



GOLDEN STATE RESOURCES LIMITED

GOLDEN EAGLE GAS FEILD

UPDATE

17 SEPTEMBER 2009

Golden Eagle Gas Field Grand County Utah

- **Golden State Resources has earned an 83.33% interest in the Golden Eagle gas field by completing the Farm-in obligations to Eclipse.**
- **The company is reviewing options for recompleting the current wells.**
- **Both wells have indicated potentially commercial gas flow rates.**
 - **Paradox Basin #1 produced gas at rates up to 3.3 Million cubic feet per day.**
 - **Paradox Basin #2 produced gas at rates up to 1.6 Million cubic feet per day confirming the presence of gas in the Ismay Formation approximately 400 feet lower in the Golden Eagle structure than Paradox Basin #1.**
- **Planning is underway for the placement and design of a third well which will specifically target Ismay Formation production.**

Golden State Resources is reviewing current field operations on the Golden Eagle gas field in Grand County Utah. The current wells have demonstrated commercial flow rates with 3.36 and 1.6 million cubic feet per day respectively for Paradox Basin #1 and 2, the gas production associates with high water production. Testing results suggest the water is likely channelled from behind the casing.

Paradox Basin #1 and #2 were designed as deep exploration wells as stipulated by the farm-in terms. The design is not ideal for production from the shallower Ismay Formation discovery. Both wells have confirmed the Ismay Formation as the main zone of commercial interest. Establishing commercial Ismay Formation production will be the focus of future wells.

Field Development

The discovery of the Golden Eagle gas field by Paradox Basin #1 and the subsequent further appraisal by Paradox Basin #2 has defined an appreciable gas resource which is well located with access to major US markets. By completing the wells Golden State has earned an 83.3% working interest in the field, and is now in a position to focus on developing the Ismay Formation gas discovery. Future wells on the field will specifically target Ismay Formation production, as such they will be shallower, considerably cheaper to drill and complete, and will have the completion design engineered into the casing program.

Recompletions of the current wells will also be investigated. Possibilities include more comprehensive cement squeezes to potentially drilling short radius laterals into the productive intervals.

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Paradox Basin #1

Following the previously reported production testing high-resolution surface pressure gauges were placed on Paradox Basin #1 to record the shut-in pressures during the build-up. The well exhibits a rapid pressure recovery following production suggesting that it is capable of sustained high gas rates as witnessed during the testing. Work on Paradox Basin #1 is pending further evaluation of the test results.

Paradox Basin #2

Paradox Basin #2 has established the Ismay Formation as the main zone of commercial interest in the Golden Eagle Field. The current well is not ideal for production as it was designed to test deeper objectives and does not have sufficient cement coverage across the Ismay Formation. The well successfully appraised the southern extent of the field with gas flows from the Ismay Formation. With the farmin terms now satisfied Golden State Resources will be able to focus on establishing production from the Ismay Formation.

Paradox Basin #3

Planning has commenced for a third well on the field. Paradox Basin #3 will target the crest of the Ismay Formation approximately 1.8km north east of Paradox Basin #1 along seismic line 99X. The well will be drilled from the Paradox Basin #1 pad and will deviate at approximately 36 degrees to intersect a possible reefal build-up observable on the seismic. Well design and engineering are in progress.

The company is in discussions with US financial institutions who have expressed an interest to debt fund development drilling.



Richard De Boer
Executive Director

17 September 2009

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