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ASX RELEASE

12 September 2022

State Gas to drill new horizontal well

Highlights

- State Gas to drill new horizontal well to intersect existing vertical Rougemont-2 well.
- Rig currently mobilising to site, spud expected later this week
- Rougemont-2 and new Rougemont-3 horizontal well to be production tested as integrated pair, accessing ~2km of reservoir.

State Gas Limited (ASX:GAS) (State Gas or the Company) is pleased to announce that the rig and associated equipment has commenced mobilising to site to drill its new horizontal well Rougemont-3.

Located approximately 1.4 km from the Rougemont-2 well, Rougemont-3 will drill two laterals horizontally to intersect with the Rougemont-2 vertical well. The laterals, starting at approximately 290 m true vertical depth and 320 m true vertical depth respectively, will cut through the two primary coal seams identified in the Rougemont-2 well. The target total in-seam length is approximately 2 km.

The Rougemont-2 well intersected ~9m of net coal, with two primary seams of 2.8 m and 2.4 m respectively. Drill stem testing of the seams indicated excellent permeability (395 mD) in the upper of these two seams and a more moderate, but still very promising 26 mD in the lower seam. At more than 94 % methane the gas in the seams is very close to pipeline quality. Gas contents at more than 5.4 m³/t were also promising¹.

Silver City Drilling Rig 20 is currently mobilising to the Rougemont-3 site, with spud of the well expected in the coming week.

Also mobilising is a Secure Well Services workover rig which will replace the current completion in Rougemont-2 with a ranging tool. The ranging tool will link to the lateral well direction finding equipment to ensure the laterals meet the vertical wells as intended.

Once the laterals are complete the workover rig will return and replace the pump in Rougemont-2. Production testing of the two wells, as an integrated well pair directly accessing more than 2 km of the reservoir, will then commence.

State Gas Executive Chairman Richard Cottee noted the significance of the well: "The Rougemont-3 well will be an important test of the productivity of the Rougemont area."

"The country, and indeed the world, is in dire need of gas, and this Rougemont gas is of excellent quality", he said.

¹ Material in this paragraph announced in ASX release 24 September 2021

“I am hopeful that this well and the subsequent production test will indicate that the area has the potential to provide new gas supplies to help meet the urgent demand.”

This announcement was approved for release by Mr Richard Cottee, Executive Chairman.

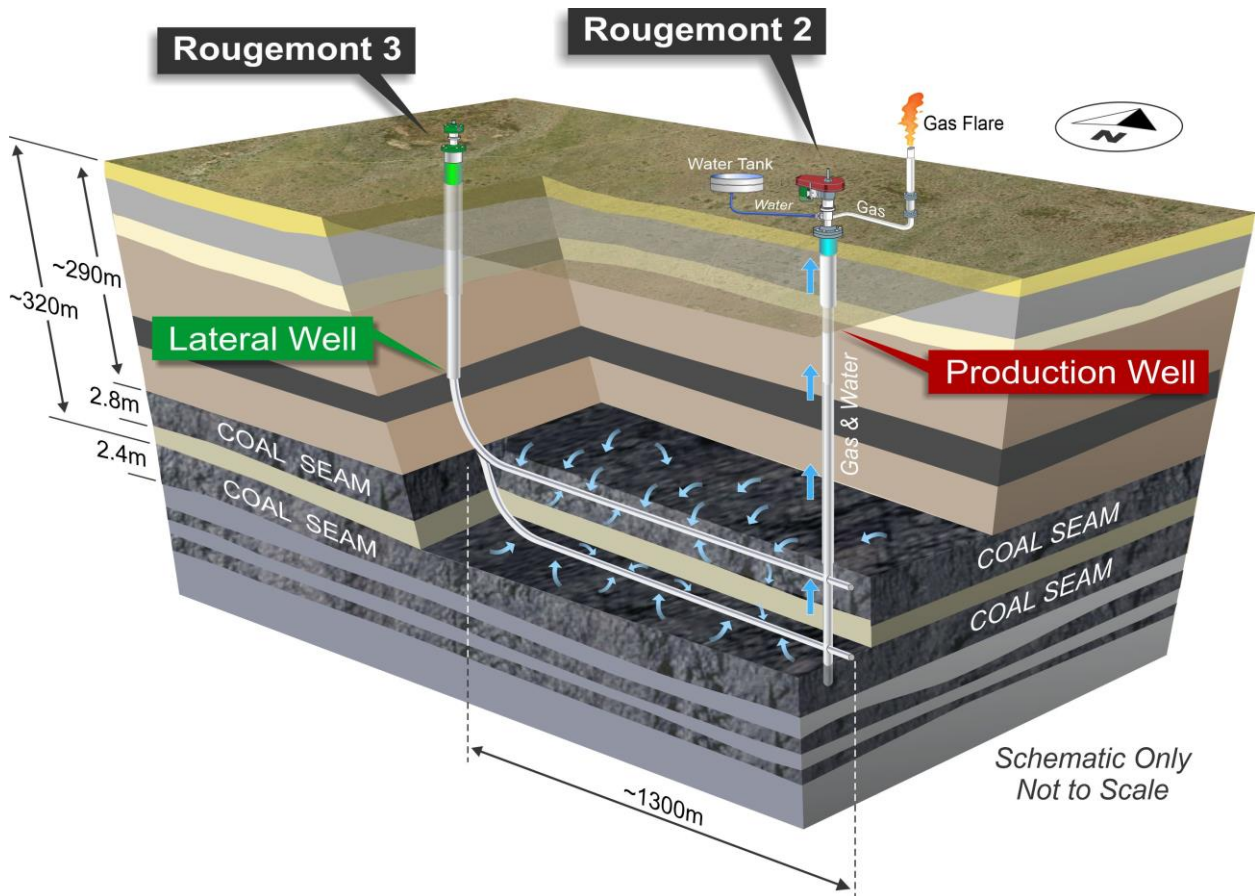


Figure 1: Schematic showing the Rougemont-3 laterals

FOR FURTHER INFORMATION

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ABOUT STATE GAS

STATE GAS LIMITED (ASX: **GAS**) is a Queensland-based gas exploration and development company focussing on the Bowen Basin in Central Queensland. State Gas is 100%-owner of the contiguous Reid's Dome (PL-231) and Rolleston-West (ATP 2062) Gas Projects, both of which contain both CSG and conventional gas. The Projects, together some 1,595km², are located south of Rolleston, approximately 50 and 30 kilometres respectively from the Queensland Gas Pipeline and interconnected east coast gas network. Neither project is restricted by domestic gas reservation requirements.

State Gas also holds a 35% interest in new permit ATP 2068 in joint venture with Santos QNT Pty Ltd (65%), and, also in the same joint venture, has been appointed Preferred Tenderer for an additional new exploration block PLR2021-1-3. These two new areas lie adjacent to or in the near vicinity of State Gas and Santos' existing interests in the area, providing for an alignment of ownership interests across the region, enabling synergies in operations and development.

None of State Gas' permits are restricted by domestic gas reservation requirements. State Gas is implementing its strategic plan to bring gas to market from Reid's Dome and Rolleston-West to meet shortfalls in the east coast domestic gas market.

State Gas is also undertaking a carbon management initiative with minerals explorer Rockminolutions Pty Ltd in respect of EPM 27596 on the western border of ATP 2062. This project is investigating the potential of basalts in the Buckland Basaltic Sequence to provide long term secure sequestration of carbon through mineralisation².

² For more information see State Gas Ltd announcement on 9 May 2022