

## ASX ANNOUNCEMENT

23 November 2011

# SINO GAS SIGNS STRATEGIC DEVELOPMENT FOCUSED AGREEMENT

### Highlights

- Signing of a strategic development focused agreement relating to the development of the Sanjiaobei PSC
- Significant operational success continues

Sino Gas & Energy Holdings Limited (ASX: SEH) continues to move closer to the transition from explorer to developer in China following the signing of a Strategic Cooperation Framework Agreement (Agreement) with the Bohai Downhole Drilling Company (BHDC) relating to the development of the Sanjiaobei PSC project.

BHDC is a subsidiary of CNPC, the Chinese Oil and Gas major, and a full service provider of gas and oilfield services throughout China and in international markets. In particular BHDC has extensive experience delivering successful oil and gas projects in China including the Dagang and Huabei oil fields and the Sulige gas field, in cooperation with CNPC and international oil and gas major TOTAL.

During 2011, Sino Gas accelerated the appraisal activity on its Sanjiaobei PSC Project and recently announced a 153% increase in Reserves and Contingent and Prospective Resources on this Project to 1.15 Tcf. The increase raised Sino Gas's total Reserves, Contingent and Prospective Resources on all its Projects to 2.9 Tcf.

Sino Gas's Executive Chairman, Gavin Harper, said that the Company is currently working to complete the Chinese Reserves Report on the Sanjiaobei Project, and as part of completing the Overall Development Plan (ODP) has commenced extensive development planning. The Agreement with BHDC is a key step in that process and Sino Gas will benefit from the ability to undertake integrated planning and implementation of the Development.

Sino Gas's Chief Operating Officer, Frank Fu added "BHDC has already drilled 3 wells for Sino Gas and is currently completing the SJB2 well. We have been particularly impressed with their capability and professionalism and we welcome the opportunity to partner with BHDC and work closely with them in the development of the Sanjiaobei Project".

### Significant Operational Success Continues

Sino Gas continues to achieve excellent operational success on its Lixing and Sanjiaobei Projects.

### ***SJB2 well (Sanjiaobei PSC): now at total depth with multiple gas pay zones encountered***

Sino Gas has reached total depth on its SJB2 well as planned and is currently logging the well.

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The initial analysis of the logs, which is subject to further review, has indicated the presence of gas in multiple pay zones consistent with Sino Gas's expectations. Side wall core samples will now be taken from these pay zones to enable Sino Gas to determine the most appropriate testing program for the well.

## ***SJB1 well (Sanjiaobei PSC): initial flow back achieved after stimulation***

Sino Gas has now successfully fracture stimulated a lower pay zone in its SJB1 well and is flowing back the frac fluid from the zone to determine the stable gas rate.

Following the perforation of the zone, gas was observed at surface and Sino Gas's testing contractor CCDC Changqing Downhole Services Company proceeded with a hydraulic fracture stimulation as planned.

The well is currently flowing gas and continues to be 'flowed back' in order to remove the frac fluid from the formation. Forward operations are to continue to clean up and then to measure the gas flow and other sub-surface parameters.

## ***TB10 well (Linxing PSC): drilling underway with current depth 550 meters***

Sino Gas is drilling the TB10 well on its Linxing Project to evaluate the same payzones that were encountered in the nearby TB06 well (initial flow estimated at around 1,000,000 scf/day).

Following the completion of the site preparation the well was spudded (drilling commenced) and the rig is currently at a depth of around 550 meters and drilling ahead.

## **ENDS**

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### **About Sino Gas & Energy Holdings Limited**

Sino Gas & Energy Holdings Limited (ASX: SEH) is an Australian company focused on developing Chinese unconventional gas assets. The Company has operated in Beijing since 2005 and holds a portfolio of unconventional gas assets in China through Production Sharing Contracts (PSC's).

The PSC's are located in Shanxi province in the Ordos Basin and cover an area of 3,000km<sup>2</sup>. The Ordos Basin is the second largest onshore oil and gas producing basin in China. The area has mature field developments with an established pipeline infrastructure to major markets. Rapid economic development is being experienced in the provinces in which Sino Gas's PSC's are located and natural gas is seen as a key component of clean energy supply in China.

On Sino Gas's Tuban prospect, 11 wells have been drilled, the latest being SJB1 during October 2011. Extensive seismic and other subsurface studies have also been conducted. Multiple wells have been flow tested with commercial flow rates achieved on many of the wells, including significant commercial rates on its TB07, TB08, TB09 and TB04 wells. The gas flow rates in this release are estimated at 200 psi Flowing Tubing Head Pressure (THP) unless otherwise noted.

The statements of resources in this Release have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems (SPE PRMS) standards by internationally recognized oil and gas consultants RISC Pty Ltd. All resource figures quoted are mid case - 100%.

Additional information on Sino Gas can be found at [www.sinogasenergy.com](http://www.sinogasenergy.com)