



## **GOLDEN STATE RESOURCES LIMITED**

### **PARADOX BASIN #3**

#### **PERMIT ISSUED**

- **The State of Utah department of Natural Resources has issued the Permit to Drill for Paradox Basin #3.**
- **Work has commenced on site preparation in readiness for a spud date January 2010.**
- **Paradox Basin #3 well design and planning are complete and Golden State is currently finalising the rig and services.**
- **The cost estimate for Paradox Basin #3 is significantly lower than the previous wells at \$5.5 million.**
- **The well has been designed as a production well with a 5" completion into the Ismay Formation reservoir. Drilling time is estimated to be under 55 days.**
- **A program to re-enter and deepen the PB#2 well with the view of testing the Leadville Limestone is also in progress.**
- **The up-coming programme includes possible further work on Paradox Basin #1 and 2 which can be effectively recompleted by sidetracking with short radius slant wells into the Ismay Formation.**

Golden State Resources Limited (ASX: GDN) ("Golden State" or "the Company") is pleased to announce the permit to drill Paradox Basin #3 was issued by the Department of Natural Resources of the State of Utah on December 21. 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 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 be directionally drilled to intersect the Ismay Formation updip to the north northeast of Paradox Basin #1. Paradox Basin #3 will spud from the existing Paradox Basin #1 pad, which has been re surveyed and will be upgraded for re-use. The well will be deviated to approximately 30° to intersect a subsurface target in the Ismay Formation 4,437' (1352m) to the NNE of Paradox Basin #1 on a bearing of 21.94°. Well design has been completed and site works commenced during the Christmas period. The rig is expected on site in mid January with a 55 day drilling schedule with a forecast budget of \$5.5 Million.

Paradox Basin #3 is designed as an Ismay Formation production well. The well will be drilled into the Ismay Formation gas zone and completed with 5" casing. 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 well located to available infrastructure and can be readily commercialised once commercial gas production rates are established. Both existing wells have demonstrated gas 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.

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**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 consider that PB#1 has not adequately tested the Leadville Limestone and that a higher realisation is possible.



Richard De Boer  
**Executive Director**

**4 January 2009**