

**The Company Announcement Officer ASX Ltd**

*via electronic lodgement*

## **Southern Cooper Basin Gas Project Operations update**

Strike Energy Limited (ASX:STX) ("Strike") is pleased to provide an update on operational advances at its Southern Cooper Basin Gas Project in PEL 96 (Strike 66.67% and Operator, Energy World Corporation (ASX:EWC) 33.33%).

### **Overview**

Over the last two months, Strike has been building on the successful major upgrade to the production capacity of the Klebb pilot project with all four Klebb wells operating together. In addition, we have been conducting a series of jet-pump configuration trials focussed on Klebb 2 and 3, to calibrate the relative performance characteristics of the jet pumps to minimise the dewatering period.

The current focus continues to be on maintaining stable and reliable operations as consistent water flow from all four Klebb wells will accelerate and realise reservoir pressure reduction leading to increasing gas flow rates.

### **Klebb Production Test Update**

The Klebb 1 beam-pump has been performing consistently since reinstatement in mid-July with subsequent modifications to the surface equipment improving the operability of the well so as to better manage fluid levels (and therefore bottom-hole pressure). The impact of any shut-in periods at Klebb 2 or 3 are easily observed by an increase in fluid level at Klebb 1 (and Klebb 4). This well to well interference is by design and is expected to minimise the period to realise commercial gas flows.

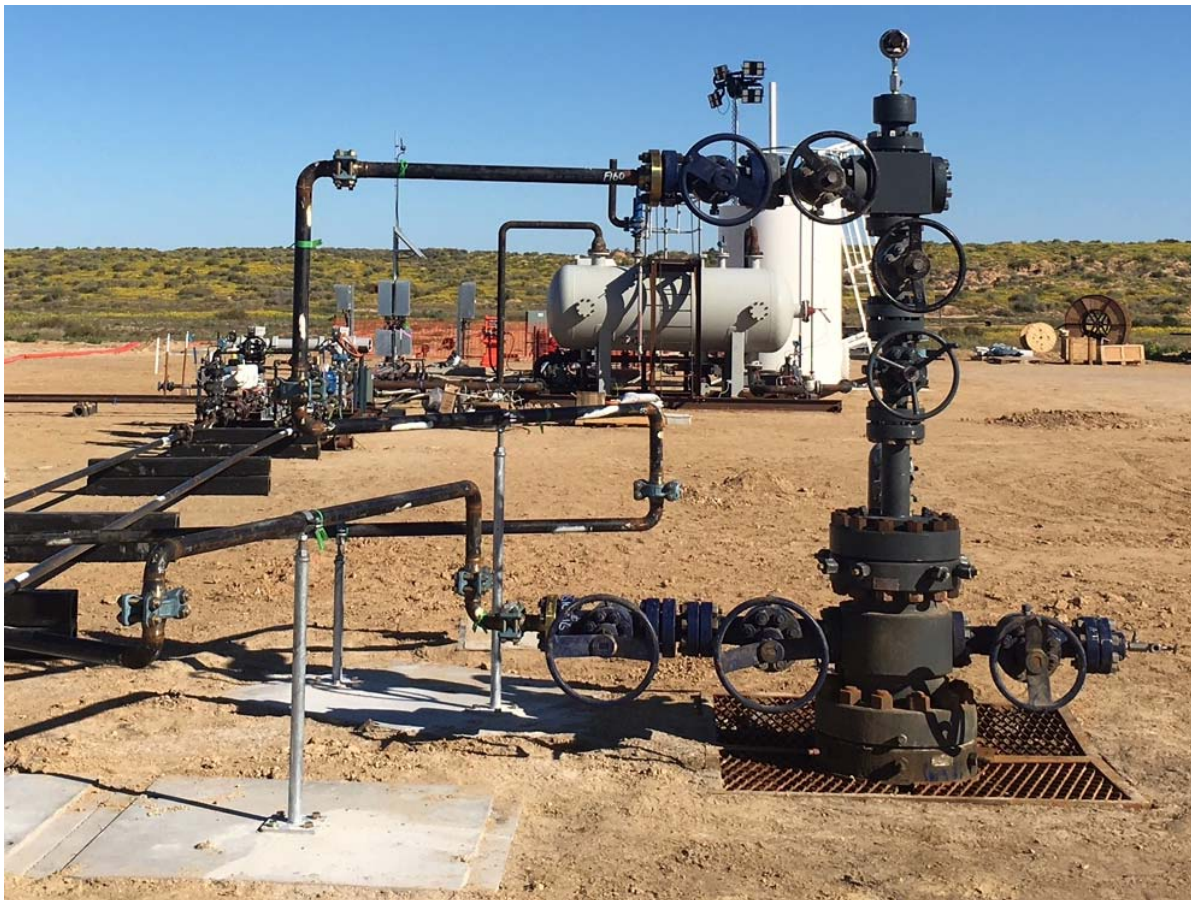
Following its workover in mid-August, an improvement has been observed in the performance of Klebb 2. Given our observations of Klebb 3, we expect higher production from Klebb 2 once the second high-pressure pump is installed. Recent road closures following heavy and recurring rains has delayed the installation and commissioning of this second high-pressure pump, which is now expected to be commissioned by early October 2016.

The jet-pump adjustments conducted, primarily on Klebb 3, over the last two months have given Strike a significantly improved understanding of the optimal configuration of individual jet-pump well performance and have positively impacted the performance of the overall pilot. This work was not possible prior to the facility and well upgrades conducted earlier in 2016 and the productivity improvements previously reported have been sustained.

This sustained productivity improvement is a positive outcome as the larger reservoir volume being de-pressured by the wells will ultimately lead to increased gas production and recovery (EUR).

Klebb 4 has been operating on a consistent basis since commissioning in July and the performance of the electric submersible pump (“ESP”) has been stable. A step change in well operability has been realised through the combination of real-time bottom-hole pressure data from the ESP and the surface equipment Strike designed and built to take into account lessons learned from Klebb 1.

A significant storm event passed through the Cooper Basin early on 2<sup>nd</sup> September, closing roads with some damage to the generator for Klebb 3’s high-pressure pump. As an interim measure, the well has been changed over to the lower pressure back-up pumps to maintain flows until the roads open and the generator can be replaced.



## Forward Plan

Flow testing of all four Klebb wells continues with a focus on maintaining consistent, stable production; maximising the field dewatering with the jet-pump wells whilst maintaining low fluid levels in the beam-pump and ESP wells to promote gas flow. Installation and commissioning of the second high-pressure surface pump will maximise the de-watering capability of Klebb 2. As this further upgrade had been previously contemplated, minimal downtime will be required during the installation period.

## Managing Directors Comment

*"This year has been particularly active for Strike and we are pleased to now be in a period in which our operations are focussed on stability and reliability as we drive towards our goal of achieving commercial gas flows from the Southern Cooper Basin Gas Project.*

*The demand for natural gas continues unabated and success with this project will place Strike in an enviable position to deliver into a market short on supply. Strike also notes and is very supportive of the South Australian Government's announced initiative to provide funding to stimulate new gas supply."*

Yours faithfully

A handwritten signature in black ink that reads "David Baker".

**David Baker**  
**Managing Director**

## Investor and Media Contacts

David Baker – Managing Director +61 2 9195 5629  
Sean McGuinness – CFO & Company Secretary +61 2 9195 5605