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ASX RELEASE

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GAS FLOW RATES AND COMPOSITION RESULTS

Brisbane-based conventional gas developer **State Gas Limited (ASX: GAS)** is pleased to advise it has successfully completed gas flow-testing, sampling and analysis from existing gas wells at PL 231 in the Bowen Basin Central Queensland.

The flow-testing and sampling was undertaken by **Kinetic Production & Wellhead Services**, based in Roma, Queensland.

The three wells flow-tested and sampled were Primero 1, Aldinga North 1 and Reid's Dome-4. Drilled between 11 and 37 years ago, these existing wells are located within the northern half of PL 231.

The Company is pleased to report 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	

Two gas samples per well were taken from each of these wells and sent to Petrolab in South Australia for analysis. Gas composition results indicate 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 interts.

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 <i>C₁</i>	96.71	96.70	95.27	96.57	96.94	92.97
Carbon Dioxide <i>CO₂</i>	1.60	1.61	1.51	1.50	1.54	1.49
Hydrogen Sulphide <i>H₂S</i>	0.00	0.00	0.00	0.00	0.00	0.00
Nitrogen <i>N₂</i>	1.37	1.37	3.10	1.78	1.42	5.44
Ethane <i>C₂</i>	0.19	0.19	0.08	0.08	0.09	0.10
Propane <i>C₃</i>	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 implies that the reservoir is connected between each of the wells tested, providing a positive indicator for future gas production.

The gas flow-testing and sampling conducted in mid-December relates 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 Company is also pleased to advise that the reprocessing of historical seismic survey data by **DownUnder GeoSolutions** is currently underway and is expected to be complete during February 2018. With the seismic re-interpretation and the recent flow-testing and gas composition results, well sites will be selected for the 2018 drilling campaign.

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.