



State Gas Pty Ltd
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ASX RELEASE

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QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS:

- Received results of flow testing and sampling of historic wells undertaken during previous Quarter, indicating significant flows of pipeline quality gas.
- Completion of Phase 1 reprocessing of seismic for the northern permit area.
- Identification of new potential gas pool target in the north-west of PL 231 from seismic reprocessing.
- Commenced planning for drilling new potential gas pool target, with drilling of one firm and one contingent well expected during the September Quarter.
- Commenced Phase 2 (Southern Area) seismic data reprocessing.
- Commenced desktop review of Reid's Dome (deeper) gas and oil targets within PL 231 using previously unavailable data.
- Continued investigation of monetisation options for Cattle Creek Formation gas.
- Appointment of Chief Executive Officer.

Brisbane-based conventional gas developer **State Gas Limited (ASX: GAS)** is pleased to provide its inaugural Quarterly Activities Report, for the March Quarter, 2018.

Background

State Gas Limited (State Gas or the Company) has a 60% interest in, and is operator of, a petroleum lease (PL 231) in central eastern Queensland, approximately 545 km northwest of Brisbane and 50 km southwest of Rolleston, in the Bowen Basin Central Queensland.

PL 231 hosts a conventional gas project located in the Denison Trough, first discovered in the 1950s. PL 231 is not a coal seam gas target. The initial area of focus for State Gas is the shallow, conventional gas target in the Cattle Creek Formation, a marine sandstone source rock, with a major secondary target in the underlying Reid's Dome beds. Both targets have produced gas during the drilling of exploration and appraisal wells on PL 231. A number of historical wells have flowed gas from the Cattle Creek Formation, which was reached at depths of as shallow as 130 meters.

PROJECT ACTIVITIES

Flow Testing Results – Existing Wells

During January 2018, the Company received results of the flow testing and sampling conducted during December 2017 of existing wells drilled between 11 and 37 years ago in the Central North gas pool within PL 231. The results relate to the shallow Cattle Creek Formation, which commences at approximately 130 metres from surface and does not include gas targets within the deeper Reid’s Dome Beds situated beneath the Cattle Creek horizon.

The three wells flow-tested and sampled were Primero 1, Aldinga North 1 and Reid’s Dome-4.

The Company reported that, despite the wells being shut-in for such an extended period, all wells flowed significant gas, at lowest recorded stabilized rates of between 357,000 cf/d and 658,000 cf/d using a 0.500” orifice plate.

FLOW TEST RESULTS – CATTLE CREEK CONVENTIONAL GAS PROJECT

Well Tested	Spud Date	Orifice Plate Size	Lowest Recorded Stabilized Flow Rate	Shut-in Pressure
Primero-1	11 Jun 2006	0.500”	534,000 cf/day	166 psig
		0.375”	380,000 cf/day	
Aldinga North-1	27-Oct-1993	0.500”	658,000 cf/day	167 psig
		0.375”	455,000 cf/day	
Reid’s Dome 4	23-Mar-1980	0.500”	347,000 cf/day	167 psig
		0.375”	288,000 cf/day	

Gas composition results indicated the produced gas represents a similar composition in its natural form to that of pipeline-quality gas, with an average Methane (C1) content of approximately 96%, average Carbon Dioxide (CO2) content of approximately 1.5% and very low levels of inerts.

GAS COMPOSITION RESULTS – CATTLE CREEK CONVENTIONAL GAS PROJECT

	Primero-1		Aldinga North-1		Reid’s Dome 4	
	Sample 1	Sample 2	Sample 1	Sample 2	Sample 1	Sample 2
	(Mol %)	(Mol %)	(Mol %)	(Mol %)	(Mol %)	(Mol %)
Methane C ₁	96.71	96.70	95.27	96.57	96.94	92.97
Carbon Dioxide CO ₂	1.60	1.61	1.51	1.50	1.54	1.49
Hydrogen Sulphide H ₂ S	0.00	0.00	0.00	0.00	0.00	0.00
Nitrogen N ₂	1.37	1.37	3.10	1.78	1.42	5.44
Ethane C ₂	0.19	0.19	0.08	0.08	0.09	0.10
Propane C ₃	0.05	0.05	0.00	0.01	0.01	0.00

The similar reservoir pressure (166 – 167psig) and gas composition results for all the wells also implied that the reservoir is connected between each of the wells tested, providing a positive indicator for future gas production.

Reprocessing of seismic

During the previous quarter the Company engaged DownUnder GeoSolutions for the reprocessing of historical seismic survey data outlined in the IPO Prospectus. The first stage of this work, namely the reprocessing of seismic in the northern permit area, was completed in early March 2018. The Phase 1 reprocessing was calibrated to known gas sands from existing wells and has provided more advanced geophysical information that includes the Central North gas pool (centred on Primero-1) and other areas further to the north-west, where existing seismic data was available.

Following the completion of the Phase 1 seismic reprocessing the Company commissioned DownUnder GeoSolutions to commence work on Phase 2, to reprocess the seismic data held for the southern area of the permit. The results of this study are expected in late August 2018.

The interpretation results from the reprocessed seismic in the Northern Area of PL 231 have been considered by the Company in the context of the flow-testing results and well inspections conducted in December 2017. The successful flow-testing of historic wells suggests that new wells will not be required to produce the Central North Gas Pool.

The Phase 1 reprocessing also identified a new potential gas pool located in the north-west of PL 231 (North-West Gas Prospect). The North-West Gas Prospect appears to be hosted within the Cattle Creek Gas Sands and is anticipated to occur at a depth of approximately 220 metres in this area of the Permit.

The Company has accordingly proceeded with better delineating the scope of the North-West Gas Prospect and on planning for drilling. Planning is now well progressed for a program of one firm well into the Prospect, and subject to its success, one step out well to appraise the extent of the reservoir. Drilling is currently anticipated to commence in early July.

The Company has continued to investigate options to monetise the gas identified in the Cattle Creek Formation in the Central North gas pool centred around Primero-1, as well as any new gas located in the North-West Prospect.

Also during the Quarter, additional historic information came to light about the deeper Reid's Dome oil and gas and oil targets. Work has commenced to assess this new data.

ADDITIONAL CORPORATE MATTERS

During the Quarter, the Company appointed Ms Lucy Snelling as Chief Executive Officer. Lucy was formerly Manager Gas Development for AGL Energy Limited and comes from a specialist background as a commercial and legal advisor in the oil and gas sector and as the former Partner and head of oil and gas in a Queensland-headquartered law firm.

The Company held discussions with experienced candidates for a new Chief Operating Officer role during the Quarter and subsequently appointed Mr James Crowley to that role in April. Currently Gas Operations Manager and Head of Subsurface at energy major AGL Energy Ltd, Mr Crowley holds a Bachelor of Science (Hons) and brings global expertise in petroleum exploration, appraisal, development and production.

The Company also held meetings with its joint venture partner, as well as potential future development partners, and it monitored projects, opportunities and dynamics in the east coast gas market.

FOR FURTHER INFORMATION

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ABOUT STATE GAS

STATE GAS LIMITED (ASX: **GAS**) is a developer of a conventional gas field located in the Bowen Basin in Central Queensland. It is Operator and 60%-owner of the Cattle Creek and Reid's Dome Conventional Gas Project located 30 kilometres south west of Rolleston, approximately 50 kilometres from the Queensland Gas Pipeline.