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ASX ANNOUNCEMENT

20 October 2010

WELL PROGRAM - SIGNIFICANT OPERATIONS CONTINUE

Highlights

- **TB08, TB09 and SJB03 wells – significant operations continue**
- **TB04 – successful initial gas flow**

TB08, TB09 and SJB03 wells – significant operations continue

Sino Gas & Energy Holdings Limited (Sino Gas, ASX:SEH) is implementing its 2010 work program to move towards development through upgrading a portion of the Company's 2.7Tcf of Contingent and Prospective Resource position to Reserves.

TB08 well inspection
Managing Director – Stephen Lyons (left),
Chief Operating Officer – Frank Fu (right),
Drilling Supervisor – Larry Yuan (Centre)

Part of the reserves upgrade program is the drilling and flow testing of a series of additional wells.

On the Linxing Production Sharing Contract (PSC), Sino Gas will drill the TB08 and TB09 wells. These wells are step out wells from the very successful TB07 well that flowed at an estimated rate of 2,900,000 scf/day, significantly in excess of Sino Gas's commerciality determination.

The drilling of **TB08** is currently underway. Sino Gas's 'turn-key' drilling contractor Bohai Drilling Engineering Company Ltd (BDEC) experienced 'wash outs' around an interval (610 to 625 meters) and commenced sealing this section with a cement plug. As of 18:00 hours yesterday, BDEC have confirmed that the cement plug has been successfully set with a survey confirming that the well has 'side tracked' around the plug. Forward operations are to now run in the hole with a conventional Bottom Hole Assembly and continue drilling to the planned total depth of approximately 2,200 meters. It is anticipated that the rate of drilling will now improve significantly.

In order to complete the 2010 work program, Sino Gas has secured a drilling rig from Zhongyuan Petroleum Exploration Bureau (ZPEB). ZPEB are a subsidiary of the Chinese Major, Sinopec with substantial experience in well operations. Sino Gas has used ZPEB in the past to drill a number of wells, most recently the TB07 well in Q4, 2009.

The ZPEB rig will be deployed to drill the **TB09** well. ZPEB is in the process of mobilising equipment to site and rigging up. It is expected that the well will be spudded (commence drilling) at the end of this week for a program expected to last around 30 days.

On the Sanjiaobei PSC, Sino Gas will drill the **SJB03** well. Sino Gas has secured an additional rig from BDEC to drill this well, which is currently being mobilised to site. Again, it is expected that the well will spud later this week for a 30 day drilling program.

Following a recent trip to the field to review operations, Sino Gas Managing Director, Stephen Lyons said he was pleased with the operational progress being made by the Company.

"The Company is executing well on its 2010 reserves upgrade program. In particular, securing additional rigs to immediately spud the TB09 and SJB03 wells means that the Company should be able to readily complete its planned drilling program," said Mr Lyons.

TB04 well – successful initial gas flow

Sino Gas has perforated the first zone in the TB04 gas discovery well and is in the process of cleaning up the well to confirm a stable gas production rate.


TB04 Successful initial Flow Test

Sino Gas's flow testing contractor, CCDC Downhole Technical & Operations Company (CCDC) perforated a 2 meter thick zone and commenced a Drill Stem Test (DST) to measure formation flow and pressure data.

Following perforation a rapid gas response was encountered and a large gas flare was observed (flow rate not measured).

The well was then 'shut in' to measure formation pressure. However a packer (essentially an expandable plug) which was being used to isolate the reservoir zone being tested has failed allowing water (completion fluid) to enter the formation.

The packer was subsequently replaced and following a further 'shut in' period the well was brought back into production. The workover to replace the leaking packer and fluid loss to the formation has significantly reduced well production.

The well has now been flowed for a period of 21 hours. The gas rate continues to increase as the lost fluid is back produced and the well cleans up. At a choke size of 22/64" (approx 8.7 mm), the well is currently flowing at a rate of approximately 100,000 scf/day with a tubing head pressure of 70 psi.

Forward operations are to continue clean-up, conduct a pressure build-up test, and to retrieve and analyse the down-hole pressure gauges to determine the formation pressure and whether any water blocking is occurring.

-ENDS-

For more information, please contact:

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About Sino Gas & Energy Holdings Limited
Sino Gas & Energy Holdings Limited (ASX: SEH) is an Australian company focused on developing Chinese gas assets. The Company has operated in Beijing since 2005 and holds a portfolio of unconventional gas assets in China through Production Sharing Contracts (PSC's).

The PSC's are located in Shanxi province in the Ordos Basin and cover an area of over 3,700km^2. The Ordos Basin is the second largest onshore oil and gas producing basin in China. The area has mature field developments with an established pipeline infrastructure to major markets. Rapid economic development is being experienced in the provinces in which Sino Gas's PSC's are located and natural gas is seen as a key component of clean energy supply in China.

On Sino Gas's Tuban prospect, 9 wells have been drilled, the latest being TB07 in November 2009. Extensive seismic and other subsurface studies have also been conducted. 4 wells have been fracced and tested with commercial flow rates achieved on the TB02 well, TB05 well and recently significant commercial rates on the TB07 well. 2.7Tcf of Contingent and Prospective gas resources (100% mid case figures) have been independently verified on the Tuban Prospect.

The statements of resources in this Release have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems standards by internationally recognized oil and gas consultants RISC Pty Ltd. They are based on the Technical Report prepared by RISC Pty Ltd and included in full in the Company's Prospectus dated 29 July 2009.

Additional information on Sino Gas can be found at www.sinogasenergy.com