

West Erregulla Update

- WE3 has intercepted a very high and abnormally over-pressured Permian gas column while drilling through the Carynginia Shale.
- This unexpected significantly over-pressured gas has the potential to exceed the current design tolerances of the well and, as a consequence, WE3 will now be suspended to allow for additional engineering and procurement to be completed.
- To maximise efficiencies, Rig 970 will move to WE4 to start drilling operations as soon as possible and will return to complete the drilling of WE3 later in the campaign.

Strike Energy Limited (Strike - ASX: STX) provides an update on the West Erregulla 3 well on behalf of the EP469 Joint Venture.

Current Operations

Since the last update, Strike rebalanced the well after first encountering an over-pressured gas zone and resumed drilling. However, upon reaching a depth of 4,294m, the well encountered additional but more extreme and abnormally over-pressured gas. This encounter required further increases in mud weight with the support of well control specialists to bring the well back to a balanced state. Sustained, but controlled gas flows and flaring have been required throughout rebalancing operations with an estimated reservoir pressure of ~9,700 psi based on the mud/gas behaviour.



It is interpreted that WE3 has drilled into a fault zone that is at near sub-seismic resolution, but which connects the full Permian source rock sequence. This fault zone is likely connected laterally downdip to the Erregulla half graben, which lies immediately NE of West Erregulla and is a major migratory pathway for generated hydrocarbons. As a result, the Carynginia in the

Northern Fault Block of West Erregulla would appear to host an abnormally high, over-pressured and gas charged reservoir. These recent over-pressures are at a magnitude not previously seen in the Perth Basin.

The composition of the gas produced during the flaring at WE3 is discernibly different to that from the earlier Dongara and Wagina sandstones and is similar in make up to the gas from the flow tests at WE2, which is indicative of a similar source and bodes well for a successful ultimate outcome.

Whilst these events are a very positive indication of the presence of a larger, higher-quality resource at WE3 than anticipated, the unexpected presence of these over-pressures has meant that the design limits of the well are close to being reached. In order to safely drill ahead to the target reservoirs, additional well engineering, materials procurement and equipment will be required. In order to maximise rig efficiency, it has been decided to temporarily suspend WE3 and move the rig to the already prepared site at WE4 and commence drilling operations there whilst the necessary processes are completed in order to re-enter and resume drilling WE3.

Forward Plan

WE3 will be temporarily suspended with a series of cement plugs and heavy mud column before the rig will commence moving to WE4. It is expected that this process will take approximately 2 weeks to complete. Careful review of data at WE4 indicates that the abnormal over-pressures seen at WE3 will not be present. The WE4 well is being drilled in the Central Fault Block and a pressure regime similar to that observed in WE2 is expected. It is anticipated that the rig will return to complete the drilling of WE3 during the current drilling campaign.

West Erregulla Phase 1

With the delay in obtaining the primary reservoir information at WE3 it is expected that a knock-on effect will be a relatively short delay to the Final Investment Decision (FID) for the West Erregulla Phase 1 Project. Whilst this delay is unavoidable, the Joint Venture remains confident it will be in a position to secure FID within 1H/21.

CEO & Managing Director, Stuart Nicholls said:

“Whilst a temporary delay is frustrating, the over-pressured gas column encountered is diagnostic of a significant Permian gas resource, which is a major positive. The benefit of the multi-well appraisal campaign is that WE4 is ready and waiting for the rig to move in and convert the associated resources to reserves, whilst we procure the necessary equipment to deal with these over-pressures at WE3 and resume drilling that well to final depth.”

“The high-pressured reservoirs of the Permian gas fairway, whilst in this case abnormally high, are one of the key attributes that supports the West Erregulla resource as a top quartile, competitive future gas supply. The high-pressure gas translates into both excellent well productivity (and therefore reduced well count) and little to no compression being required over the majority of the field’s life. Well costs and compression usually represent the majority of the capital required in any upstream development and we are fortunate to have such high-quality subsurface conditions.”

About the West Erregulla Appraisal Campaign

Three appraisal wells will be drilled in the West Erregulla field, which is located in EP469. The appraisal wells will be drilled down to ~5,000m with WE3 designed to test the continuation of the commercial gas accumulation in the northern fault block and WE4 and 5 to appraise the reservoir distribution in the central fault block. After various coring and logging operations all three wells will be flow tested (on success) and completed as future producers across the Kingia and High Cliff sequences for the proposed Phase 1 production operations. The Wagina gas discovery made in WE2 will be appraised during WE4 & 5.

The West Erregulla wells are to be executed at the following coordinates:

- West Erregulla 3: 29° 22' 40.79" S, 115° 18' 30.70" E
- West Erregulla 4 (proposed): 29° 25' 8.89" S, 115° 19' 18.15" E
- West Erregulla 5 (proposed): 29° 24' 1.72" S, 115° 18' 27.17" E

Strike Energy Limited operator and the holder of a 50% joint venture interest in EP469, and Warrego Energy (ASX: WGO) a holder of the other 50% joint venture interest.

This announcement is authorised for release by the Managing Director and Chief Executive Officer in accordance with the Company's Continuous Disclosure Policy.

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West Erregulla Gas Field & Well Locations in EP469

