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ASX RELEASE

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Second Lateral at Rougemont-3 Commenced

State Gas Limited (ASX:GAS) (State Gas or the Company) advises that drilling of the second lateral of the Rougemont-3 well has commenced.

The first lateral in the well successfully intersected with the Rougemont-2 vertical well as planned, and has now been lined to facilitate production from the full ~1300m of the coal seam.

The second lateral will be drilled through the coal seam approximately 30 metres below the first to also intersect with the Rougemont-2 vertical well. It too will be lined for production.

Together, the two laterals will provide direct access to more than 2 km of coals.

Upon completion of drilling of the second lateral Rougemont-2 will be recompleted with a new pump and the combined Rougemont-2 and -3 well pair will be placed on production.

The Rougemont-3 horizontal well is being drilled to confirm the gas potential of the Rougemont area within State Gas' 100%-owned Rolleston-West Project (ATP 2062) and to provide gas for a future pipeline to connect the project area with the east coast gas pipeline network¹.

The well is being drilled laterally through the coals of the Bandanna Formation (in commercial production at the Arcadia Valley to the south-east) to meet the vertical Rougemont-2 well.

State Gas will provide further updates as drilling progresses.

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

¹ See announcements of 12, 16 and 21 September 2022

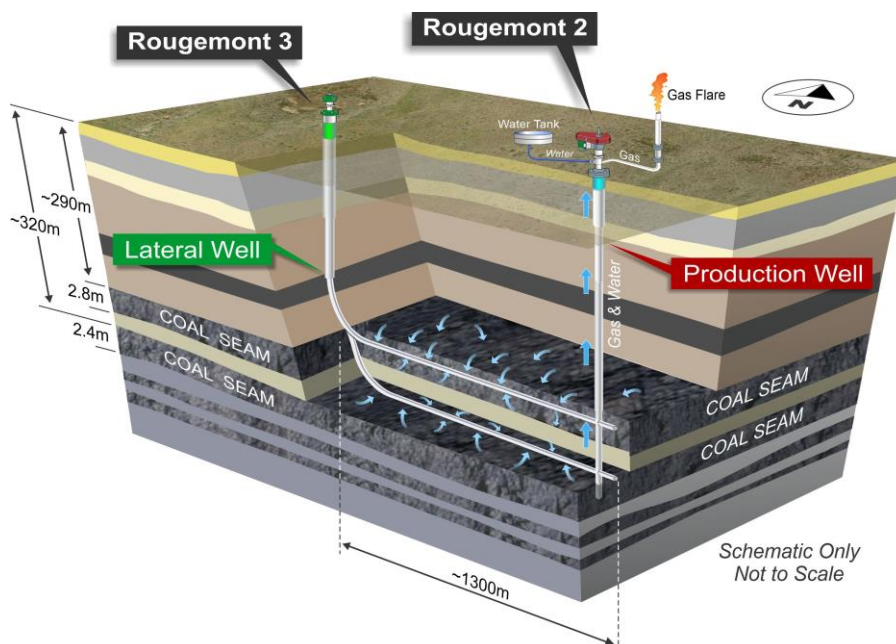


Figure 1: Rougemont-3 Well, showing first and second lateral wells completed or in progress in the current drilling program and the previously-drilled Rougemont-2 vertical well.

FOR FURTHER INFORMATION

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ABOUT STATE GAS

STATE GAS LIMITED (ASX: **GAS**) is a Queensland-based gas exploration and development company focussing on the Bowen Basin in Central Queensland. State Gas is 100%-owner of the contiguous Reid's Dome (PL-231) and Rolleston-West (ATP 2062) Gas Projects, both of which contain both CSG and conventional gas. The Projects, together some 1,595km², are located south of Rolleston, approximately 50 and 30 kilometres respectively from the Queensland Gas Pipeline and interconnected east coast gas network. Neither project is restricted by domestic gas reservation requirements.

State Gas also holds a 35% interest in new permit ATP 2068 in joint venture with Santos QNT Pty Ltd (65%), and, also in the same joint venture, has been appointed Preferred Tenderer for an additional new exploration block PLR2021-1-3. These two new areas lie adjacent to or in the near vicinity of State Gas and Santos' existing interests in the area, providing for an alignment of ownership interests across the region, enabling synergies in operations and development.

None of State Gas' permits are restricted by domestic gas reservation requirements. State Gas is implementing its strategic plan to bring gas to market from Reid's Dome and Rolleston-West to meet shortfalls in the east coast domestic gas market.

State Gas is also undertaking a carbon management initiative with minerals explorer Rockminolutions Pty Ltd in respect of EPM 27596 on the western border of ATP 2062. This project is investigating the potential of basalts in the Buckland Basaltic Sequence to provide long term secure sequestration of carbon through mineralisation².

² For more information see State Gas Ltd announcement on 9 May 2022