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## **STRONG GAS FLOW FROM LAPLAYA DEEP #1 CONFIRMS NEW GAS FIELD DISCOVERY**

The Board of Golden Gate Petroleum Ltd ("Golden Gate") is pleased to announce that the LaPlaya Deep #1 well has flowed gas over a period of two weeks at an average rate of 3.19 million cubic feet per day along with oil at an average rate of 41.5 barrels per day. The present rate of production is 4.3 million cubic feet of gas per day.

The well has been tested directly into the sales gas line hence revenue has already commenced. These rates were obtained using an 8/64" (approximately 3.2 mm) choke and there has been no sign of pressure depletion since the commencement of testing. The Joint Venture has just completed the installation of larger production facilities at the wellsite which should allow higher rates to be achieved.

The discovery was made in a shallow section of the existing La Playa Deep #1 well bore and is classed as a new field discovery. Golden Gate's technical team was always optimistic about the potential of this zone to flow gas but was never in a position to influence the testing operation. The increased equity in the project area post the Novus and Mitsui acquisition put Golden Gate in a more influential position in the Padre project which has resulted in increased exploration and development activities. Golden Gate has 35% interest in this new discovery.

The use of the existing LaPlaya Deep #1 well has enabled Golden Gate to access the gas in this new field without incurring any drilling expenditure. The successful testing has more than doubled the Company's pre December production rate.

As a result of its acquisition of the Novus and Mitsui Padre Island Interests and the success at LaPlaya Deep #1, Golden Gate has increased its production from around 0.3 million cubic feet per day to 1.8 million cubic feet per day, a fivefold increase, without the expense of drilling additional wells. Based on the present gas price of around US\$10 per mcf this production will provide Golden Gate with gross revenues in excess of US\$500,000 per month. The expanded facilities combined with any successful testing of the recent Dunn-Peach #6 discovery could further increase production in the near term. This increased production at a time of high US gas prices will have a significant positive effect on the Company's cash flow.

The Dunn – Peach #6 well is being side tracked prior to running of production casing and testing. The necessity to side track the well was caused by tight hole problems encountered while attempting to run casing.

Golden Gate believes there is scope for further development/appraisal wells on both the original shallow LaPlaya Field and this new field (named "Dunn Deep"). These factors

combined with the potential gas discovery in Dunn-Peach #6 (which is in the process of been side tracked prior to been completed for testing) and at least five other shallow structures that are yet to be drilled provide significant opportunities in the shallow gas potential at Padre Island.

The shallow gas opportunities come on top of the high impact deep prospects which should commence drilling in the first half of this year. Combined these shallow and deep gas exploration opportunities provide Golden Gate with the potential to achieve even larger increases in production during 2006. Golden Gate has already announced that it has farmed out some of its drilling obligations in the deep sections where three large prospects are ready to drill.

Since acquiring the Novus and Mitsui interests at Padre and becoming Operator, Golden Gate has been able to significantly increase the pace of exploration and development at Padre Island. This has resulted in significant material progress with new discoveries and a substantial increase in production. The Company is hoping to further accelerate its exploration and development activities in 2006 to take advantage of the very high oil and gas prices that are expected to prevail during the year.

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