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ASX RELEASE

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REID'S DOME GAS DRILLING PROGRAM TO COMMENCE

HIGHLIGHTS

- State Gas has engaged Silver City Drilling to drill Primero West-1 at the Reid's Dome gas project in the Bowen Basin in Central Queensland, with drilling to commence in November 2018.
- Following completion of Primero West-1, a second well, Nyanda-4, is intended to be drilled by Silver City Drilling at the Reid's Dome gas project, subject to formal approval by the Reid's Dome Joint Operating Committee.
- Primero West-1 is designed to test the south-western extent of the Cattle Creek gas sand discovered in AOE-1 in 1955, along with the investigation of previously un-tested zones deeper within the Cattle Creek Formation, based on recently-interpreted seismic data.
- Nyanda-4 will be located approximately 50m southwest of Nyanda-1 and will be drilled to investigate both the gas potential of tight gas sands and coal seams within the Reid's Dome Beds.

Brisbane-based gas developer **State Gas Limited (ASX: GAS)** is pleased to advise that it will commence a drilling program in November 2018 at the PL 231 Reid's Dome gas project. The project is located South West of Rolleston in the Bowen Basin in Central Queensland, approximately 50 km from the Queensland Gas Pipeline. Gas was first discovered at Reid's Dome during drilling in 1955 and the Reid's Dome project is now considered prospective for both conventional gas and coal seam gas targets.

Primero West-1: Shallow Conventional Gas Target (Cattle Creek Formation)

The Company has engaged Silver City Drilling to drill a new well, Primero West-1 in the northern half of the PL 231 permit. With a planned depth of 250m, Primero West-1 will test the Cattle Creek Formation in accordance with the terms of the Reid's Dome Joint Operating Agreement.

Primero West-1 will be located approximately 650m southwest of AOE-1 and will be drilled to test the south-western extent of the Cattle Creek gas sand discovered in AOE-1 in 1955.

In addition, the gas potential of previously un-tested zones deeper within the Cattle Creek Formation will be investigated at a location where seismic interpretation indicates it is better-developed than other areas to the east. On completion of drilling, wireline logs will be acquired to confirm the reservoir quality and lateral extent of the reservoir and, if gas is confirmed, a flow test will be conducted and sample obtained for compositional analysis.

The Primero West-1 well has been designed to be plugged and abandoned on the premise that full-field development will require additional drilling and seismic to optimise locations of the production wells.



Above: AOE-1 discovery well (at Reid's Dome within PL 231), drilled in 1955 where the Cattle Creek gas sands were discovered, located 650 metres southwest of the planned Primero West-1 well to be drilled in November this year.

Nyanda-4: Coal Seam Gas and Tight Gas Sands Target (Reid's Dome Beds)

As announced on 31 July 2018, State Gas has undertaken a detailed review of the geology of the permit and the results of historical drilling, both in the permit area and of analogous wells drilled into the same formations beyond the permit boundaries. The review indicated that in addition to conventional gas, PL 231 may have potential for significant quantities of coal seam gas due to positive pressure maintenance.

Following the identification of this potentially significant coal seam gas target within PL 231, the Company is planning to include Nyanda-4 in the current program to test both coal seam gas and conventional gas targets, subject to the Joint Operating Committee approval process.

The Nyanda-4 well site will be located approximately 13.5km south of the Primero West-1 well and 50m southwest of Nyanda-1 (drilled in 1987) to investigate both the gas potential of tight gas sands and coal seams within the Reid's Dome Beds. The planned total depth for Nyanda-4 is 1,000m.

Historical well log correlations indicate that the same interval where two sandstones were tested and flowed gas in AOE-1 in 1955 is likely to be present within the new Nyanda-4 well.

The formation also contains extensive coal measures throughout the permit which have not been evaluated in the PL-231 area to date. The uppermost of these coals lie at 390m at nearby Nyanda-1, where they were associated with gas kicks while drilling in 1987 prior to the emergence of exploration interest in coal seam gas in Australia.



Above: Nyanda-1 well (within PL 231), drilled in 1987 prior to interest in coal seam gas in Australia encountered gas shows while drilling through coal seams. The new Nyanda-4 well will be located 50m southwest of Nyanda-1.

The formation contains approximately 60m of coals at viable depths covering an area of 80-160sq km within the PL 231 permit.

The Reid's Dome project/PL 231 is located on a significant anticlinal structure, plunging gently to the north and south with several faults. The presence of over-pressured gas in the known conventional reservoirs indicates they are sealing. Elsewhere in the Bowen Basin, anticlines have favourable permeability characteristics for coal seam gas. Due to their lower stress and associated fracturing, tensional areas at the axes of anticlines and synclines in the Bowen Basin have been priority targets for enhanced permeability and coal seam gas production.

At the Reid's Dome project, existing pressure data shows the entire section is above hydrostatic, indicating that the top-seal has not been breached, which increases the likelihood of significant gas concentrations in the coals.

The Reid's Dome Beds will be evaluated by cutting 200m of cores for reservoir characterisation and coal desorption and by conducting Drill Stem Tests on selected sands and coal seams to obtain flow rates and samples following acquisition of wireline logs.

Nyanda-4 is also expected to encounter the over-pressured gas sands within the Cattle Creek Formation that was intersected at Nyanda-1. These zones will be cased-off with intermediate casing for well control and kick tolerance. The Nyanda-4 well has been designed to be plugged

and abandoned on completion of drilling and evaluation. In the event of success, additional seismic data may be acquired to improve planning of appraisal/pilot wells.

Subject to the approval processes of the Reid's Dome Joint Operating Committee, Nyanda-4 is planned to be drilled by Silver City Drilling immediately following the drilling of Primero West-1.

In the event of successful identification of significant coal seam gas and/or conventional gas at the Reid's Dome gas project, the east coast gas pipeline network is located approximately 50 km to the north and east of the project area, with a granted Pipeline Survey Licence (PSL 2028) currently in place.

ENDS

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, originally discovered during drilling in 1955, located in the Bowen Basin in Central Queensland. State Gas is Operator and 60%-owner of the Reid's Dome gas project which is well-located 30 kilometres southwest of Rolleston, approximately 50 kilometres from the Queensland Gas Pipeline.

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