

# Quarterly

Report for the three months ended 30 September 2008

**Share Price** 21 cents

**Shares on Issue** 261,448,447

**Market Cap** \$A55m

## Directors & Management

Mr Sam Russotti | Chairman

Mr Steve Graves | Managing Director

Mr Mark Freeman | Director

Mr Frank Petruzzelli | Director

Mr Chris Bowyer | Company Secretary

**Gas Price  
(Henry Hub)** US\$6.59 MMBTU

**Oil Price** US\$67.50 BBL

## Highlights

### Production

- Golden Gate's current gross share of production is 2 mmcfd gas and 262 bbls of oil per day.
- Total Production for the quarter was 222 million cubic feet of gas and 1,890 barrels of oil.

### Louisiana

- Bullseye Jumonville #1 successfully tested and brought onto immediate production. The well is currently flowing at 700 barrels of oil per day
- West Lake Boudreaux (SL18892 #1 well) commenced drilling operations

### Corporate

- 18,214,285 shares were issued raising \$A5.1 million
- A US\$5 million line of credit agreement was entered into to meet short term capital requirements



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# Louisiana Wells

## **Jumonville #1 Bullseye Prospect, Iberville Parish, Louisiana, Operator 41.25% WI**

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The Jumonville #1 well commenced drilling on 28 April 2008 and was completed as a producer on 25 September 2008 in the Miogyp Sand.

On 20 October the Company announced that production had been increased to 700 barrels of oil per day and was being placed into the newly installed production facilities. Cumulative production to date is in excess of 12,000 barrels and is being sold at a price of WTI plus US\$2.55 per barrel.

The Company's share of production per month is expected to generate net revenue after royalties and taxes of A\$550,000 per month based on current oil prices. Any gas sales will be in addition to this.

The current flowing pressure of 7,100 psi is only 3% below the well head shut-in pressure prior to increasing the choke size. The well has production upside and further increases in production rate will be considered once the gas sales line is completed in the next few weeks and gas flaring is no longer required.

In addition, construction has begun on an oil sales pipeline and tank farm to handle further near term increases in production and additional development wells, and allow access to a more efficient distribution point on a main highway about 3 kilometers away. The new facilities are permitted for up to 30,000 barrels of storage capacity. This is expected to be sufficient to allow initial field development from 3,000 to 5,000 barrels per day. The gas flow line will have a design capacity of 16 mmcf/d.

The well was unable to reach the deeper Cib Haz objective, the Company will be targeting the Cib Haz on the next follow on well, Jumonville #2 (see below).

Following the backin of the project vendor Golden Gate Petroleum Ltd has a 41.25% working interest

## **Jumonville #2 Bullseye Prospect, Iberville Parish, Louisiana, Operator 43.33% WI**

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Planning and permitting for the drilling of Jumonville #2 well has begun. The well is designed to test the deeper Cib Haz interval and provide an added penetration of the Miogyp reservoir 1,500 feet to the west of Jumonville #1, further increasing proven reserves. The drilling plan will allow for formation fluid testing prior to setting intermediate casing across the Miogyp/Camerina interval, then the well will be continued to test the deep objective at 14,400 feet. A drilling rig has been located and is expected to start drilling Jumonville #2 within six to eight weeks. As production facilities will be completed, this well will be put on-line immediately after completion.

The deeper Cib Haz interval is contained in the same trap as the proven Miogyp reservoir and is therefore considered to have a high probability of success. The proprietary seismic data which provided an accurate pre-drill estimate of pay thickness in the current well, indicate a substantially thicker reservoir sand over a larger area in the deeper reservoir. If the deeper test is successful the combined reservoirs of the Camerina, Miogyp and Cib Haz would make Bullseye one of the largest onshore discoveries in South Louisiana in recent years.

## **West Lake Boudreaux Prospect, Terrebonne Parish, Louisiana, Non-Operator 20% WI**

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On 24 October the Company announced that drilling had commenced with the SL 18892 #1 well. There are four main targets with a total P50 prospect size estimated at 115 billion cubic feet of gas equivalent. It was expected to take approximately 45 days to reach a planned total depth of 13,900 feet.

Drilling operations will be conducted by an experienced operator with a significant working interest participation in the project and a successful track record of local exploration and development.

The prospect offers several attractive target reservoirs in the Miocene Tex W interval at depths between 12,000 and 15,000 feet. The initial well should encounter four sets of sandstone reservoirs occurring in three independent trap types, including dip-closure traps against faults and stratigraphic traps. All of the reservoirs and traps that will be investigated in the first well are known to produce gas and oil in adjacent fields, with typical initial gas rates in excess of 5 million cubic feet of gas per day. For some of the potential reservoirs, amplitude anomalies in the 3D seismic survey indicate gas-charged reservoirs (confirmed by drilling in adjacent fields), and mapping from the 3D survey allows good delineation of these accumulations.

### SUMMARY

- Gross potential P50 reserves are estimated by GGP at 115 billion cubic feet (BCF) gas equivalent with GGP's share approximately 13 BCF
- High flow rate potential in excess of 5 million cubic feet of gas per day
- Dry hole cost net to GGP is approximately US\$1.3 million
- Net revenue interest after back in rights of 11.25%
- Four main prospective targets between 12,000 – 15,000 feet
- All targets are known to be productive in local area
- Prospect is considered relatively low risk due to the existence of amplitude-anomaly direct hydrocarbon indicators in productive adjacent analogue fields

### **LGS Deep Prospect, Iberville Parish, Louisiana, Operator 50% WI**

The LGS Prospect is set up by subsurface control and 3D seismic acquired in 2005. The deep targets at LGS fall within the same fault trap where the Miogyp and Cib Haz sands are prospective. The upside potential from these zones adds another 9 million barrels of recoverable oil and 18 billion cubic feet of gas.

Both of these primary objectives are found to be productive in the area on similar fault bounded structural traps with initial rates of 600-1,000bpd and 5-8mmcfpd from 10-20 feet of sand. The 3D seismic provides excellent definition of the probable trap area.

The Company has the option to re-enter an existing well bore and deepen it to the targeted objectives at a cost well below the cost of a new well. The existing wellbore will be further evaluated before a final decision on deepening is made. The Company expects to either deepen the existing well or spud a new well during the fourth quarter. GGP's has a 50% working position in the LGS Deep prospect. GGP's share of deepening or dry hole costs for a new well ranges from US\$750,000 to US\$3,250,000, some of which has already been spent on site preparations and the existing well re-entry.

The Company has a 50% working interest in the project.

# Padre Island

## **Kindee ST 949 #1 (Wilson Prospect) Operator, GGP WI Prospect 58.23%**

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The Wilson well was shut in and was awaiting a workover to assess a possible mechanical problem associated with the tubing/packer seal within the well. Prior to the shut-in water production from the well had increased significantly along with a corresponding decrease in production volumes. At the time of this report the workover had not been completed.

# Production

for the quarter ended 30 September 2008

During the quarter Golden Gate's estimated gross share of production from its USA operations was **222** million cubic feet of gas and **1,890** barrels of oil.

At gas prices of US\$6.50 mbtu and oil prices of US\$70 per barrel, net revenue to GGP (after royalty and costs) is estimated at over A\$960,000 monthly.

# Corporate

## **US\$1 million Finance Facility**

On 29 August the Company secured a finance facility of US\$1 million to provide working capital to be utilized towards completion costs associated with the Bullseye Prospect. The facility had a six month term and subject to a 9% pa coupon.

Under the terms of the facility the Company issued 600,000 unlisted options exercisable at 40 cents and expiring 31 August 2011 following the drawdown of US\$500,000. Following the most recent fundraising as described below this facility has been cancelled and all funds loaned have been repaid.

## **US\$5 million Line of Credit**

On 19 September the Company executed a line of credit agreement for US\$5 million. The agreement created a line of credit to meet short term working capital requirements for on going operations. The interest rate on any amount drawn down was LIBOR based with no conversion options or equity component. Advances against the facility would be due and payable between 6 and 9 months with no penalty for early repayment. At the time of any drawdown, lender approval is required.



## **Capital Raising Placement**

In early October the Company was able to announce the successful placement of 18,214,285 shares at 28 cents raising \$5.1m before expenses. The company was encouraged by the strong support shown by investors, particularly given the condition of the financial markets.

## **Annual General Meeting**

The notice of Annual General Meeting and associated material has been sent out to shareholders. The meeting will be on Friday, 21 November 2008 at 2:30pm (AEDT). The meeting will be held at Level 1, 566 Elizabeth Street, Melbourne.

## **General**

200,000 unlisted options exercisable at 33 cents expired on 19 August 2008.

The Company new registered office has changed to:

Level 21  
77 St Georges Terrace  
Perth WA 6000

*On behalf of the Board of Directors*

### ***For further information contact:***

Steven Graves  
Managing Director  
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Sam Russotti  
Chairman  
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Mark Freeman  
Director  
Phone +61 8 9324 1177

The information in this report has been reviewed and signed off by both Mr Sam Russotti, Chairman, (BSc Geology) and Mr. Jeff Copley, VP Operations (MSc. Geophysics), both with over 30 years relevant experience within oil and gas sector.

## **Forward Looking Statements**

This announcement contains forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Rule 5.3

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Golden Gate Petroleum Ltd

ABN

34 090 074 785

Quarter ended ("current quarter")

30 Sept 2008

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	3,428	3,428
1.2 Payments for		
(a) exploration and evaluation	(1,662)	(1,662)
(b) development	(1,801)	(1,801)
(c) production	(1,643)	(1,643)
(d) administration	(157)	(157)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	6
1.5 Interest and other costs of finance paid	(75)	(75)
1.6 Income taxes paid		
1.7 Unapplied Cash Advance to Operator		
<b>Net Operating Cash Flows</b>	<b>(1,904)</b>	<b>(1,904)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(e) prospects		
(f) equity investments (net of receivables and cash)		
(g) other fixed assets		
1.9 Proceeds from sale of:		
(h) prospects		
(i) equity investments		
(j) other fixed assets		
1.10 Loans from other entities		
1.11 Refunds/(Payments) of Security Deposits	(28)	(28)
<b>Net investing cash flows</b>	<b>(28)</b>	<b>(28)</b>
1.13 Total operating and investing cash flows	<b>(1,932)</b>	<b>(1,932)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (carried forward)	(1,932)	(1,932)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Costs of the Issue		
1.16	Proceeds from borrowings	605	605
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	605	605
<b>Net increase (decrease) in cash held</b>			
1.20	Cash at beginning of quarter/year to date	2,745	2,745
1.21	Exchange rate adjustments to item 1.20	330	330
1.22	<b>Cash at end of quarter</b>	1,748	1,748

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	291
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Payments include consulting fees, directors fees and provision of a fully serviced office which includes accounting staff.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

### Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	4,218	3,605
3.2 Credit standby arrangements	7,093	0

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,500
4.2 Development	2,500
<b>Total</b>	<b>4,000</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,748	2,745
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,748</b>	<b>2,745</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 <b>Preference securities</b>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	243,234,160	243,234,160		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities (description)	Number 11,320,754	+Class	<b>Conversion \$</b> 26.5 cents	<b>Maturity</b> 15/5/2009
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	27,950,000		<b>Exercise price</b> 33 cents (1m) 22 cents (3.5m) 54 cents (3.25m) 25 cents (2m) 35 cents (17.60m) 40 cents (0.6m)	<b>Expiry date</b> 1 Dec 08 1 Dec 08 31 Dec 09 30 June 10 30 Oct 10 31 Aug 11
7.8 Issued during quarter	600,000		40 cents	31 Aug 11
7.9 Exercised during quarter				
7.10 Expired during quarter	200,000		33 cents	19 Aug 08
7.11 <b>Debentures</b> (totals only)	0			
7.12 <b>Unsecured notes</b> (totals only)	0			

**Compliance statement**

+ See chapter 19 for defined terms.

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Mark Freeman

Finance Director

Date: 29 Oct 2008

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.