



GOLDEN STATE RESOURCES LIMITED

UPDATE – 29 MAY 2009

Paradox Basin #2 Grand County Utah

- **Testing operations on Paradox Basin #2 will commence on the completion of the design of the testing programme and the procurement of required equipment.**
- **Unit Rig 234 will be placed on a short term stand-over at no charge, while the programme is prepared.**
- **RPS-Energy has been engaged to provide engineering support for the completion, design and planning of testing and possible fracture stimulation. Preparation and planning for tests has been progressing since setting the 7" casing.**
- **It is anticipated that testing will commence during June. The final testing schedule will be released once it has been completed and ratified.**
- **As many as five zones will be isolated and sequentially tested over a period spanning several weeks. Results for each zone will be released when available.**
- **The six inch hole from 12,956' to 14,216' has been logged with no indications of hydrocarbons. The 6" section has been completed in such a manner that the deeper section can be re-entered at a later date.**
- **On completion of testing results will be incorporated into a revised reserves report to be prepared by RPS-Energy. This should be available shortly after the tests are completed. Based on current results resources are expected to increase.**

Sequential testing of the discovered gas zones in the Paradox Basin #2 on the Golden Eagle Field will commence during June. The programme will include tests on as many as five separate zones over a gross interval spanning 2,238' (682m). The testing encompasses the lateral extensions of the previously discovered gas in the Upper Ismay and Barker Creek formations which produced gas on test in Paradox Basin #1. A newly discovered zone in the Chimney Rock Formation will also be tested.

In order to evaluate the field, each zone will be tested separately commencing in the lowest zone. Typically tests will include measurements of formation pressures prior to flows and measurements of gas rates and pressures during flow tests. Each successful test will

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include a post-flow build-up and as a result each test is expected to take several days. If required a fracture stimulation will be conducted in one or more of the completed zones. Production tests have been recommended over five intervals as summarised below.

Zone	Interval	Show Zone	Net Pay (Ft)	Porosity (%)
1) Upper Ismay	10,344'-10,384'	3 & 4	14'	7.8
2) Chimney Rock	11,152'-11212'	5	14'+	11.0
3) Barker Creek 1	12,214'-12,350'	No shows	18'	6.0
4) Barker Creek 2	12,404'-12,450'	9	12	6.0
5) Barker Creek 3	12,550'-12582'	No shows	22	6.0

Based on the Petrophysical analysis higher natural flow rates are expected from the Ismay and Chimney Rock Formations and the upper section of the Barker Creek Formation. Testing of the deepest gas zone in the Barker Creek Formation will establish a structural base line from which the extent of the gas accumulation can be estimated. Data from Paradox Basin #2 drilling and testing will be used to prepare a revised reserves report which should be available shortly after testing is completed.

A detailed completion test and stimulation programme is currently being prepared by RPS Energy in Calgary, and will be available next week. Work on procurement of test equipment has been underway since the preliminary petrophysical results were issued.

Rig 234 has completed the hole below 12,880' after logs confirmed no further hydrocarbon bearing intervals in the deeper section. Once the well is stabilised the rig will be placed on a short term standby before being utilised for the testing.

Reserves of Golden Eagle gas field have been independently estimated by RPS Energy at 78.9 Bscf (P50) gas initially in place (GIIP). If testing of Paradox Basin #2 is successful then the Golden Eagle gas field will be bought into full commercial production. The produced gases have a high heating value and are low in inert gases and will require minimal treatment prior to delivery to the Williams gas pipeline which is six miles from Paradox Basin #2. The Williams gas pipelines transport 12 per cent of daily US gas consumption.

Following completion of Paradox Basin # 2 a separate completions rig will be mobilised to complete the work-over on Paradox Basin #1 which has proven commercial flow rates from the Ismay Formation.



Richard Sciano
Executive Director

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