



## **GOLDEN STATE RESOURCES LIMITED**

### **ASX ANNOUNCEMENT 19TH MAY 2010**

#### **ACTIVITY UPDATE: PARADOX BASIN #3**

##### **KEY POINTS:**

- **Paradox Basin #3 was fracture stimulated yesterday**
- **The stimulation was proceeding to plan when approximately half way through the pumping schedule the fracture “screened out”**
- **Half of the intended fracture slurry was successfully pumped into the formation**
- **The screen-out was caused by bridging across the perforations and has not caused any damage to the formation**
- **A coil tubing rig has been mobilised to clean out the casing**
- **The company may attempt to flow the well to assess the effectiveness of the fracture before deciding to rerun the stimulation**
- **The company remains confident of successfully stimulating the well**
- **Paradox Basin #3 has encountered some of the best gas shows so far encountered on the Golden Eagle Field**

US focussed oil and gas company Golden State Resources Limited (ASX: GDN) (“Golden State” or “the Company”) has commenced fracture stimulation the first of three zones in Paradox Basin #3. The stimulation was proceeding to plan with five of eight pumping sequences completed when the well screened-out. As a result no further fracture slurries could be injected through the perforations into the formation. No damage to the formation has occurred. Approximately half of the intended fracture slurry was successfully injected into the formation and it is possible the fracture may still be effective. The well is being monitored and is flowing back the carrier fluid.

The forward plan is to clean-out the casing with coil tubing, and if possible conduct a brief flow test before evaluating the effectiveness of the stimulation. A second stimulation will be conducted if required. The fracture procedures will be reviewed prior to further stimulation.

Preliminary evaluation suggests the screen-out occurred when the 3lb/gallon fracture slurry entered the perforations and is believed to be due to bridging across the perforations creating a blockage. The screen-out occurred after 60,000 pounds of the intended 125,000 pounds of proppant had been successfully pumped into the formation. A similar screen-out occurred in the original stimulation of the Ismay Formation in Paradox Basin #1 and is a normal operational risk of stimulating.

Golden State remains optimistic that the well can be successfully stimulated.

**Rick De Boer**  
**Executive Director**