to acquire final 20% interest in Reid's Dome.
- Acquisition price for the final 20% interest confirmed by the Court at the price fixed by the February 2017 Joint Operating Agreement (JOA) at \$233,333, with Dome ordered to pay the costs of State Gas on an indemnity basis.

Brisbane-based gas developer **State Gas Limited (ASX: GAS)** is pleased to provide its Quarterly Activities Report for the September Quarter 2019.

#### Background

State Gas Limited (State Gas or the Company) holds a majority interest in, and is operator of, the Reid's Dome Gas Project (PL 231) in central eastern Queensland, approximately 545 km northwest of Brisbane and 50 km southwest of Rolleston, in the Bowen Basin Central Queensland. The permit hosts both conventional and unconventional gas and is less than 50 km from the high pressure gas pipeline network in Queensland (see Figure-1).

In late 2018 State Gas drilled the first coal seam gas well in the region into the Reid's Dome Beds and established the potential for a significant coal seam gas project in PL 231.

In August 2018 Pipeline Survey Licence 2028 was issued to the Company, enabling investigations to commence for a pipeline route to market.

During June 2019, Mr Richard Cottee was appointed Executive Chairman of State Gas as a further step in accelerating development of the Reid's Dome Gas Project. Mr Cottee is internationally renowned for his energy experience, commercial strategy and acumen within the energy and utilities sector. As former Managing Director of the Queensland Gas Company (QGC) from 2002 to 2008, he took the company from an early stage explorer to a major non-conventional gas supplier building the market value from \$20 million to \$5.7 billion, and facilitated the sale of QGC to Britain's BG Group.

## **PROJECT ACTIVITIES**

State Gas has adopted “Target 2012”, a strategy to bring gas to market from PL 231 to meet forecast shortfalls in the east coast domestic gas market as early as 2021. Outlined in its announcement of 21 August 2019 and presentations dated 8 and 22 October 2019, 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 market.

The Company has made good progress on that strategy during the September Quarter.

### **Processing of historic seismic**

As noted in its announcement of 9 September 2019, State Gas completed processing of the historic WOWCO seismic survey, recorded in 1981 but never previously processed. Interpretation of the data has provided the first coherent picture of the subsurface Reid’s Dome structure within much of PL 231. The Reid’s Dome Beds coal measures from Nyanda-4 have been correlated across the permit area from south to north, and a “Top Coals” depth map created (see Figure 2 below). The Top Coals map supports the Company’s prior understanding of the geology in the permit and improves confidence in both the parameters used by State Gas for estimating the area prospective for CSG within PL 231 and its selected drilling targets.

### **Preparations for drilling and testing**

Having raised funding in the prior Quarter, State Gas has progressed the next phase in its appraisal of the coal seam gas potential of the Reid’s Dome Beds in the permit. As outlined in its announcement of 21 August 2019, the Company developed plans to drill two wells in the northern and central area of the permit, with a view to production test those wells. When taken with the data from the 2018 Nyanda-4 well in the southern area and the interpreted seismic, this will enable an indicative assessment of the extent and permeability of coal seams across the permit. Production tests are also planned to provide initial production metrics – key data for the planning of development.

The first of these wells, Aldinga East-1A, was spudded on 4 October 2019<sup>1</sup>, and encountered the top of the coal beds at the shallowest end of the Company’s prognosed range<sup>2</sup>, at which point the acquisition of core samples commenced for gas desorption testing. In a development which is encouraging for the potential economics of the Project, gas, believed to be from a conventional reservoir, has also been observed bubbling from the well<sup>3</sup>. It is anticipated that following completion of logging and permeability testing, the Aldinga East-1A well will be completed for production testing.

The second well, proposed Serocold-1, is planned to be drilled approximately half way between Aldinga East-1A and the 2018 Nyanda-4 well. Logging and permeability testing data will be obtained from Serocold-1, and subject to the results of that data, the well may also be production tested.

In addition, the Company is planning to re-enter the suspended Nyanda-4 well to complete the well for a production test. If tests of all three wells are conducted the Company will obtain production data from the Reid’s Dome Beds across the majority of the permit.

The three exploration wells are located on the WOWCO seismic lines, enabling a further direct tie to the seismic data and thus increased confidence in its interpretation and drilling outcomes.

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<sup>1</sup> Announcement 4 October 2019

<sup>2</sup> Announcement 18 October 2019

<sup>3</sup> Announcement 23 October 2019

## **Increase in Ownership of PL 231**

The Company's announcement of 5 December 2018 advised that it had commenced a process under the then current Joint Operating Agreement for the Project (JOA) to move to 100% ownership of the Project by acquiring the remaining interest of its Joint Venture partner, Dome Petroleum Resources Plc (Dome). Dome failed to comply with that process, leading the Company to commence legal proceedings in the Supreme Court of Queensland to enforce the terms of the JOA<sup>4</sup>. On 16 September 2019 the matter was heard by the Court, and judgement delivered in the Company's favour on all issues. Dome chose not to appear at the trial and did not engage legal advisers for the trial. Dome was ordered to execute a transfer in favour of the Company of its remaining 20% interest, the acquisition price was confirmed at the price fixed in the JOA (\$233,333.40), and Dome was ordered to pay the Company's costs on an indemnity basis<sup>5</sup>.

As announced on 24 September 2019 Dome has lodged an appeal against the Judgement. State Gas is defending the appeal and remains confident of the strength of its position.

## **Financial results**

At the end of the Quarter the Company had cash at bank of \$5.39m, after expenditure of \$0.95m during the Quarter. Non-staff related expenditure was dominated by litigation costs, which are expected to be finalised next Quarter.

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<sup>4</sup> Announced 8 February 2019

<sup>5</sup> Announced 16 September 2019

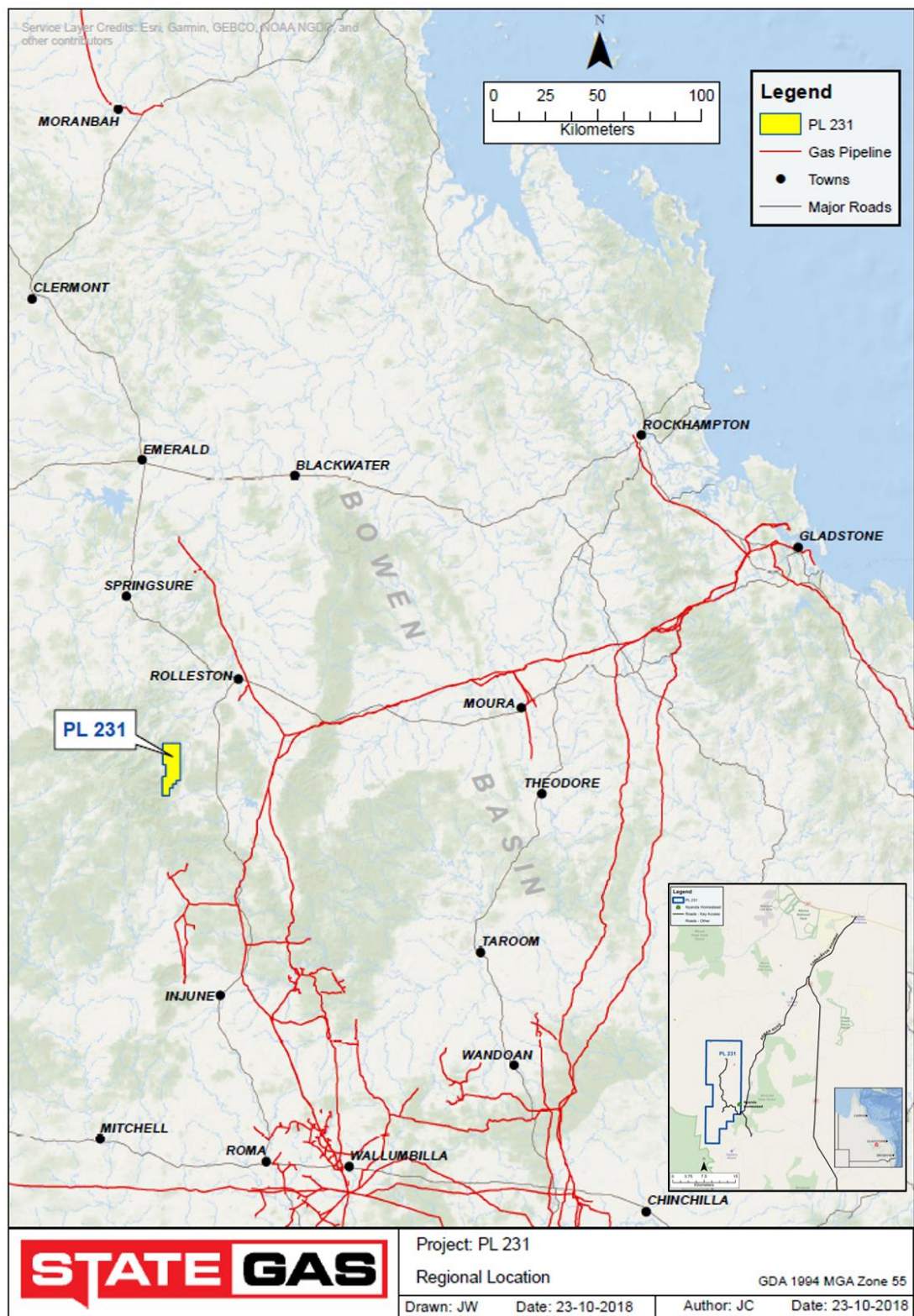
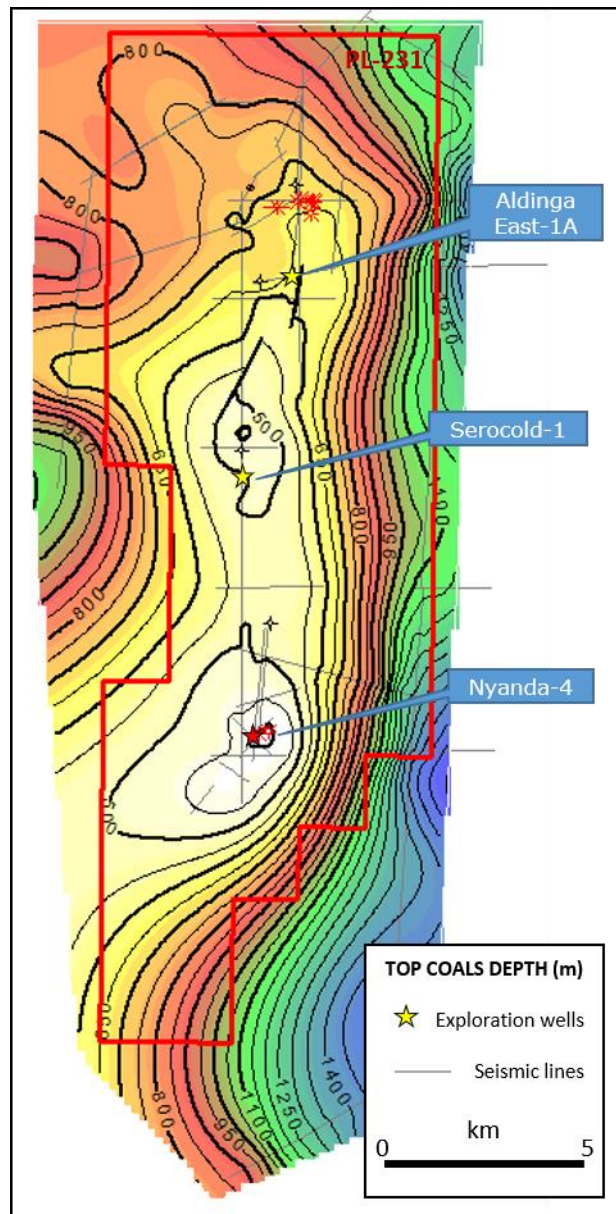


Figure 1: Location of PL 231 shown relative to regional pipeline infrastructure and towns. Inset shows local roads



*Fig 2: Depth of coals and structure map of PL 231, illustrating locations of the three wells of interest for the 2019 drilling and appraisal campaign.*

## 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 (including both CSG and conventional gas). Originally discovered during oil drilling in 1955, Reid's Dome is located in the Bowen Basin in Central Queensland on the apex of the Springsure-Serocold Anticline. State Gas is sole Operator and 80%-owner of the Reid's Dome gas project, which is well-located 50 kilometres southwest of Rolleston, approximately 47 kilometres from the Queensland Gas Pipeline.

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