

The Company Announcement Officer  
ASX Ltd  
via electronic lodgement

## DRILLING DELINEATES SUBSTANTIAL RESOURCE INCREASE IN PEL 96

- ***Strike's appraisal drilling confirms a 4.5 Tcf prospective gas resource net to Strike in PEL 96***
- ***PEL 96 Phase One Area prospective gas resource increased to 1.2 Tcf (net to Strike) – located under a gas pipeline connected directly to Eastern Australian gas markets***
- ***Increased confidence in drilling and completion cost estimates***
- ***Project on track to move to production testing – initial completions to target thick Patchawarra coals***

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### OVERVIEW

Following the successful completion of the recent PEL 96 appraisal drilling program, Strike Energy Limited (ASX:STX) ("Strike" or "the Company") is pleased to announce an increase in the Pmean (best) estimate prospective resource in PEL 96 (Strike 66.67% and Operator, Energy World Corporation Limited (ASX:EWC) 33.33%) to 6.8 Tcf (recoverable sales gas), 4.5 Tcf net to Strike.

PEL 96 is a significant component of the Company's Southern Cooper Basin Gas Project and Strike is focused on the rapid commercialisation of a portion of the resource within the Phase One Area of the permit (see Map 1). This 141 km<sup>2</sup> area is centered directly under the Moomba to Adelaide Gas Pipeline (MAPS) which connects the resource to the Eastern Australian gas markets.

Within the PEL 96 Phase One Area, the Company's Pmean (best) estimate of the prospective resource has increased to 1.2 Tcf (recoverable sales gas, net to Strike).

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## MANAGING DIRECTOR'S QUOTE

Managing Director, David Wrench, said:

*"This is an important milestone for Strike, advancing the Company toward commercialisation of our Southern Cooper Basin Gas Project. The increasing scale of our gas resource reinforces the enormous value that successful commercialisation will deliver."*

*"Our next goal is to demonstrate that the thick Patchawarra coals within Strike's permit areas are capable of sustained gas flows to surface through completion and production testing of the Le Chiffre and Klebb wells, with work planned to commence next quarter. The initial production testing program will be the first stage of a drilling, completion and production optimisation program designed to establish commercial well productivity."*

*"Strike has delineated a very substantial gas resource and established gas supply agreements with Orica Ltd and Orora Ltd. Demonstration of the commercial potential of the gas resource is now our key focus."* he said.

The table below and the Additional Information section detail the resource estimates and underlying assumptions.

## PEL 96 – PROSPECTIVE RESOURCE ESTIMATES

	PEL 96 Prospective Resource <sup>1,2</sup> (Bcf)	PEL 96 Phase One Area Prospective Resource <sup>1,2</sup> (Bcf)
Low Estimate (P90)	2,767	864
Best Estimate (Pmean)	4,492	1,227
High Estimate (P10)	6,818	1,809

<sup>1</sup> Prospective Resource is defined in accordance with Chapter 19 of the ASX Listing rules as being "those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations".

<sup>2</sup> Recoverable sales gas, net to Strike as of 1 February 2014

This increase in the Company's PEL 96 prospective resource estimate follows the successful drilling of the Le Chiffre 1 and Klebb 1 wells. Data from these wells has been used to remap the Permian coals across the permit area, which together with gas content and isotherm data obtained from samples of the recovered cores, has resulted in this substantial increase.

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Separately, an independent review of production well drilling and completion costs based on actual results achieved during the recent drilling program has been completed which, together with firm third party tender quotes for the upcoming production testing program, has confirmed completed vertical production well costs of between \$3.2 and \$3.6 million per well are achievable.

These costs are below Strike's internal estimates and are substantially below drilling and completion costs for deeper Cooper Basin unconventional gas resource plays.

## NEXT STEPS

During the March 2014 quarter, the data obtained from the recent drilling program will be analysed and combined with recent industry best practice for fracture stimulation and flow testing of deep Cooper Basin coals to finalise the design of an initial production testing program. It is anticipated that completion and testing operations will then be undertaken in the June 2014 quarter.

## CAUTIONARY STATEMENT

*The estimated quantities of petroleum that may potentially be recovered by the application of a future development projects relate to undiscovered accumulation. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation activities are required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*

Yours faithfully

A handwritten signature in black ink, appearing to read "DW", followed by a horizontal line.

DAVID WRENCH  
Managing Director

Further information:

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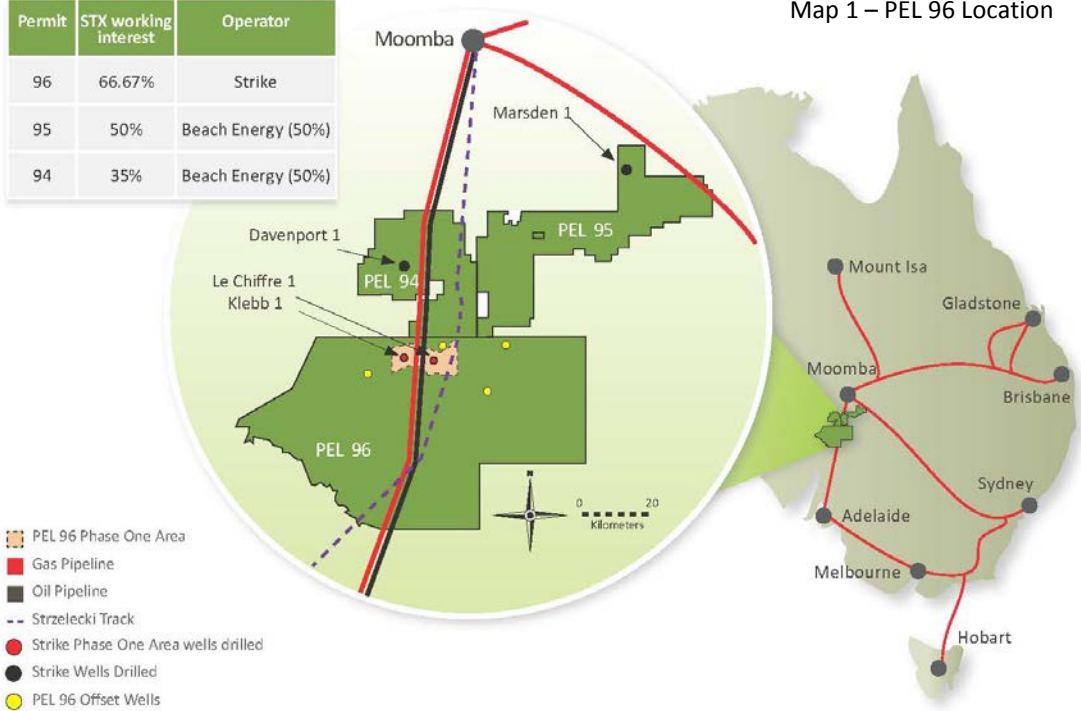
E: [strike@strikeenergy.com.au](mailto:strike@strikeenergy.com.au)

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Permit	STX working interest	Operator
96	66.67%	Strike
95	50%	Beach Energy (50%)
94	35%	Beach Energy (50%)

Map 1 – PEL 96 Location



## ADDITIONAL INFORMATION

### PEL 96

The PEL 96 permit is operated under a Joint Operating Agreement between Strike, as both Operator and a 66.667% interest holder and Australian Gasfield Limited, a subsidiary of Energy World Corporation 33.333%.

### LE CHIFFRE 1

The Le Chiffre 1 well (spudded on 31 October 2013) located approximately 4 km east of the Moomba to Adelaide Gas Pipeline, was drilled to a depth of 2,089 meters and cased using premium casing.

A total of 105 metres of coal was encountered in the well, of which 86 metres was recovered in cores. Of note, was 46 metres of net coal within a 70 metre gross pay interval of the Patchawarra formation.

Elevated gas readings were recorded across all coal intervals with gas concentration increasing with depth, as expected. Analysis of the coal samples obtained show that the coals are in the peak gas generation window for inertinite rich coals. This is consistent with observations that the coals have very low water content and are gas saturated with free gas present in the coal pores. The well has been suspended pending completion and production testing in the June Quarter 2014.

### KLEBB 1

The Klebb 1 well (spudded on 16 December 2013) located approximately 4 km west of the Moomba to Adelaide Gas Pipeline and 8 km west of the Le Chiffre 1 well was drilled to a total depth of 2,193 metres and was cased and cemented using premium casing in early January 2014.

A total of 147 metres of coal was encountered in the well and observed via wire line logging. In particular, 89 metres of net coal was observed in the Patchawarra Formation, including one 34 metre thick seam and two seams over 15 metres thick. The well has been suspended pending completion and production testing in the June Quarter 2014.

### RESOURCE ESTIMATE

The laboratory analysis completed to date on core samples recovered from the Le Chiffre 1 well have enabled the recalculation of the associated gas resource as:

- the measured desorbed gas and initial methane isotherm data are in line with basin wide trends for the coals;

- very low moisture content is observed, which corroborates field observations that the coals are gas saturated;
- indicate that the coals are inertinite rich;
- vitrinite reflectance data confirms that the coals are in the gas generation window for inertinite rich coals;
- increasing thermal maturity with depth parallels increasing gas shows with depth.

The new well data has allowed the Company to remap the Weena Trough and led to an increase in the calculated gross rock volume. This, in conjunction with the addition of a free gas estimate, has had a material effect on the estimated resource associated with the Weena Trough in PEL 96.

The total gross prospective gas resource estimate is summarised in the table below and has been prepared in accordance with the Society of Petroleum Engineers PRMS and ASX listing rule guidelines.

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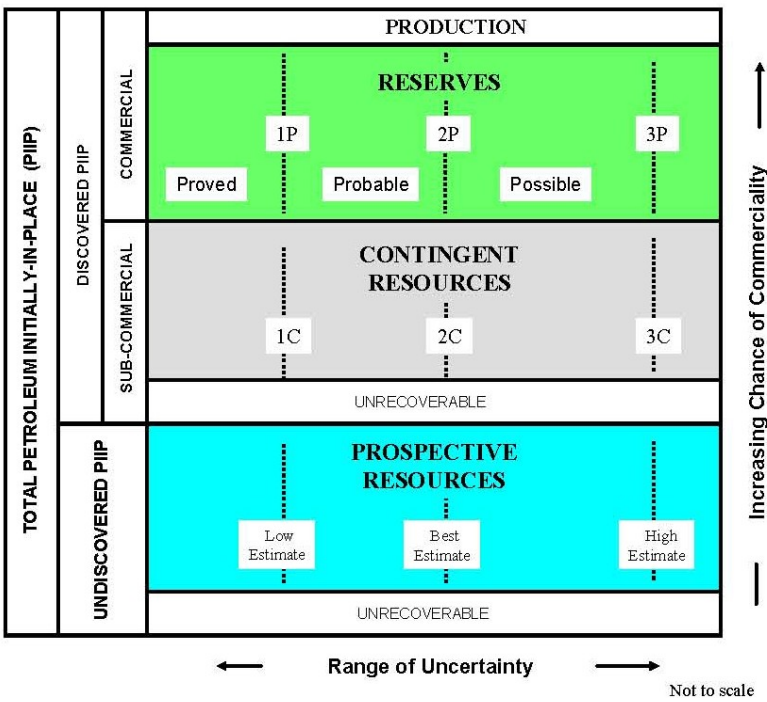
In calculating the prospective resources summarised in the table above, Strike has made calculations with respect to the gas initially in place (GIIP) and made further allowances for the potential range of non-saleable gases, such as CO<sub>2</sub> and a range of potential recovery factors.

## CALCULATION METHODOLOGY

In its review of the Prospective Resource in its Southern Cooper Basin project, Strike has utilised “Monte Carlo” statistical calculation methods. This methodology incorporates a range of uncertainty relating to each of the key input parameters to predict the likely range of outcomes. This is deemed to be the most appropriate methodology at this time due to the early stage nature of the project and is consistent with the Society of Petroleum Engineers’ “Guidelines for Application of the Petroleum Resource Management System”.

The Petroleum Resource Management System (PRMS) provides a framework for the classification and categorisation of all hydrocarbon reserves and resources and incorporates both the range of uncertainty in addition to the level of project maturity as shown below.

Chart 1 – Society of Petroleum Engineers PRMS resource classification framework



## COMPETENT PERSONS STATEMENT

The reported prospective resources in this presentation are based on information compiled by Mr Christopher Thompson. Mr Thompson is the General Manager of Strike's Cooper Basin project and has consented to the inclusion of the prospective resource information in this report.

Mr Thompson holds a B.Sc in Applied Science (Geology) and a Graduate Diploma in Reservoir Evaluation and Management. He is a member of the Society of Petroleum Engineers and has worked in the petroleum industry for over 20 years, 19 of which as a practicing petroleum engineer.