



**PARADOX BASIN #3
OPERATIONS UPDATE**

- **Site preparation for the Paradox Basin #3 Ismay Formation production well is complete**
- **The rat-hole and cellar is complete**
- **Mobilisation and rig-up is scheduled to commence on Monday 18 January with an anticipated spud date on Monday 25 January**
- **Paradox Basin #3 has been designed as a directionally drilled production well with a 5" completion into the Ismay Formation reservoir.**
- **Drilling time is estimated to be under 55 days**
- **The Cost estimate for Paradox Basin #3 is significantly lower than the previous wells at \$5.5 million**
- **Discussions with potential financiers to debt fund the expansion of the field is advanced and is the preferred option.**

Golden State Resources Limited (ASX: GDN) ("Golden State" or "the Company") is pleased to announce the imminent commencement of the drilling of Paradox Basin #3. Since the award of the permit by the Department of Natural Resources of the State of Utah on December 21, Golden State Resources has completed site preparations and has prepared the cellar, rat-hole and mouse-hole in readiness for the drilling rig. Mobilisation of Unit Drilling Rig 234 is scheduled to commence on Monday 18 January, and depending on weather, rig-up should take approximately 6 to 7 days after which the well will spud.

Paradox Basin #3 is a directional well which is specifically targeting gas production from the Ismay Formation in the Golden Eagle Gas field. Golden State Resources discovered the Golden Eagle Gas field in 2006 with the drilling of the Paradox Basin #1 well as part of a two well farm with Eclipse Exploration LLC.

Paradox Basin #3 will spud from the existing Paradox Basin #1 pad, which has been re surveyed and has been upgraded for re-use. The well will then be directionally drilled into the Ismay Formation gas zone and completed with 5" casing. The objective is a target in the Ismay Formation to the north northeast of Paradox Basin #1. The well deviate from vertical by approximately 30° to intersect the subsurface target in the Ismay Formation 4,437' (1352m) to the NNE of Paradox Basin #1 on a bearing of 21.94°.

Paradox Basin #3 has been specifically designed as a production well, the lower diameter casing and proximity of the casing shoe to the completion zone will maximise the effectiveness of the cement over the gas bearing strata. Should Paradox Basin #3 prove effective gas production from the Ismay Formation then further works will be performed on the completions of the existing wells. Testing and evaluation of Paradox Basin #1 and 2 indicates that both wells can be effectively recompleted as producers.

The company is also reviewing options to re-enter Paradox Basin #2 to test the Leadville Limestone. Post drill evaluation of Paradox Basin #2 from the processed VSP suggests that the well was possibly closer than expected to the Leadville target when it was suspended at 14,216' (4333m) after the bottom-hole assembly became stuck in dispersive claystone.

The Golden Eagle Gas field is located in Grand County in Utah it is located close to the Williams gas distributor which feeds Portland. Production can be readily commercialised once commercial gas production rates are established. Both existing wells on Golden Eagle Field have demonstrated gas

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flows at rates up to 3.6 million cubic feet per day. Independently evaluated gas resources confirm the Golden Eagle structure contains an appreciable gas resource.

Discussions with potential financiers to debt fund the expansion of the field is advanced and is the preferred option.

Table 1 Discovered Petroleum-Initially-In-Place – Gas (Bscf), Golden Eagle Gas Field

Formation	Discovered PIIP (Gas Bscf)		
	Low Estimate (P90)	Best Estimate(P50)	High Estimate(P10)
Ismay	9.0	31.5	101.0
Barker Creek	6.2	14.4	30.7

Table 2 Undiscovered Petroleum-Initially-In-Place – Gas (Bscf), Golden Eagle Gas Field

Formation	Undiscovered PIIP (Gas Bscf)		
	Low Estimate (P90)	Best Estimate(P50)	High Estimate(P10)
Alkali Gulch	9.3	29.7	90.0
Leadville Limestone	3.0	10.0	21.4*

* The high estimate by RPS limits the extent of the structural closure of the Leadville Limestone to the PB#1 well. Golden State Resources consider that PB#1 has not adequately tested the Leadville Limestone and that a higher realisation is possible.



Richard De Boer
Executive Director

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